

News Release

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Update on impact of large notable items on 2H20 results

ANZ today announced its second half 2020 Cash Profit will be impacted by an after tax charge of \$528m (approximately a 5 basis points impact on common equity tier one capital) as a result of large notable items, including remediation costs and accelerated software amortisation. The charge impacts Statutory Profit by a similar amount.

Remediation charges recognised in the second half of 2020 will be \$188m (after tax), largely related to an acceleration of remediation programs and product reviews across the Group.

Changes to the application of ANZ's software amortisation policy resulted in a \$138 million (after tax) charge being recognised in the second half of 2020. These changes were made to reflect the increasingly shorter useful life of various types of software assets caused by rapidly changing technology and business requirements.

The remaining charges of \$202m (after tax) include the write-down of goodwill in ANZ's Pacific business, the impact of AASB 9 accounting changes on ANZ's investment in PT Panin and restructuring charges.

The following tables are provided to illustrate the impacts of the above items to cash continuing profit after tax (versus prior comparable periods):

| Item | 2H 2020 (\$m) | 1H 2020 (\$m) | Movement (\$m) |
|-----------------------------------|------------------|------------------|-------------------|
| Customer remediation | 188 | 91 | 97 |
| Accelerated software amortisation | 138 | - | 138 |
| Goodwill write-off | 77 | - | 77 |
| Asian Associate AASB 9 adj | 66 | - | 66 |
| Asian Associate impairments | - | 815 | (815) |
| Restructuring | 41 | 74 | (33) |
| Lease related items | 14 | 58 | (44) |
| Divestment impacts | 4 | (27) | 31 |
| Total | 528 | 1,011 | (483) |

| Item | Full year 2020 (\$m) | Full year 2019 (\$m) | Movement (\$m) |
|-----------------------------------|-------------------------|-------------------------|-------------------|
| Customer remediation | 279 | 475 | (196) |
| Accelerated software amortisation | 138 | - | 138 |
| Goodwill write-off | 77 | - | 77 |
| Asian Associate AASB 9 adj | 66 | - | 66 |
| Asian Associate impairments | 815 | - | 815 |
| Restructuring | 115 | 54 | 61 |
| Lease related items | 72 | - | 72 |
| Divestment impacts | (23) | (308) | 285 |
| Royal Commission | - | 10 | (10) |
| Total | 1,539 | 231 | 1,308 |

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Approved for distribution by ANZ's Continuous Disclosure Committee

Large/Notable items - continuing operations

Within continuing cash profit, the Group has recognised some large/notable items. These items are shown in the tables below.

| | September 2020 Full Year | | | | | | | | | | September 2019 Full Year | | | | | |
|--|--|----------------------------------|-----------------------------|---------------------------|----------------------|----------------------------|--|------------------------------------|--|----------------|--|----------------------------------|-----------------------------|-------------------------------------|-----------------------------------|----------------|
| | Large/notable items included in continuing cash profit | | | | | | | | | | Large/notable items included in continuing cash profit | | | | | |
| | Gain/(Loss) on sale from divestments \$M | Divested business results \$M | Customer remediation \$M | Goodwill write-off \$M | Restructuring \$M | Lease-related items \$M | Accelerated software amortisation \$M | Asian associate impairments \$M | Asian associate AASB 9 adjustment \$M | Total \$M | Gain/(Loss) on sale from divestments \$M | Divested business results \$M | Customer remediation \$M | Royal Commission legal costs \$M | Restructuring \$M | Total \$M |
| Cash Profit | | | | | | | | | | | | | | | | |
| Net interest income | - | 134 | (106) | - | - | (40) | - | - | - | (12) | - | 192 | (141) | - | - | 51 |
| Other operating income | (38) | 2 | (68) | - | - | 22 | - | (815) | (68) | (965) | 252 | 54 | (71) | - | - | 235 |
| Operating income | (38) | 136 | (174) | - | - | (18) | - | (815) | (68) | (977) | 252 | 246 | (212) | - | - | 286 |
| Operating expenses | (6) | (34) | (209) | (77) | (161) | (85) | (197) | - | - | (769) | - | (79) | (373) | (15) | (77) | (544) |
| Profit before credit impairment and income tax | (44) | 102 | (383) | (77) | (161) | (103) | (197) | (815) | (68) | (1,746) | 252 | 167 | (585) | (15) | (77) | (258) |
| Credit impairment charge | - | (23) | - | - | - | - | - | - | - | (23) | - | (14) | - | - | - | (14) |
| Profit before income tax | (44) | 79 | (383) | (77) | (161) | (103) | (197) | (815) | (68) | (1,769) | 252 | 153 | (585) | (15) | (77) | (272) |
| Income tax benefit/(expense) and non-controlling interests | 10 | (22) | 104 | - | 46 | 31 | 59 | - | 2 | 230 | (47) | (50) | 110 | 5 | 23 | 41 |
| Cash profit/(loss) from continuing operations | (34) | 57 | (279) | (77) | (115) | (72) | (138) | (815) | (66) | (1,539) | 205 | 103 | (475) | (10) | (54) | (231) |
| | September 2020 Half Year | | | | | | | | | | March 2020 Half Year | | | | | |
| | Large/notable items included in continuing cash profit | | | | | | | | | | Large/notable items included in continuing cash profit | | | | | |
| | Gain/(Loss) on sale from divestments \$M | Divested business results \$M | Customer remediation \$M | Goodwill write-off \$M | Restructuring \$M | Lease-related items \$M | Accelerated software amortisation \$M | Asian associate impairment \$M | Asian associate AASB 9 adjustment \$M | Total \$M | Divested business results \$M | Customer remediation \$M | Restructuring \$M | Lease-related items \$M | Asian associate impairment \$M | Total \$M |
| Cash Profit | | | | | | | | | | | | | | | | |
| Net interest income | - | 59 | (84) | - | - | (19) | - | - | - | (44) | 75 | (22) | - | (21) | - | 32 |
| Other operating income | (38) | 1 | (32) | - | - | 10 | - | - | (68) | (127) | 1 | (36) | - | 12 | (815) | (838) |
| Operating income | (38) | 60 | (116) | - | - | (9) | - | - | (68) | (171) | 76 | (58) | - | (9) | (815) | (806) |
| Operating expenses | (6) | (16) | (138) | (77) | (56) | (11) | (197) | - | - | (501) | (18) | (71) | (105) | (74) | - | (268) |
| Profit before credit impairment and income tax | (44) | 44 | (254) | (77) | (56) | (20) | (197) | - | (68) | (672) | 58 | (129) | (105) | (83) | (815) | (1,074) |
| Credit impairment charge | - | (3) | - | - | - | - | - | - | - | (3) | (20) | - | - | - | - | (20) |
| Profit before income tax | (44) | 41 | (254) | (77) | (56) | (20) | (197) | - | (68) | (675) | 38 | (129) | (105) | (83) | (815) | (1,094) |
| Income tax benefit/(expense) and non-controlling interests | 10 | (11) | 66 | - | 15 | 6 | 59 | - | 2 | 147 | (11) | 38 | 31 | 25 | - | 83 |
| Cash profit/(loss) from continuing operations | (34) | 30 | (188) | (77) | (41) | (14) | (138) | - | (66) | (528) | 27 | (91) | (74) | (58) | (815) | (1,011) |

Large/Notable items - continuing operations

Within continuing cash profit, the Group has recognised some large/notable items. The impact of these items on the divisional results are shown in the tables below.

| | September 2020 Full Year | | | | | | | | | | September 2019 Full Year | | | | | |
|--|--|--|--------------------------------|-------------------------------|---------------------------|-----------------------------------|--|--|---|--------------|--|--|--------------------------------|---|---------------------------|--------------|
| | Large/notable items included in continuing cash profit | | | | | | | | | | Large/notable items included in continuing cash profit | | | | | |
| | Gain/(Loss) on sale from divestments \$M | Divested business results \$M | Customer remediation \$M | Goodwill write-offs \$M | Restructur- ing \$M | Lease- related items \$M | Accelerated software amortisation \$M | Asian associate impairments \$M | Asian associate AASB 9 adjustment \$M | Total \$M | Gain/(Loss) on sale from divestments \$M | Divested business results \$M | Customer remediation \$M | Royal Commission legal costs \$M | Restructur- ing \$M | Total \$M |
| Profit before income tax | | | | | | | | | | | | | | | | |
| Australia Retail and Commercial | - | - | (270) | - | (89) | (68) | (31) | - | - | (458) | - | - | (447) | - | (20) | (467) |
| Institutional | - | - | (20) | - | (17) | (24) | (38) | - | - | (99) | - | 46 | (49) | - | (16) | (19) |
| New Zealand | - | 73 | (76) | (27) | (31) | (4) | (11) | - | - | (76) | - | 105 | (75) | - | (8) | 22 |
| Pacific | - | - | (17) | (50) | - | (3) | - | - | - | (70) | - | - | (14) | - | - | (14) |
| TSO and Group Centre | (44) | 6 | - | - | (24) | (4) | (117) | (815) | (68) | (1,066) | 252 | 2 | - | (15) | (33) | 206 |
| Profit before income tax | (44) | 79 | (383) | (77) | (161) | (103) | (197) | (815) | (68) | (1,769) | 252 | 153 | (585) | (15) | (77) | (272) |
| Income tax benefit/(expense) and non-controlling interests | 10 | (22) | 104 | - | 46 | 31 | 59 | - | 2 | 230 | (47) | (50) | 110 | 5 | 23 | 41 |
| Cash profit/(loss) from continuing operations | (34) | 57 | (279) | (77) | (115) | (72) | (138) | (815) | (66) | (1,539) | 205 | 103 | (475) | (10) | (54) | (231) |

| | September 2020 Half Year | | | | | | | | | | March 2020 Half Year | | | | | |
|--|--|--|--------------------------------|------------------------------|---------------------------|-----------------------------------|--|---|---|--------------|--|--------------------------------|---------------------------|-----------------------------------|--|--------------|
| | Large/notable items included in continuing cash profit | | | | | | | | | | Large/notable items included in continuing cash profit | | | | | |
| | Gain/(Loss) on sale from divestments \$M | Divested business results \$M | Customer remediation \$M | Goodwill write-off \$M | Restructur- ing \$M | Lease- related items \$M | Accelerated software amortisation \$M | Asian associate impairment \$M | Asian associate AASB 9 adjustment \$M | Total \$M | Divested business results \$M | Customer remediation \$M | Restructur- ing \$M | Lease- related items \$M | Asian associate adjustments \$M | Total \$M |
| Profit before income tax | | | | | | | | | | | | | | | | |
| Australia Retail and Commercial | - | - | (169) | - | (4) | (36) | (31) | - | - | (240) | - | (101) | (85) | (32) | - | (218) |
| Institutional | - | - | (20) | - | (13) | (13) | (38) | - | - | (84) | - | - | (4) | (11) | - | (15) |
| New Zealand | - | 39 | (50) | (27) | (20) | (1) | (11) | - | - | (70) | 34 | (26) | (11) | (3) | - | (6) |
| Pacific | - | - | (15) | (50) | - | (1) | - | - | - | (66) | - | (2) | - | (2) | - | (4) |
| TSO and Group Centre | (44) | 2 | - | - | (19) | 31 | (117) | - | (68) | (215) | 4 | - | (5) | (35) | (815) | (851) |
| Profit before income tax | (44) | 41 | (254) | (77) | (56) | (20) | (197) | - | (68) | (675) | 38 | (129) | (105) | (83) | (815) | (1,094) |
| Income tax benefit/(expense) and non-controlling interests | 10 | (11) | 66 | - | 15 | 6 | 59 | - | 2 | 147 | (11) | 38 | 31 | 25 | - | 83 |
| Cash profit/(loss) from continuing operations | (34) | 30 | (188) | (77) | (41) | (14) | (138) | - | (66) | (528) | 27 | (91) | (74) | (58) | (815) | (1,011) |