



# ANZ COVERED BOND GUIDE

AUGUST 2021

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED  
(ABN 11 005 357 522)



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## ANZ COVERED BOND PROGRAM OVERVIEW



# AUSTRALIAN COVERED BOND LEGISLATION

<b>Structure</b>	<ul style="list-style-type: none"><li>• Covered bond issuance permitted pursuant to the Banking Act 1959 since October 2011.</li><li>• Authorised deposit taking institutions (<b>ADIs</b>) to be covered bond issuer, with dual recourse to issuer (first) and the cover pool (next).</li><li>• Guarantee provided by a special purpose vehicle (<b>SPV</b>), used for segregation of cover pool assets and provides legal certainty of a priority claim over the cover pool assets.</li></ul>
<b>Priority</b>	<ul style="list-style-type: none"><li>• Bondholders have a priority claim against a cover pool of financial assets.</li><li>• Demand Loan and Intercompany Loan determine the size of the cover pool. Combined limit set on these loan facilities must comply with the total cover pool limit.</li><li>• The Australian Prudential Regulation Authority (<b>APRA</b>) has limited powers with respect to assets in the cover pool.</li></ul>
<b>Cover Pool</b>	<ul style="list-style-type: none"><li>• Australian assets only - includes cash, Australian Government bonds, State-Government bonds, &lt;100 day bank debt (up to 15%), residential or commercial mortgage loans and certain derivatives.</li><li>• ANZ pool limits State-Government bonds to less than 15% and does not include any commercial mortgage loans.</li><li>• Minimum level of over-collateralisation of 3% where value is only provided up to 80% loan to value ratio for residential loans (with contractual over-collateralisation (<b>OC</b>) in addition).</li></ul>
<b>Issuance Limits</b>	<ul style="list-style-type: none"><li>• Issuance not permitted if cover pool assets &gt; 8% of ADI's Australian assets.</li></ul>
<b>Supervision</b>	<ul style="list-style-type: none"><li>• APRA has prudential supervision responsibilities.</li><li>• Defined role of an independent cover pool monitor.</li></ul>

# ANZ RESIDENTIAL COVERED BOND PROGRAM

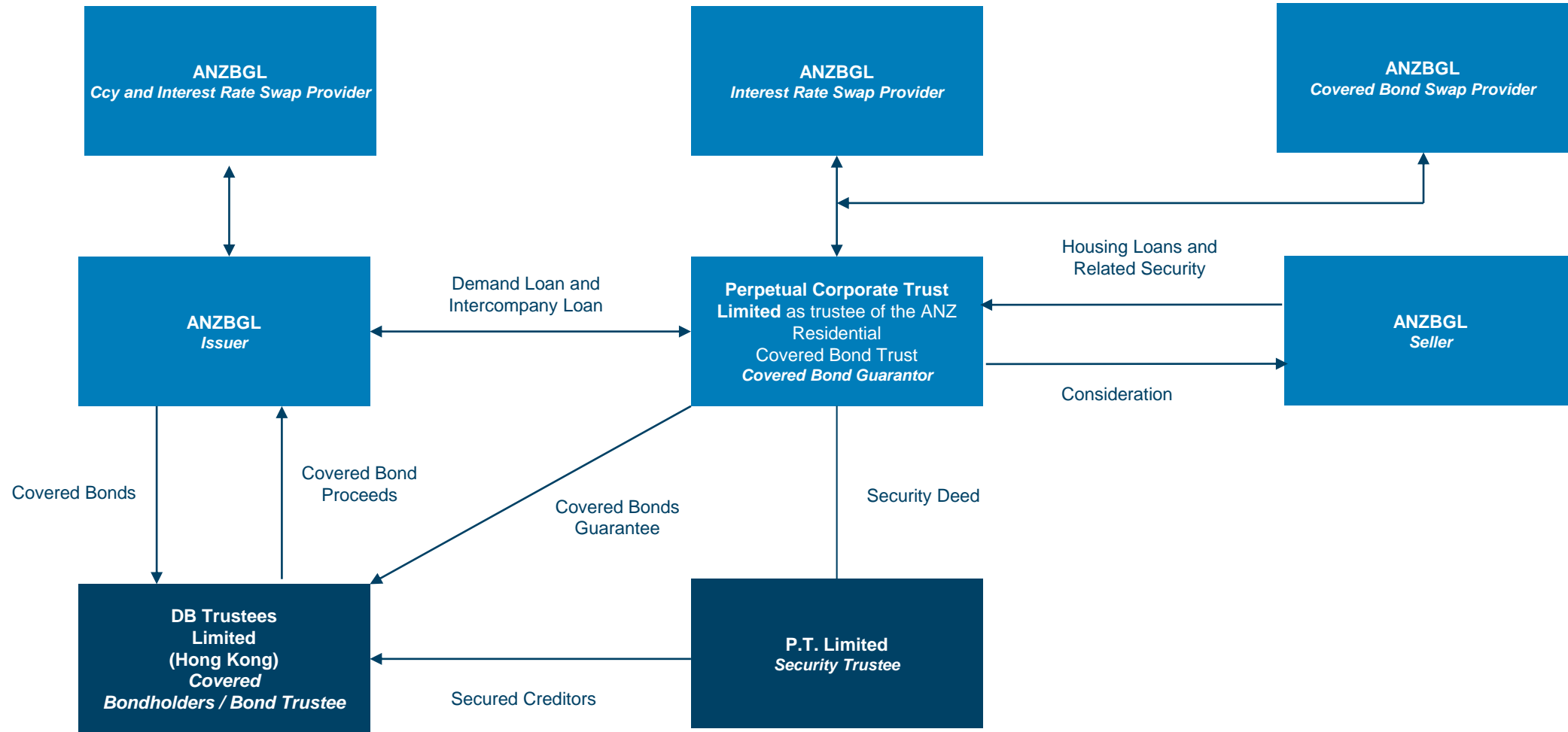
<b>Issuer</b>	<ul style="list-style-type: none"> <li>Australia and New Zealand Banking Group Limited (<b>ANZBGL</b> and <b>ANZ</b>)</li> </ul>
<b>Issuer Rating</b>	<ul style="list-style-type: none"> <li>AA-/A1+, Aa3/P-1 (Moody's), A+/F1 (Fitch)</li> </ul>
<b>Program Size</b>	<ul style="list-style-type: none"> <li>US\$30,000,000,000</li> </ul>
<b>Covered Bond Rating</b>	<ul style="list-style-type: none"> <li>Aaa (Moody's) / AAA (Fitch)</li> </ul>
<b>Covered Bond Guarantor</b>	<ul style="list-style-type: none"> <li>Perpetual Corporate Trust Limited in its capacity as trustee of the ANZ Residential Covered Bond Trust.</li> </ul>
<b>Covered Bond Guarantee</b>	<ul style="list-style-type: none"> <li>Guarantees payments of interest and principal, secured over a cover pool.</li> </ul>
<b>Cover Pool</b>	<ul style="list-style-type: none"> <li>Australian, first ranking residential mortgages and authorised investments ring fenced in the ANZ Residential Covered Bond Trust.</li> </ul>
<b>Over-collateralization</b>	<ul style="list-style-type: none"> <li>Maximum Asset Percentage is 95% and the current minimum Asset Percentage is 90.5%.</li> <li>Contractual over-collateralisation of 10.5% is the inverse of Asset Percentage.</li> <li>Monthly Asset Coverage Test to ensure cover pool has sufficient assets to secure the outstanding covered bonds per minimum contractual OC requirements.</li> </ul>
<b>LVR Cap</b>	<ul style="list-style-type: none"> <li>Legislative requirement includes maximum 80% loan to value ratio for 103% minimum legislative OC requirement. Excess above the 80% loan to value ratio limit is given zero collateral value.</li> </ul>
<b>Governing Law</b>	<ul style="list-style-type: none"> <li>Asset and security documents – Australian</li> <li>Bond distribution documentation – English, New York and/or Australian</li> </ul>
<b>Listing</b>	<ul style="list-style-type: none"> <li>London Stock Exchange for European issuance</li> </ul>

# PARTIES TO THE PROGRAM

<b>Issuer and Seller</b>	<ul style="list-style-type: none"> <li>• ANZBGL</li> </ul> <p>Additional roles include:</p> <ul style="list-style-type: none"> <li>Residual Income Unitholder &amp; Residual Capital Unitholder</li> <li>Calculation Manager</li> <li>Currency &amp; interest rate swap provider</li> <li>Interest Rate Swap provider</li> <li>Contingent Covered Bond Swap provider</li> <li>Account Bank</li> <li>Servicer</li> <li>Custodian</li> </ul>
<b>Covered Bond Guarantor</b>	<ul style="list-style-type: none"> <li>• Perpetual Corporate Trust Limited in its capacity as trustee of the ANZ Residential Covered Bond Trust</li> </ul>
<b>The Trust</b>	<ul style="list-style-type: none"> <li>• ANZ Residential Covered Bond Trust</li> </ul>
<b>Trust Manager</b>	<ul style="list-style-type: none"> <li>• ANZ Capel Court Limited</li> </ul>
<b>Bond Trustee</b>	<ul style="list-style-type: none"> <li>• DB Trustees (Hong Kong) Limited* in its capacity as bond trustee</li> </ul>
<b>Security Trustee</b>	<ul style="list-style-type: none"> <li>• P.T. Limited in its capacity as security trustee</li> </ul>
<b>Paying Agents</b>	<ul style="list-style-type: none"> <li>• Contain Deutsche Bank entities</li> </ul>
<b>Asset Monitor</b>	<ul style="list-style-type: none"> <li>• KPMG (performed at least on a semi-annual basis)</li> </ul>

*\* Some of the functions have been delegated to Perpetual Trustee Limited*

# PROGRAM STRUCTURE



# PROGRAM STRUCTURAL ENHANCEMENTS

<b>Over-collateralization</b>	<ul style="list-style-type: none"><li>• Prior to a Notice to Pay, the <b>Asset Coverage Test</b> is performed on the relevant Determination Date to ensure sufficient assets to support the value of outstanding covered bonds.</li><li>• After a Notice to Pay, the <b>Amortisation Test</b> is performed on each relevant Determination Date to ensure sufficient cash to pay any maturing bonds.</li></ul>
<b>Indexation</b>	<ul style="list-style-type: none"><li>• The nominal value of assets in the asset pool will be adjusted to reflect changes in house prices using a reliable and widely used measure such as RP Data-Rismark home value index.</li><li>• The Asset Coverage Test and Amortisation Test require the use of the Indexed Valuation for each property.</li><li>• Indexing is applied using a similar procedure to UK programmes, with 100% of any loss and 85% of any gain applied.</li><li>• Housing Loans in arrears by more than three months receive zero collateral value.</li></ul>
<b>Interest Rate Swap</b>	<ul style="list-style-type: none"><li>• Hedges interest flows on the cover pool to a spread over 1 month BBSW to cover the payment obligations of the Trust, including interest payments on the Intercompany Loan and Demand Loan and the expenses of the Trust.</li><li>• Provided by ANZBGL and will be required to post collateral, obtain guarantees or be replaced if certain rating triggers occur.</li></ul>
<b>Covered Bond Swap</b>	<ul style="list-style-type: none"><li>• Where covered bonds are issued in a currency and/or on an interest basis different to the Interest Rate Swap, ANZBGL will enter into a Cross Currency Swap and at the same time, the Covered Bond Guarantor will enter into a Forward Starting Covered Bond Swap.</li><li>• Provided by ANZBGL and will be required to post collateral, obtain guarantees and/or be replaced if certain rating triggers occur.</li></ul>

*Capitalised but undefined terms on this page have the meaning given in the Prospectus.*

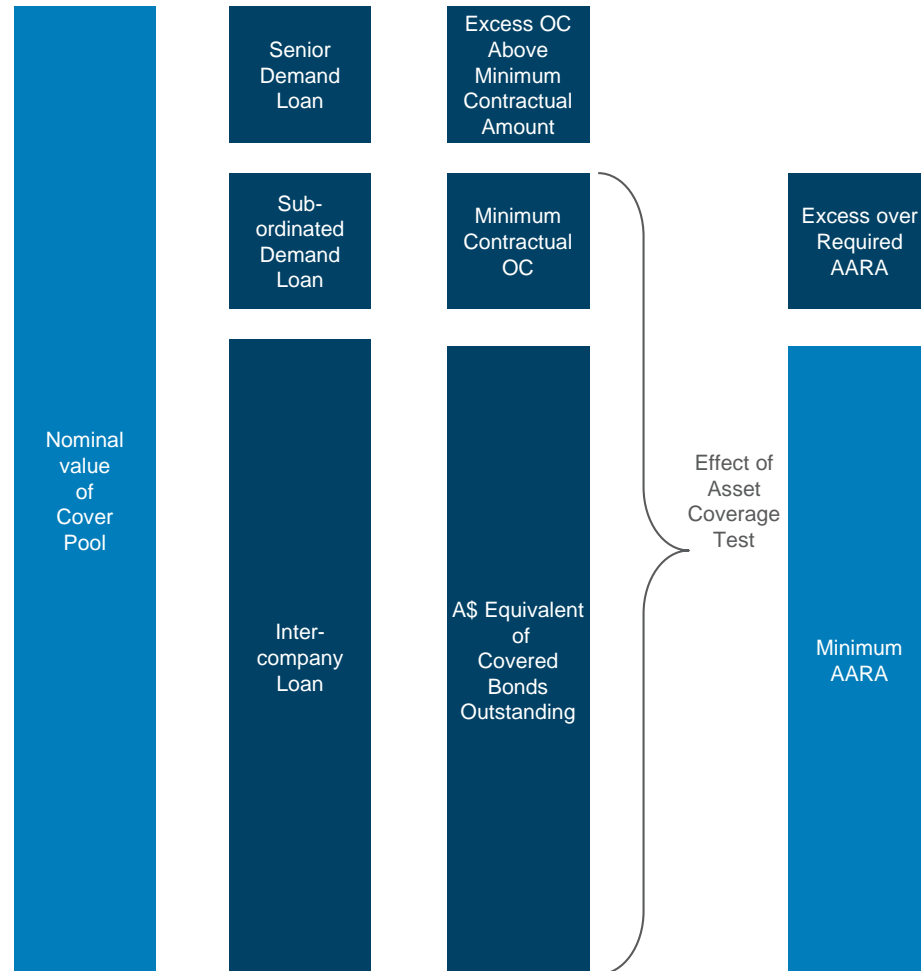


# PROGRAM STRUCTURAL ENHANCEMENTS

<b>Pre Maturity Test</b>	<b>Moody's: below P-1</b> <b>Fitch: below F1+ / A+</b>	<p>For Hard Bullet Covered Bonds maturing within the next 12 months, Pre-Maturity Ledger must be funded by the A\$ equivalent of the Required Redemption Amount.</p> <p>Failure to remedy a breach of the Pre-Maturity Test within the required timeframe will cause an issuer Event of Default to occur.</p>
<b>Reserve Fund</b>	<b>Moody's: below P-1</b> <b>Fitch: below F1+</b>	<p>An amount equal to the A\$ equivalent of three months' interest and expense must be credited to the Reserve Fund. A Reserve Fund has been maintained following the Issuer's short term, unsecured, unsubordinated and unguaranteed obligations being rated F1 by Fitch in April 2020.</p>
<b>Swap Collateralisation &amp; Replacement</b>	<b>Fitch: below F1 / A</b>	<p>Swaps must be cash-collateralized (one-way CSA) within 14 calendar days of a ratings trigger event.</p> <p>ANZ must replace itself as swap counterparty if ANZ's Fitch rating falls below F2 / BBB+</p>
	<b>Moody's: below P-1 / A2</b>	<p>Swaps must be cash-collateralized (one-way CSA) within 30 business days of a ratings trigger event.</p> <p>ANZ must replace itself as a swap counterparty if ANZ's Moody's rating falls below P2 / A3</p>
<b>Transfer Trust Bank Account</b>	<b>Moody's: below P-1</b> <b>Fitch: below F1 / A</b>	<p>Account bank ceases to be an Eligible Bank (with minimum required ratings of P-1 or F1/A) if it does not obtain a guarantee from an Eligible Bank (of its obligations) within 30 Local Business Days of the occurrence of such event.</p>
<b>Servicer Termination Event</b>	<b>Moody's: below Baa3</b> <b>Fitch: below BBB-</b>	<p>The Covered Bond Guarantor or the Security Trustee to terminate the appointment of the Servicer in a manner as set out in Program Documents</p>

Capitalised but undefined terms on this page have the meaning given in the Prospectus.

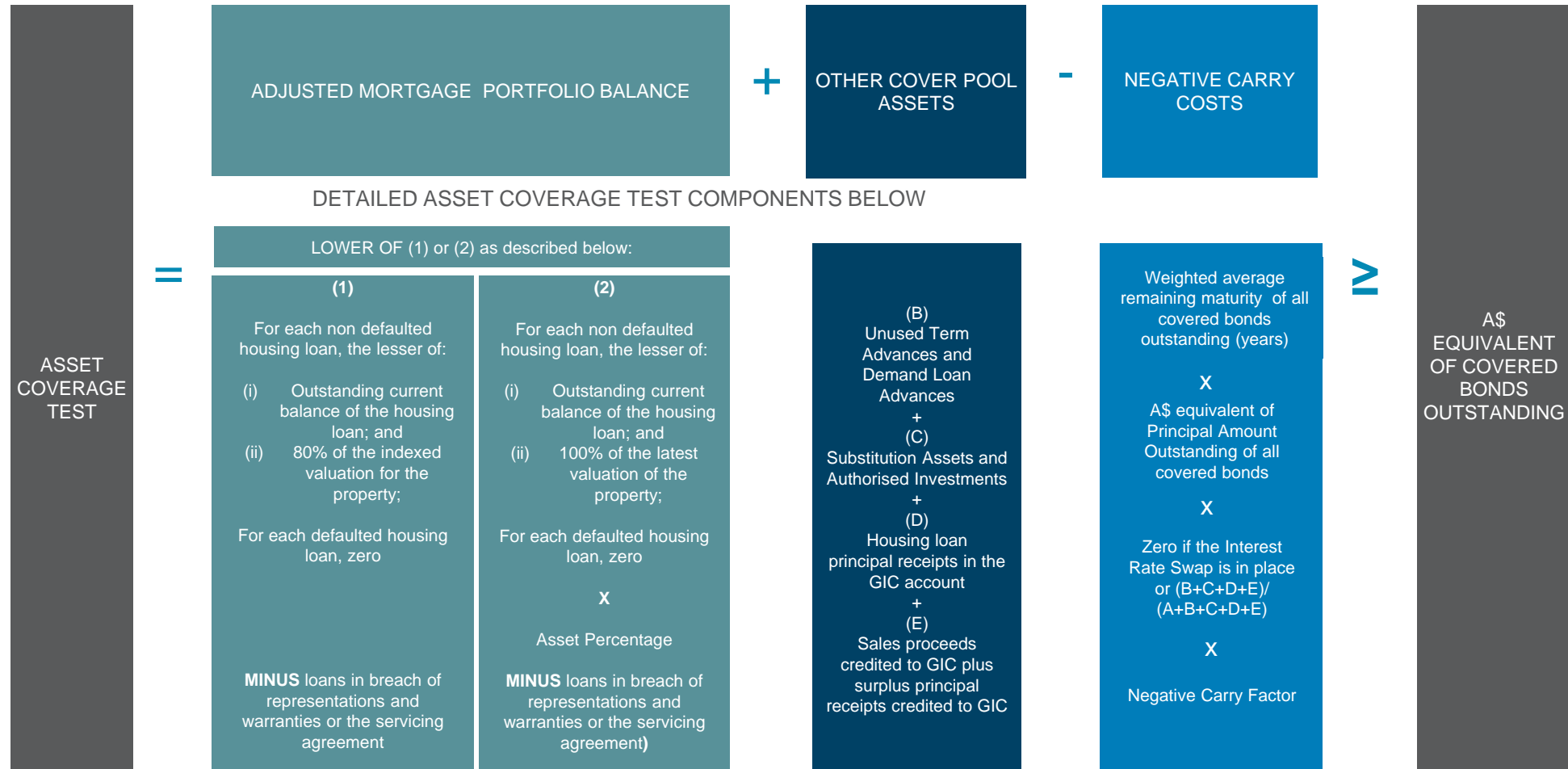
# COVER POOL, THE DEMAND & INTERCOMPANY LOANS



- The Asset Coverage Test is an ongoing test to ensure the adjusted aggregate receivable amount (**AARA**) is equal to or greater than A\$ equivalent of Covered Bonds outstanding.
- The AARA is determined by applying a collateral “haircut” using the asset percentage which corresponds to the contractual minimum over-collateralisation.
- The minimum AARA is for the benefit of bondholders and APRA has no rights with respect to this portion of the cover pool.
- The cash equivalent of the excess AARA over the minimum AARA represents voluntary over-collateralisation, and is funded through the senior demand loan.
- The senior demand loan can be called by the Issuer, or if directed by APRA, for immediate repayment.

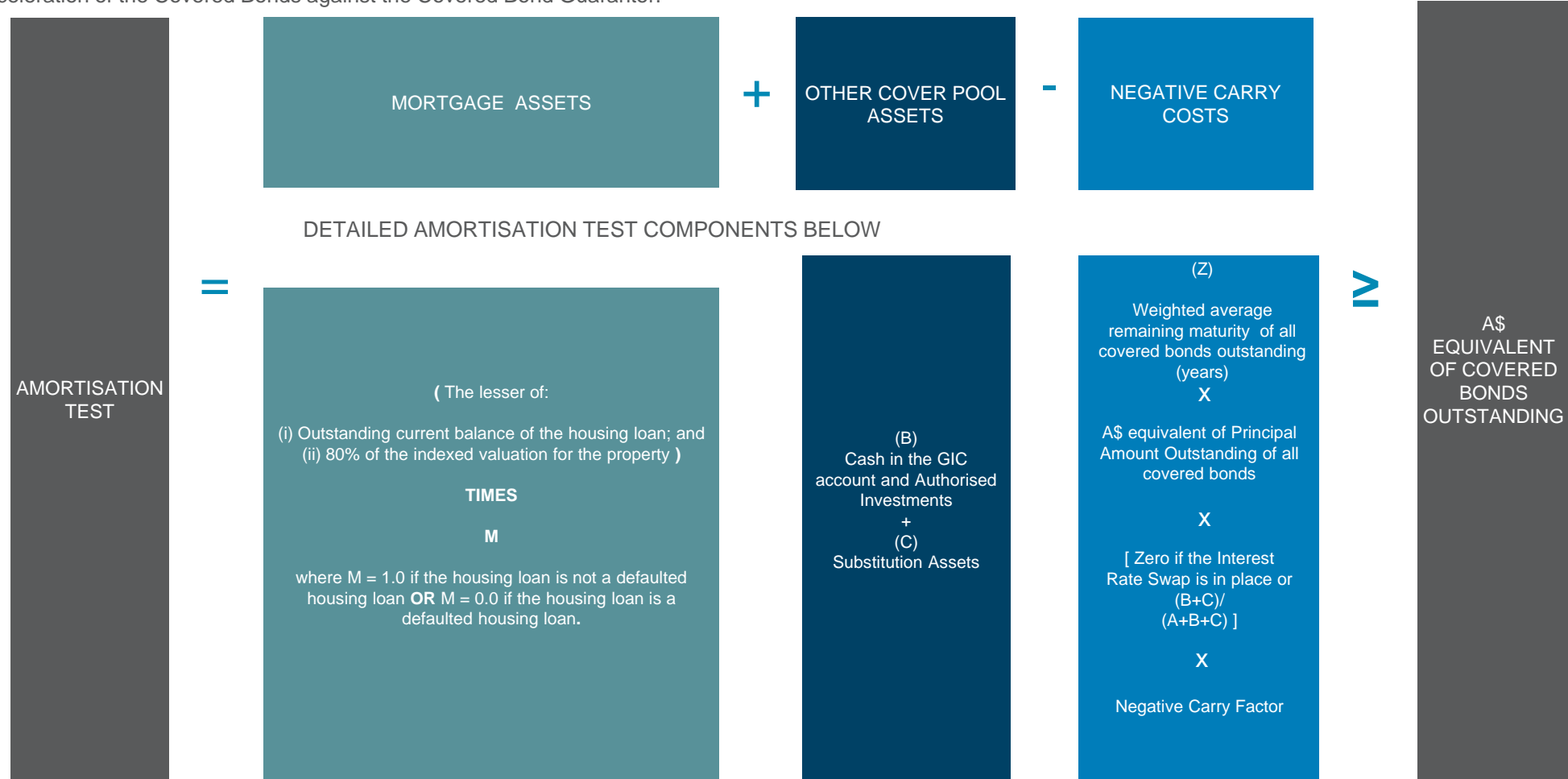
# ASSET COVERAGE TEST

- Tested monthly on every determination date prior to the service of a Notice to Pay
- The Asset Coverage Test is intended to test that the value of housing loans, cash, and other eligible assets is greater than the A\$ equivalent of outstanding covered bonds. The excess is funded by the senior ranking portion of the demand loan.
- Failure of the Asset Coverage Test leads to an Issuer Event of Default and this may then prompt an acceleration of the Covered Bonds against the Issuer.



# AMORTISATION TEST

- Tested monthly on every determination date after the service of a Notice to Pay.
- The Amortisation Test is intended to test that the value of the Covered Bond Guarantor's assets are at least equal to the A\$ equivalent of outstanding covered bonds.
- A failure of the Amortisation Test will constitute a Covered Bond Guarantor Event of Default and prompt an acceleration of the Covered Bonds against the Covered Bond Guarantor.



# ISSUER EVENT OF DEFAULT AND COVERED BOND GUARANTEE

## Issuer Event of Default

Include:

- Default in principal or interest for 7 days
- Issuer fails to perform obligations for 30 days (other than Asset Coverage Test)
- Winding up, insolvency and bankruptcy events
- An uncured breach of Asset Coverage Test

## Following an Issuer Event of Default

- Serving of an Issuer Acceleration Notice to the Issuer will accelerate claims against the Issuer but not the Guarantor. The bonds do not accelerate.
- Bondholders may immediately claim against the Issuer and rank pari-passu with ANZ's senior unsecured debt.
- Any money obtained under that claim is paid to the Guarantor for payment of interest and principal according to the original payment schedule.

## Activation of Covered Bond Guarantee

- Following an Issuer Acceleration Notice, the Trustee may serve a Notice to Pay on the Covered Bond Guarantor.
- Investors receive payment of interest and principal under the Covered Bond Guarantee according to the original payment schedule as if no Issuer Event of Default had occurred.
- To the extent the Covered Bond Guarantor has insufficient funds to repay in full Covered Bonds on the maturity date, the unpaid amount of Covered Bonds will be deferred and shall be due and payable 12 months later (or earlier if the Covered Bond Guarantor has sufficient funds). This provision does not apply to Hard Bullet Covered Bonds.





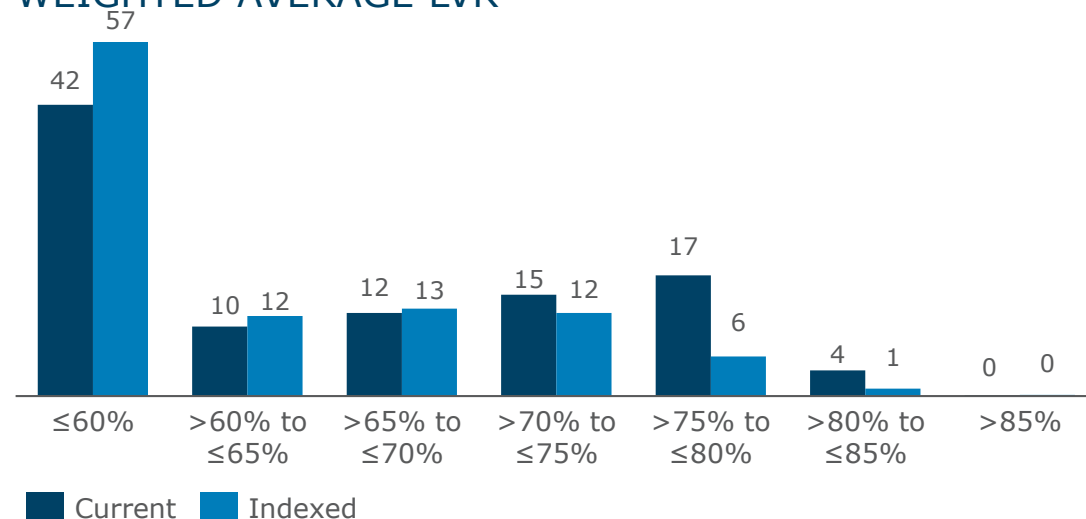
ANZ COVER POOL



# ANZ COVERED BONDS

## COVER POOL SUMMARY COMPOSITION AND QUALIFYING CRITERIA

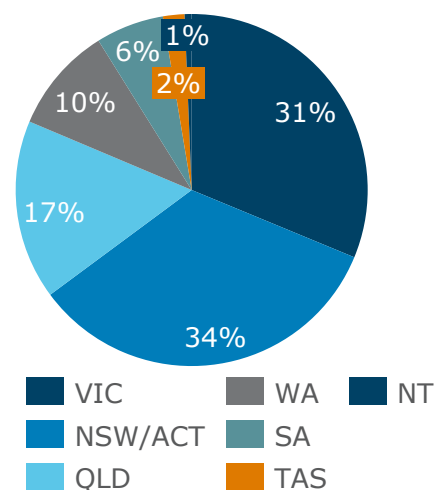
### WEIGHTED AVERAGE LVR



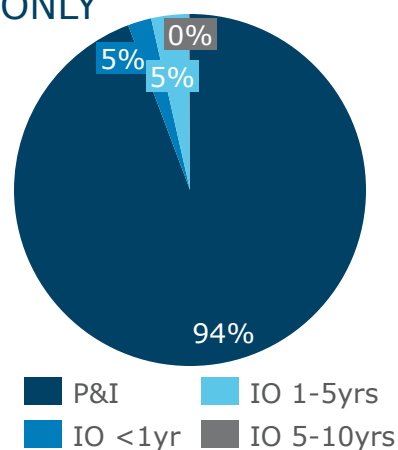
### PORTFOLIO SUMMARY AT 22 JULY 2021

Covered Bond Pool + Cash	\$17.9bn
Covered Bonds on issue	\$10.1bn
Average loan size	\$306,377
Weighted Ave Current LVR	59.79%
Weighted Ave Indexed LVR	53.66%
Min Required AP% / OC%	90.5% / 10.5%
Owner-Occupied / Investment <sup>1</sup>	75% / 25%
Full-Doc loans	100%

### GEOGRAPHIC SPREAD



### AMORTISING VS INTEREST ONLY



### QUALIFYING LOAN CRITERIA

- Due from a natural person resident of Australia
- Repayable in Australian Dollars
- Fully drawn
- Term does not exceed 30 years
- Current principal balance ≤ \$2,000,000
- Secured by a registered 1st mortgage
- Residential dwelling which is not under construction (excluding permitted renovations)
- The loan is not > 30 days in arrears
- The sale of the loan does not contravene or conflict with any applicable law
- The Borrower has made at least one interest payment on the loan

## COVERED BONDS – COLLATERAL CHANGE (SINCE MARCH 2018)

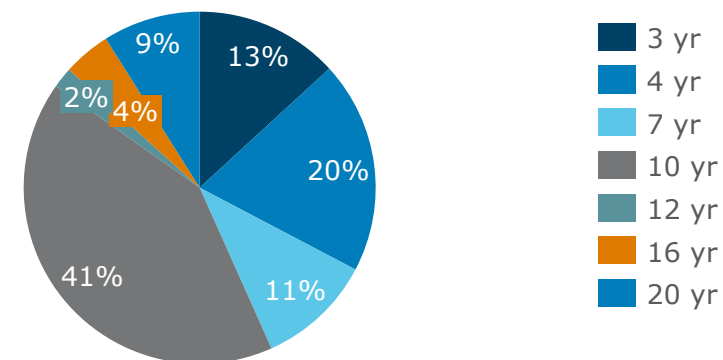
Portfolio Summary	22-Mar-2018	22-Sep-2018	22-Mar-2019	22-Sep-2019	22-Mar-2020	22-Sep-2020	22-Mar-2021	22-Jul-2021
Cover Pool (inc. cash)	\$19.5bn	\$19.5bn	\$19.9bn	\$19.4bn	\$17.9bn	\$17.9bn	\$17.9bn	\$17.9bn
Covered Bonds on issue	\$13.9bn	\$12.4bn	\$14.3bn	\$14.3bn	\$13.0bn	\$10.1bn	\$10.1bn	\$10.1bn
Average loan size	\$320,747	\$321,239	\$322,962	\$327,665	\$319,445	\$307,417	\$305,410	\$306,377
Weighted Ave Current LVR	64.84%	64.57%	63.81%	62.60%	60.84%	60.55%	60.00%	59.79%
Weighted Ave Indexed LVR	57.54%	58.23%	59.80%	60.87%	57.52%	57.10%	56.16%	53.66%
Weighted Ave Seasoning	38.21 months	39.30 months	42.99 months	46.97 months	50.41 months	55.76 months	56.01 months	52.15 months
Min Required AP%/OC%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%
Owner-Occupied/Investment	73% / 27%	73% / 27%	73% / 27%	74% / 26%	74% / 26%	74% / 26%	74% / 26%	75% / 25%
P&I Loans vs IO Loans	80% / 20%	81% / 19%	85% / 15%	87% / 13%	89% / 11%	91% / 9%	93% / 7%	94% / 6%
Variable Rate Loans vs Fixed Rate Loans	86% / 14%	86% / 14%	87% / 13%	88% / 12%	90% / 10%	88% / 12%	84% / 16%	79% / 21%
Full-Doc loans	100%	100%	100%	100%	100%	100%	100%	100%

- Cover pool has been maintained at the same level over the last 2 years, reflecting ANZ's funding requirements over the 2017 to 2021 period;
- There has been an increase in P&I loans largely due to conversion of IO loans to P&I loans due to pricing differentials;
- No material changes in the composition of the cover pool over the past 12 months;
- Asset percentage has been maintained at 90.5% over the past 12 months;
- Continued system enhancements implemented in ABS Suite which manages all secured funding collateral.

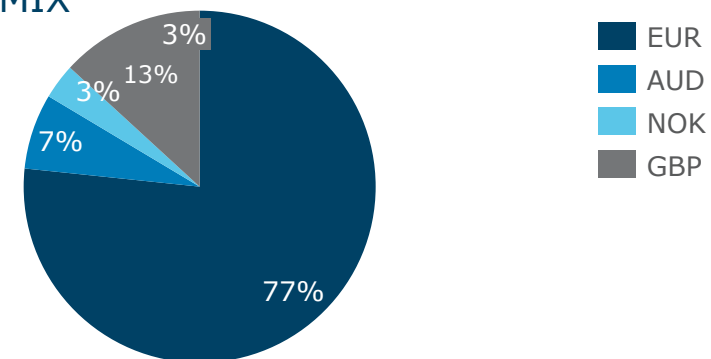
# COVERED BONDS ON ISSUE AS AT 22 JULY 2021

Covered Bonds	
Bonds Outstanding (\$A\$)	\$10.1bn
Cover Pool (A\$)	\$17.9bn
Program Ratings	Aaa/AAA
Number of Issues O/s	13
Number of Currencies	4
WA Term at Issue	8.8

ANZ COVERED BONDS – ISSUANCE TENOR



ANZ COVERED BONDS – CURRENCY MIX



Issuance Capacity	
Contractual AP%	90.5%
Min Required OC%	10.50%
8% of Total Australian Assets	~A\$46bn
Max Issuance Capacity	~A\$42bn
% Collateral Capacity Utilised	~35%
% Issuance Capacity Utilised	~24%





# ANZ MORTGAGE PORTFOLIO





# AUSTRALIA HOME LOANS

## PORTFOLIO OVERVIEW (UNLESS OTHERWISE STATED METRICS ARE BASED ON BALANCES)

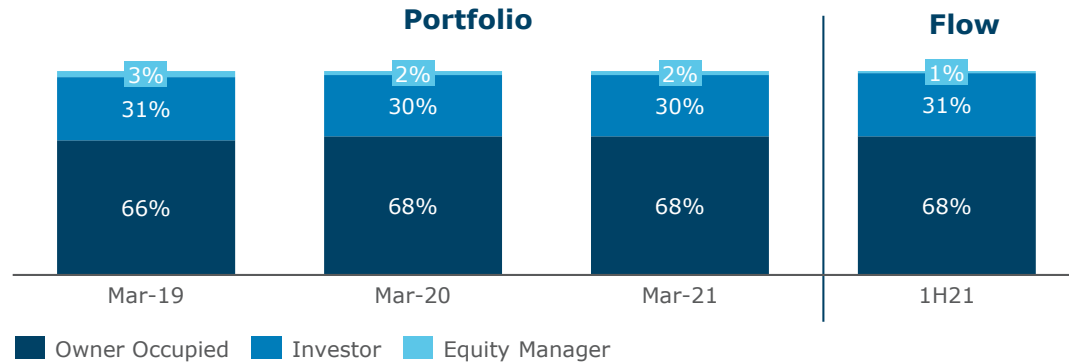
	Portfolio <sup>1</sup>			Flow <sup>2</sup>			Portfolio <sup>1</sup>		
	1H19	1H20	1H21	1H20	1H21		1H19	1H20	1H21
Number of Home Loan accounts <sup>1</sup>	1,000k	971k	1,019k	64k <sup>3</sup>	92k <sup>3</sup>	Average LVR at Origination <sup>7,8,9</sup>	67%	68%	71%
Total FUM <sup>1</sup>	\$269b	\$264b	\$281b	\$23b	\$34b	Average Dynamic LVR (excl. offset) <sup>8,9,10</sup>	56%	56%	55%
Average Loan Size <sup>4</sup>	\$269k	\$272k	\$275k	\$382k	\$364k	Average Dynamic LVR (incl. offset) <sup>8,9,10</sup>	51%	51%	49%
% Owner Occupied <sup>5</sup>	66%	68%	68%	69%	68%	Market share (MADIS publication) <sup>11</sup>	14.6%	14.0%	14.4%
% Investor <sup>5</sup>	31%	30%	30%	30%	31%	% Ahead of Repayments <sup>12</sup>	71%	76%	72%
% Equity Line of Credit	3%	2%	2%	1%	1%	Offset Balances <sup>13</sup>	\$27b	\$28b	\$36b
% Paying Variable Rate Loan <sup>6</sup>	82%	85%	73%	87%	59%	% First Home Buyer	7%	8%	8%
% Paying Fixed Rate Loan <sup>6</sup>	18%	15%	27%	13%	41%	% Low Doc <sup>14</sup>	4%	3%	2%
% Paying Interest Only	18%	12%	10%	13%	14%	Loss Rate <sup>15</sup>	0.04%	0.03%	0.05%
% Broker originated	52%	52%	54%	49%	58%	% of Australia Geography Lending <sup>16,17</sup>	63%	59%	64%
						% of Group Lending <sup>16</sup>	44%	40%	45%

1. Home Loans portfolio (includes Non Performing Loans, excludes Offset balances) 2. YTD unless noted 3. New accounts includes increases to existing accounts and split loans (fixed and variable components of the same loan) 4. Average loan size for Flow excludes increases to existing accounts 5. The current classification of Investor vs Owner Occupied is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances. 6. Excludes Equity Manager Accounts 7. Originated in the respective year 8. Unweighted based on # accounts 9. Includes capitalised LMI premiums 10. Valuations updated to Feb-21 where available. Includes Non Performing Loans and excludes accounts with a security guarantee and unknown DLVR 11. Source: APRA Monthly Authorised Deposit-Taking Institutions Statistics (MADIS) to Mar-21 12. % of Owner Occupied and Investor Loans that have any amount ahead of repayments based on available Redraw and Offset 13. Balances of Offset accounts connected to existing Instalment Loans 14. Low Doc is comprised of less than or equal to 60% LVR mortgages primarily for self-employed without scheduled PAYG income. However, it also has <0.1% of less than or equal to 80% LVR mortgages, primarily booked pre-2008 15. Annualised write-off net of recoveries 16. Based on Gross Loans and Advances 17. Australia Geography includes Australia Retail & Commercial and Institutional Australia

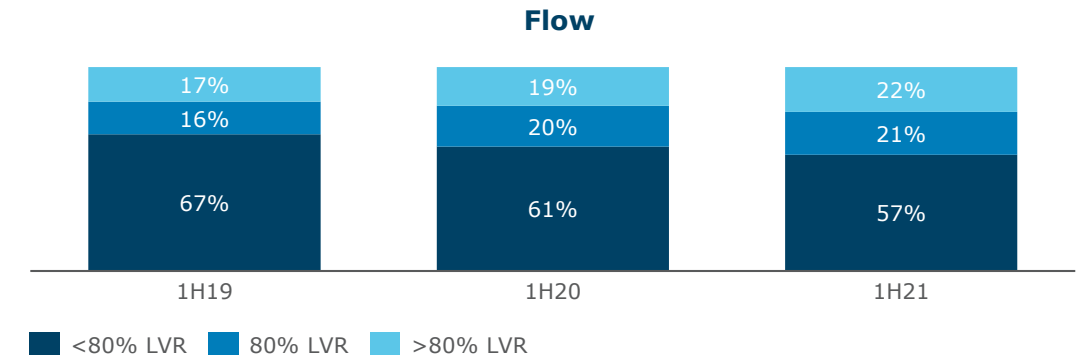
# AUSTRALIA HOME LOANS

## PORTFOLIO<sup>1,2</sup> & FLOW<sup>3,5</sup> COMPOSITION (% of TOTAL BALANCES)

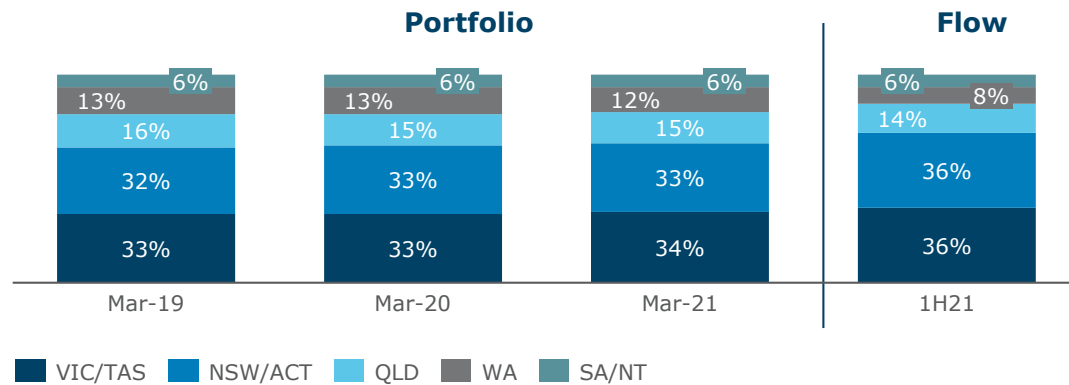
### BY PURPOSE



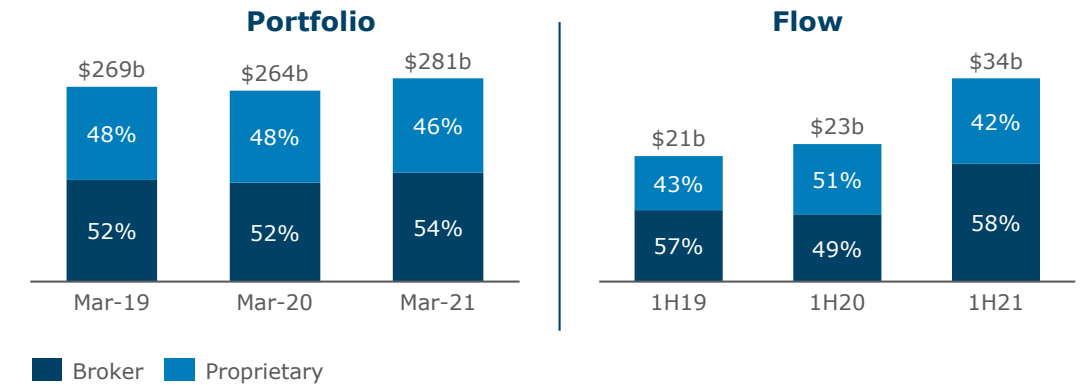
### BY ORIGINATION LVR<sup>4,5,6</sup>



### BY LOCATION



### BY CHANNEL



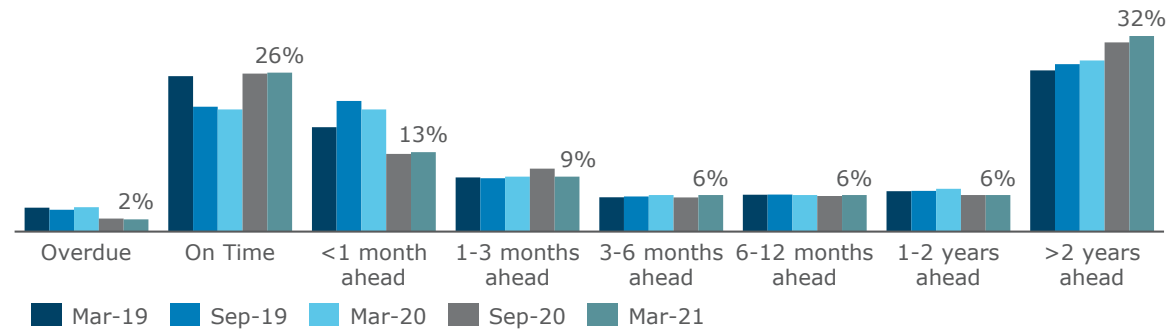
1. Includes Non Performing Loans
2. The current classification of Investor vs Owner Occupied is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances
3. YTD unless noted
4. Includes capitalised LMI premiums.
5. Based on drawn month
6. Historical 1H19 and 1H20 figures have been restated based on drawn month (previously reported based on application month)

# AUSTRALIA HOME LOANS

## PORTFOLIO DYNAMICS

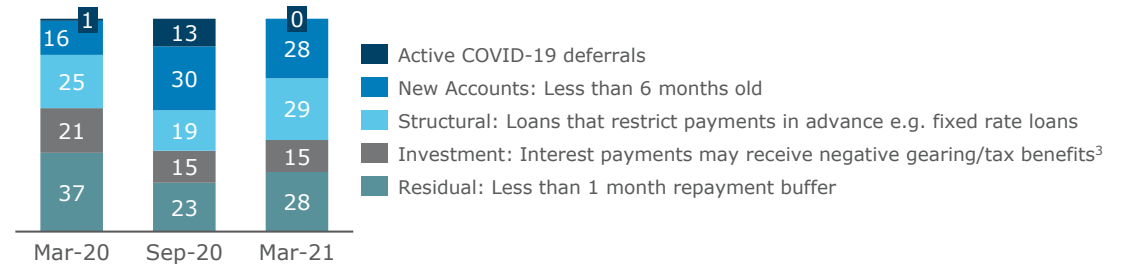
### HOME LOANS REPAYMENT PROFILE<sup>1,2</sup>

72% of accounts ahead of repayments



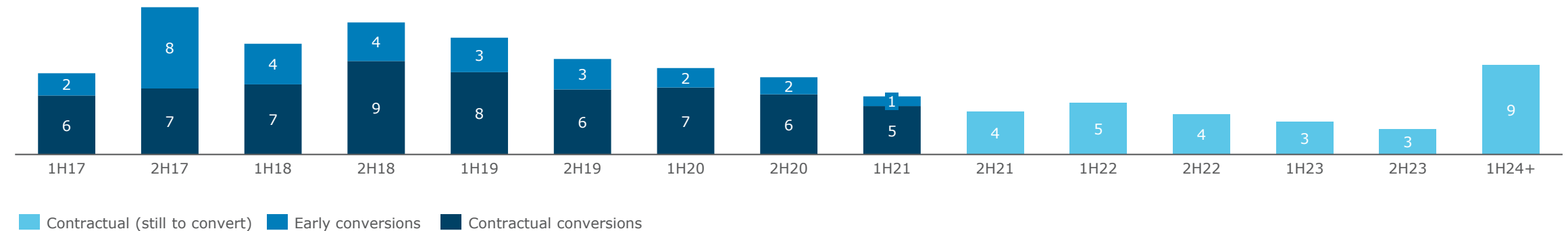
### HOME LOANS ON TIME & <1 MONTH AHEAD PROFILE<sup>2</sup>

% composition of accounts (Mar-21)



### SWITCHING INTEREST ONLY TO P&I AND SCHEDULED INTEREST ONLY TERM EXPIRY<sup>4,5</sup>

\$b



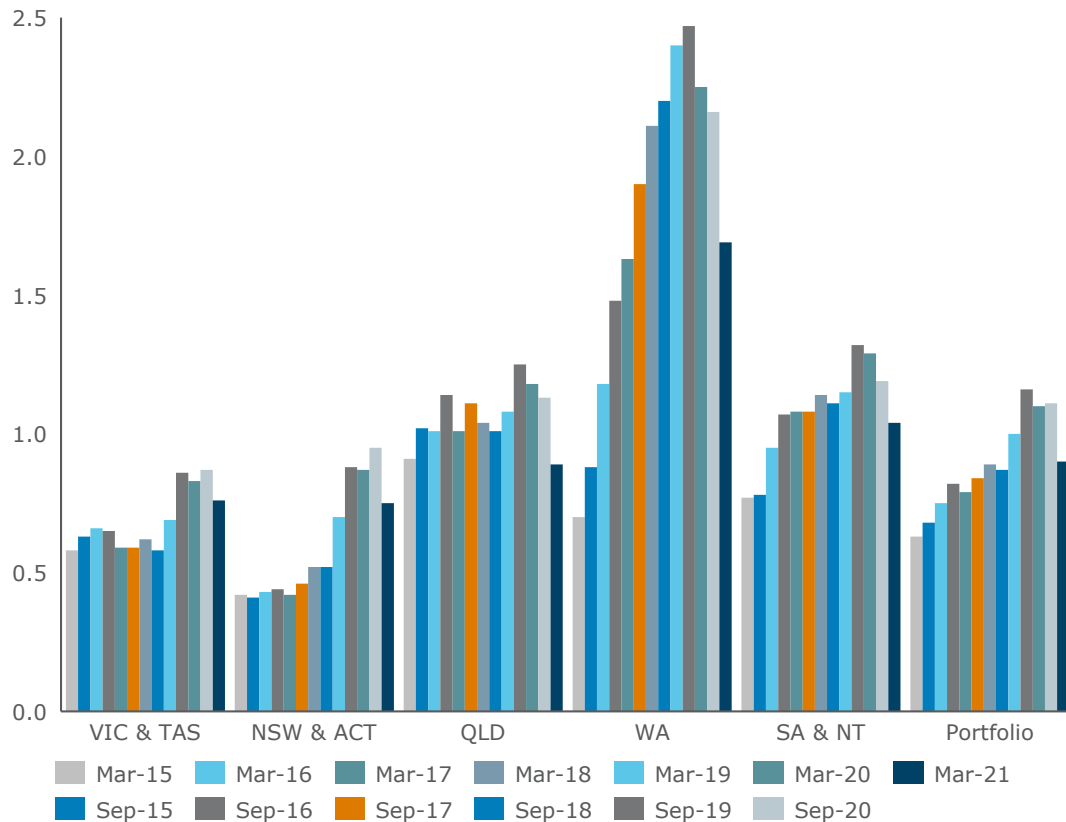
1. Includes Non Performing Loans 2. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Excess repayments based on available Redraw and Offset. Excludes Equity Manager Accounts 3. The current classification of Investor vs Owner Occupied, is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances 4. Total portfolio including new flows 5. As at Mar-21

# AUSTRALIA HOME LOANS

## PORTFOLIO PERFORMANCE

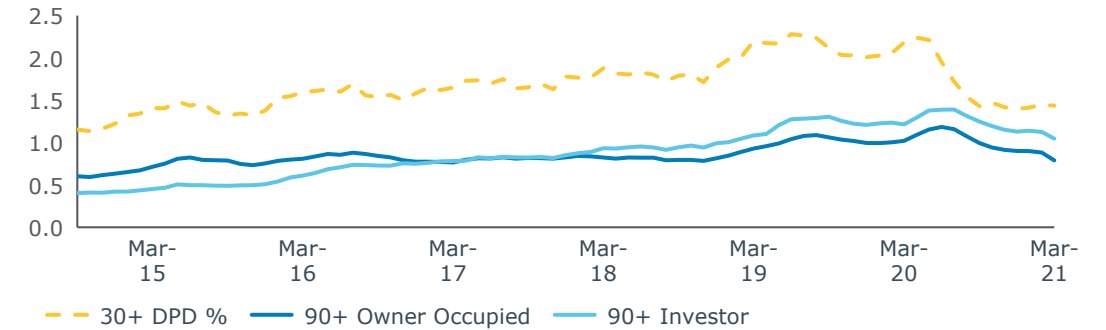
### HOME LOANS 90+ DPD BY STATE<sup>1,2</sup>

% of Portfolio Segment Balances

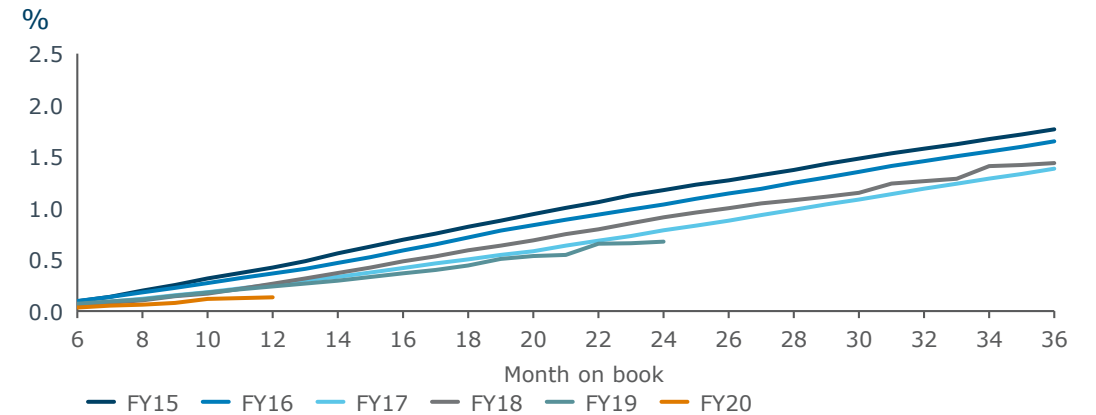


### HOME LOAN DELINQUENCIES<sup>1,2,3,4</sup>

% of Portfolio Segment Balances



### HOME LOANS - 90+ DPD (BY VINTAGE)<sup>5,6</sup>



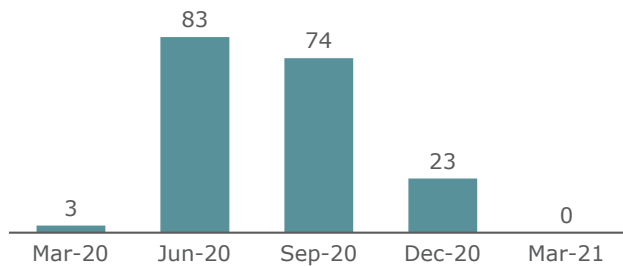
1. Includes Non Performing Loans 2. ANZ delinquencies are calculated on a missed payment basis for amortising and Interest Only loans 3. The current classification of Investor vs Owner Occupied, is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances 4. 30+ and 90+ between Mar-20 and Jun-20 excludes eligible Home Loans accounts that had requested COVID-19 assistance but due to delays in processing had not had the loan repayment deferral applied to the account. 5. Home loans 90+ DPD vintages represent % ratio of over 90+ delinquent (measured by # accounts), contains at least 6 application months of that fiscal year contributing to each data point. 6. Historical vintages have been restated as a result of enhancements to methodology

# LOAN REPAYMENT DEFERRALS

## TREND AND OUTCOME ANALYSIS (31 MARCH)<sup>1</sup>

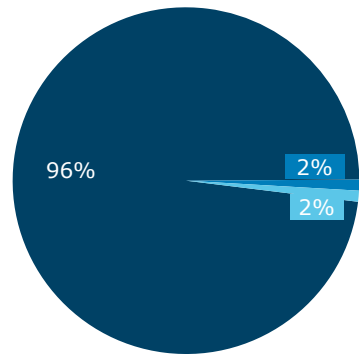
### AUSTRALIA HOUSING

END OF PERIOD #000



### DEFERRAL ROLL OFF SUMMARY

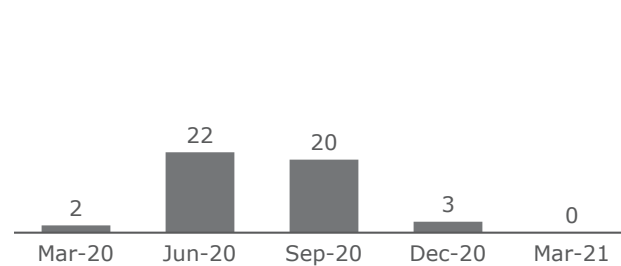
Mar-20 to Mar-21



~97k loans provided with loan repayment deferrals between March 2020 and March 2021

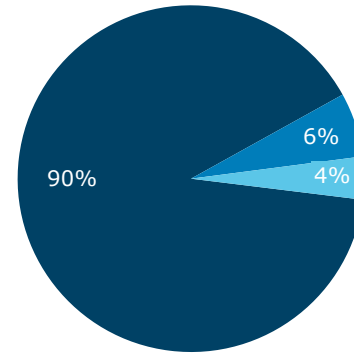
### AUSTRALIA BUSINESS<sup>2</sup>

END OF PERIOD #000



### DEFERRAL ROLL OFF SUMMARY

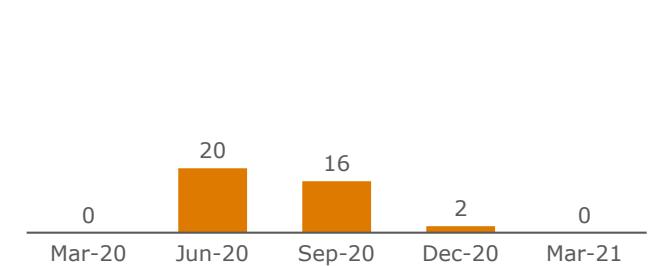
Mar-20 to Mar-21



~24k loans provided with loan repayment deferrals between March 2020 and March 2021

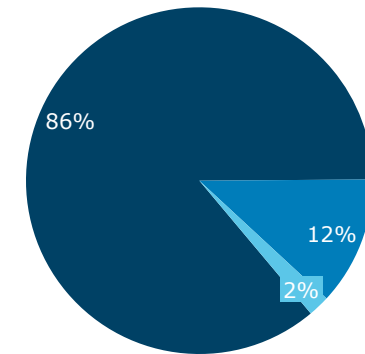
### NEW ZEALAND HOUSING

END OF PERIOD #000



### DEFERRAL ROLL OFF SUMMARY

Mar-20 to Mar-21



~24k loans provided with loan repayment deferrals between March 2020 and March 2021

■ Completed and returned to repayment arrangements 
 ■ Restructured 
 ■ Transferred to hardship

1. ANZ loan deferrals receiving capital concessions were completed at the latest by 31 March 2021. ANZ have been reporting deferral expiry based on the first instalment date after completion of the loan deferral as opposed to the last date on which a scheduled payment is deferred. ~3k Australia home and business loans' first instalment after completion of deferral was due in April 2021

2. Excludes Commercial overdraft facilities where COVID-19 impacted customers received assistance of temporary limit increases of 10% and Asset Finance



# PRODUCT OFFERINGS

	Variable		Fixed		Line of Credit
Product	Standard Variable	Simplicity Plus	Fixed (1-5 years)	Fixed (7 & 10 years)	Equity Manager
Description	A fully featured variable rate loan	A competitive variable rate loan with basic features	Certainty of fixed interest repayments for fixed rate period	Certainty of fixed interest repayments for fixed rate period	Flexible line of credit available for any personal, residential or investment purpose
Launched	Nov 1979	May 2008	Jul 1990	Jul 1999	Dec 1997
FUM (as at 31 Mar 2021)	59%	12%	27%	<1%	2%
Loan approval fee	Yes <sup>1</sup>	Yes <sup>2</sup>	Yes <sup>1</sup>	Yes <sup>1</sup>	Yes <sup>1</sup>
Loan admin charge	Yes, monthly <sup>1</sup>	No	Yes, monthly <sup>1</sup>	Yes, monthly <sup>1</sup>	Yes, annually <sup>1</sup>
Redraw	Yes	Yes	Yes (only after the fixed rate period has expired)	Yes (only after the fixed rate period has expired)	n/a
Offset available	Yes	No	1 year rate only	No	n/a
Eligible for package	Yes	No	Yes	Yes	Yes

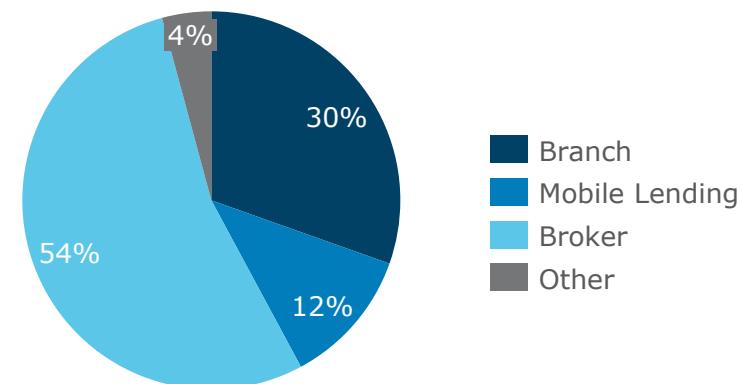
1. Waived under Breakfree Package; 2. Waived as part of a campaign since March 2014

# DISTRIBUTION CHANNELS

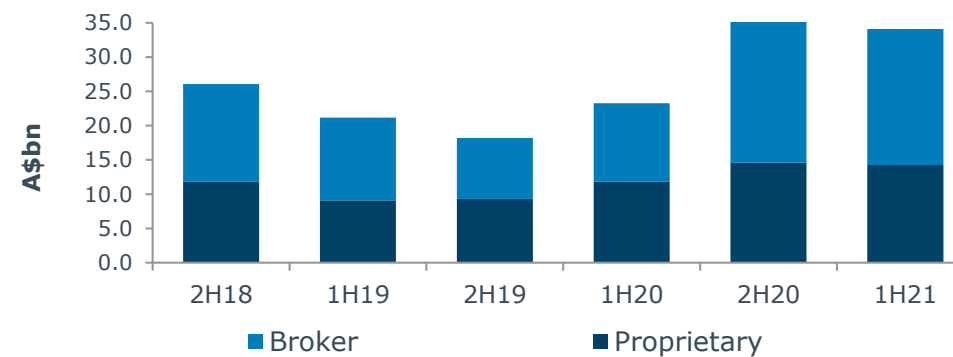
## MORTGAGES ORIGINATION LANDSCAPE

<b>Branch</b>	<ul style="list-style-type: none"> <li>• <b>1,563</b> branch mortgage capable staff + <b>304</b> HILMs</li> <li>• <b>30%</b> of Mortgage Funds Under Management (FUM)</li> <li>• Controls: Internal file checking program, Branch health checks (well managed program), sales compliance reports, mortgage file compliance</li> <li>• Staff Learning and Development includes ANZ's Lending Origination course (LOCAM)</li> </ul>
<b>Phone</b>	<ul style="list-style-type: none"> <li>• Over the phone origination via <b>60</b> sales staff + <b>9</b> support staff</li> <li>• <b>2%</b> of Mortgage FUM inc. supporting online</li> <li>• Controls: Internal file checking program, telephony QA program, sales compliance reports, mortgage file compliance</li> <li>• Staff Learning and Development includes the LOCAM course</li> </ul>
<b>Mobile Lending</b>	<ul style="list-style-type: none"> <li>• <b>156</b> sold franchises, <b>406</b> lenders in total</li> <li>• Territories cover over <b>90%</b> of Australian population</li> <li>• <b>12%</b> of Mortgage FUM</li> <li>• Credit assessment decisions performed by ANZ</li> </ul>
<b>Broker</b>	<ul style="list-style-type: none"> <li>• <b>22</b> Aggregator Companies and <b>16,642</b> Brokers</li> <li>• <b>54%</b> of Mortgage FUM</li> <li>• All credit assessment decisions performed by ANZ</li> <li>• Home and personal lending (some commercial lending)</li> </ul>
<b>Introducers</b>	<ul style="list-style-type: none"> <li>• <b>611</b> active mortgage introducers</li> <li>• <b>3%</b> of sales written through above channels (9% of Branch sales)</li> <li>• All referrals are 1 way, credit assessment decisions performed by ANZ and documentation held as part of ANZ's lending file</li> </ul>

## HOME LOAN PORTFOLIO FUM BY CHANNEL



## TREND IN FUM ORIGINATION BY CHANNEL



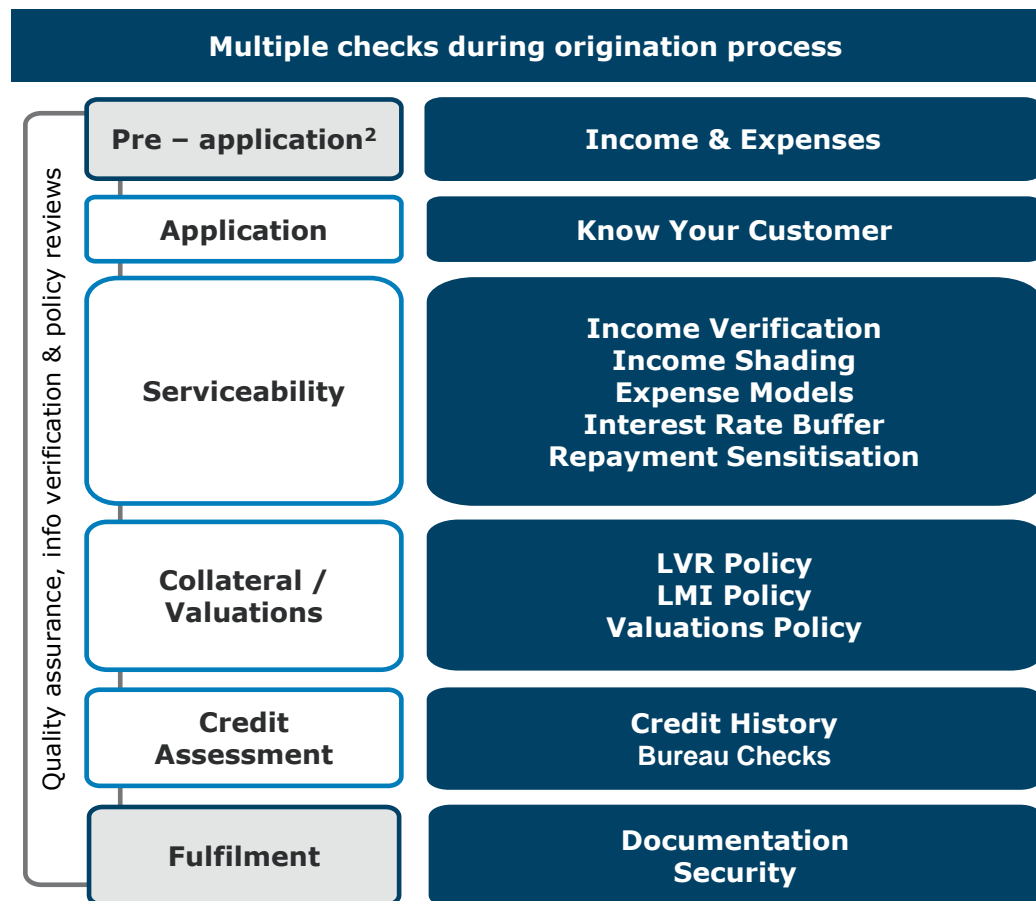
# CHANNEL ACCREDITATION

STRINGENT ON-BOARDING AND MONITORING PROCESSES ENSURE HIGH-QUALITY NON PROPRIETARY CHANNELS

	Accreditation	Monitoring
Mobile Lending	<ul style="list-style-type: none"> <li>• Selection involves several stages: business planning, interviews with Franchise Acquisition Manager and Regional Manager, panel interview</li> <li>• Candidates undergo policy, credit and police checks.</li> <li>• Franchise entity is authorised under ANZ's Australian Credit Licence as a credit representative</li> <li>• Completion of LOCAM course</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of mandatory compliance training</li> <li>• Monthly franchise visitations by Regional Managers</li> <li>• Annual compliance checks (insurance, Financial Ombudsman Service, etc.)</li> <li>• Quarterly franchisee state meetings</li> </ul>
Broker	<ul style="list-style-type: none"> <li>• All mortgage brokers in Australia must be registered with ASIC as an ACL holder or credit representative under the National Consumer Credit licensing regime</li> <li>• All ANZ accredited mortgage brokers must be members of MFAA or FBAA, with Certificate IV accreditation and minimum CPD requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Bi-monthly review of the ASIC credit licence against a broker database.</li> <li>• Brokers can be suspended temporarily or terminated permanently on advice from internal and external sources</li> </ul>
Introducer	<ul style="list-style-type: none"> <li>• All introducers must be registered with an ABN</li> <li>• Unless they also provide financial advice, introducers are not required to hold an Australian Credit License as they operate as mere referrers.</li> <li>• Further criteria are assessed and checks performed (e.g. ASIC, financials, industry classification) before being accepted</li> <li>• Each introducer has an accredited lender assigned as Relationship Owner</li> <li>• All new introducers are required to complete Police and Bankruptcy checks</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Business Reviews ensure the introducer continues to meet the criteria of the proposition and that there is sufficient activity</li> <li>• Introducer referred deals are monitored for arrears on an as needs basis</li> <li>• Bankers with high concentrations of introducer lending are reviewed via quality file reviews</li> </ul>

# AUSTRALIA HOME LOANS

## UNDERWRITING PRACTICES AND POLICY CHANGES<sup>1</sup>



- End-to-end home lending responsibility managed within ANZ
- Effective hardship & collections processes
- Full recourse lending
- ANZ assessment process across all channels

### Serviceability

<b>Aug'15</b>	Interest rate floor applied to new and existing mortgage lending introduced at 7.25%
<b>Apr'16</b>	Introduction of an income adjusted living expense floor (HEM*) Introduction of a 20% haircut for overtime and commission income Increased income discount factor for residential rental income from 20% to 25%
<b>Nov'18</b>	Enhanced Responsible Lending processes including additional enquiry and increase in minimum monthly credit card expense
<b>Jul'19</b>	Reduced interest floor from 7.25% to 5.50% and increase interest rate buffer from 2.25% to 2.50%.
<b>Feb'20</b>	Reduced interest floor from 5.50% to 5.25%.
<b>Sept'20</b>	Collection of residential investment property expenses subject to a 10% floor, reducing rental shading from 25% to 15% (subsequently reduced in Jun '21 to 10%)
<b>Feb'21</b>	Reduced interest floor from 5.25% to 5.10%.

1. 2015 to 2021 material changes to lending standards and underwriting  
 2. Customers have the ability to assess their capacity to borrow on ANZ tools

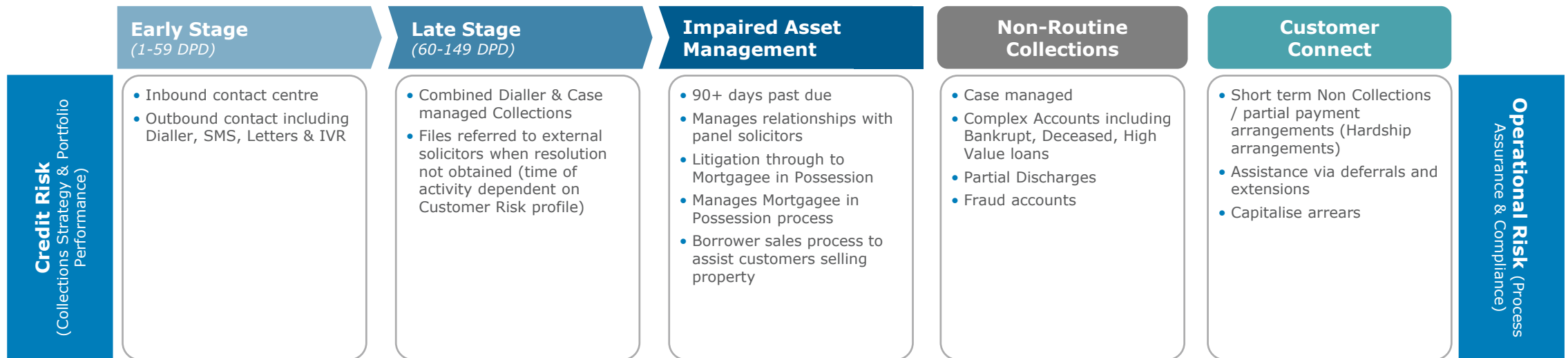
\*The HEM benchmark is developed by the Melbourne Institute of Applied Economic and Social Research ('the Melbourne Institute'), based on a survey of the spending habits of Australian families.

# HOME LOANS COLLECTIONS OPERATING MODEL

## Our Collections Philosophy...

"Minimise Delinquency and loss through timely actions that are realistic, reasonable and sustainable for customers and ANZ."

- ANZ's Retail Collections function manages accounts through the different stages of the delinquency life cycle, working collaboratively with Credit Risk and Products Management teams to deliver the best outcome for the Customer and for ANZ.
- The Collections function for the Australian Retail portfolio spans across multiple geographies, with teams in Melbourne AU, Wellington NZ and Manila PH, as well as support from third party providers.
- Within Home Loans, the Collections function:
  - Manages approximately 26,000 delinquent customers with \$10bn in outstanding balances
  - Processes approximately ~100,000 calls per calendar month, including inbound, outbound and IVR managed through automation





# AUSTRALIAN MORTGAGES: KEY FEATURES





# THE STRUCTURE OF THE AUSTRALIAN MORTGAGE MARKET HAS RESULTED IN VERY LOW LOSSES THROUGH VARIOUS CYCLES

## AUSTRALIAN MORTGAGE MARKET CHARACTERISTICS

<b>Full Recourse</b>	<ul style="list-style-type: none"> <li>All mortgage lending is full recourse</li> </ul>
<b>Variable rate</b>	<ul style="list-style-type: none"> <li>Most mortgage lending is in variable rate format (typically &gt; 80%)</li> <li>Primary assessment on cashflow with interest rate buffer applied (currently 2.50%<sup>1</sup> above mortgage rate, subject to a floor of 5.10%)</li> </ul>
<b>Low LVRs</b>	<ul style="list-style-type: none"> <li>Average dynamic LVR<sup>2</sup> is 56%</li> <li>Loans with LVR &gt; 80% require mortgage insurance<sup>3</sup></li> <li>No sub prime market</li> </ul>
<b>Limited tax advantages</b>	<ul style="list-style-type: none"> <li>Results in high prepayment levels</li> <li>Consequently mortgage debt as proportion of housing stock is low</li> </ul>
<b>Originate to hold model</b>	<ul style="list-style-type: none"> <li>Mortgages retained on balance sheet</li> <li>ANZ portfolio of ~\$281bn.</li> <li>Last Securitisation by ANZ in 2019 with only ~\$1.5bn outstanding from 2 external RMBS transactions as at 1 August 2021</li> </ul>

1. Moved from 2.25% to 2.50% in July 2019

2. Unweighted. Excludes non performing loans. Includes Owner Occupied, Investment Loans and Equity Loans. Inclusive of capitalised premiums. Valuations updated Feb'21 where applicable

3. Except for medico and staff where LVR <=90 are not required to have mortgage insurance.



## KEY CONTACTS





# FURTHER INFORMATION

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<https://www.anz.com/debtinvestors/centre/>

### ANZ ESG Supplement

[anz.com/cs](https://www.anz.com/cs)

### Corporate Governance Statement

[anz.com/corporategovernance](https://www.anz.com/corporategovernance)

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