



ANZ COVERED BOND GUIDE

SEPTEMBER 2018

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



IMPORTANT NOTICE

IMPORTANT NOTICE

This document contains certain general background information about covered bonds (**Covered Bonds**) which may be issued from time to time by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (**ANZBGL** and **ANZ**) under the then current base prospectus (which is a base prospectus for the purposes of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU (**Prospectus Directive**)), as supplemented from time to time (**Prospectus**) relating to the US\$30,000,000,000 ANZ Global Covered Bond Programme (**Programme**). The information is current at the date of this document or as otherwise stated in this document. It is given in summary form and does not purport to be complete and has not been independently verified. ANZ is not under any obligation to update the information or to keep it current.

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ANZ COVERED BOND PROGRAM OVERVIEW

AUSTRALIAN COVERED BOND LEGISLATION

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

ANZ RESIDENTIAL COVERED BOND PROGRAM

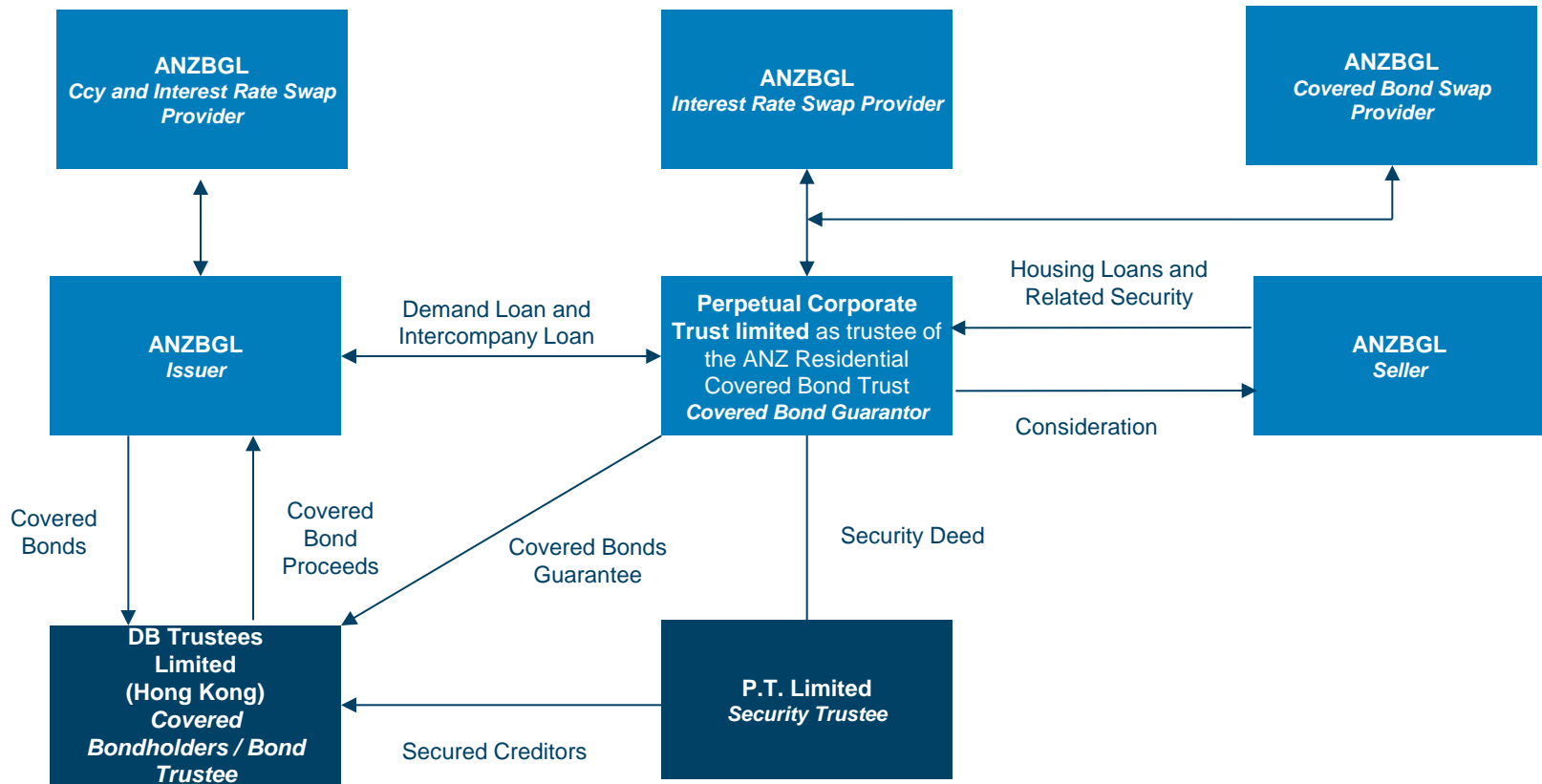
Issuer	<ul style="list-style-type: none"> Australia and New Zealand Banking Group Limited (ANZBGL and ANZ)
Issuer Rating	<ul style="list-style-type: none"> AA-/A1+ (negative outlook) (S&P), Aa3/P-1 (Moody's), AA-/F1+ (Fitch)
Program Size	<ul style="list-style-type: none"> US\$30,000,000,000
Covered Bond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

PARTIES TO THE PROGRAM

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

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

PROGRAM STRUCTURE



PROGRAM STRUCTURAL ENHANCEMENTS

Over-Collateralisation

- Prior to a Notice to Pay, the **Asset Coverage Test** is performed on the relevant Determination Date to ensure sufficient assets to support the value of outstanding covered bonds.
- After a Notice to Pay, the **Amortisation Test** is performed on each relevant Determination Date to ensure sufficient cash to pay any maturing bonds.

Indexation

- 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.
- The Asset Coverage Test and Amortisation Test require the use of the Indexed Valuation for each property.
- Indexing is applied using a similar procedure to UK programmes, with 100% of any loss and 85% of any gain applied.
- Housing Loans in arrears by more than three months receive zero collateral value.

Interest Rate Swap

- 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.
- Provided by ANZBGL and will be required to post collateral, obtain guarantees or be replaced if certain rating triggers occur.

Covered Bond Swap

- 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.
- Provided by ANZBGL and will be required to post collateral, obtain guarantees and/or be replaced if certain rating triggers occur.

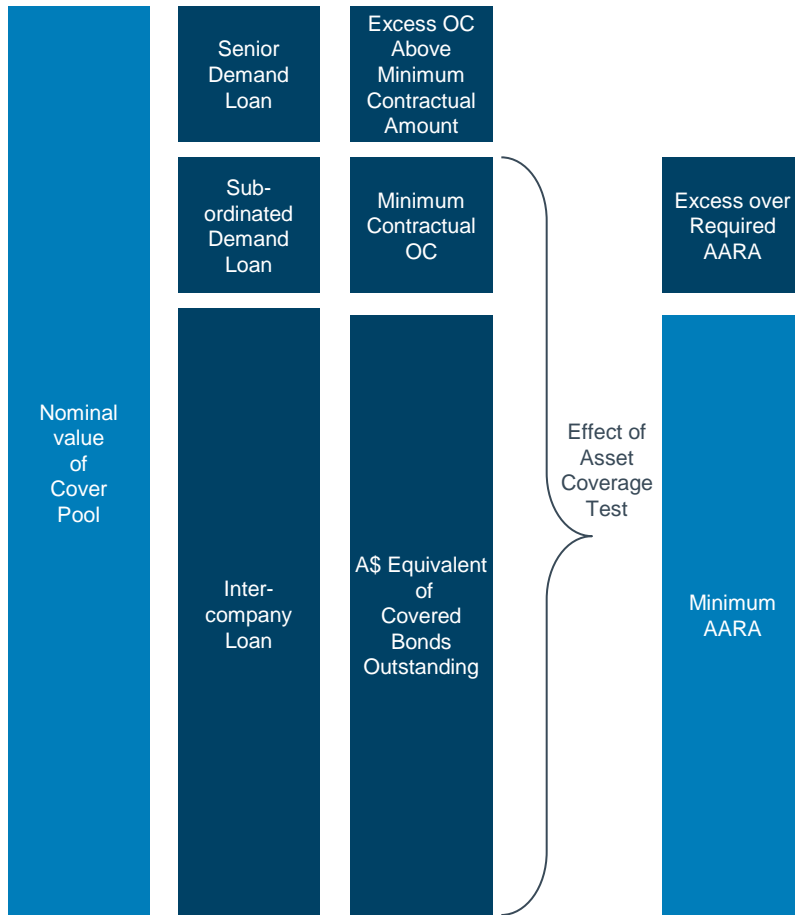
Capitalised but undefined terms on this page have the meaning given in the Prospectus.

AAA RATING TRIGGER POINTS

Pre Maturity Test	Moody's: below P-1 Fitch: below F1+ / A+	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. 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: below P-1 Fitch: below 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: below F1/ 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: below 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: below P-1 Fitch: below F1 / A	Account Bank ceases to be an Eligible Bank if it does not obtain a guarantee from an Eligible Bank (of its obligations) within: (i) at any time prior to 1 December 2015, 30 Local Business Days or (ii) at any time on and from 1 December 2015, 30 calendar days.
Servicer Termination Event	Moody's: below Baa3 Fitch: below BBB-	The Covered Bond Guarantor or the Security Trustee to terminate the appointment of the Servicer in a manner as set out in Program Documents

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

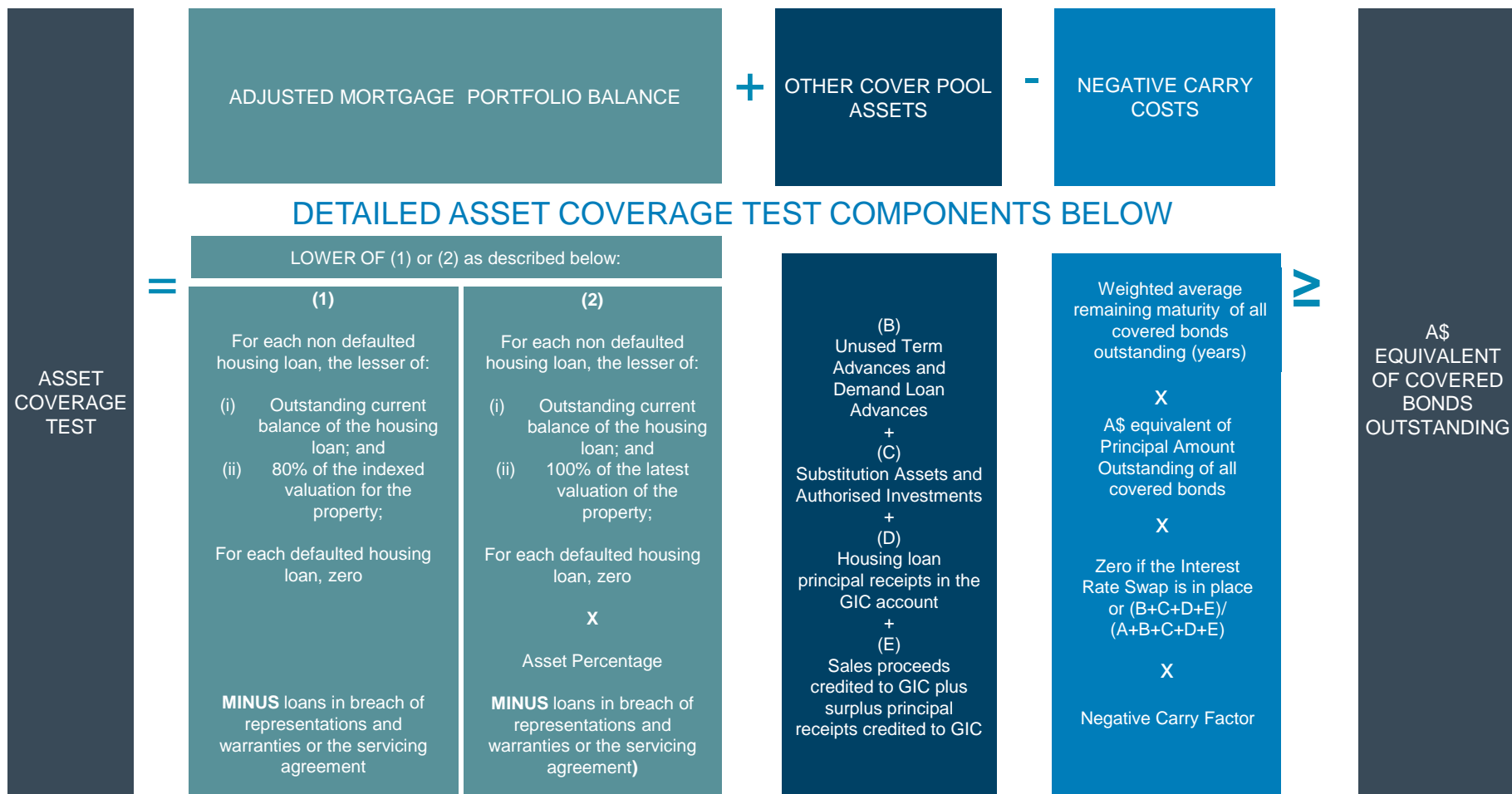
COVER POOL, THE DEMAND & INTERCOMPANY LOANS



- 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.

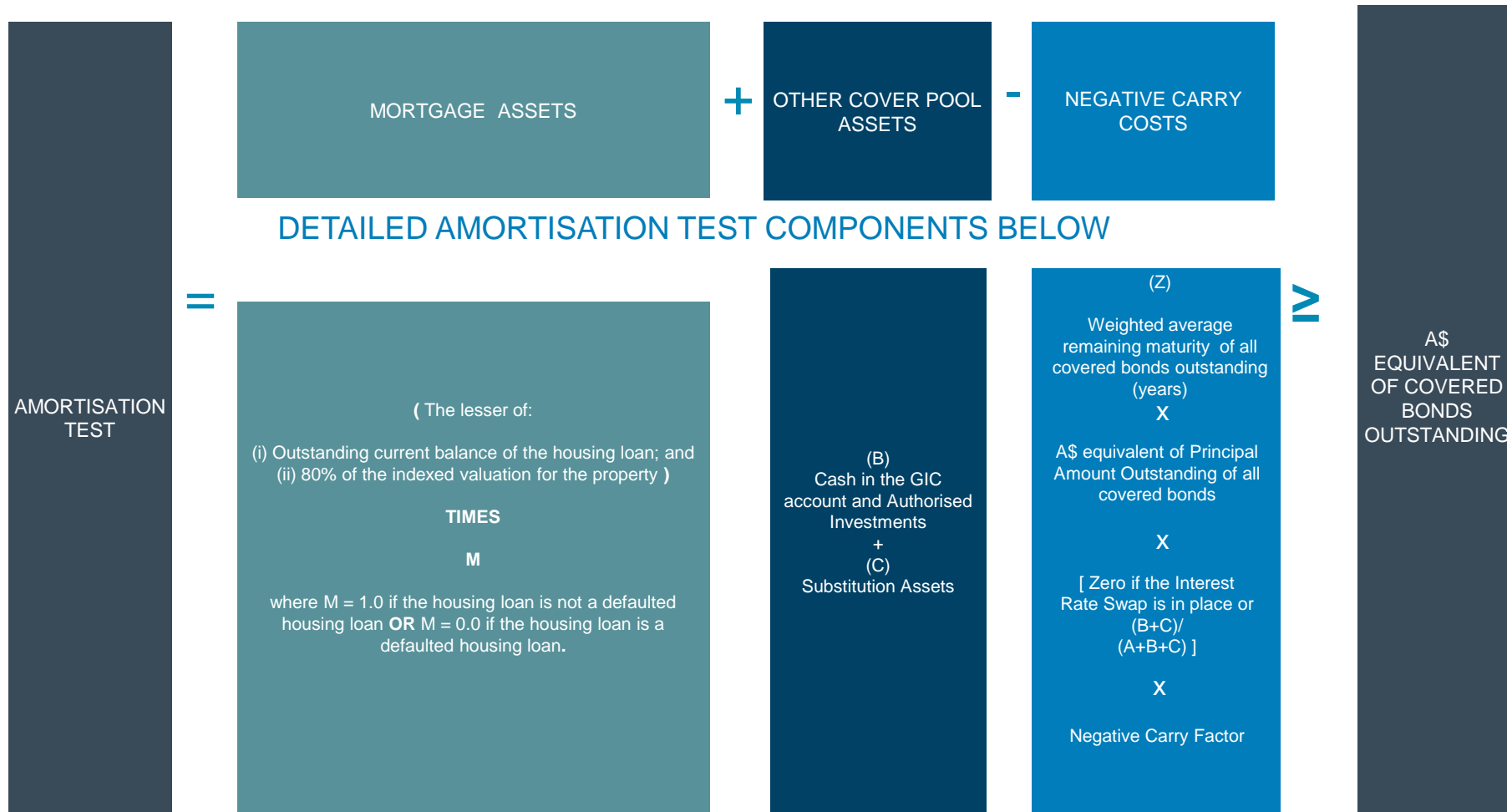
ASSET COVERAGE TEST

- 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.



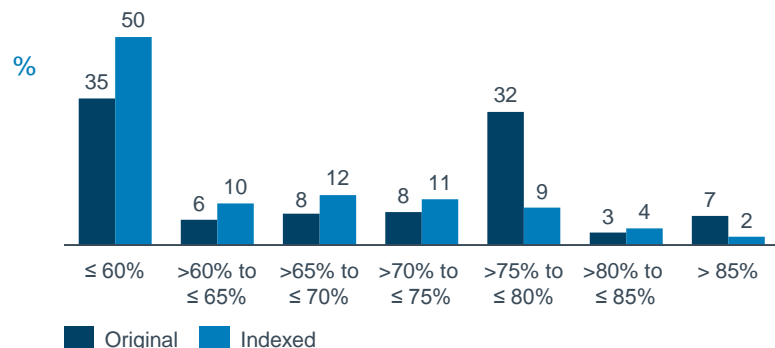
ANZ COVER POOL



ANZ COVERED BONDS

COVER POOL SUMMARY COMPOSITION AND QUALIFYING CRITERIA

WEIGHTED AVERAGE LVR

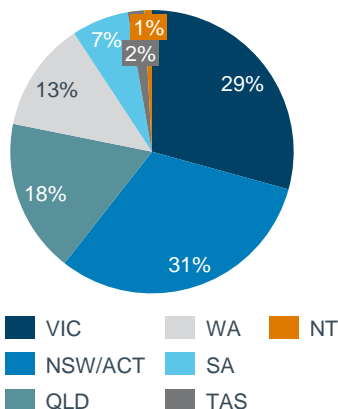


* Distribution of Original LVRs may change due to changes made to reporting systems as per APRA's EFS definitions.

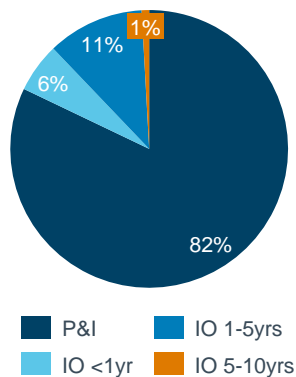
PORTFOLIO SUMMARY AT 22 AUGUST 2018

Covered Bond Pool	\$19.5bn
Covered Bonds on issue	\$13.9bn
Average loan size	\$321,894
Weighted Ave Current LVR	64.38%
Weighted Ave Indexed LVR	58.30%
Min Required AP% / OC%	90.5% / 10.5%
Owner-Occupied / Investment ¹	73% / 27%
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 SEPTEMBER 2017)

COVER POOL SUMMARY

Portfolio Summary	22-Sep-2017	22-Dec-2017	22-Mar-2018	22-Jun-2018
Cover Pool	\$19.5bn	\$19.5bn	\$19.5bn	\$19.5bn
Covered Bonds on issue	\$13.9bn	\$13.9bn	\$13.9bn	\$13.9bn
Average loan size	\$325,695	\$322,231	\$320,747	\$321,239
Weighted Ave Current LVR	65.53%	65.07%	64.84%	64.57%
Weighted Ave Indexed LVR	58.17%	57.31%	57.54%	58.23%
Weighted Ave Seasoning	36.86 months	37.33 months	38.21 months	39.30 months
Min Required AP% / OC%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%
Owner-Occupied / Investment	72% / 28%	72% / 28%	73% / 27%	73% / 27%
P&I Loans vs IO Loans	76% / 24%	78% / 22%	80% / 20%	81% / 19%
Variable Rate Loans vs Fixed Rate loans	86% / 14%	86% / 14%	86% / 14%	86% / 14%
Full-Doc loans	100%	100%	100%	100%

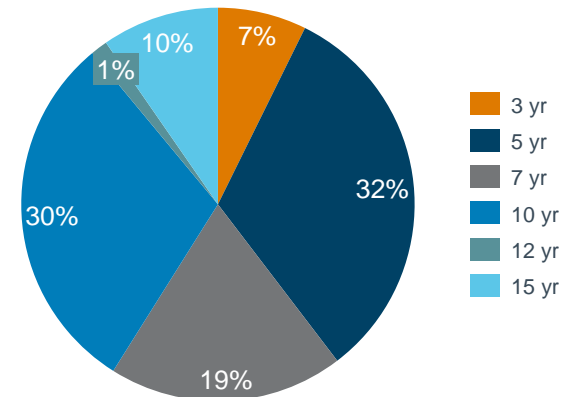
- Slight increase in P&I loans due to IO Periods Expiry Dates and conversions to P&I loans;
- No material change in the composition of the cover pool over the past 12 months;
- There may be a re-classification of certain data points due to APRA's EFS definitions and alignment of data within ANZ's systems. Subject to industry consensus on common reporting;
- Asset percentage has been maintained at 90.5% over the past 12 months; AND
- Continued system enhancements implemented in ABS Suite which manages all secured funding collateral.

COVERED BONDS ON ISSUE AS AT 22 AUGUST 2018

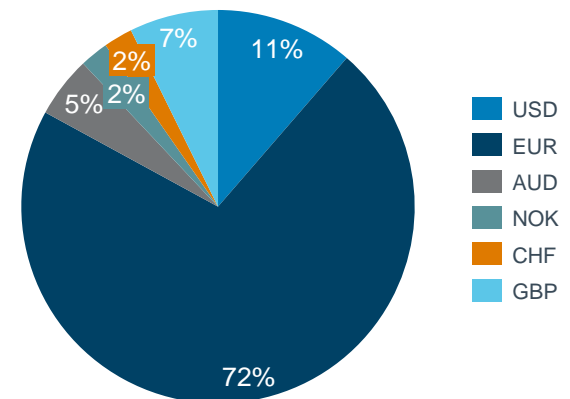
Covered Bonds	
Bonds Outstanding (A\$)	13.9bn
Cover Pool (A\$)	19.5bn
Program Ratings	Aaa / AAA
Number of Issues O/s	17
Number of Currencies	6
WA Term at Issue	8.20 years

Issuance Capacity	
Contractual AP%	90.5%
Min Required OC%	10.50%
8% of Total Australian Assets	~A\$45bn
Max Issuance Capacity	~A\$41bn
% Collateral Capacity Utilised	~43%
% Issuance Capacity Utilised	~34%

ANZ COVERED BONDS - ISSUANCE TENOR



ANZ COVERED BONDS - CURRENCY MIX





ANZ MORTGAGE PORTFOLIO



AUSTRALIA HOME LOANS

PORTFOLIO OVERVIEW

	Portfolio ¹			Flow ²		Portfolio ¹		
	1H16	1H17	1H18	1H18		1H16	1H17	1H18
Number of Home Loan accounts	976k	992k	1,017k	79k ³	Average LVR at Origination ^{8,9,10}	71%	70%	68%
Total FUM ¹	\$243b	\$256b	\$270b	\$31b	Average Dynamic LVR ^{9,10,11}	51%	51%	51%
Average Loan Size	\$249k	\$258k	\$266k	\$387k	Market Share ¹²	15.6%	15.6%	15.8%
% Owner Occupied ⁴	60%	62%	65%	69%	% Ahead of Repayments ¹³	71%	71%	71%
% Investor ⁴	36%	34%	32%	29%	Offset Balances ¹⁴	\$24b	\$26b	\$27b
% Equity Line of Credit	4%	4%	3%	2%	% First Home Buyer	7%	6%	7%
% Paying Variable Rate Loan ⁵	87%	85%	83%	82%	% Low Doc ¹⁵	7%	5%	4%
% Paying Fixed Rate Loan ⁵	13%	15%	17%	18%	Loss Rate ¹⁶	0.01%	0.02%	0.02%
% Paying Interest Only ⁶	37%	36%	26%	14% ⁷	% of Australia Geography Lending ¹⁷	63%	63%	64%
% Broker originated	48%	50%	51%	56%	% of Group Lending ^{17,18}	43%	44%	46%

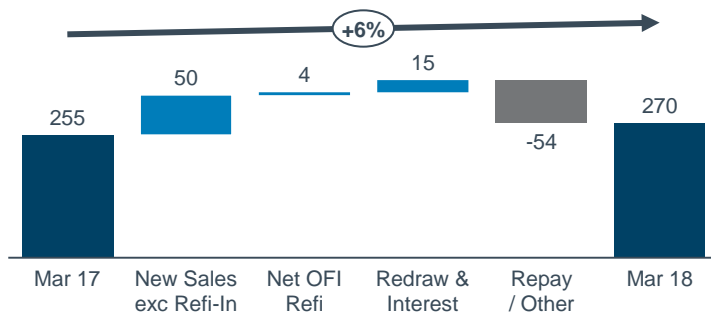
1. Home Loans (excludes Non Performing Loans, excludes offset balances) 2. YTD (6 months to) unless noted 3. New accounts includes increases to existing accounts and split loans (fixed and variable components of the same loan) 4. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances. 5. Excludes Equity Manager 6. Based on APRA definition ie includes Equity Manager in the total composition 7. March Half to Date 8. Originated in the respective half 9. Unweighted 10. Includes capitalised premiums 11. Valuations updated to Mar'18 where available 12. Source for Australia: APRA to Feb'18 13. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Includes Offset balances. Excludes Equity Manager. Excludes Non Performing Loans. 14. Balances of Offset accounts connected to existing Instalment Loans 15. 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 ~A\$400m of less than or equal to 80% LVR mortgages, primarily booked pre-2008 16. Annualised write-off net of recoveries 17. Based on Gross Loans and Advances 18. Based on Group Cash Profit basis.

AUSTRALIA HOME LOANS

PORTFOLIO GROWTH

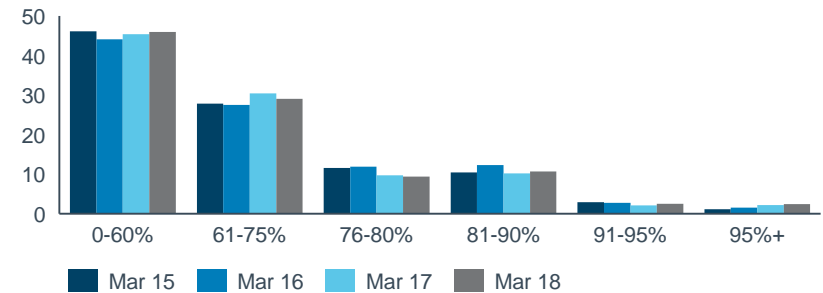
LOAN BALANCE & LENDING FLOWS¹

\$b



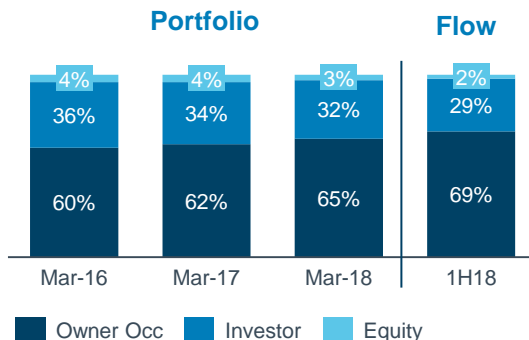
DYNAMIC LOAN TO VALUE RATIO^{1,4,5}

% of portfolio

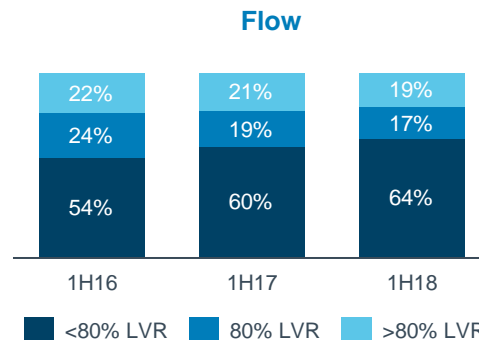


PORTFOLIO^{1,2} & FLOW³ COMPOSITION

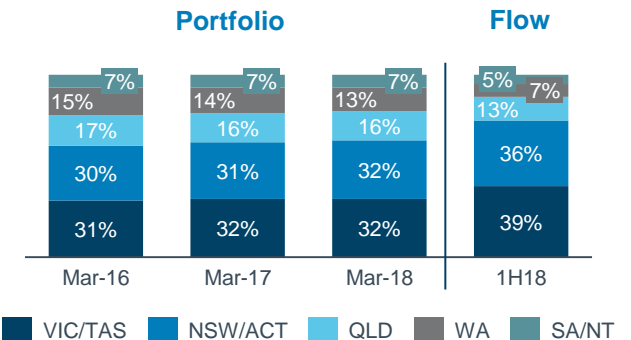
By purpose:



By origination LVR⁴:



By location:

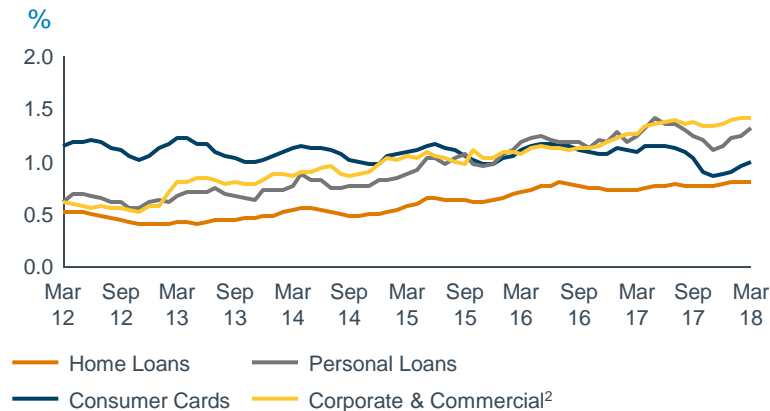


1. Excludes Non Performing Loans. 2. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances. 3. YTD (6 months to) unless noted 4. Includes capitalised premiums. 5. Valuations updated to Mar'18 where available

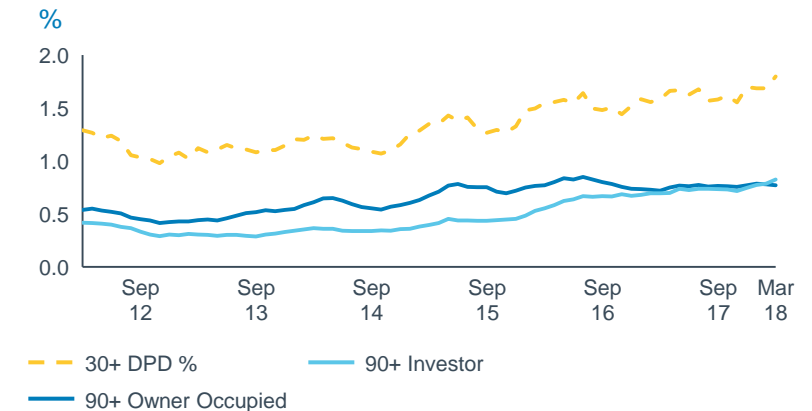
AUSTRALIA DIVISION

PORTFOLIO PERFORMANCE

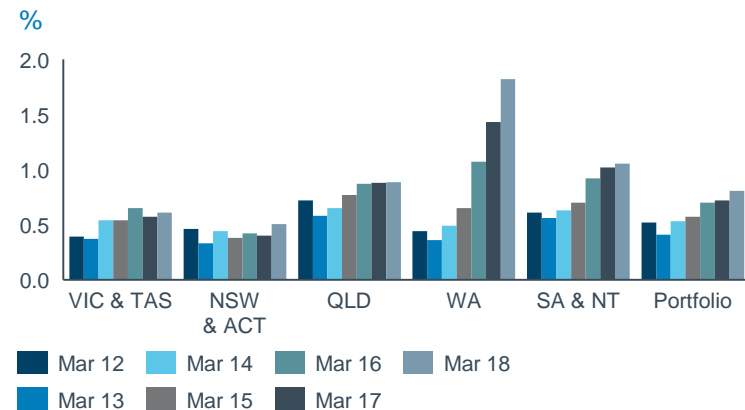
PRODUCT 90+ DAY DELINQUENCIES¹



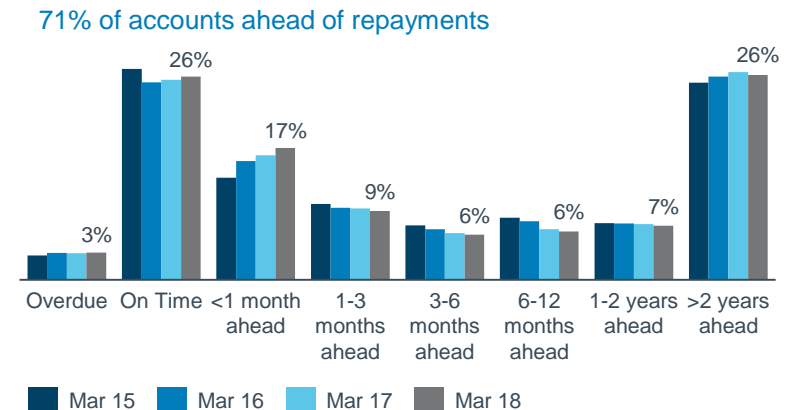
HOME LOAN DELINQUENCIES^{1,3}



HOME LOANS 90+ DPD BY STATE¹



HOME LOANS REPAYMENT PROFILE^{1,4}



1. Excludes Non Performing Loans 2. Comprises Small Business, Commercial Cards and Asset Finance 3. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances 4. % of Owner Occupied and Investment Loans that have any amount ahead of repayments.

HOME LOAN PRODUCT OFFERINGS

ANZ'S HOME LOAN PRODUCT STRATEGY DELIVERS VALUE FOR CUSTOMERS, WITH ANZ BEING RECOGNISED AS HAVING THE 'BEST CUSTOMER EXPERIENCE IN HOME LENDING' AT THE 2017 AUSTRALIAN LENDING AWARDS

	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 low variable rate, low fee loan	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 30 Mar 2018)	69%	11%	17%	<1%	3%
Loan approval fee	Yes ¹	Yes ²	Yes ¹	Yes ¹	Yes ¹
Loan admin charge	Yes, monthly ¹	No	Yes, monthly ¹	Yes, monthly ¹	Yes, annually ¹
Redraw	Yes	Yes	Yes (only after the fixed rate period has expired)	Yes (only after the fixed rate period has expired)	Yes
Offset available	Yes	No	1 year rate only	No	n/a
Eligible for package	Yes	No	Yes	Yes	Yes

1. Waived under Breakfree Package

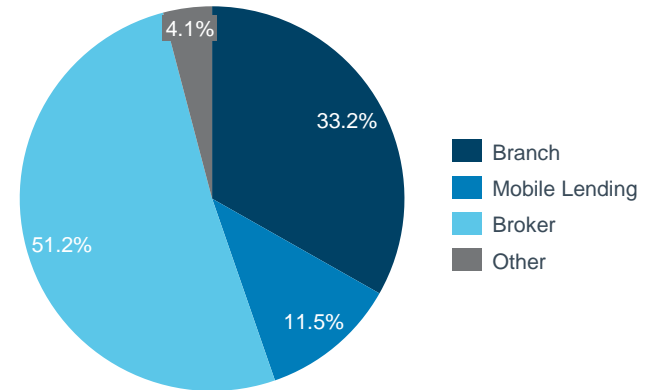
2. Waived as part of a campaign since March 2014

DISTRIBUTION CHANNELS

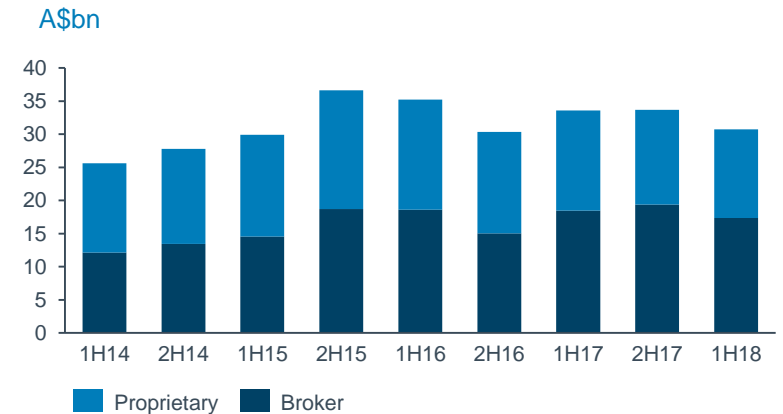
MORTGAGES ORIGATION LANDSCAPE

Branch	<ul style="list-style-type: none"> • 658 branches • 33% of Mortgage Funds Under Management (FUM) • Controls: Quality File Review (QFR) checking, Branch health checks, sales compliance reports, mortgage file compliance • Staff Learning and Development includes ANZ's Lending Origination course (LOCAM)
Phone	<ul style="list-style-type: none"> • 2% of Mortgage FUM including supporting online • Controls: QA program, sales compliance reports, mortgage file compliance • Staff Learning and Development includes the LOCAM course
Mobile Lending	<ul style="list-style-type: none"> • 150 franchises (155 sold) • Territories cover over 90% of Australian population • 11.5% of Mortgage FUM • Credit assessment decisions performed by ANZ
Broker	<ul style="list-style-type: none"> • ~16,000 accredited brokers • 51% of Mortgage FUM • Credit assessment decisions performed by ANZ • Home and personal lending
Introducers	<ul style="list-style-type: none"> • 1,200 active mortgage introducers • 4% of sales written through above channels (16% of Branch sales) • All referrals are 1 way, credit assessment decisions performed by ANZ and documentation held as part of ANZ's lending file

HOME LOAN PORTFOLIO FUM BY CHANNEL



TREND IN FUM ORIGATION BY CHANNEL



ORIGINATION CHANNEL ACCREDITATION AND MONITORING

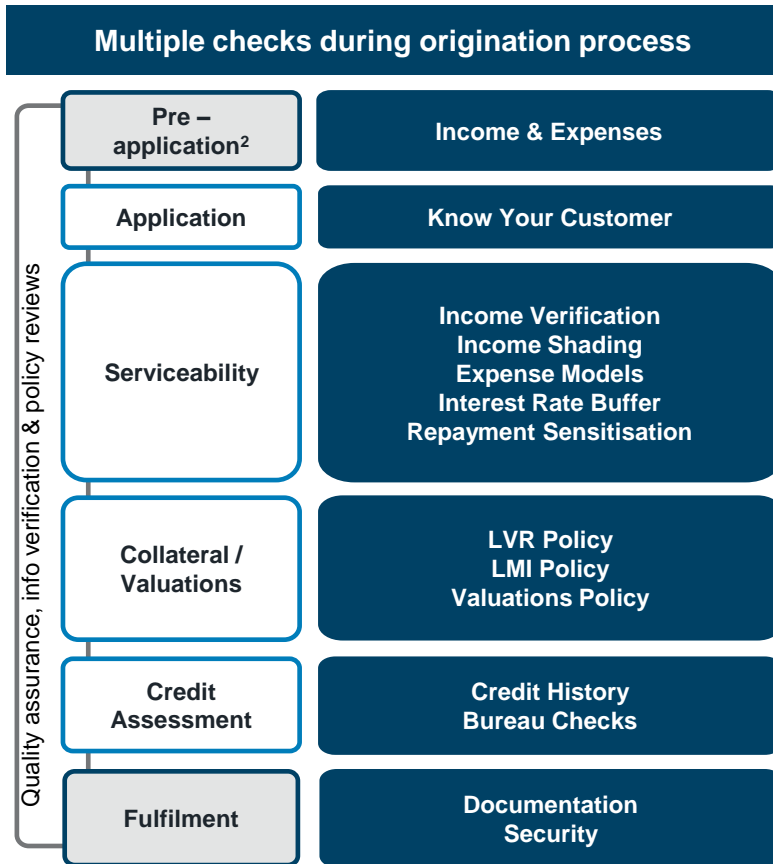
Channel	Description ^{1, 2}	Accreditation	Monitoring
Branch	<ul style="list-style-type: none"> 2,057 branch mortgage capable staff + 327 HILMs. 33% of Mortgage Funds Under Management (FUM). 	<ul style="list-style-type: none"> Completion of ANZ's Lending Origination course (LOCAM). 	<ul style="list-style-type: none"> Completion of mandatory compliance training. Home Loan Interview Guide (HLIG) file checks, branch health checks, sales compliance reports and mortgage file compliance.
Phone	<ul style="list-style-type: none"> Over the phone origination via 73 sales staff. 2% of Mortgage FUM including supporting online applications. 	<ul style="list-style-type: none"> Completion of LOCAM course. 	<ul style="list-style-type: none"> Completion of mandatory compliance training QA program, call monitoring, HLIG checks, sales compliance reports and mortgage file compliance.
Mobile Lending	<ul style="list-style-type: none"> 155 sold franchises. 456 lenders. Territories cover over 90% of Australian population. 12% of Mortgage FUM. Credit assessment decisions performed by ANZ. 	<ul style="list-style-type: none"> Selection involves several stages: business planning, interviews with Franchise Acquisition Manager and Regional Manager, panel interview. Candidates undergo policy, credit and police checks. Franchise entity is authorised under ANZ's Australian Credit Licence as a credit representative. Completion of LOCAM course. 	<ul style="list-style-type: none"> Completion of mandatory compliance training. Random checks of lending application quality including HLIG checks. Monthly franchise visitations by Regional Managers. Annual compliance checks (insurance, Financial Ombudsman Service, etc). Bi-monthly franchisee state meetings.
Broker	<ul style="list-style-type: none"> 44 Aggregator Companies and > 16,400 accredited Brokers. 51% of Mortgage FUM. Credit assessment decisions performed by ANZ. Home and personal lending. 	<ul style="list-style-type: none"> All mortgage brokers in Australia must be registered with ASIC under the National Consumer Credit licensing regime. Highly encouraged to be members of MFAA or FBAA, with Certificate IV accreditation and minimum CPD requirements. 	<ul style="list-style-type: none"> Bi-annual review of the ASIC credit licence against is broker database. Brokers are suspended temporarily or terminated permanently on advice from internal and external sources.
Introducer	<ul style="list-style-type: none"> 1200 active mortgage introducers. ANZ accreditation required. 16% of Branch sales written through this channel. All referrals are 1 way, credit assessment decisions performed by ANZ and documentation held as part of ANZ's lending file. 	<ul style="list-style-type: none"> All introducers must be registered with an ABN. Accreditation requirements ensure only aligned (accountants, real estate agents, conveyancers, solicitors etc.) industries are on boarded. ANZ requires all business introducers in Australia to be registered with ASIC under the National Consumer Credit licensing regime. Introducers are not required to hold an Australian Credit License as they operate as mere referrers. Each introducer has an accredited lender assigned as Relationship Owner. 	<ul style="list-style-type: none"> Annual Business Reviews ensure the introducer continues to meet the criteria of the proposition and that there is sufficient activity. Introducer referred deals are monitored for arrears on an as needs basis.

1. As at 31 March 2018.

2. ~2% of FUM is Private Bank.

AUSTRALIA HOME LOANS

UNDERWRITING PRACTICES AND POLICY CHANGES¹



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

SERVICEABILITY

- Interest rate floor applied to new and existing mortgage lending introduced at the higher of 7.25% or the customer rate + 2.25%
- 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%
- Introduction of a housing expense floor for renters/boarders

MATERIAL POLICY CHANGES

- LVR cap reduced to 90% for investment loans
- LVR cap reduced to 70% in high risk mining towns
- LVR cap reduced to 80% for all Interest Only loans
- LVR cap of 80% for loans secured by apartments in inner city Brisbane and Perth postcodes
- Decreased maximum interest only term to 5 years for all loans
- Withdrawal of lending to non-residents
- Limited acceptance of foreign income to demonstrate serviceability and tightened controls on verification
- Tightening of acceptances for guaranties
- All Interest Only loan renewals require full credit assessment

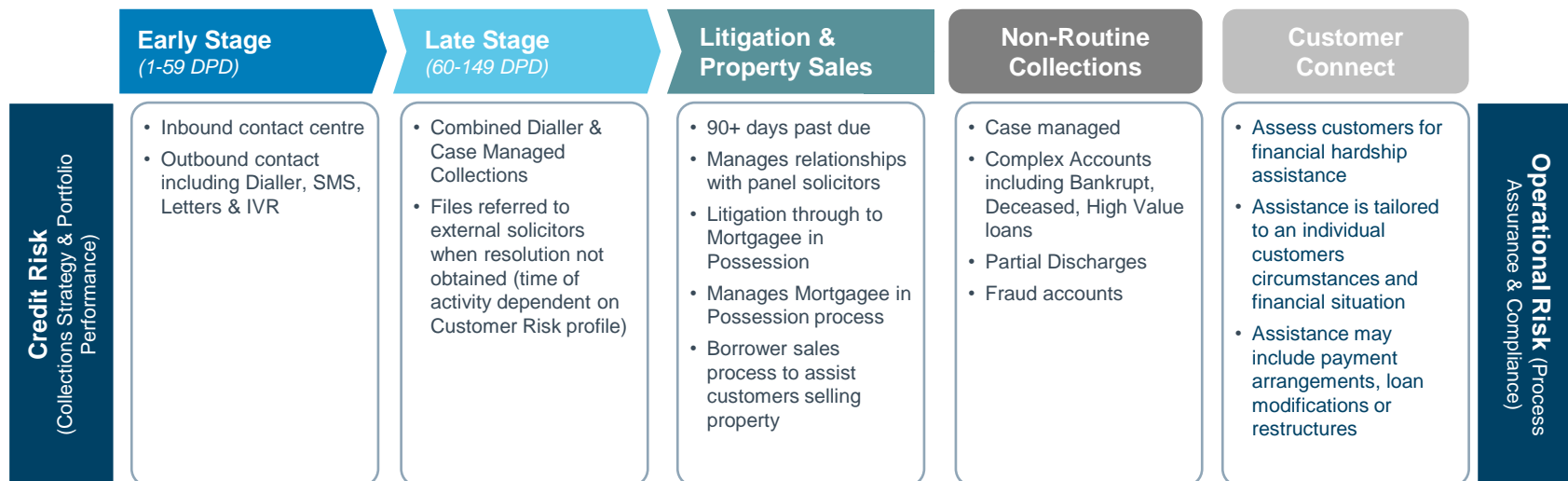
1. 2015 to 2018 changes to lending standards and underwriting 2. Customers have the ability to assess their capacity to borrow on ANZ tools

HOME LOANS COLLECTIONS OPERATING MODEL

OUR COLLECTIONS PHILOSOPHY

“Proactively manage collections activity and engage with our customers in an effort to assist them through periods of financial difficulty. ANZ’s hardship objective is to identify sustainable solutions with respect to primary home ownership when a natural cure is not feasible.”

- ANZ’s Retail Collections function manages accounts through 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.



AUSTRALIA HOME LOANS

STRESS TESTING THE AUSTRALIAN MORTGAGE PORTFOLIO

- ANZ conducts regular stress tests of its loan portfolios to meet risk management objectives and satisfy regulatory requirements.
- Stress tests are highly assumption-driven; results will depend on economic assumptions, on modelling assumptions, and on assumptions about actions taken in response to the economic scenario.
- This illustrative recession scenario assumes significant reductions in consumer spending and business investment, which lead to eight consecutive quarters of negative GDP growth. This results in a significant increase in unemployment and material nationwide falls in property prices.
- Estimated portfolio losses under these stressed conditions are manageable and within the Group's capital base, with cumulative total losses at A\$1.6b over three years (net of LMI recoveries).
- The results are not materially different from the stress test six months ago.

Assumptions	Current	Year 1	Year 2	Year 3
Unemployment rate	5.5%	9.0%	10.5%	11.5%
Cash Rate	1.5%	0.25%	0.25%	0.25%
Real GDP year ended growth	2.4	-3.8%	-2.4%	4.7%
Cumulative reduction in house prices	-	-26.8%	-38.3%	-32.7%
Portfolio size ¹ (A\$b)	298	297	290	281

Outcomes	Base	Year 1	Year 2	Year 3
Net Losses (A\$m)	-	158	724	749
Net losses (bps)	-	5	25	27

1. Exposure at default



AUSTRALIAN MORTGAGES: KEY FEATURES

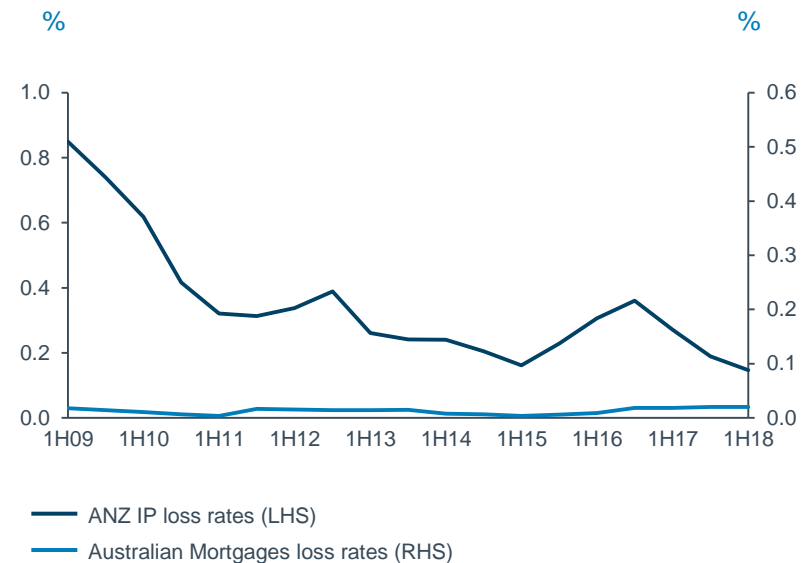
THE AUSTRALIAN MORTGAGE MARKET

VERY LOW LOSSES THROUGH THE CYCLE

AUSTRALIAN MORTGAGE MARKET CHARACTERISTICS

Full Recourse	<ul style="list-style-type: none"> All mortgage lending is full recourse Investment loans are also secured by mortgage over primary residence
Variable rate	<ul style="list-style-type: none"> Most mortgage lending is in variable rate format (typically > 80%) Primary assessment on cashflow with interest rate buffer applied¹
Low LVRs	<ul style="list-style-type: none"> Average dynamic LVR² is 51% (~68% for 1H18 origination LVR³) Loans with LVR > 80% require mortgage insurance⁴ No sub prime market
Limited tax advantages for owner occupied loans	<ul style="list-style-type: none"> Results in high prepayment levels Consequently mortgage debt as proportion of housing stock is low
Originate to hold model	<ul style="list-style-type: none"> Mortgages retained on balance sheet Last Securitisation prior to Kingfisher Trust 2016-1 by ANZ was in 2004

ANZ INDIVIDUAL PROVISION LOSS ARTES VS. MORTGAGE LOSS RATES (%)⁵



1. Interest rate floor the higher of 7.25% or the customer rate + 2.25% is used in assessment. Note the buffer moved from 2.75% to 2.25% in 04Apr2016 2. Unweighted. Excludes non performing loans. Inclusive of capitalised premiums. Valuations updated Mar'18 where applicable. 3. Originated in the respective half. Unweighted. Includes capitalised premiums 4. Except for medico and staff where LVR <=90 are not required to have mortgage insurance 5. Half-year to date annualised



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For further information, on ANZ's Residential Covered Bond programme, please visit our website: www.debtinvestors.anz.com