

09

BASEL II  
PILLAR 3

For personal use only



IN ACCORDANCE WITH APS 330

QUARTER ENDED 31 DECEMBER 2009

For personal use only

**Important Notice**

This document has been prepared by Australia & New Zealand Banking Group Ltd (ANZ, or the Group) to meet its disclosure obligations under the Australian Prudential Regulation Authority (APRA) APS 330 Capital Adequacy: Public Disclosure of Prudential Information.

This disclosure was prepared as at 31 December 2009. ANZ has a continuous disclosure policy, under which ANZ will immediately notify the market of any material price sensitive information concerning the Group, in accordance with legislative and regulatory disclosure requirements.

**Table 16 Capital adequacy: Risk Weighted Assets and Capital ratios**

	Risk Weighted Assets		
	December 2009 \$M	September 2009 \$M	March 2009 \$M
<b>Subject to Advanced Internal Ratings-Based (Advanced IRB) approach</b>			
Corporate	112,301	116,153	136,559
Sovereign	2,142	1,408	1,402
Bank	5,722	5,592	10,374
Residential Mortgage	36,789	36,725	35,932
Qualifying Revolving Retail	6,894	6,852	8,900
Other Retail	17,462	17,108	14,905
<b>Credit risk weighted assets subject to Advanced IRB approach</b>	<b>181,310</b>	<b>183,838</b>	<b>208,072</b>
<b>Credit risk weighted assets for Specialised Lending subject to slotting</b>	<b>25,225</b>	<b>24,272</b>	<b>25,362</b>
<b>Subject to Standardised approach</b>			
Corporate	14,113	13,531	15,594
Sovereign	-	-	-
Bank	13	13	21
Residential Mortgage	431	411	467
<b>Credit risk weighted assets subject to Standardised approach</b>	<b>14,557</b>	<b>13,955</b>	<b>16,082</b>
Credit risk weighted assets relating to Securitisation exposures	3,507	2,658	3,364
Credit risk weighted assets relating to Equity exposures	1,694	1,914	1,707
Other assets	3,410	3,174	3,183
<b>Total credit risk weighted assets</b>	<b>229,703</b>	<b>229,811</b>	<b>257,770</b>
Market risk weighted assets	3,712	3,553	5,632
Operational risk weighted assets	16,166	16,240	17,480
Interest rate risk in the banking book weighted assets	4,379	2,465	-
<b>TOTAL RISK WEIGHTED ASSETS</b>	<b>253,960</b>	<b>252,069</b>	<b>280,882</b>
<b>Capital ratios (%)</b>			
Level 2 Total capital ratio	13.4%	13.7%	11.0%
Level 2 Tier 1 capital ratio	10.5%	10.6%	8.2%

**Risk Weighted Assets (RWA)**

Total RWA increased by \$1.9 billion (0.8%) in the December quarter, mainly due to an increase in Interest Rate Risk in the Banking Book (IRRBB) of \$1.9 billion - as described below.

**Credit Risk Weighted Assets**

Credit RWA remained relatively flat over the December quarter, decreasing by \$0.1 billion. There was some changes in volume mix which was largely offset by a small amount of credit deterioration over the period.

Corporate RWA decreased by \$3.9 billion (3.3%) due to declining exposures (3.3%), exchange rate impacts and reclassification of certain exposures into Specialised Lending. Specialised Lending RWA increased by \$1.0 billion (3.9%) due to reclassification of certain exposures from the Corporate asset class. Securitisation RWA increased by \$0.9 billion due to the re-rating of some exposures by external rating agencies.

**Market Risk, Operating Risk and IRRBB Risk Weighted Assets**

Market Risk and Operating Risk RWA remained relatively stable over the quarter. The increase of \$1.9 billion in IRRBB was due to a reduction in embedded gains over the quarter following realisation of prior gains and an increase in global term yields.

**Table 17 Credit risk exposures** <sup>1 2 3 4 5</sup>**Table 17(a) part (i): Period end and average regulatory credit exposure by measurement approach**

	December 2009 \$M	September 2009 \$M	March 2009 \$M	Average for the quarter ended 31 December 2009 \$M
<b>Advanced IRB</b>				
Corporate	159,381	162,875	192,464	161,128
Sovereign	36,755	28,618	21,553	32,687
Bank	29,223	29,444	48,847	29,334
Residential Mortgage	204,767	201,581	195,432	203,174
Qualifying Revolving Retail	20,040	19,820	23,604	19,930
Other Retail	28,515	28,651	27,073	28,583
<b>Total Advanced IRB</b>	<b>478,681</b>	<b>470,989</b>	<b>508,973</b>	<b>474,835</b>
<b>Specialised Lending (subject to slotting criteria)</b>	<b>26,951</b>	<b>25,192</b>	<b>25,409</b>	<b>26,072</b>
<b>Standardised</b>				
Corporate	14,113	13,531	15,594	13,822
Sovereign	-	-	-	-
Bank	16	15	29	16
Residential Mortgage	1,185	1,150	1,325	1,168
<b>Total Standardised</b>	<b>15,314</b>	<b>14,696</b>	<b>16,948</b>	<b>15,005</b>
<b>Total Exposure</b>	<b>520,946</b>	<b>510,877</b>	<b>551,330</b>	<b>515,912</b>

**Table 17(a) part (ii): Period end and average regulatory credit exposure by facility type**

Credit Exposure by Facility Type	December 2009 \$M	September 2009 \$M	March 2009 \$M	Average for the quarter ended 31 December 2009 \$M
Acceptances	17,274	17,850	19,161	17,562
Cash and liquid assets	16,929	18,402	19,039	17,666
Contingents liabilities, commitments, and other off-balance sheet exposures	104,640	103,557	119,835	104,099
Creditors & Other Liabilities	42	378	130	210
Derivatives	13,843	13,912	29,653	13,878
Due from other financial Institutions	7,508	3,207	3,776	5,358
Investment Securities	17,434	14,758	14,127	16,096
Loans & Advances	327,391	326,272	333,093	326,832
Other assets	627	432	1,581	530
Total deposits & other borrowings	240	240	199	240
Trading Securities	15,018	11,869	10,736	13,444
<b>Total Exposure</b>	<b>520,946</b>	<b>510,877</b>	<b>551,330</b>	<b>515,912</b>

<sup>1</sup> In accordance with APS 330, regulatory credit exposure in Table 17(a) does not include Equities, Other Assets or Securitisation exposures.

<sup>2</sup> Table 17(a) part (i) has been reformatted to split out the Specialised Lending previously disclosed within Corporate.

<sup>3</sup> Specialised Lending subject to slotting approach exposures are those where the main servicing and repayment is from the asset being financed, and includes specified commercial property development/investment lending, project finance and object finance.

<sup>4</sup> Standardised exposures to all private sector counterparties other than Banks and Residential Mortgages have been classified in the Corporate category as they do not meet the requirement for other Advanced IRB asset classes. The main types of Standardised exposures are business lending and other personal lending.

<sup>5</sup> The period averages are calculated as the simple average of the last two quarters closing balances.

Table 17(b): Impaired assets, Past due loans, Provisions and Write-offs by Industry sector <sup>6 7 8 9</sup>

	Impaired Derivatives \$M			Impaired Loans / Facilities \$M			Past due loans $\geq$ 90 days \$M			Individual provision balance \$M			Charges for individual provision \$M			Write-offs \$M		
	December 2009	September 2009	March 2009	December 2009	September 2009	March 2009	December 2009	September 2009	March 2009	December 2009	September 2009	March 2009	3 months ending Dec-09	6 months ending Sep-09	6 months ending Mar-09	3 months ending Dec-09	6 months ending Sep-09	6 months ending Mar-09
<b>Portfolios subject to IRB approach</b>																		
Corporate	69	127	254	4,664	4,499	3,238	480	511	432	975	1,018	987	295	731	1,035	334	671	429
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank	-	-	-	47	98	7	-	-	-	29	44	4	(6)	41	4	8	(3)	30
Residential Mortgage	-	-	-	469	425	279	770	805	879	204	169	86	53	114	48	16	32	14
Qualifying Revolving Retail	-	-	-	-	-	-	71	70	77	-	2	1	56	120	108	67	138	124
Other retail	-	-	-	313	316	294	154	159	159	219	229	226	93	238	221	108	245	170
<b>Total IRB approach</b>	<b>69</b>	<b>127</b>	<b>254</b>	<b>5,493</b>	<b>5,338</b>	<b>3,818</b>	<b>1,475</b>	<b>1,545</b>	<b>1,547</b>	<b>1,427</b>	<b>1,462</b>	<b>1,304</b>	<b>491</b>	<b>1,244</b>	<b>1,416</b>	<b>533</b>	<b>1,083</b>	<b>767</b>
<b>Portfolios subject to Standardised approach</b>																		
Corporate	-	-	-	86	110	81	57	43	39	58	57	36	20	53	33	12	22	16
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgage	-	-	-	23	20	5	12	9	-	9	7	1	2	4	-	-	1	-
<b>Total Standardised approach</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>130</b>	<b>86</b>	<b>69</b>	<b>52</b>	<b>39</b>	<b>67</b>	<b>64</b>	<b>37</b>	<b>22</b>	<b>57</b>	<b>33</b>	<b>12</b>	<b>23</b>	<b>16</b>
<b>Total</b>	<b>69</b>	<b>127</b>	<b>254</b>	<b>5,602</b>	<b>5,468</b>	<b>3,904</b>	<b>1,544</b>	<b>1,597</b>	<b>1,586</b>	<b>1,494</b>	<b>1,526</b>	<b>1,341</b>	<b>513</b>	<b>1,301</b>	<b>1,449</b>	<b>545</b>	<b>1,106</b>	<b>783</b>

<sup>6</sup> Impaired derivatives include a credit valuation adjustment (CVA) of \$62 million, being a market assessment of the credit risk of the relevant counterparties (September 2009: \$64 million; March 2009: \$70 million).

<sup>7</sup> Impaired loans / facilities include restructured items of \$662 million for customer facilities in which the original 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 a customer (September 2009: \$673 million; March 2009: \$17 million).

<sup>8</sup> Past due loans  $\geq$  90 days includes \$1,414 million well secured loans (September 2009: \$1,462 million; March 2009: \$1,440 million).

<sup>9</sup> September and March 2009 comparatives restated to reflect reclassification of certain exposures between asset classes.

**Table 17(c): General Reserve for Credit Losses** <sup>10</sup>

	December 2009 \$M			September 2009 \$M		
	Specific Provision Balance	General Reserve for Credit Losses	Total	Specific Provision Balance	General Reserve for Credit Losses	Total
Collective Provision	195	2,846	3,041	186	2,814	3,000
Individual Provision	1,494	-	1,494	1,526	-	1,526
<b>Total Provision for Credit Impairment</b>			<b>4,535</b>			<b>4,526</b>

<sup>10</sup> There is a difference in the split between ANZ's Individual Provision and Collective Provision for accounting purposes and Specific Provision and General Reserve for Credit Losses (GRCL) for regulatory purposes, due to definitional differences. This difference does not impact total provisions, and essentially relates to the classification of collectively assessed provisions on defaulted accounts. The disclosures in Table 17(b) are based on Individual Provision and Collective Provision, for ease of comparison with other published results.

For personal use only

For personal use only

[anz.com](https://anz.com)

Australia and New Zealand Banking Group Limited  
ABN 11005357522

