

# ANZ

# COVERED BOND GUIDE

JULY 2023

Australia and New Zealand Banking Group Limited 9/833 Collins Street Docklands Victoria 3008 Australia

ABN 11 005 357 522

Not for distribution into the United States



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# ANZ COVERED BOND PROGRAM OVERVIEW



# AUSTRALIAN COVERED BOND LEGISLATION

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



# ANZ RESIDENTIAL COVERED BOND PROGRAM

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



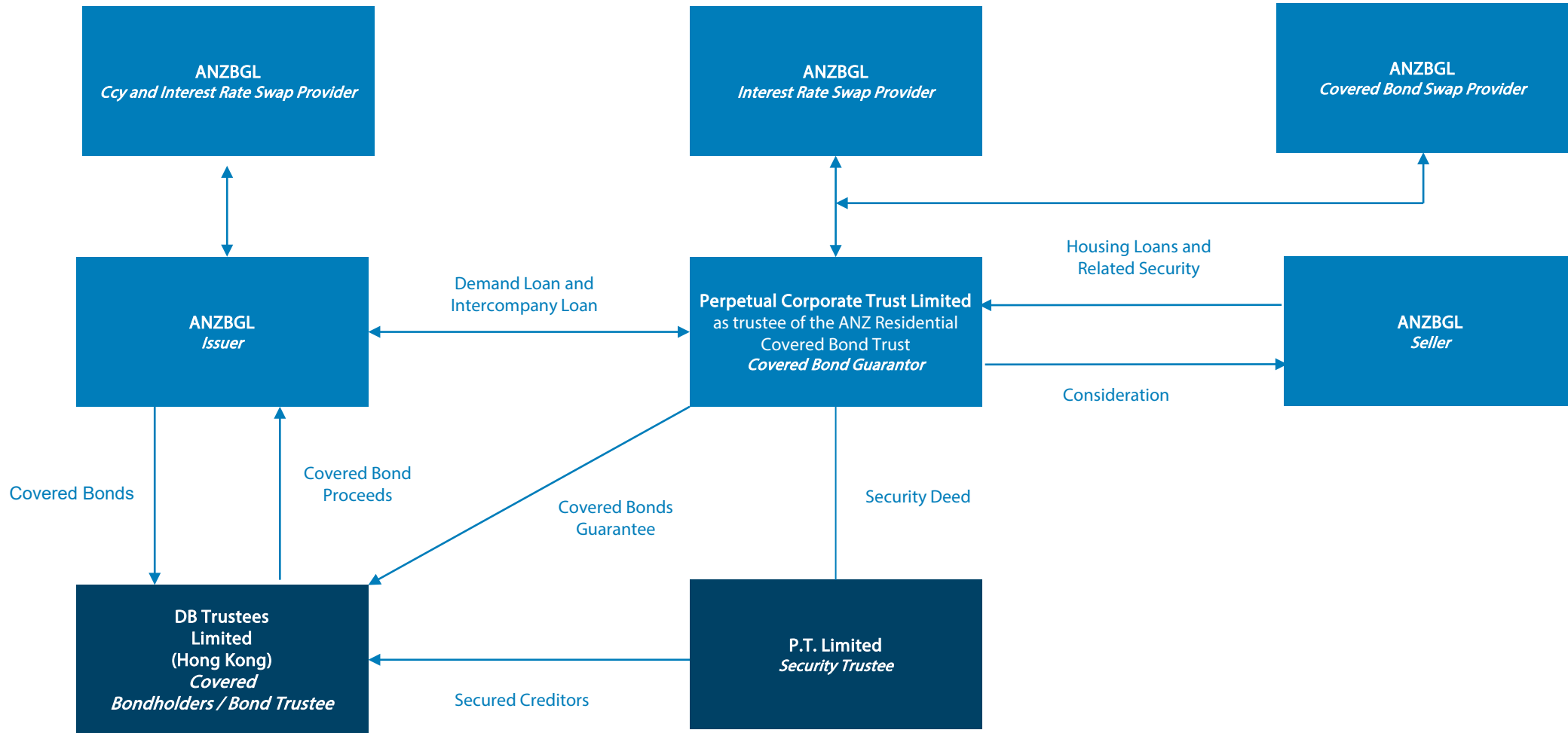
## PARTIES TO THE PROGRAM

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

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



# PROGRAM STRUCTURE





## PROGRAM STRUCTURAL ENHANCEMENTS

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

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



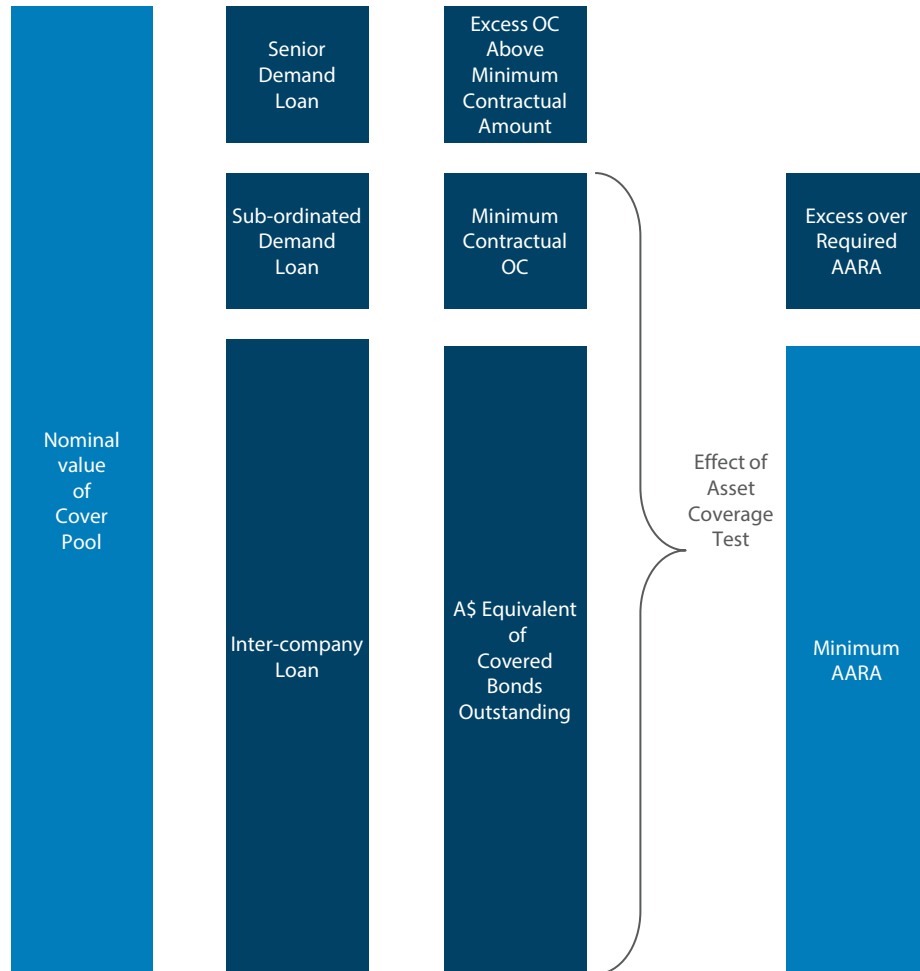


## PROGRAM STRUCTURAL ENHANCEMENTS

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



# COVER POOL, THE DEMAND & INTERCOMPANY LOANS

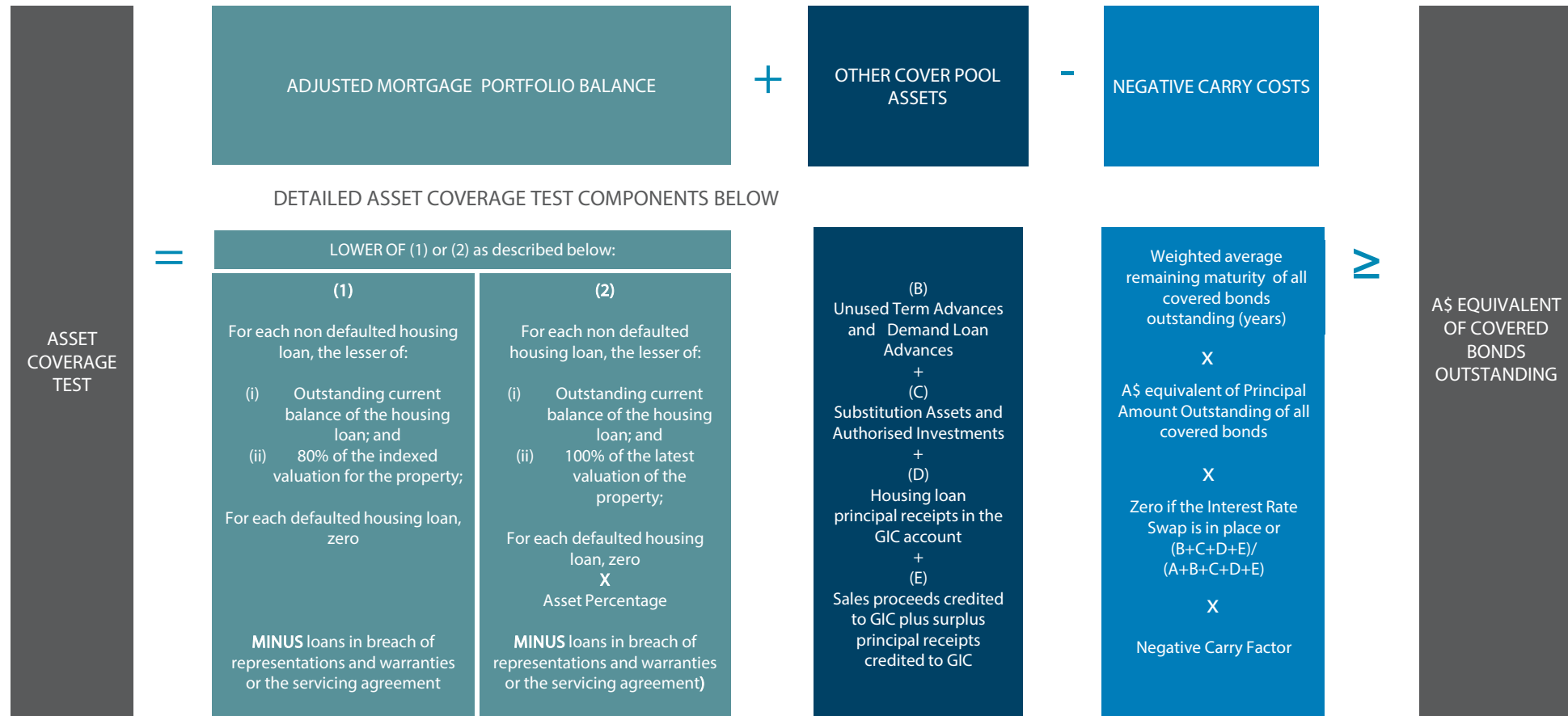


- The Asset Coverage Test is an ongoing test to ensure the adjusted aggregate receivable amount (**AARA**) is equal to or greater than A\$ equivalent of Covered Bonds outstanding.
- The AARA is determined by applying a collateral “haircut” using the asset percentage which corresponds to the contractual 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

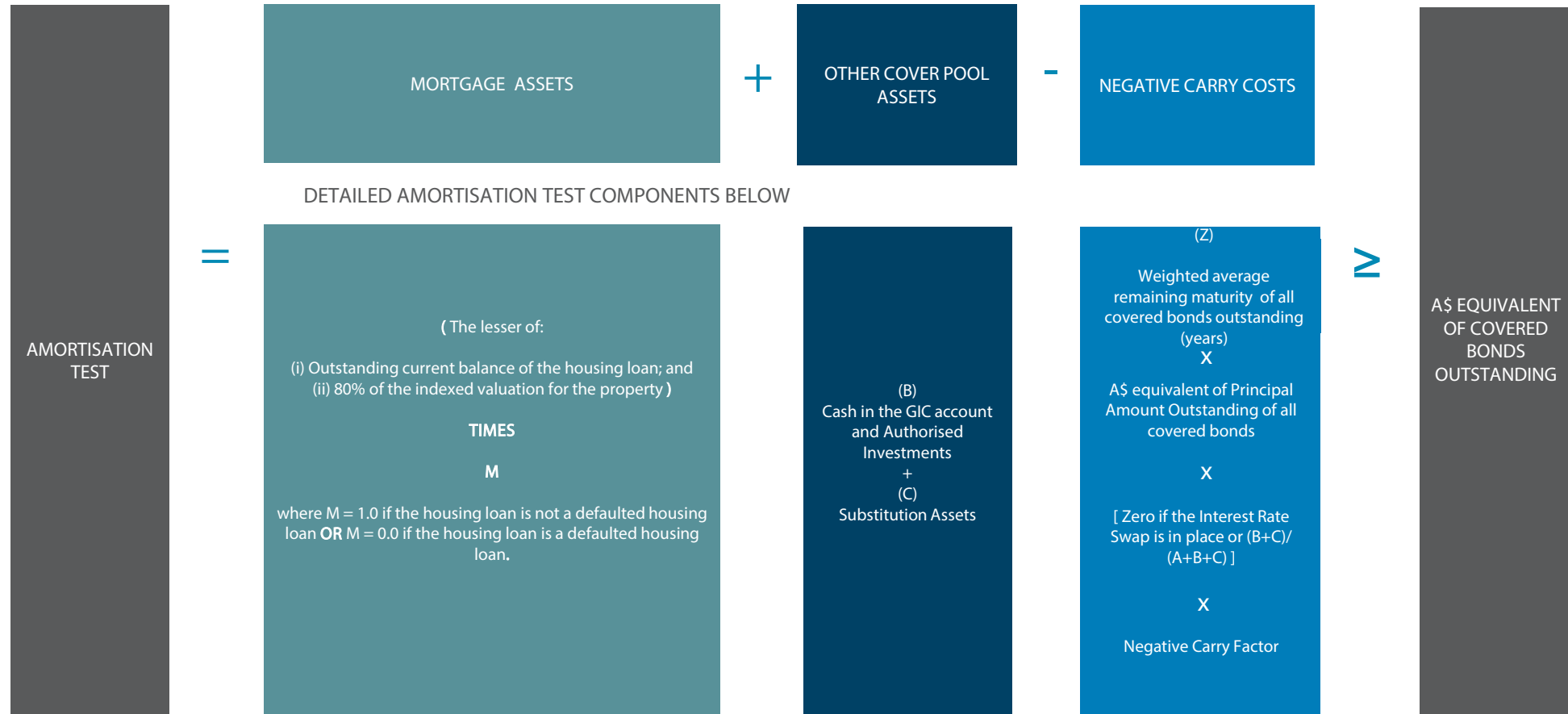
- Tested monthly on every determination date prior to the service of a Notice to Pay
- The Asset Coverage Test is intended to test that the value of housing loans, cash, and other eligible assets is greater than the A\$ equivalent of outstanding covered bonds. The excess is funded by the senior ranking 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

<b>Issuer Event of Default</b>	<p>Include:</p> <ul style="list-style-type: none"> <li>• Default in principal or interest for 14 days</li> <li>• Issuer fails to perform obligations for 30 days (other than Asset Coverage Test)</li> <li>• Winding up, insolvency and bankruptcy events</li> <li>• An uncured breach of Asset Coverage Test</li> </ul>
<b>Following an Issuer Event of Default</b>	<ul style="list-style-type: none"> <li>• Serving 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 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 of interest and principal according to the original payment schedule.</li> </ul>
<b>Activation of 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 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.</li> </ul>

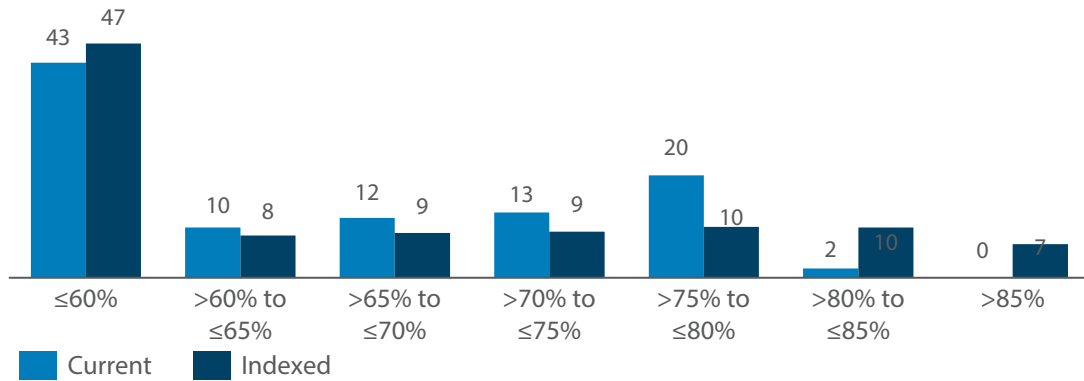


# ANZ COVER POOL



# ANZ COVERED BONDS COVER POOL SUMMARY COMPOSITION AND QUALIFYING CRITERIA

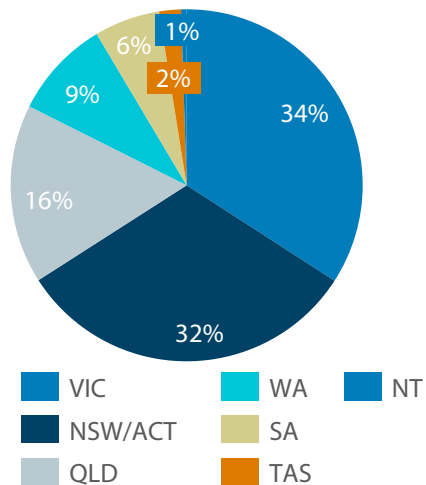
## Weighted average LVR



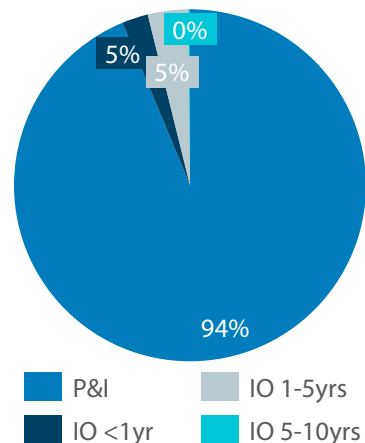
## Portfolio summary at 24 July 2023

Covered Bond Pool + Cash	\$20.9bn
Covered Bonds on issue	\$15.4bn
Average loan size	\$354,259
Weighted Ave Current LVR	59.62%
Weighted Ave Indexed LVR	59.32%
Min Required AP% / OC%	90.5% / 10.5%
Owner-Occupied / Investment <sup>1</sup>	74% / 26%
Full-Doc loans	100%

## Geographic spread



## Amortising vs interest only



## Qualifying loan criteria

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



## COVERED BONDS – COLLATERAL CHANGE (SINCE MARCH 2020)

Portfolio Summary	22-Mar-2020	22-Sep-2020	22-Mar-2021	22-Jul-2021	22-Mar-2022	22-Aug-2022	22-Mar-2023	24-Jul-2023
Cover Pool (inc. cash)	\$17.9bn	\$17.9bn	\$17.9bn	\$17.9bn	\$17.9bn	\$17.9bn	\$17.9bn	\$20.9bn
Covered Bonds on issue	\$13.0bn	\$10.1bn	\$10.1bn	\$10.1bn	\$11.1bn	\$9.8bn	\$10.9bn	\$15.4bn
Average loan size	\$319,445	\$307,417	\$305,410	\$306,377	\$313,085	\$328,105	\$335,768	\$354,259
Weighted Ave Current LVR	60.84%	60.55%	60.00%	59.79%	59.69%	60.36%	59.82%	59.62%
Weighted Ave Indexed LVR	57.52%	57.10%	56.16%	53.66%	49.36%	51.73%	58.24%	59.32%
Weighted Ave Seasoning	50.41 months	55.76 months	56.01 months	52.15 months	50.00 months	46.95 months	46.05 months	40.48 months
Min Required AP%/OC%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%	90.5% / 10.5%
Owner-Occupied/Investment	74% / 26%	74% / 26%	74% / 26%	75% / 25%	74% / 26%	73% / 27%	73% / 27%	74% / 26%
P&I Loans vs IO Loans	89% / 11%	91% / 9%	93% / 7%	94% / 6%	94% / 6%	94% / 6%	94% / 6%	94% / 6%
Variable Rate Loans vs Fixed Rate Loans	90% / 10%	88% / 12%	84% / 16%	79% / 21%	71% / 29%	67% / 33%	77% / 23%	82% / 18%
Full-Doc loans	100%	100%	100%	100%	100%	100%	100%	100%

- Cover pool has been maintained in a manner that reflects ANZ's funding requirements since March 2020 with a buffer of collateral which acts as voluntary over-collateralisation;
- There has been a decrease in fixed rate loans in the 12 months to July 2023 largely due to fixed rates rolling off to variable rate products and with current fixed rate pricing resulting in borrowers retain their current variable rates;
- Average loan size has increased slightly however this largely reflects the higher borrowing required to acquire dwellings at the current market prices. Apart from this, there have been no material changes in the composition of the cover pool over the past 12 months;
- Asset percentage has been maintained at 90.5% over the past 12 months;
- Continued system enhancements implemented in ABS Suite which manages all secured funding collateral.



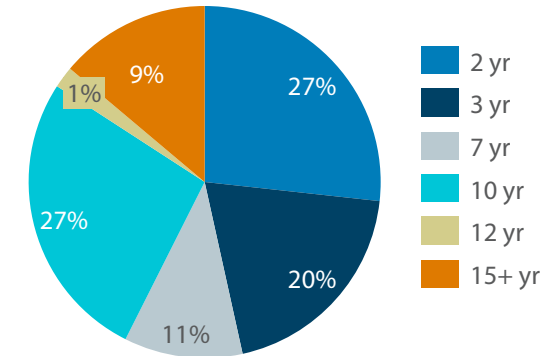


# COVERED BONDS ON ISSUE AS AT 24 JULY 2023

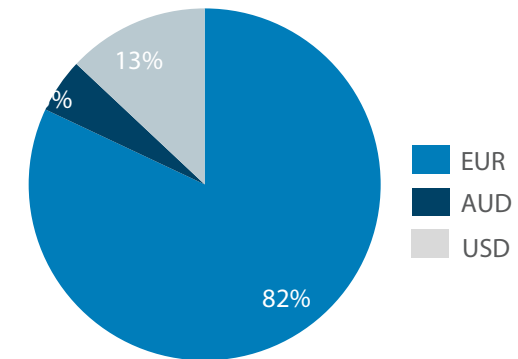
Covered Bonds	
Bonds Outstanding (\$A\$)	\$15.4bn
Cover Pool (A\$) + Cash in GIC account	\$20.9bn
Program Ratings	Aaa/AAA
Number of Issues O/s	13
Number of Currencies	3
WA Term at Issue (years)	5.6

Issuance Capacity	
Contractual AP%	90.5%
Min Required OC%	10.50%
8% of Total Australian Assets	~A\$55bn
Max Issuance Capacity	~A\$50bn
% Collateral Capacity Utilised	~37%
% Issuance Capacity Utilised	~31%

ANZ covered bonds – issuance tenor



ANZ covered bonds – currency mix





# ANZ MORTGAGE PORTFOLIO



# AUSTRALIA HOME LOANS – PORTFOLIO OVERVIEW

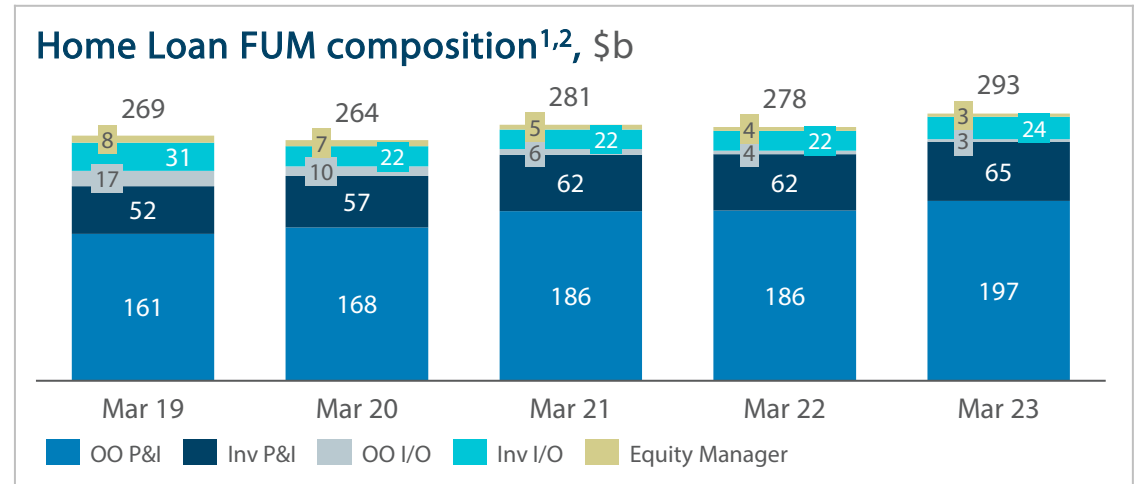
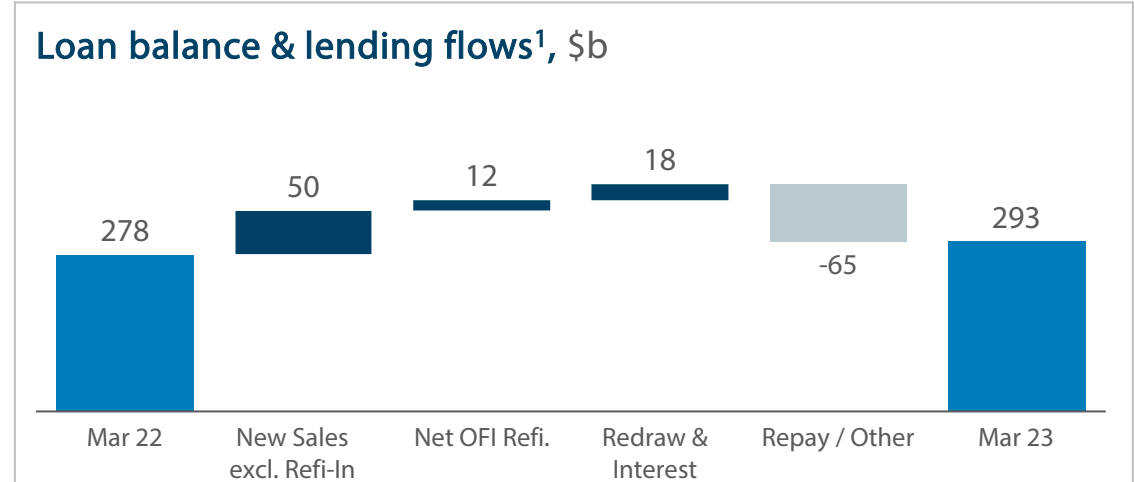
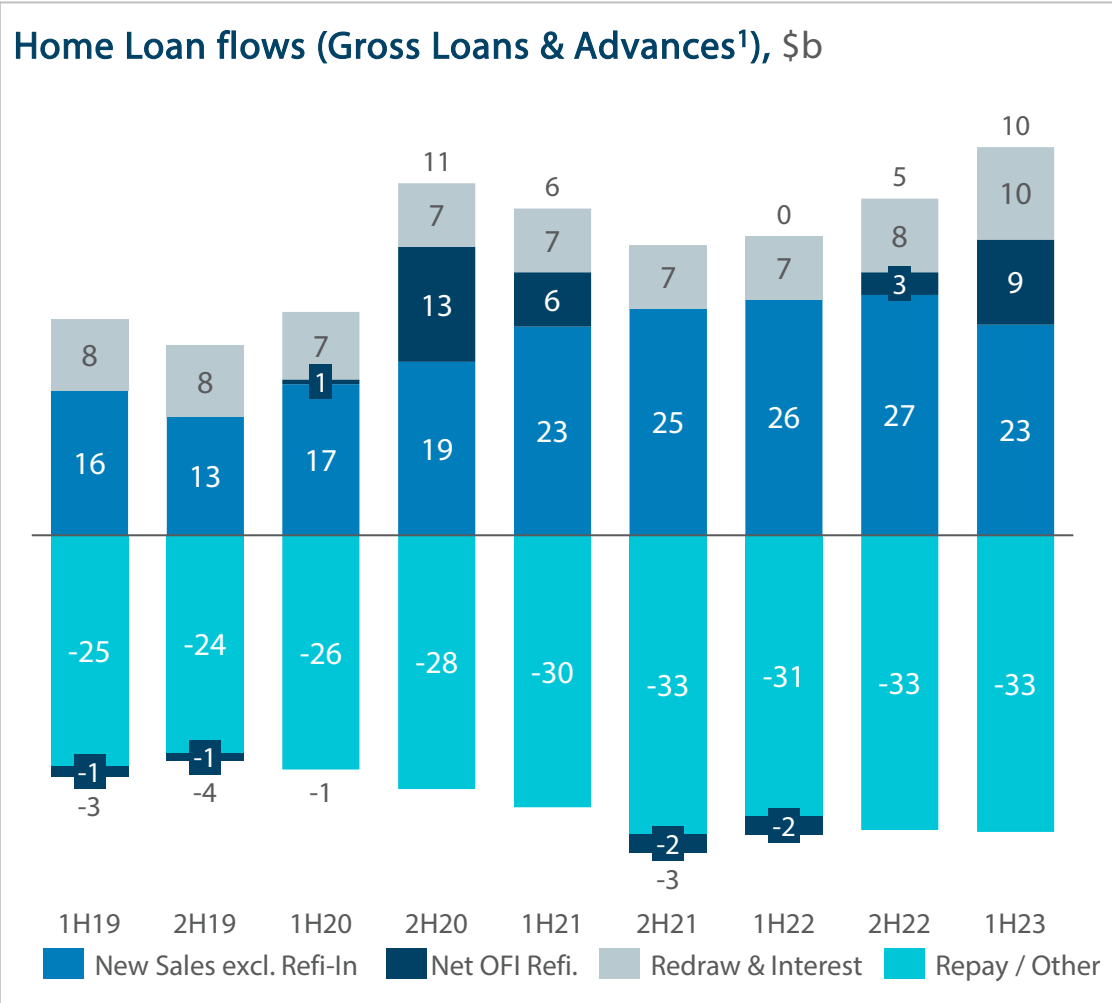
	Portfolio <sup>1</sup>			Flow <sup>2</sup>			Portfolio <sup>1</sup>		
	1H21	1H22	1H23	1H22	1H23		1H21	1H22	1H23
Number of Home Loan accounts	1,019k	984k	969k	82k <sup>3</sup>	95k <sup>3</sup>	Average LVR at Origination <sup>9,10</sup>	71%	70%	65%
Total FUM	\$281b	\$278b	\$293b	\$35b	\$43b	Average Dynamic LVR (excl. offset) <sup>10,11</sup>	55%	50%	49%
Average Loan Size <sup>4</sup>	\$275k	\$283k	\$302k	\$458k	\$481k	Average Dynamic LVR (incl. offset) <sup>10,11</sup>	49%	44%	43%
% Owner Occupied <sup>5</sup>	68%	68%	68%	65%	67%	Market share <sup>12</sup>	14.4%	13.2%	13.2%
% Investor <sup>5</sup>	30%	30%	31%	35%	33%	% Ahead of Repayments <sup>13</sup>	72%	68%	70%
% Equity Line of Credit <sup>6</sup>	2%	2%	1%	0%	0%	Offset Balances <sup>14</sup>	\$35b	\$38b	\$41b
% Paying Variable Rate Loan <sup>7</sup>	73%	65%	78%	59%	96%	% First Home Buyer	8%	8%	7%
% Paying Fixed Rate Loan <sup>7</sup>	27%	35%	22%	41%	4%	% Low Doc <sup>15</sup>	2%	2%	1%
% Paying Interest Only <sup>8</sup>	10%	9%	9%	16%	14%	Loss Rate <sup>16</sup>	0.05%	0.01%	0.01%
% Broker Originated	54%	52%	52%	53%	64%	% of Australia Geography Lending <sup>17,18</sup>	64%	62%	62%
						% of Group Lending <sup>17</sup>	45%	43%	42%

**Unless otherwise stated metrics are based on balances**

1. Home Loans portfolio (includes Non Performing Loans, excludes Offset balances) 2. YTD unless noted 3. New accounts includes increases to existing accounts and split loans (fixed and variable components of the same loan) 4. Average loan size for Flow excludes increases to existing accounts 5. The current classification of Investor vs Owner Occupied is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances 6. ANZ Equity Manager product no longer offered for sale as of 31 July 2021 7. Excludes Equity Manager Accounts 8. Based on customers that request a specific interest only period and does not include loans being progressively drawn e.g. construction 9. Originated in the respective year 10. Unweighted based on # accounts and includes capitalised LMI premiums 11. Valuations updated to Feb 23 where available. Includes Non Performing Loans and excludes accounts with a security guarantee and unknown DLVR 12. Source: APRA Monthly Authorised Deposit-Taking Institutions Statistics (MADIS) to Mar 23 13. % of Owner Occupied and Investor Loans that have any amount ahead of repayments based on available redraw and offset 14. Offset balances reflect only those balances linked to Home Loan accounts, restated to exclude balances in offset accounts which are no longer linked to an active Home Loan account 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 <0.1% of less than or equal to 80% LVR mortgages, primarily booked pre-2008. Note Low Doc lending at ANZ is no longer offered 16. Annualised write-off net of recoveries 17. Based on Gross Loans & Advances 18. Australia Geography includes Australia Retail, Australia Commercial and Institutional Australia



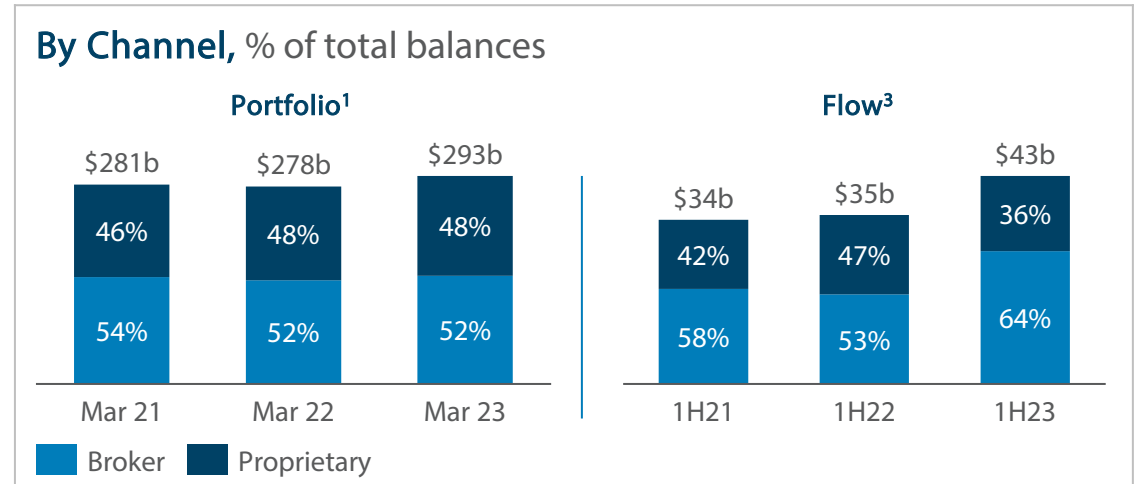
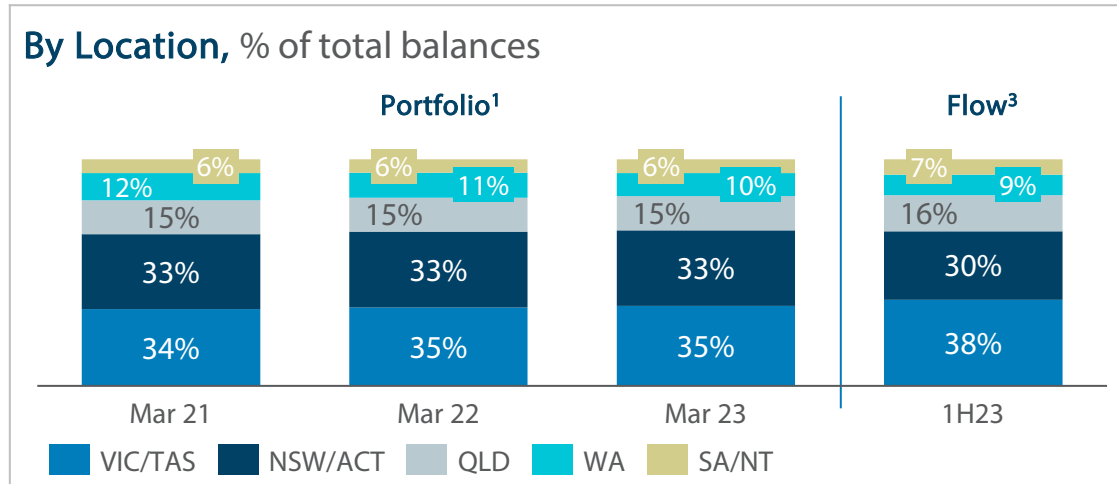
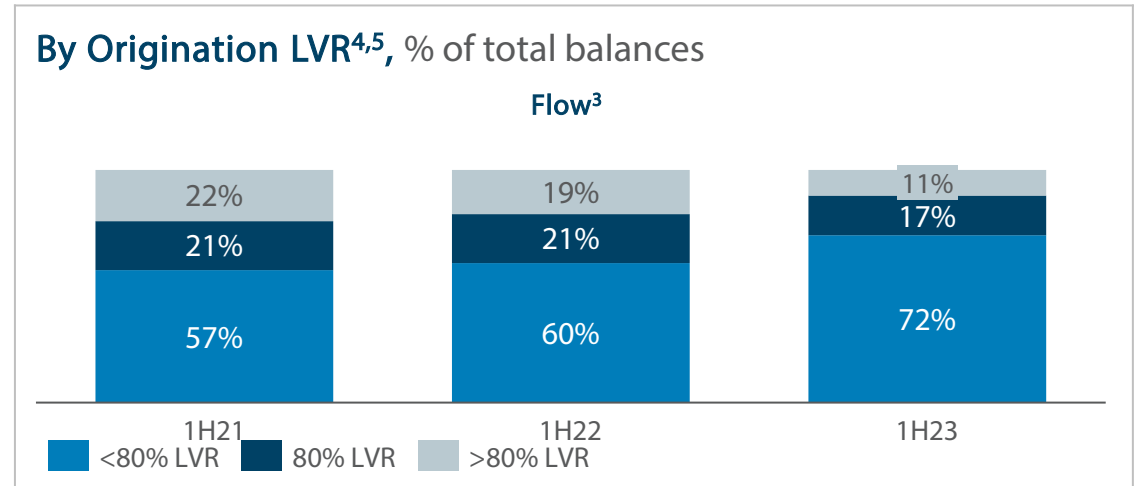
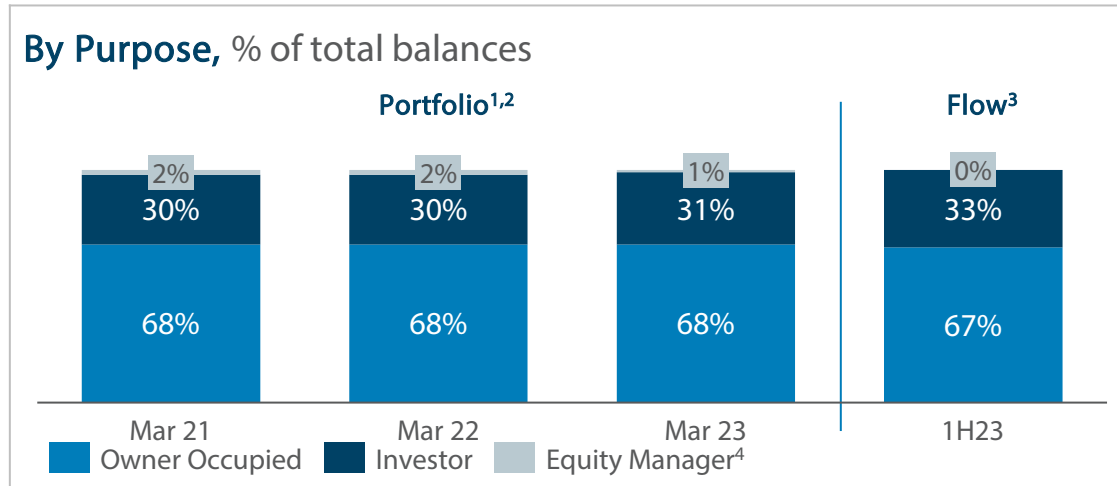
# AUSTRALIA HOME LOANS – PORTFOLIO COMPOSITION



1. Based on Gross Loans and Advances. Includes Non-Performing Loans  
 2. The current classification of Investor vs Owner Occupied is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances. Interest Only (I/O) is based on customers that request a specific interest only period and does not include loans being progressively drawn e.g. construction. ANZ Equity Manager product no longer offered for sale as of 31 July 2021



# AUSTRALIA HOME LOANS – PORTFOLIO COMPOSITION & FLOW



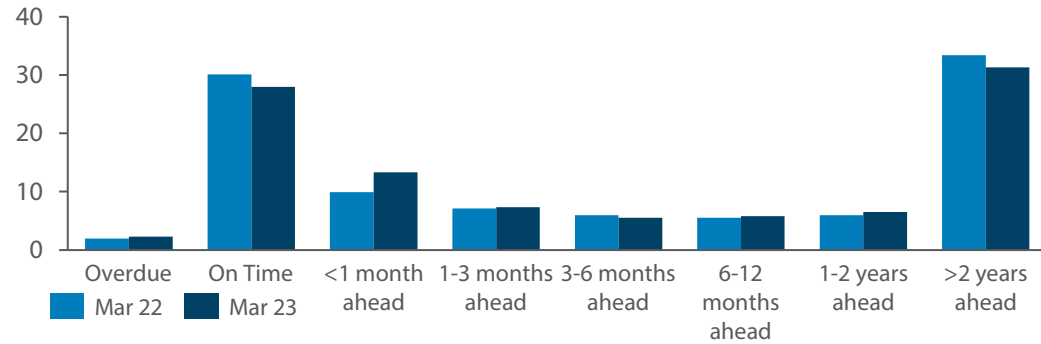
1. Includes Non Performing Loans
2. The current classification of Investor vs Owner Occupied is based on ANZ’s product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer’s obligation to advise ANZ of any change in circumstances
3. Based on drawn month
4. ANZ Equity Manager product no longer offered for sale as of 31 July 2021
5. Includes capitalised LMI premiums



# AUSTRALIA HOME LOANS – PORTFOLIO RESILIENCE

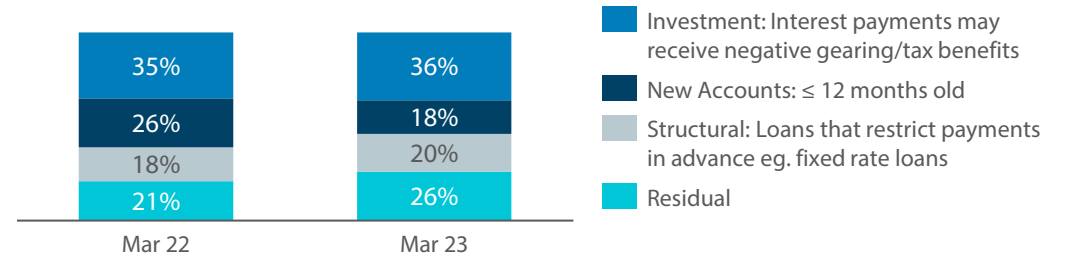
## Home Loans repayment profile<sup>1,2</sup>

% of accounts ahead of repayments

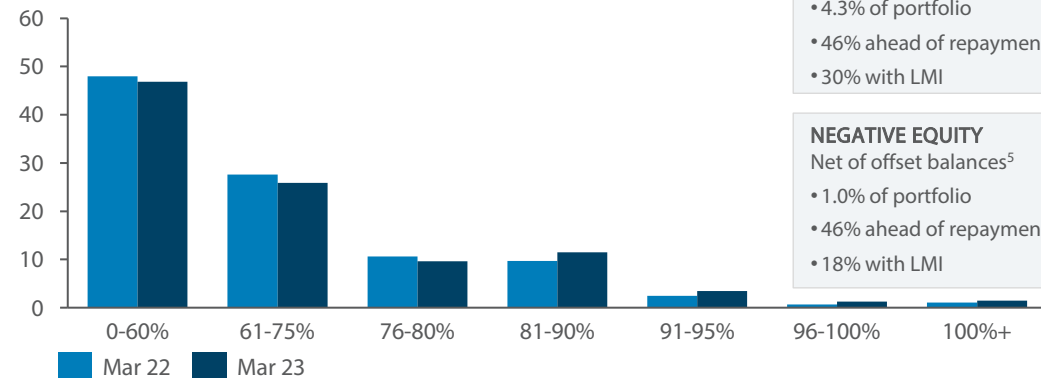


## Home Loans on time and <1 month ahead profile<sup>2,3</sup>

% composition of accounts



## Dynamic LVR based on portfolio balances<sup>1,4</sup>, %



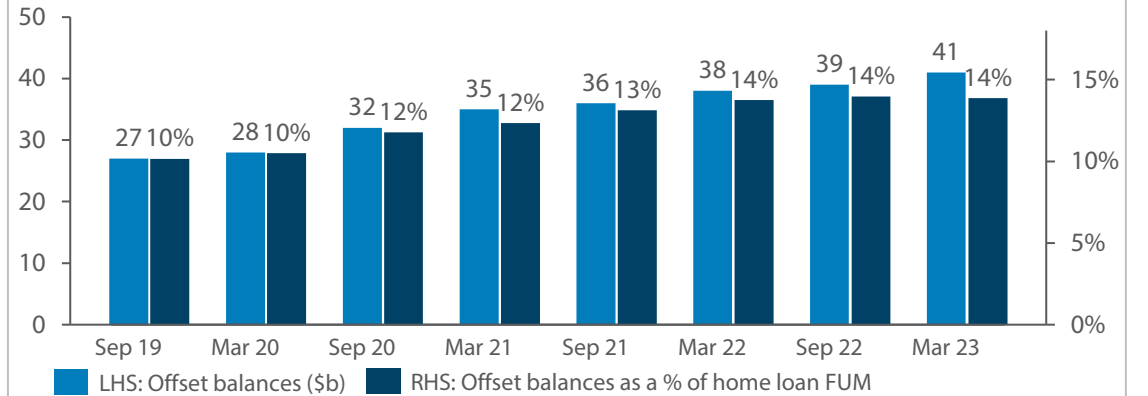
**>90% Net of offset balances<sup>5</sup>**

- 4.3% of portfolio
- 46% ahead of repayments<sup>2</sup>
- 30% with LMI

**NEGATIVE EQUITY Net of offset balances<sup>5</sup>**

- 1.0% of portfolio
- 46% ahead of repayments<sup>2</sup>
- 18% with LMI

## Offset account balances<sup>5</sup>

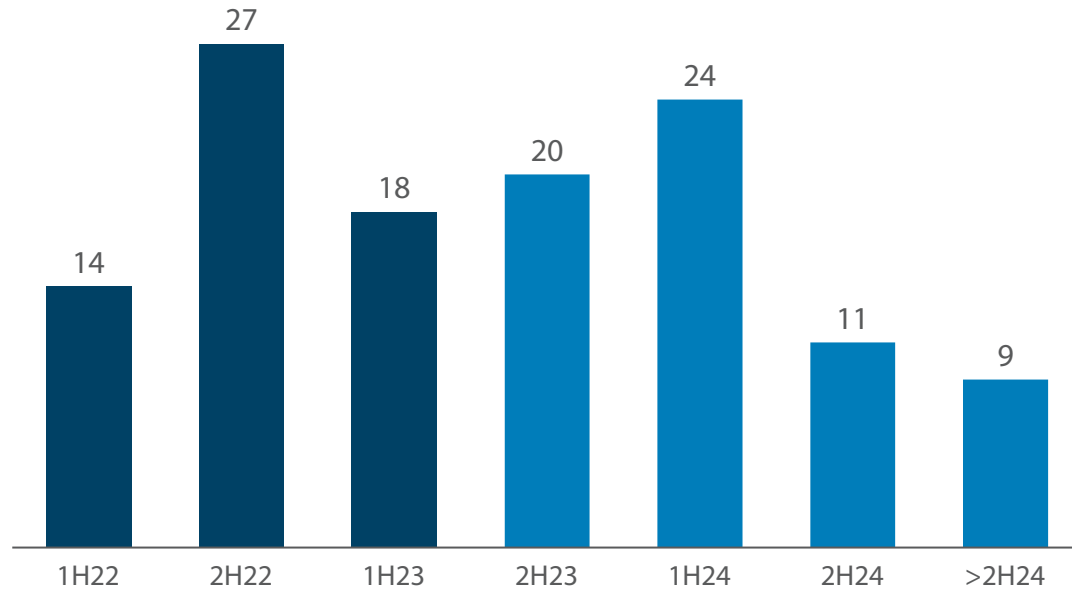


1. Includes Non Performing Loans
2. % of Owner Occupied and Investment Loans that have any amount ahead of repayments. Excess repayments based on available redraw and offset. Excludes Equity Manager Accounts
3. The current classification of Investor vs Owner Occupied, is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances. Note: hierarchy changed from previous disclosures
4. Includes capitalised LMI premiums and excludes offset balances, accounts with a security guarantee and unknown DLVR. Valuations updated to Feb 23 where available
5. Offset balances reflect only those balances linked to Home Loan accounts, restated to exclude balances in offset accounts which are no longer linked to an active Home Loan account



# AUSTRALIA HOME LOANS – PORTFOLIO RESILIENCE

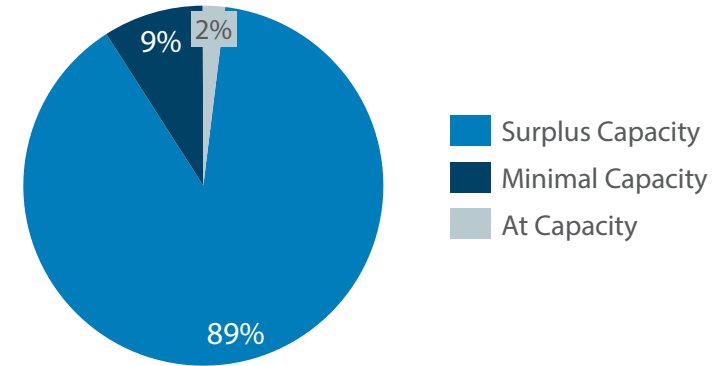
Fixed rate Home Loan expiry profile, \$b



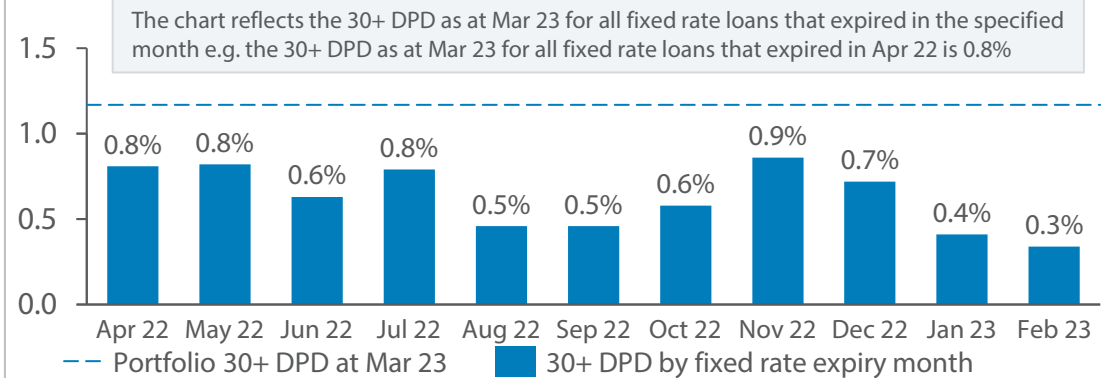
For new ANZ fixed rate loans, serviceability is assessed as:

- if the standard variable rate (less customer discount) plus the 3% serviceability buffer is higher than the customer fixed rate, then the higher of the standard variable rate (less customer discount) plus the 3% serviceability buffer and the floor rate which is currently 5.1%
- else the higher of the customer fixed rate plus the 3% serviceability buffer and the floor rate which is currently 5.1%

ANZ flow borrowing capacity<sup>1</sup>, 1H23



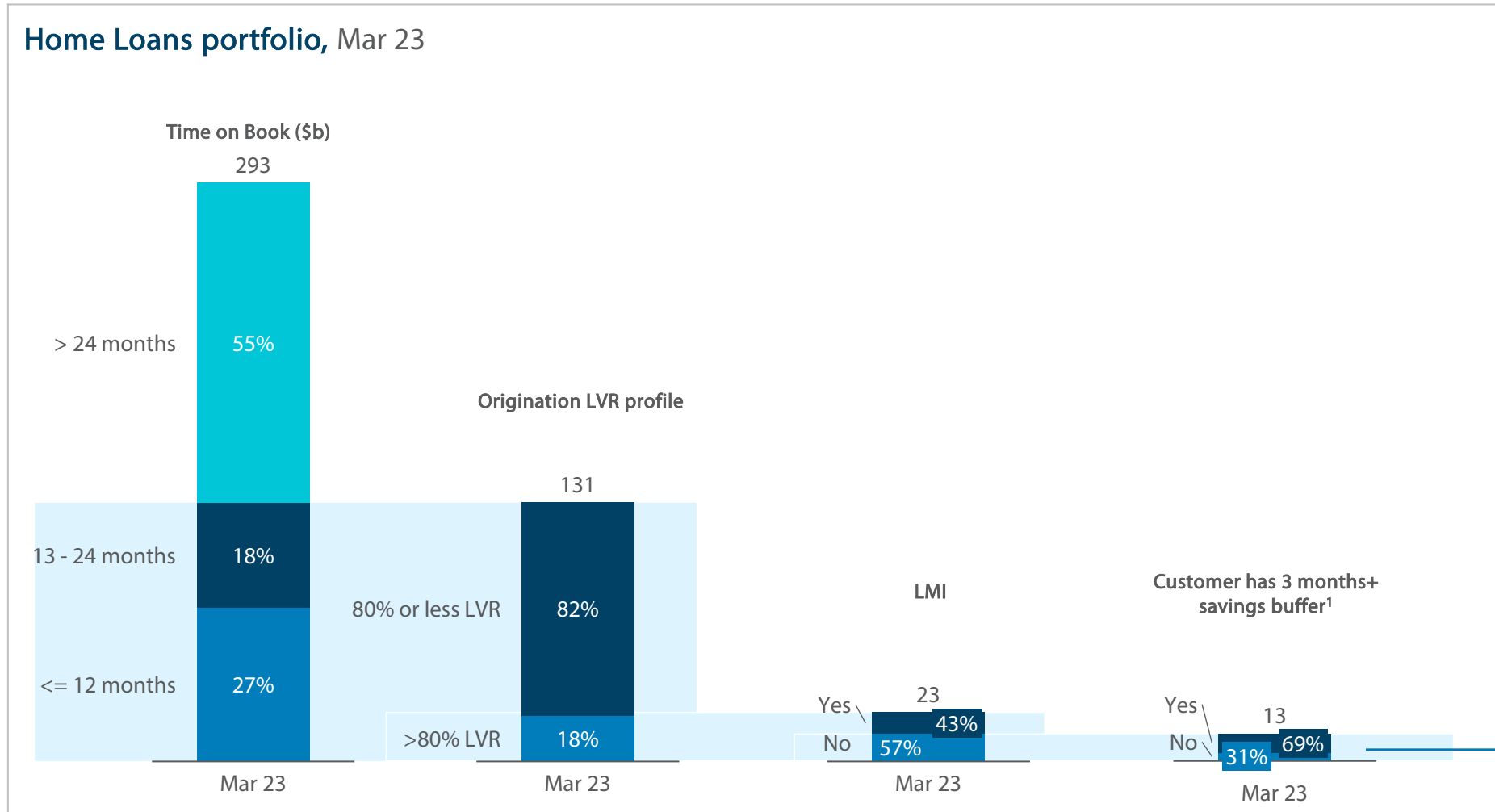
30+ DPD at Mar 23 by fixed rate expiry month



1. Majority of lending 'at capacity' is bridging finance while 'minimal capacity' reflects the proportion of customers with a borrowing capacity of less than \$50 of uncommitted monthly income (UMI). Borrowing capacity is determined after income and expense buffers and shading are applied, and based on verified income only therefore the customer's actual borrowing capacity will be higher than what is reflected in the chart



# AUSTRALIA HOME LOANS – BOOK ORIGINATED AND ATTRIBUTES



ANZ has limited exposure to recently originated lending at high LVRs with no LMI, and much of this cohort has savings buffers in excess of 3 months of repayments:

- \$4b of the \$293b Home Loans portfolio (or <1.5%) has been on book less than 24 months, has an LVR of greater than 80% with no LMI and less than 3 months savings buffers

**Of the \$4b with less than 3 months savings buffer:**

- \$1.3b (29.5%) are investor loans
- \$1.2b (29.1%) have a current interest rate higher than the serviceability rate²
- \$583m (13.4%) have UMI³ ≤ \$100
- \$90m (2.1%) are one or more payment past due
- \$8m (0.19%) are 90+ DPD

1. Buffers are calculated at customer level, incorporating all Retail debts within the customer cluster at ANZ, and all funds available in ANZ redraw, offset and transaction and savings accounts
2. The serviceability rate is used to assess the customers ability to repay their loan when interest rates rise and includes an interest rate floor and buffer
3. Uncommitted monthly income (UMI) is determined after income and expense buffers and shading are applied, and based on verified income only

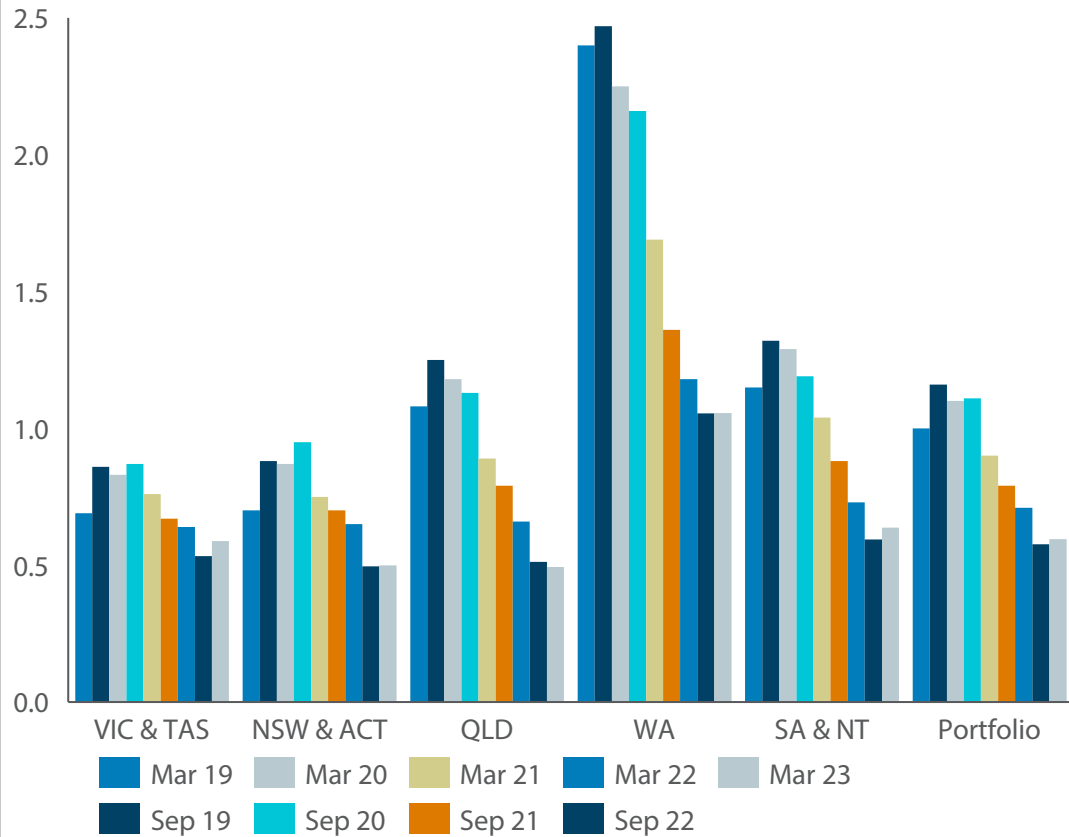




# AUSTRALIA HOME LOANS – PORTFOLIO PERFORMANCE

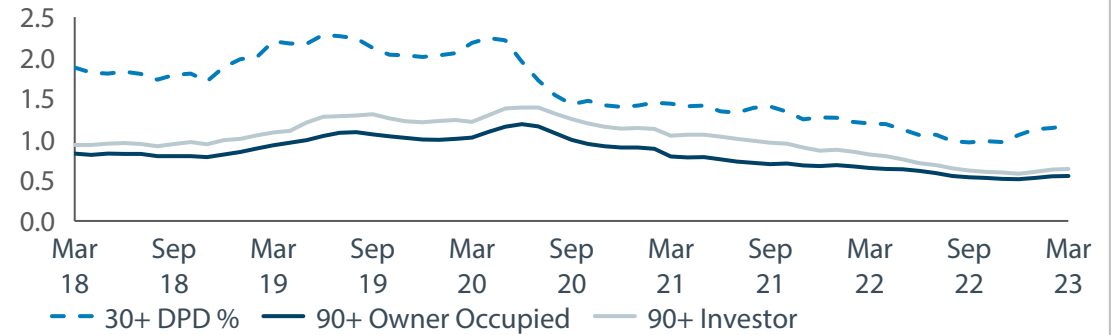
## Home Loans 90+ DPD (by State)<sup>1,2</sup>

% of Portfolio Segment Balances

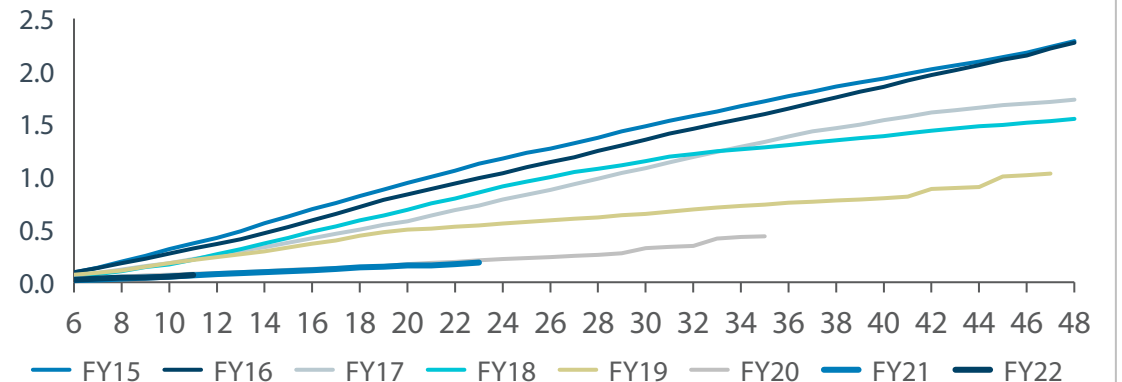


## Home Loans delinquencies<sup>1,2,3,4</sup>

% of Portfolio Segment Balances



## Home Loans 90+ DPD (by vintage)<sup>5</sup>, %



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



## PRODUCT OFFERINGS

	Variable		Fixed	EMA
Product	Standard Variable	Simplicity Plus	Fixed (1-5, 7 & 10 years)	Equity Manager
Description	A fully featured variable rate loan	A competitive variable rate loan with basic features	Certainty of fixed interest repayments for fixed rate period	Flexible line of credit available for any personal, residential or investment purpose
Launched	Nov 1979	May 2008	Jul 1990	Dec 1997
Portfolio FUM (as at 31 Mar 2021)	64%	13%	22%	1%
Loan approval fee	No	No	No	No
Loan admin charge	No	No	No	Yes, annually <sup>1</sup>
Redraw	Yes	Yes	Yes (only after the fixed rate period has expired)	N/A
Offset available	Yes	No	1 year rate only	N/A

1. EMA is a grandfathered product (since July 2021) and is not a product that ANZ currently offers; hence no new accounts are opened but a credit facility fee is charged on existing accounts.



# AUSTRALIAN MORTGAGES: KEY FEATURES



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

## Australian mortgage market characteristics

<b>Full Recourse</b>	<ul style="list-style-type: none"> <li>All mortgage lending is full recourse</li> </ul>
<b>Variable rate</b>	<ul style="list-style-type: none"> <li>Most mortgage lending is in variable rate format (typically &gt; 80%)</li> <li>Primary assessment on cashflow with interest rate buffer applied</li> </ul>
<b>Low LVRs</b>	<ul style="list-style-type: none"> <li>Loans with LVR &gt; 80% require mortgage insurance<sup>3</sup></li> <li>No sub prime market</li> </ul>
<b>Limited tax advantages</b>	<ul style="list-style-type: none"> <li>Results in high prepayment levels</li> <li>Consequently mortgage debt as proportion of housing stock is low</li> </ul>
<b>Originate to hold model</b>	<ul style="list-style-type: none"> <li>Mortgages retained on balance sheet</li> <li>ANZ portfolio of ~\$290bn.</li> <li>Last securitisation by ANZ in 2019 with only ~\$936m outstanding from 2 external RMBS transactions as at 24 June 2023</li> </ul>

1. Policy exemptions apply to borrowers employed in certain industries and ANZ staff to 95% LVR



# KEY CONTACTS



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- Green & Sustainability Bonds
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- Credit Ratings

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