



19 February 2019

IOOF 1H19 Financial Result

Result overview

- Statutory net profit after tax (NPAT) \$135.4 million, up 200%
- Underlying NPAT from continuing operations \$100.1 million, up 6%
- Total funds under management, administration and advice (FUMA) \$137.8 billion, up 10% in the six months to 31 December 2018
- Net platform inflows of \$688 million, up 12%
- Cost to income ratio 52.4%, improved 2%
- Fully franked dividend of 25.5 cents per share declared

IOOF Acting CEO, Renato Mota, said:

“We have delivered a solid financial result in a difficult first half-year, and we’re well aware of the challenge ahead to restore trust. The Royal Commission has identified some serious failings within our industry and given us cause for reflection and a catalyst for change.

“We are listening to our clients, members, advisers and the communities in which we operate. We’re resetting our relationship with APRA, setting higher standards in governance, and considering the recommendations of the Royal Commission’s Final Report.

“In summary, we are accelerating changes within our business that will lead to better outcomes for our clients.

“I am encouraged by the professionalism and resilient attitude of our people. They have an unwavering commitment to our clients, remain committed to our business and demonstrate a strong belief in our purpose.

“This attitude is reflected in our solid result in the period with statutory NPAT of \$135.4 million, up 200%, and underlying NPAT of \$100.1 million, up 6%. We achieved excellent net platform inflows of \$688 million, up 12%, and FUMA increased by 10%, which was augmented by the ANZ Wealth Management Aligned Dealer Group (ADG) acquisition.

“Importantly, this result reflects the strength of our diversified business model, across advice and platforms, portfolio and estate administration and investment management.”

Underlying business performance is solid

The statutory NPAT increase is in part attributable to large, one-off, non-recurring items, including the after-tax impacts of \$34 million profit from the sale of IOOF’s corporate trust business, \$25 million recovery of amounts paid in settlement of litigation, and a \$28 million goodwill impairment of Perennial Investment Partners Limited, which occurred in the prior corresponding period.

Mr Mota said, “In the period we saw Platform net inflows and increased FUMA, however, competitive pricing initiatives from a third-party administrator impacted flows and gross margins in the Advice segment.”

A fully franked dividend of 25.5 cents per share was declared.

IOOF has reverted to its dividend payout ratio policy of 60–90% with 25.5 cents per share at the upper end of this range. A 27 cent per share dividend in the two previous periods was paid to maintain yield to pre-existing shareholders who might otherwise have had their returns diluted following IOOF's October 2017 capital raise. The return to policy is reflective of the substantial economic completion of the ANZ Wealth Management acquisition during the half-year.

IOOF's first half result has been strengthened by the successful acquisition of ANZ's Wealth Management ADGs and the transition of 661 advisers and \$17.3 billion of Funds Under Advice in October 2018. As a result, FUMA increased to \$137.8 billion.

Excluding the addition of the ex-ANZ Wealth Management ADGs, IOOF's cost base has increased by less than CPI.

Mr Mota said, "We've maintained a highly disciplined approach to cost management while delivering superior service to our clients. Our agile culture sees a focus on investment in a prudent manner and this will continue in the second half of 2019."

Compliance with regulatory requirements a key focus

IOOF's key focus has been ensuring progress is being made on APRA's additional licence conditions.

Mr Mota said, "Ensuring we meet the obligations of our licence conditions remains a key priority in the months ahead. We are committed to bringing resolution to each of the requirements and working to reset our relationship with APRA."

"IOOF is fully supportive of Royal Commission recommendations that lead to a better, stronger financial services industry for the benefit of all Australians. We are committed to our advice-led strategy and will assist our advisers in working through these changes."

IOOF today announces that it expects to incur \$20–30 million in compliance and regulatory costs commencing immediately and into FY20. This includes a review into advice quality as well as strengthening of existing compliance and regulatory frameworks in-line with ASIC Report 515 audit standards and remediation protocols across all IOOF licenses.

Mr Mota said, "Our review of advice to date has not highlighted any systemic issues but we are committed to ensuring our advisers are providing high quality advice outcomes consistently and meeting all of their obligations to clients. Therefore, we will undertake a further review and aim to have it completed by September of this year."

Progress on ANZ Wealth Management acquisition

During the half, IOOF completed the acquisition of the ANZ ADGs. IOOF and ANZ also agreed to accelerate the economic completion of the transaction, with IOOF receiving 82% economic interest in the ANZ Pensions & Investments (P&I) business.

IOOF has received coupon interest of \$28.9 million in the first half of 2019, which equates to 82% of the profitability of the underlying P&I business. This coupon rate will continue until after the successor fund transfer has been completed to enable the separation of the ANZ businesses.

Mr Mota said, "The ability to structure the economic completion of the P&I business demonstrates a commitment by both parties to the transaction. We are in constant and open dialogue with ANZ and are confident that clients' best interests will be served by the transition to IOOF."

-ENDS-



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About IOOF Holdings Ltd

IOOF has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

IOOF provides advisers and their clients with the following services:

- **Financial Advice** services via our extensive network of financial advisers and stockbrokers.
- **Portfolio & Estate Administration** for advisers, their clients and hundreds of employers in Australia.
- **Investment Management** products that are designed to suit any investor's needs.

Further information about IOOF can be found at www.ioof.com.au

