

March 2017

HOME LOAN PRICING INDEX REDESIGN

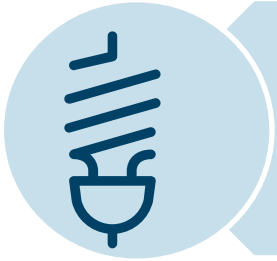
Briefing Pack
Broker Channel



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OVERVIEW



What's new?

- Effective **22 April 2017**, ANZ will increase the interest rates for Variable Home and Residential Investment Loans with Interest Only (IO) repayments.
- Interest rates will now vary according to loan purpose (Owner Occupier or Residential Investment) and repayment type (Interest Only or Principal and Interest).
- ANZ will introduce 7 new indexes* to support these new rates.



Why are we changing?

- ANZ regularly reviews interest rates to ensure they reflect current economic and market conditions.
- Introducing differentiated pricing according to loan purpose and repayment type will help ANZ to:
 - Regulate flows into loans with different purposes and repayment types
 - Manage portfolio risk
 - Maintain prudent lending practices and
 - Meet regulatory guidelines.



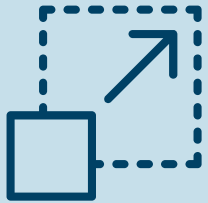
How does it work?

- Inflight applications that are not fully approved in system as at 22 April 2017 will be written on the new range of index codes.
- Existing lending will remain on existing indexes and associated interest rates (unless a customer initiated change is made to the loan). Customers with existing impacted loans will receive communication from May 2017 to advise that their variable IO and Simplicity PLUS loans will be migrated to the new indexes. From late July new indexes (where applicable) will apply to existing investor and owner-occupied home loan customers.
- Breakfree package customers can switch from IO to P&I at any time with no additional cost while they remain a package holder. Existing customers who do not have a Breakfree package can request a waiver or a refund before the change takes effect**.

*Indexes (also known as Reference Rates) are the base interest rates we use to calculate the interest rate on a customer's loan.

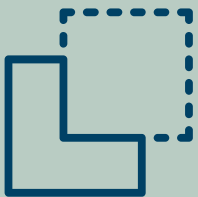
**Offer can be withdrawn or changed at any time. Customers must request waiver or refund of Renegotiation Fee, this will not be automatically applied.

WHAT DOES IT MEAN FOR ME?



What's changing?

- New interest rates for Variable Home and Residential Investment Loans with Interest Only repayments.
- New indexes* for Interest Only and Simplicity Plus loans
- You will need to be able to discuss the different rates and indexes that apply to P&I and IO loans with customers
- Updates to ANZ Toolkit calculations to reflect the changes
- Updates to ANZ Customer Notices - New/Changed clauses in the Letter Of Offer and Variation notices for Interest Only and Simplicity Plus loans
- Updated ANZ Consumer Lending Terms and Conditions brochure
- Handling of inflight IO and Simplicity Plus applications
- Decommissioning of "Comparison Rate Calculator" on anz.com



What's *NOT* changing?

- No changes to your aggregator software (LIXI) and MOS/eMOS application screens
- No changes to Loan Application form, SCCR form or Loan Change Request (NCC) form
- Mortgage Credit Requirements remain the same
- Assessment policies are unchanged
- Equity Manager accounts and Grandfathered products are not impacted by the pricing indexes changes
- Pricing requests – submit as per BAU
- Fixed Interest Rates for Interest Only loans are currently not changing but subject to change any anytime.

*indexes (also known as reference rate) is the base interest rate we use to calculate the interest rate on a customer's loan.

NEW INDEXES FOR HOME LOAN PRODUCTS

Product	New Index Names
Standard Variable Rate HL Interest Only incl Land & 'in a Company Name' loans	ANZ Home Loan Interest Only Index
Standard Variable Rate RIL Interest Only incl Land & 'in a Company Name' loans	ANZ Residential Investment Property Loan (RIPL) Interest Only Index Rate
Fixed Rate HL Interest Only* incl 'in a Company Name' loans	ANZ 1-5, 7 or 10 Year Fixed Home Loan Interest Only Rates
Fixed Rate RIL Interest Only* incl 'in a Company Name' loans	ANZ Fixed Rate Residential Investment Property Loan (RIPL) Interest Only Rates 1-5, 7 or 10 Years
Simplicity PLUS HL Interest Only	ANZ Simplicity PLUS Home Loan Interest Only Rate
Simplicity PLUS RIL Interest Only	ANZ Simplicity PLUS Residential Investment Property Loan (RIPL) Interest Only Rate
Simplicity PLUS RIL P&I	ANZ Simplicity PLUS Residential Investment Property Loan (RIPL) Rate

NOTE: Existing P&I indexes that are unchanged have not been included in the above table - refer to anz.com after 22 April 2017 for detailed Interest Rates information

*** Fixed Interest Rates for Interest Only loans are currently not changing but subject to change any anytime.**

PRICING POINTS

**ANZ SVR Positioning
effective 31-Mar-2017
(headline rate)***

ANZ	PI	IO
OO	5.25	5.25
INV	5.85 +25bps	5.85 +25bps

**ANZ Proposed SVR
Competitor Positioning
effective 22-Apr-2017
(headline rate)***

ANZ	PI	IO	WBC	PI	IO
OO	5.25 → 5.45 +20bps		OO	5.32	5.49
INV	5.85 → 5.96 +11bps		INV	5.79	5.96

**ANZ Proposed S+ Competitor
Positioning
effective 22-Apr-2017
(post discount)****

ANZ	PI	IO	WBC	PI	IO
OO	4.03 → 4.23 +20bps		OO	3.99	4.11
INV	4.30 → 4.50 +20bps		INV	4.19	4.31

NAB	PI	IO	CBA	PI	IO
OO	5.32	5.42	OO	5.22	5.22
INV	5.80	5.90	INV	5.56	5.68

NAB	PI	IO	CBA	PI	IO
OO	4.10	4.63	OO	3.99	3.99
INV	4.40	4.93	INV	4.38	4.38

*Interest rates shown incorporate the +25bps on INV PI and IO effective 31st March. Rates are subject to change.

** Rate incorporates discount from current campaign

Note: Fixed Interest Rates for Interest Only loans are currently not changing but subject to change any anytime.

PHASED APPROACH TO THE CHANGE

Phase 1 - New Lending and Renewals (including Inflight):

Effective 22nd April 2017, all applicable new lending (including new applications, Loan Change requests (Non Credit Critical - NCCs), Streamlined Credit Critical Renewals - SCCRs, and loan increases) will be on separate P&I and IO indexes. Different rates will apply to the different indexes based on repayment and loan purpose type.

ACTION:

- Brokers to discuss the new indexes, and the different pricing for the interest only term and subsequent P&I term
- Brokers to advise customers of the different interest rates and discuss repayment options.

Phase 2 - Existing Lending:

- Existing lending will remain on existing indexes and associated interest rates (unless a customer initiated change is made to the loan).
- Customers with existing impacted loans will receive communication from May 2017 to advise that their variable IO and Simplicity PLUS loans will be migrated to the new indexes. From late July new indexes (where applicable) will apply to existing investor and owner-occupied home loan customers.
- Further communications to lenders to confirm dates will be sent prior to issuing letters to existing customers

ACTION:

- Refer to slide 10 for further details on customers with existing lending.

PHASE 1 - INFLIGHT APPLICATION SCENARIOS STANDARD VARIABLE AND FIXED RATE IO LOANS

The below table shows customer scenarios with inflight applications (including commenced applications, loan change requests, SCCRs, and loans with additional funds that are in progress) before and after new indexes go live.

Customer Inflight Scenarios	Important Points	Indexes	Action
<p>1. Fully Approved Where: - LoO not issued - LoO issued and not expired (whether signed or unsigned) - LoO has expired and is un-signed (14 days)</p>	<ul style="list-style-type: none"> Where an application is fully approved prior to 22 April 2017, and the Letter of Offer fits the criteria listed in this scenario, the loan will continue on the old indexes. These applications will be migrated to the new indexes from late July 2017. 	<p>Old</p>	<ul style="list-style-type: none"> ➤ Advise customer about the changes ANZ has made, however noting that their loan will remain on the old indexes until they receive notification from ANZ (or they initiate a change) ➤ Explain what impacts future customer initiated changes will have to their loan i.e. loan change request to IO will result in new indexes and new interest rate applied
<p>2. Not Fully Approved Where loan application has been commenced, but is not submitted or submitted but is not fully approved</p>	<ul style="list-style-type: none"> If the application is still in early stages or in the assessment phase, i.e. not fully approved, the application will be reset in the system on the 22 April 2017, and the new indexes will apply. 	<p>New</p>	<ul style="list-style-type: none"> ➤ Advise the customer of the changes ANZ has made on 22 April 2017, and that the new indexes and new interest rate will apply to their loan and will be reflected in the LoO.
<p>3. Fully Approved Where LoO has been signed, but has expired (valid for 6 months)</p>	<ul style="list-style-type: none"> Where an application is fully approved prior to the 22 April 2017, but the signed LoO (valid for 6 months) has expired, the loan application will be reset in the system after 22 April 2017, and the new indexes will be applied to the loan These new indexes will be reflected in the LoO that is reissued. 		<ul style="list-style-type: none"> ➤ Where the Letter of Offer has expired, advise customer that they will receive a new Letter of Offer with the new indexes reflected in the LoO that is reissued.

PHASE 1 - INFLIGHT APPLICATION SCENARIOS

SIMPLICITY PLUS

The below table shows customer scenarios with inflight applications (including commenced applications, loan change requests, SCCRs, and loans with additional funds that are in progress) before and after new indexes go live.

Customer Inflight Scenarios	Important Points	Indexes	Action
<p>1. Fully Approved Where: - LoO not issued - LoO issued and not expired (whether signed or unsigned) - LoO has expired and is un-signed (14 days)</p> <p>2. Not Fully Approved Where loan application has been commenced, but is not submitted or is AIP/AST</p>	<ul style="list-style-type: none"> • Where an application is in the system prior to the 22 April 2017, the loan will continue on the old indexes. • These applications will be migrated to the new indexes late July 2017. 	<p>Old</p>	<ul style="list-style-type: none"> ➤ Advise customer about the changes ANZ has made, however noting that their loan will remain on the old indexes until they receive notification from ANZ (or they initiate a change) ➤ Explain what impacts future customer initiated changes will have to their loan i.e. loan change request to IO will result in new indexes and new interest rate applied
<p>3. Fully Approved Where LoO has been signed, but has expired (valid for 6 months)</p>	<ul style="list-style-type: none"> • Where an application is fully approved prior to the 22 April 2017, but the signed LoO (valid for 6 months) has expired, the loan application will be reset in the system after 22 April 2017 and the new indexes will be applied to the loan • These new indexes will be reflected in the LoO that is reissued. 	<p>New</p>	<ul style="list-style-type: none"> ➤ Advise customer about the changes ANZ has made on 22 April 2017, and that the new indexes and new interest rate will apply to their loan. ➤ Advise customer that they will receive a new Letter of Offer with the new indexes reflected in the LoO that is reissued.

PHASE 2: CUSTOMERS WITH EXISTING LENDING

Impacted Loans : Standard Variable IO Loans, Simplicity PLUS IO Loans, and Simplicity PLUS P&I Residential Investment Loans

Customers with these loans will be communicated to by eDM (email) or Direct Mail, to advise that their loans will be migrated to the new indexes and new interest rates, and when this will occur.

Some customers who hold multiple existing loans may become aware of the changes that have been introduced, prior to them receiving communication. For example, via the media release or if they are applying for new lending or doing a renewal on an existing loan, and query what this means for their other loans.

ACTION:

- You are able to advise these customers that the changes introduced on the 22 April 2017, will also be applied to their existing impacted loans from late July onwards.
- There is no requirement for the customer to do anything, and no changes will be made until after they have received communication.
- Breakfree package customers can switch from IO to P&I at any time with no additional cost while they remain a package holder. Existing customers who do not have a Breakfree package can request a waiver or a refund before the change takes effect*.

Important Notes

- The following IO Loan accounts will be excluded from the migration to the Interest Only Indexes:
 - Fixed Loans
 - Bridging Loans
 - IO Loans maturing within 37 days of when the account would be migrated
 - Constructions loans that are to be P&I once fully drawn
 - Accounts where repayments are in arrears >90 days or in collections/hardship
- Simplicity PLUS P&I owner occupied loans are not impacted by these changes.

**Offer can be withdrawn or changed at any time. Customers must request waiver or refund of Renegotiation Fee, this will not be automatically applied.*

UPDATES TO TOOLS, FORMS AND CALCULATORS



ANZ Toolkit – the UMI and repayment calculators in the ANZ Toolkit will be updated to use the subsequent rate in all serviceability calculations. There is no action required by you.



Letter of Offer – New clauses will display in the Letter of Offer for Home and Investment loans to inform customers of the new Interest Only index Name and applicable Interest rate, or new Simplicity PLUS Indexes. The Subsequent Principle and Interest Index name and Interest rate once the IO term has expired will also be displayed.



anz.com – Interest rate pages, and all calculators will be updated on **22 April 2017** to reflect the changes and show the new Interest Only Indexes and Interest rates applicable to all Indices.



ANZ Consumer Lending Terms and Conditions – will be updated to reflect the new Indexes



Comparison Rate Calculator – will be removed from anz.com and no longer available for use

CONTACTS



Call the Broker Enquires Line - 1800 812 785



Speak to your ANZ Business Development Manager



Visit the ANZ Website