

2011

BASEL II PILLAR 3 DISCLOSURE

A stylized map of the ANZ region (Australia, New Zealand, and parts of Asia) is shown in a light blue color against a darker blue background. The map covers the area from the Indian Ocean to the Pacific Ocean, including Australia, New Zealand, and parts of Southeast Asia and the Pacific Islands.

QUARTER ENDED 31 DECEMBER 2011

APS 330: CAPITAL ADEQUACY &
RISK MANAGEMENT IN ANZ

Important notice

This document has been prepared by Australia and New Zealand Banking Group Limited (ANZ) 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 2011. 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.

Scope of application

Top corporate entity

The top corporate entity in the reporting group is Australia and New Zealand Banking Group Limited.

Table 16 Capital adequacy - Capital ratios and Risk Weighted Assets^{1 2}

Risk weighted assets	Dec 11 \$M	Sep 11 \$M	Jun 11 \$M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	102,726	106,120	99,938
Sovereign	4,843	4,365	3,756
Bank	10,049	9,456	7,938
Residential Mortgage	41,798	41,041	41,271
Qualifying Revolving Retail	7,612	7,468	7,525
Other Retail	19,455	19,240	18,799
Credit risk weighted assets subject to Advanced IRB approach	186,483	187,690	179,227
Credit risk Specialised Lending exposures subject to slotting approach	28,545	27,757	27,740
Subject to Standardised approach			
Corporate	25,513	22,832	20,097
Residential Mortgage	1,380	1,457	1,283
Qualifying Revolving Retail	1,968	2,111	1,986
Other Retail	1,170	923	766
Credit risk weighted assets subject to Standardised approach	30,031	27,323	24,132
Credit risk weighted assets relating to securitisation exposures	1,156	1,136	1,247
Credit risk weighted assets relating to equity exposures	1,259	1,399	1,218
Other assets	3,740	3,523	4,100
Total credit risk weighted assets	251,214	248,828	237,664
Market risk weighted assets	2,800	3,046	3,291
Operational risk weighted assets	19,415	19,651	18,448
Interest rate risk in the banking book (IRRBB) risk weighted assets	9,597	8,439	9,027
Total risk weighted assets	283,026	279,964	268,430
Capital ratios (%)			
Level 2 Total capital ratio	12.0%	12.1%	11.8%
Level 2 Tier 1 capital ratio	11.0%	10.9%	10.6%

Credit Risk Weighted Assets (CRWA)

Total CRWA increased by \$2.4 billion (1.0%) from September 2011 to \$251.2 billion. The key impacts on CRWA were an increase of \$2.7 billion (9.9%) in Standardised assets driven by growth in Asian assets, and an increase of \$0.8 billion (1.8%) in IRB Residential Mortgages driven by growth in the Australian business. Offsetting these increases was a decrease of \$3.4 billion (3.2%) in IRB Corporate due to exchange rate impacts, methodology and credit risk changes.

Market Risk, Operational Risk and IRRBB Risk Weighted Assets (RWA)

The first quarter Market RWA was down 8.1% to \$2.8 billion. This was driven by a decrease in VaR and a decrease in commodity standard model risk. IRRBB RWA increased over the quarter to \$9.6 billion due to greater repricing and yield curve risk.

¹ Specialised Lending exposures subject to supervisory slotting approach 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.

² Some prior period comparatives have been restated to reflect reclassification between asset classes.

Table 17 Credit risk exposures**Table 17(a): Period end and average Exposure at Default^{3 4 5}**

	Dec 11				
	Risk Weighted Assets \$M	Exposure at Default \$M	Average Exposure at Default for three months \$M	Individual provision charge for three months \$M	Write-offs for three months \$M
Advanced IRB approach					
Corporate	102,726	175,039	174,142	101	126
Sovereign	4,843	57,014	54,777	-	-
Bank	10,049	42,845	42,577	-	-
Residential Mortgage	41,798	237,562	236,222	18	23
Qualifying Revolving Retail	7,612	21,314	21,267	62	74
Other Retail	19,455	29,486	29,525	50	84
Total Advanced IRB approach	186,483	563,260	558,510	231	307
Specialised Lending	28,545	31,456	31,189	77	35
Standardised approach					
Corporate	25,513	24,850	23,847	(9)	2
Residential Mortgage	1,380	2,945	2,850	1	-
Qualifying Revolving Retail	1,968	1,958	2,030	14	18
Other Retail	1,170	1,146	1,021	(21)	7
Total Standardised approach	30,031	30,899	29,748	(15)	27
Total	245,059	625,615	619,447	293	369

³ Exposure at Default in Table 17(a) includes Advanced IRB, Specialised Lending and Standardised exposures, however does not include Securitisation, Equities or Other Assets exposures. Exposure at Default in Table 17(a) is net of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral.

⁴ Average Exposure at Default for quarter is calculated as the simple average of the balances at the start and the end of each three month period.

⁵ Some prior period comparatives have been restated to reflect reclassification between asset classes.

Sep 11					
	Risk Weighted Assets \$M	Exposure at Default \$M	Average Exposure at Default for three months \$M	Individual provision charge for three months \$M	Write-offs for three months \$M
Advanced IRB approach					
Corporate	106,120	173,245	167,277	59	100
Sovereign	4,365	52,540	48,962	-	-
Bank	9,456	42,308	40,161	19	-
Residential Mortgage	41,041	234,882	232,919	20	28
Qualifying Revolving Retail	7,468	21,219	21,158	63	78
Other Retail	19,240	29,563	29,281	66	97
Total Advanced IRB approach	187,690	553,757	539,758	227	303
Specialised Lending	27,757	30,921	30,914	42	45
Standardised approach					
Corporate	22,832	22,844	21,474	(8)	13
Residential Mortgage	1,457	2,754	2,459	4	5
Qualifying Revolving Retail	2,111	2,101	2,044	14	23
Other Retail	923	895	816	(3)	14
Total Standardised approach	27,323	28,594	26,793	7	55
Total	242,770	613,272	597,465	276	403

Jun 11					
	Risk Weighted Assets \$M	Exposure at Default \$M	Average Exposure at Default for three months \$M	Individual provision charge for three months \$M	Write-offs for three months \$M
Advanced IRB approach					
Corporate	99,938	161,308	160,110	91	51
Sovereign	3,756	45,384	41,180	-	-
Bank	7,938	38,013	36,494	13	-
Residential Mortgage	41,271	230,956	228,807	21	16
Qualifying Revolving Retail	7,525	21,096	21,058	67	76
Other Retail	18,799	28,999	28,769	84	76
Total Advanced IRB approach	179,227	525,756	516,418	276	219
Specialised Lending	27,740	30,907	30,057	43	69
Standardised approach					
Corporate	20,097	20,103	20,626	14	3
Residential Mortgage	1,283	2,164	2,054	3	1
Qualifying Revolving Retail	1,986	1,986	1,995	13	18
Other Retail	766	737	657	(5)	5
Total Standardised approach	24,132	24,990	25,332	25	27
Total	231,099	581,653	571,807	344	315

Table 17(b): Impaired assets, Past due loans, Provisions and Write-offs^{6 7 8 9}

	Dec 11					
	Impaired derivatives \$M	Impaired loans/ facilities \$M	Past due loans ≥ 90 days \$M	Individual provision balance \$M	Individual provision charge for three months \$M	Write-offs for three months \$M
Portfolios subject to Advanced IRB approach						
Corporate	67	2,924	252	553	101	126
Sovereign	-	-	-	-	-	-
Bank	-	80	-	51	-	-
Residential Mortgage	-	540	1,068	175	18	23
Qualifying Revolving Retail	-	-	84	-	62	74
Other Retail	-	304	140	187	50	84
Total Advanced IRB approach	67	3,848	1,544	966	231	307
Specialised Lending	11	976	61	256	77	35
Portfolios subject to Standardised approach						
Corporate	-	387	120	178	(9)	2
Residential Mortgage	-	23	4	15	1	-
Qualifying Revolving Retail	-	84	25	83	14	18
Other Retail	-	120	14	85	(21)	7
Total Standardised approach	-	614	163	361	(15)	27
Total	78	5,438	1,768	1,583	293	369

⁶ Impaired derivatives include a credit valuation adjustment (CVA) of \$47 million, being a market value based assessment of the credit risk of the relevant counterparties (September 2011: \$68 million; June 2011: \$72 million).

⁷ Impaired loans / facilities include restructured items of \$884 million for customer facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk (September 2011: \$700 million; June 2011: \$659 million).

⁸ Past due loans ≥ 90 days includes \$1,533 million well secured loans (September 2011: \$1,593 million; June 2011: \$1,971 million).

⁹ Some prior period comparatives have been restated to reflect reclassification between asset classes.

Sep 11						
	Impaired derivatives \$M	Impaired loans/ facilities \$M	Past due loans ≥ 90 days \$M	Individual provision balance \$M	Individual provision charge for three months \$M	Write-offs for three months \$M
Portfolios subject to Advanced IRB approach						
Corporate	25	2,767	206	611	59	100
Sovereign	-	-	-	-	-	-
Bank	-	83	-	53	19	-
Residential Mortgage	-	599	1,150	189	20	28
Qualifying Revolving Retail	-	-	86	-	63	78
Other Retail	-	341	153	210	66	97
Total Advanced IRB approach	25	3,790	1,595	1,063	227	303
Specialised Lending	13	1,106	75	225	42	45
Portfolios subject to Standardised approach						
Corporate	-	401	120	191	(8)	13
Residential Mortgage	-	20	4	14	4	5
Qualifying Revolving Retail	-	91	27	91	14	23
Other Retail	-	135	13	113	(3)	14
Total Standardised approach	-	647	164	409	7	55
Total	38	5,543	1,834	1,697	276	403

Jun 11						
	Impaired derivatives \$M	Impaired loans/ facilities \$M	Past due loans ≥ 90 days \$M	Individual provision balance \$M	Individual provision charge for three months \$M	Write-offs for three months \$M
Portfolios subject to Advanced IRB approach						
Corporate	25	2,907	243	615	91	51
Sovereign	-	-	-	-	-	-
Bank	-	76	-	29	13	-
Residential Mortgage	-	594	1,312	190	21	16
Qualifying Revolving Retail	-	-	102	-	67	76
Other Retail	-	372	173	239	84	76
Total Advanced IRB approach	25	3,949	1,830	1,073	276	219
Specialised Lending	18	1,303	100	229	43	69
Portfolios subject to Standardised approach						
Corporate	-	414	153	204	14	3
Residential Mortgage	-	20	4	10	3	1
Qualifying Revolving Retail	-	90	25	90	13	18
Other Retail	-	142	16	116	(5)	5
Total Standardised approach	-	666	198	420	25	27
Total	43	5,918	2,128	1,722	344	315

Table 17(c): Specific Provision Balance and General Reserve for Credit Losses¹⁰

	Dec 11		Total \$M
	Specific Provision Balance \$M	General Reserve for Credit Losses \$M	
Collective Provision	365	2,716	3,081
Individual Provision	1,583	-	1,583
Total Provision for Credit Impairment			4,664

	Sep 11		Total \$M
	Specific Provision Balance \$M	General Reserve for Credit Losses \$M	
Collective Provision	375	2,801	3,176
Individual Provision	1,697	-	1,697
Total Provision for Credit Impairment			4,873

	Jun 11		Total \$M
	Specific Provision Balance \$M	General Reserve for Credit Losses \$M	
Collective Provision	347	2,837	3,184
Individual Provision	1,722	-	1,722
Total Provision for Credit Impairment			4,906

¹⁰ Due to definitional differences, there is a variation in the split between ANZ's Individual Provision and Collective Provision for accounting purposes and the Specific Provision and General Reserve for Credit Losses (GRCL) for regulatory purposes. This does not impact total provisions, and essentially relates to the classification of collectively assessed provisions on defaulted accounts. The disclosures in this document are based on Individual Provision and Collective Provision, for ease of comparison with other published results.

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