# News Release

For release: 16 August 2019

## ANZ release Pillar 3 for June quarter

ANZ today provided an update on credit quality, capital and Australian housing mortgage flows as part of the scheduled release of its Pillar 3 disclosure statement for quarter ending 30 June 2019 and associated chart pack.

Total provision charge of $209m for the June quarter remained broadly flat compared with the 1H19 quarterly average, while the individual provision increased $68m to $258m. Total loss rate was 13bp (consistent with the 1H19 loss rate of 13bp).

Group Common Equity Tier 1 ratio (APRA Level 2) was 11.8% at the end of June 2019, a ~30bp increase for the June quarter. On a pro-forma basis, inclusive of announced divestments and the recently announced capital changes, ANZ's Level 2 CET1 ratio is 11.5%[1].

As indicated at ANZ's first half result presentation, expectation was for home loan volumes in Australia to decline during the June quarter, with Owner Occupied down 0.2% and Investor down 1.8% (June 2019 compared with March 2019).

Home loan applications improved in July 2019 with actions taken in recent months to clarify credit policy and reduce approval turnaround times having a positive impact.

Commenting on home loan application volumes, ANZ Group Executive Australia Retail & Commercial Mark Hand said: "We have taken action to give our customers greater certainty by improving turnaround times and providing greater clarity to our bankers, mobile lenders and mortgage brokers about our lending policies.

"We are seeing an increase in application volumes following the policy and process changes, the next stage is to maintain that and see it translate into settlements over the coming months," Mr Hand said.

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[1] Taking into consideration RWA impacts from APRA RWA floor on New Zealand mortgage and farm lending portfolio (~-20bp), APRA Counterparty Credit Risk (SA-CCR) changes (~-15bp), APRA operational risk capital changes (-18bp) and announced divestments (OnePath P&I, Cambodia JV and PNG Retail, Commercial and SME business) (~20bp)

# JUNE 2019 BASEL III PILLAR 3 / 3RD QUARTER FY19 CHART PACK

16 AUGUST 2019

AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED

# CAPITAL & FUNDING

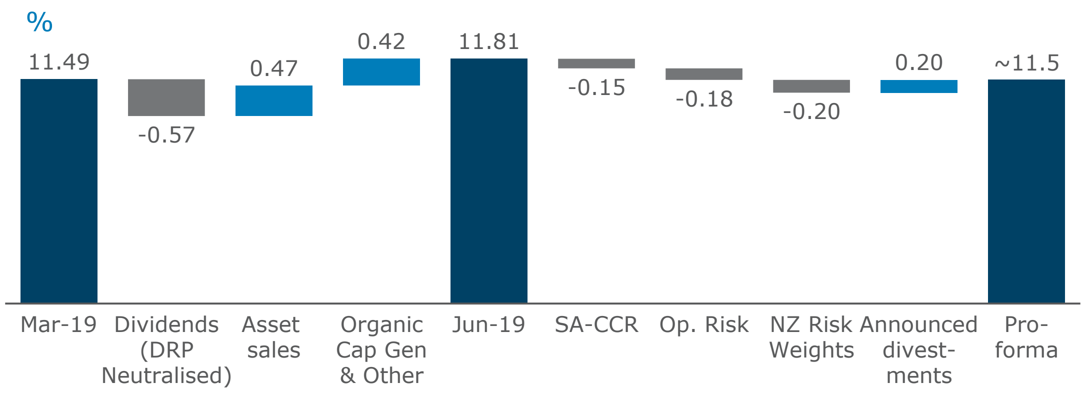
## CAPITAL POSITION

- APRA Level 2 CET1 ratio was 11.8% (June 2019), ~30bp increase for the June quarter. On a pro-forma basis, ANZ's Level 2 CET1 ratio was 11.5% (June 2019)[1]
- APRA Level 1 CET1 ratio was 11.5% (June 2019), ~30bp increase for the June quarter
- Awaiting the outcome of APRA and RBNZ regulatory reviews
- Sale of OnePath Life to Zurich completed May 2019

## TLAC

- APRA has announced that it will require D-SIBs, including ANZ, to increase their Total Capital by 3% of RWA by January 2024. This additional requirement is to be satisfied predominantly with Tier 2 capital
- Based on ANZ's RWA of $396b as at 31 March 2019, the additional 3% equates to an incremental increase of approximately ~$12b of Tier 2 capital
- ANZ completed an AUD$1.75b Tier 2 capital issue in July 2019

## APRA LEVEL 2 CET1 RATIO - CAPITAL MOVEMENT



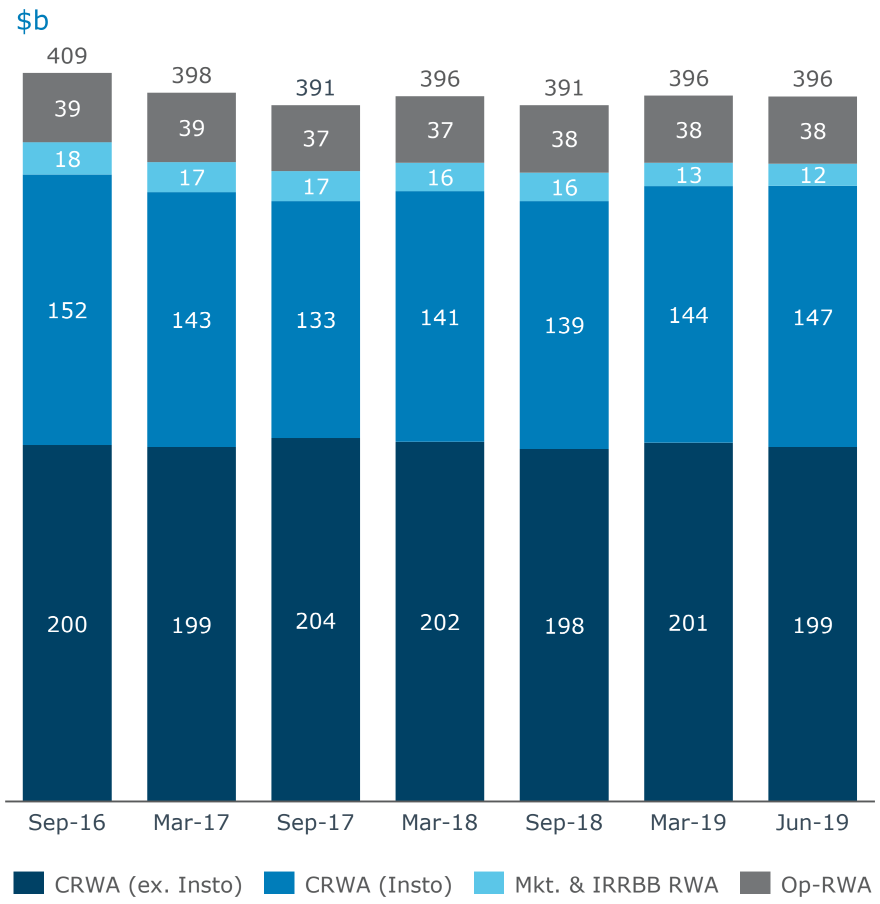

## APRA LEVEL 2 CET1 RATIO


1. Taking into consideration RWA impacts from APRA RWA floor on New Zealand mortgage and farm lending portfolio (~-20bp), APRA Counterparty Credit Risk (SA-CCR) changes (~-15bp), APRA operational risk capital changes (-18bp) and announced divestments (OnePath P&I, Cambodia JV and PNG Retail, Commercial and SME business) (~20bp)

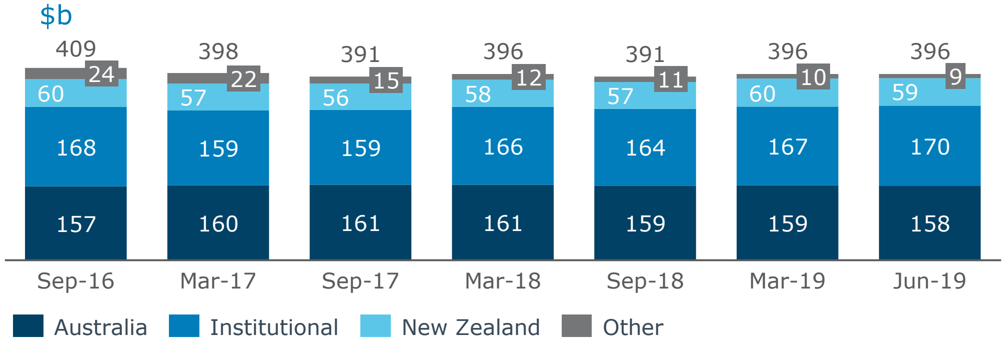
# PORTFOLIO MOVEMENT

## RISK WEIGHTED ASSETS

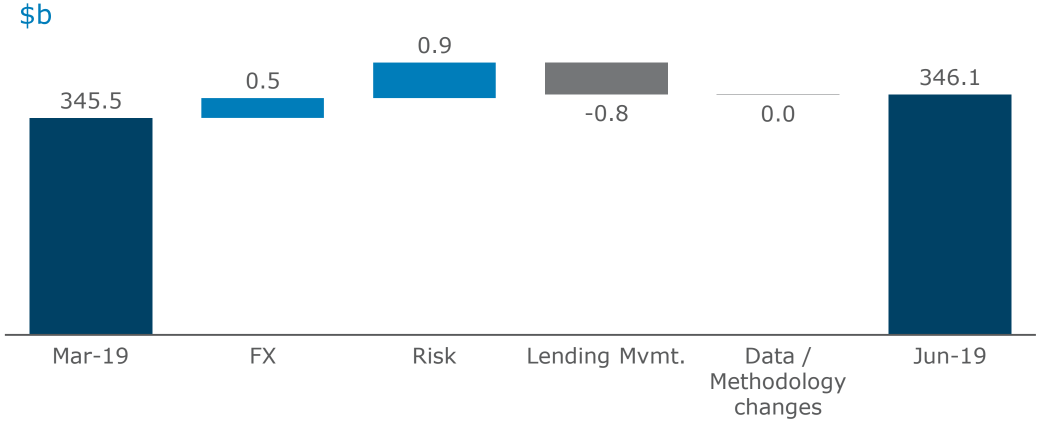
### TOTAL RISK WEIGHTED ASSETS BY CATEGORY




### TOTAL RISK WEIGHTED ASSETS BY DIVISION[1]




### CREDIT RWA MOVEMENT DRIVERS



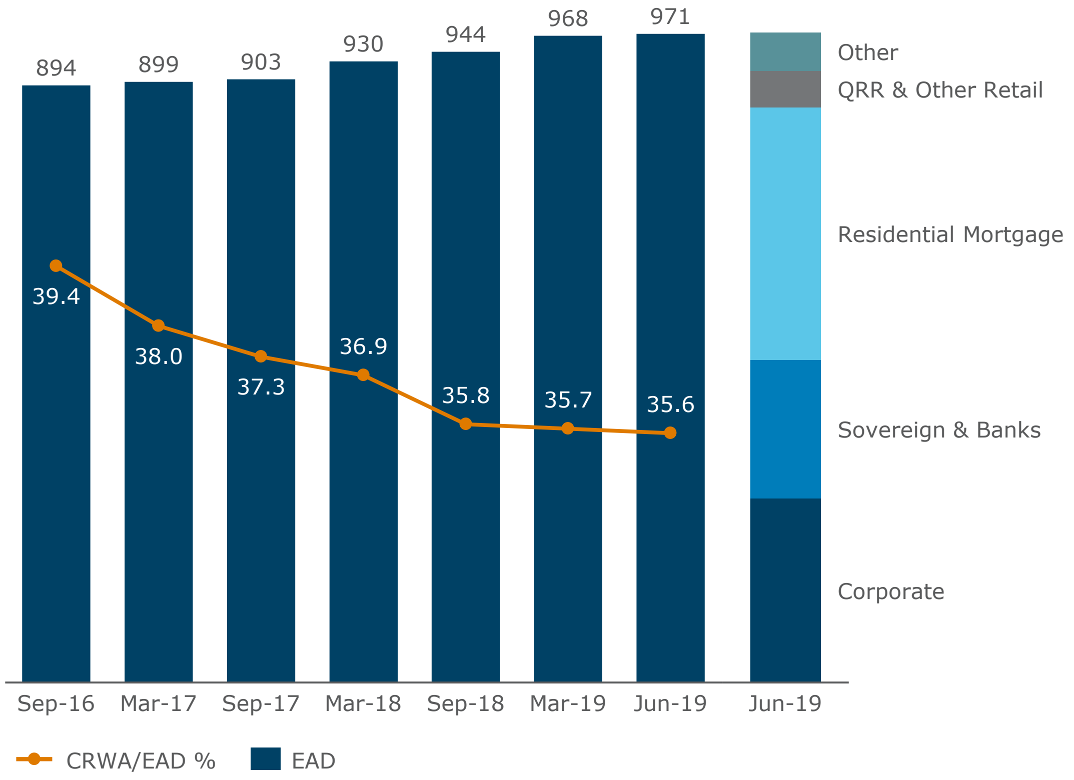

1. Institutional RWAs are inclusive of Corporate Banking, transferred from Australia Division to Institutional in October 2017 and backdated to September 2016 for the purposes of chart time series

# PORTFOLIO MOVEMENT

## CREDIT RISK WEIGHTED ASSETS & EXPOSURE AT DEFAULT (EAD)

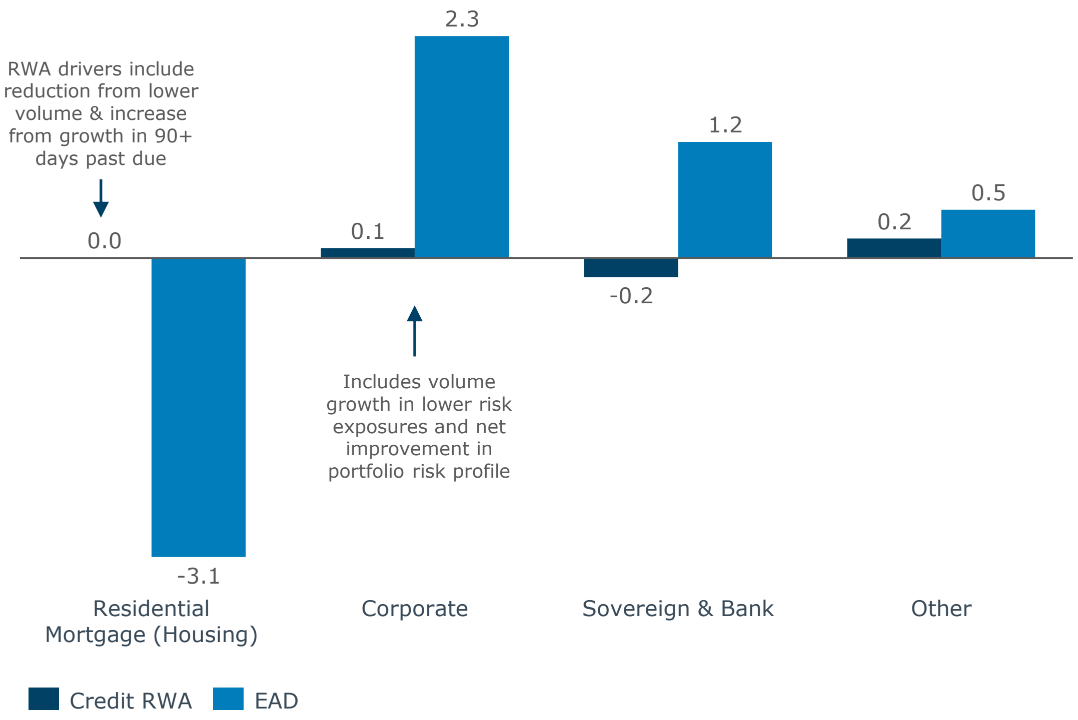
### EXPOSURE AT DEFAULT (EAD) & CRWA/EAD[1]

$b




### CREDIT RWA & EAD MOVEMENT BY ASSET CLASS

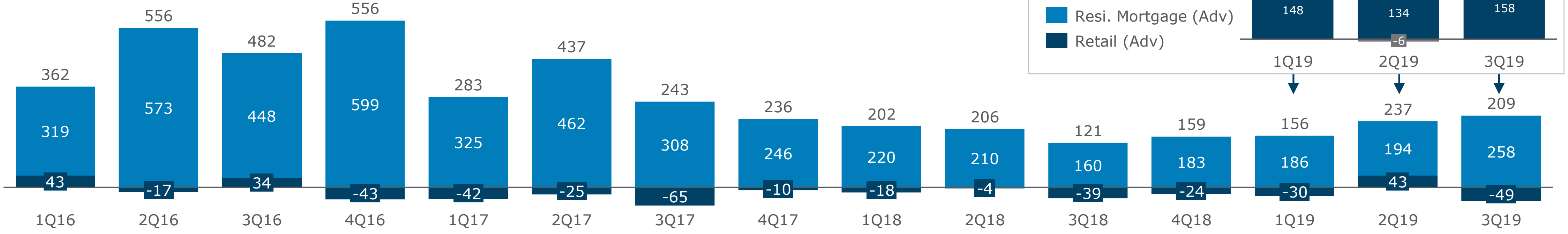
$b (Jun-19 vs Mar-19) FX Adjusted

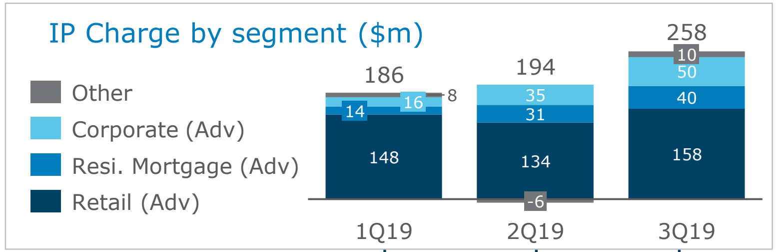



1. EAD excludes Securitisation and Other assets whereas CRWA is inclusive as per APS 330

# CREDIT QUALITY

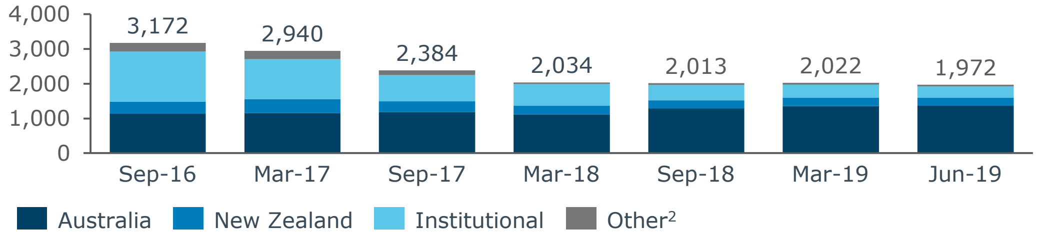
## PROVISION CHARGE



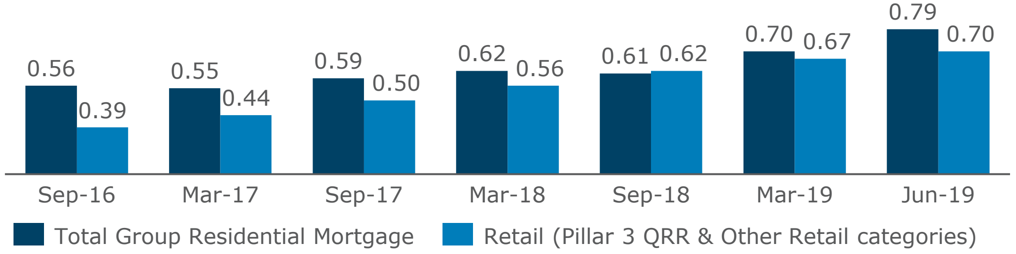




3Q anualised loss rate: 32bp | 22bp | 12bp | 13bp

## GROSS IMPAIRED ASSETS[1]




## 90+ DAYS PAST DUE LOANS[3]



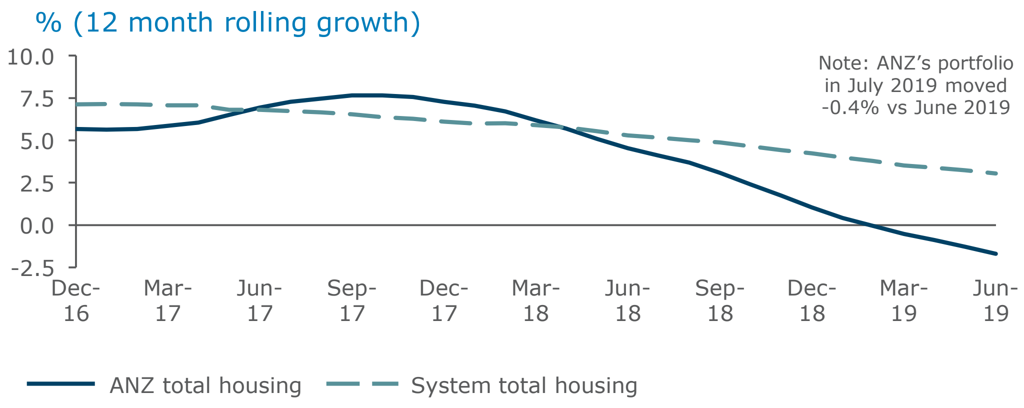

ANZ has commenced implementing revised processes for the identification of impaired assets and a more market responsive collateral valuation methodology for the home loan portfolio in Australia. From July, this will increase the number of home loans being classified as Impaired rather than Past due >= 90 days.

1. Excluding unsecured 90 days past due; 2. Other includes Retail Asia & Pacific and Australia Wealth; 3. As a % of Exposure at Default

# AUSTRALIA HOME LOANS

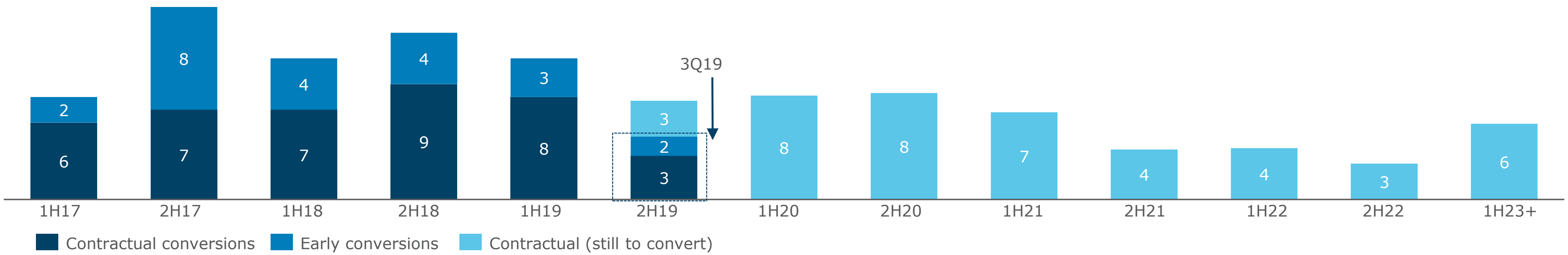
## PORTFOLIO

### ANZ MORTGAGE LENDING[1]




- Housing portfolio reduced 0.7% in 3Q19 with owner occupied loans down 0.2% and investor loans down 1.8%[2] (June 2019 vs March 2019)
- Since 1H19 results, actions have been implemented to deliver greater clarity and consistency in the home loan application and assessment process. Improved clarity and communication of our credit policies and appetite - internally and to brokers - is delivering better application input quality and volumes
- ANZ 'Home loan offer so good' campaign launched July 2019
- These actions have delivered improved turnaround times and higher application volume in July; this will take time to flow into home loan FUM growth

### SWITCHING INTEREST ONLY TO PRINCIPAL & INTEREST




1. Source: APRA Monthly banking statistics. 2. Source: ANZ internal portfolio analysis, excluding Equity Manager accounts

# AUSTRALIA HOME LOANS

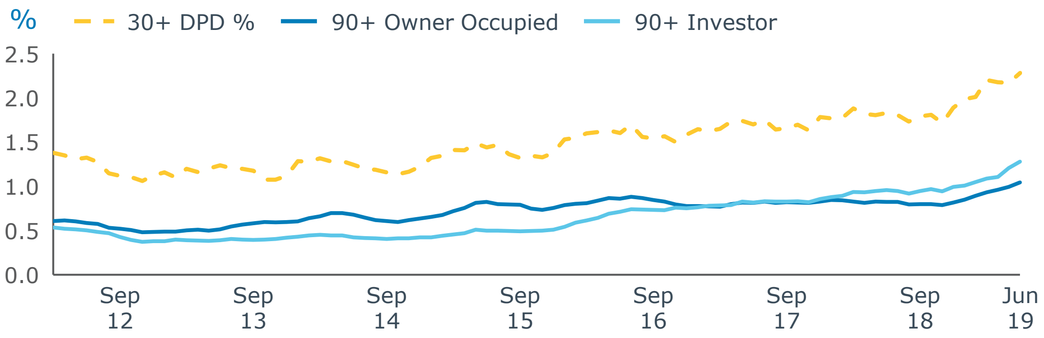
## CREDIT QUALITY

### HOME LOAN - 90+ DAYS PAST DUE (DPD) TRENDS[1]

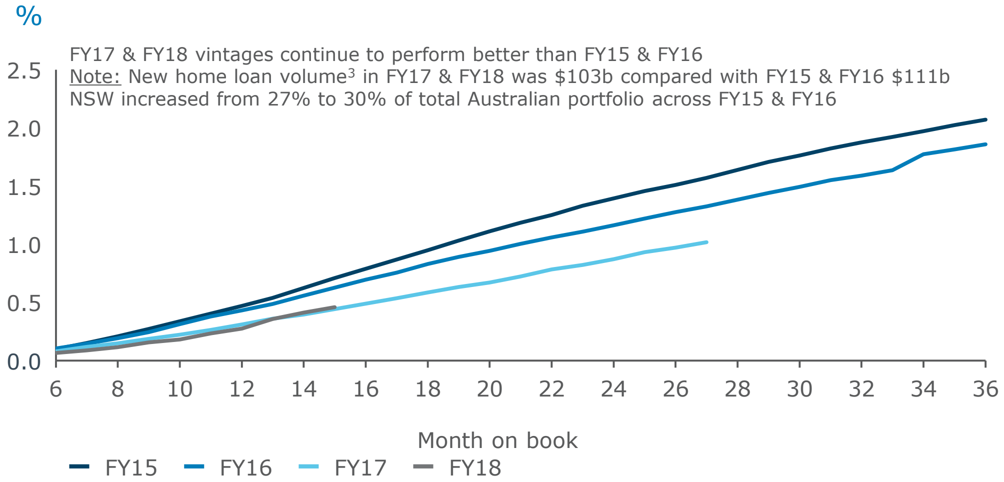
(90+ days past due calculated as percentage of Residential Mortgage GLAs, including Non Performing Loans, consistent with First Half and Full Year reporting)

- In 3Q19, 90+ DPD increased 14bp to 114bp
- On a geographic basis, ~9bp of the movement came from NSW and VIC in aggregate
- On a product basis, ~1/3 of the movement came from Interest Only home loan conversion to Principal & Interest

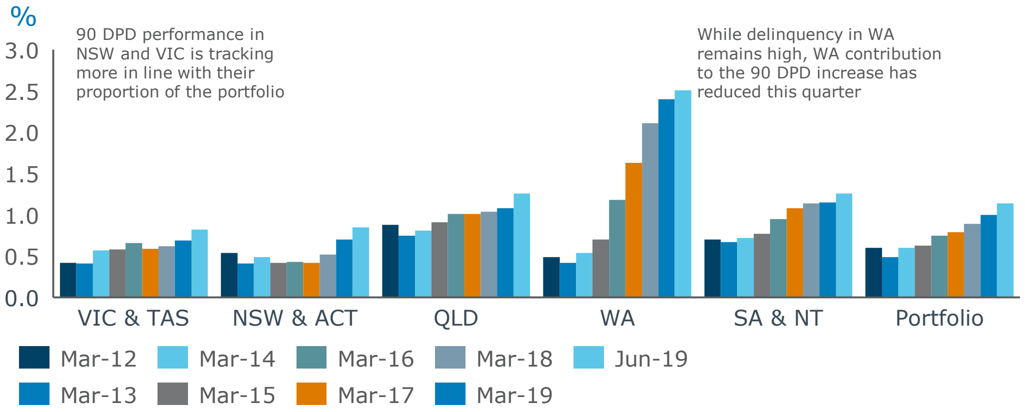
### HOME LOANS – 30+ DAYS & 90+ DAYS PAST DUE[1]




### HOME LOANS – 90+ DAYS PAST DUE2 (BY VINTAGE)

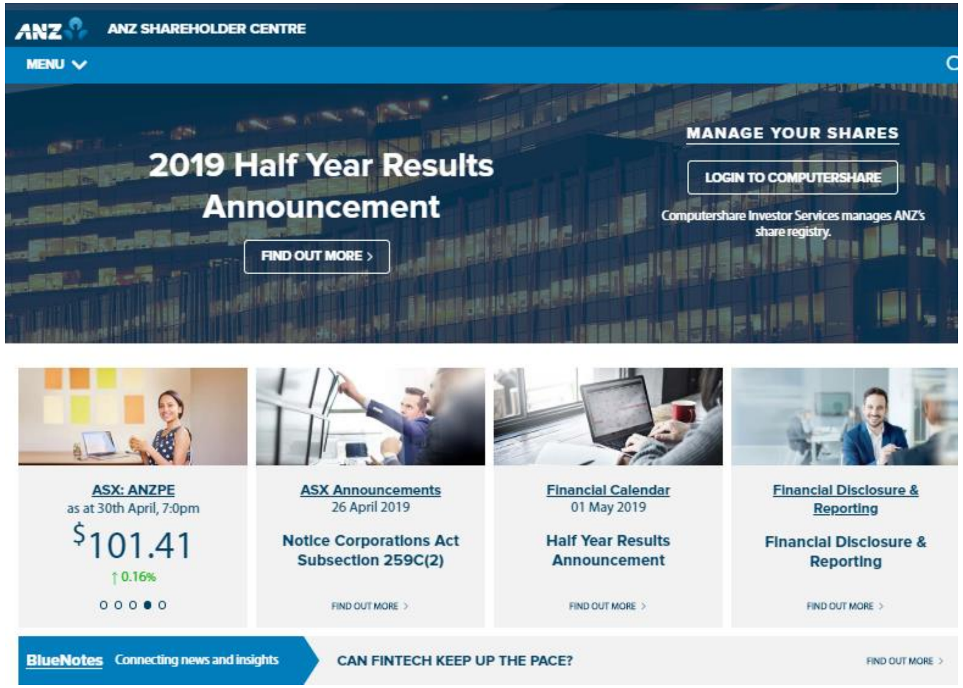



### HOME LOANS – 90+ DAYS PAST DUE1 (BY STATE)




1. As a percentage of Residential Mortgage GLAs. Includes Non Performing Loans. ANZ delinquencies calculated on a missed payment basis. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances
2. Home loans 90+ dpd vintages % ratio of ever delinquent (measured by # accounts) contains at least 6 application months of that fiscal year contributing to each data point.
3. New Home loan volume includes New sales and net Other financial institution refinances

# FURTHER INFORMATION

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