



Sale of retail and wealth business in five Asian countries

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

31 OCTOBER 2016

OVERVIEW

Overview

- ANZ to sell its retail and wealth business in Singapore, China, Hong Kong, Taiwan and Indonesia to DBS Bank Limited
- Sale reflects the bank's strategic priority to create a simpler, better capitalised and better balanced bank, and follows a review of the retail and wealth business in Asia, taking into consideration:
 - changes in the retail regulatory environment
 - ongoing investment required to build a distinctive Asia retail customer proposition
 - strategic focus of the bank to grow in attractive areas where we can carve out winning positions and improve capital efficiency and shareholder returns
- Transaction enables resources in Asia to be focused on running a world class institutional business in the region, serving key institutional clients connected to the region via trade and capital flows

Transaction summary (ANZ financials as at 30 September 2016)

- Business being sold includes ~\$11 billion in gross loans and advances, ~\$7 billion in credit risk weighted assets and ~\$17 billion in deposits
- In FY16, the business generated revenue of ~\$825 million, provisions of ~\$160 million; and net profit of ~\$50 million
- Sale price represents an estimated premium to net tangible assets at completion of approximately \$110 million
- As part of the transaction, ANZ will take a net loss of ~\$265 million including write-downs of software, goodwill and fixed assets; and separation and transaction costs. The impact is expected to be slightly higher in the first half of financial year 2017, but offset back to ~\$265 million in subsequent periods

Capital impact

- Sale is expected to improve ANZ's CET1 ratio by ~15 to ~20 bps (~30 bps internationally comparable Basel 3¹), and excluding the write-downs in 1HFY17, there will be a small impact on ROE and EPS

Timing

- Sales of the business will occur progressively over the next 18 months, with 3 of the 5 countries expected to occur during the second half of the 2017 financial year, and the remaining 2 in the first half of financial year 2018. Sale is conditional upon regulatory approval in each market

1. ANZ's interpretation of the regulations documented in the Basel Committee publications; "Basel 3: A global regulatory framework for more resilient banks and banking systems" (June 2011) and "International Convergence of Capital Measurement and Capital Standards" (June 2006). Also includes differences identified in APRA's information paper entitled International Capital Comparison Study (13 July 2015)

ANZ ASIA PORTFOLIO

ONGOING BUSINESS¹

ANZ Institutional Asia

Gross loans and advances	\$43b
Deposits	\$41b
FTE	1,490
Coverage (Asian Markets)	15

Products

- Relationship banking - corporate and institutional banking
- Markets, loans and specialised finance - customer solutions, corporate and institutional sales, commodities solutions, trading, debt capital markets, syndications, project & structured finance, structured asset finance, structured export finance
- Transaction banking - trade and supply chain, payments and cash management and clearing services

ANZ operational hubs

FTE	>9,100
Locations:	Bengaluru, India; Manila, Philippines; Chengdu, China

NON CORE BUSINESS

Retail and Wealth Asia – this transaction²

Gross loans and advances	~\$11b
Deposits	~\$17b
Countries	5

Minority investments in Asia³

# of material minority investments	4
Carrying value	~4.1bn

1. as at 30 September 2016

2. excludes ANZ retail and wealth businesses in Vietnam, Cambodia, Philippines & Japan

3. carrying value as at 31 March 2016 refers to ANZ's equity accounted investments in AMMB Holdings Berhad, PT Bank Pan Indonesia and Shanghai Rural Commercial Bank. The fourth minority investment refers to ANZ's investment in Bank of Tianjin, accounted for as an available-for-sale asset

TRANSACTION DETAILS

COUNTRIES¹



TAIWAN

- Customers ~527,000
- FUM \$4.6 billion



CHINA

- Customers ~9,000
- FUM \$0.9 billion



HONG KONG

- Customers ~24,000
- FUM \$5.6 billion



SINGAPORE

- Customers ~292,000
- FUM \$14.0 billion



INDONESIA

- Customers ~412,000
- FUM \$2.2 billion

ANZ FINANCIAL IMPLICATIONS²

FY16 (contribution from the business in the 5 countries)

Profit & Loss	\$ million
Revenue	~825
Expenses	~600
Provisions	~160
Cash Profit	~50

Balance Sheet (September 16)	\$ billion
Gross loans and advances	~11
Credit risk weighted assets	~7
Deposits	~17

FY17 onward

Direct transaction

- As part of the transaction, ANZ will take a net loss of ~\$265 million including write-downs of software, goodwill and fixed assets; and separation and transaction costs. The impact is expected to be slightly higher in the first half of financial year 2017, but offset back to ~\$265 million in subsequent periods

ANZ's ongoing business

- No material impact on financial contribution to ANZ in 1H17
- Progressive reduction in financial contribution as the business is transitioned on a rolling country basis from 2H17
- Amortisation savings of ~\$30 million pa from impairment of software
- Increase in funding gap as a result of net deposit transition to be actively managed on a Group basis and in line with ANZ's simplification strategy, including reducing low returning assets

1. As at 30 September 2016

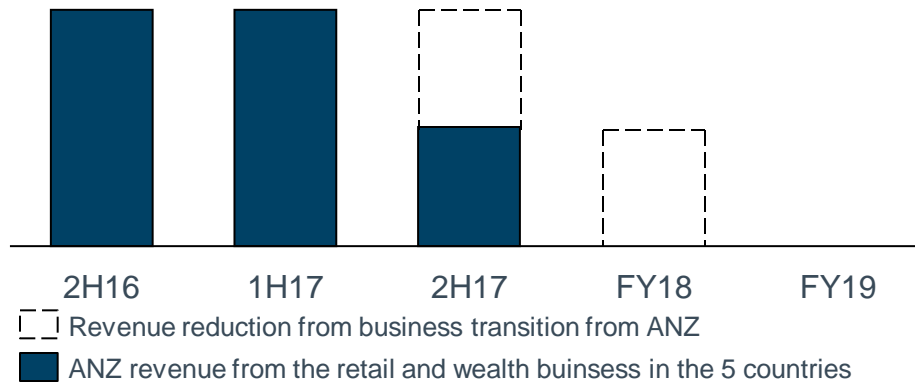
2. Profit and Loss implications associated with the retail and wealth business across the 5 countries

BUSINESS TRANSITION (ILLUSTRATIVE ONLY)

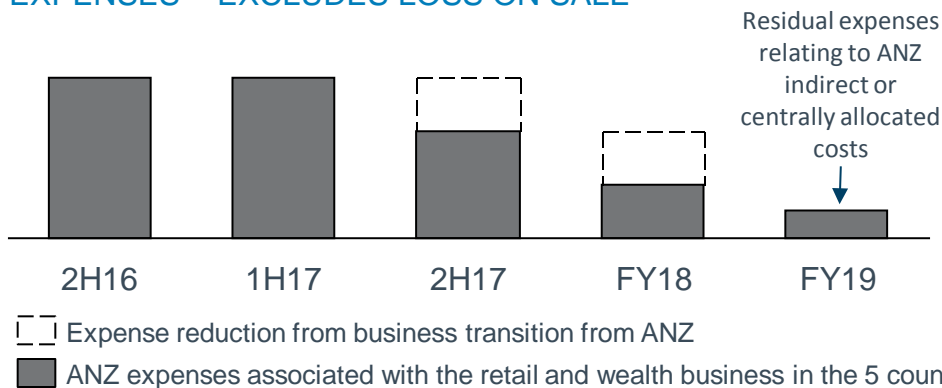
ILLUSTRATIVE¹ IMPACT ON ANZ REVENUE AND EXPENSES ASSOCIATED WITH THE RETAIL AND WEALTH BUSINESS IN THE 5 ASIAN COUNTRIES

REVENUE

3 countries 2 countries



EXPENSES – EXCLUDES LOSS ON SALE



DIRECT TRANSACTION		
Item	Impact	Indicative timing
CET1 benefit	~15 to ~20 bps (Internationally comparable Basel 3 ² : ~30 bps)	In line with business transition
Loss on sale	~265m	Slightly higher in 1H17 Offset back to ~\$265m in 2H17 and 1H18

IMPACT ON ANZ'S ONGOING BUSINESS		
Item	Indicative annualised impact ³	Indicative timing
Revenue	~\$800m	~50% in 2H17 ~50% in 1H18
Expenses	~\$600m	
Direct expenses	A little under half of expenses	>50% in 2H17 <50% in 1H18
Indirect / allocated expenses	A little over half of expenses	Slower roll off over the next 2 - 3 years
Amortisation saving from impairment of software	~\$30m pa	From 1H17

1. Revenue and expense impacts will vary by country with chart not necessarily representative of relative size of impact per country. Timing of country transfers, revenue impacts and expense impacts may also vary to that illustrated

2. ANZ's interpretation of the regulations documented in the Basel Committee publications; "Basel 3: A global regulatory framework for more resilient banks and banking systems" (June 2011) and "International Convergence of Capital Measurement and Capital Standards" (June 2006). Also includes differences identified in APRA's information paper entitled International Capital Comparison Study (13 July 2015)

3. Impact refers to the annual financial contribution from the retail and wealth business in the 5 Asian countries based on FY16 financial performance



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APPENDIX

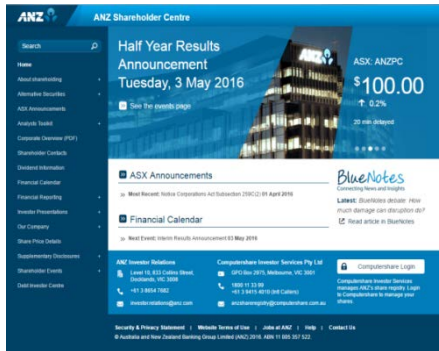
ONGOING BUSINESS - INSTITUTIONAL ASIA

ASIA REMAINS CORE TO ANZ INSTITUTIONAL PRIORITIES¹

PRIORITIES	ACTIONS	
Growth	Continue targeted investment	Target the build out of regional Trade, Cash Management and Markets platforms Improve customer experience and straight through processing (STP) rates, and reduce operational risk
	Grow Profitable Businesses	Grow our Markets Sales and Cash Management businesses
Immediate Focus	Connect customers across the region	Focus on and serve key institutional clients connected to the region via trade and capital flows Increase geographic focus to move decision-making closer to the customer
	Improve Capital Efficiency	Actively sell down or run off low-returning RWAs across Loans & Specialised Finance, Markets and Transaction Banking Improve return on RWA through disciplined pricing and active customer management
	Reduce Costs	Lower FTE by reducing organisational complexity and rightsizing support and enablement functions Simplify and streamline the division to improve productivity Build an appropriately scaled coverage model to win on the basis of customer and industry insight

1. Priorities announced in 1H16

FURTHER INFORMATION



Our Shareholder information

shareholder.anz.com

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