



ANZ Australian Retail Risk Division

Financial Hardship Policy

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Reviewers

| Reviewer Name | Job Title / Function |
|--------------------|--|
| Peter Wielgos | Head of Collections Strategy, Retail Risk |
| Nam Nguyen | Manager, Collections Strategy |
| Ivan Vukancic | Manager, Collections Strategy |
| Anne-Marie Calleja | Senior Risk Analyst |
| Matthew Hamshari | Head of Collections |
| Edward Tawil | Manager Financial Difficulty |
| Joanna Harris | Assurance Manager |
| Stephen Champness | Head of Operational Risk & Compliance Operations |
| Anna Skreiner | Compliance Specialist |
| Portia Smith | Operational Risk & Compliance Manager |

Document Acceptance

| Version | Date | Approved By | Job Title / Function | Artefact |
|---------|------|-------------|----------------------|----------|
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1 Purpose and Scope

The purpose of this Policy is to document the Australia & New Zealand Bank (ANZ) Australian Retail Division's standards with respect to financial hardship management. This Policy's mandate originates with the ANZ Board Risk Committee as delegated through the Australian Risk Committee (ARC). ARC is responsible for overall governance and oversight of the Division within the ANZ's Risk Appetite and Regulatory guidance.

The Policy extends from the Level 2 Global Retail Credit Policy and is applicable to ANZ Australian Retail Division's portfolios: Mortgages, Small Business Banking Loans and Overdrafts, Asset Finance, Consumer Cards, Commercial Cards, Personal Loans and Consumer Account Excesses.

For customer's experiencing times of financial hardship, this Policy outlines when ANZ can offer Financial Hardship Assistance (FHA) and the type of FHA treatments available which allow ANZ to help customers recover from the financial hardship. In setting this policy, ANZ's objectives are to assist customers to transition through periods of financial hardship, seek a resolution to customer arrears, preserve home ownership where sustainable, and assist customers where possible to mitigate and/or avoid the detrimental implications that may occur from adverse credit behaviour, including those associated with the comprehensive credit reporting regime.

2 Responsibilities

This Policy will be updated and distributed by Retail Risk under the authority of the Australian Division Head of Retail Risk. The Policy will be implemented operationally by the Head of Collections & Hardship Operations. Retail Risk and Collections & Hardship will work together to ensure strategies advanced under Policy optimise efficiency and are fully compliant with current and future regulatory guidance.

This Policy is subject to an annual review and attestation relative to strategy development and operational implementation. All risk and operations personnel actively engaged in the creation of strategy or implementation of the Policy are required to annually acknowledge their comprehension and adherence to the principals of the Policy.

In addition to annual attestation, Retail Risk and Collections & Hardship are required to complete a gap assessment after each material update of the Policy. The gap assessment will document recommendations for remediation and/or longer term waiver of requirements pending system or other enhancements.

2.1 Retail Risk

Retail Risk responsibilities with respect to the Policy and setting strategies include:

- Updates, distribution and version control of the Financial Hardship Policy;
- Document the responses for Policy revision, exceptions, recommended remediation or waiver of Policy requirements identified during gap assessment process or ongoing strategy implementation;
- Revision and implementation of risk based Financial Hardship strategy, which is in line with regulation;
- Rigorous framework of portfolio and strategy monitoring metrics necessary to achieve stated objectives and identify trends that may require additional consideration;
- Ensure timely feedback and closure of credit cycle loop with ANZ Retail Acquisitions;
- Provide input into financial hardship forecasts, necessary for Collections & Hardship to complete capacity planning and provision for losses.



2.2 Collections & Hardship

Collections & Hardship responsibilities with respect to the implementation of this Policy include:

- Updating process and procedure documentation necessary to comply with this Policy;
- Provide appropriate Policy training and certification for individuals executing the Policy requirements;
- Execution of a customer level view of hardship;
- Complete a gap assessment of the existing operating model and practices relative to the Policy, where gaps and remediation plans are approved by Retail Risk;
- Document recommendations for Policy revisions, modifications and/or exceptions;
- Tactical financial hardship execution decisions (e.g. staffing and contact windows);
- Capacity planning based on projected volume, delinquency forecasts and Policy requirements;
- Identify and uniquely track accounts affected by natural disasters;
- Monitor individual staff effectiveness and compliance with Policy, through KRA documents and/or other means;
- Annual attestation the Policy has been fully implemented, all staff actively engaged in the daily execution of strategy and Policy principals has been certified in their roles and ongoing monitoring of quality control is in place under a quality control framework.

2.3 Retail Risk and Collections & Hardship

Retail Risk and Collections are jointly responsible for:

- Portfolio governance and performance metrics;
- Conducting regular forums to communicate Policy responsibilities above;
- Closure of gap assessment remediation plans.

3 Policy Governance

3.1 Review, Renewal and Approval

Retail Risk must review this Policy annually to determine if changes to the Policy's hardship principles or fundamentals are appropriate. Changes with limited financial impacts may be approved by the Head of Retail Risk Collections Strategy. Policy changes materially impacting collective provision (CP) must follow the Change Authority Governance Framework. Any Policy or strategy changes impacting collective provision < \$5M must be approved by the Head of Retail Risk, Australia. Policy changes with a collective provision impact > \$5M must be approved by the Chief Risk Officer, Australia.

Following initial Risk approval of this document or future material Policy revisions, this Policy must be re-distributed to Collections & Hardship, Operational Risk and Compliance. In addition, the Policy will be published on the ANZ intranet site, Max and other sites as deemed appropriate.

3.2 Exceptions

Exceptions to this Policy must be identified during the gap assessment and approved by the Head of Retail Risk Australia. Exception requests must identify the entity, nature of the exception, remediation recommended or rationale for longer term waiver. In addition, ANZ's customers may experience life events which this Policy has not contemplated. Where these circumstances arise, Retail Risk may provide an exception to this Policy to ensure suitable assistance may be provided to the customer.



3.3 Quality Control

All activity of front end Collections & Hardship staff is subject to ongoing quality control. Collections & Hardship are required to have a formal monitoring process in order to ensure individual effectiveness and Policy compliance. The quality control program must include a minimum number of file reviews per employee per month targeting areas deemed to be of higher risk with appropriate tracking and remediation plans. Minimum file thresholds may vary by role.

Operational risk events must be reported according to the ANZ's Operational Risk Measurement and Management and Human Resource Consequence Management Frameworks.

3.4 Three Lines of Defence

In accordance with the ANZ Operational Risk Measurement and Management Framework (ORMMF), ANZ operates a 'Three Lines of Defence' model. Daily operational execution of Financial Hardship Policy is monitored by the first line of defence, Collections & Hardship. The second line of defence is Retail Risk. Retail Risk achieves oversight via regular performance monitoring, forums and via all exception logs and reports. The third line of defence is Internal Audit (IA). IA has an independent oversight role within the governance structure. Both Retail Risk and Collections & Hardship are subject to regular audits by Internal Audit relative to Policy compliance.

4 Connection with Other Documents

This Policy should be read in conjunction with the:

- 1) ANZ Australian Retail Division Collections Policy
- 2) ANZ Australian Retail Division Retail Credit Loss Policy
- 3) ANZ Retail Collections CAD Guidelines
- 4) ANZ Litigation Committee Charter
- 5) ANZ Australia Division Retail Risk Change Authority Governance Framework

5 Capacity Planning, Training and Certification

Critical to the success of any financial institution is the quality and experience of its people. The need for well trained staff within the ANZ's Collections & Hardship operation is imperative to ensure strategies are fully executed. Staffing levels of Retail Risk and Collections & Hardship must be commensurate with the size, complexity, and level of financial hardship across the portfolio. Collections & Hardship must maintain a program for capacity planning, which should consider staff experience, core competency, and IT systems, in addition to delinquency forecast when re-assessing future staffing requirements.

In addition, a framework for training, certification, staff performance monitoring, consequence management and identification of retention risk must be maintained by both Retail Risk and Collections & Hardship.

6 Credit Approval Discretion (CAD)

A Credit Approval Discretion (CAD) represents the maximum credit facility or charge-off an ANZ employee has the authority to approve. CADs are delegated by the ANZ Board and cascaded through the organisation based on individual core competency and position within the organisation.

See the Retail Collections CAD Guidelines document for dollar limits and customer segments for which CAD may be exercised. All exposures within Collections are subject to the CAD framework.



7 Financial Hardship

Customers may face financial hardship from one or more events in their life which may make it difficult for them to continue making their scheduled payments at times during the term of their contract. The intent of this Policy is to outline how ANZ may assist those customers who are experiencing financial hardship that is impacting the consistency of income and potentially financial security.

ANZ will consistently evaluate financial hardship in terms of temporary payment relief. Where cash flow is fully restored after a financial hardship event and a period of assistance has been provided, ANZ expects arrears to be cleared through a standard payment plan. In the event of persistent hardship, ANZ will evaluate the benefit of providing the customer with an extended payment plan, modifying or restructuring the contract further when future cash flow is sustainable but insufficient to resume full contractual payments. In the event of more severe and permanent income reduction ANZ must determine when it is appropriate to refer a customer to independent financial counselling so that the customer may seek advice on external debt consolidation, sale of assets or in the worst case personal bankruptcy or insolvency.

Where a customer provides ANZ with a hardship notice, orally or in writing, ANZ will assess the customer to determine whether the customer is eligible for Financial Hardship Assistance. Financial hardship is deemed to exist when the customer expresses the willingness and intention to pay an obligation but unable to meet the obligation due to an unforeseen event. Events qualifying for financial hardship assistance may include:

- Death of a material income earner;
- Family disruption – separation, divorce, family violence or financial abuse by partner;
- Prolonged illness (psychological or physical) or injury impacting income;
- Involuntary unemployment;
- Reduced income due to involuntary reduction of hours, salary decreases or downturn in business;
- Natural Disaster*

*Note: ANZ Retail Risk may approve specific financial hardship waivers or treatments during Natural Disaster events.

7.1 Financial Hardship Assistance

ANZ's Financial Hardship Assistance (FHA) allows customers more flexibility around their financial commitments during temporary periods of financial hardship. ANZ will provide assistance to customers to overcome their financial hardship event where it is sustainable. FHA can be provided in a variety of forms and must only be provided where ANZ reasonably believes the customer would be able to meet their payment obligations under the contract without incurring substantial hardship even if it were changed. FHA is intended to bridge the temporary period between the change in the customer's circumstances and the time they are able to resume repaying their debt obligations.

7.2 Sensitive Financial Hardship Assistance

Sensitive financial hardship is a special form of tailored hardship assistance for vulnerable customers who have or are experiencing a significant life event as a result of which their financial position may not be repaired through standard financial hardship options. Sensitive financial hardship may include but is not limited to extended/terminal illness, elderly or death of an elderly partner, family violence, elder abuse, permanent disability, or death of a primary income provider.

8 Financial Hardship Regulations

ANZ's obligations with respect to dealing with customers experiencing financial hardship arise from the National Credit Code, Code of Banking Practice, Australian Government's Hardship Principles and relevant FOS guidelines. ANZ has considered and embedded the requirements of these artefacts within this Policy.



9 Financial Hardship Budget

ANZ will establish a budget ("Financial Hardship Budget") to assist customers in financial hardship. The Financial Hardship Budget (FHB) will allow ANZ to offer a greater variety of hardship treatments (including modifications and restructures) in addition to the traditional hardship treatments historically offered to ANZ customers. The FHB may be used to assist customers to transition through unique temporary financial hardship events.

The FHB is required to provide for both direct (establishment of a fund that may be used to provide hardship treatments to customers that require cash or cash equivalents) and indirect (ANZ assisting customers with treatments that require ANZ to forego/waive income or debt) monetary assistance. The discretion to draw on the Financial Hardship Budget is subject to CAD and is required to be monitored by Collections & Hardship and Retail Risk. Financial Hardship treatments that do not require ANZ to utilise corporate funds, forego income, revenue or debt such as arrears capitalisation, payment arrangements etc. are not subject to the FHB and will continue to be offered.

10 Financial Hardship Strategy

The term 'Financial Hardship Strategy' refers to the initiatives developed by ANZ to support customers experiencing financial hardship, with the aim of enabling the customer to recover from their financial hardship event and resume repaying their debt obligations. The Financial Hardship Strategy is developed by Retail Risk and executed by the Collections & Hardship Team. The strategy is distinct from the process and procedures that Collections & Hardship utilise to execute the strategy.

10.1 Financial Hardship Identification

Customers experiencing financial hardship are to be proactively identified and assisted in a consistent and empathetic manner. As much as possible, having regard to ANZ's interests and its rights, ANZ customers will be supported to stabilise their financial situation through the development of tailored hardship solutions.

All ANZ staff are required to be diligent during their conversations with customers and **must identify** whether the customer may be experiencing financial hardship or has provided a hardship notice. Identification of hardship customers can occur via customer self-assessment with notification to ANZ, ANZ identification / assessment or via an independent accredited financial counsellor. A customer may advise ANZ directly or indirectly, orally or in writing that they are in financial hardship. Indicators of customer financial hardship may include (however not limited to):

- Consistently making late and partial payments;
- Being in arrears;
- Customer not responding to repeated outbound calls, overdue notices and other communications;
- Evidence of injury or illness;
- Being notified of a change of employment circumstances;
- Making consecutive minimum monthly payments;
- Consistently over limit;
- Incurring over limit, dishonour of late fees frequently;
- Repayments being made from redraw or savings accounts;
- Other indicators identified in conversation with our customers.

ANZ must ensure that a toll-free number is available and publicised for customers to contact ANZ about financial hardship. Collections & Hardship must ensure that the hardship is flagged and the reason for the hardship is captured.



10.1.1 Joint Loans

In the case of a joint loan, ANZ will endeavour to work with both borrowers on the loan contract. Should a borrower to a joint loan be disengaged, ANZ will continue to work with the engaged party to explore financial hardship assistance options that may be available to resolve their financial hardship. Longer term assistance will be limited to the engaged customer's ability to service the current or modified loan at commercial terms.

10.1.2 Guarantors

Where a loan is secured by a consumer guarantee, and ANZ agrees with the customer to change (modify or restructure) the credit contract as a result of a hardship notice, Collections & Hardship are required to provide notice to the guarantor(s) of the change in accordance with section 10.6.1 Financial Hardship Assistance - Decision. Collections & Hardship may also, where required, provide the guarantor(s) with notice of any forbearance agreed to with the customer. Guarantors may also provide a hardship notice to ANZ. Upon receipt of the hardship notice by the guarantor, ANZ is required to assess the guarantor for FHA.

10.1.3 Family Violence and Financial Abuse

When a customer has requested FHA due to family violence or financial abuse, ANZ will:

- Accept a financial hardship request;
- In exceptional circumstances where it is required, ANZ may decide to settle a claim for the whole or part of the debt with individual borrowers. Collections & Hardship should ensure that ANZ's security, rights to the debt and customer liability for the outstanding debt are not diminished/voided as a result any amendment unless agreed by ANZ;
- Investigate circumstances and provide a written response where a customer is disputing liability for a debt. For example: is unknowingly responsible for a credit obligation, including a joint debt, a debt in the individual's name or as a guarantor;
- Investigate circumstances where a co-borrower or guarantor may have been coerced into the loan, and the victim has received limited or no benefit from the loan.

Furthermore, Collections & Hardship may utilise the FHB to assist customers in situations of Family Violence and Financial Abuse, ANZ may also elect to take action to pursue one co-borrower for a debt without pursuing the victim of family violence. Collections & Hardship should follow the ABA's Industry Guideline: Financial abuse and family and domestic violence policies, in all operational matters.

10.2 Financial Hardship Assessment

10.2.1 Portfolio Risk Segmentation

10.2.1.1 Hardship Decision Tool

The Mortgages Financial Hardship portfolio is segmented via the Hardship Assessment and Decision Tool (HADT). The tool consolidates various banking systems to obtain a holistic view of affordability from the consolidation of a customer declared statement of financial position (SOP). The tool delivers an ability to customise treatment for differing segments of the hardship customer base. The customer base is segmented by owner occupied versus investor loan, sensitive hardship versus standard hardship, term length and debt to income ratios. This assessment decision tool will be available for use across the remaining retail lending product suite in the future. The tool must be used in all hardship assessments.

10.2.1.2 Customer Level View

In order to ensure that all relevant ANZ debts are considered and provide the customers experiencing financial hardship with the best possibility to recover from their financial hardship event, Collections & Hardship are required to take a customer level view on financial hardship matters.



10.2.1.2 Financial Hardship Criteria

Where a hardship trigger has been identified and the customer has advised that they would like to apply for FHA, Collections & Hardship are required to complete a hardship assessment. To complete the hardship assessment, Collections & Hardship should ensure:

- Statement of financial position is obtained,
- Income is verified and expenses are tested,
- Reason for hardship is verified with relevant evidence where reasonable.

Income may be verified and tested through six months positive payment history. Income may also be tested using the TriEx database or through manual verification where required, which may include:

- Evidence of employment (e.g. payslips, employment contract, tax return);
- Evidence of income (e.g. account statements, Centrelink statement, social security payment details). For SBB acceptable documentation is 1) profit and loss statement plus balance sheet 2) interim financials. Documents must not be more than 18 months old.

Customer stated expenses are required to be tested using the TriEx database where the customer has a banking relationship with ANZ, or utilising the ANZ approved version of the household expenditure measure (HEM) for customers who do not have a banking relationship with ANZ. Where there are material differences in customer stated income and expenses compared to TriEx or HEM, Collections & Hardship should use this as an opportunity to further explore the financial position of the customer so as to ensure that the most appropriate Financial Hardship Assistance may be provided where the customer is eligible.

10.3 Financial Hardship Assistance Eligibility

To be eligible for FHA, the following criteria must be met:

- Customer has or is about to experience a hardship event (see Section 7.1 Financial Hardship);
- Customer must be willing and has the intention to repay the relevant ANZ facility;
- Customer must not have available sizeable credit in savings, term deposits or redraw which would be sufficient to allow them to recover from the financial hardship even (In the case where funds are required for medical or legal purposes evidence must be supplied);
- Customer has not exited from FHA less than 6 months ago (unless new hardship event or the customer is seeking an extension or change to their FHA as a result of a change in their circumstances).

10.3.1 Sensitive Financial Hardship Assistance Eligibility

To be eligible for Sensitive FHA, the following criteria must be met:

- Customer has or is about to experience a sensitive hardship event;
- Customer does not have the ability to recover their financial hardship event within a reasonable time frame (minimum one year);
- Customer must not have sizeable equity in other property, credit in savings, term deposits or redraw;
- Customer is expected to have a negative UMI during the course and at the end of the financial hardship assistance period, and;
- Customer has a debt to income ratio greater than 65% (due to an income reduction).

Customers who have experienced a sensitive financial hardship event should be regularly contacted and their accounts monitored and reviewed (as appropriate) to ensure the assistance provided continues to be suitable for the customer. Sensitive hardship customer cases are required to be managed through the CAD Framework.



10.3.2 Ineligibility for Financial Hardship Assistance

A customer will not be eligible for FHA for the following reasons:

- Customer is unable to meet the loan contract's repayment terms without incurring substantial hardship (even if the contract was modified or restructured),
- Customer is not responding to or has failed to provide reasonable requests for further information.
Note: ANZ staff should work with the customer to identify suitable alternative sources of information where particular information may be difficult for the customer to obtain/provide. Where a customer has a banking relationship with ANZ, ANZ should take all reasonable efforts to utilise internally available data.
- FHA was previously given to the customer due to the same financial hardship event but did not improve their financial situation (unless sensitive FHA applies),
- Customer has sufficient consumer credit insurance to cover their period of expected hardship.
Note: Where a customer decides to claim on their CCI policy, ANZ should ensure that it maintains regular contact with the customer to consider provision of additional assistance if suitable and obtain progress on the claim.
- The assistance would be detrimental to the customer on the whole e.g. placing the customer in a negative equity position with their property over the life or at the conclusion of the assistance.

Important: Where a customer is not eligible for financial hardship assistance, ANZ staff should still work with the customer in an attempt to provide a suitable payment arrangement where sustainable.

10.4 ANZ's Expectations of Customers Provided Financial Hardship Assistance

ANZ provides financial hardship assistance on the basis that the customer agrees to:

- Adhere to the terms of their financial hardship arrangement; or
- Contact ANZ to advise of a change in their circumstance; and
- Respond to ANZ's phone calls, messages and/or letters when ANZ contacts them.

10.5 Financial Hardship Assistance Treatments

ANZ has several FHA treatment options available to customers dependent on risk segment (determined by Retail Risk). Each customer is required to have their own unique situation assessed so as to ensure that the most suitable FHA is provided. For customers that receive FHA, there is an opportunity to restructure the debt at the conclusion of the FHA period (with the exception of investors). Collections & Hardship are required to consider the following factors at a minimum when determining the most suitable FHA:

- The customer's personal circumstances, needs and financial situation;
- The type of credit facility;
- Whether the period of change to the customer's personal or financial circumstances are known and whether there are any other factors impacting the customer;
- ANZ's commercial position.

The hardship treatments permitted by this Policy are detailed below. However, it should be noted:

1. Interest and fees may continue to accrue while Financial Hardship Assistance (FHA) is offered (depending in the product).
2. Any debt or interest waivers offered are subject to the CAD Framework.
3. The use of any payment deferrals should be discouraged and only used as a last option and subject to CAD, and only when 1) the arrears can be capitalised following the payment deferral or 2) the arrears are paid in a lump sum at the conclusion of the payment deferral period and the customer can provide suitable evidence that they will be able to honour this.



4. FHA for Mortgage investment properties is limited to the treatments specified in section 9.5.1.4 Investor/Other.
5. Customers being offered financial hardship assistance should be encouraged (where the customers financial position allows) to naturally cure their arrears through a payment arrangement and/or indulgence.
6. Customers being offered financial hardship assistance due to one-off expenses may only be placed on a treatment path that allows them to naturally cure their arrears through a payment arrangement and/or indulgence (unless approved otherwise by a CAD holder).
7. Collections & Hardship may consider other hardship treatments including treatments which may require direct or indirect monetary assistance from ANZ. Any treatments not explicitly provided for in this Policy are subject to Retail Risk Approval.

10.5.1 Mortgages

The maximum period for forbearance on an owner occupied property is a maximum of 12 months when a customer is receiving Financial Hardship Assistance. FHA treatments for mortgages include:

10.5.1.1 Owner Occupier Short Term < 12 months FHA:

- Payment plans up to 12 months (including a period of partial payments up to 3 months) dependent on the customers financial situation (arrangements that include the customer not making any contributions to their loan, unless their income is severely impaired are not permitted),
- Interest rate reduction suitable to ensure the customer can maintain their ongoing obligations (maximum reduction to cost of funds rate),
- Conversion to an interest only loan < 12 months,
- Offer incentives for customers to prioritise mortgage payments over OFI and any unsecured lending,
- Treatments should be offered with the expectation of being current in less than 12 months.

10.5.1.2 Owner Occupier Longer Term > 12 months DTI < 65% FHA:

- Payment plans up to 12 months (including a period of partial payments up to 3 months) dependent on the customers financial situation (arrangements that include the customer not making any contributions to their loan, unless their income is severely impaired are not permitted),
- Refinance / Debt Consolidation with other financial institution,
- Interest Only up to 12 months initially, and up to 5 years in total on commercial terms or a reduced interest rate suitable to ensure the customer can maintain their ongoing obligations (maximum reduction to cost of funds rate), any rate below cost of funds is subject to the CAD framework,
- LMI insurance modification as determined by the insurer,
- Step down and step up interest rate (suitable to ensure the customer can maintain their ongoing obligations down to cost of funds and progressively increase to standard variable rate over two years),
- Loan Extension 5 – 10 years,
- Cash for keys and incentives to sell e.g. relocation and rental assistance, property repairs etc.
- Refinance into a suitable facility.

10.5.1.3 Owner Occupier Longer Term > 12 months High Leverage DTI > 65% FHA:

- Financial Counselling,
- Refinance / Debt Consolidation with other financial institution,
- Cash for keys and incentives to sell e.g. relocation and rental assistance, property repairs, etc.
- LMI insurance modification as determined by the insurer,
- Interest and principal waivers may only be used by exception,
- Settlement of other ANZ debt,



10.5.1.4 Investor / Other:

- Payment plans up to 12 months (including a period of partial payments up to 3 months) dependent on customer financial situation (arrangements that include the customer not making any contributions to their loan, unless their income is severely impaired are not permitted),
- Indulgence (90 days),
- IO term extension up to 12 months initially and up to 5 years in total (at one year intervals where in excess of Retail Credit Policy) at commercial terms.

10.5.1.5 Sensitive Customer Treatment:

- Conversion to interest only loan,
- Incentive to sell (marketing fees, solicitors fees, relocation, bond and rental assistance),
- Interest rate reduction to a rate suitable to ensure the customer can maintain their ongoing obligations (maximum reduction to cost of funds rate),
- Interest and principal waivers may to be utilised within the limits of the CAD Framework,
- Term extension for up to 40 years,
- LMI insurance modification as determined by the insurer,
- Life tenancy.

10.5.2 Small Business Loans and Overdrafts

FHA treatments for SBB and Overdrafts include:

- Payment plans up to 6 months dependent on customer financial situation (arrangements that include the customer not making any contributions to their loan, unless their income is severely impaired are not permitted),
- Interest rate reduction to a rate suitable to ensure the customer can maintain their ongoing obligations (maximum reduction to cost of funds rate),
- Interest and principal waivers may only be used by exception,
- Settle for Less,
- Principal and Interest period term extension.

10.5.2.1 Extension of Principal and Interest Term

Customers in financial hardship coming off the interest only period, with security, can be offered a term extension up to a 25 year principal and interest term in total.

If a customer is unable to extend their principal and interest term, they can be rolled onto an interest only term in 12 months increments (up to a maximum of 5 years above the capped IO period already provided) whilst all efforts should be made to encourage the customer to exit the Bank within the 12 months (e.g. refinance, sell or other), or regular collections activity will recommence, including enforcement and litigation.

10.5.3 Asset Finance, Consumer & Commercial Cards, Personal Loans, Consumer Overdrafts

FHA treatments for Asset Finance, Consumer & Commercial Cards, Personal Loans and Consumer Overdrafts include:

- Payment plans up to 6 months dependent on the customers financial situation (arrangements that include the customer not making any contributions to their loan, unless their income is severely impaired are not permitted),
- Reduce payment to IO equivalent (with expectation for customer to repay difference over a period of time),



- Interest rate reduction to a rate suitable to ensure the customer can maintain their ongoing obligations (maximum reduction to on cost of funds rate),
- Match pay – Customer to pay 2 minimum monthly payments, ANZ to match 50% of the minimum monthly amount, subject to qualifying criteria,
- Interest and principal waivers may only be used by exception,
- Settle for Less,
- Debt Recovery Service (unsecured debt).
- Refinance over new term or term extension.

10.6 Financial Hardship Assistance Decision and Timelines

10.6.1 Financial Hardship Assistance - Decision

Where a customer has provided a hardship notice, Collections & Hardship are required to complete a hardship assessment and respond to the customer within 21 days of receiving the hardship notice with ANZ's decision to either grant or decline FHA. Where FHA has been granted, Collections & Hardship are required to ensure that the customer is provided with details of the FHA in writing where the FHA period is greater than 30 days. This is required to be compliant with relevant regulations.

For arrangements less than 30 days, the details of the assistance may be confirmed verbally or in writing. Where FHA is declined, Collections & Hardship are required to provide the customer with a written notice which is required to be compliant with relevant regulations.

Important: Where FHA is declined, ANZ cannot commence/continue enforcement proceedings (including the issuing of a section 88 default notice) until 14 days after the notice of refusal has been provided where relevant (this requirement does not apply if a hardship notice had been made in the preceding 4 months).

In the case of special circumstances such family violence or financial abuse the hardship request must be fast tracked. Retail Risk may also grant exceptions to evidentiary requirements in this instance.

10.6.2 Financial Hardship Assistance – Further Information Request

Where ANZ requires further information to assess the hardship application, the customer must provide the requested information as soon as possible and no later than 28 days after the date of the notice given to the customer to provide the information to ANZ. ANZ will have a further 21 days from receiving the requested information to provide the customer with a notice of decision, although ANZ should aim to complete the assessment as soon as possible after receiving the information.

10.6.3 Collections and Recovery

Collections activity and recovery action will cease if hardship assistance is being actively considered or the customer is complying with the agreed arrangement. When an account is receiving FHA, ANZ will not send default notices and will not assign or sell the debt to a third party.

10.6.4 Family Violence

In the case of family violence the debt must not be on-sold to an external debt collection agency (DCA). Where debt may have been sold to a DCA and ANZ subsequently becomes aware that this debt involved family violence, ANZ will work with the DCA to purchase back these accounts and provide the best outcome for the customer. In addition ANZ will not default list any customer impacted by financial abuse, so far as ANZ is able to under the law. Where a customer has been default listed and ANZ was unaware of the circumstance, ANZ will review the case for financial hardship.



10.7 Financial Hardship Assistance – Extension Eligibility

Mortgage, Small Business Banking and Asset Finance customers requiring an extension on FHA may be eligible if the following conditions are met:

- Evidence or clear resolution at conclusion of extension term
- No sizeable credits in savings, term deposits or redraw
- New statement of financial position if the customer's situation has changed
- The matter is sensitive and/or ANZ believes the initial financial hardship treatment and assistance period provided to the customer was not accurately assessed to assist the customer to recover from the financial hardship event

Collections & Hardship may provide the customer up to a 3 month FHA extension subject to the above terms, extensions exceeding 3 months are subject to CAD. Note: Where a hardship extension is granted, this is required to be recorded as an exception.

10.8 Financial Hardship Assistance – Broken Arrangement

A customer re-enters the Collections Strategy and forgoes Financial Hardship Assistance in the following circumstances:

- No resolution to customer's financial hardship event following the financial hardship assistance period,
- Financial hardship assistance terms broken two times within FHA period,
- Customer not responding to contact within 14 days of breaking the terms of the financial hardship assistance (unless exceptional circumstances apply).

Where the hardship arrangement is broken, ANZ may exercise its right to issue a default notice and reactivate the collection processes, subject to any regulatory customer notification requirements being met. Please refer to the Retail Risk Collections Policy for further information regarding collection activities.

10.9 Modification and Restructure

To enable the customer to return to current status following the Financial Hardship Assistance, ANZ encourages all customers to attempt a natural cure by paying down the arrears so as to preserve equity and/or reduce indebtedness. Where this is not possible Collections & Hardship may consider a loan modification or restructure (subject to serviceability criteria), this may include:

10.9.1 Serviceability Arrangement (SEAR)

A serviceability arrangement is a special repayment arrangement offered following financial hardship assistance. When a customer is unable to clear arrears via any of the above discussed tools it may be appropriate to consider treatments such as capitalising arrears and/or extending the term of a contract at the conclusion of a serviceability arrangement.

Successful resumption of full contractual minimum payments may be sufficient proof of good faith to allow an account to be re-aged or modified following six full months' worth and timely contractual payments received. ANZ must only offer this type of arrangement once in 12 months or twice within five years. Serviceability arrangement must not exceed 12 months duration for secured products and six months duration for unsecured products and requires the customer to update a statement of financial position to assess eligibility.

A successful serviceability arrangement occurs when the following terms are met:

- Account must have at least six months' worth of consecutive payments in full,
- Account on book no less than nine months at the commencement of the serviceability period,
- Account must be less than 180 days past due at the conclusion of the serviceability period,
- Regular scheduled payments must be met, without any repayment 'holidays' being offered.



10.9.2 Loan Modification – Capitalisation and Term Extension

Arrears on Mortgages, SBB Loans and Asset Finance products can be cured via a Term Extension (e.g. extend loan by 3 months keeping repayments flat) or Loan Capitalisation (i.e. spreading arrears over remaining term – repayments increase). This is subject to six months serviceability (outlined above) and a stress test of the customers financial situation by applying a loaded rate 50bps above the customers interest rate at the time the loan modification is being considered (unless NCC assessment requirements apply in which case NCC must be followed). Where a customer is found not to have positive UMI at the loaded rate, Collections & Hardship should explore whether the customer is able to make a reduction in their discretionary expenses so as to allow them to achieve a positive UMI position, if this is not possible, other treatment paths to cure arrears should be explored with the customer. Where these options are exhausted, Collections & Hardship may consider utilising the Financial Hardship Budget to assist the customer through a potential interest rate reduction or other form of assistance – subject to CAD.

The modification of the loan must also meet the following criteria:

- Loan modification has not been provided in the last year and twice in the past five years,
- Maximum term extension cannot exceed the current days past due,
- Term extensions can be extended to a maximum of six months,
- LMI account eligible for payment deferral only – no term extension,
- No additional funds may be advanced to finance unpaid interest or fees.

Should a customer fail to meet the criteria above, the customer's arrears may still be capitalised or term extended at the approval of a CAD holder. Any exceptions must be reported as an exception.

10.9.3 Refinance and Debt Consolidation

Refinance is a treatment option available to Asset Finance, Small Business Banking (SBB), Mortgages & Personal Loan customers. Applicable interest rates may be lowered (but not below commercially available), subject to serviceability.

Asset Finance – Loan are arrears can be refinanced over a seven year term.

SBB - Existing debt can be refinanced over new loan term up to 25 years or existing debt can be consolidated.

Mortgages - Existing debt can be refinanced over new loan term up to 30 years.

Personal Loan - Existing debt can be refinanced over new loan term up to seven years.

10.9.4 Automatic Credit Card Re-Aging

The following criteria must be met for a Credit Card to be re-aged automatically in Vision Plus.

- Full six months' worth of repayments has been met by the end of the serviceability period;
- Customer has satisfied at least three full months of the six monthly repayments;
- A payment has been received in the last 60 days;
- The six payments must prevent the account from slipping to the next delinquency bucket;
- Account on book no less than nine months at the commencement of the serviceability period;
- Account must be less than 180 days past due at the conclusion of the serviceability period;
- Account can only be re-aged once in twelve months and no more than twice in five years.

10.9.5 Manual Credit Card Re-Aging

Credit Cards may be re-aged manually in certain circumstances. Manual re-aging is reserved for specialised circumstances and must be approved by a team leader or higher officer within Collections Operations. It is permitted in the following circumstances:

- Delinquency was caused by disputed or fraudulent transactions found in the customer's favour.



- Customer has pre-funded the credit card account (e.g. to travel overseas) in order to skip payment and the customer was not aware that pre-funding will still require payment as per usual.
- Incorrect set up of CardPay Direct where payment failed to draw. Re-aging will be executed, whilst customer is required to make manual payment.
- Any Bank error resulting in the delay of cheque processing. Re-aging should be executed following presented cheque payment.
- In the case of a deceased estate, following clarification on whether the estate is insolvent.

Any exceptions must be referred to the team leader or higher officer and be included in the exception reporting.

10.10 Financial Hardship Completion

When a customer has received Financial Hardship Assistance, a customer is no longer in financial hardship when the following occurs:

- The customer has successfully adhered to the terms of their Financial Hardship Assistance and does request a serviceability arrangement or
- The customer has successfully adhered to the terms of their Financial Hardship Assistance, fulfilled the successful terms of a serviceability arrangement and is eligible for an loan modification or
- The customer is unable to find a resolution to their financial hardship event after the financial hardship assistance period has concluded, or
- The customer has broken the financial hardship assistance arrangement.

Extensions to the FHA period may be permitted and are subject to terms outlines in section 10.7 Financial Hardship Assistance – Extension Eligibility. Requests for additional hardship assistance should be assessed and may only be granted for a subsequent non-related hardship event, unless otherwise approved by a relevant CAD holder. Collections & Hardship are required to ensure that any system hardship statuses are removed once the financial hardship assistance period as concluded.

11 FHA Performance Tracking and Monitoring

Retail Risk and Collections & Hardship must regularly review the quality of the Financial Hardship portfolio through a variety of key risk reports. Regular monitoring in conjunction with cross functional forums between Retail Risk and Collections & Hardship must occur on a regular basis to monitor the overall health of the hardship portfolio.

Retail Risk and Collections & Hardship must be able to identify and quantify all key collection metrics, including but not limited to overall delinquency profiles, adherence to hardship strategy, trigger reporting, governance monitoring, collections effectiveness and exception reporting.

Collections & Hardship must provide customers in hardship with ongoing assistance. This includes at a minimum, speaking regularly to customers to ensure that their FHA remains relevant for their situation and assessing whether other arrangements may be relevant.



Appendix

1 Definitions

Arrears: An account is in arrears when a customer misses a scheduled minimum monthly payment of principal, interest or any related fees.

Capitalisation of Arrears: Capitalisation occurs when a closed end loan has arrears formally added to the loan balance and payments re-amortised over the remaining contract term. Repayments under capitalisation will generally increase the minimum monthly payment unless interest concurrently declines. Capitalisation of arrears is often referred to as a loan modification (contract variance).

Charge-Off, Recoveries and Write-off:

Charge-off refers to the event moving a receivable from on-balance sheet to off-balance sheet. Once an account is charged off, the balance remains static and no further interest or fees will accrue. A charged off account is never reinstated, even if the customer pays out the outstanding balance OR clears the outstanding arrears.

For secured loans, charge-off must be considered if at least one of the following criteria is met:

1. The secured residential property is sold.
2. The debt, or a portion of the debt, is deemed unrecoverable.

For Unsecured loans, charge-off must be considered if at least one of the following criteria is met:

3. The account is aged beyond 180DPD
4. The debt, or a portion of the debt, is deemed unrecoverable.

After charge-off, the account is managed through the recovery process.

Recoveries (or bad debt recovery) includes the following:

- Any repayment recovered on an account that has been charged-off, either by the internal debt recovery team or an external debt collection agency.
- Sale proceeds received when a charged off debt is sold to an external party as part of a forward flow agreement (presume no need to explain forward flow agreements are pre-existing commitments to sell charged-off debt meeting specific criteria for a specific price for a specific period?)
- Inventory sale proceeds received when a pool of charged off debt is sold to an external party as part of an inventory debt sale.

Post charge-off recovery activity is generally subject to a 7 year statute of limitation.

Once enforceable security has been realised, a debt or part of debt should be **written off**, if on the basis of commercial assessment, there is no reasonable expectation of further recovery. At this point, the relevant account balance is removed from ANZ's systems. Write-off (including partial write offs) are subject to approval by a CAD holder (or divisional credit requirement) explicitly authorised to approve write-offs.

Confirmation of Payment Arrangement Letter: Issued where a customer enters into a payment arrangement with ANZ detailing the terms of the arrangement.



Default Notice (s88): A default notice is a legal notice required by the National Consumer Credit Act to be issued in order to accelerate a debt when a default has occurred. The notice details the full amount of arrears including fees outstanding and demands the arrears be cleared in 30 days. Should a customer fail to comply with the notice, this will result in the total amount outstanding being accelerated and the commencement of the legal enforcement.

Excess: An excess is a drawing of credit initiated by 1) the customer, 2) the third party acting under the authority from the customer, 3) the third party acting on behalf of the customer or 4) ANZ.

Financial Hardship: Financial hardship can occur when a customer faces an external, unforeseen event that impacts a customer's ability to provide for their current living expenses and financial obligations. This includes circumstances such as the death of a family member, family disruption, illness or injury impacting income, involuntary unemployment, natural disaster.

Forbearance: Forbearance is a formal agreement between ANZ and the customer to not exercise the legally enforceable right of repossession for a period of time.

Repossession: The action of taking possession of a mortgaged property when the mortgagor fails to maintain their mortgage repayments.

Impairment: APRA considers any facility 'Impaired' where there is doubt over the timely collection of the full amount of cash flows contractually due to be received by the bank.

Individual Provision: When a facility is considered 'Impaired' an Individual Provision (IP) is raised to cover the expected loss or potential shortfall on a doubtful debt. The amount of IP raised represents the estimated loss on the account where there is doubt over the timely collection of payments due from the customer.

Indulgence: Indulgence is an extension of time for a payment of arrears.

Letter of Demand (6Q Letter): A letter of demand reiterates the full credit facility drawn is now due and payable and that failure to pay will cause ANZ to commence enforcement and default listing may commence. The Demand letter issued no earlier than 37 days following the issuance of the default notice and is valid for 7 days from the time it is received.

Loan Modification: Arrears on Mortgages, SBB Loans and Asset Finance products can be cured via Loan Extension (e.g. extend loan by 3 months keeping repayments flat) or Loan Capitalisation (i.e. spreading arrears over remaining term – repayments increase), subject to six months serviceability.

Inventory Sale: A one-off sale of debt.

Natural Cure: A natural cure is achieved when the customer pays all past due amounts without any modification of the contract terms or conditions.

On-going Sale: Regular sale of debt that occurs each month, subject to contractual conditions.

Payment Deferral: A Loan Deferral may occur when a closed end loan is in arrears and a lump sum payment in the future is agreed on, to clear the arrears. Interest, fees and charges continue to accrue. There is no modification to the contract.

Pre-Default Listing Warning Letter (21D): The Pre-default listing warning letter advises a defaulted customer that ANZ intends to default list them unless they take steps to repay the outstanding balance or enter an acceptable repayment plan within 14 days. The 21D can be issued no earlier than 30 days after the expiration of the letter of demand. The 21D requirement specifically applies to the Consumer Cards and Personal Loans defaults.

Refinance: New loan that replaces the outstanding balance on an older loan, and is paid over a longer period, usually with a lower instalment amount.



Restructure: A restructured item is a facility in which the original contractual terms have been modified to provide for concessions of interest, or principal, or other payments due, or for an extension in maturity for a non-commercial period for reasons related to the financial difficulties of an entity.

Solicitor's Letter: Issued to Asset Finance customers following the default notice which informs the customer that legal proceedings may commence or a mercantile agent may be appointed to recover the debt. It also serves as notice that the customer may be listed with the credit reporting agency.

Statement of Claim (SOC): The SOC is a writ issued by the Supreme Court to the defendant (account holder) on behalf the plaintiff (ANZ via external litigator) advising the defendant that the ANZ intends to litigate to recover the full arrears.

Term Extension: A Term Extension occurs when arrears are formally deferred to the end of a contract. Generally the term of the contract will be extended by the exact number of months of outstanding arrears. Term Extensions are primarily used to avoid increasing minimum monthly payments. A Term Extension is also considered a loan modification (contract variance).

Write-off: The point in time all Collection efforts have been exhausted and the bank recognises the balance (or part of the balance) as uncollectible and has extinguished the debt (or part of the debt).

2 Glossary

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| APRA | Australian Prudential Regulatory Authority |
| ANZ | Australia & New Zealand Bank |
| ARC | Australian Risk Committee |
| CAD | Credit Approval Discretion – the amount of credit an officer has authority to control |
| CAMO | Customer Account Management Optimisation - new optimisation system |
| CCR | Comprehensive Credit Reporting |
| Collections Operations | Department within Collections & Hardship responsible for executing collections treatments |
| Charge-Off | The point in time the bank recognises a credit loss |
| CRO | Chief Risk Officer |
| CROP | Credit Risk Operating Loss |
| CTA | Collection Tracking and Analysis – Collections System |
| Delinquency | Any accounts that are past due on their payment and not charged-off |
| DDA | Direct Deposit Account |
| DPD | Days past due |
| EDR | External Dispute Resolution |
| EPD | Early Payment Delinquency – accounts that have missed a payment in their first 12 months on book. |
| FITS | Fair Isaac Transaction Score – Pre Delinquency Score |
| FPD | First Payment Default – No payment made since account opening |
| FXP | Fixed Payment Arrangement |
| GSA | General Security Agreement |
| Hardship | When a customer cannot meet minimum repayments due to a change in circumstances such as injury, illness, relationship breakdown. |
| HEM | Household Expenditure Measure |
| IVR | Interactive Voice Response – automated calling |
| IA | Internal Audit |
| IP | Individual Provision |



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|-------------------------|---|
| ORMMF | ANZ Operational Risk Measurement and Management Framework |
| NLL | Non Lending Loss |
| PIR | Post Implementation Review |
| Power Curve | New Front End Collections System |
| Pre-Delinquency | Customers that are still current however have a high risk of missing a payment |
| PTP | Promise to Pay |
| SEAR | Serviceability Arrangement |
| Secured Lending | ANZ products that are secured by an asset i.e. Mortgages, Asset Finance and Small Business Secured Loans and Overdrafts. |
| SMS | Short Message Service |
| Recovery | Any payment received following charge-off, internally or externally |
| Retail Risk | Department responsible for managing the credit risk of the retail business |
| RFD | Reason for delinquency |
| Roll Rate | Percentage of delinquent accounts rolling from one bucket to the next |
| Power Curve Collections | Collections System |
| Trace | When an account is delinquent and has an unknown address the trace area attempts to locate the customer to obtain payment |
| TriEx | Database consolidating various several internal data sources including customer, account, transaction and payment data |
| UL | Unsecured Lending |
| UMI | Uncommitted Monthly Income |
| Unsecured Lending | ANZ products that are not secured by an asset i.e. Consumer Cards, Personal Loans, Consumer Overdrafts and Small Business Unsecured Loans and Overdrafts. |
| VIP | Very Important Person |
| XDays | 1-29 days past due |