Covered Bond Investor Update

September 2012

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

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ANZ Covered Bond Investor Update

AA Rated Issuer	• ANZ rated Aa2/AA-/AA- by Moody's / S&P / Fitch (all Stable) • Traditional commercial banking operations in Australia, NZ and Asia • Strong balance sheet – well capitalised, sustainable funding profile • Credit quality sound - total provision charge less than 30bp
Strong Covered Bond Program	• Legislative framework, separation of pool protected, 8% limit • Dual recourse – bond holders have priority over segregated cover pool • Asset Coverage Test with indexation of property prices • Supervision – APRA plus independent cover pool monitor • AAA rating – with downgrade protections
Strength of Collateral	• Australian assets only – predominantly first-ranking residential mortgages • Australian mortgage market structurally sound -> engenders strong repayment culture among borrowers -> low loss rates • Cover pool transparency
Supportive economic backdrop	• GDP growth 3.7% • Low unemployment, 5.1% • Mining boom offsetting weakness in retail / manufacturing / tourism • Strong terms of trade => high income growth => strong AUD • Fiscal and monetary policy response available if required

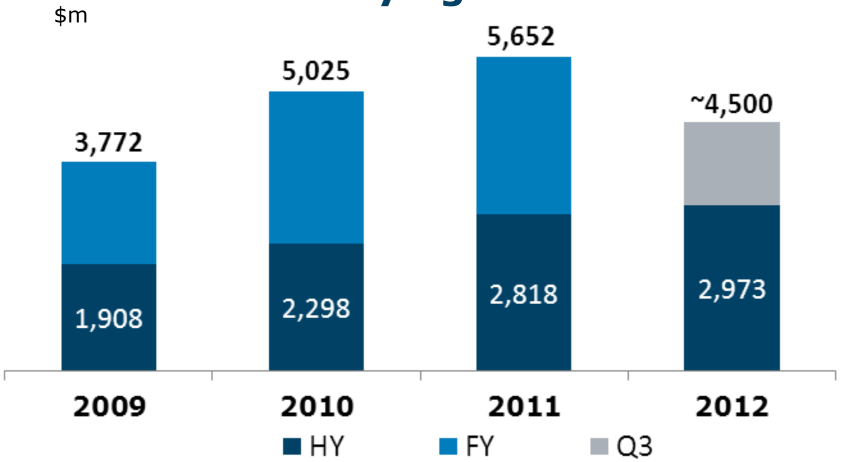
ANZ Overview

ANZ released Q3 trading update on 17th August

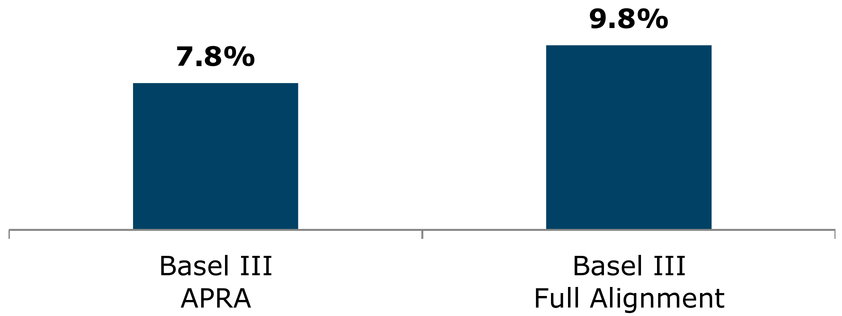
Highlights

- YTD (9 months to end June) Underlying profit after tax[1] up 5.5% PCP
- YTD total Global Markets income up 2% to $1.4b[3] with market sales well up
- Group margins (ex Global Markets) stable[4]
- Provision coverage[2] at June 12 strong at 1.87%; collective provision coverage ratio 1.18%
- YTD customer deposits have increased 8.7% with lending assets up 7.7% (FX adjusted)
- ANZ's APRA Basel III CET1 ratio at 30 June was 7.8% which equates to 9.8% on a fully harmonised basis
- FY12 term funding task was completed ahead of schedule

Underlying Profit



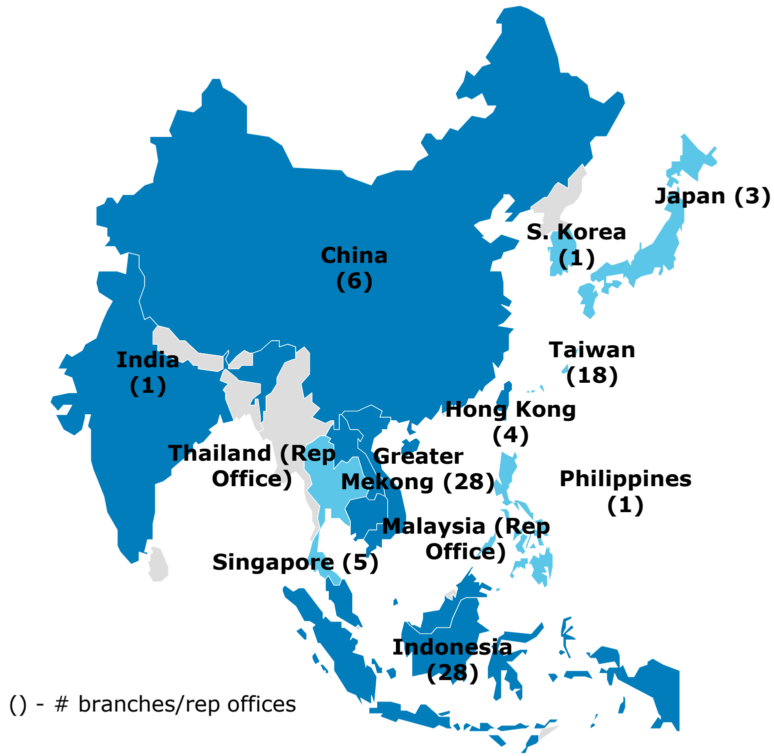
Common Equity Tier 1 Ratio (Jun 2012)



1. Underlying profit after tax is adjusted to reflect result for the ongoing business activities of the group
2. Total Provision coverage – CP balance plus IP balance as a proportion of Credit RWA's
3. FX adjusted
4. Comparison to 270 bps end of second quarter FY12

ANZ continues to organically pursue our Super Regional Strategy

ANZ Footprint in Asia



Highly diversified geographical footprint across 16 Asian markets with 97 branches and 6 Partnerships

Rationale behind the Super Regional Strategy

1. Strategy aligned to Asian growth

- Strong domestic franchises and established market position
- Focus of expansion in higher growth Asian markets

2. Leveraging regional customer flows

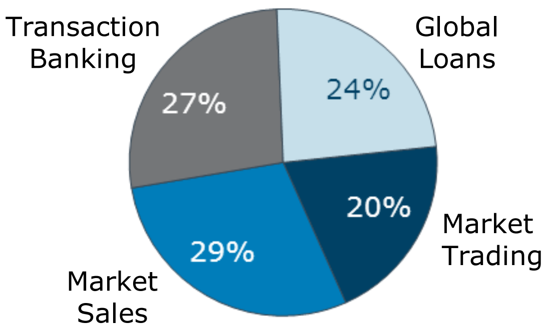
- Aust/NZ flows to and from Asia – 8 of top 10 Australian export markets in Asia
- Network presence facilitating growing intra-Asia customer trade flows
- Differentiated growth opportunities in Aust / NZ

3. Strengthens balance sheet and earnings diversity

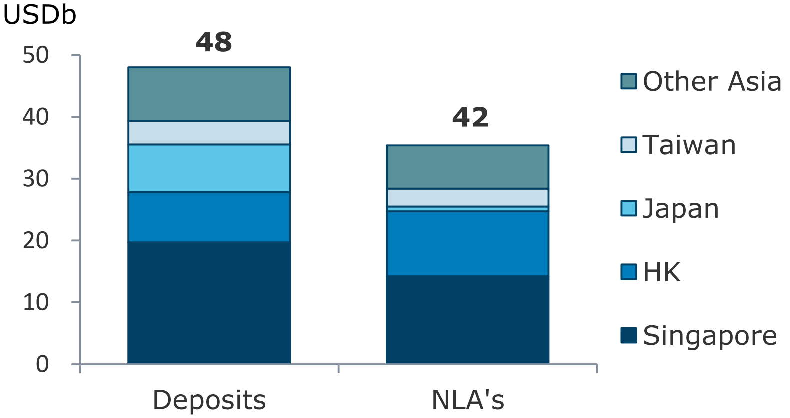
- Diversity of Group funding
- Self funded balance sheet in APEA
- Strong capital and liquidity positions
- Improves diversification of earnings by geography and product

ANZ's operations in Asia have an institutional focus with products linked to trade and capital flows

Revenue mix by product

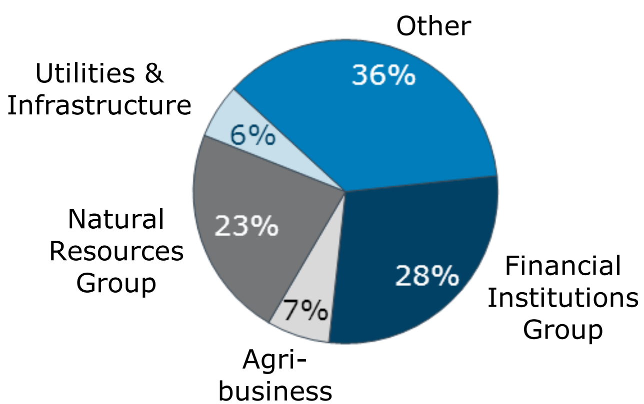


Asia deposit & lending book

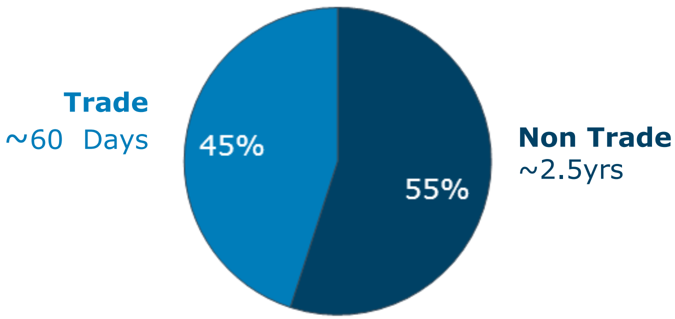


Revenue mix by customer segment

12 months rolling to Mar 12

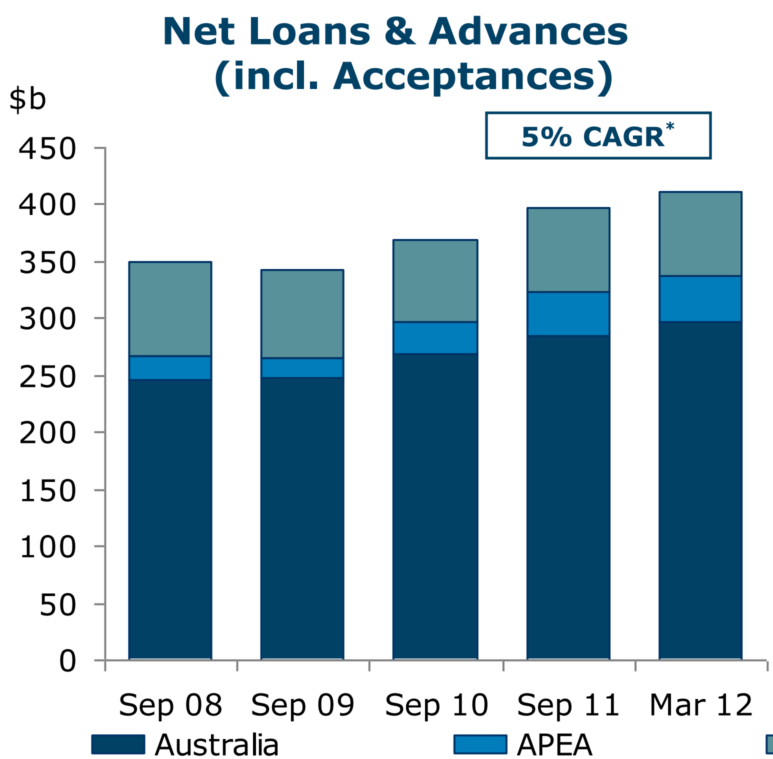


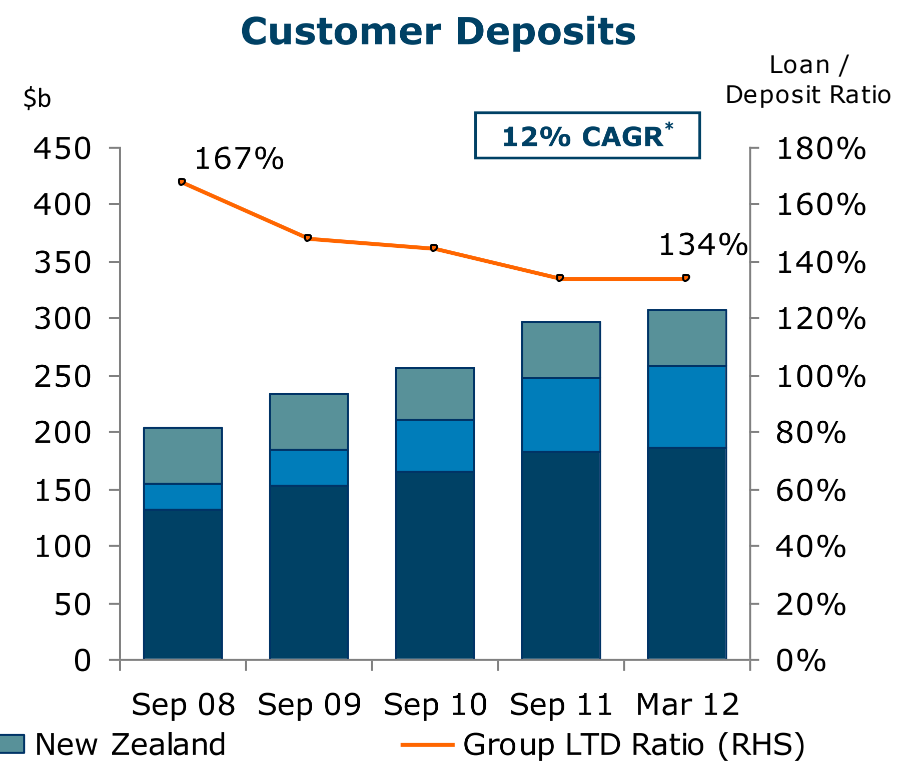
Asia Commercial Loan book



* APEA division revenue mix (ex partnerships)

Customer deposit growth has exceeded loan growth by $41b since 2008





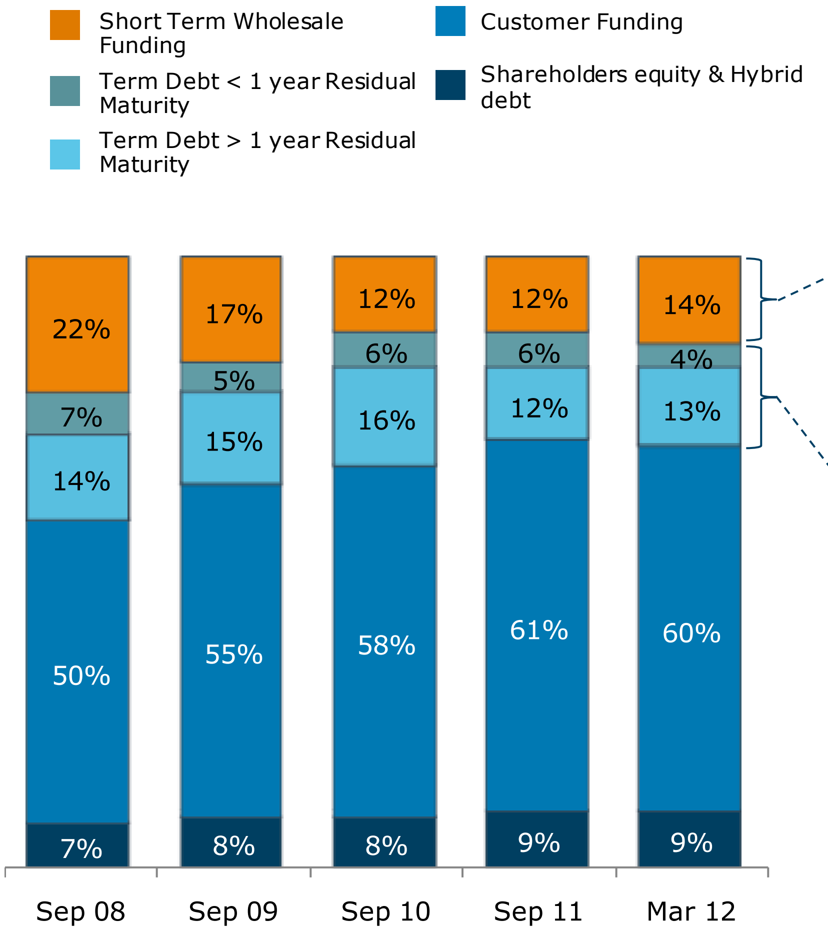
* Since Mar 08

Loan-Deposit Gap

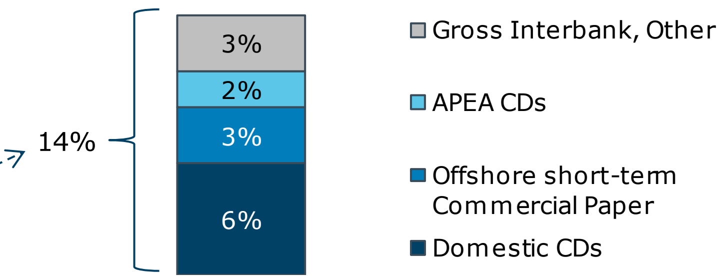
	Australia	APEA	New Zealand	Group
Sep 11 v Mar 12	(9)	4	2	**(3)**
Sep 08 v Mar 12	3	29	9	**41**

ANZ has a well diversified funding profile with an increasing weighting to customer funding

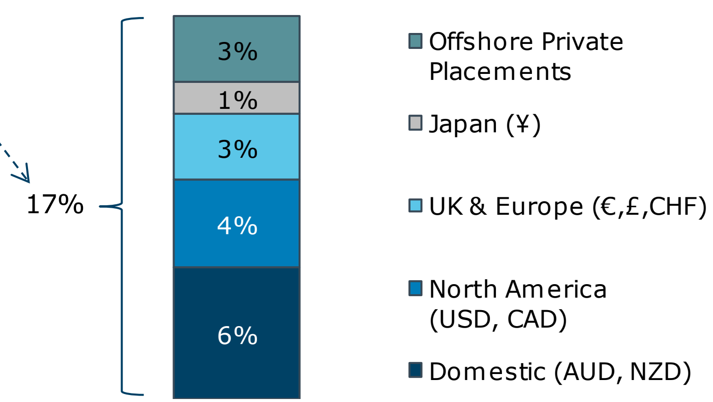
Strong Funding Composition



Offshore short-term Commercial Paper makes up just 3% of total Group funding



Well diversified term wholesale funding portfolio



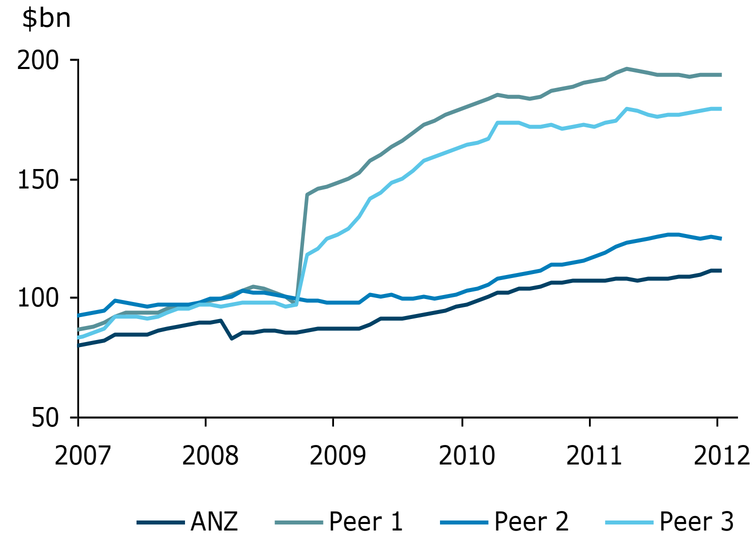
Lower structural funding gap - a growing competitive advantage

	ANZ	Peer 1	Peer 2	Peer 3
Loan – Deposit Ratio (%)	134	160	153	141
Loan – Deposit Gap ($bn)	104	186	164	153
Australian Household Funding Gap ($bn)	111	193	125	179
Short Term US Money Market Funding (US$bn)	18	50	36	34

ANZ has built a sustainable balance sheet

- Lower and more stable wholesale funding requirement relative to domestic peers
- Lower reliance on offshore wholesale markets
- Better positioned to take advantage of any uptick in credit growth
- Mitigates Rating Agency pressures and improves capacity to manage through periods of market dislocation

Australian Household Funding Gap

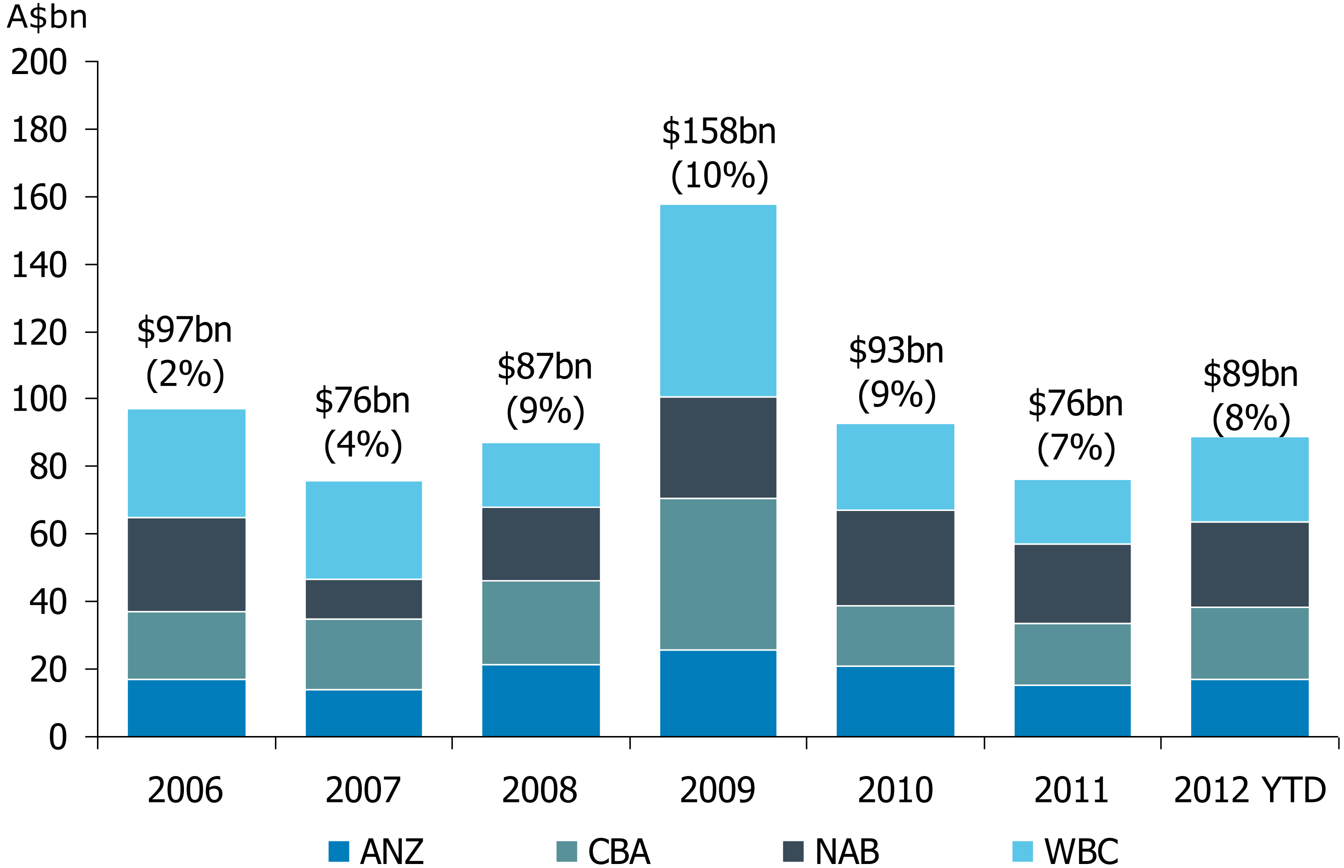


Source: APRA (Mar-12) and latest bank published financial statements.

Relative to domestic peers, ANZ has the lowest and most consistent term wholesale funding requirement

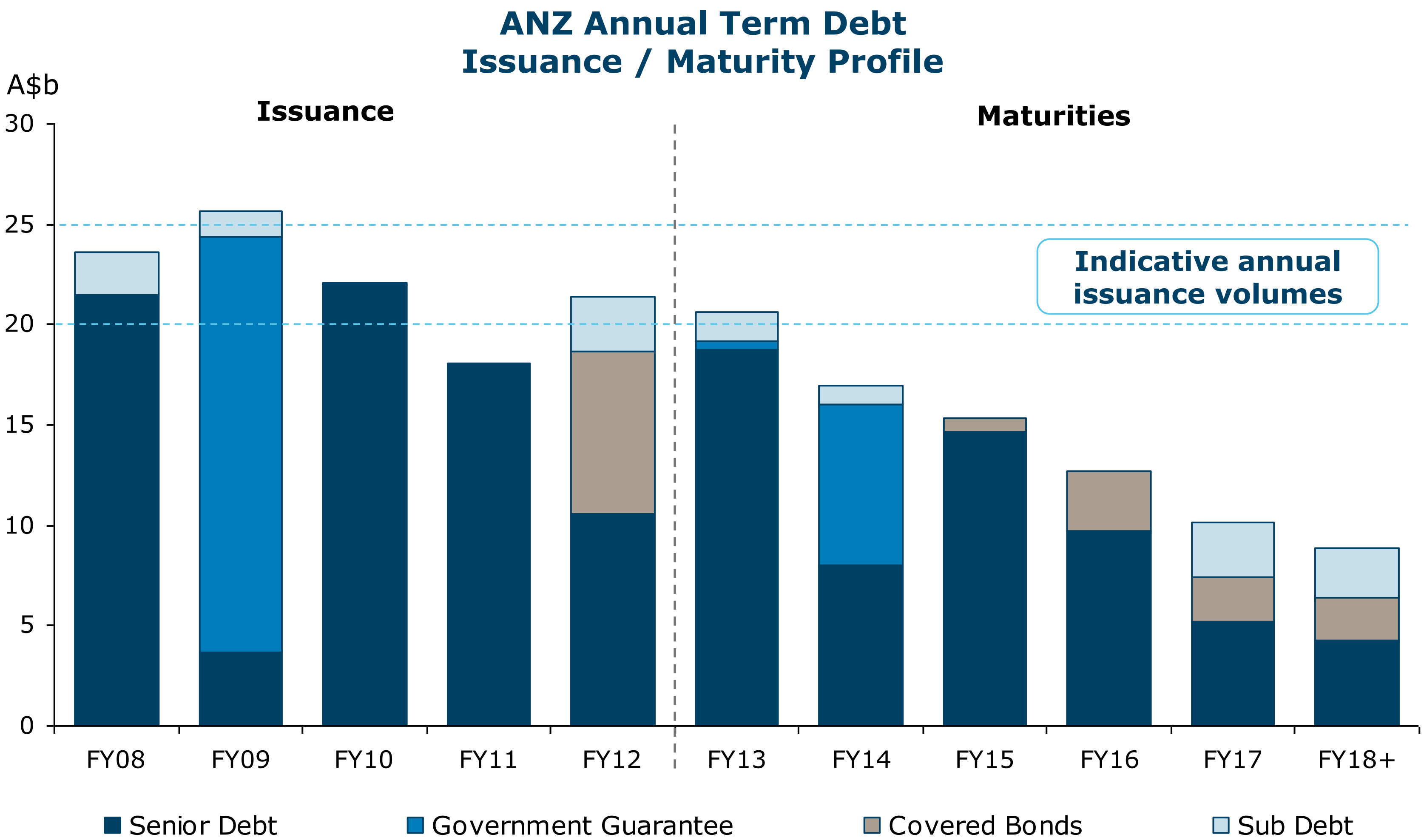
Aust Major Banks 2yr+ Term Debt Issuance by Calender Year

(estimated percentage of global FIG issuance shown in parentheses)



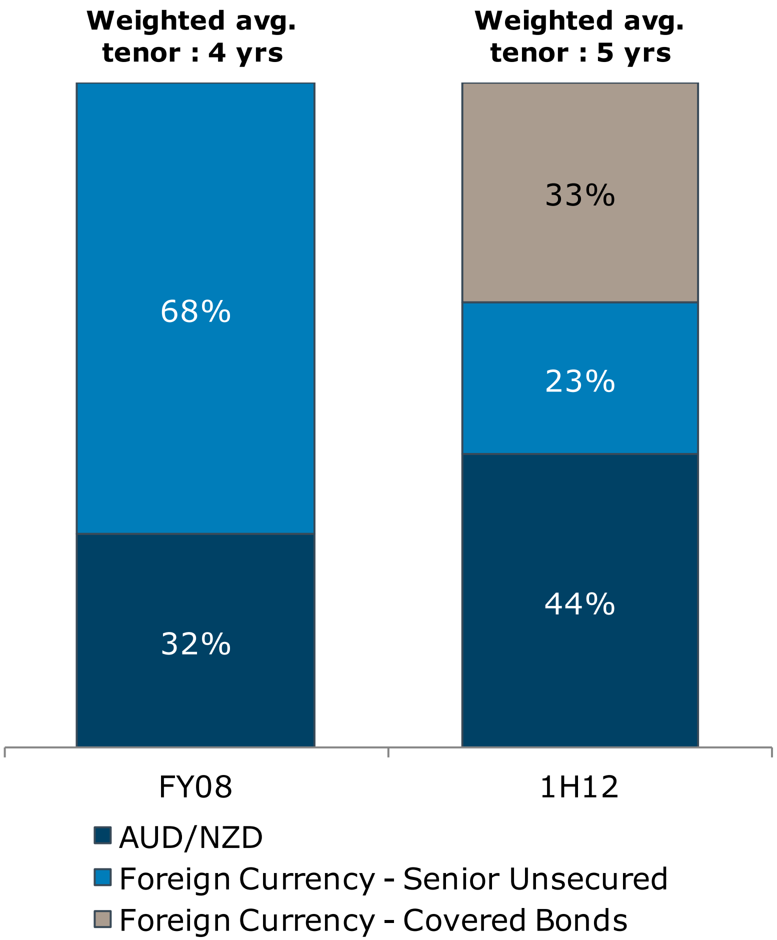
Source: Bloomberg; Excludes Hybrids

ANZ's FY12 wholesale debt issuance requirement completed. The forward maturity profile is well within manageable levels.

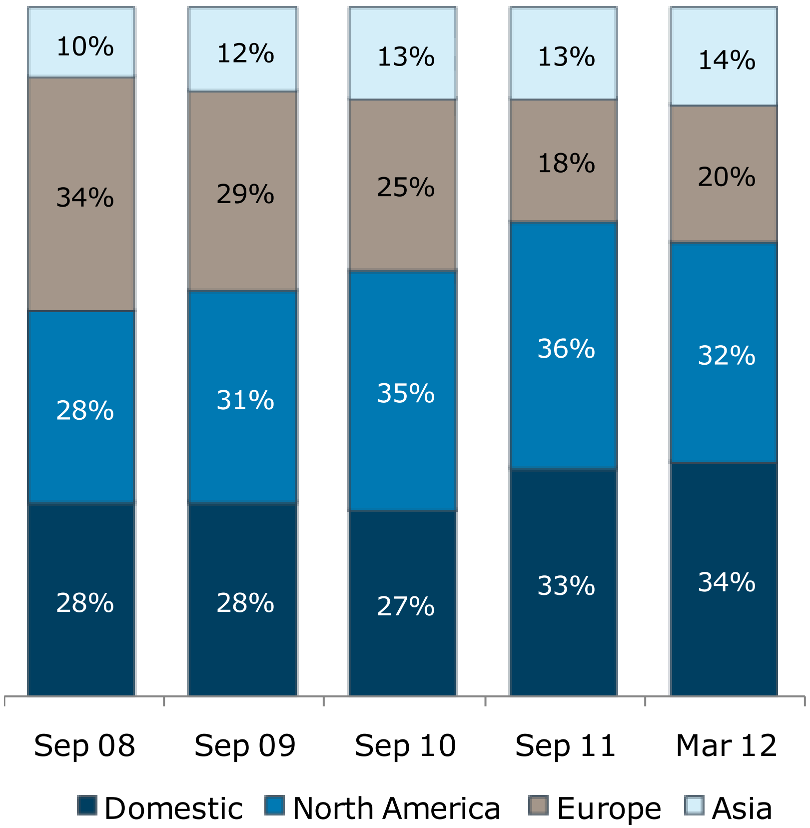


ANZ's term funding portfolio is well diversified with a declining reliance on offshore funding

Term Debt Issuance

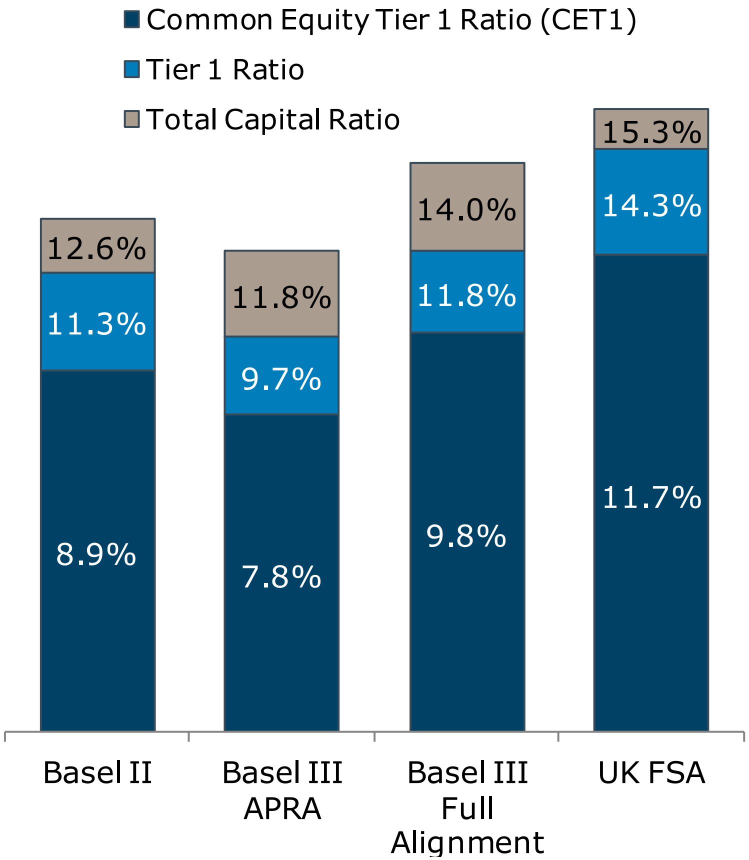


Term Debt Outstandings

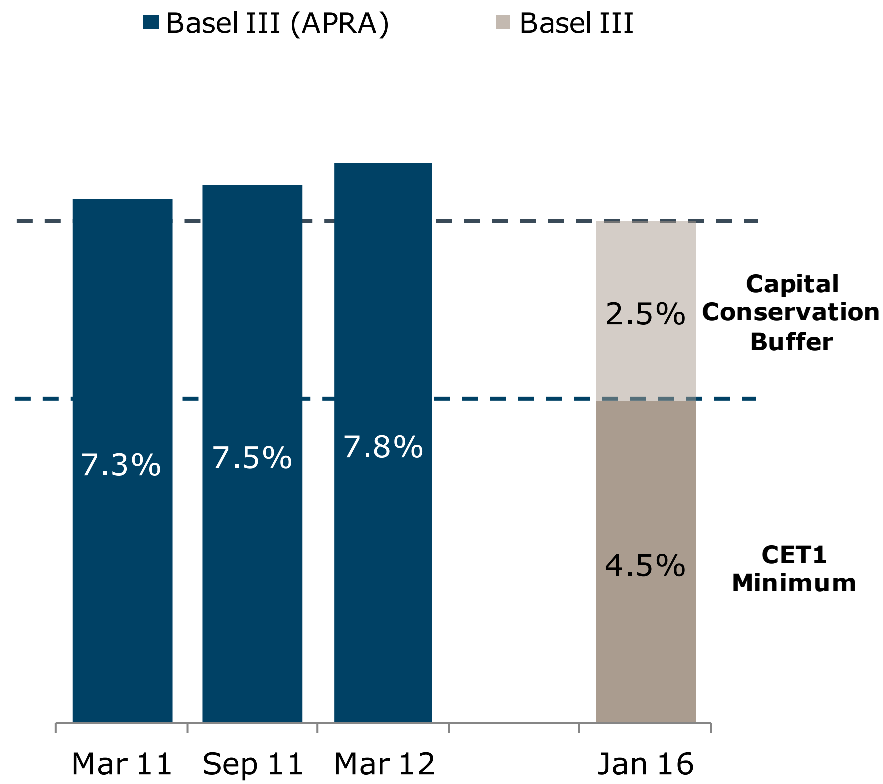


Continued strengthening of capital levels places ANZ in a strong position for upcoming Basel III implementation

Current capital levels are strong (Mar-12)

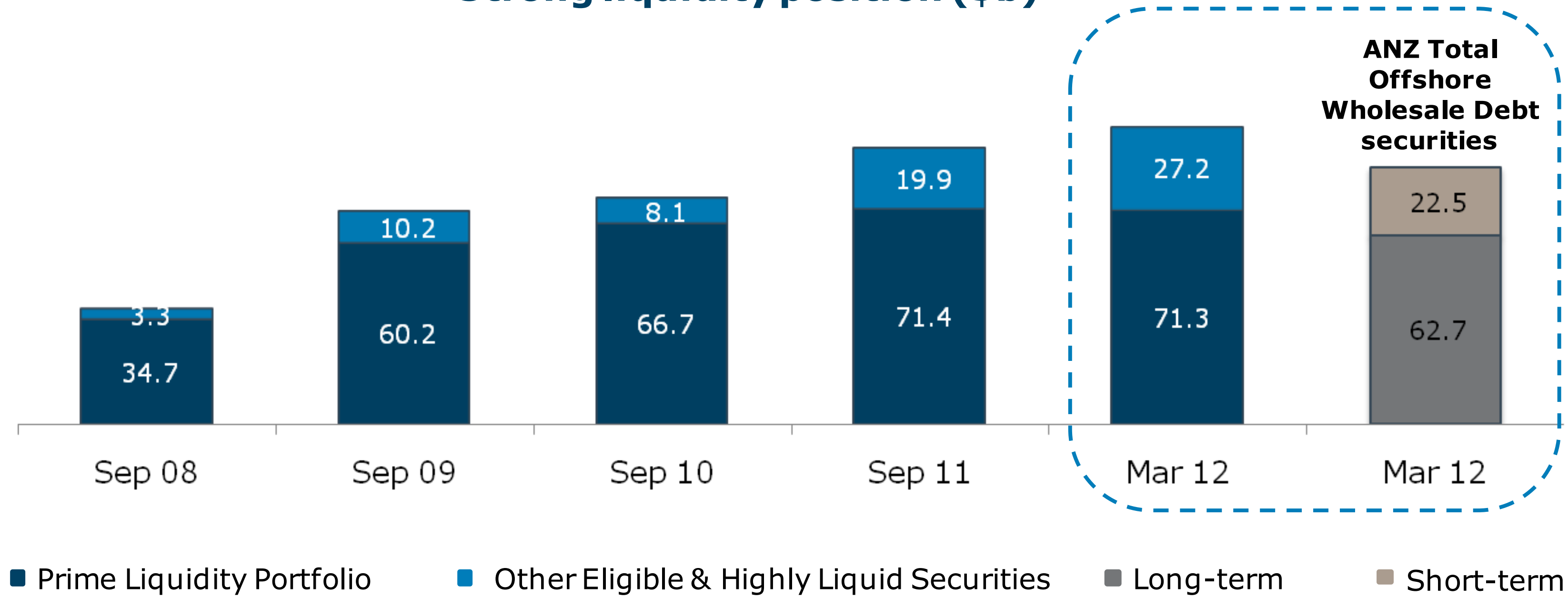


Well placed to meet Basel III CET1 target under APRA's draft capital standards



Liquid assets of $99b exceed total offshore wholesale debt of $85b

Strong liquidity position ($b)



Composition of liquid assets ($98.5b)

Class 1
$32.5b
Government/Semi Govt./Govt. Guaranteed bank paper, NZ cash with RBNZ, supranational paper

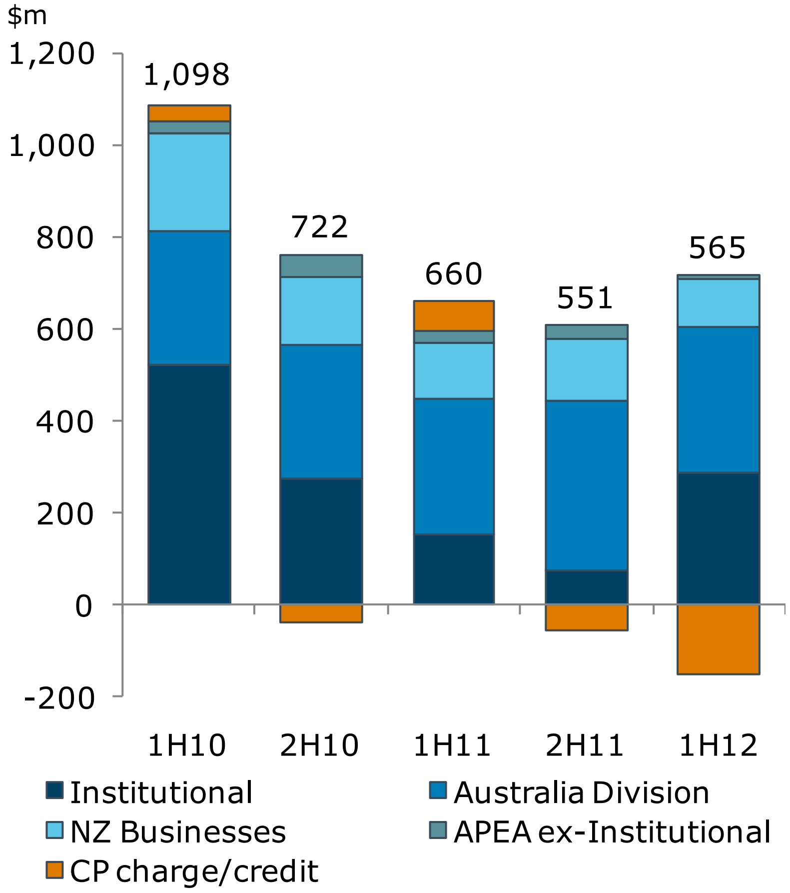
Class 2
$10.2b
Bank or corporate paper rated AA- or better

Class 3
$28.6b
Internal RMBS

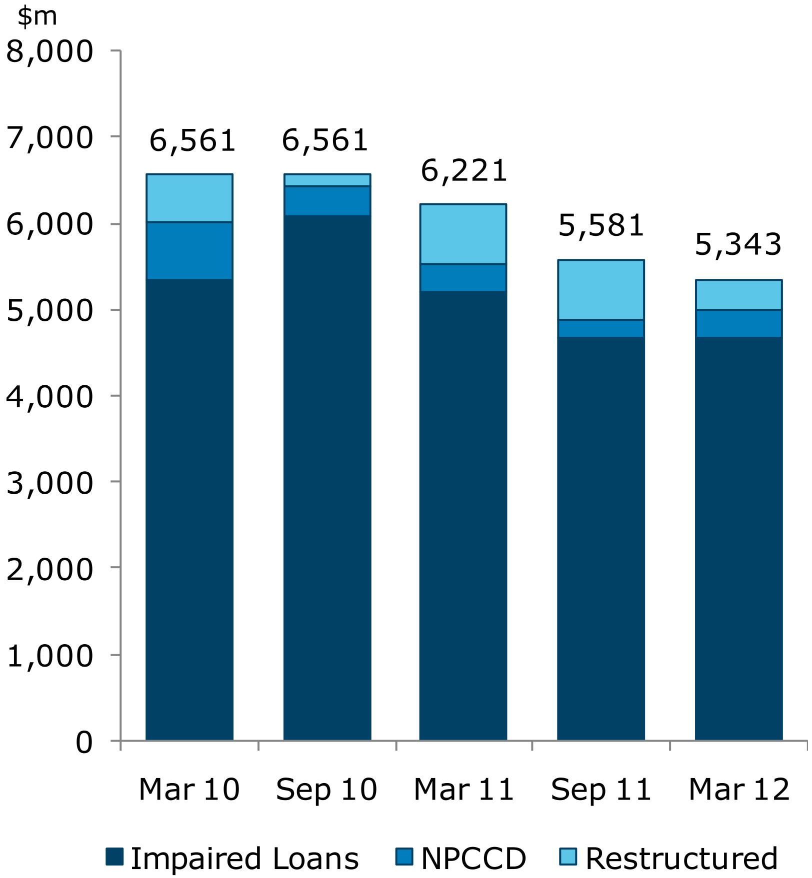
Other Liquids
$27.2b
Other Eligible and Highly Liquid Securities

Provision Charge and Impaired Assets

Total Provision Charge (IP charge by Division, total CP charge)



Gross Impaired Assets by Type

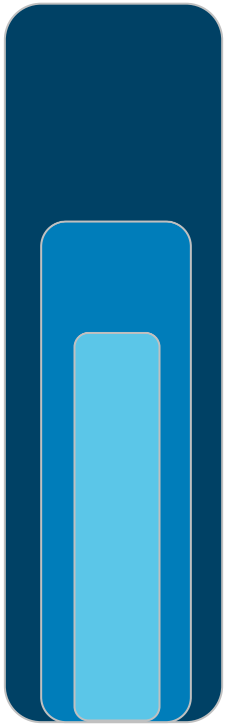


ANZ Covered Bond Overview

Australian Covered Bonds have a number of elements of structural support

Structure	✓ Legislative framework ✓ Dual recourse
Collateral	✓ Residential mortgage collateral ✓ Indexed for price movements ✓ High level of transparency
Supervision	✓ APRA regulated ✓ Independent Asset Monitor
Ratings	✓ AAA rating (Fitch & Moody's) ✓ Issuer rating downgrade protection ✓ Major issuers have high leeway

Illustration of Supporting Collateral Portfolio



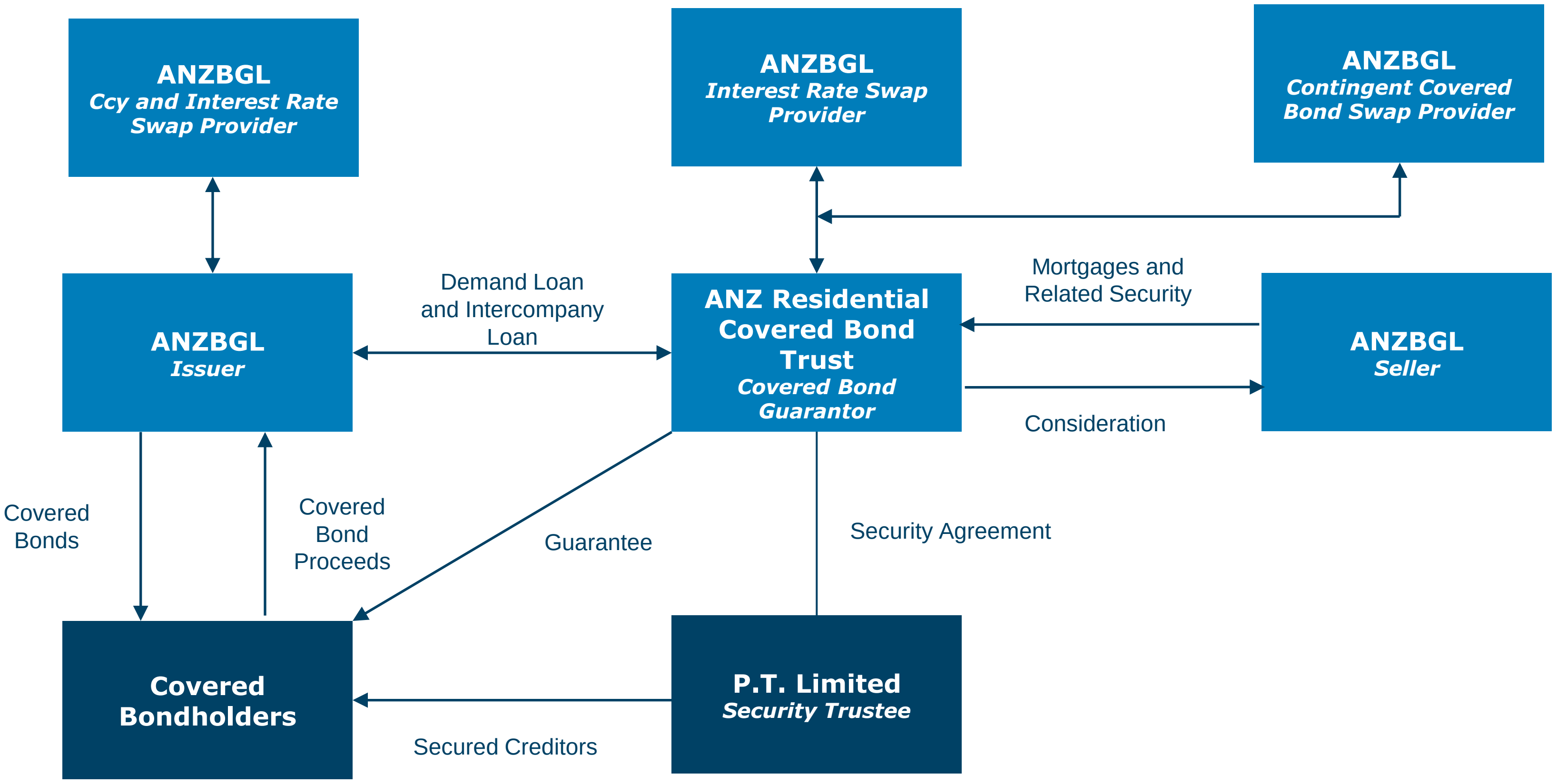
ANZ's Covered Bond Strategy

Rationale	**Diversification of investor base** • Access to AAA investor base - timely to assist in redemption of Government Guaranteed debt maturing from 2012 to 2014 • Reduces requirements for senior unsecured debt in offshore markets **Lengthen funding profile in a cost effective manner**
Metrics	**Based on ANZ's balance sheet size and legislative requirements:** • Cover pool limited to 8% of Australian assets • Provides capacity for ~$20bn of Australian covered bond outstandings • ANZ's Australian mortgage portfolio currently ~$180bn
Programme	**ANZ established a US$20bn Australian covered bond programme** • Multi-currency capability, with focus on EUR, USD and AUD • Additionally have executed in CHF, NOK, HKD • Allows use of Hard or Soft bullets
Expected Future Execution	**Liquid yield curves to be established in AUD, EUR and USD via regular but not too frequent issuance** • Plan to issue ~$5bn per annum (20-25% of planned term debt issuance) • 1-2 transactions per year in each of EUR, USD and AUD markets • Focus on 5-10yr tenors for covered bonds, 2-5yr for senior unsecured

Australian Covered Bond Legislation

Timing	• Banking Amendment (Covered Bonds) Bill 2011 introduced in September 2011 • Passed the Senate on 11 Oct 2011, and received Royal Assent on 17 Oct 2011
Structure	• Covered bond issuance permitted pursuant to the Banking Act 1959 • ADIs to be covered bond issuer, with full recourse • Guarantee provided by an SPV, used for segregation of cover pool assets and provides legal certainty of a priority claim over the cover pool
Priority	• Bondholders have priority against a cover pool of financial assets • Demand loan structure regulates priority and size of cover pool and use of the issuance limit. APRA has limited powers with respect to assets in the cover pool
Cover pool	• Australian assets only - includes cash, Aust Government bonds, State-Government bonds, <100 day bank debt (up to 15%), residential or commercial mortgage loans and derivatives • ANZ pool will limit State-Government Bonds to less than 15% and will not include commercial mortgage loans. • Minimum level of over-collateralisation of 3% (with contractual OC in addition) where value is only provided up to 80% LVR for residential loans
Issuance Limits	• Issuance not permitted if cover pool assets > 8% of ADI's Australian assets • Implies potential covered bond issuance of ~$20bn by ANZ
Supervision	• APRA has prudential supervision responsibilities • Defined role of independent cover pool monitor eg audit firm

Programme Structure



Programme Structural Enhancements

Over Collateral-isation	• Monthly Asset Coverage Test (ACT) to ensure cover pool is sufficient to secure the outstanding covered bonds per minimum contractual OC • Maximum Asset Percentage 95% • Asset Percentage (as at August 2012) was 82.7% • OC is the inverse of Asset Percentage (~20.92% OC)
Indexation of Collateral	• The nominal property values are adjusted to reflect changes in house prices using RP Data-Rismark Home Value Index • The Asset Coverage Test and Amortisation Test require the use of the Indexed Valuation for each property • Indexing is applied with 100% of any loss and 85% of any gain applied • Housing Loans in arrears by more than 90 days receive zero value

Hedging	• Provided by ANZBGL to the Guarantor
	    • Interest Rate Swap
	    • Contingent currency swap
	• Required to post collateral, obtain guarantees and/or be replaced if specified rating triggers occur

Programme Structural Enhancements – Ratings Triggers (if below any of the following)

Pre Maturity Test	Moody's: P-1 Fitch: F1+ / A+	• The Pre-Maturity Ledger must be funded by the A$ Equivalent of the Required Redemption Amount for Hard Bullet Covered Bonds maturing within the next 12 months. • Failure to remedy a breach of the Pre-Maturity Test within the required timeframe will cause an Issuer Event of Default to occur.
Reserve Fund	Moody's: P-1 Fitch: F1+	• An amount equal to the A$ equivalent of three months' interest and expenses must be credited to the Reserve Fund.
Swap Collateralisation & Replacement	Fitch: F1/ A (A with Ratings Watch Negative is also below A)	• Swaps must be cash-collateralised (one-way CSA) within 14 calendar days of a ratings trigger event. • ANZ must replace itself as swap counterparty if ANZ's Fitch rating falls below F2 / BBB+.
	Moody's: P-1 / A2	• Swaps must be cash-collateralised (one-way CSA) within 30 business days of a ratings trigger event. • ANZ must replace itself as swap counterparty if ANZ's Moody's rating falls below P2 / A3.
Transfer Trust Bank Account	Moody's: P-1 Fitch: F1 / A	• The Covered Bond Guarantor must transfer it's bank account from ANZ to a third party.
Servicer Downgrade	Moody's: P-1 Fitch: F1 / A	• ANZ will be required to transfer all collections to the GIC Account within 2 local business days.

Asset Coverage Test ("ACT")

- Tested monthly on every Determination Date prior to the service of a Notice to Pay
- The ACT is designed to protect Covered Bondholders by ensuring that the value of housing loans, cash, and other eligible assets is greater than the AUD equivalent of outstanding Covered Bonds. The excess is funded by the senior ranking portion of the demand loan.
- Failure of the ACT on the next Determination Date after the service of an ACT Breach Notice will constitute an Issuer Event of Default and prompt an acceleration of the Covered Bonds against the Issuer

Asset Coverage Test

=

A
Lower of:

For each Housing Loan that is not a Defaulted Housing Loan, the lesser of:

(i) Outstanding Current Principal Balance of the Housing Loan; and

(ii) 80% of the Indexed Valuation for the Property;

For each Housing Loan that is a Defaulted Housing Loan, zero.

MINUS LOANS IN BREACH OF Representations and Warranties or breach of Servicing Agreement

For each Housing Loan that is not a Defaulted Housing Loan, the lesser of:

(i) Outstanding Current Principal Balance of the Housing Loan; and

(ii) 100% of the Indexed Valuation for the Property;

For each Housing Loan that is a Defaulted Housing Loan, zero.

MINUS LOANS IN BREACH OF Representations and Warranties or breach of Servicing Agreement

The result of which is multiplied by the Asset Percentage

+

B
Unused Term Advances and Demand Loan Advances
+
C
Substitution Assets and Authorised Investments
+
D
Housing Loan Principal Receipts in the GIC Account
+
E
Sales Proceeds credited to GIC plus surplus principal receipts credited to GIC

-

Weighted average remaining maturity of all Covered Bonds outstanding (yrs)

x

A$ equivalent of Principal Amount Outstanding of all Covered Bonds

x

Zero if the Interest Rate Swap is in place or (B+C+D+E)/(A+B+C+D+E)

x

Negative Carry Factor

≥

AUD Equivalent of Covered Bonds Outstanding

Amortisation Test

- Tested monthly on every Determination Date after the service of a Notice to Pay.
- The Amortisation Test is designed to ensure the Covered Bond Guarantor has sufficient assets to meet its obligations under the Covered Bond Guarantee.
- 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.

Amortisation Test

=

A

For each Housing Loan, the product of:

(i) The lesser of:

(i) The outstanding Current Principal Balance of the Housing Loan; and

(ii) 80% of the Indexed Valuation.

(ii) M, where,

(i) For each Housing Loan that is not a Defaulted Housing Loan, M = 1.0;

(ii) For each Housing Loan that is a Defaulted Housing Loan, M = zero;

+

B
Cash in the GIC Account and Authorised Investments
+
C
Substitution Assets

–

Weighted average remaining maturity of all Covered Bonds outstanding (yrs) X A$ equivalent of Principal Amount Outstanding of all Covered Bonds X Zero if the interest Rate Swap is in place or (B+C)/(A+B+C) X Negative Carry Factor

≥

AUD Equivalent of Covered Bonds Outstanding

Issuer Event of Default and Covered Bond Guarantee

Issuer Events of Default	Include: • Default in principal or interest for 7 days • Fail to perform obligations for 30 days • Winding up, encumbrancer takes possession of all assets • Bankruptcy proceedings • An uncured breach of ACT
Following an Issuer Event of Default	• Service 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 for the full Early Termination Amount and rank pari passu with ANZ's senior unsecured debt • Any money obtained under that claim is paid to the Guarantor for payment on bonds as they fall due
Activation of the 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 CB Guarantor has sufficient funds). This provision does not apply to Hard Bullet Covered Bonds.

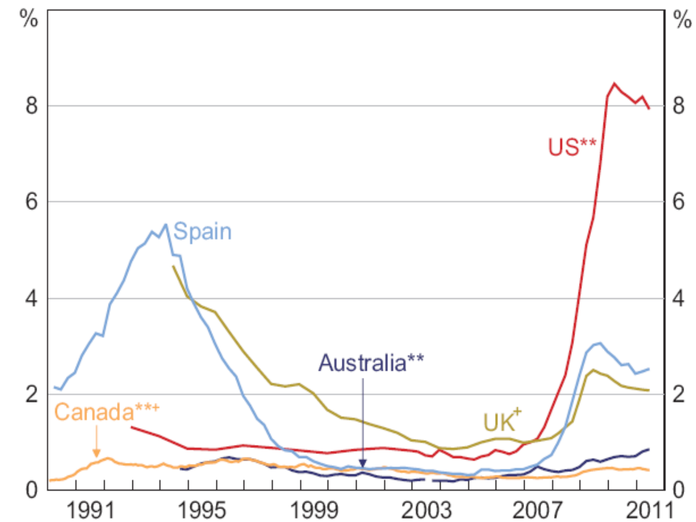
Australian Property Market, ANZ Mortgage Portfolio and Cover Pool

The structure of the Australian mortgage market has resulted in very low losses through various cycles

Full Recourse	• All mortgage lending is full recourse • Investment loans are also secured by mortgage over primary residence
Variable rate	• Most mortgage lending in variable rate format (ANZ ~85%) • Direct transmission for monetary policy
Low LVRs	• Average dynamic LVR is ~48% (or ~63% at origination) • Loans with LVR > 80% require mortgage insurance • No sub prime market
Limited tax advantages	• Mortgage debt on owner occupied homes is not tax deductible • Results in high prepayment levels • Consequently mortgage debt as proportion of housing stock is low (~30% in Aust vs ~62% in the US)
Originate to hold model	• Mortgages typically retained on balance sheet • Last Securitisation by ANZ in 2004

Non-performing Housing Loans

Per cent of loans*



* Per cent of loans by value; includes 'impaired' loans unless otherwise stated; for Australia, only includes loans 90+ days in arrears prior to September 2003

** Banks only

\+ Per cent of loans by number that are 90+ days in arrears

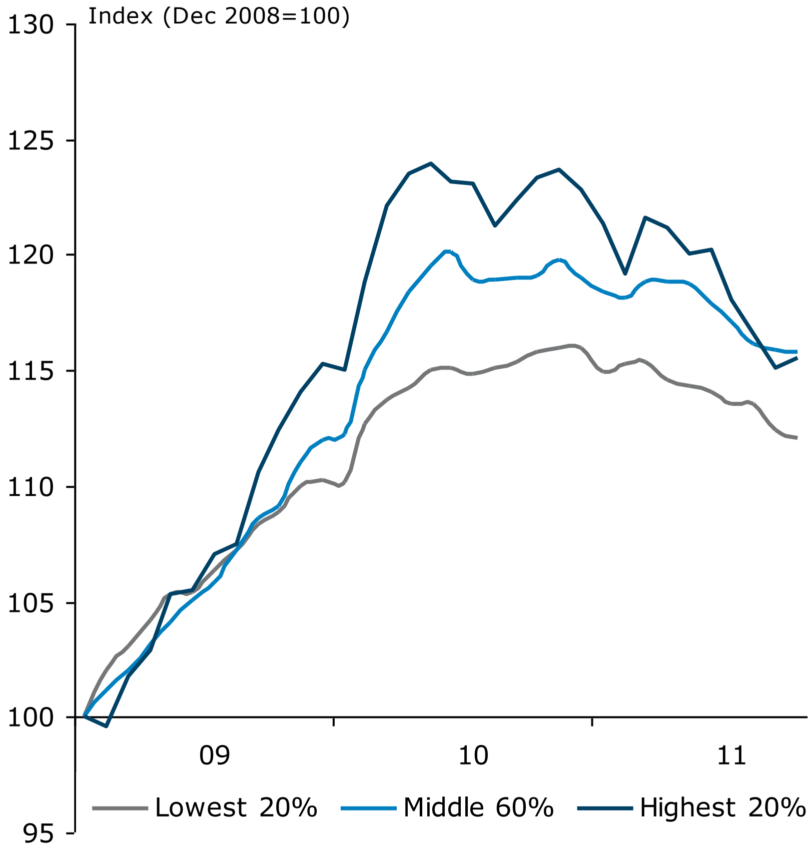
Sources: APRA; Bank of Spain; Canadian Bankers' Association; Council of Mortgage Lenders; FDIC; RBA

ANZ Individual Provision Loss Rates (%)

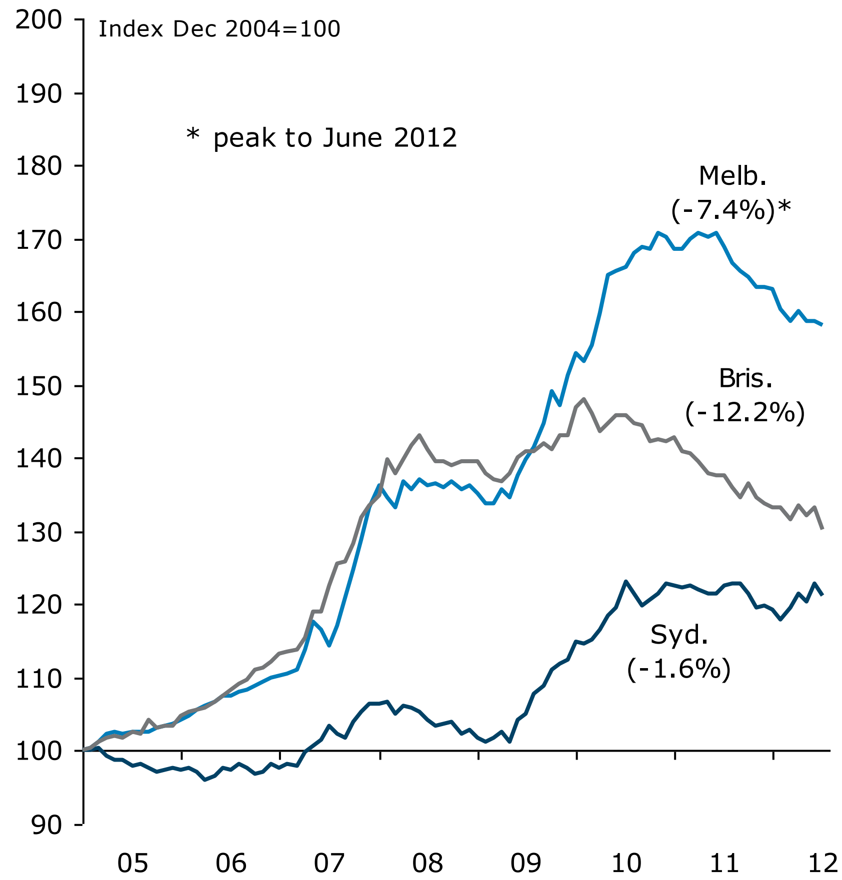
	1H10	2H10	1H11	2H11	1H12
ANZ Group	0.61	0.42	0.31	0.31	0.36
Australia Region	0.59	0.42	0.31	0.29	0.38
Australia Mortgages	0.02	0.01	0.01	0.03	0.03

Australian house prices have fallen, partially retracing earlier gains

Higher priced dwellings have weakened more



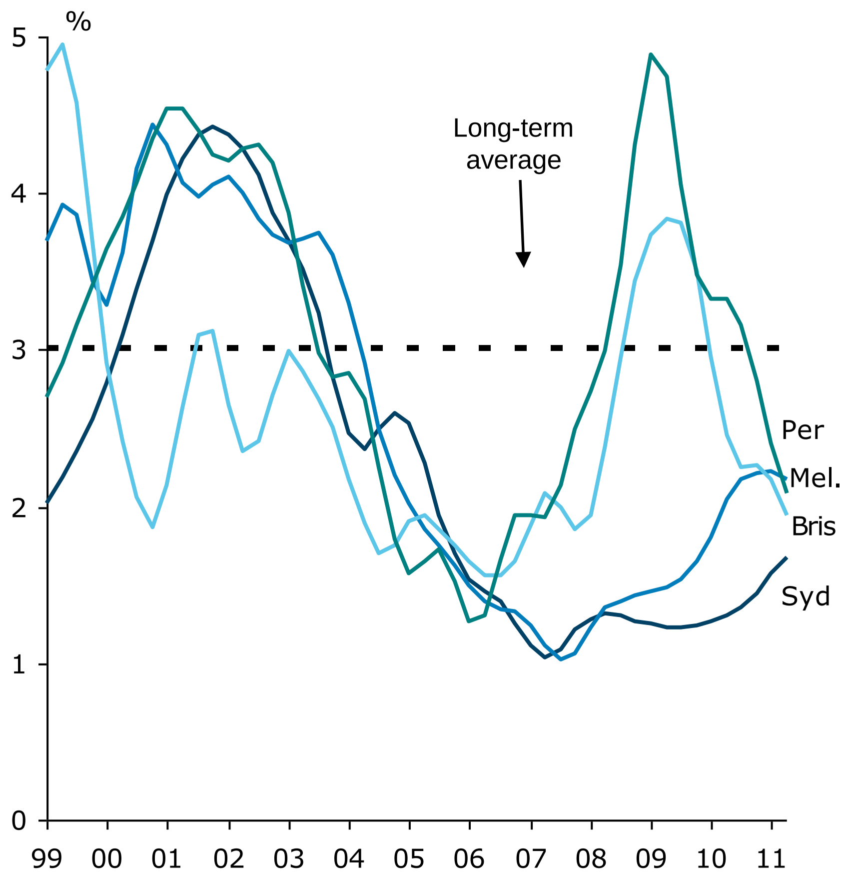
Median house prices



Sources: Residex, ANZ Research

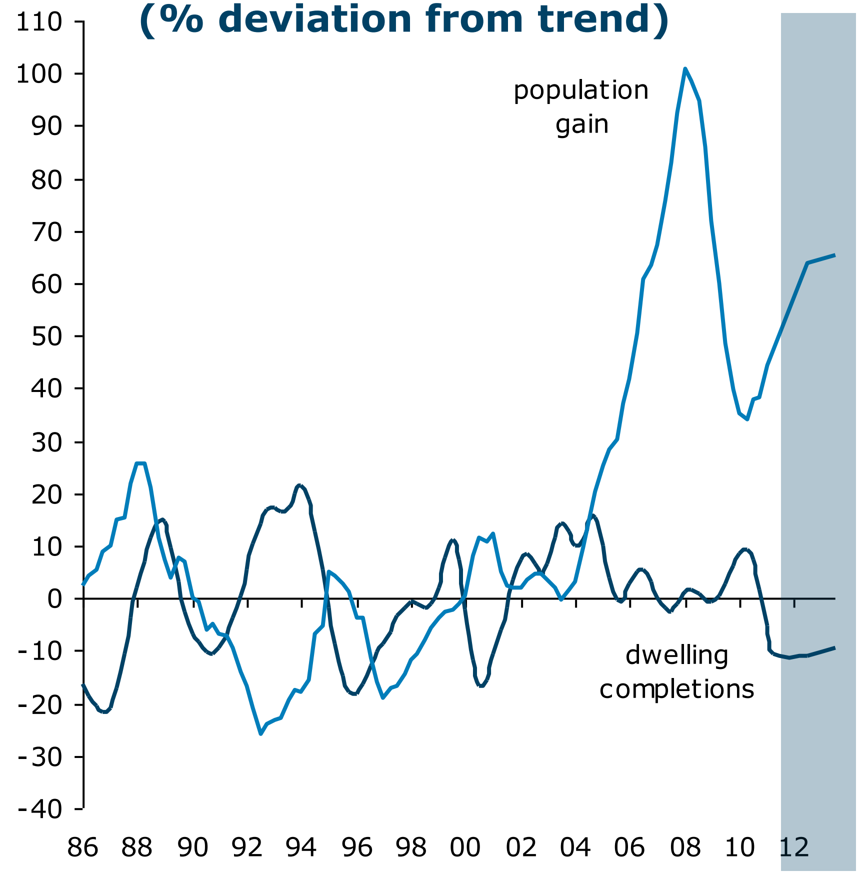
Although house prices have weakened, fundamentals remain supportive

Vacancy Rates remain low



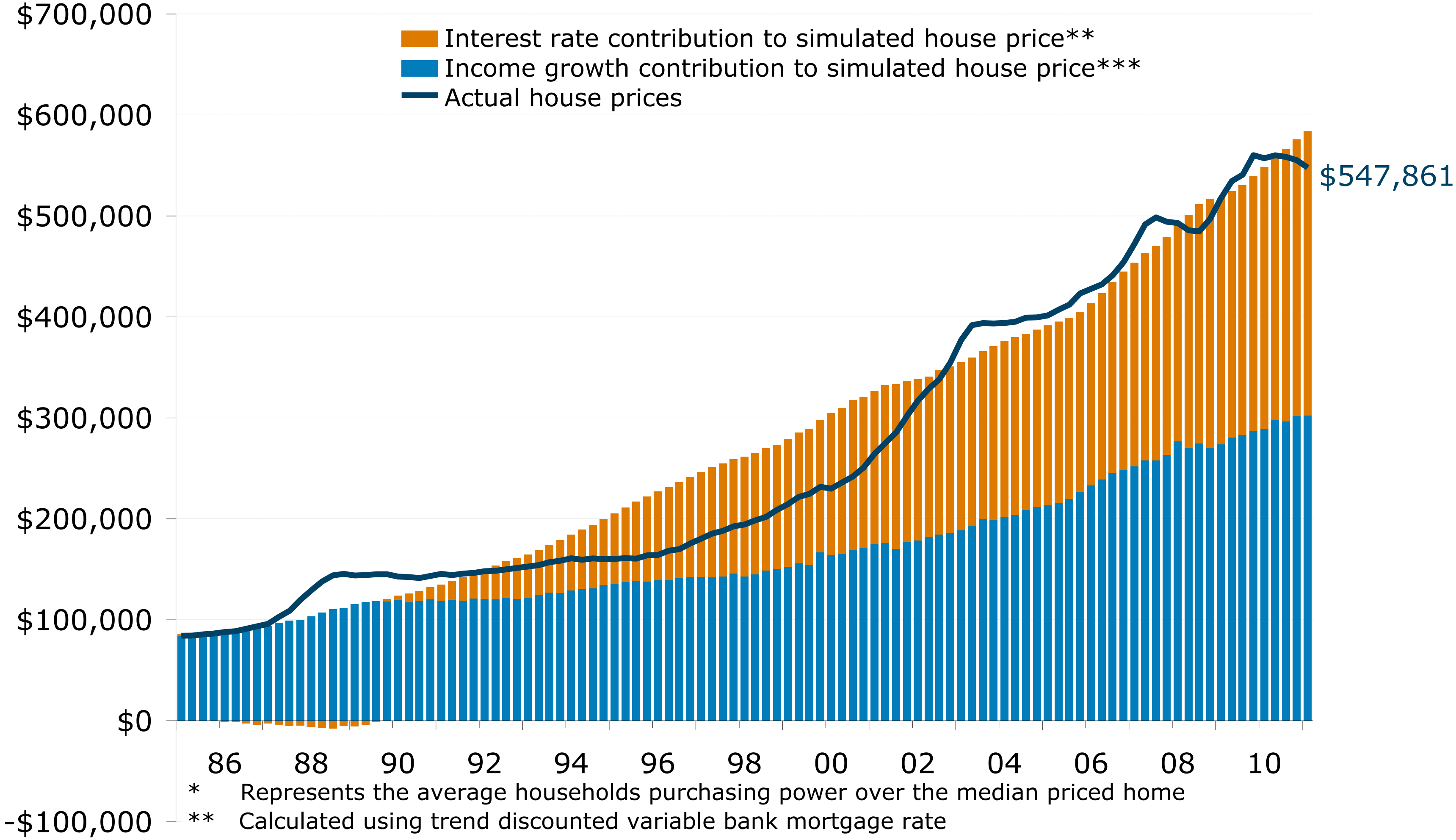
Source: REIA, ANZ Research

And the Demand Supply dynamic remains supportive (% deviation from trend)



Sources: ABS and ANZ

Australian house price growth since the mid 1980s is explained by income growth and the structural decline in interest rates



*   Represents the average households purchasing power over the median priced home

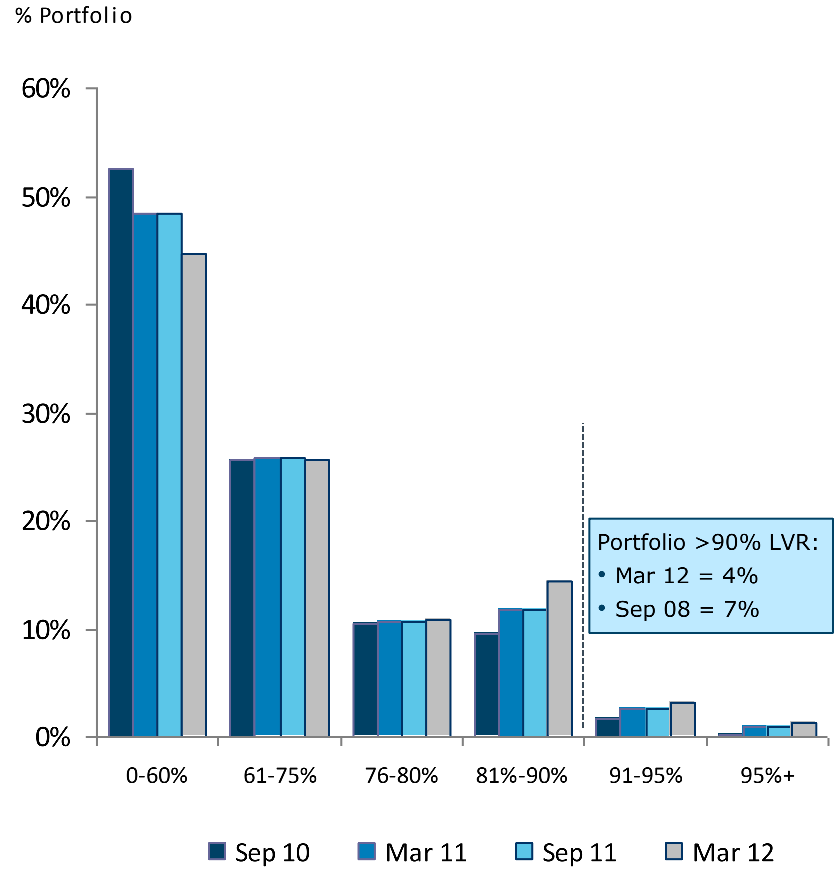
**   Calculated using trend discounted variable bank mortgage rate

*** Calculated using average household disposable income

Australian Mortgages – robust structure results in low losses through the cycle

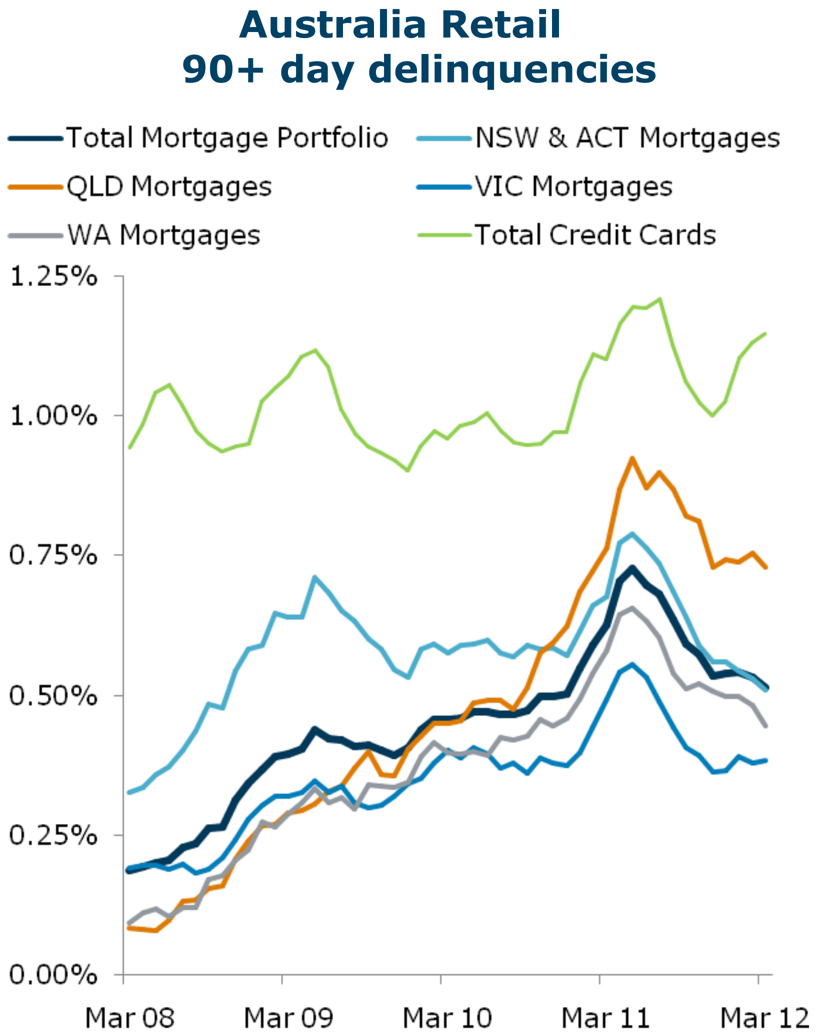
Portfolio Statistics	
Total Number of Mortgage Accounts	851k
Total Mortgage FUM	$178b
% of Total Group Lending	43%
Owner Occupied Loans - % of Portfolio	63%
Average Loan Size at Origination	$258k
Average LVR at Origination	64%
Average Dynamic LVR of Portfolio	50%
% of Portfolio Ahead on Repayments[1]	48%
First Home Owners - % of Portfolio	9%
First Home Owners - % of New Lending	7%
90+ Day Delinquencies	0.51%

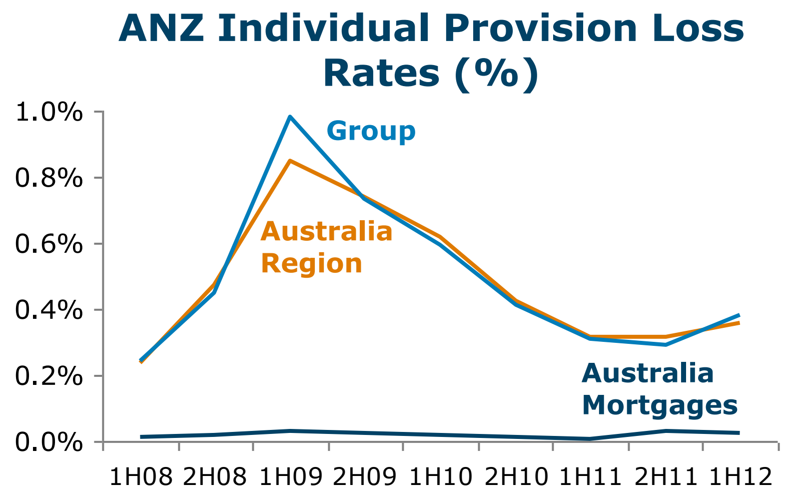
Dynamic Loan to Valuation Ratio

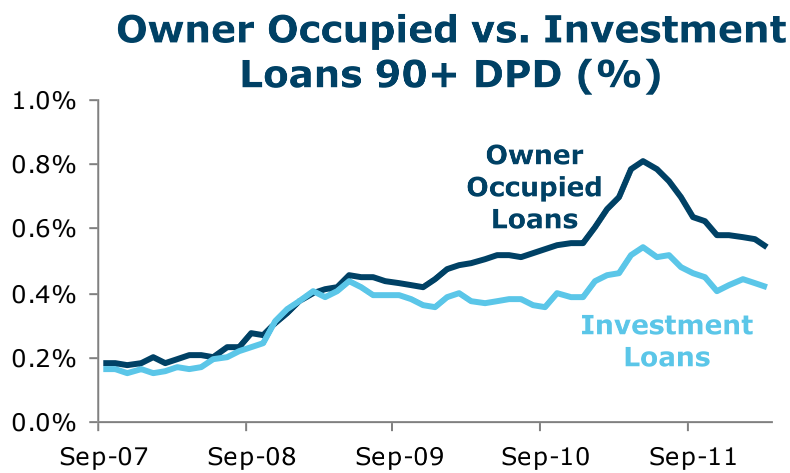


1. One month or more ahead of repayments. Excludes funds in offset accounts.

Australian mortgages 90+ Day delinquencies





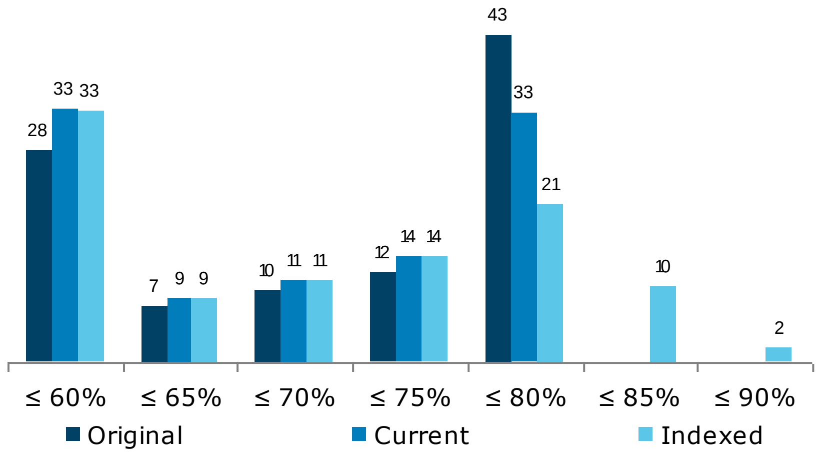


Cover Pool - Composition and qualifying criteria

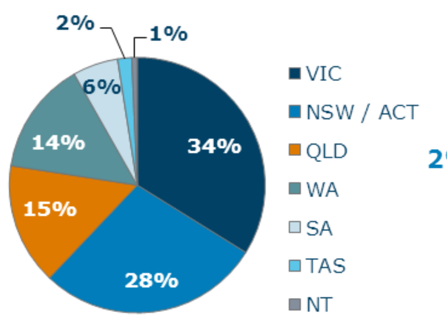
Portfolio Summary at 22-August-2012	
Covered Bond Pool	$10,439m
Covered Bonds on issue	$6,596m
Average loan size	$273,785
Weighted Ave Current LVR	63.37%
Weighted Ave Indexed LVR	63.74%
Weighted Ave Seasoning	16 months
Min Required AP% / OC%	82.7% /20.9%
Owner-Occupied / Investment	77.4% /22.6%
Full-Doc loans	100%

Qualifying Loan Criteria
Due from a natural person, Australian resident
Fully drawn and repayable in AUD
Term does not exceed 30 years
Current principal balance <= $2,000,000
Secured by a registered 1st mortgage
Residential dwelling, not under construction
The loan is not > 30 days in arrears
Borrower has made at least one interest payment on the loan

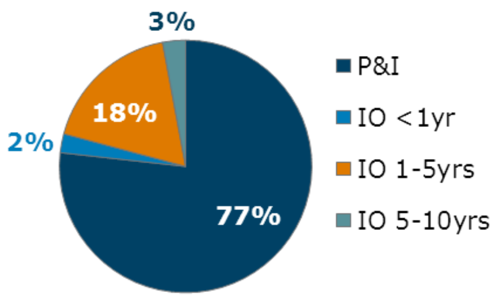
Weighted Average LVR (%)



Geographic Spread (State/Territory)



Amortising vs Interest Only



Australian Economy

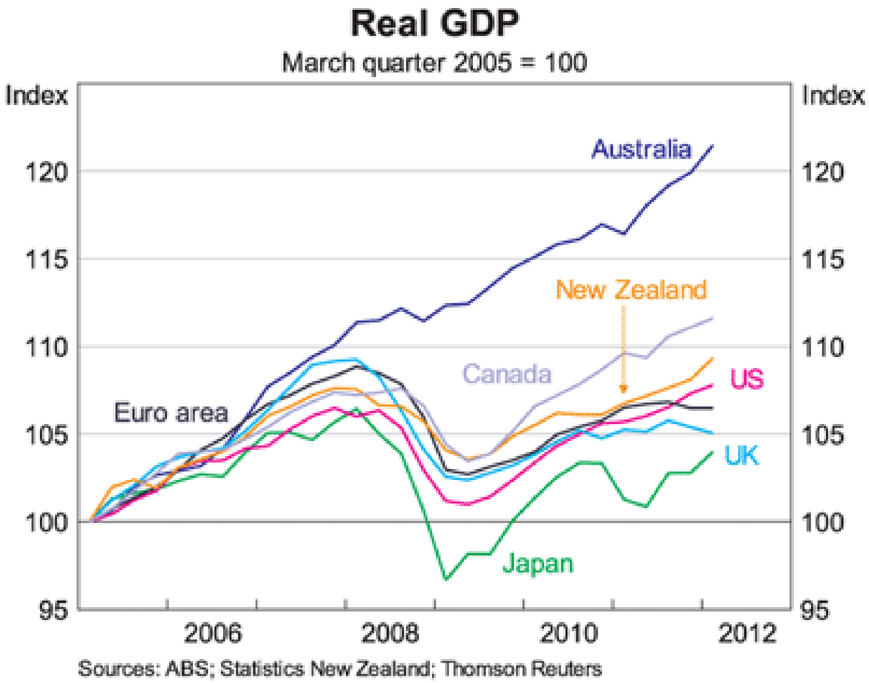
ANZ Economic forecasts

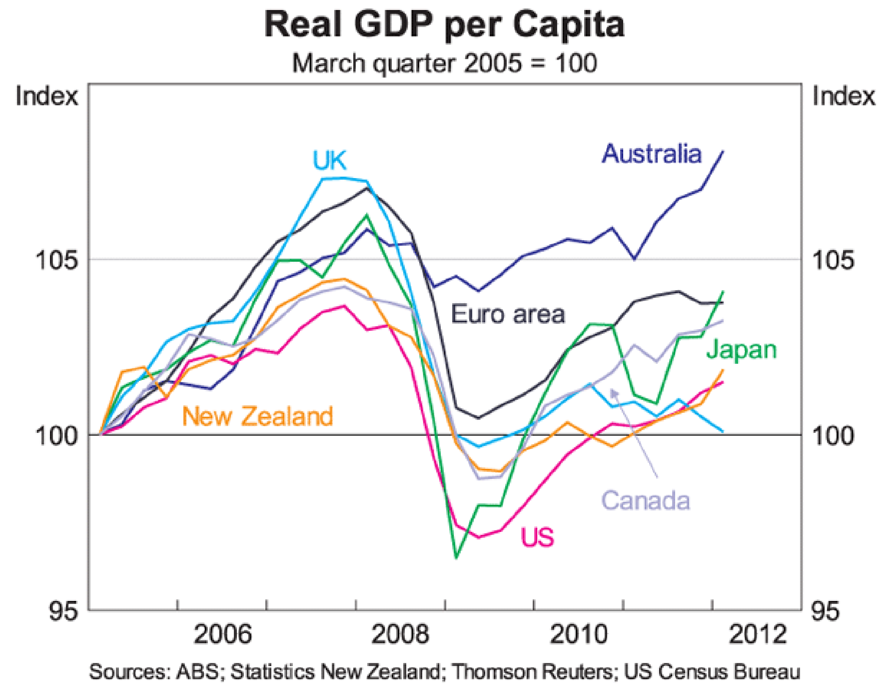
	Australia				New Zealand			
	2011	2012	2013	2014	2011	2012	2013	2014
GDP	2.8	2.8	2.8	2.8	1.2	2.2	2.4	2.6
Inflation	3.5	1.6	3.1[1]	2.5	4.6[2]	1.1	2.5	2.7
Unemployment	5.2	5.3	5.4	5.2	6.6	6.7	6.3	6.0
Cash rate	4.75	3.5	3.0	3.0	2.5	2.5	2.5	3.0
AUD/USD	0.97	1.02	1.07	0.98				
Credit	3.4	4.3	4.0	4.8	1.7	3.5	2.3	4.3
- Housing	5.8	4.7	4.1	5.6	1.6	2.2	2.4	3.6
- Business[3]	0.1	4.5	4.1	4.1	2.0	5.3	2.2	5.2
- Other	-0.5	-0.1	2.2	0.5	0.7	3.0	1.8	3.7

Source - ANZ economics team estimates as at 19 July 2012. Based on 30 September bank year. Growth rates in through the year terms.

1. Affected by the introduction of the carbon tax from 1 July 2012 and a reduction in the Government's health insurance rebate from 1 July 2012
2. Affected by an increase in the Goods and Services tax rate from 12.5% to 15% effective 1 October 2010
3. NZ Business includes Rural lending

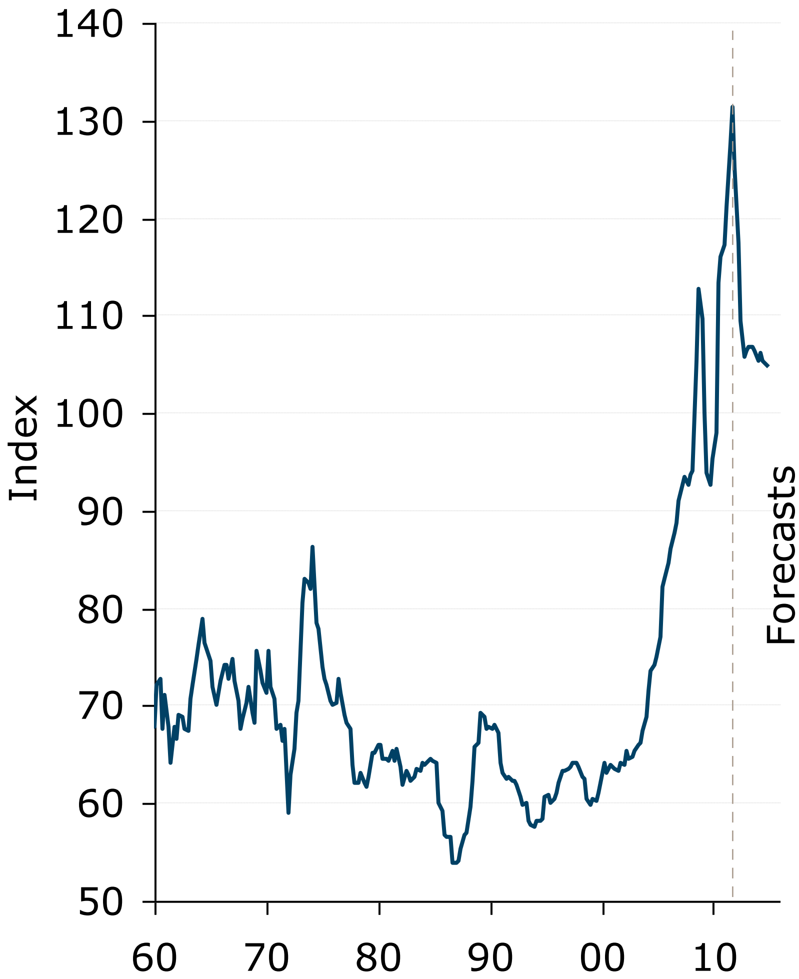
The Australian economy has performed relatively well in aggregate



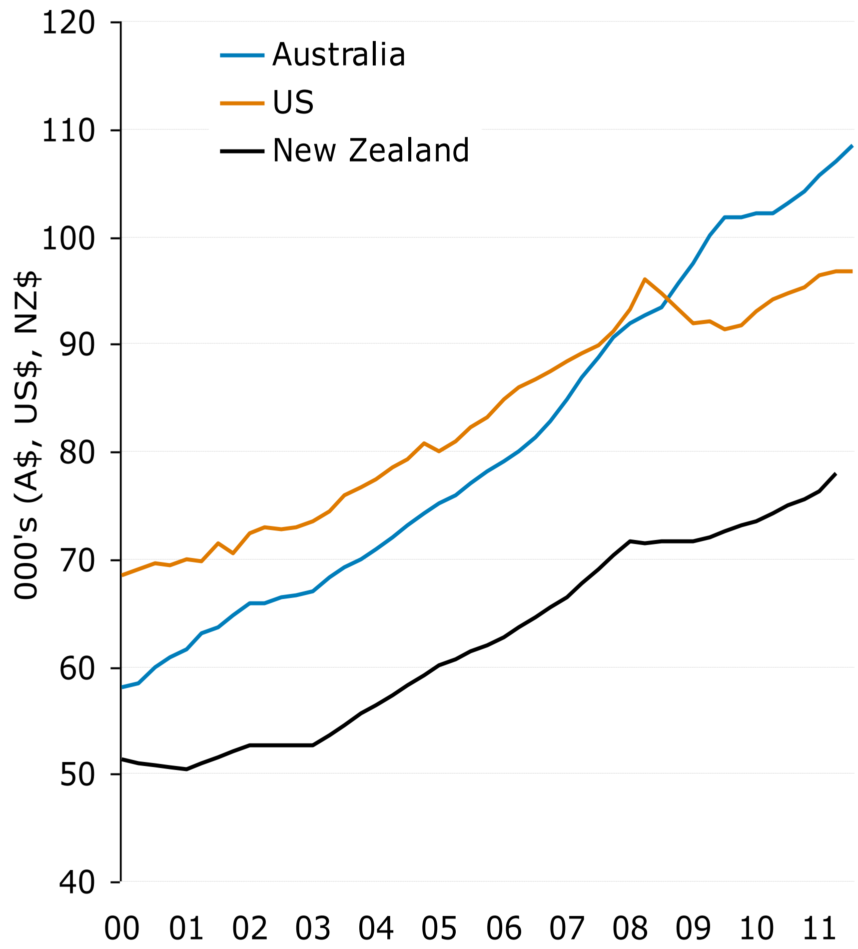


The Terms of Trade has driven the economy and resulted in strong income growth

Terms of trade since 1960

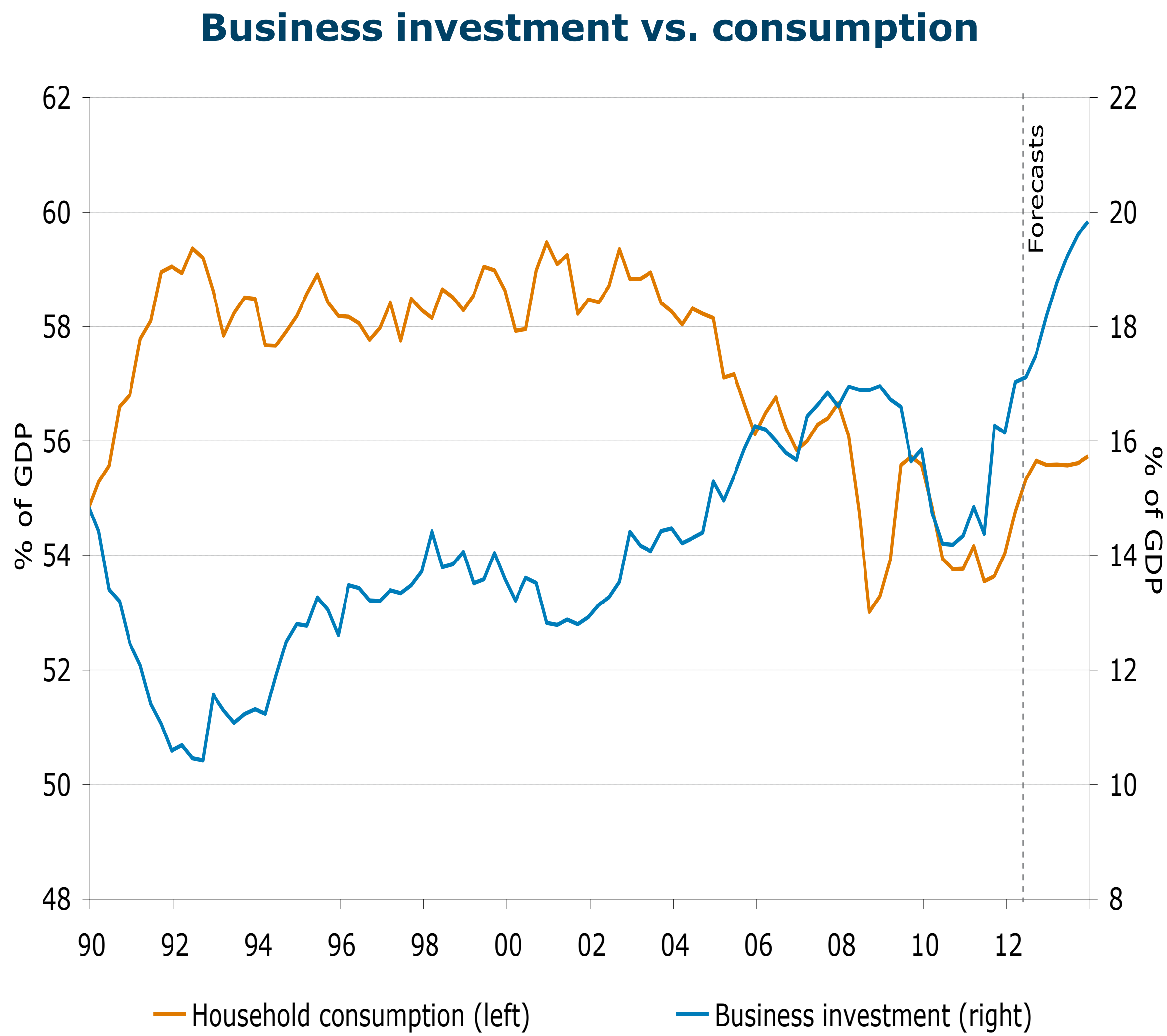


Income growth is continuing



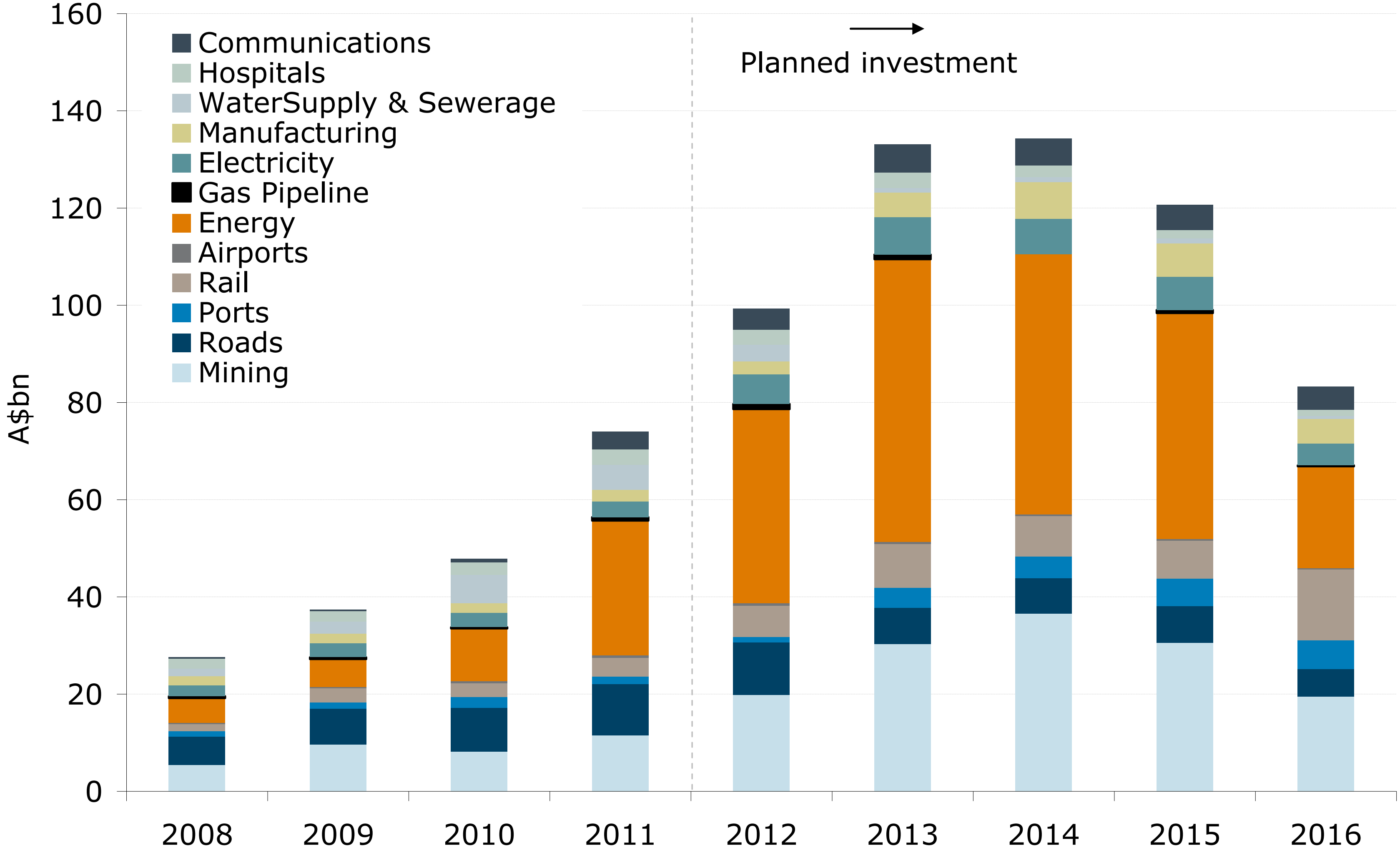
Source: ABS, RBA and ANZ

Strong investment growth driving the economy



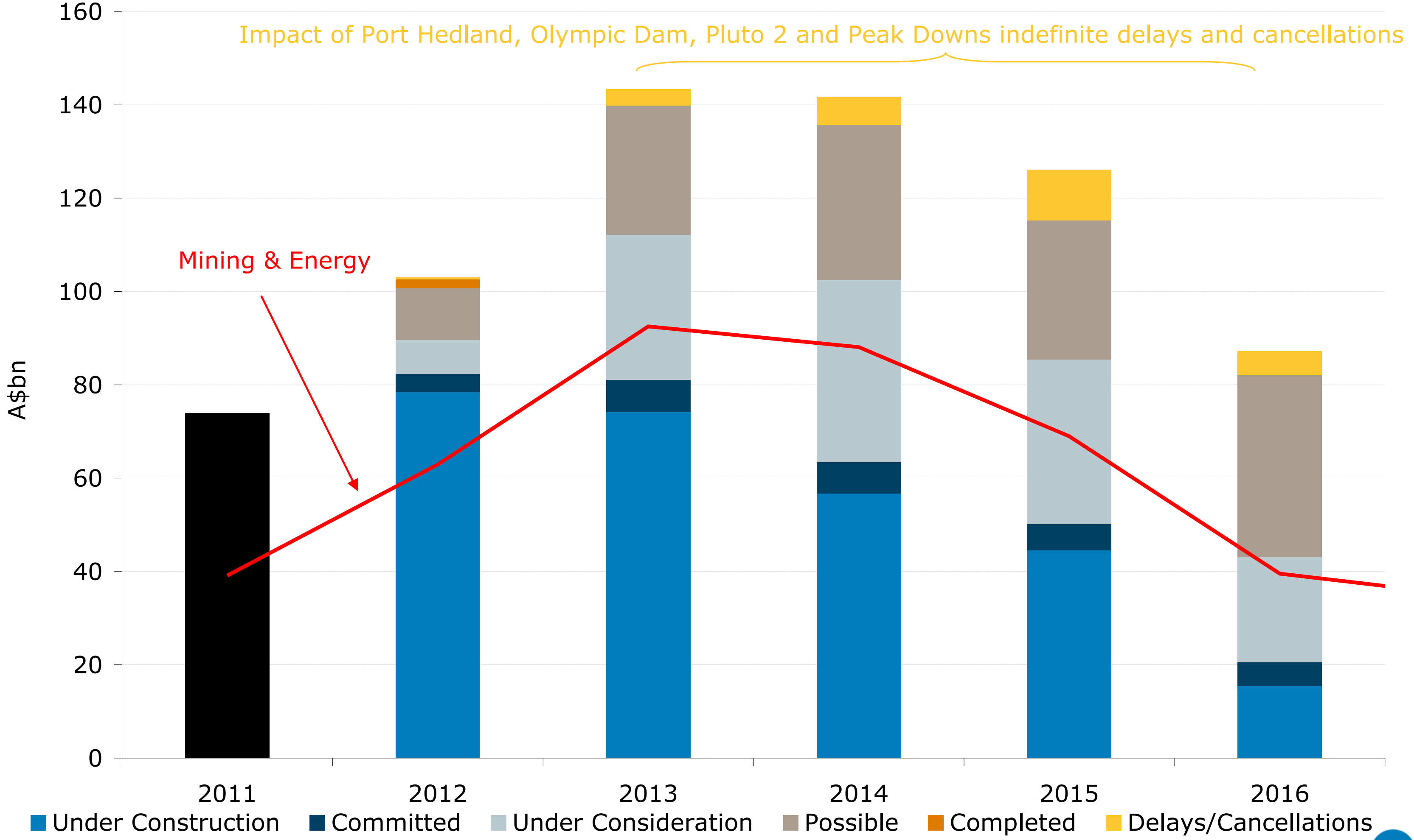
Sources: ABS and ANZ

Investment is concentrated in the mining, energy and infrastructure sectors



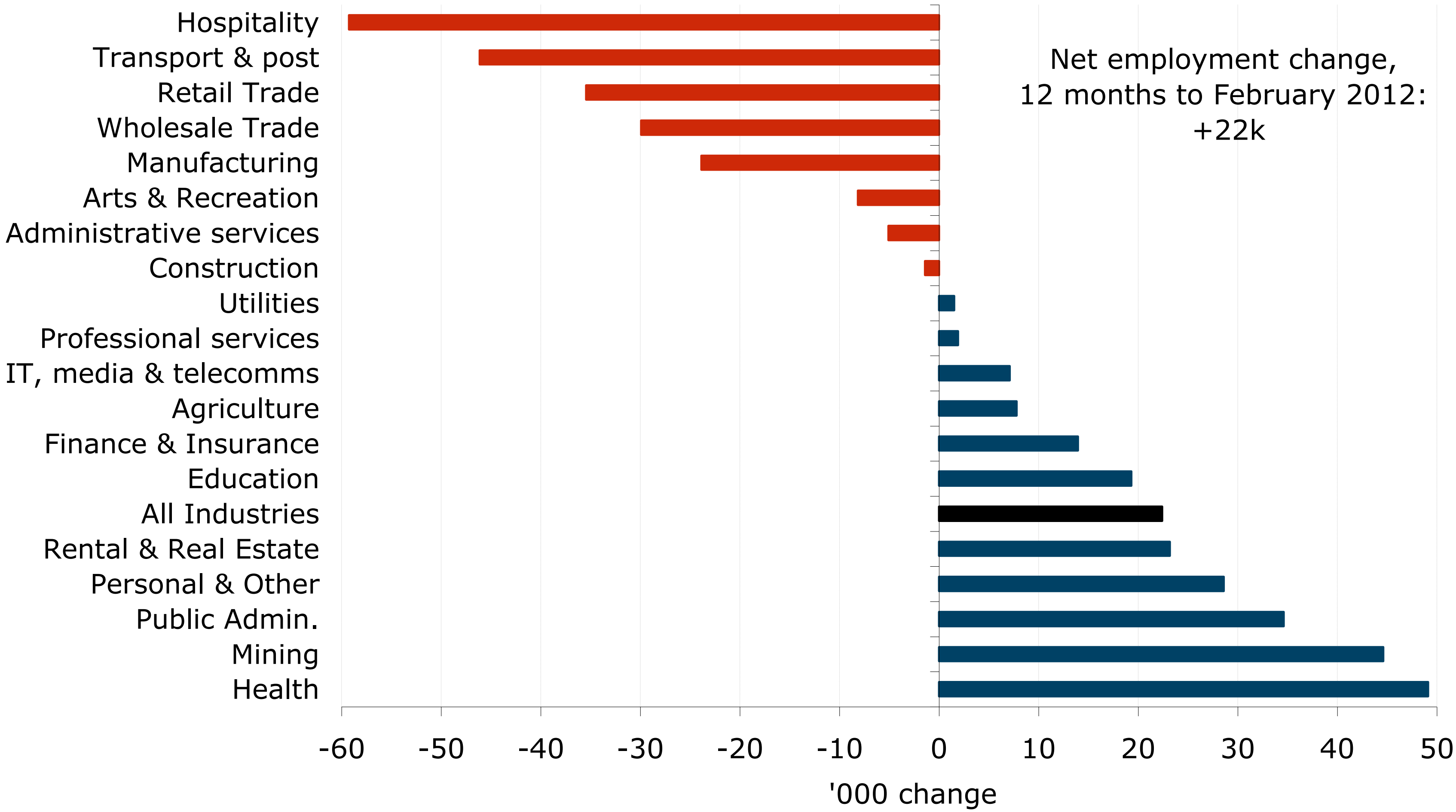
Sources: ANZ, ABS, RBA

Downside risks to the investment pipeline have emerged due to lower prices and rising costs. Risks appear to mainly affect 2014 and beyond.



The Australian economy is grappling with the structural change associated with this 2 speed economy

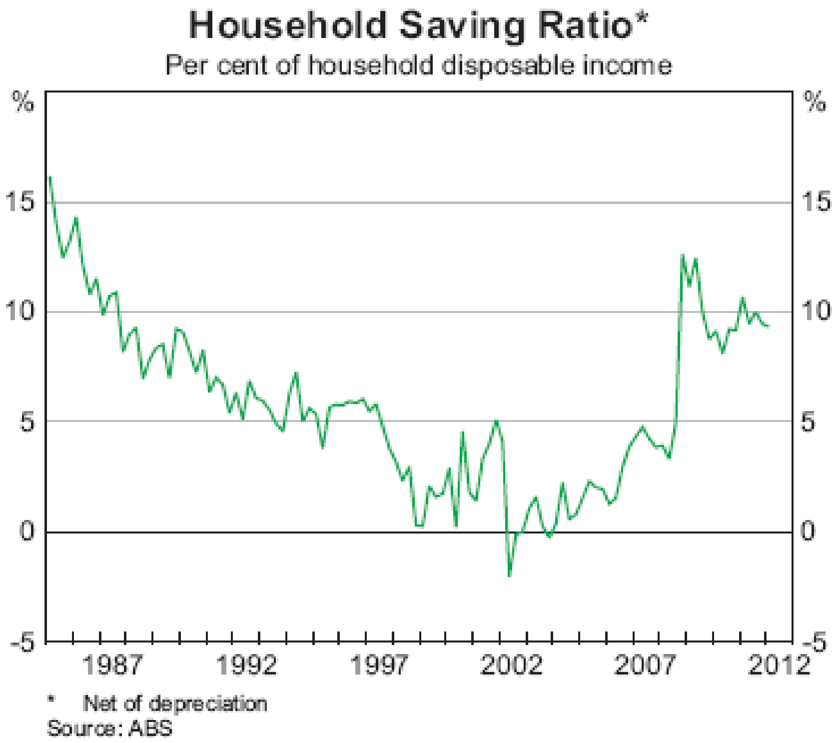
Employment growth by industry, 12 months to Feb 2012



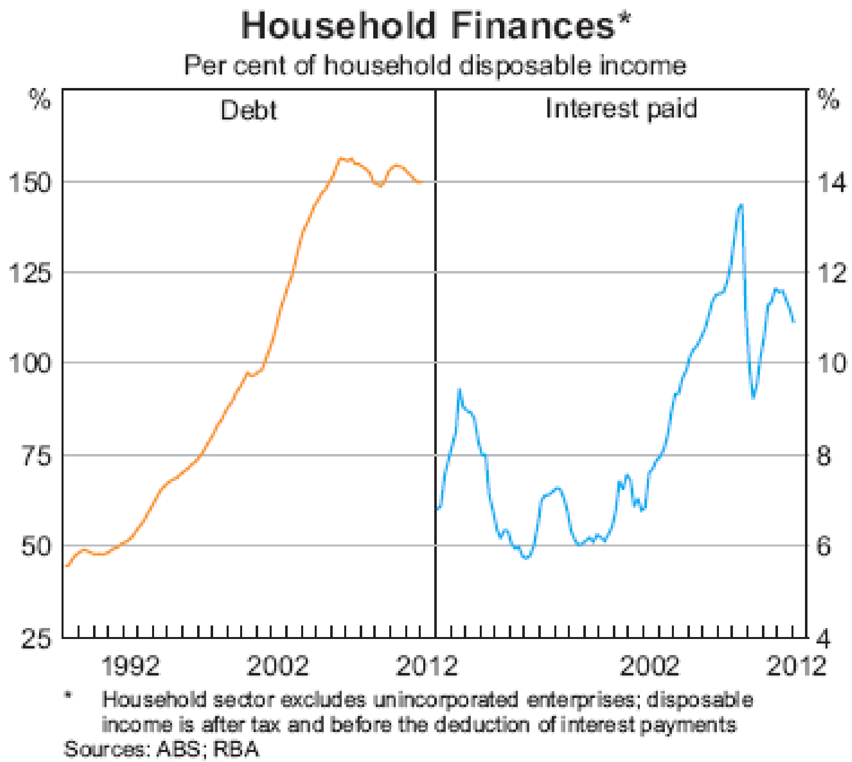
Source: ABS and ANZ

Some positive signs regarding household finances, however household balance sheets need to consolidate

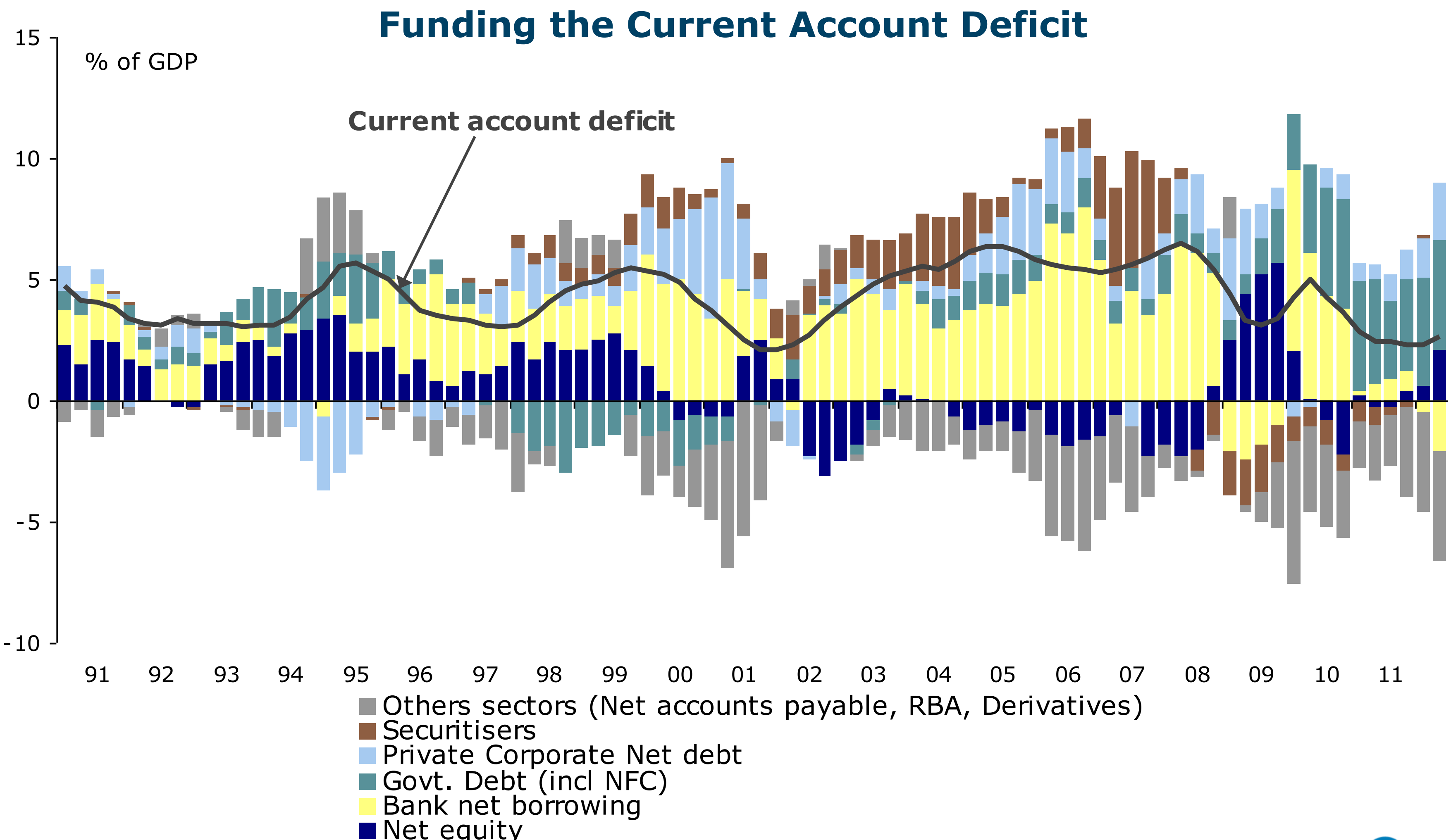
Household Savings rate back to more sustainable levels



Debt levels remain elevated but servicing is expected to decline

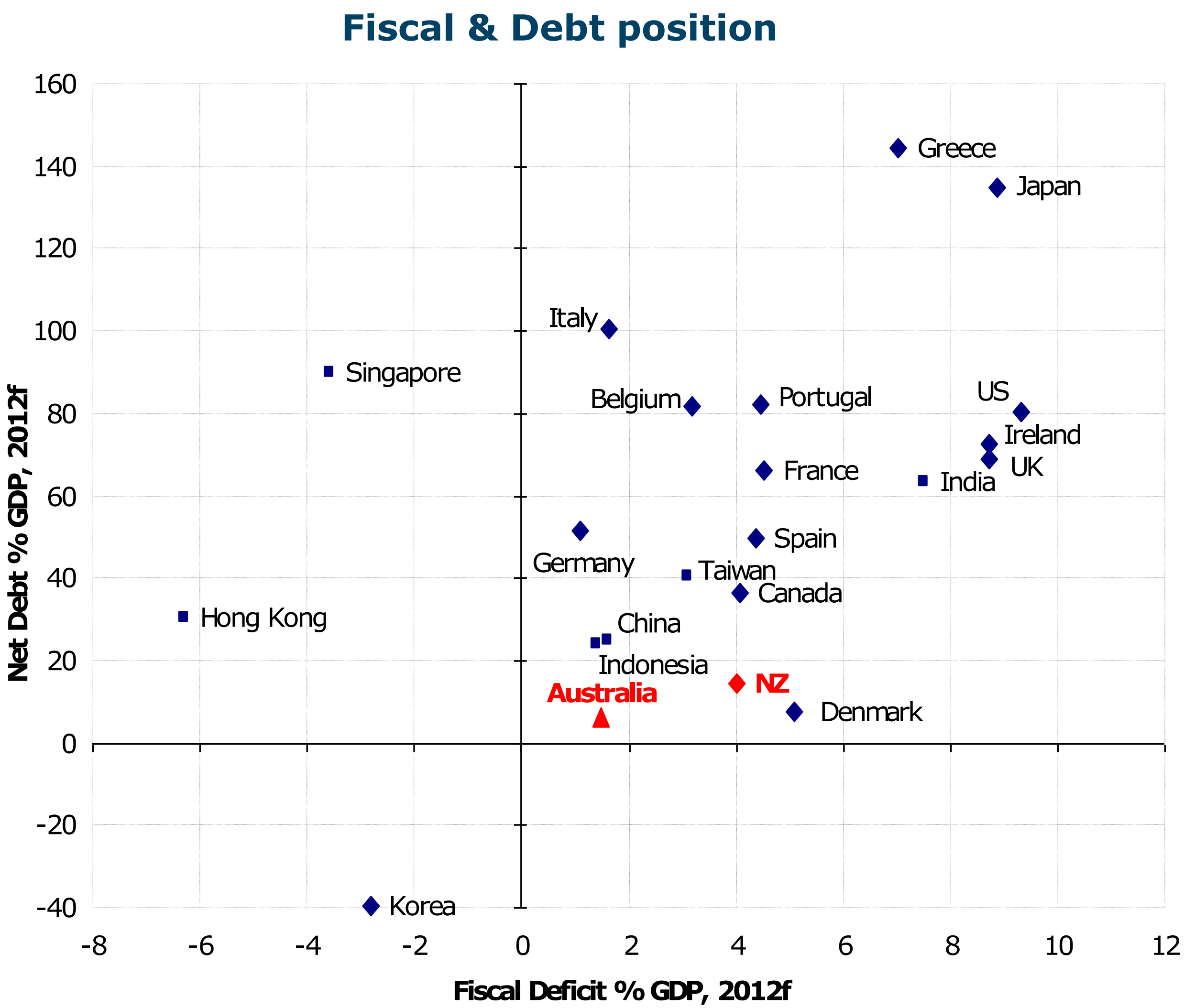


Banks have become net repayers of offshore debt; Equity, government and corporates now fund the CAD

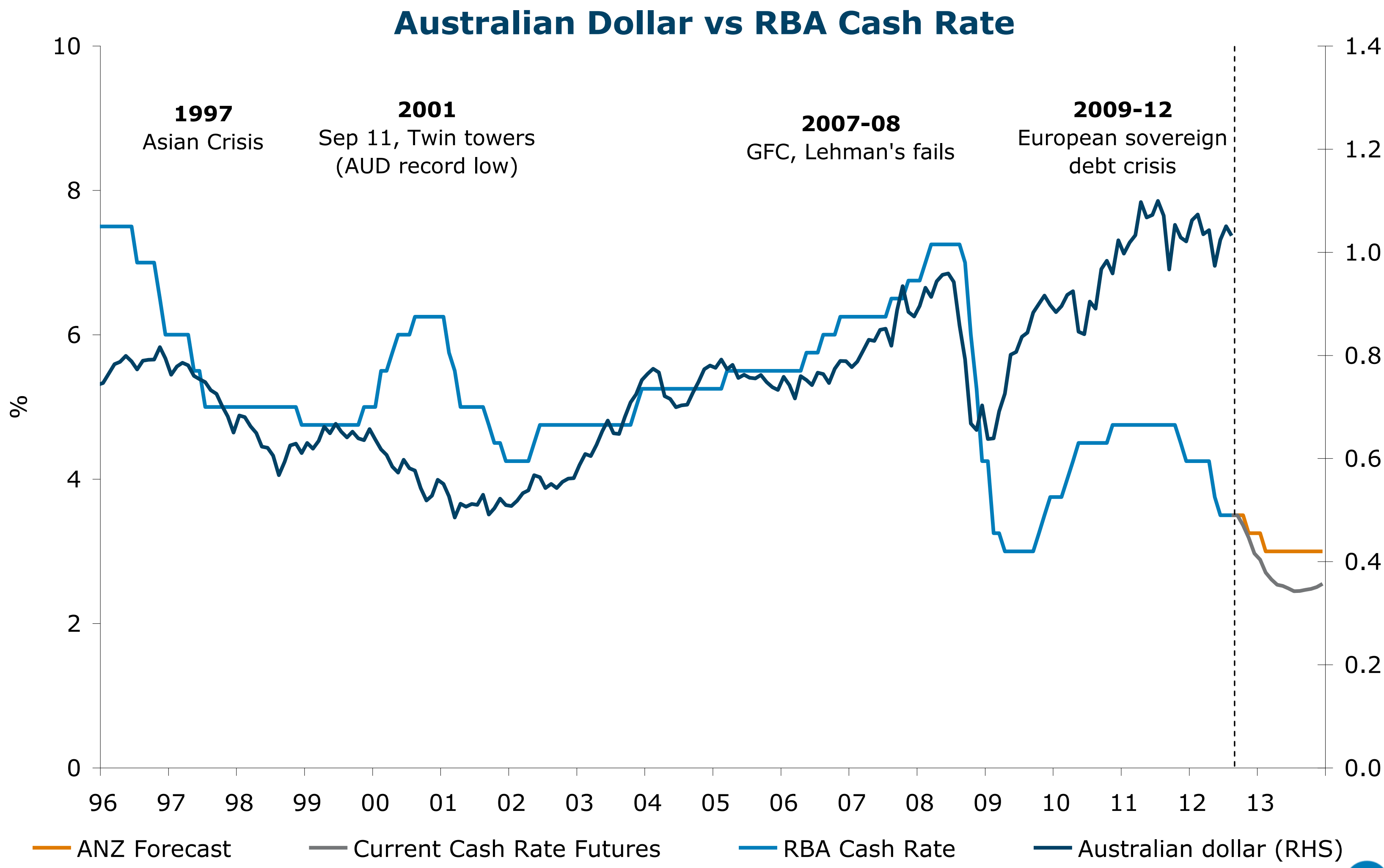


Source: ABS

Australia remains in a very strong fiscal position



In addition to fiscal policy, the Australian economy has two other policy adjustments to offset global shocks



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