

# Debt Investor Update

May 2013

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

**Graham Hodges, Deputy CEO**  
**David Goode, Head of Debt IR**



# ANZ Investor Update

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## **1. Strategy**

## **2. 2013 Half Year Results**

## **3. Balance Sheet**

## **4. Appendices :**

- Asset Quality**
- Economic Update**
- Covered bonds**

# Debt Investor Update

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

**Strategy**



# ANZ Super Regional Strategy – 5 Core Themes

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**1**

**Strengthen our position in Australia and New Zealand**

**2**

**Capture faster growing regional flows in trade, capital and wealth**

**3**

**Diversify revenue streams by product, geography and customer**

**4**

**Leverage global hubs and shared platforms**

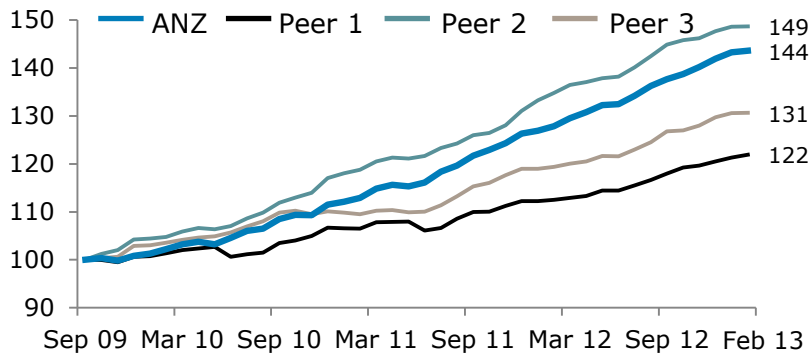
**5**

**Drive capital efficiency and superior returns for shareholders**

# Strengthening our position in our home markets - Australia

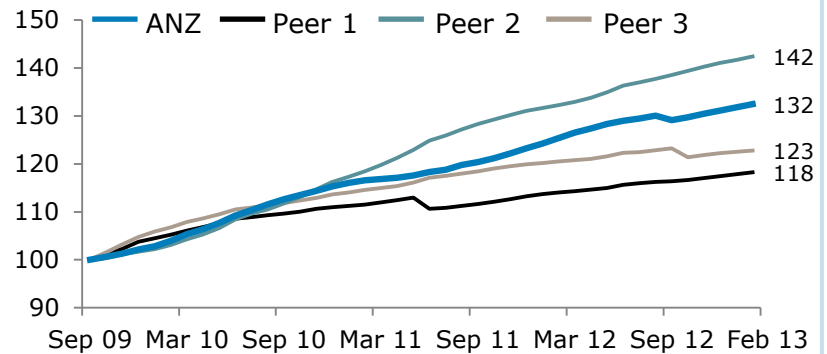
## Household deposits growth<sup>1</sup>

Indexed Sep 2009 = 100

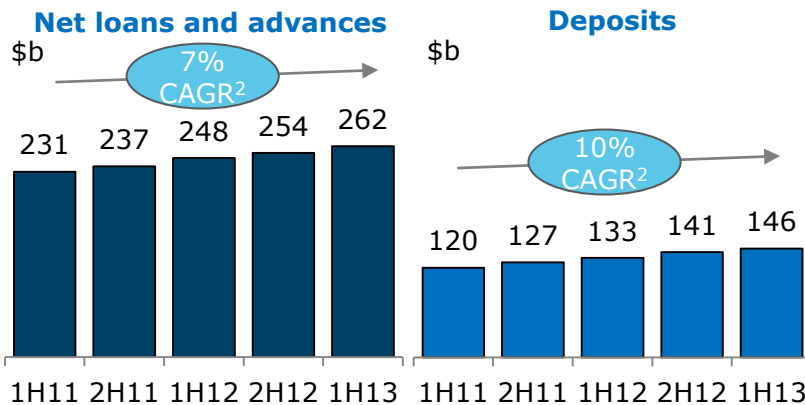


## Household lending growth<sup>1</sup>

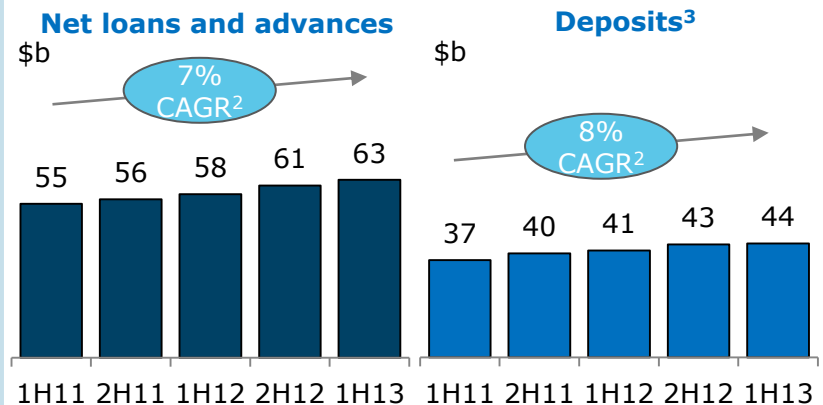
Indexed Sep 2009 = 100



## Australia Division Net loans and advances & Deposits



## Corporate & Commercial Banking Net loans and advances & Deposits



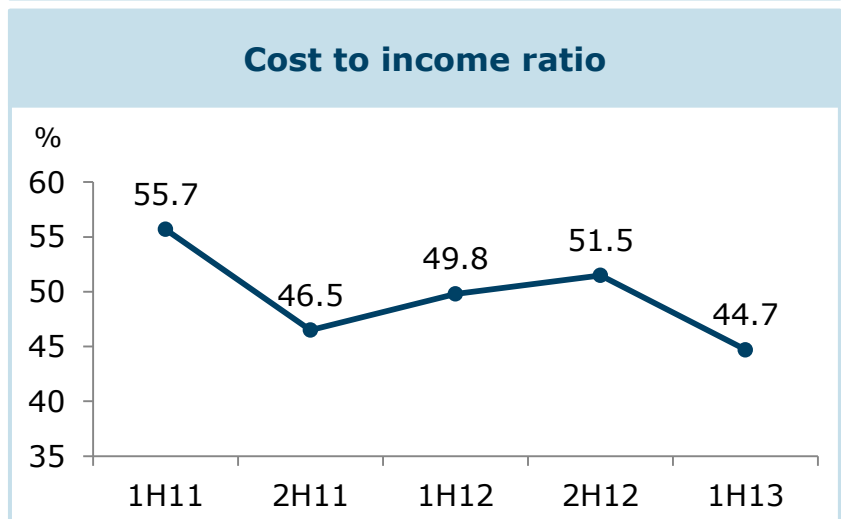
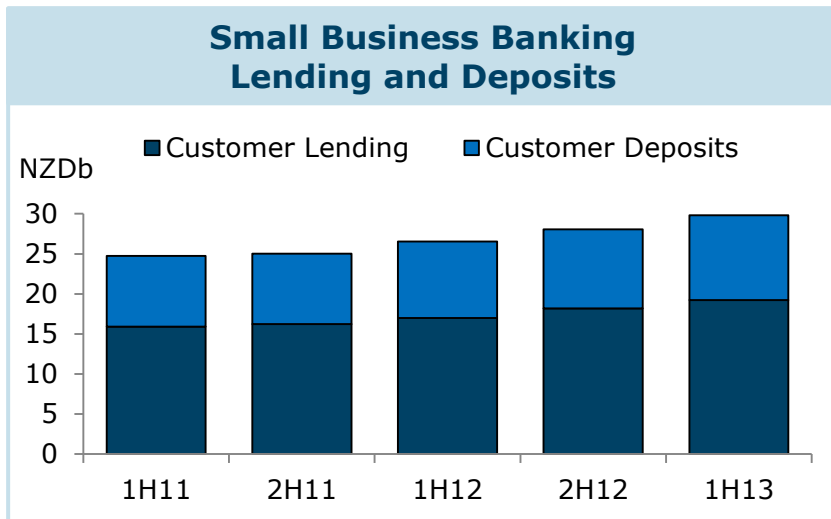
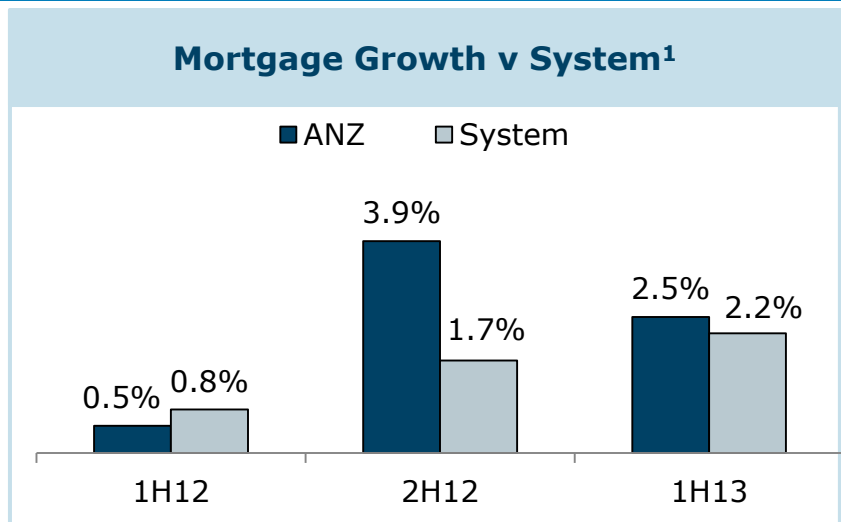
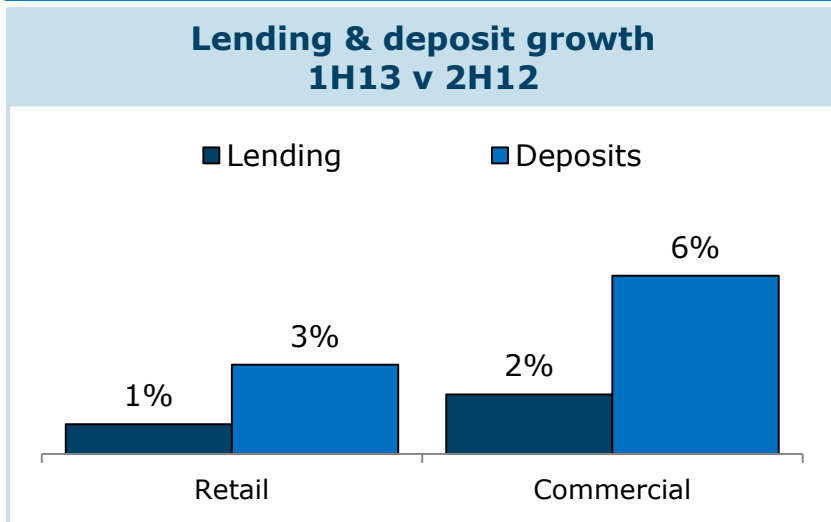
1. Source: APRA Banking statistics

2. Represents annualised CAGR

3. Excludes Corporate Banking deposits which are included in the IIB division deposits (Corporate Deposits as at Mar 13 half: \$5.8b Sep 12 half: \$6.2b; Mar 12 half: \$5.8b; Sep 11 half: \$6.3b; Mar 11 half: \$6.3b)



# Strengthening our position in our home markets - New Zealand

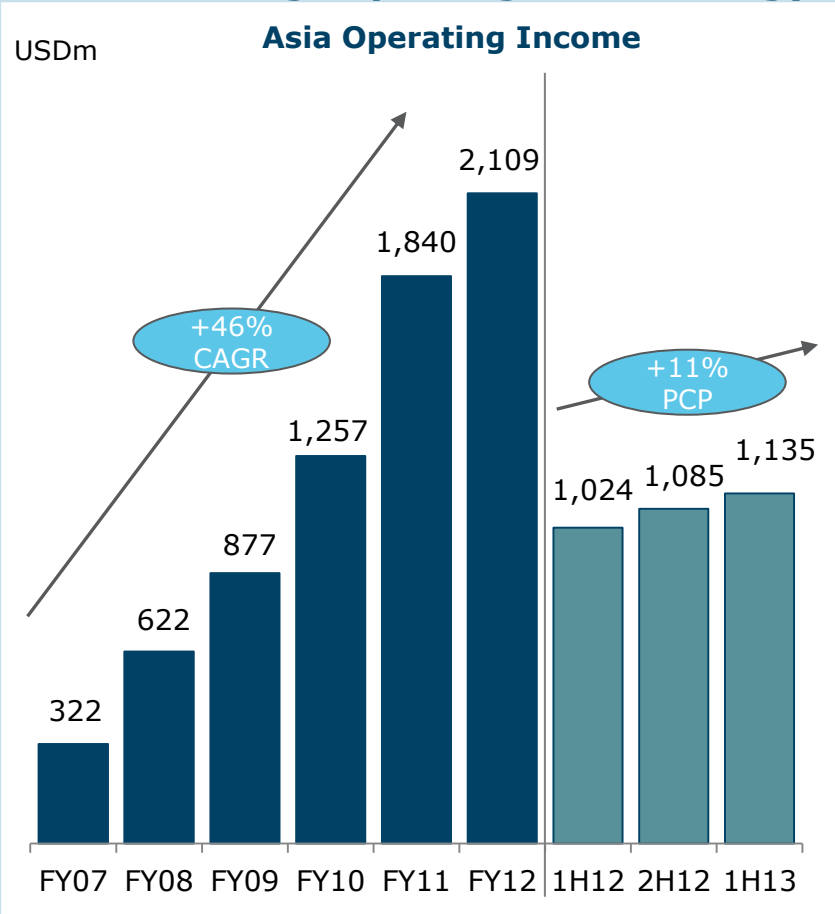


1. Data source: RBNZ NZ C6 and ANZ's submission to RBNZ. 1H13 data is as at Feb 13



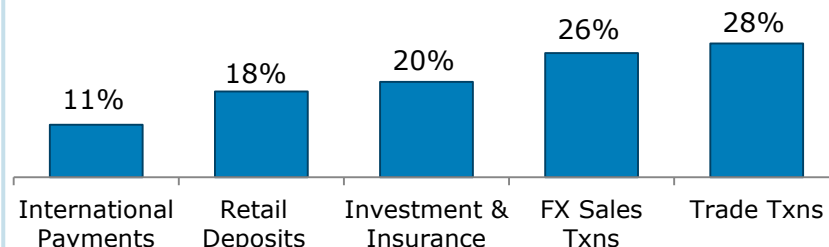
# Capturing faster growing regional flows in trade, capital and wealth

## Significant growth achieved since commencing super regional strategy

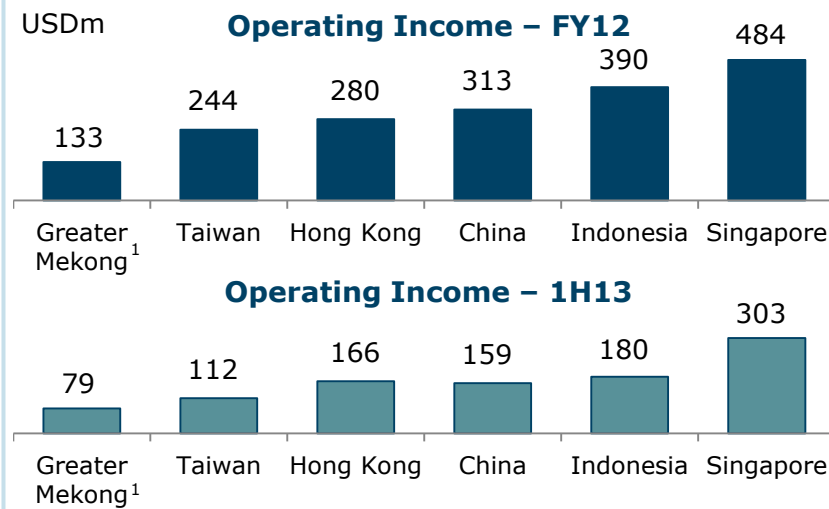


## Volume growth has remained strong

### Asia Volume growth (1H13 v 1H12)



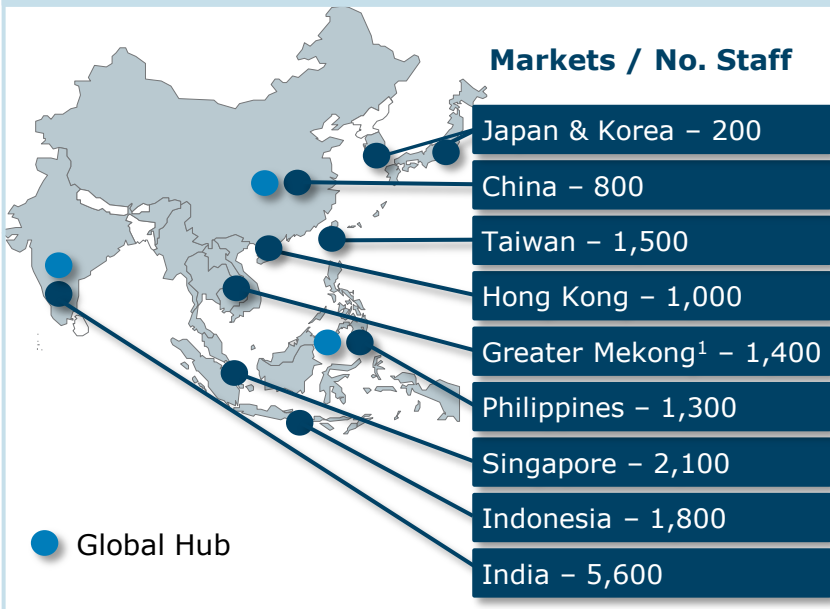
## Achieved scale in core franchise markets



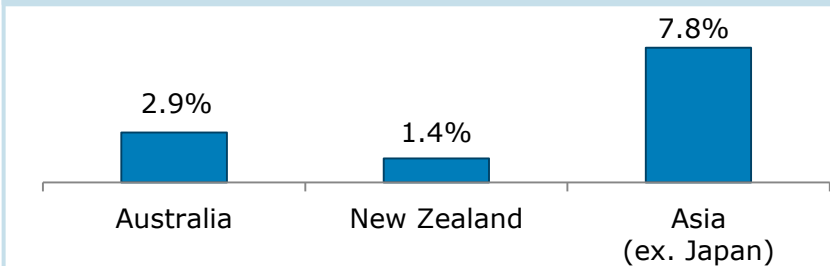
1. Greater Mekong – Vietnam, Cambodia & Laos.

# A differentiated strategy that is delivering for shareholders and customers

## ANZ has built a substantial business in Asia



## Average 5 year GDP growth



## Established network to support faster growing regional flows in trade, capital and wealth



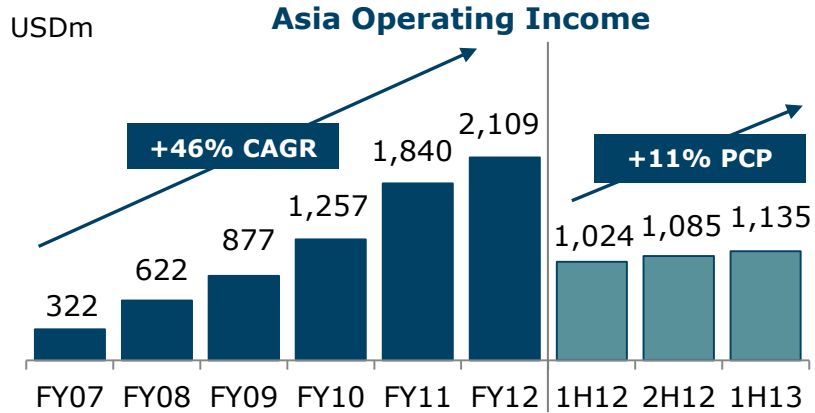
Source: World Trade Organisation

1. Greater Mekong includes Vietnam, Cambodia & Laos.

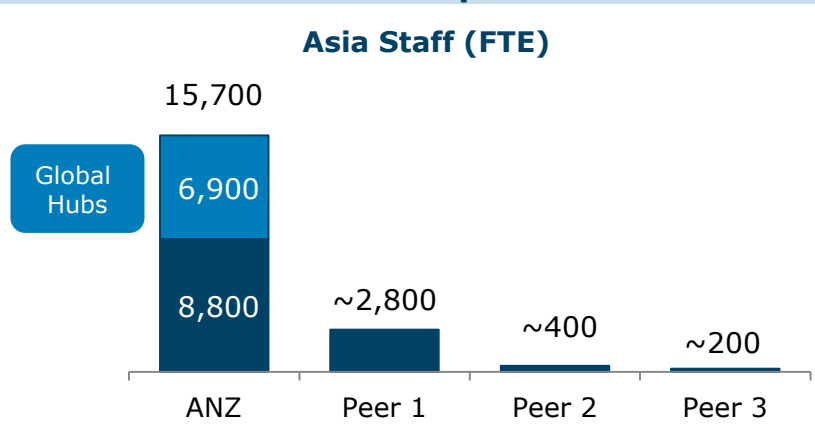


# We have built scale, capability and momentum in Asia

## ANZ has built a substantial business in Asia

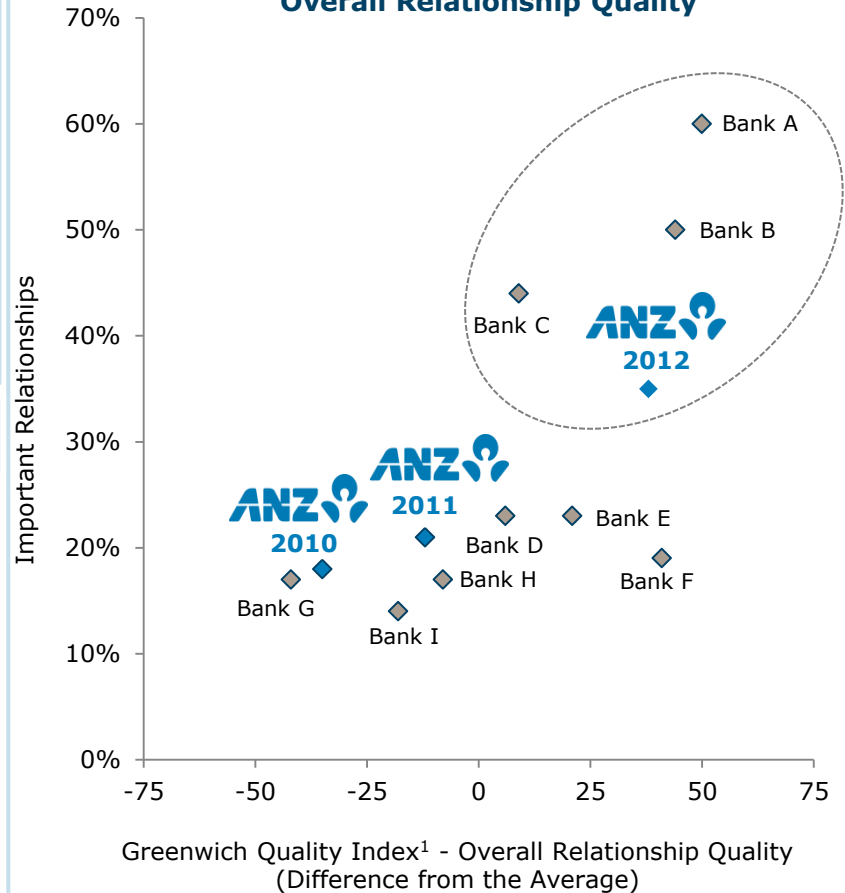


## Significantly larger presence than domestic peers



## A top 4 Corporate Bank in Asia

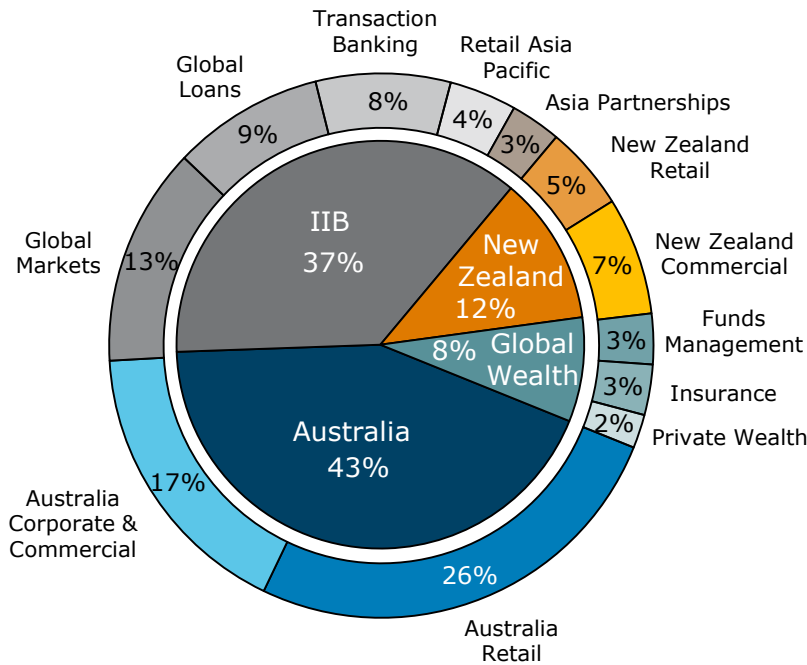
### Greenwich Associates Large Corporate Survey Overall Relationship Quality



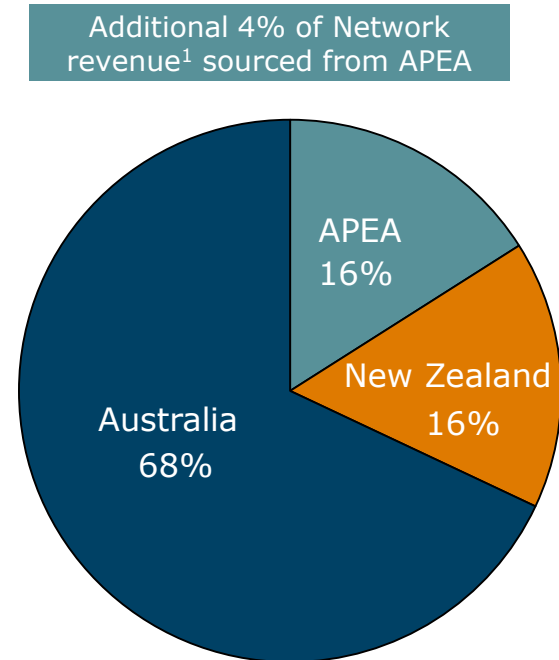
1. The Greenwich Quality Index score is based upon a normalized composite of all qualitative evaluations transformed to a scale of 0 to 1,000 with the difference from the average shown. Note: Cross-hairs are calculated by the average of the banks shown in graph.

# Continue to diversify operating income by customer, product and geography

Operating Income Mix by Division (1H13)

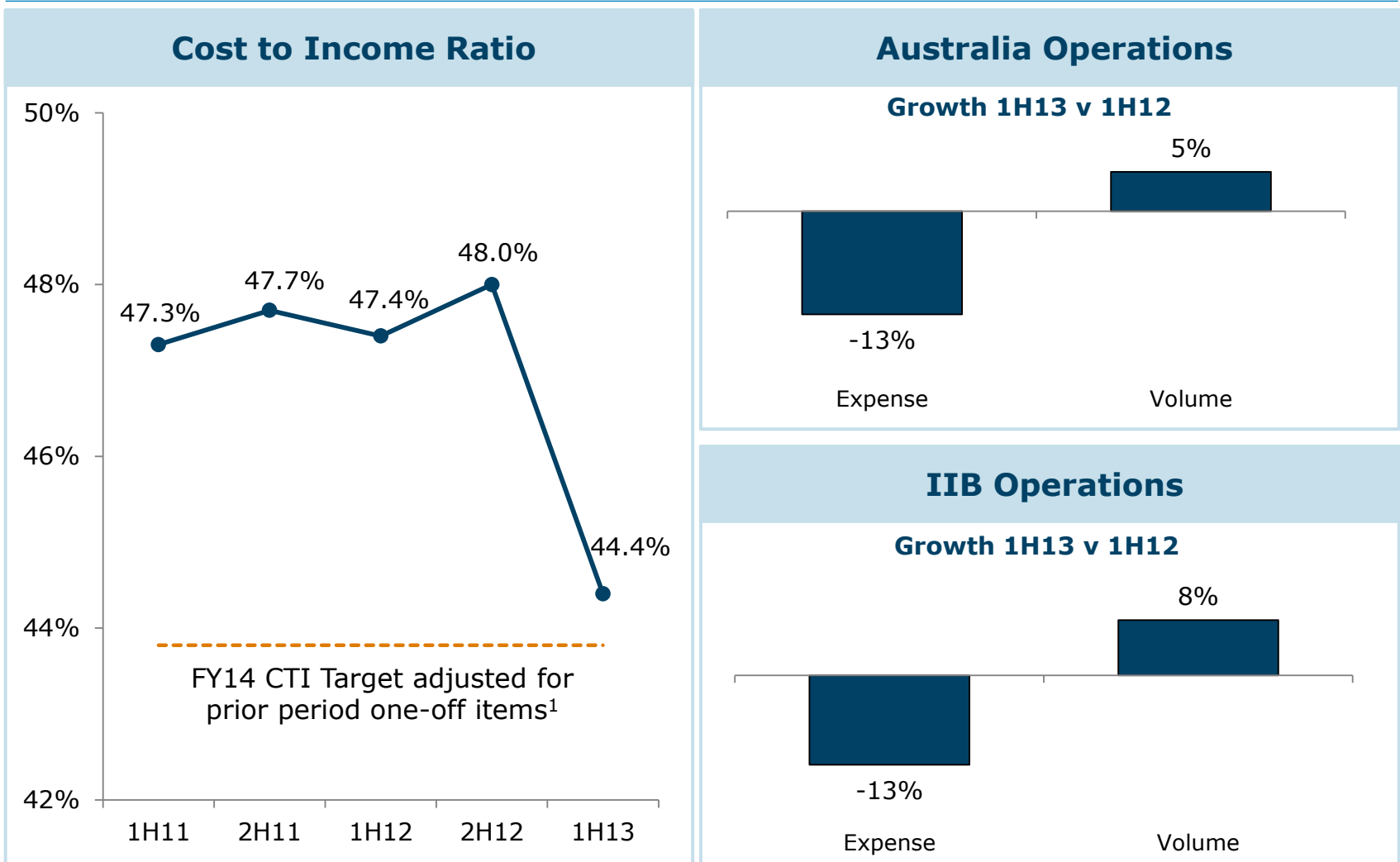


Operating Income Mix by Geography (1H13)



1. Network revenue represents income booked in a jurisdiction different to where a client relationship is managed

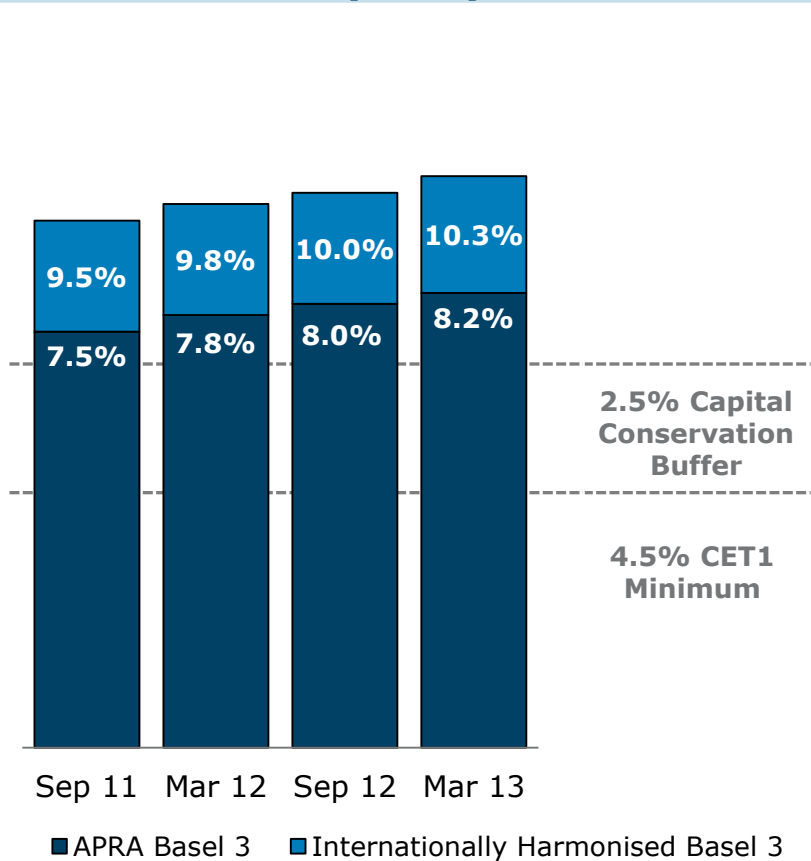
# Focused on increased productivity



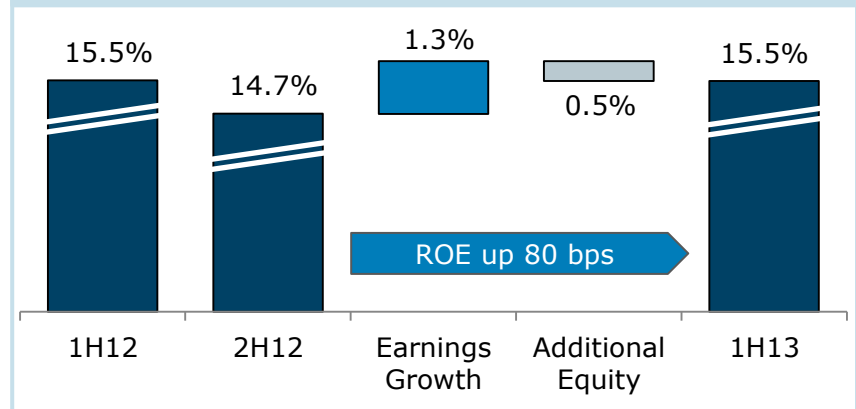
1. FY14 CTI Target of 43.8% based on a 2% reduction to FY12 CTI adjusted for the gain on sale of Visa shares (\$291m), expenses relating to capitalised software impairment (\$273m), forgone amortisation costs (\$25m) and NZ Simplification (\$149m)

# Driving capital efficiency and superior returns for shareholders

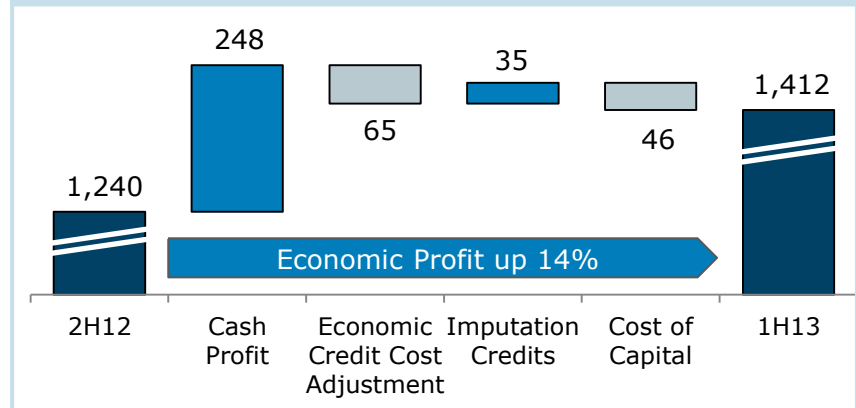
## Capital levels are well positioned (CET1)



## Return on Equity movement 1H13 v 2H12



## Economic Profit movement 1H13 v 2H12



# Debt Investor Update

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

**2013 Half Year Results**  
**(released 30 April 2013)**



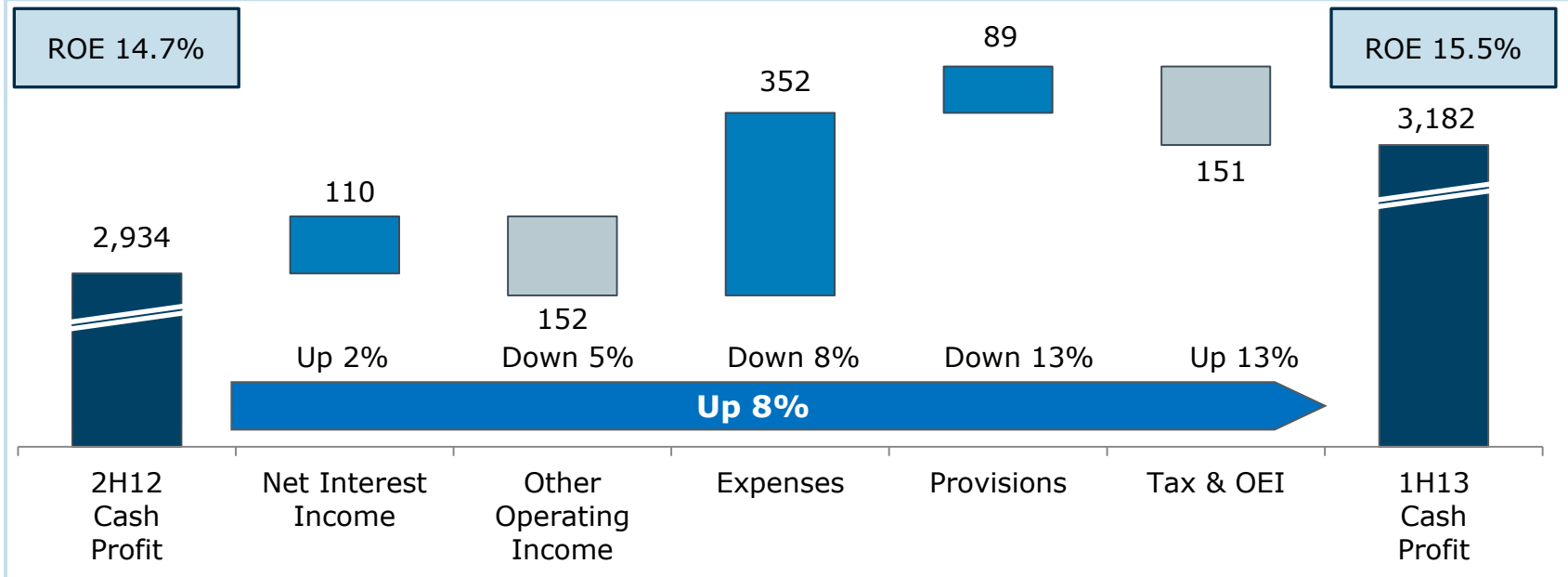
## Overview of financial performance

	1H13 \$M	Growth vs 2H12	Growth vs 1H12
<b>Cash Profit</b>	<b>3,182</b>	<b>+8%</b>	<b>+10%</b>
<b>Operating Income</b>	<b>9,086</b>	<b>Flat</b>	<b>+4%</b>
<b>Expenses</b>	<b>4,034</b>	<b>-8%</b>	<b>-2%</b>
<b>Provisions</b>	<b>599</b>	<b>-13%</b>	<b>+5%</b>
<b>Statutory Net Profit After Tax</b>	<b>2,940</b>	<b>+7%</b>	<b>+1%</b>
<b>EPS (cents)</b>	<b>117</b>	<b>+7%</b>	<b>+7%</b>
<b>Dividend per Share (cents)</b>	<b>73</b>	<b>n/a</b>	<b>+11%</b>
<b>Net Interest Margin</b>	<b>2.25%</b>	<b>-3bps</b>	<b>-10bps</b>
<b>Customer deposits</b>	<b>344,135</b>	<b>+5%</b>	<b>+12%</b>
<b>Net loans and advances (incl. acceptances)</b>	<b>441,980</b>	<b>+3%</b>	<b>+7%</b>

All figures other than Statutory Net Profit after Tax and Dividend are presented on Cash basis

# 1H13 financial performance

## Cash Profit Movement 1H13 v 2H12 (\$m)

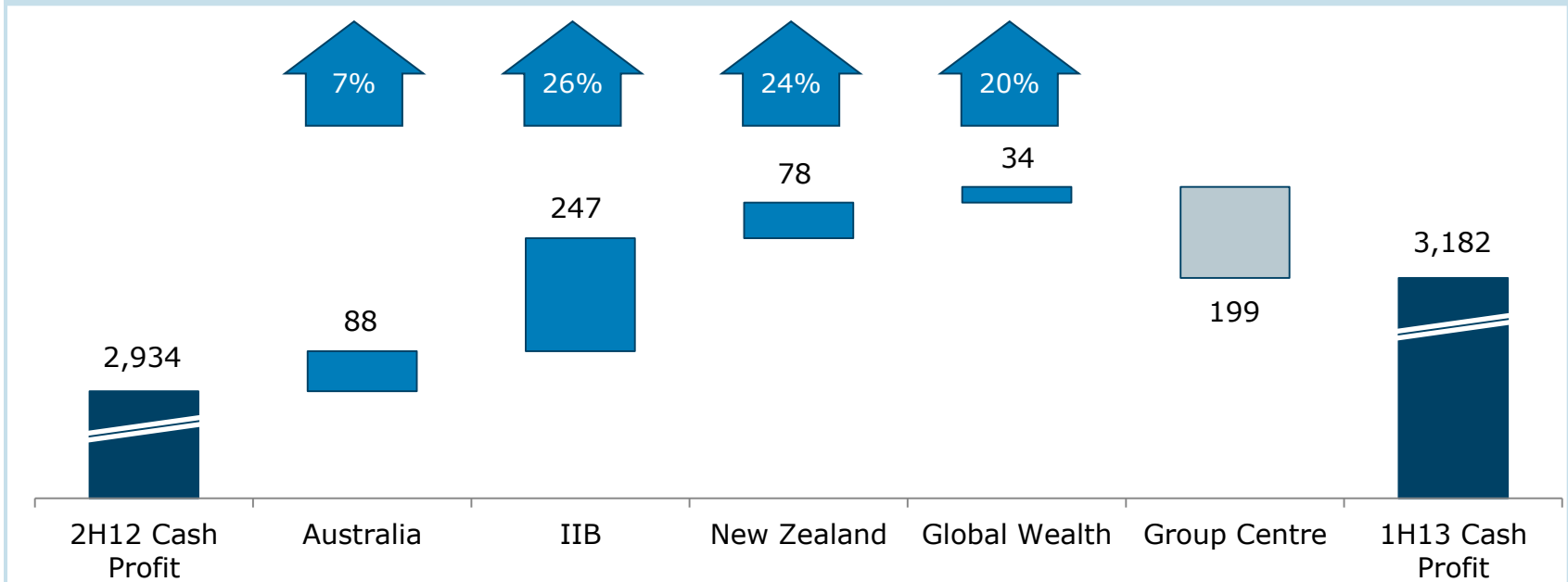


## Cash Profit Movement 1H13 v 1H12 (\$m)

1H12 Cash Profit	Net Interest Income	Other Operating Income	Expenses	Provisions	Tax & OEI	1H13 Cash Profit
2,896	252	114	(99)	29	150	3,182
	Up 4%	Up 4%	Down 2%	Up 5%		Up 10%

# 1H13 financial performance by Division

## Cash Profit by Division 1H13 v 2H12 (\$m)



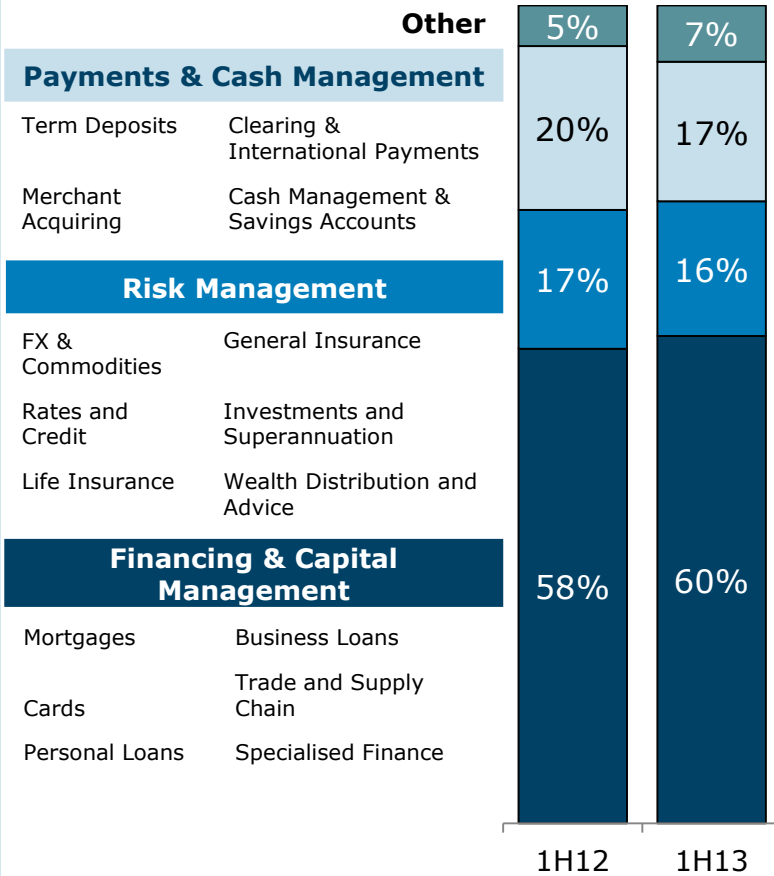
## Cash Profit by Division 1H13 v 1H12 (\$m)

1H12 Cash Profit	Australia	IIB	New Zealand	Global Wealth	Group Centre	1H13 Cash Profit
2,896	144	40	74	26	2	3,182
	Up 11%	Up 3%	Up 23%	Up 15%		Up 10%

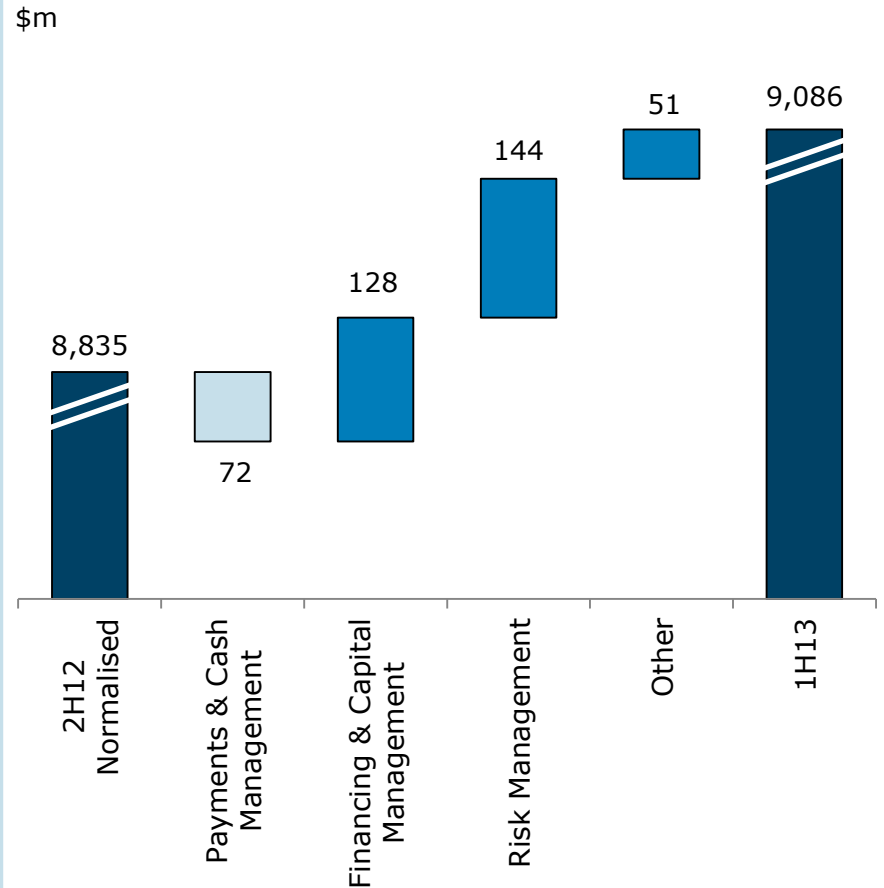


# Key drivers of operating income

## Operating Income Mix by Line of Business

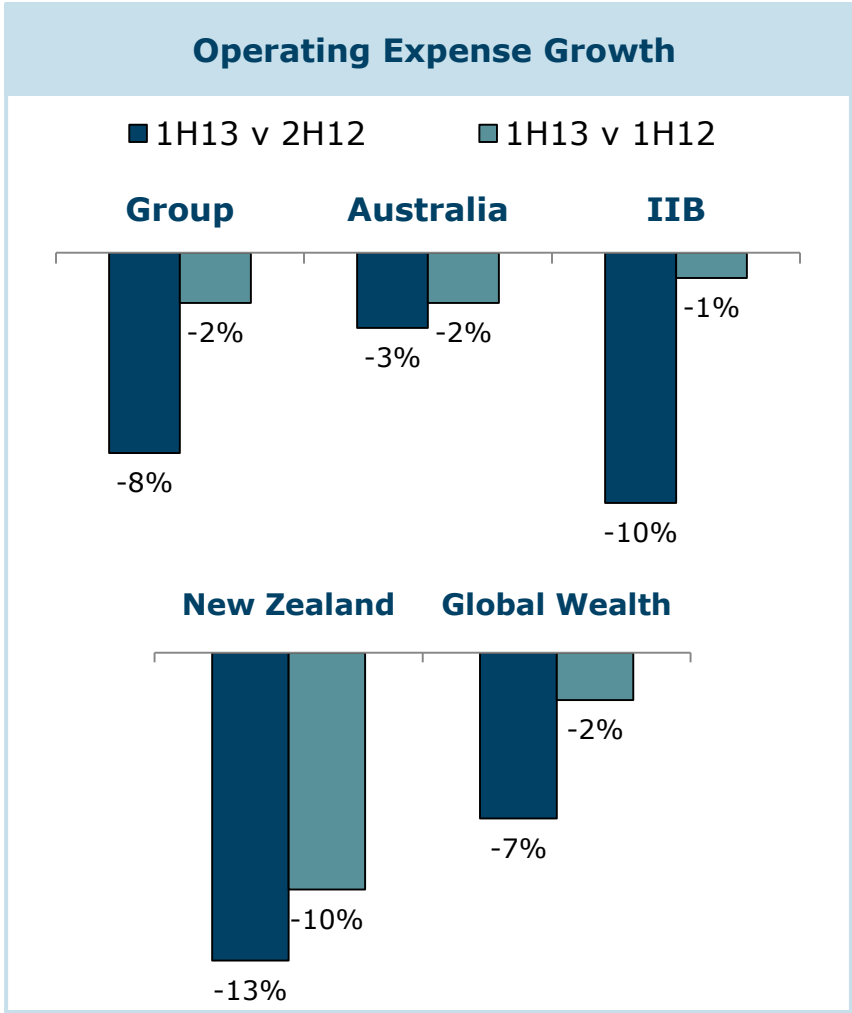
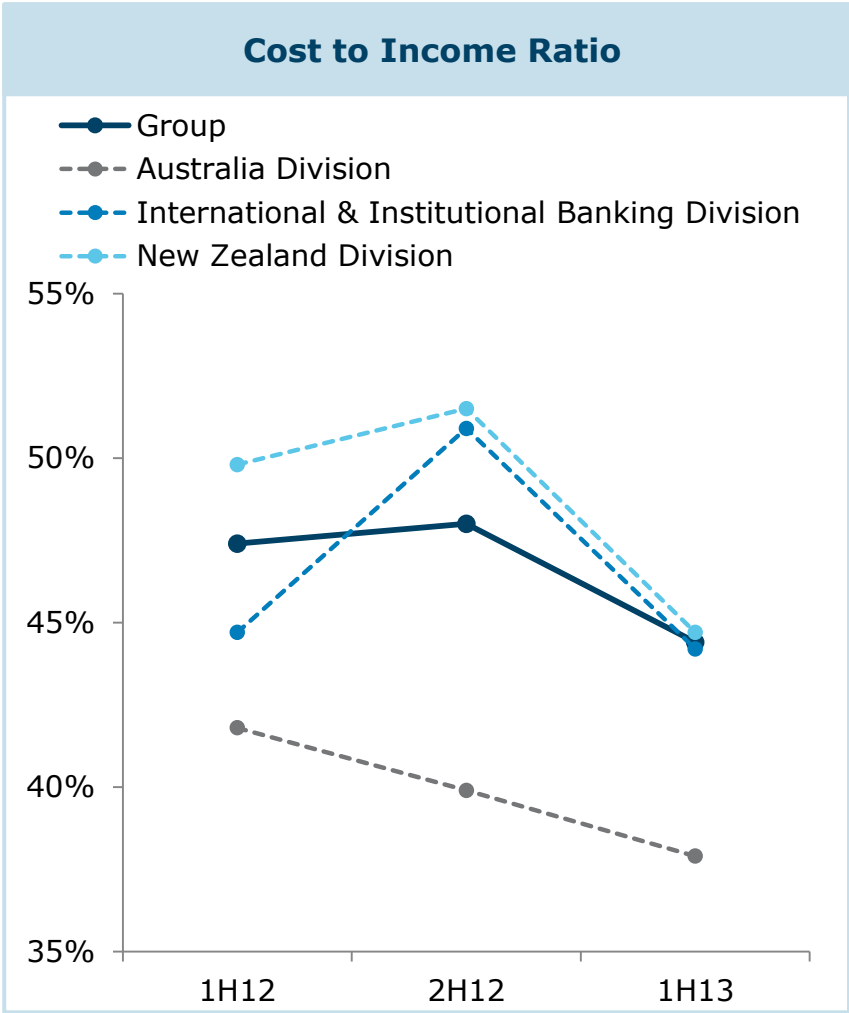


## Operating Income movement 1H13 v 2H12<sup>1</sup>



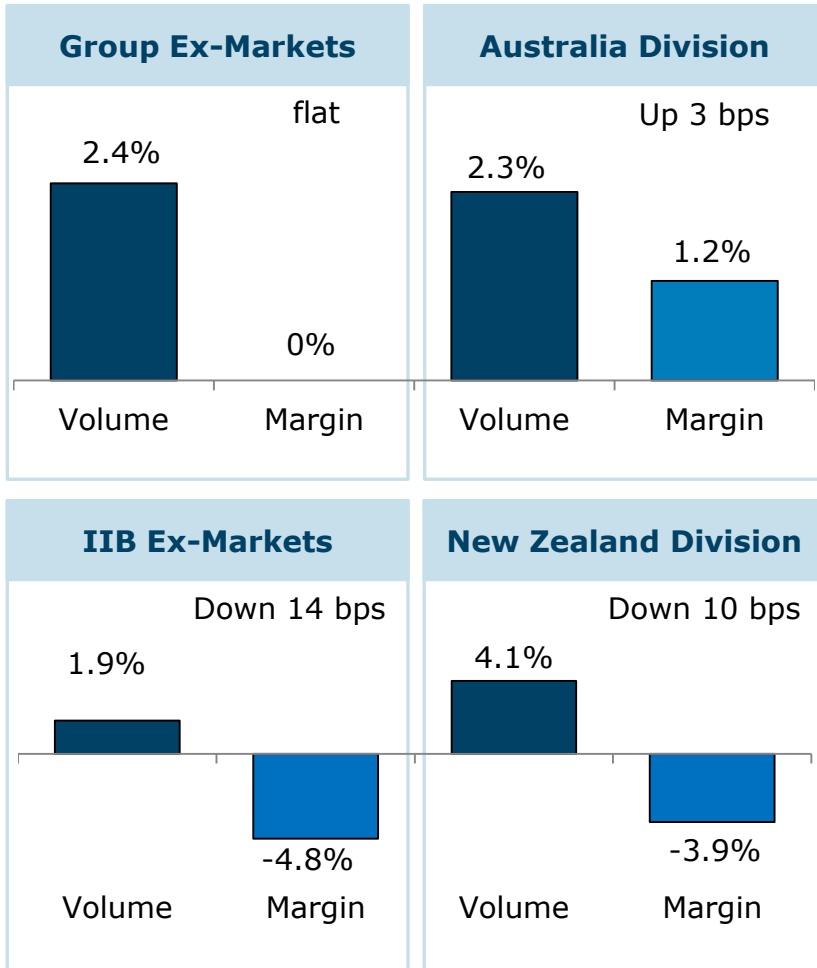
1. Note: 2H12 operating income adjusted to exclude the Visa share sale

# Step change in productivity and cost management

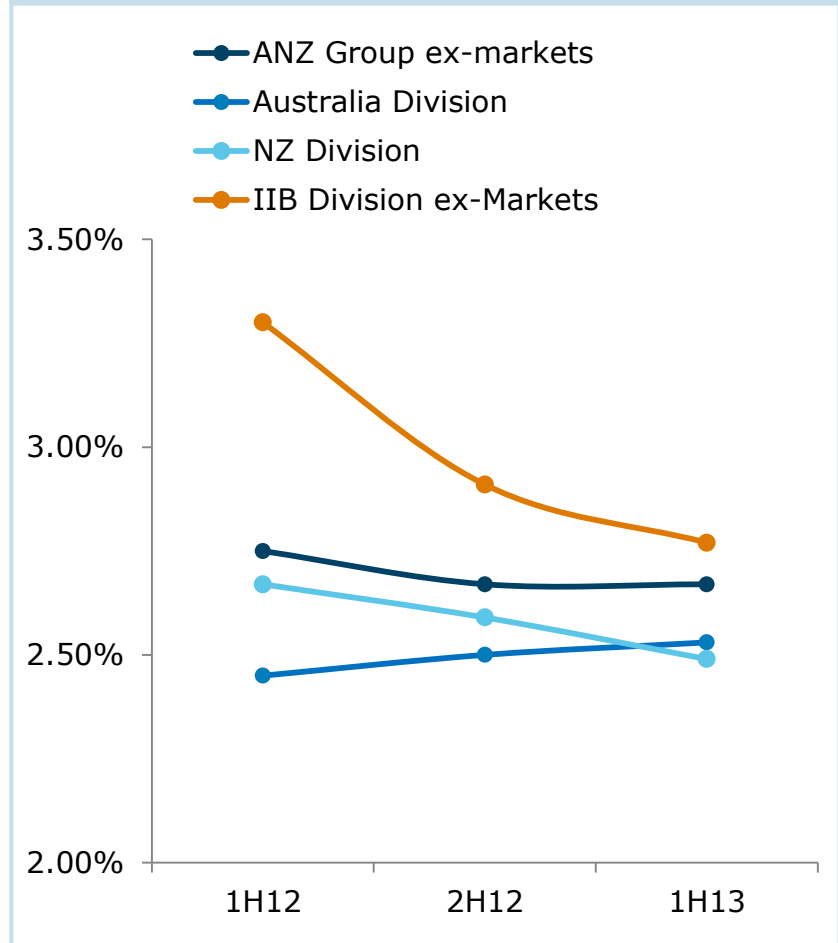


# Net Interest Margin drivers and volume trends

## Net Interest Income 1H13 v 2H12



## Net Interest Margin

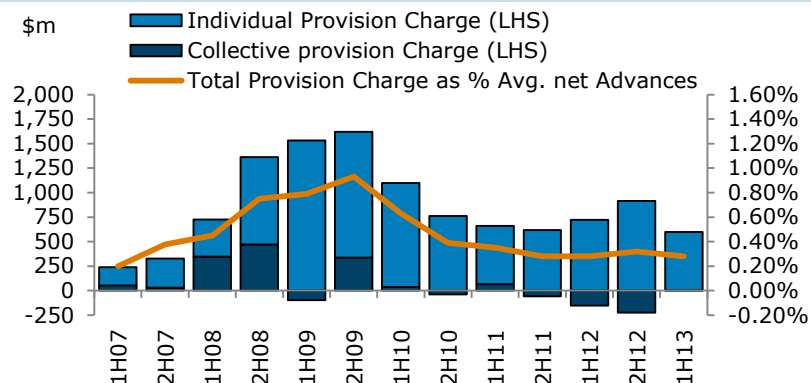


# Credit quality in line with expectations

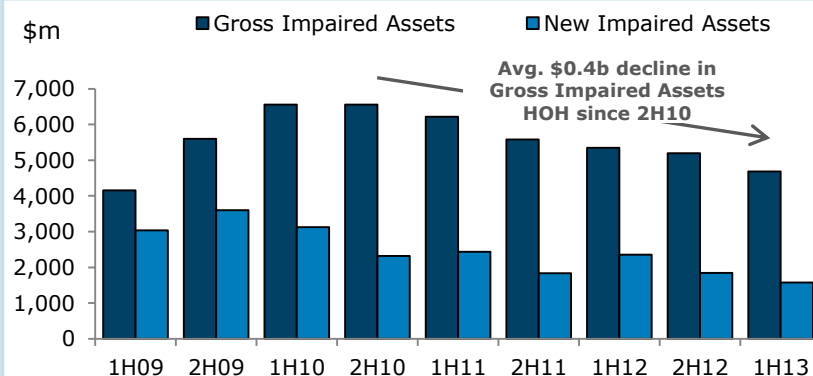
## Credit Quality trends

- The 1H13 Provision charge of \$599m represents a 13% reduction HOH
- This lower Provision charge driven by reduction in both new individual provisions and top-up provisions to existing impaireds
- ANZ remains appropriately provided for the collective provision ratio at 1.01% following the introduction of APRA Basel III standards (1.06% on a Basel II basis)
- This coverage level reflects the ongoing improvement in credit quality of the Group's portfolio
- New impaired assets declined 15% HOH to \$1.6b, with all divisions seeing HOH reductions in new impaireds
- Gross impaired assets reduced 10% HOH to \$4.7b

## Provision Charge



## Impaired Assets



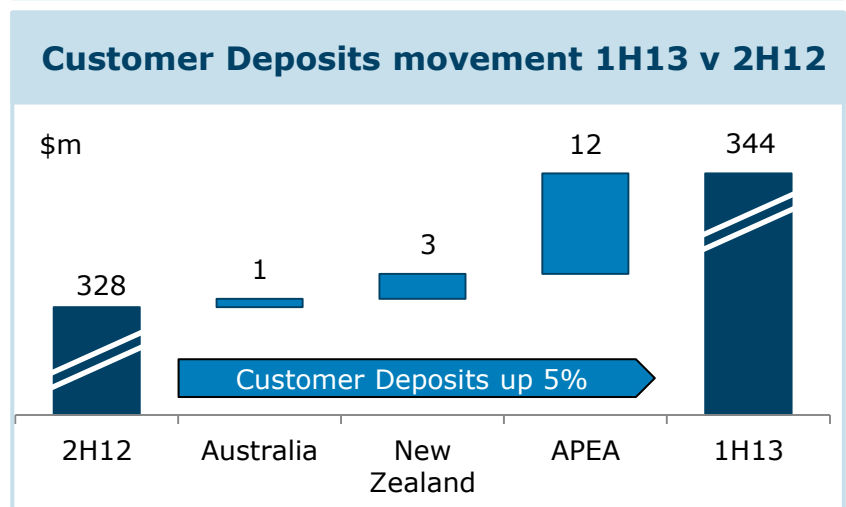
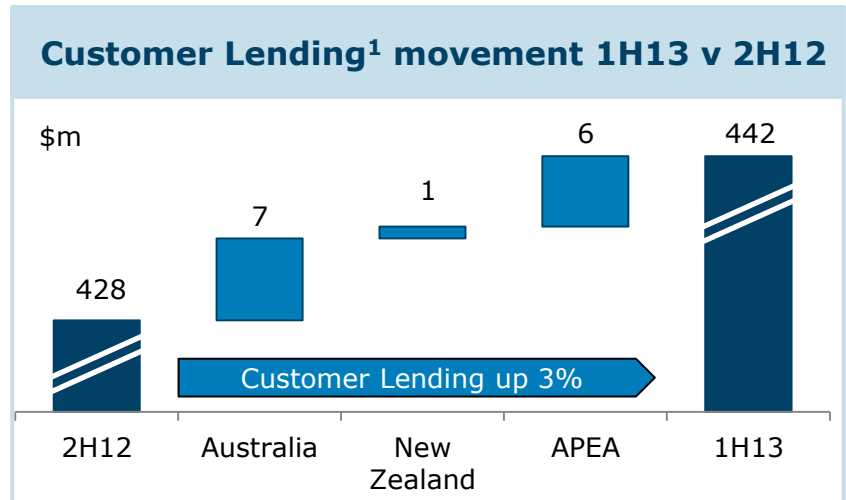
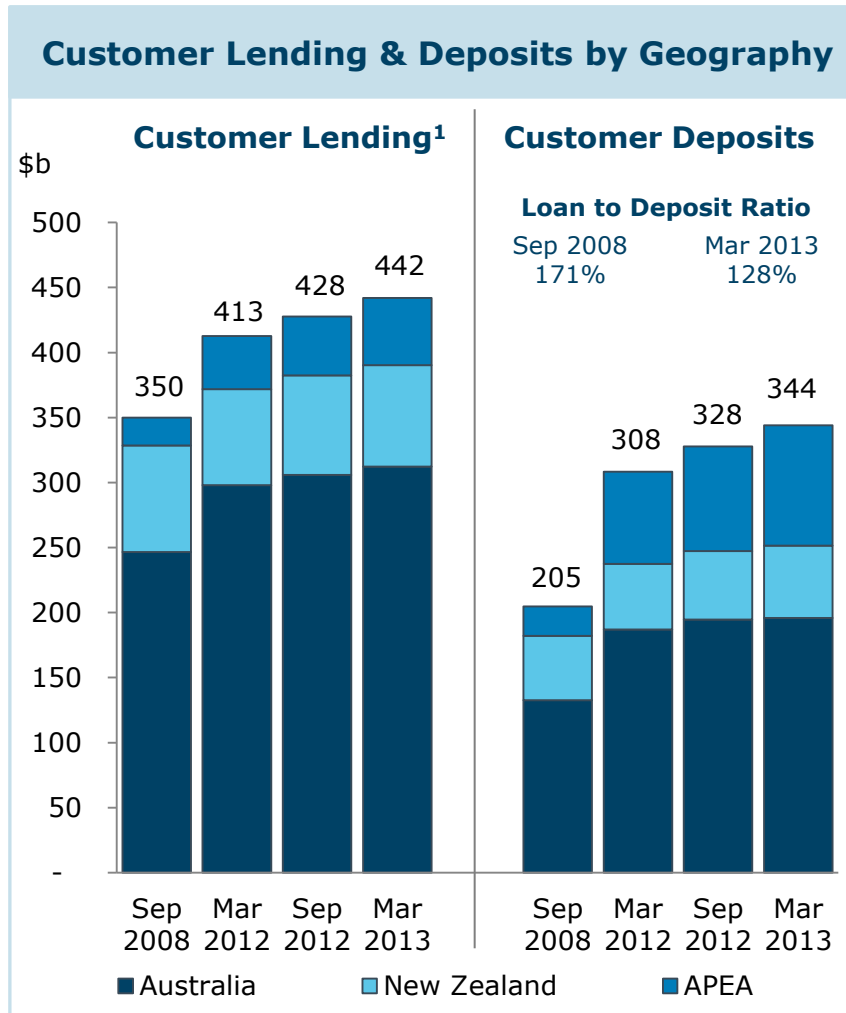
# Debt Investor Update

AUSTRALIA AND NEW ZEALAND BANKING  
GROUP LIMITED

**Balance Sheet**



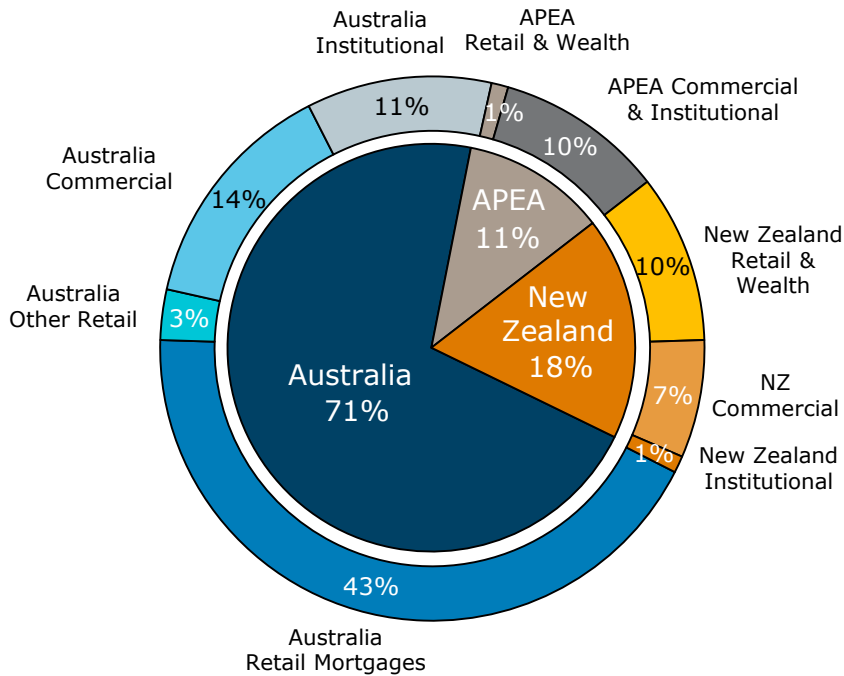
# Continue to diversify balance sheet and increase proportion of customer funding



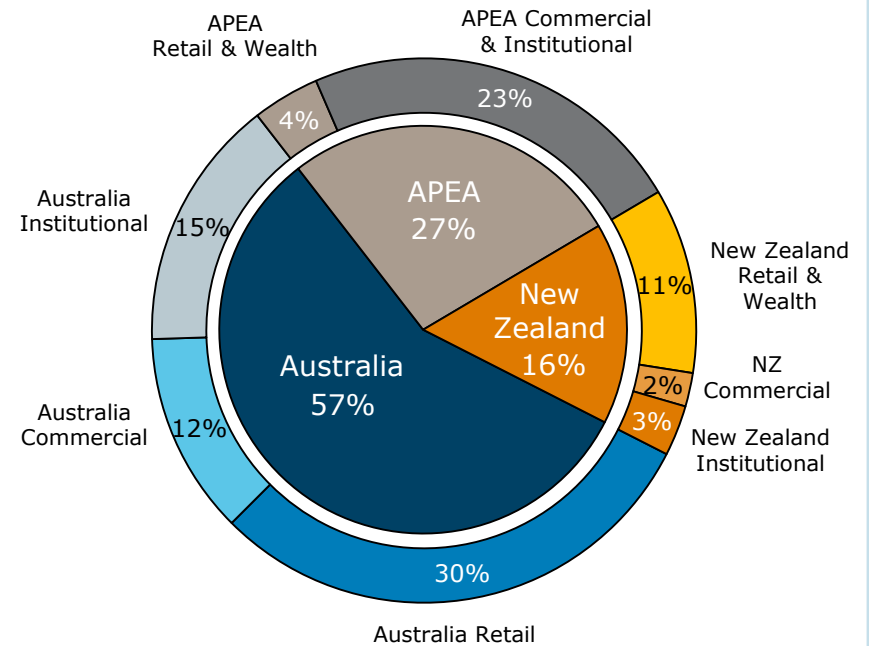
1. Customer lending represents Net Loans & Advances including acceptances

# Balance Sheet composition by Geography

## Customer Lending<sup>1</sup> by Geography

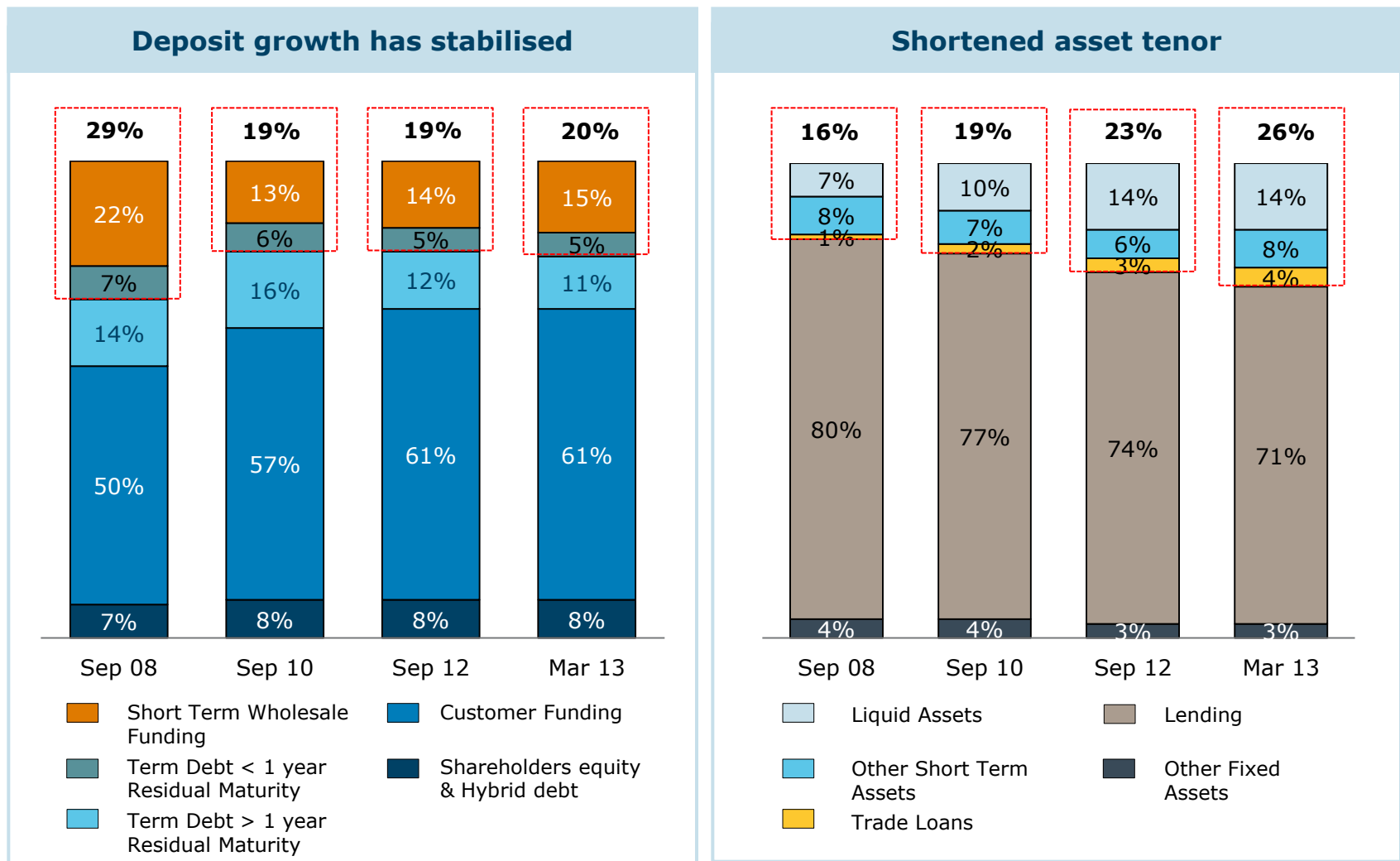


## Customer Deposits by Geography



1. Customer lending represents Net Loans & Advances including acceptances

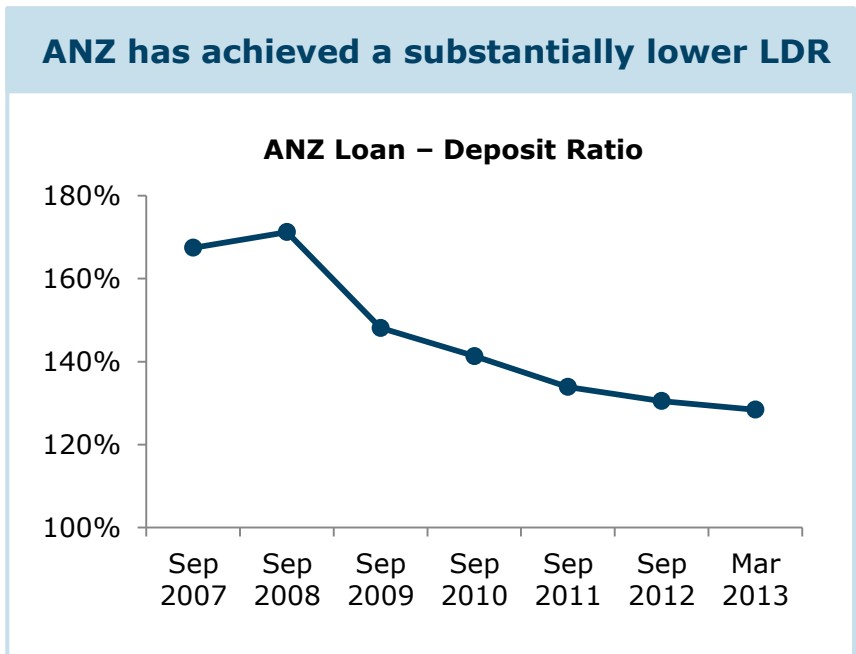
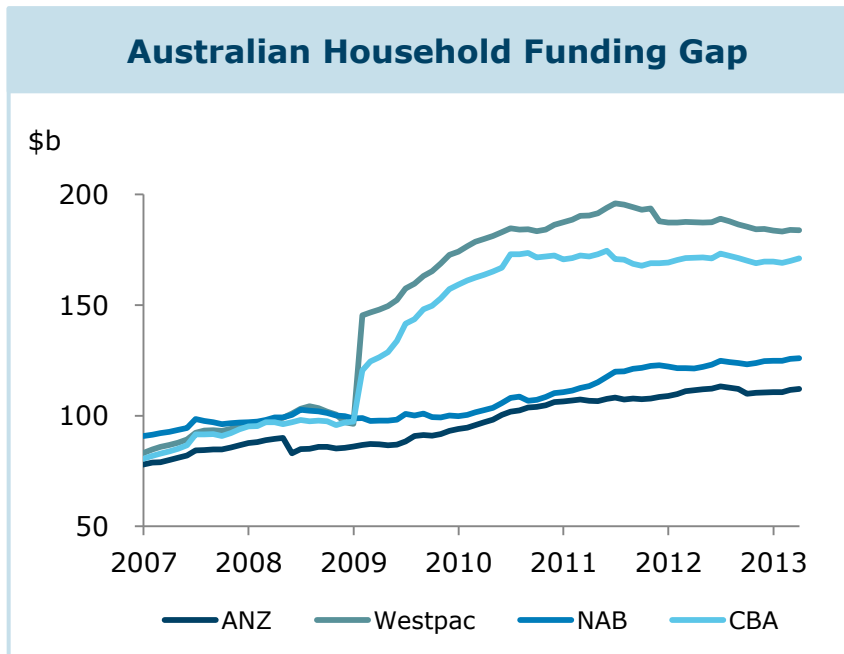
# Structural liquidity position strengthened – driven by growth in customer funding and shortened asset tenor





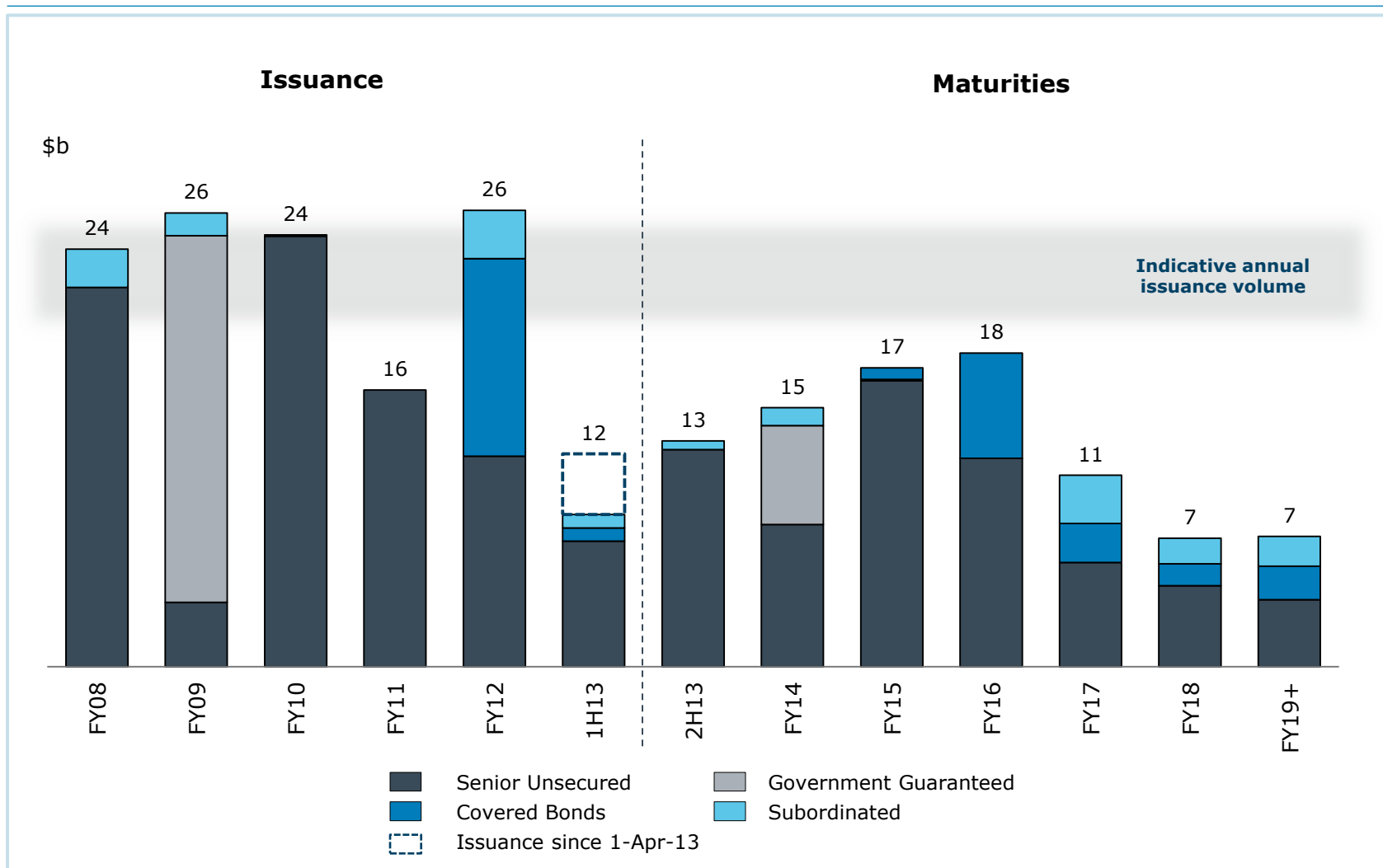
# Lowest structural funding gap provides funding flexibility

	<b>ANZ</b>	<b>Westpac</b>	<b>NAB</b>	<b>CBA</b>
Loan – Deposit Ratio (%)	128%	148%	146%	141%
Loan – Deposit Gap (\$b)	97	167	156	157
<b>Australia Household Funding Gap (\$b)</b>	<b>112</b>	<b>184</b>	<b>126</b>	<b>171</b>



Source: APRA (Mar 13) and latest bank published financial statements

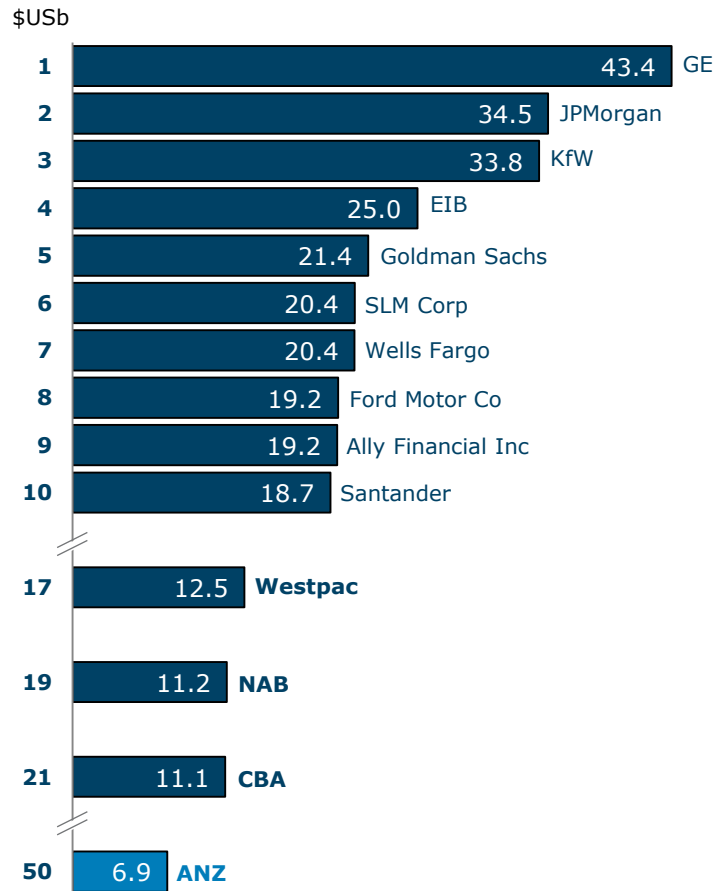
# A sustainable term wholesale funding profile



Note: Funding shown in year of issuance. Includes transactions with a call date or maturity date greater than 12 months at time of issue.

# ANZ has been a less frequent \$US Issuer

## Largest USD Issuers in 2012<sup>1</sup>

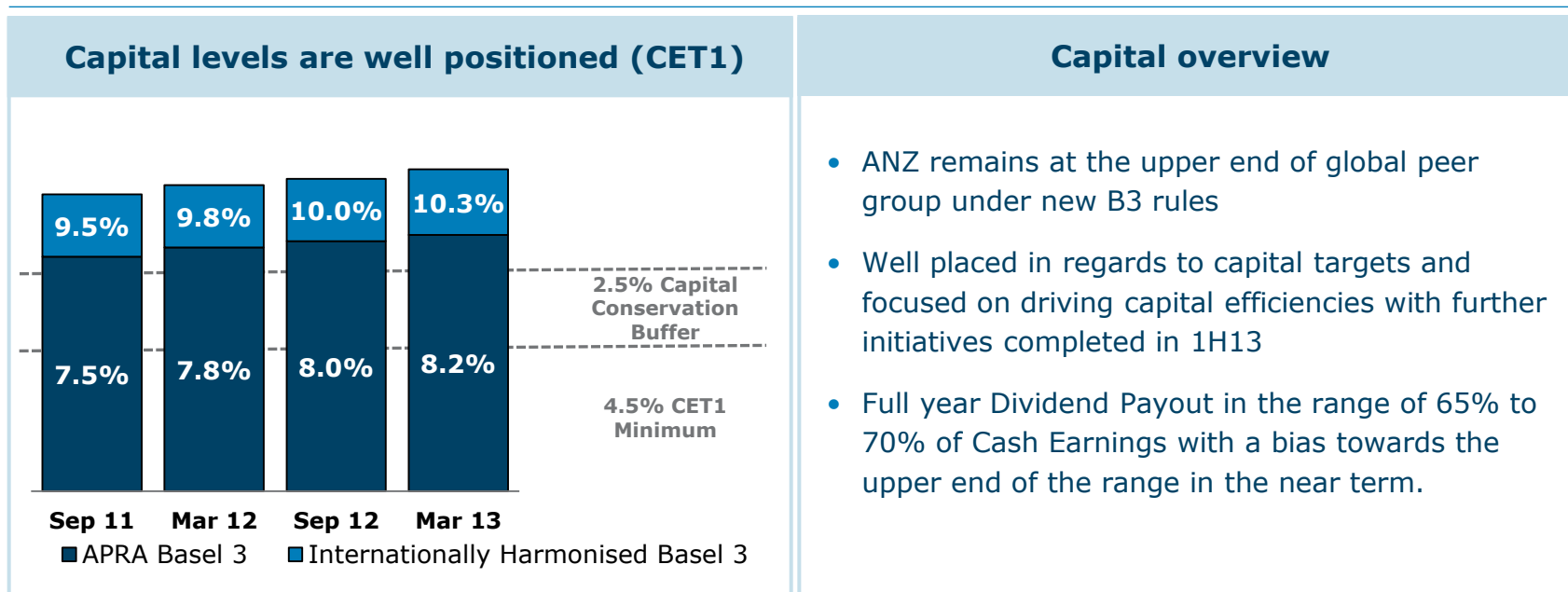


## ANZ's Issuance strategy

- ANZ has followed a strategy of issuing \$20b-\$25b p.a. of term wholesale funding
- This has resulted in ANZ typically issuing 1-2 benchmark trades p.a. in its key offshore funding markets
- In \$US, annual ANZ term issuance will comprise of :
  - Senior issuance in 3(a)(2) format
  - Covered Bond issuance in 144A format
  - ANZ NZ will also issue a \$USD benchmark
- Our general strategy is to focus on 3 – 5 year tenors for senior unsecured and 3 – 10 year tenors for Covered Bonds
- ANZ remains receptive to reverse enquiry from investors

1. Source : Deutsche Bank

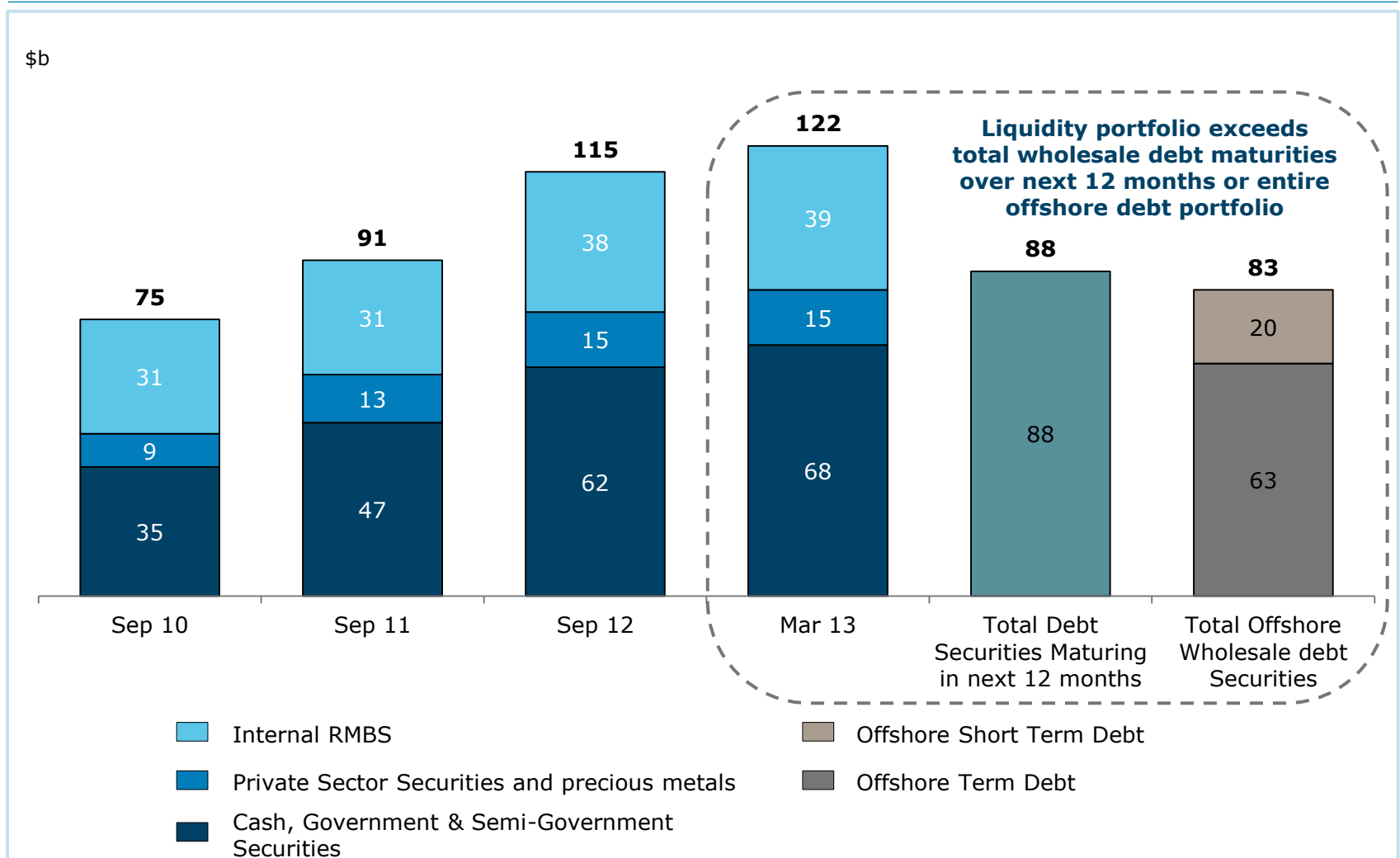
# Strongly capitalised under new Basel 3 rules



## Capital position reconciliation under Basel 3

	CET1	Tier-1	Total Capital
<b>Mar-13 APRA</b>	<b>8.2%</b>	<b>9.8%</b>	<b>11.7%</b>
10% allowance for investments in insurance subs and ADIs	0.8%	0.8%	0.7%
Mortgage 20% LGD floor and other measures	0.4%	0.5%	0.6%
IRBBB RWA (APRA Pillar 1 approach)	0.4%	0.5%	0.5%
Up to 5% allowance for deferred tax asset	0.2%	0.2%	0.2%
Other capital items	0.3%	0.3%	0.3%
<b>Mar-13 Internationally Harmonised</b>	<b>10.3%</b>	<b>12.1%</b>	<b>14.0%</b>

# Liquid assets of \$122b provides a high level of coverage and significantly exceeds total offshore debt outstanding



# Debt Investor Update - Appendices

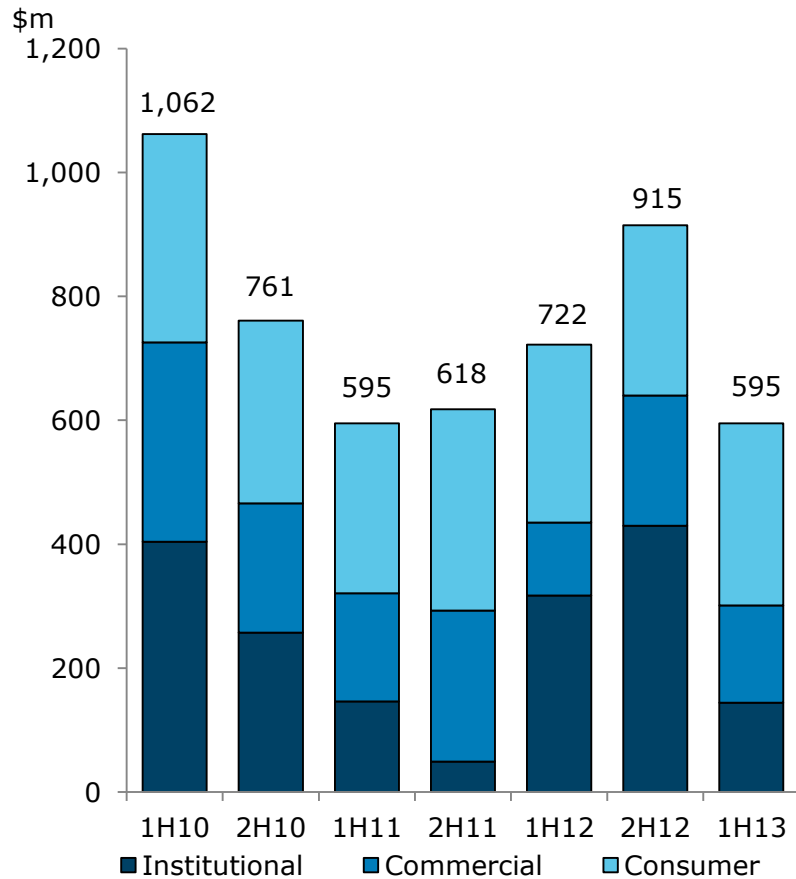
AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

**Asset Quality**

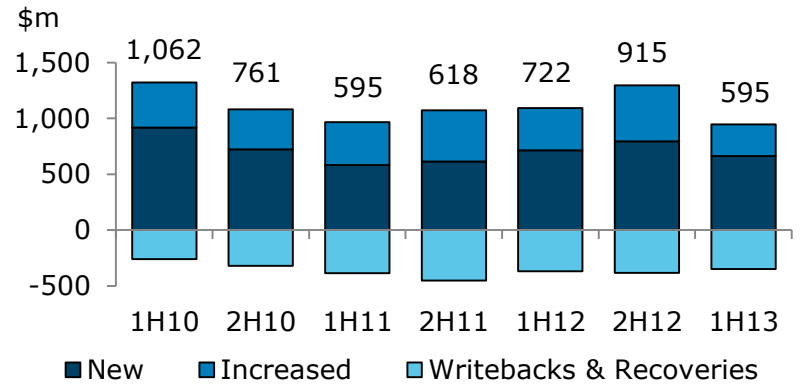


# Individual Provision Charge

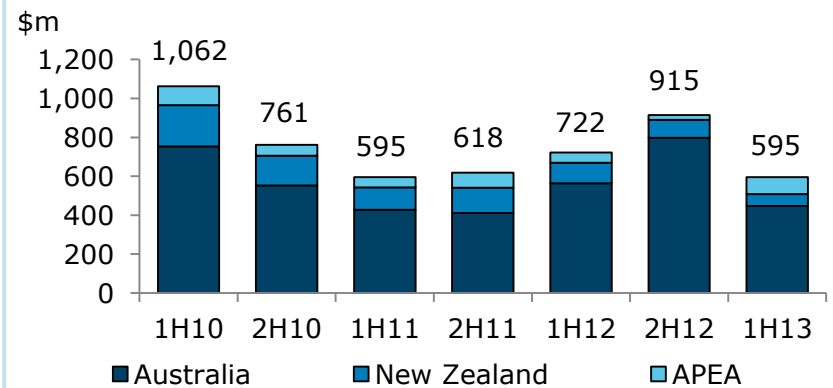
## Individual Provision Charge by Segment



## Individual Provision Charge Composition

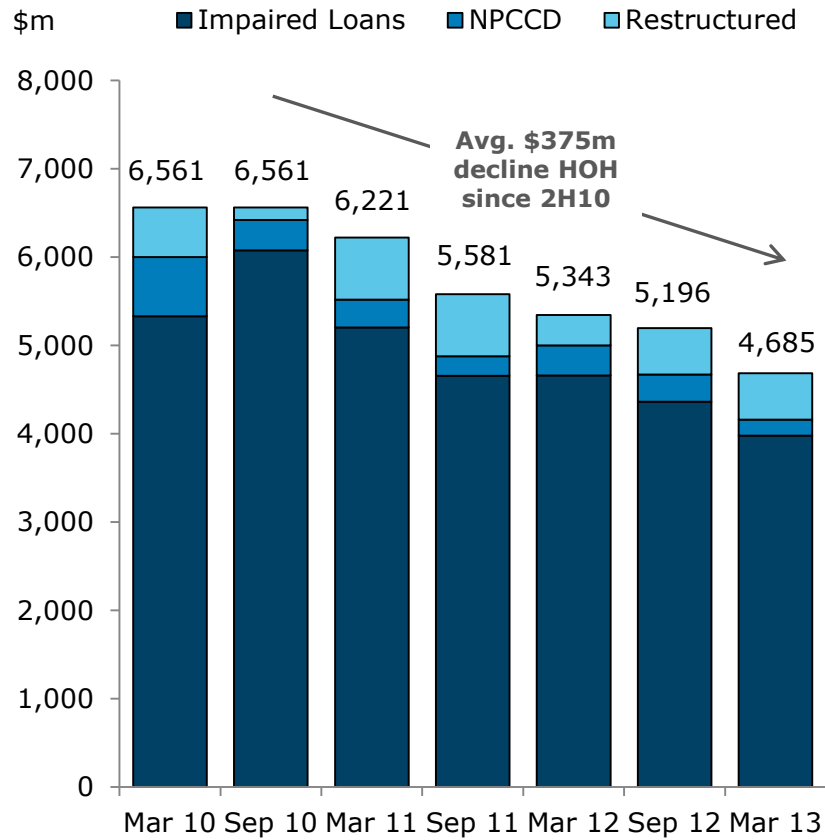


## Individual Provision Charge by Region

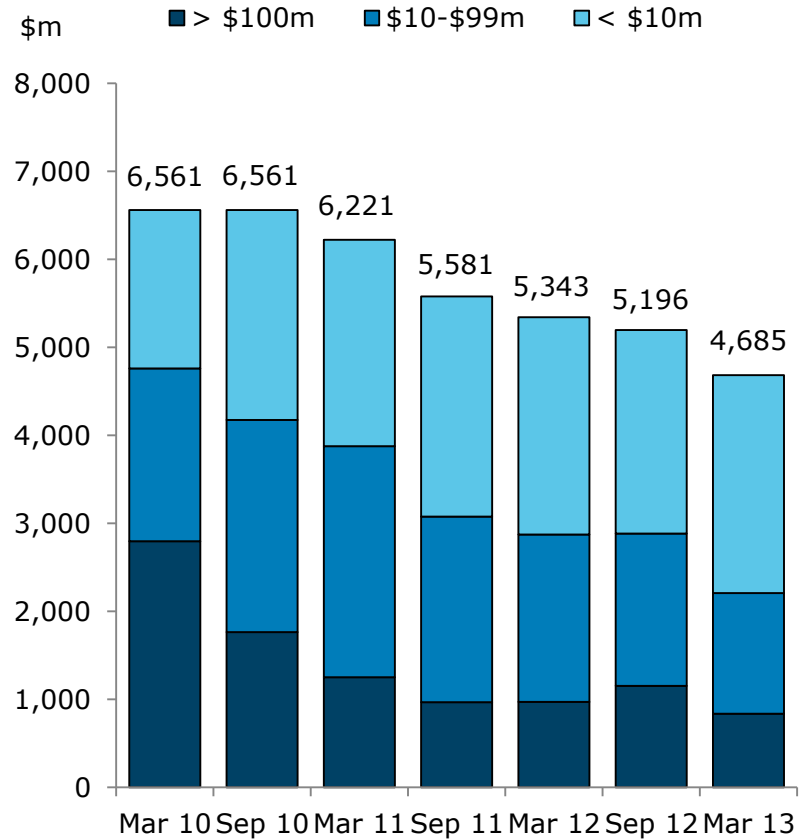


# Gross Impaired Assets

## Gross Impaired Assets by Type



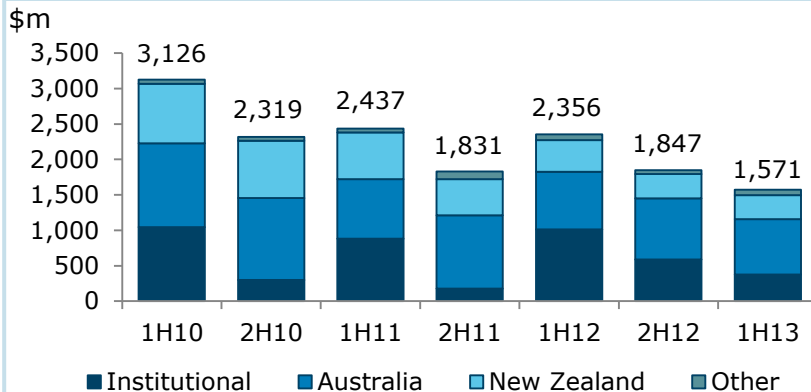
## Gross Impaired Assets by Size of Exposure



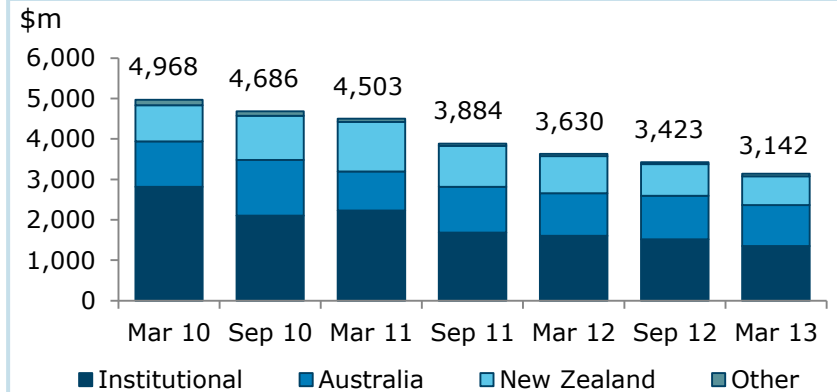


# Impaired Assets

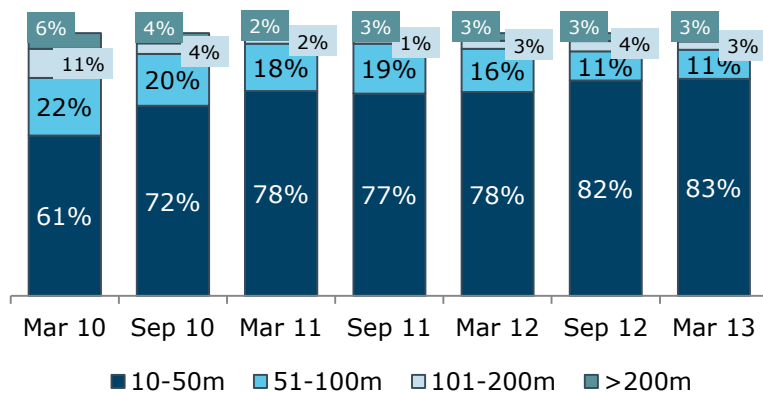
## New Impaired Assets by Division



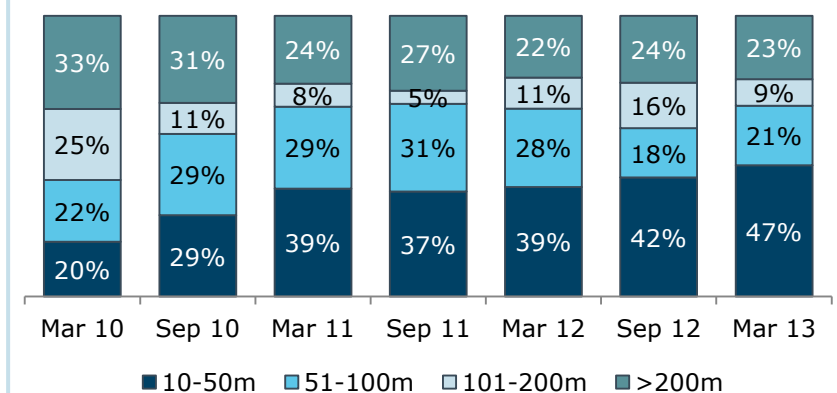
## Net Impaired Assets by Division



## Impaired Assets Concentration by number of Customers



## Impaired Assets Concentration by value of Impaired Assets

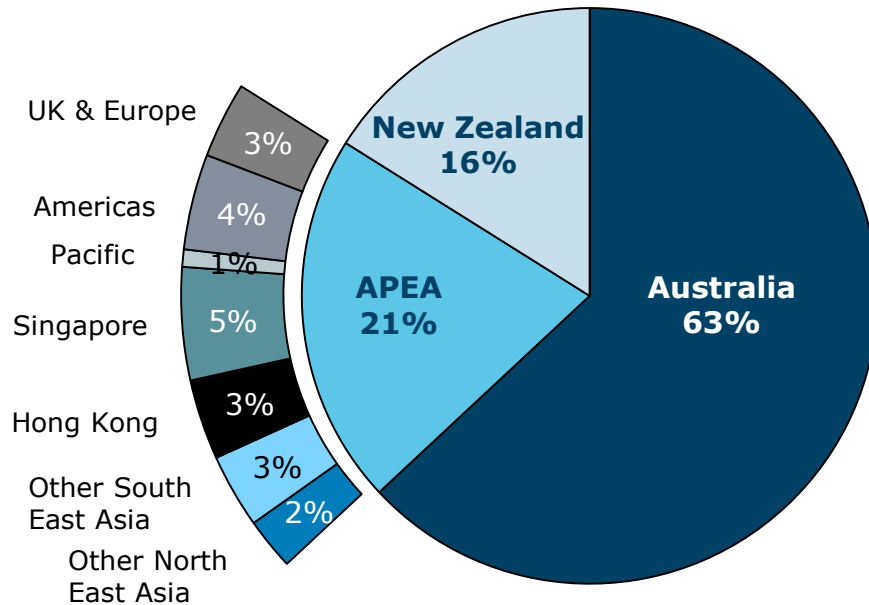


# Total lending exposures by Geography

## Exposure by Geography

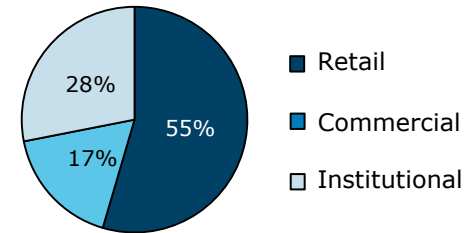
Total Exposure at Default (Mar 13) - \$693.2b<sup>1</sup>

Australia	New Zealand	APEA
\$437.1	\$111.5	\$144.6

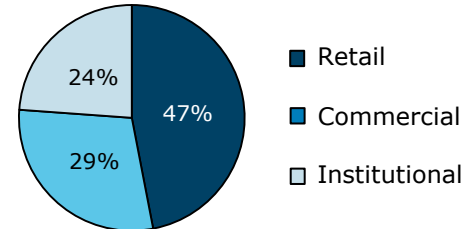


## Exposure at Default by Line of Business

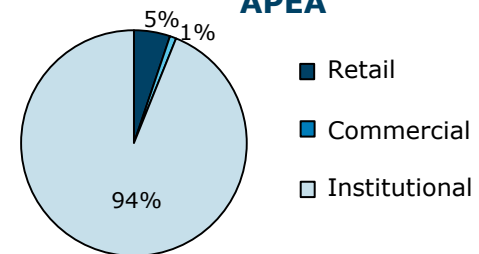
### Australia



### New Zealand



### APEA



1. EAD excludes amounts for 'Securitisation' and 'Other Assets' Basel asset classes

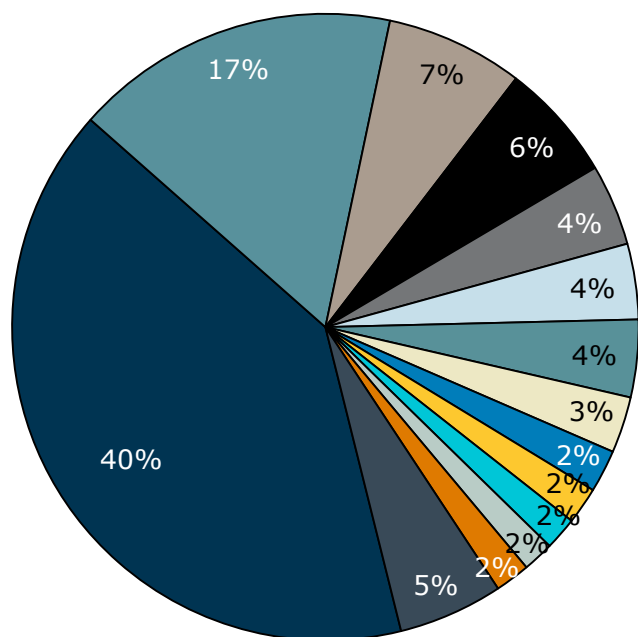
# Total lending exposures by industry sector

## Exposure at Default (EAD) as a % of group total

### ANZ Group

Total EAD (Mar 13)

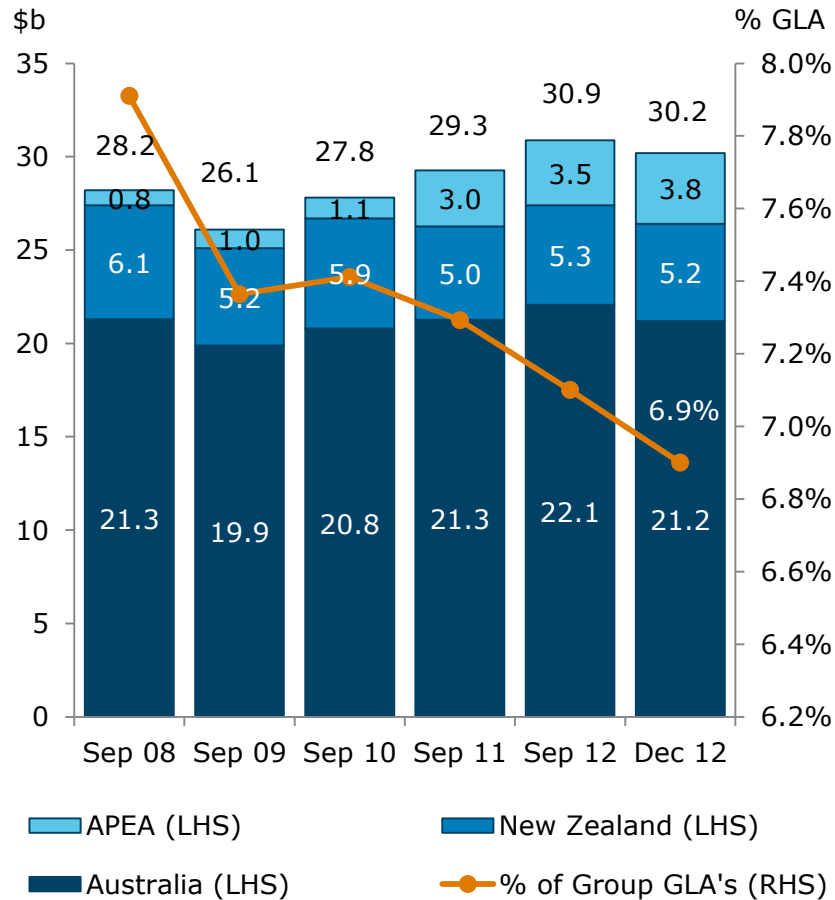
\$693.2b



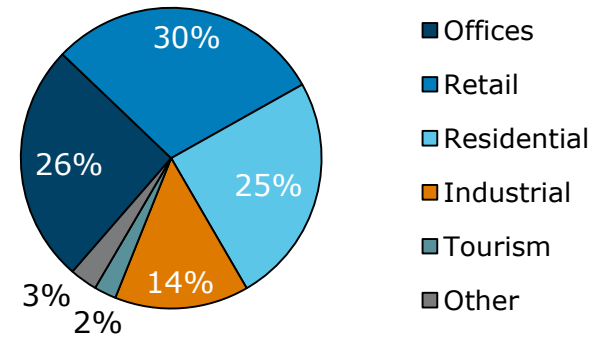
Category	EAD		% in Non Performing	
	Sep 12	Mar 13	Sep 12	Mar 13
Consumer Lending	41.0%	40.4%	0.3%	0.2%
Finance, Investment & Insurance	14.9%	16.8%	0.5%	0.2%
Property Services	7.5%	7.1%	1.6%	1.6%
Manufacturing	6.0%	6.1%	1.2%	1.0%
Agriculture, Forestry, Fishing	4.5%	4.2%	3.9%	4.1%
Government & Official Institutions	4.2%	3.9%	0.0%	0.0%
Wholesale trade	3.9%	4.0%	0.6%	0.6%
Retail Trade	2.9%	2.9%	0.9%	0.8%
Transport & Storage	2.3%	2.2%	3.2%	2.0%
Business Services	2.0%	1.9%	0.9%	0.7%
Electricity, Gas & Water Supply	1.8%	1.7%	0.2%	0.1%
Construction	1.7%	1.6%	1.4%	1.2%
Resources (Mining)	1.6%	1.8%	0.2%	0.2%
Other	5.7%	5.4%	0.1%	0.1%

# Commercial Property credit exposure

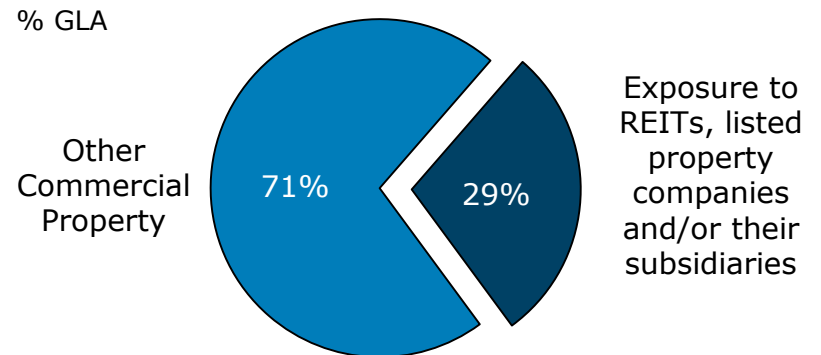
## Commercial Property Exposure Gross Loans and Advances by Region



## Commercial Property Exposure by Sector

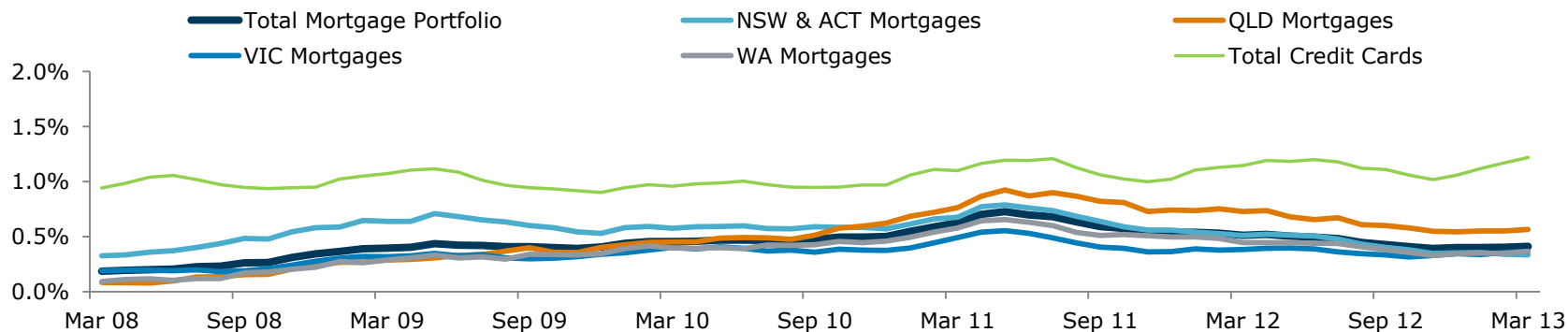


## Exposure to REIT's, Listed Property Companies and/or their subsidiaries

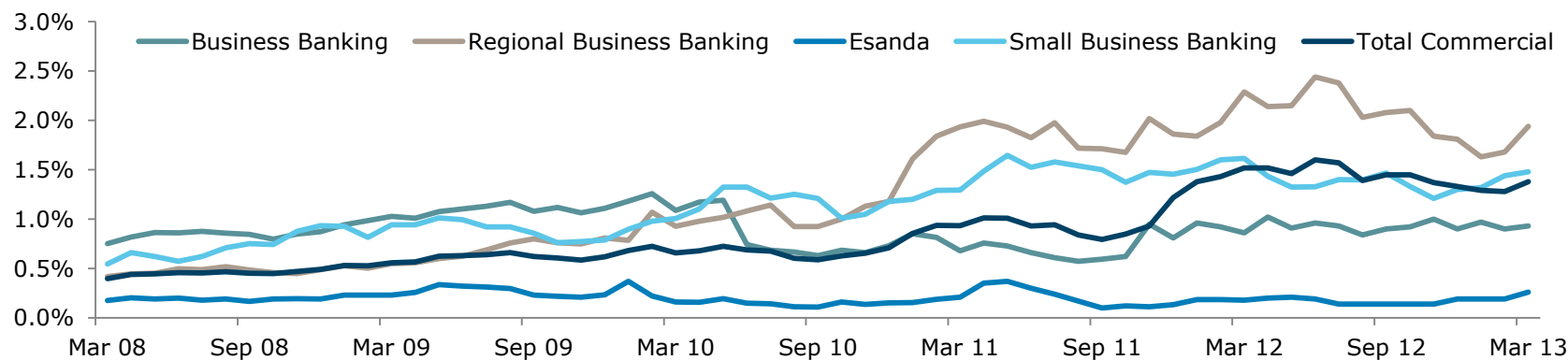


# Australia 90+ day delinquencies

## Australia Retail 90+ day delinquencies



## Australia Commercial 90+ day delinquencies



# Australia Division - Mortgages

## Portfolio statistics

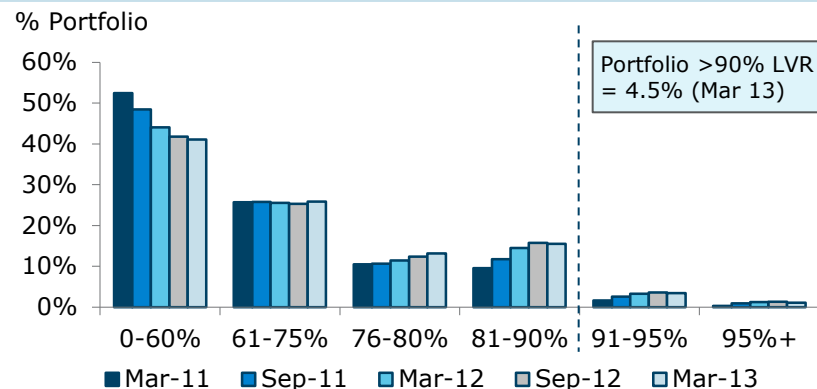
Total Number of Mortgage Accounts	860k
Total Mortgage FUM	\$188b
% of Total Australia Region Lending	60%
% of Total Group Lending	43%
Owner Occupied Loans - % of Portfolio	62%
Average Loan Size at Origination	\$262k
Average LVR at Origination	65%
Average Dynamic LVR of Portfolio	52%
% of Portfolio Ahead on Repayments <sup>1</sup>	59%
First Home Owners - % of New Lending	6%
% of Portfolio Paying Interest Only <sup>2</sup>	32%

## Mortgages have low loss rates

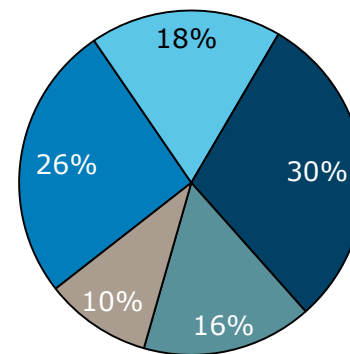
### Individual Provision Loss Rates

	1H11	2H11	1H12	2H12	1H13
<b>Group</b>	0.32%	0.31%	0.36%	0.43%	0.27%
<b>Australia Mortgages</b>	0.01%	0.03%	0.03%	0.02%	0.01%

## Dynamic Loan to Valuation Ratio



## Mortgage portfolio by State



1. One month or more ahead of repayments. Excludes funds in offset accounts.  
 2. % of Portfolio of Instalment Loans. Excludes funds in Equity Manager Accounts.

# New Zealand - Mortgages

## Portfolio statistics

Total Number of Mortgage Accounts	474k
Total Mortgage FUM	NZD 57b
% of Total New Zealand Lending	56%
% of Total Group Lending	10%
Owner Occupied Loans - % of Portfolio	78%
Average Loan Size at Origination <sup>1</sup>	NZD 229k
Average LVR at Origination	66%
Average Dynamic LVR of Portfolio	47%
% of Portfolio Paying Interest Only <sup>2</sup>	21%

## Mortgages have low loss rates

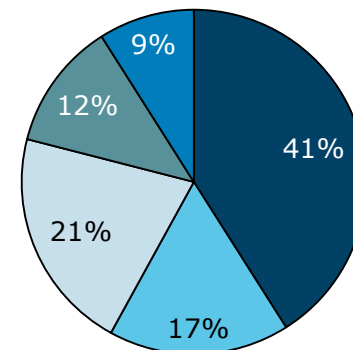
### Individual Provision Loss Rates

	1H11	2H11	1H12	2H12	1H13
<b>Group</b>	0.32%	0.31%	0.36%	0.43%	0.27%
<b>New Zealand Mortgages</b>	0.06%	0.07%	0.05%	0.03%	0.02%

1. 12 month average
2. Excludes revolving credit facilities

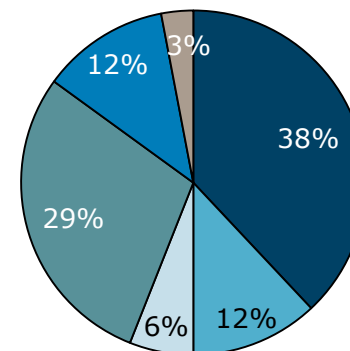
## Dynamic Loan to Valuation Ratio

- 0-60%
- 61-70%
- 71-80%
- 81-90%
- 90%+



## Mortgage portfolio by Region

- Auckland
- Wellington
- Christchurch
- Rest of North Island
- Rest of South Island
- Other



# Debt Investor Update - Appendices

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

**Economic Updates**





# Economic update

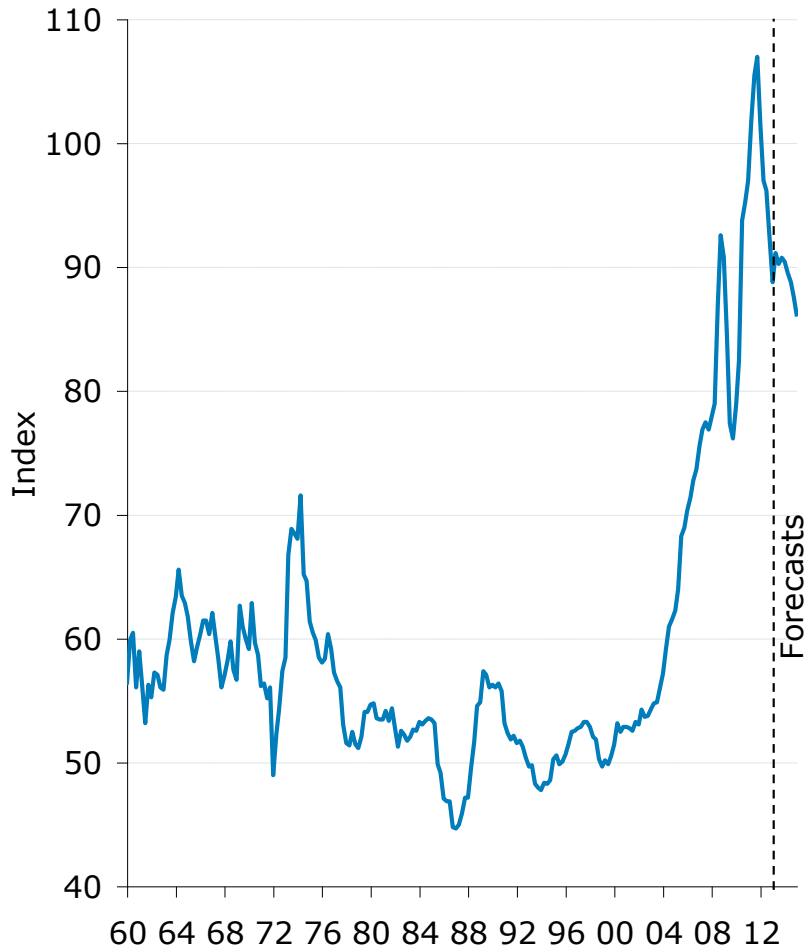
	Australia				New Zealand			
	2012	2013	2014	2015	2012	2013	2014	2015
GDP	3.5	2.7	2.8	3.5	2.4	2.8	2.8	2.3
Inflation	2.0	2.1	2.1	2.4	0.8	1.3	1.9	2.2
Unemployment	5.3	5.7	5.7	5.4	7.3	6.9	6.3	6.1
Cash rate	3.50	2.75	2.5	3.0	2.50	2.50	3.00	3.75
AUD/USD	1.04	1.05	1.03	0.95	N/A	N/A	N/A	N/A
Credit	4.0	3.3	4.8	5.2	3.9%	3.7%	3.7%	4.2%
- Housing	4.7	4.5	4.9	5.9	2.9	4.5	3.0	4.0
- Business <sup>1</sup>	3.7	1.6	4.6	4.0	5.3	3.9	4.6	4.5
- Other	-0.7	1.7	4.9	5.2	2.4	6.0	3.5	3.5

**Source** - ANZ economics team estimates. Based on 30 September bank year. Growth rates in through the year terms.

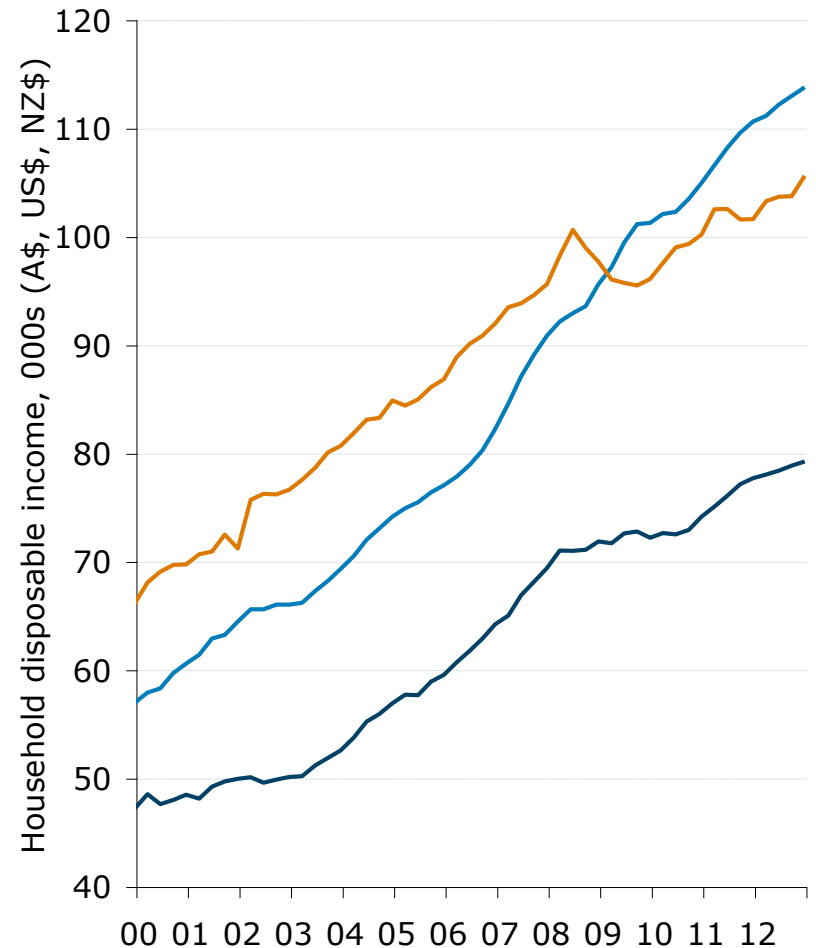
1. NZ Business includes Rural lending

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

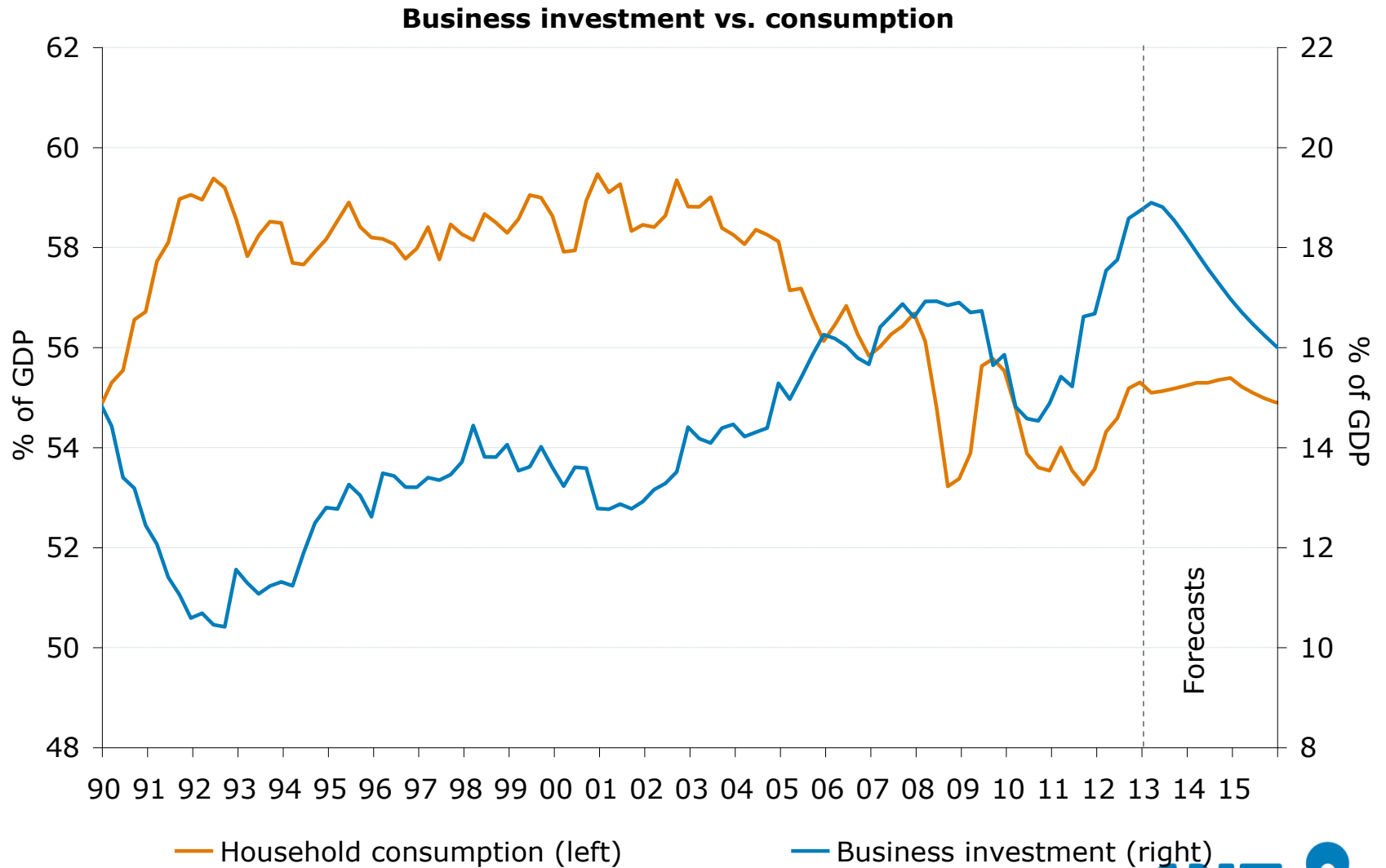
## Terms of trade since 1960



## Income growth is continuing

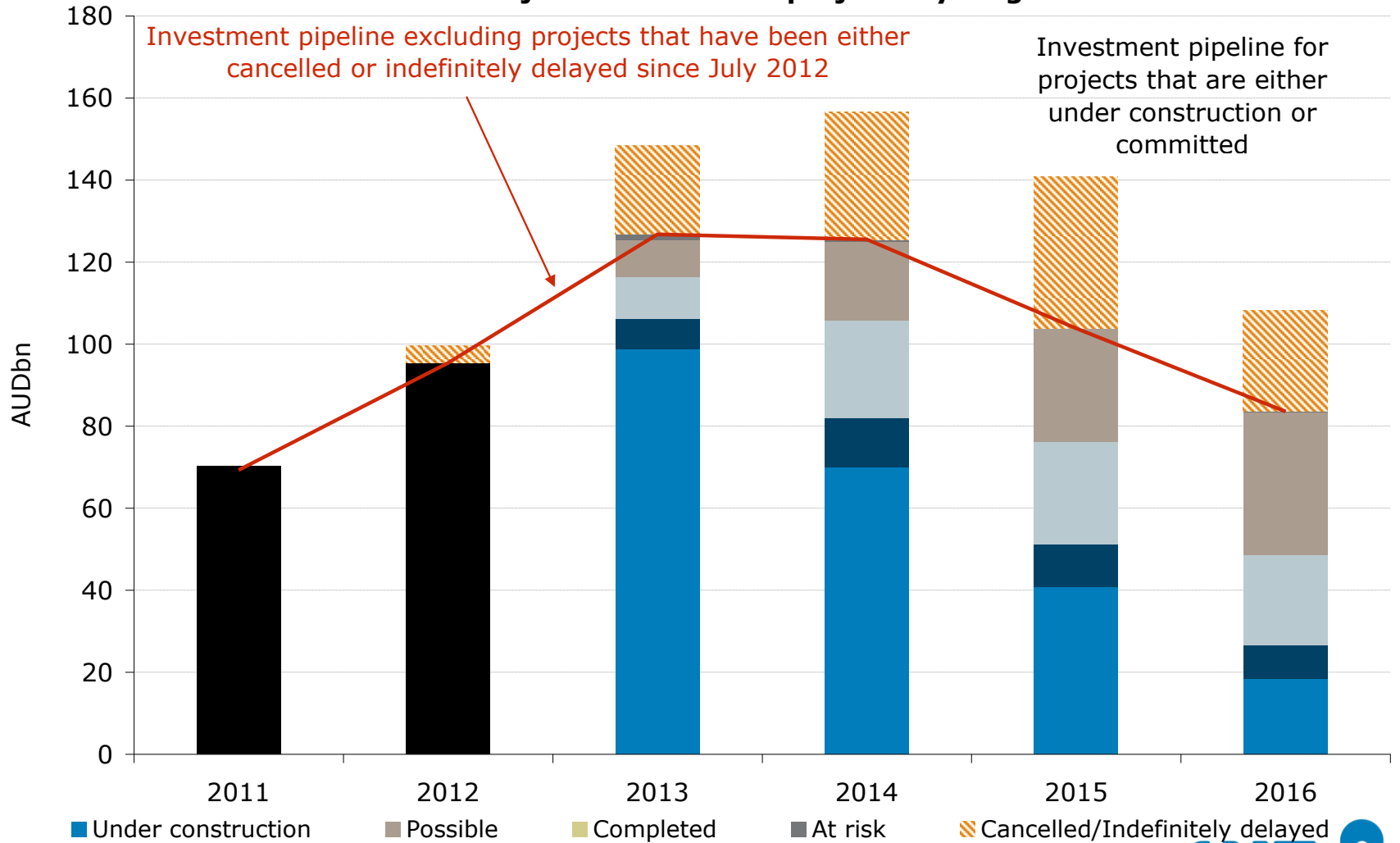


# Strong investment growth driving the economy

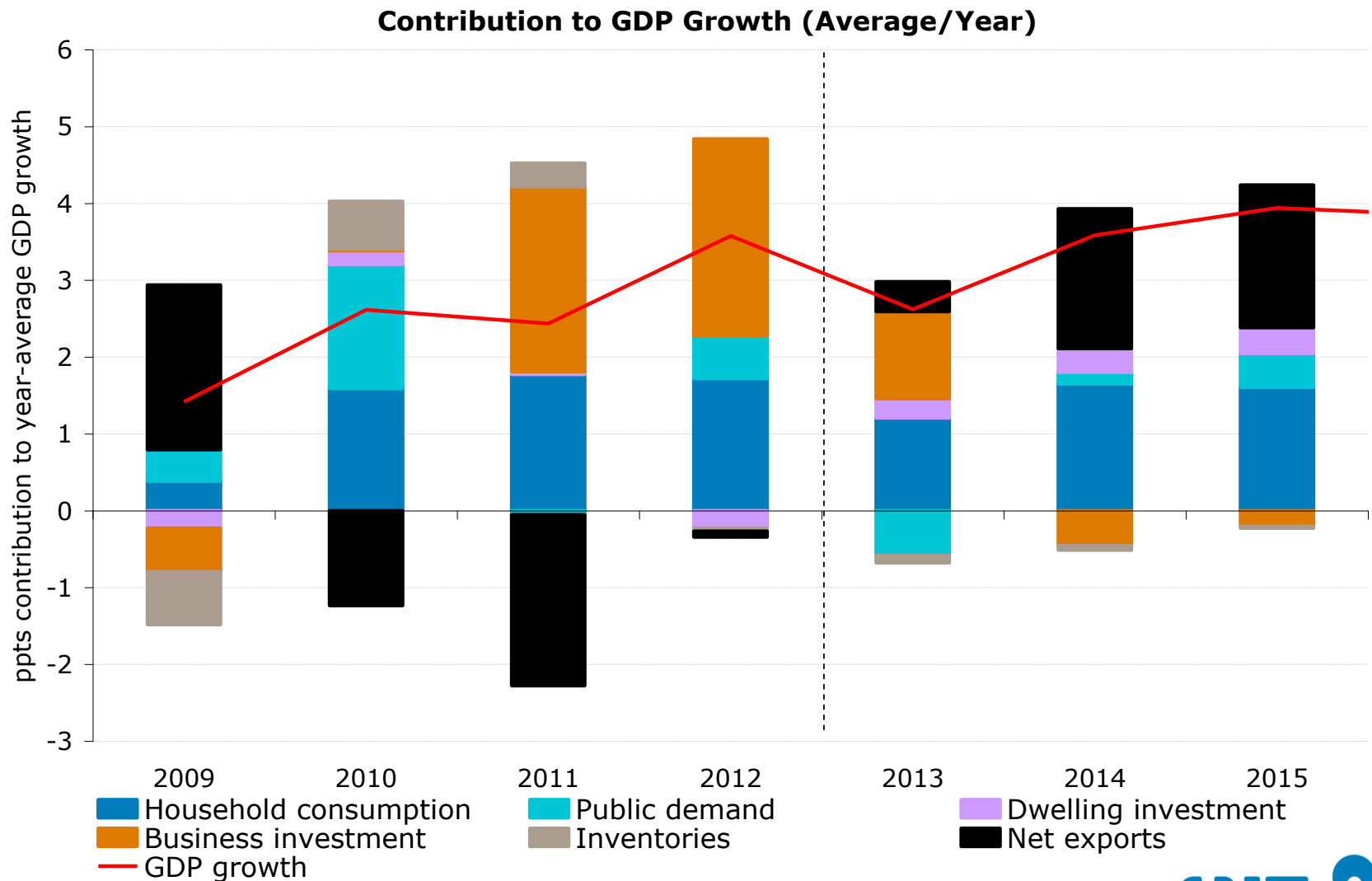


# Investment pipeline remains quite strong

## Major infrastructure projects by stage

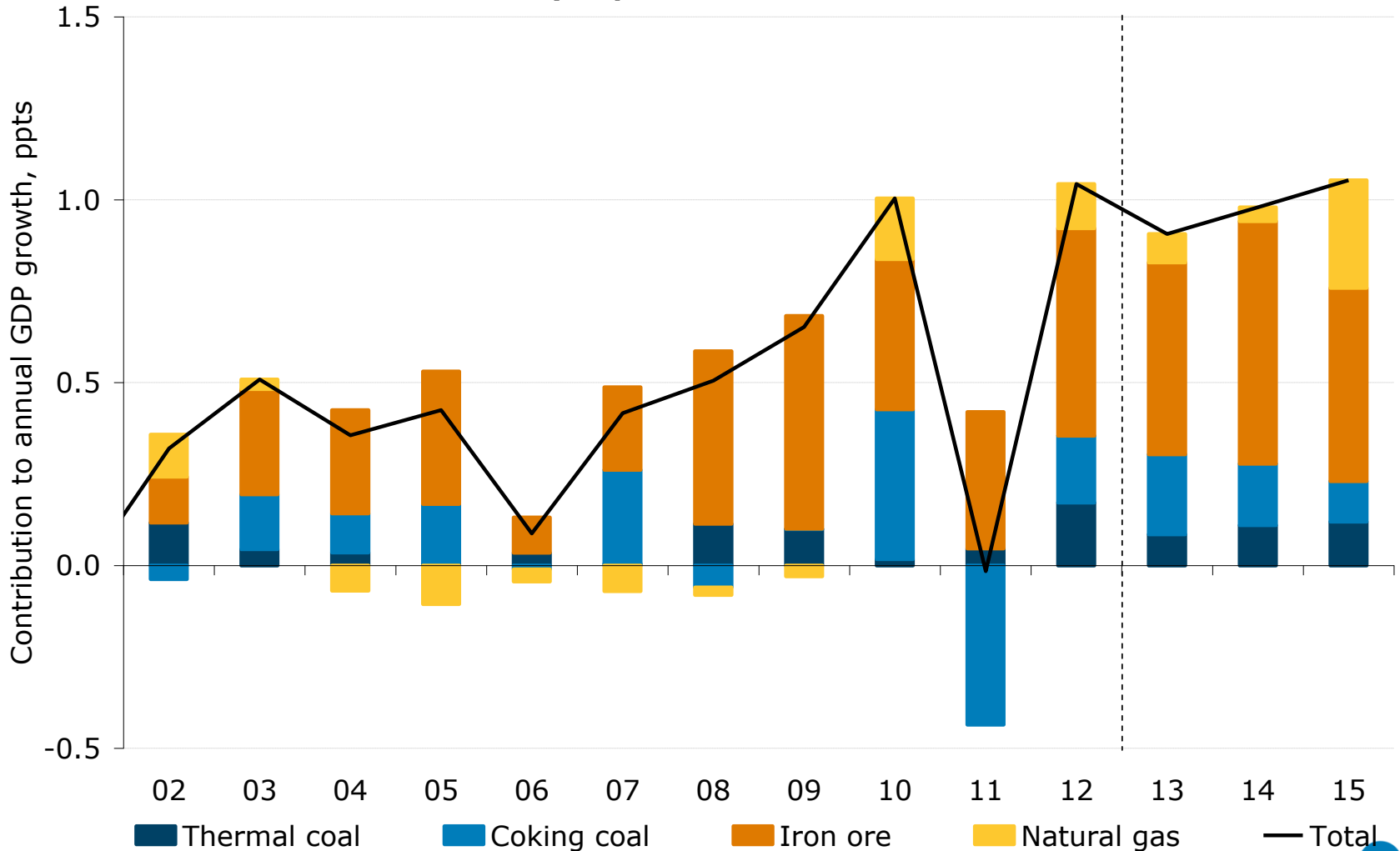


# Export growth will replace business investment as a key driver of Australia's future GDP growth



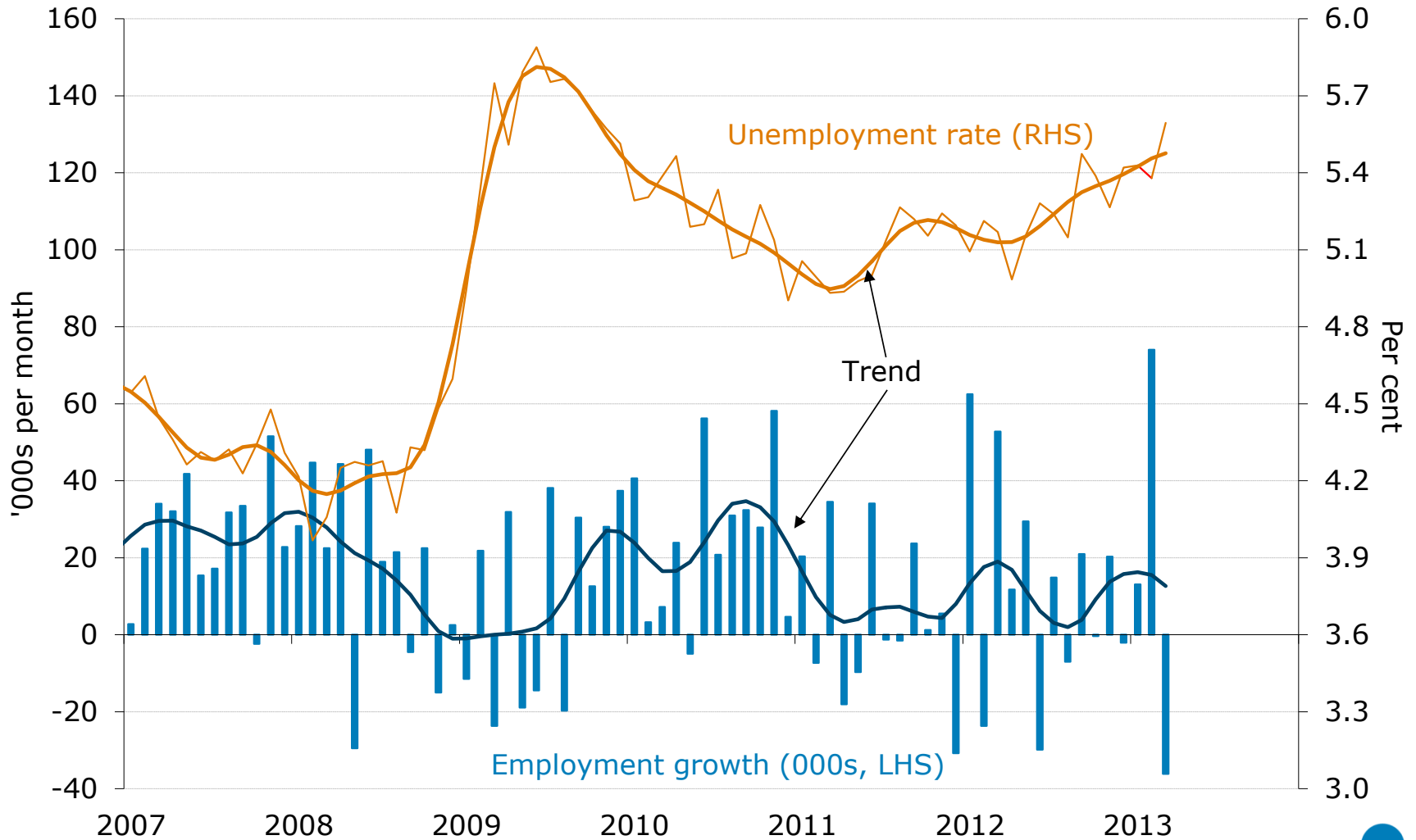
# LNG will drive future export growth as new projects come on-stream

**Bulk Commodity Exports' Contribution to GDP Growth**



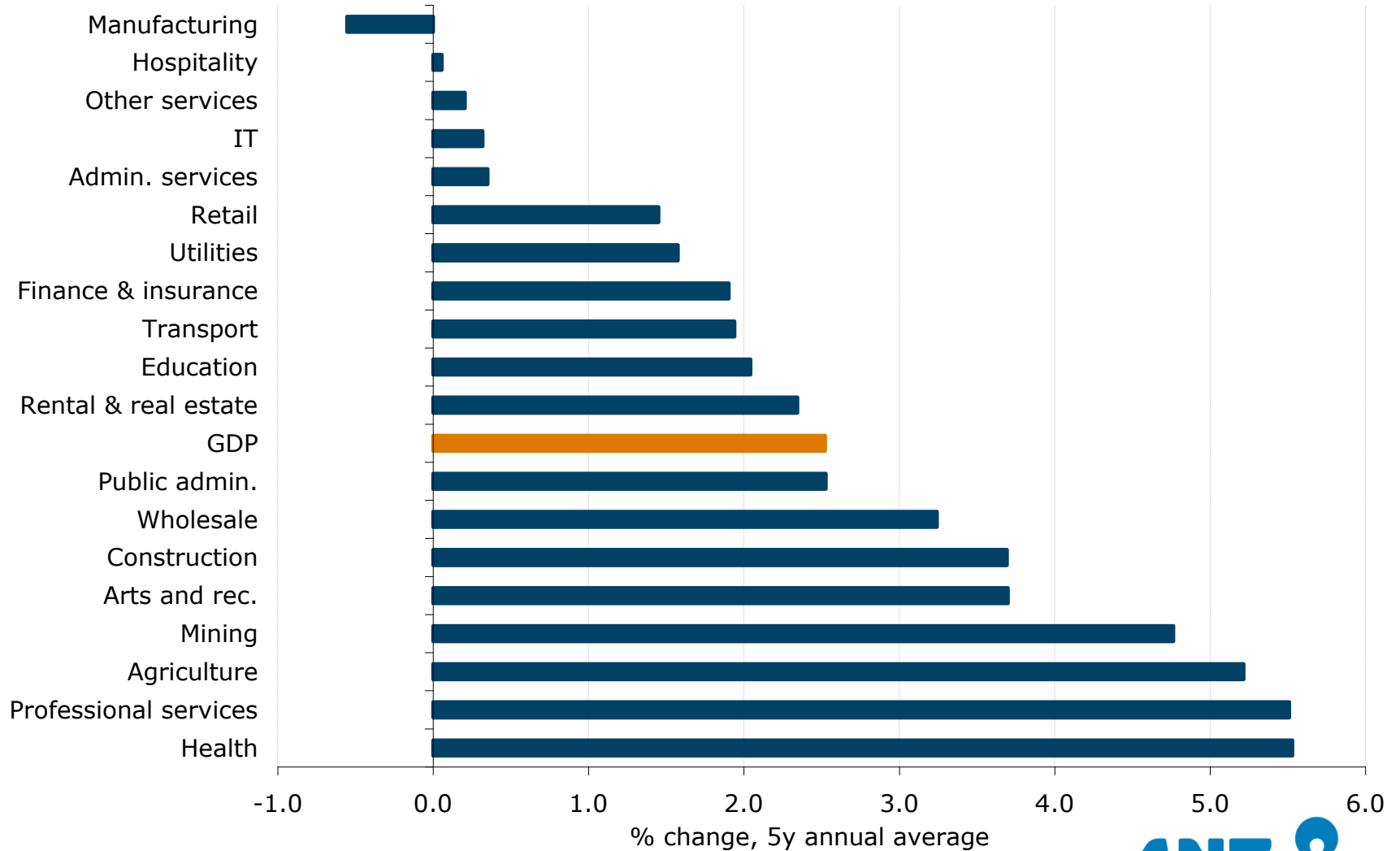
# Employment growth and unemployment rate

Key labour market indicators



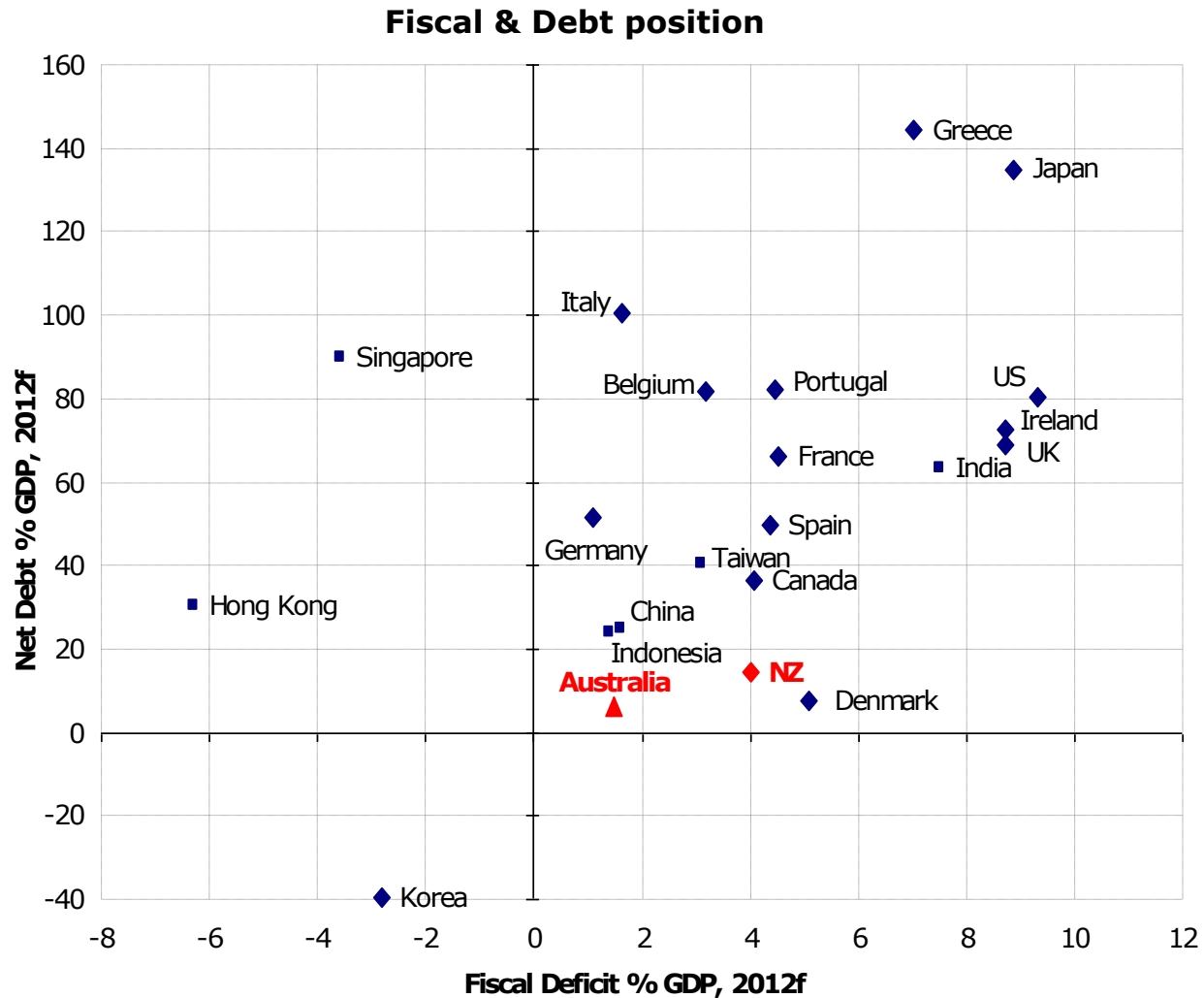
# Composition of growth by industry highlights ongoing challenges

**GDP by industry – five year average growth rates as of Dec-12**

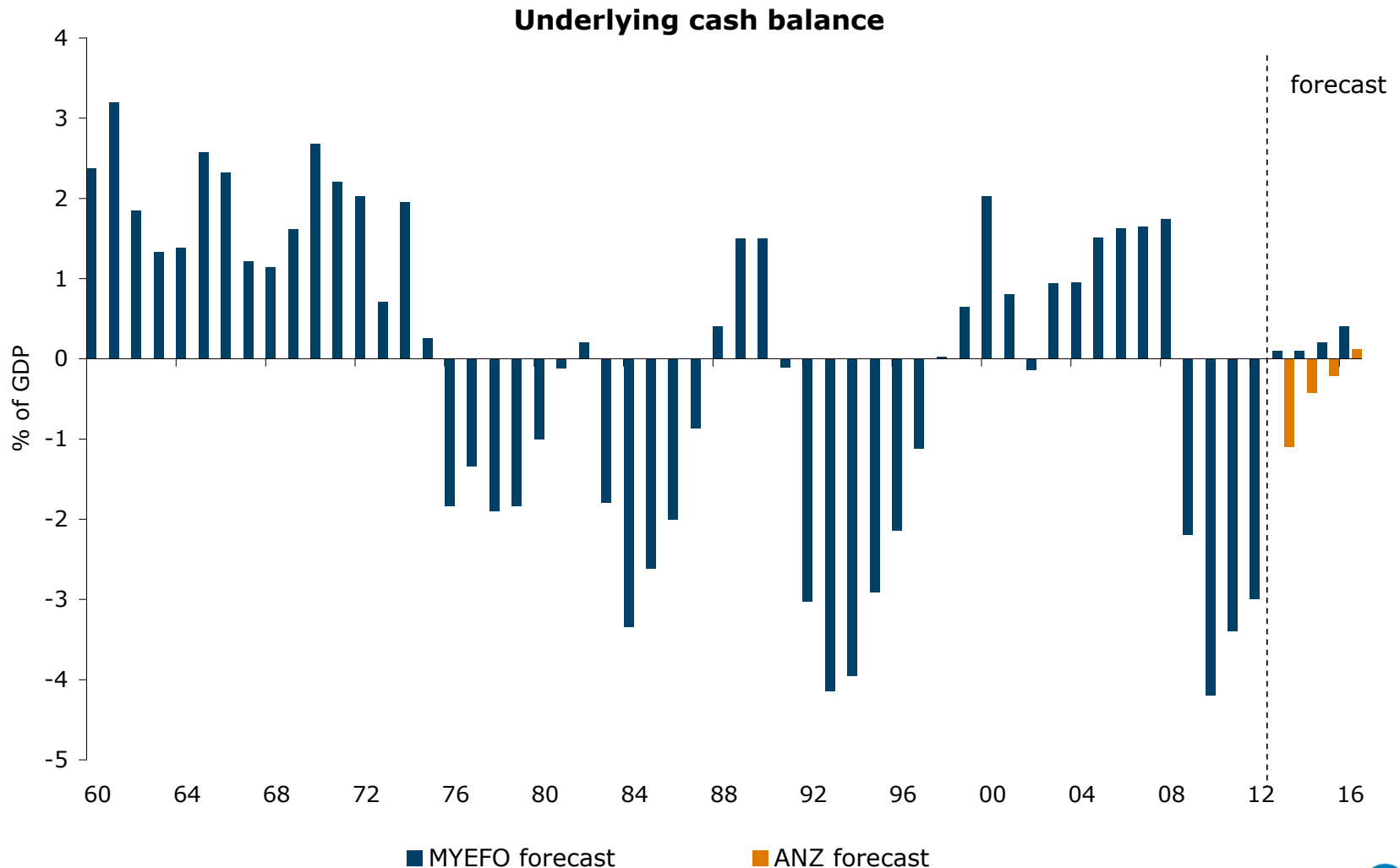




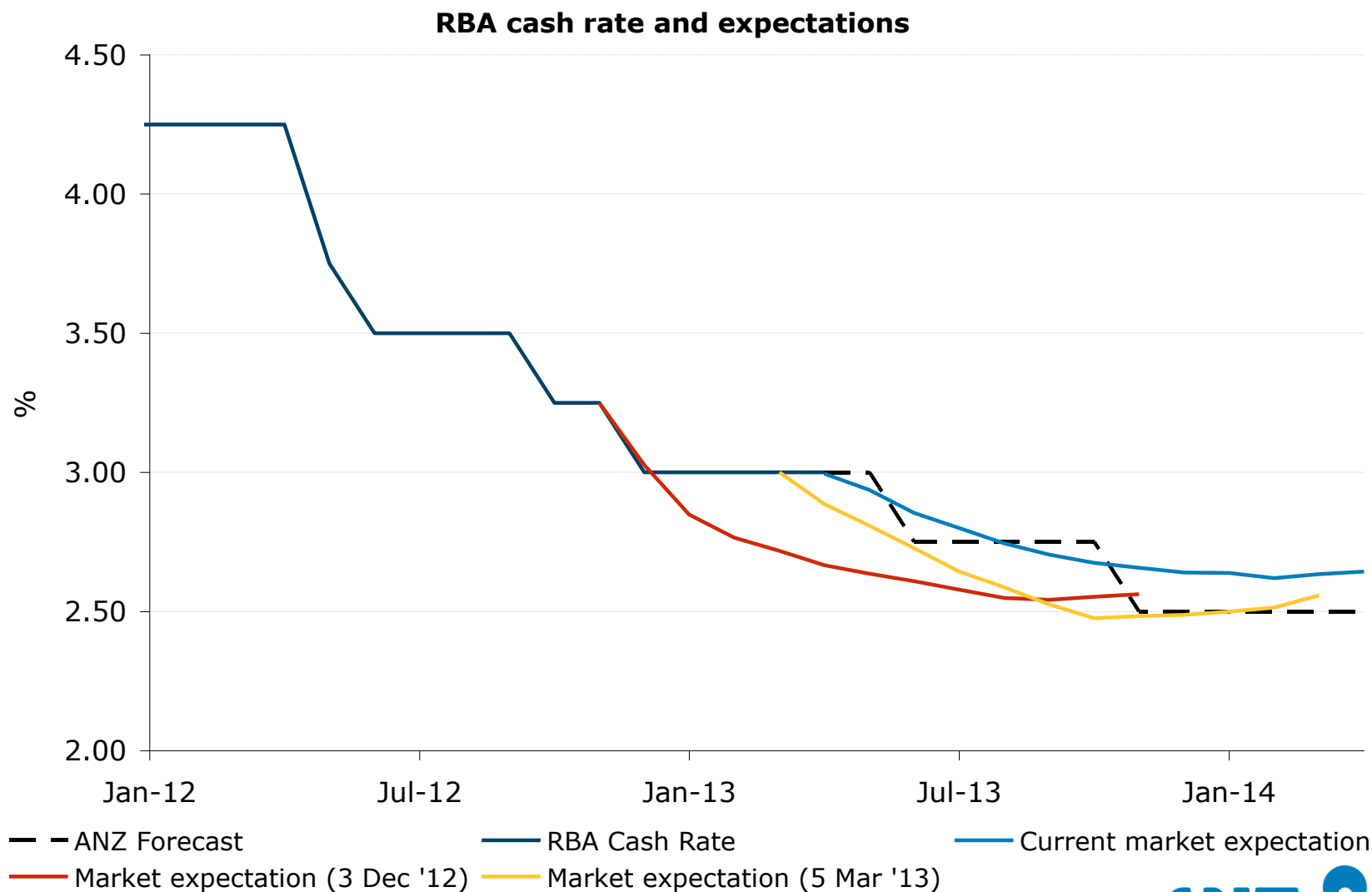
# Australia remains in a very strong fiscal position



# Despite some deterioration in the underlying budget balance, the deficit remains small as a share of GDP

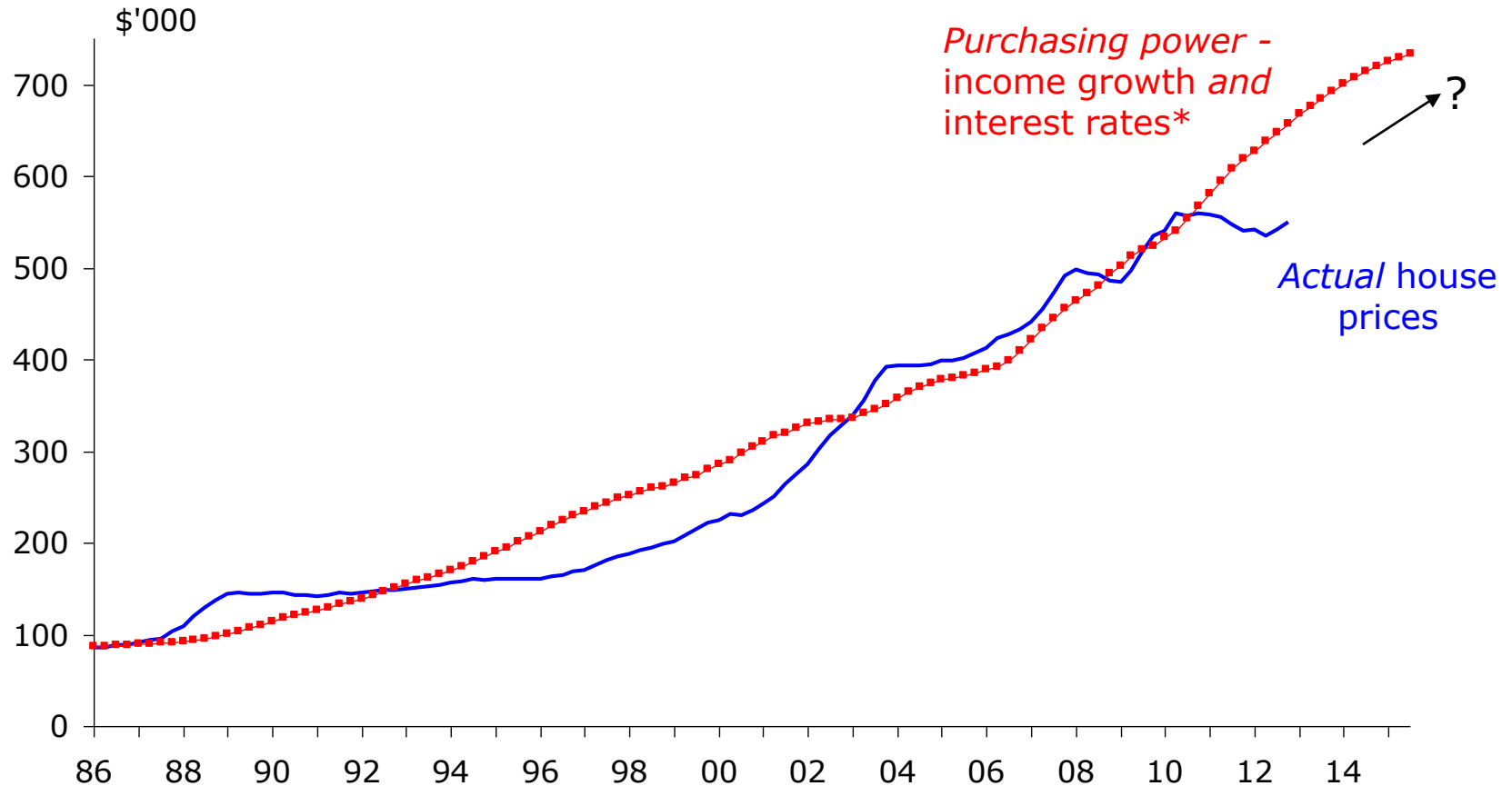


# Despite recent rate cuts, scope remains for the RBA to cut rates further to stimulate the economy



# Growth in house prices since mid-1980s matched by rising incomes & lower interest rates

Median house price vs. purchasing power

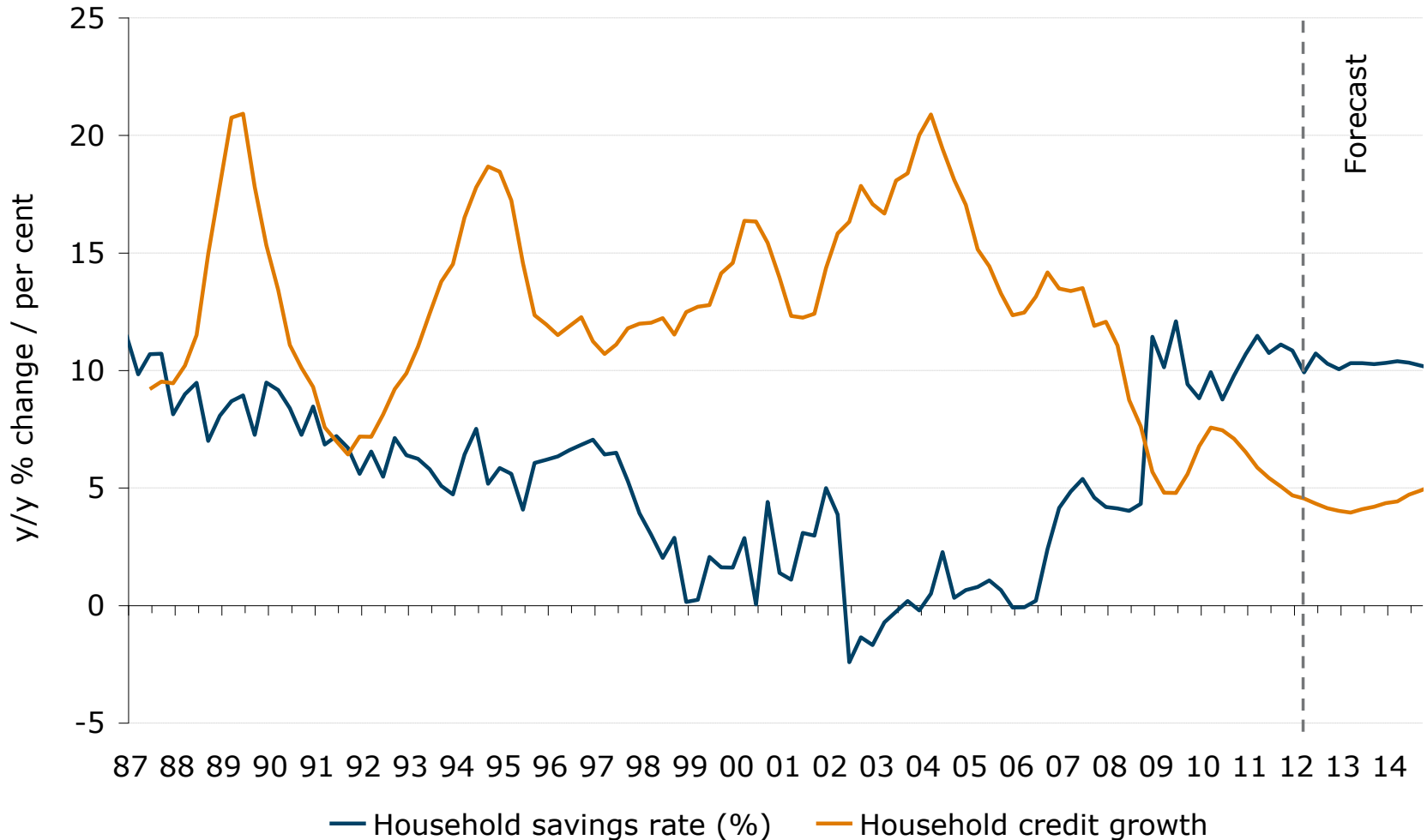


\* Represents the average households purchasing power over the median priced home

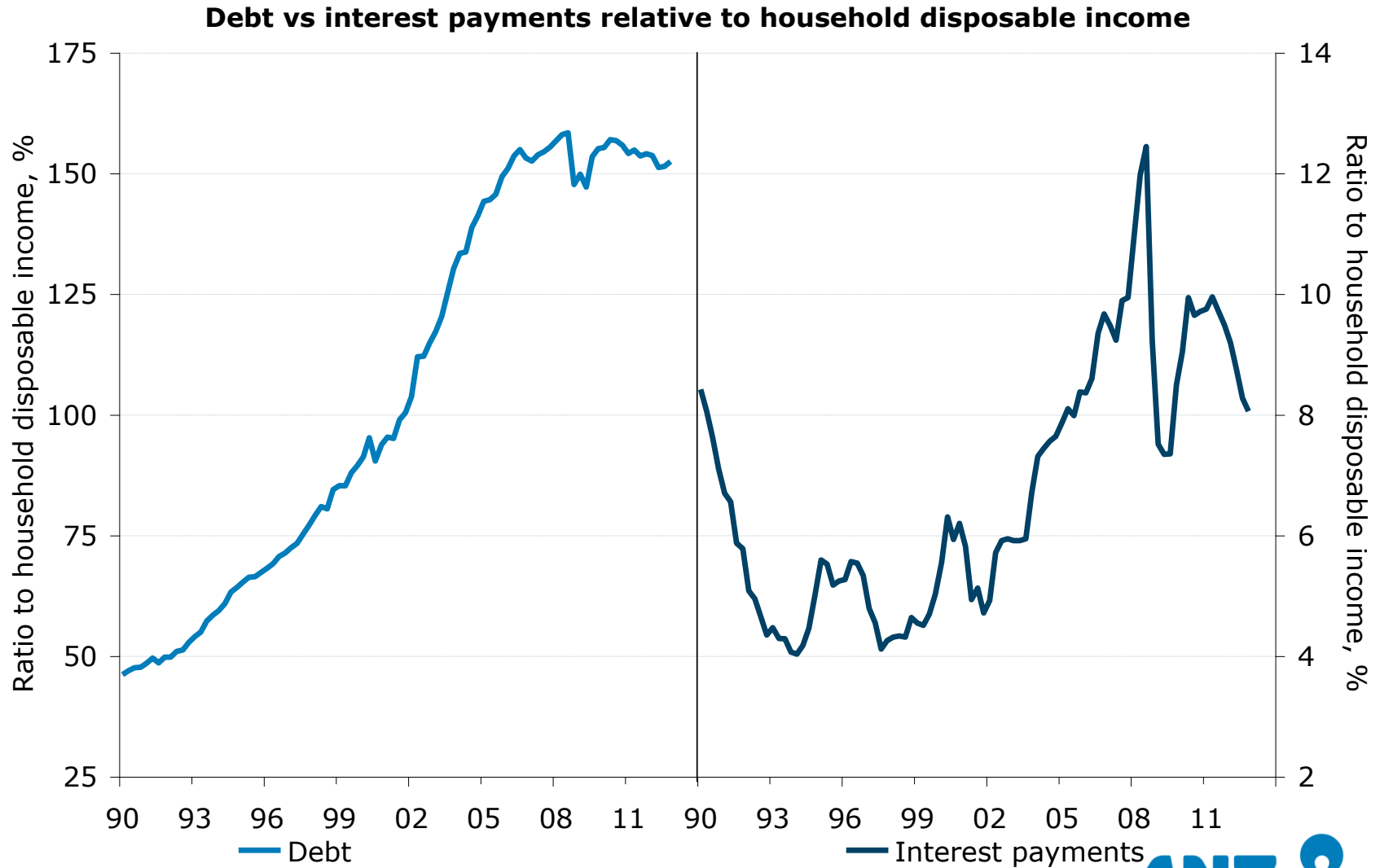


# Household Savings Rates have reverted to long term levels and credit demand remain low

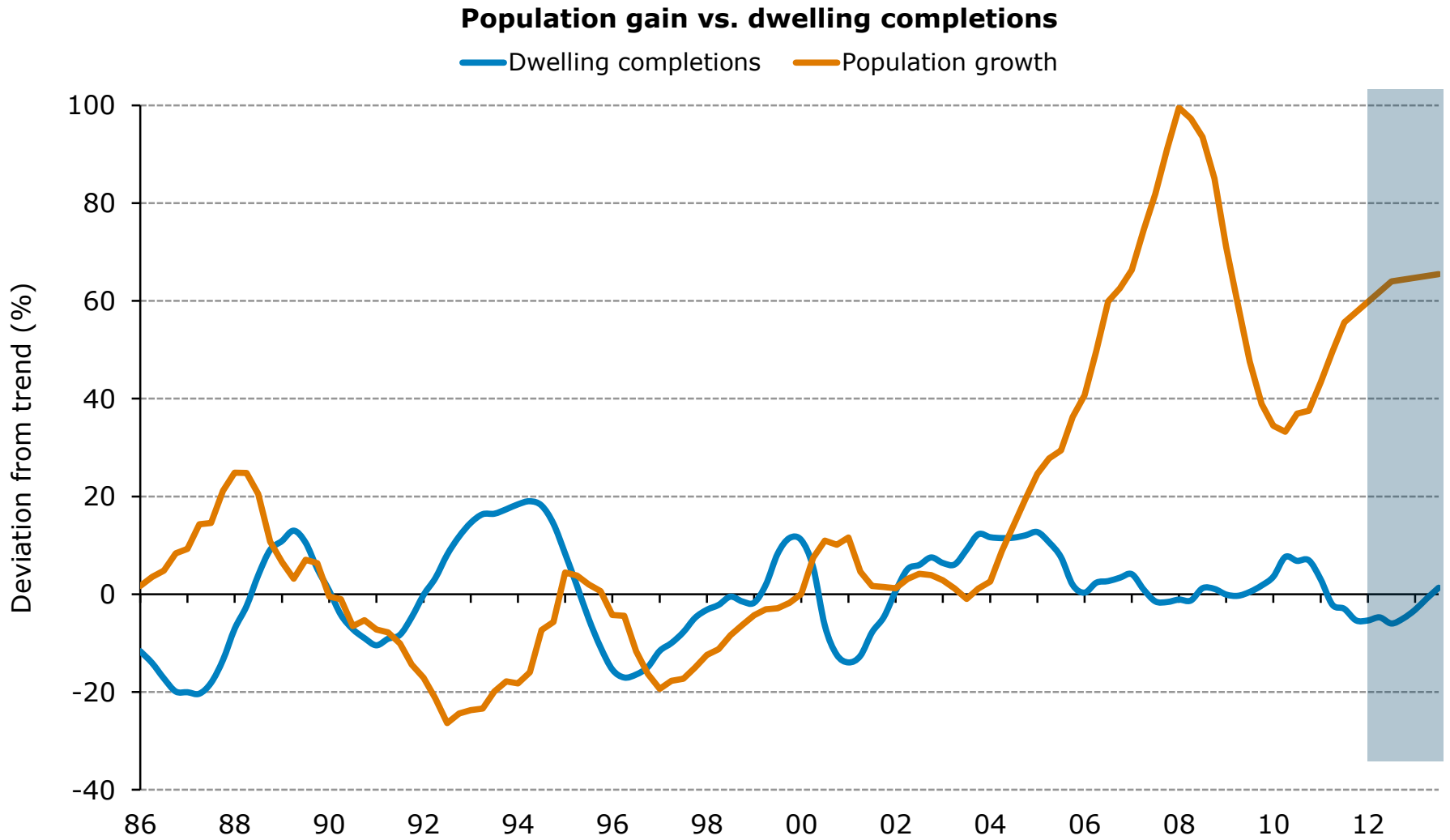
Household savings and credit



# While level of household debt has remained stable, lower rates have reduced the debt burden

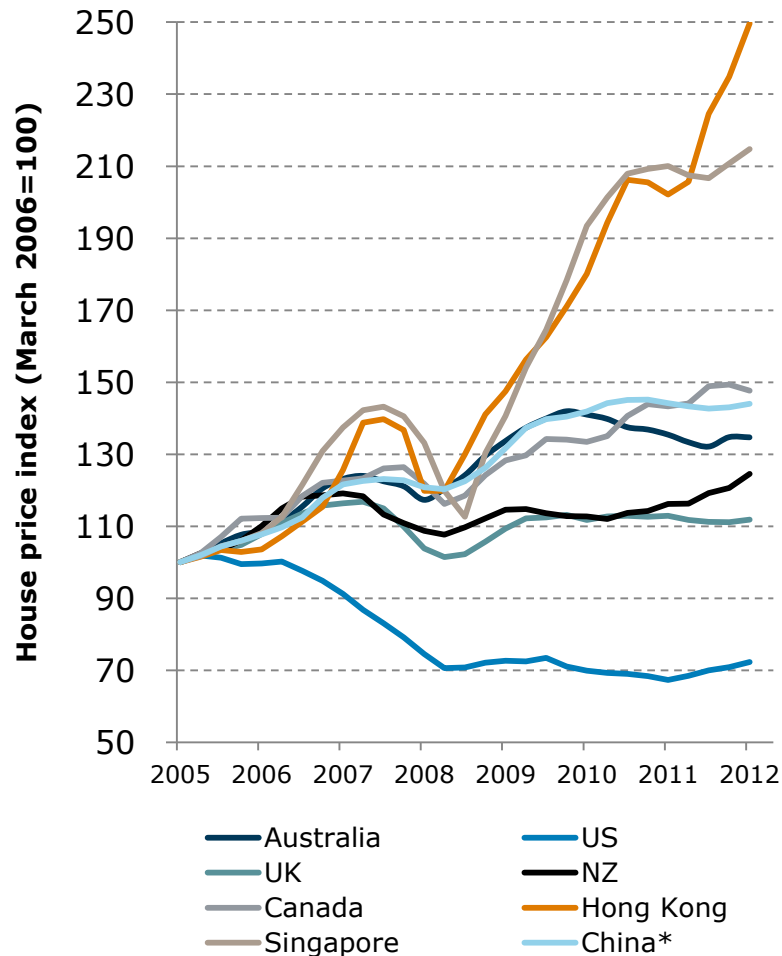


# Housing shortage driven by rapid acceleration in net overseas migration and population

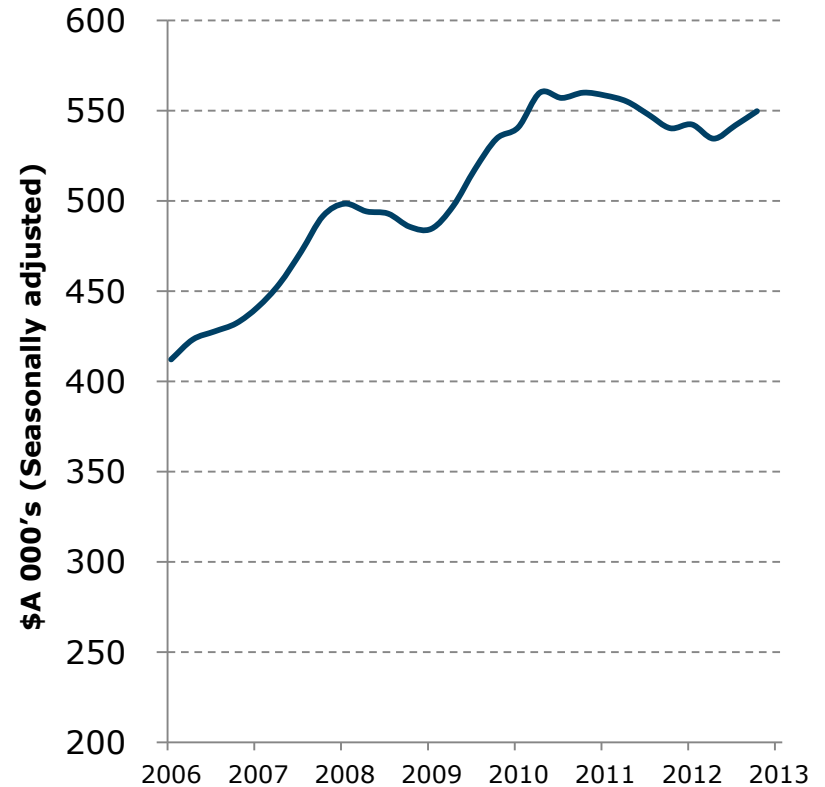


# Residential property prices

## House prices: International Comparison



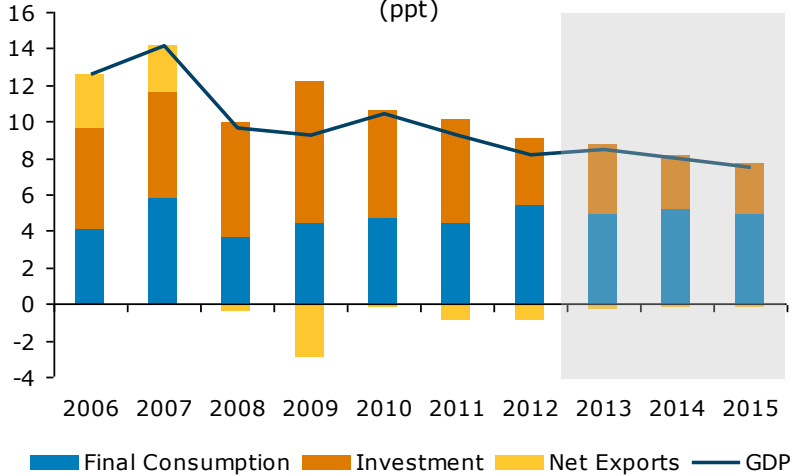
## House prices: Australia



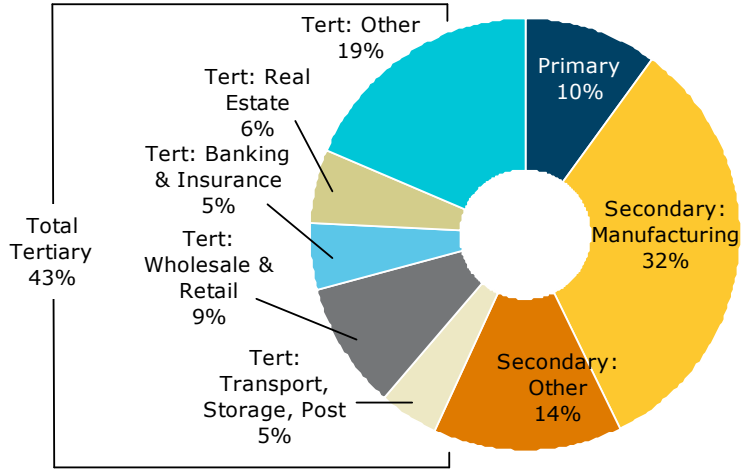


# From now to 2015, policy emphasis will be to boost consumption and reduce the importance of investment

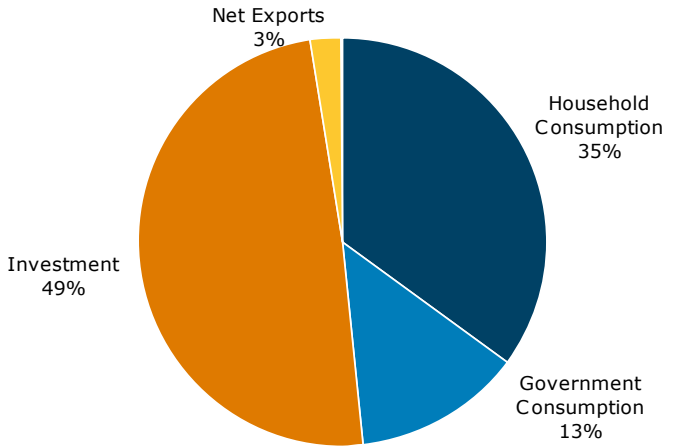
**China - Contribution to GDP Growth (ppt)**



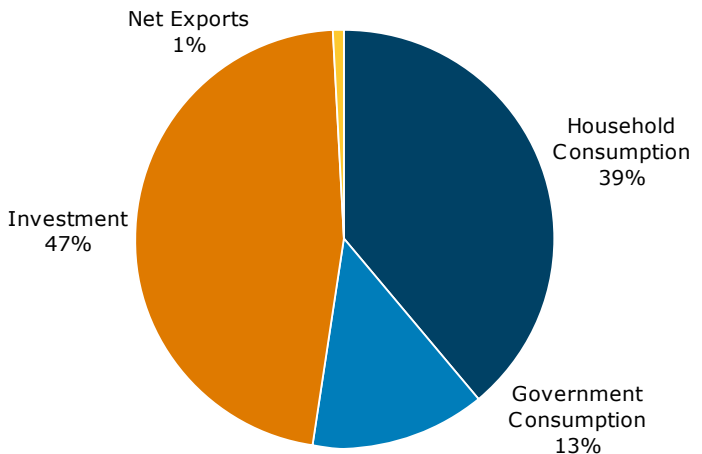
**China - GDP Composition 2011**



**China - GDP Composition (2011)**



**China - GDP Composition (2015)**

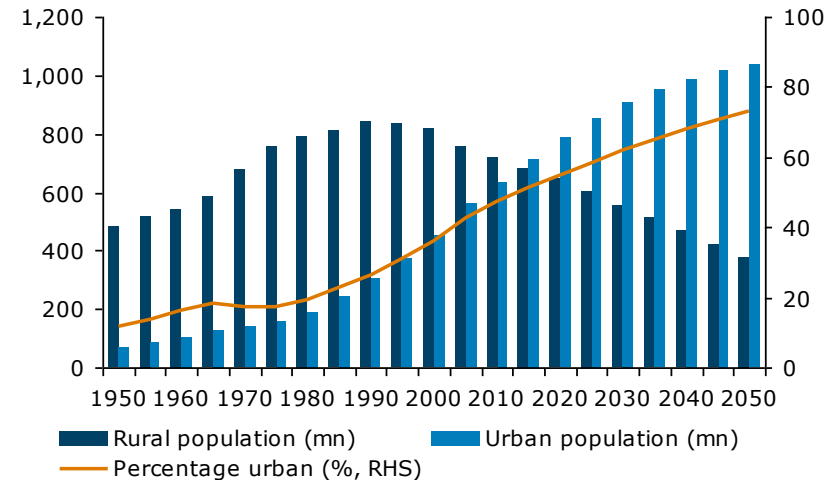


# Urbanisation will remain a major driver for growth in the medium to long run

China's urbanisation also requires huge infrastructural investment

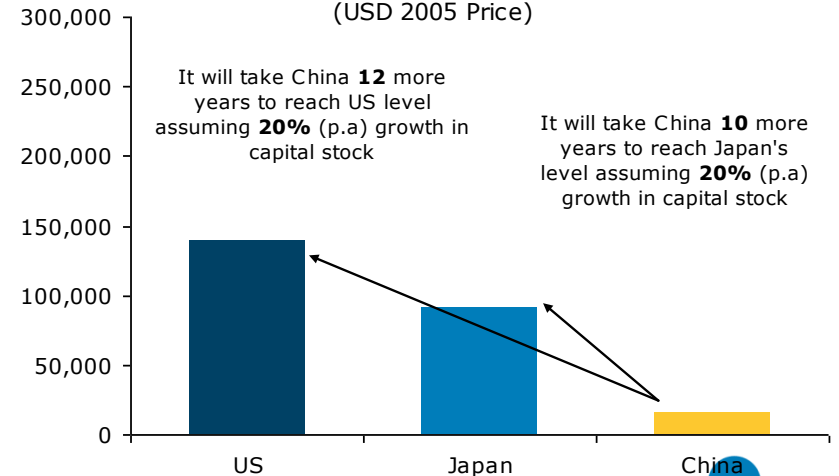
- 350 million people will be added to China's urban population. That's three times the amount of rural Chinese (103 million) that have migrated to the cities since 1990
- 1 million kilometres of new road and 28,000 kilometres of metro rail will be laid
- 170 mass-transit systems will be built - twice the number that all of Europe has today
- 40 billion square metres of floor space will be built to construct five million buildings - the equivalent of building two Chicago's every year
- 97 new airports will be built and one in every ten planes assembled by Boeing and Airbus will be delivered to China
- Energy demand will more than double from 60 quadrillion British thermal units (QBTUs) to between 123 QBTUs and 142 QBTUs - equivalent to 25% of the world's total energy demand today

China - Urbanisation



Capital Stock per Capita in 2011

(USD 2005 Price)



# Debt Investor Update - Appendices

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

**Covered Bonds**



# ANZ's Covered Bond Strategy

<b>Rationale</b>	<p><b>Diversification of investor base</b></p> <ul style="list-style-type: none"><li>• Access to AAA investor base - timely to assist in redemption of Government Guaranteed debt maturing from 2012 to 2014</li><li>• Reduces requirements for senior unsecured debt in offshore markets</li></ul> <p><b>Lengthen funding profile in a cost effective manner</b></p>
<b>Metrics</b>	<p><b>Based on ANZ's balance sheet size and legislative requirements:</b></p> <ul style="list-style-type: none"><li>• Cover pool limited to 8% of Australian assets</li><li>• Provides capacity to issue ~\$28bn of covered bonds</li><li>• ANZ's Australian mortgage portfolio currently ~\$187bn</li></ul>
<b>Programme</b>	<p><b>ANZ established a US\$20bn Australian covered bond programme</b></p> <ul style="list-style-type: none"><li>• Multi-currency capability, with focus on EUR, USD and AUD</li><li>• Additionally have executed in CHF, NOK, HKD and GBP</li><li>• Allows use of Hard or Soft bullets</li><li>• Considering 3a2 issuance capability for US market</li></ul>
<b>Issuance</b>	<p><b>Liquid yield curves to be established in AUD, EUR and USD via regular but not too frequent issuance</b></p> <ul style="list-style-type: none"><li>• Plan to issue ~\$5-6bn pa (20-25% of planned term debt issuance)</li><li>• 1-2 transactions per year in each of EUR, USD and AUD markets</li><li>• Focus on 5-10yr tenors for covered bonds, 2-5yr for senior unsecured</li></ul>

# Australian Covered Bond Legislation

<b>Structure</b>	<ul style="list-style-type: none"><li>• Enabling legislation (to amend the Banking Act 1959) passed the Australian Federal Parliament and became law in October 2011</li><li>• ADIs to be covered bond issuer, with dual recourse to issuer and cover pool</li><li>• Guarantee provided by an SPV, used for segregation of cover pool assets and provides legal certainty of a priority claim over the cover pool</li></ul>
<b>Priority</b>	<ul style="list-style-type: none"><li>• Bondholders have priority against a cover pool of financial assets</li><li>• 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</li></ul>
<b>Cover pool</b>	<ul style="list-style-type: none"><li>• Australian assets only - includes cash, Aust Government bonds, State-Government bonds, &lt;100 day bank debt (up to 15%), residential or commercial mortgage loans and derivatives</li><li>• ANZ pool will limit State-Government Bonds to less than 15% and will not include commercial mortgage loans.</li><li>• Minimum level of over-collateralisation of 3% (with contractual OC in addition) where value is only provided up to 80% LVR for residential loans</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><li>• Implies potential covered bond issuance of ~\$28bn by ANZ</li></ul>
<b>Supervision</b>	<ul style="list-style-type: none"><li>• APRA has prudential supervision responsibilities</li><li>• Defined role of independent cover pool monitor eg audit firm</li></ul>

# Programme Structural Enhancements

## Over Collateralisation

- Asset Coverage Test (ACT) is performed monthly to ensure the cover pool is sufficient to secure outstanding covered bonds per minimum contractual OC
- Maximum Asset Percentage 95%
- Asset Percentage at 87% (March 2013) as set by rating agencies
- Over-collateralisation at 14.94% (March 2013) - inverse of Asset Percentage

## Indexation of Collateral

- The nominal property values are adjusted to reflect changes in house prices using RP Data-Rismark Home Value Index
- Asset Coverage Test uses both Latest and Indexed Valuation for each property
- Amortisation Test requires the use of Indexed Valuation
- Indexing is applied with 100% of any loss and 85% of any gain
- Housing Loans in arrears by more than 90 days receive zero value

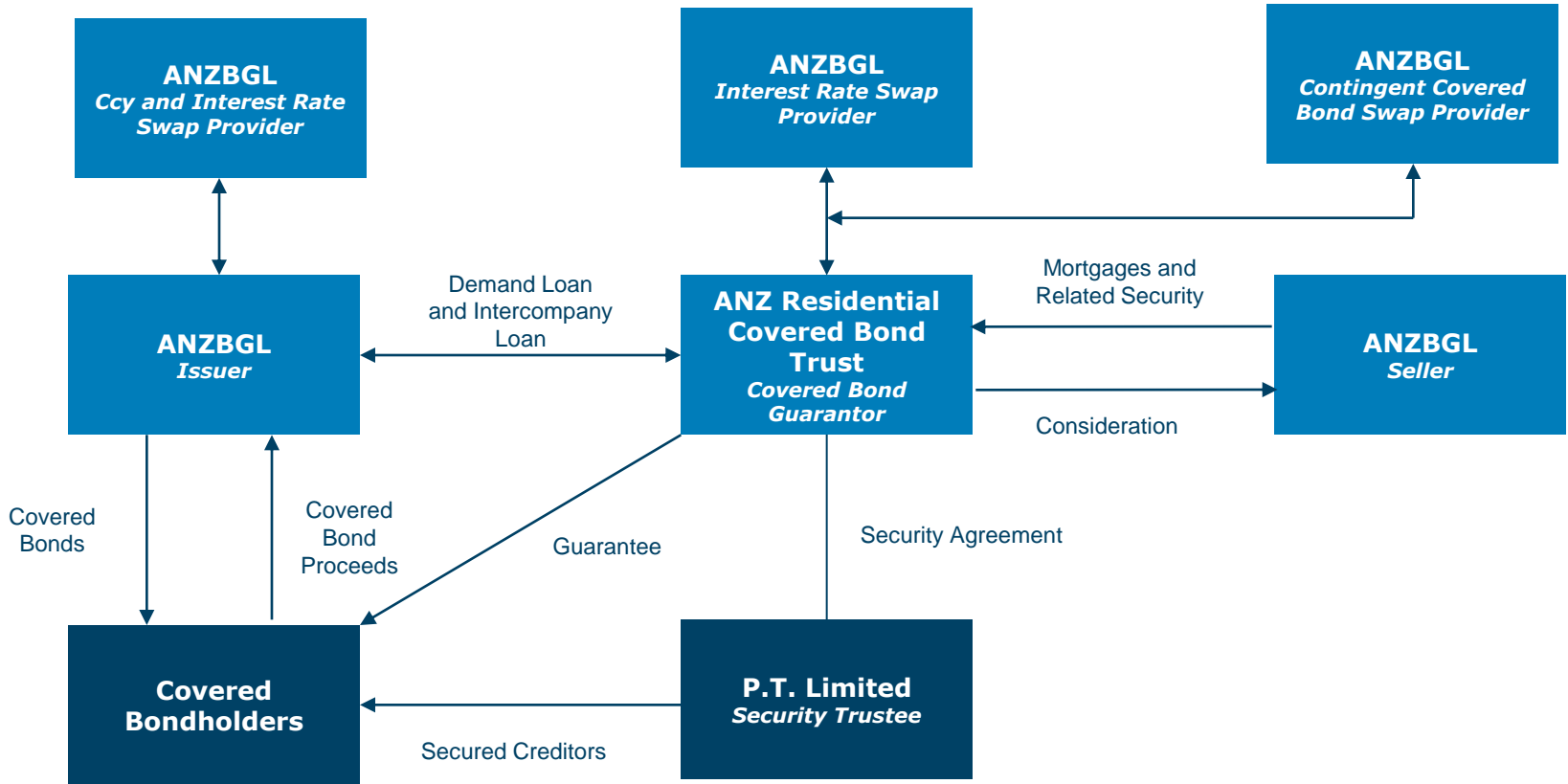
## Hedging

- 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

# Issuer Event of Default and Covered Bond Guarantee

<b>Issuer Events of Default</b>	<p>Include:</p> <ul style="list-style-type: none"><li>• Default in principal or interest for 7 days</li><li>• Fail to perform obligations for 30 days</li><li>• Winding up, encumbrancer takes possession of all assets</li><li>• Bankruptcy proceedings</li><li>• An uncured breach of ACT</li></ul>
<b>Following an Issuer Event of Default</b>	<ul style="list-style-type: none"><li>• Service of an Issuer Acceleration Notice to the Issuer will accelerate claims against the Issuer but not the Guarantor. The bonds do not accelerate.</li><li>• Bondholders may immediately claim against the Issuer for the full Early Termination Amount and rank pari passu with ANZ's senior unsecured debt</li><li>• Any money obtained under that claim is paid to the Guarantor for payment on bonds as they fall due</li></ul>
<b>Activation of the Covered Bond Guarantee</b>	<ul style="list-style-type: none"><li>• Following an Issuer Acceleration Notice, the Trustee may serve a Notice to Pay on the Covered Bond Guarantor</li><li>• 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</li><li>• To the extent the Covered Bond Guarantor has insufficient funds to repay Covered Bonds in full 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.</li></ul>

# Programme Structure



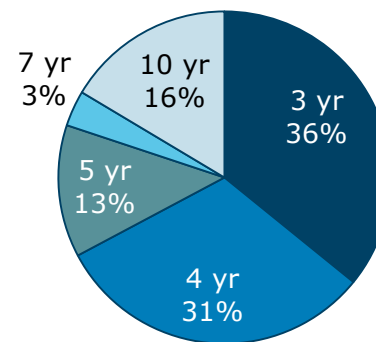


# Australian Issuance – March 2013

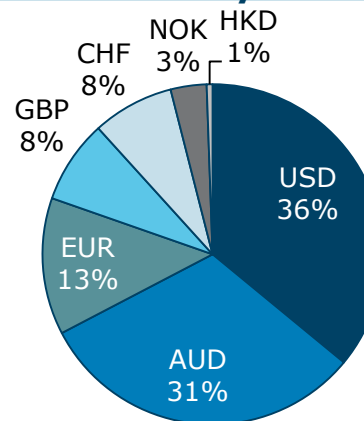
Covered Bonds	
Bonds Issued (A\$)	<b>9.56bn</b>
Program Ratings	Aaa / AAA
Number of Issues	11
Number of Currencies	7
WA Term at Issue	4.93 years

Issuance Capacity	
Contractual AP%	87%
Min Required OC%	14.94%
Max Issuance Capacity	<b>28.44bn</b>
% Issuance Capacity Utilised	34%

**ANZ Covered Bonds Issuance Tenor**

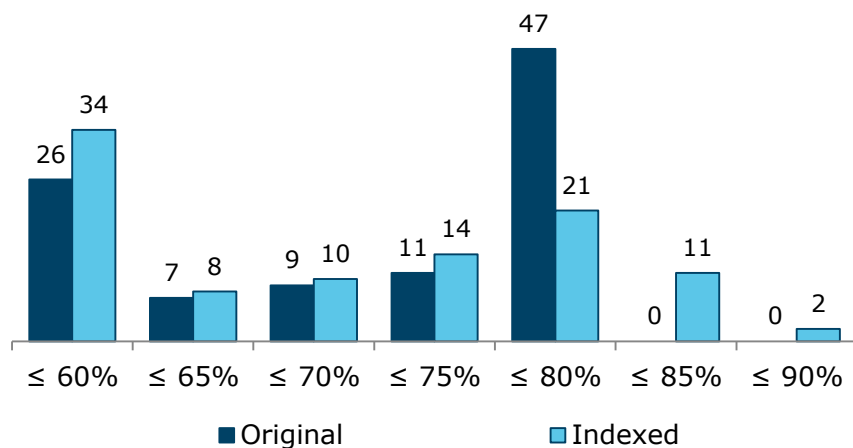


**ANZ Covered Bonds Currency Mix**



# Cover Pool – Composition and qualifying criteria

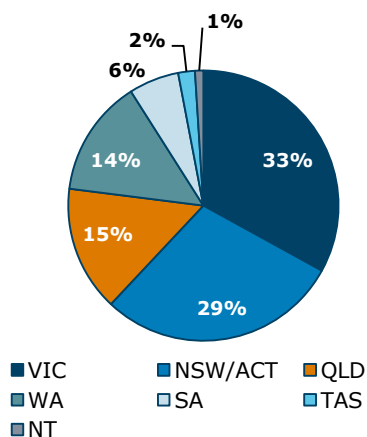
## Weighted Average LVR (%)



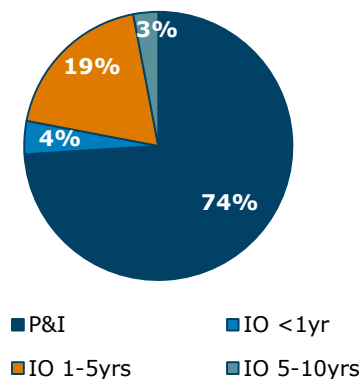
## Portfolio Summary at 22 April 2013

Covered Bond Pool	\$13,437m
Covered Bonds on issue	\$9,561m
Average loan size	\$280,146
Weighted Ave Current LVR	64%
Weighted Ave Indexed LVR	64%
Weighted Ave Seasoning	19.9 months
Min Required AP% / OC%	87% / 15%
Owner-Occupied / Investment	74% / 26%
Full-Doc loans	100%

## Geographic Spread (State/Territory)



## Amortising vs Interest Only



## Qualifying Loan Criteria

- Due from a natural person resident of Australia
- Fully drawn and repayable in Australian Dollars
- 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
- The sale of the loan does not contravene or conflict with any applicable law
- Borrower has made at least one interest payment on the loan

# Key Contacts

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For further information, please visit our website: [www.anz.com](http://www.anz.com)

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