



# DECEMBER 2019 BASEL III PILLAR 3 / 1<sup>st</sup> QUARTER FY20 CHART PACK

U.S. DEBT INVESTOR WEBSITE

20 FEBRUARY 2020

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

To be read in conjunction with 'ANZ Basel III Pillar 3 disclosure as at 31 December 2019'



# OVERVIEW

FINANCIAL INFORMATION CURRENT AS AT 31 DECEMBER 2019

- **Provision charge and Credit Quality (see slides 3, 4 and 5):**

- The total provision charge of \$116 million for 1Q20 was \$40 million lower than for the same quarter FY19 (PCP). The total provision charge decreased \$77 million compared to the preceding quarter driven by a reduction in collective provision charge including from an improved delinquency profile in the Australian mortgage portfolio in 1Q20.
- The individual provision charge at \$165 million was \$21 million lower than PCP. The individual provision ("IP") loss rate of 11bps was 1bps lower than PCP.
- Credit Risk Weighted Assets increased \$6.1 billion which included \$4.2 billion from lending largely in the Corporate asset class and \$1.6 billion from balance sheet recognition of leases arising from the implementation of IFRS 16.
- Management actions over the past three years to de-risk the portfolio, in particular in Institutional, together with benign market conditions have contributed to low loss rate outcomes.
- There have been no material credit impacts observed in the first quarter however, ANZ is maintaining a watching brief on the short to medium term economic impacts arising from unprecedented bushfire activity and more recent flooding together with any emerging impacts from the COVID-19 virus.

- **Capital (see slides 6 and 7):**

- 1Q20 includes payment of the Final Dividend (impact 53bps). The Group Common Equity Tier 1 Capital ratio on an APRA Level 2 basis was 10.9%. On a pro-forma basis<sup>2</sup> ~11.1%.
- The Group Common Equity Tier 1 Capital ratio on an APRA Level 1 basis was 10.9% at the end of the first quarter FY20.

- **Australian Housing (see slides 8 and 9)**

- Actions taken in 1H19 to provide greater certainty for customers by improving turnaround times and providing greater clarity to our bankers, mobile lenders and mortgage brokers about our lending policies, followed by a major marketing campaign saw application volumes increase in the second half of FY19 and stabilise at levels well above the first half average. Work continues on improvements to processes and procedures.
- The Australian Home Loan balance sheet has stabilised, however there are higher levels of amortisation arising from the low interest rate environment and associated increased paydown by those with Principal and Interest loans<sup>1</sup>.
- 90+ delinquency levels have declined from 4Q19, down 8bps to 1.08%, primarily from improvements in WA and NSW.

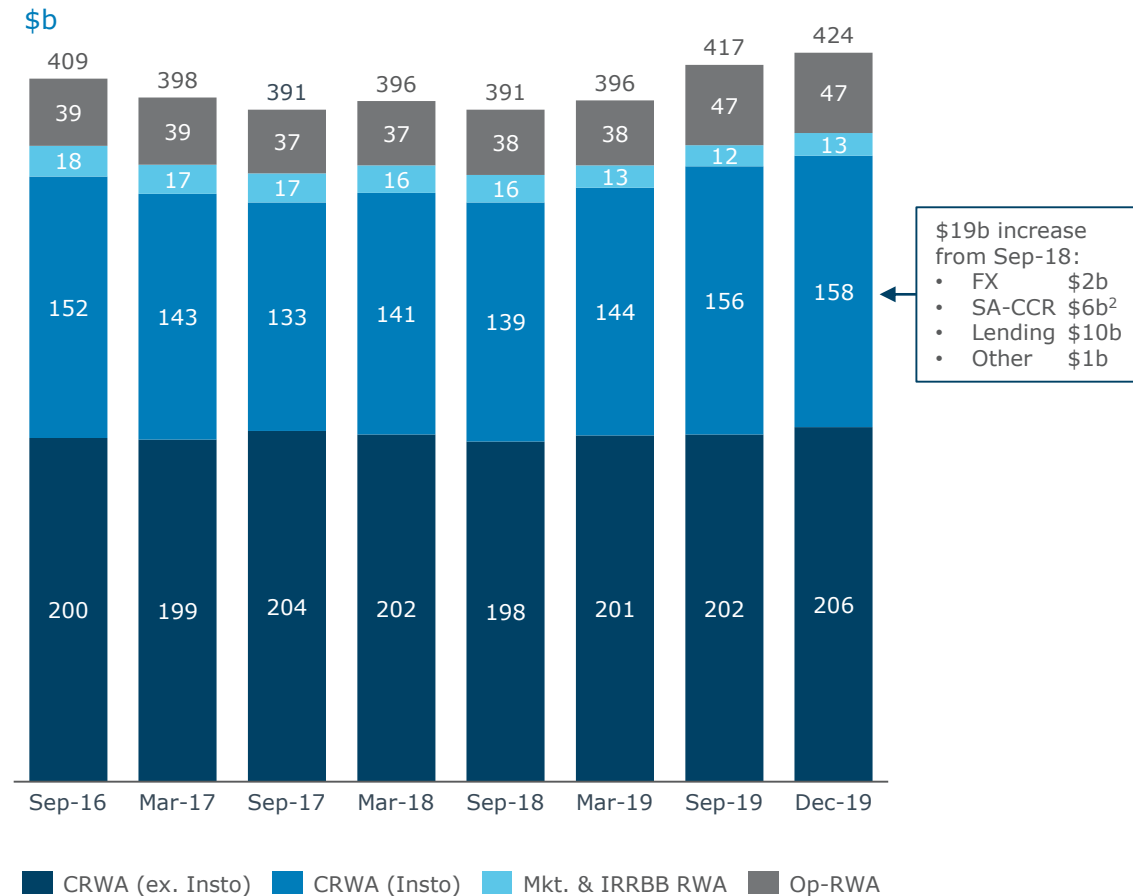
1. Principal & Interest loans comprised 85% of the Australian home loan portfolio as at 30 September 2019

2. Taking into consideration announced divestment benefits (P&I ~20bps)

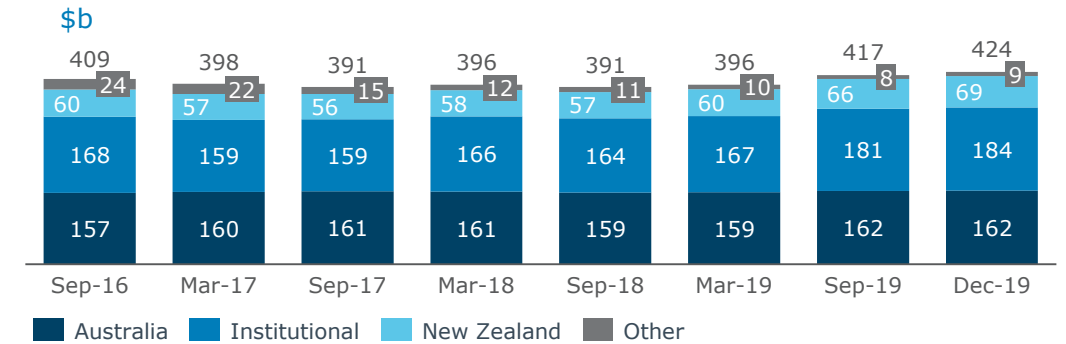
# PORTFOLIO MOVEMENT

## RISK WEIGHTED ASSETS (RWA)

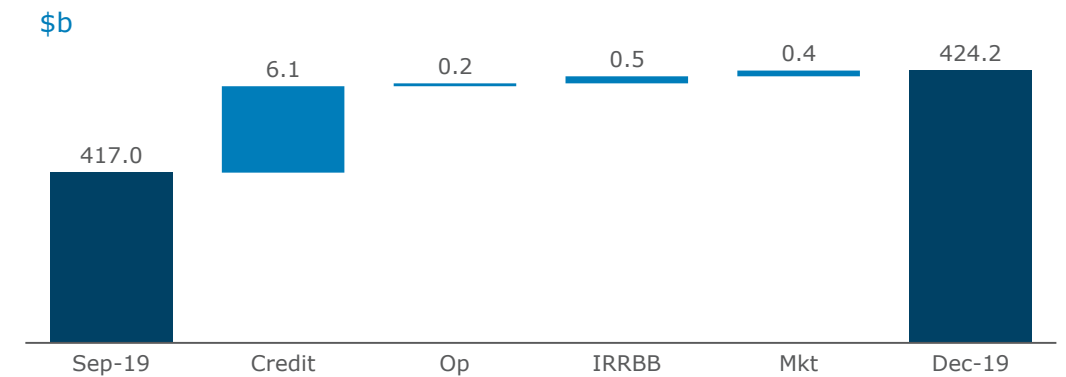
### TOTAL RISK WEIGHTED ASSETS BY CATEGORY



### TOTAL RISK WEIGHTED ASSETS BY DIVISION<sup>1</sup>



### TOTAL RWA MOVEMENT DRIVERS



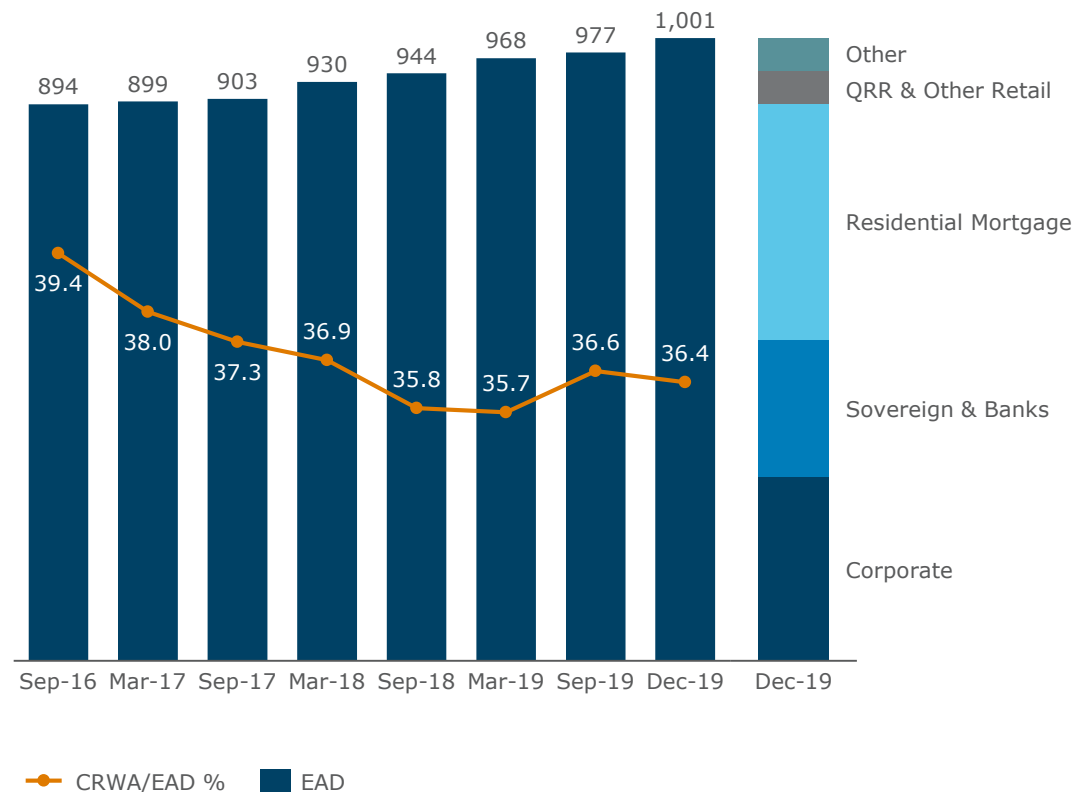
1. Institutional RWAs are inclusive of Corporate Banking, transferred from Australia Division to Institutional in October 2017 and backdated to September 2016 for the purposes of chart time series  
 2. Change to Standardised Approach for measuring Counterparty Credit Risk

# PORTFOLIO MOVEMENT

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

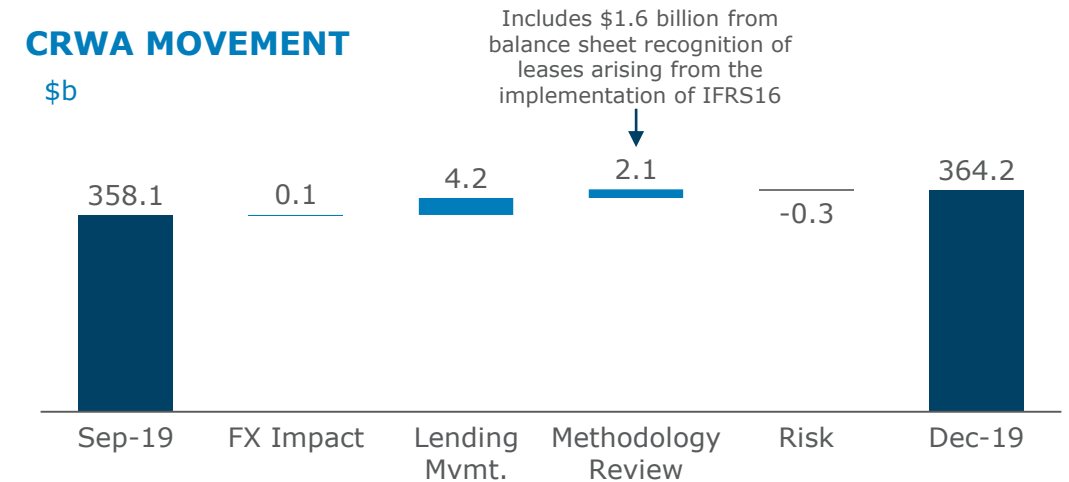
### EXPOSURE AT DEFAULT & CRWA/EAD<sup>1</sup>

\$b



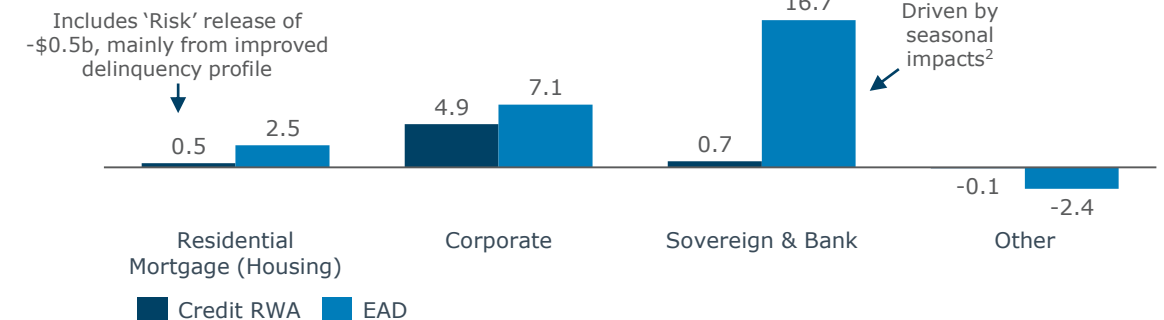
### CRWA MOVEMENT

\$b



### CREDIT RWA & EAD MOVEMENT BY ASSET CLASS

\$b (Dec-19 vs Sep-19) FX Adjusted

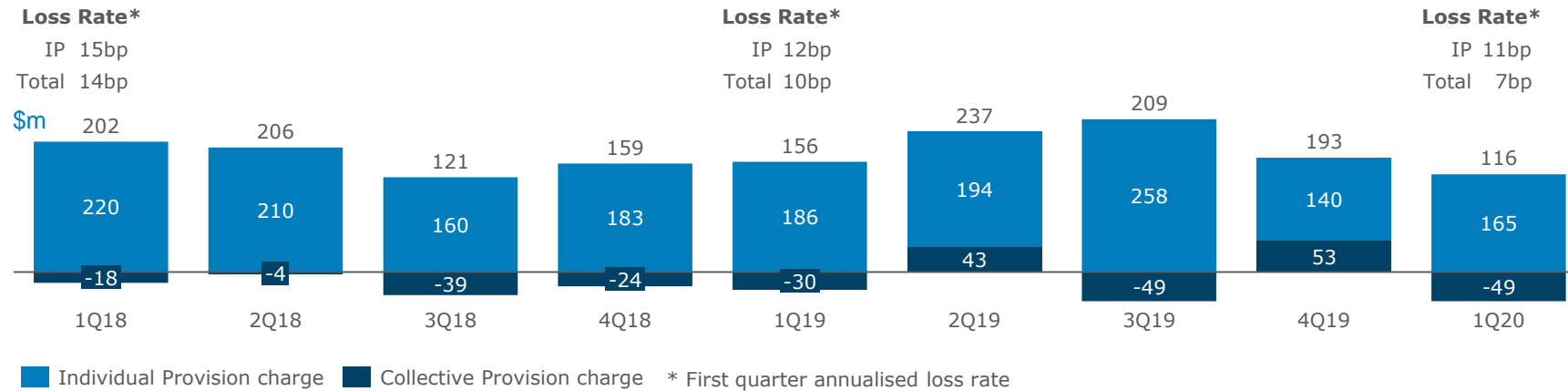


1. EAD excludes Securitisation and Other assets whereas CRWA is inclusive as per APS 330

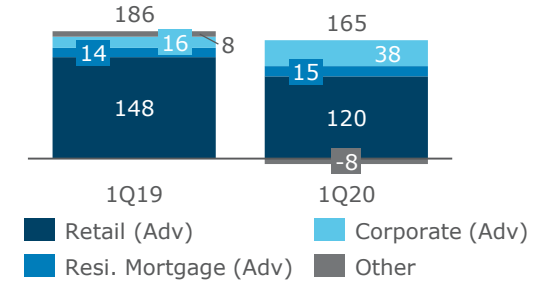
2. Increase in short term deposits held with central banks (including from customers with northern hemisphere year end reporting dates) contributed circa \$14b of the total

# CREDIT QUALITY

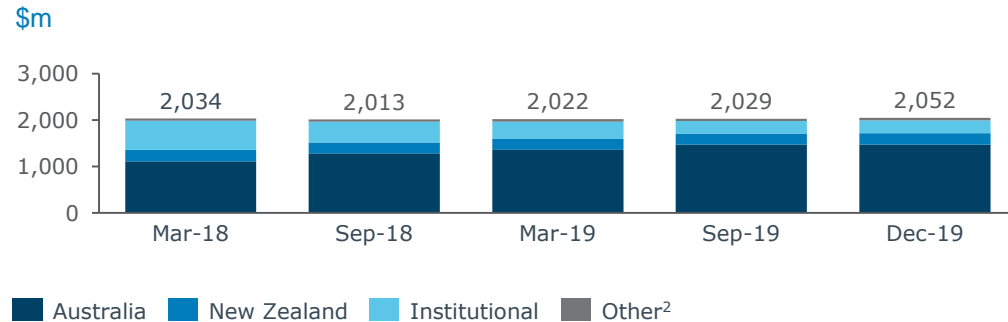
## TOTAL PROVISION CHARGE



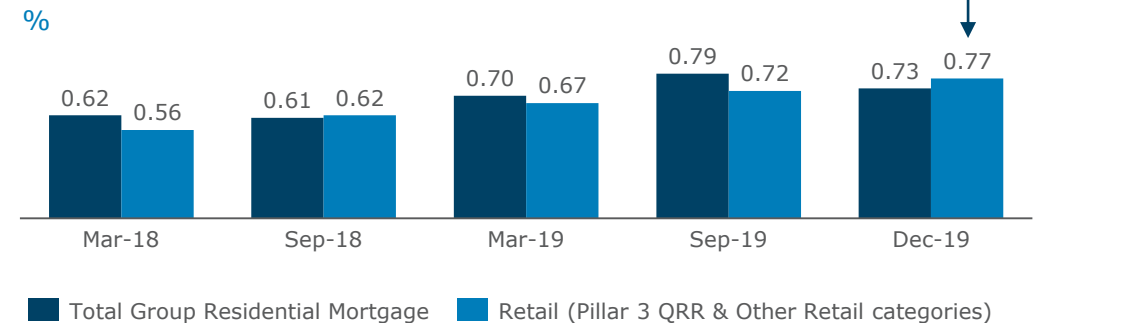
## IP CHARGE BY SEGMENT



## GROSS IMPAIRED ASSETS<sup>1</sup>



## 90+ DAYS PAST DUE LOANS<sup>3</sup>



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



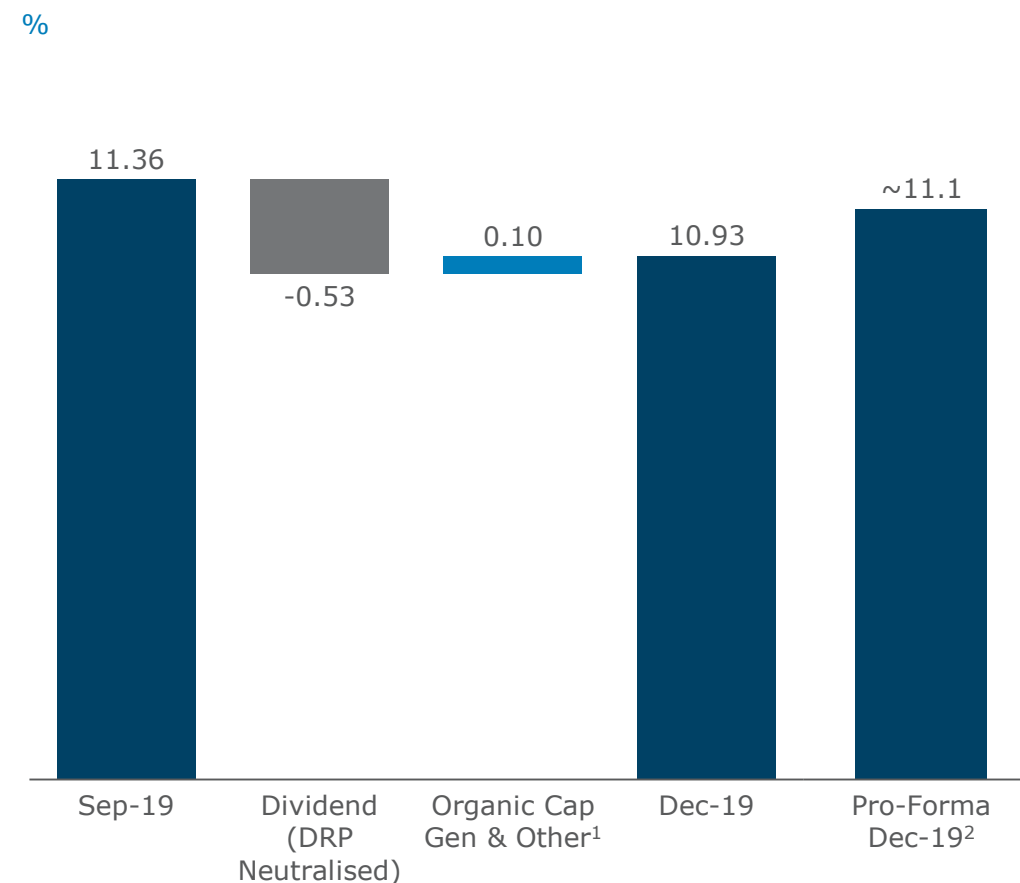
# CAPITAL

<b>Basel III APRA Level 2 CET1</b>	<b>Sep-19</b>	<b>Dec-19</b>
Common Equity Tier 1 Capital (AUD m)	47,355	46,359
Total Risk Weighted Assets (AUD m)	416,961	424,154
Common Equity Tier 1 Capital Ratio	11.4%	10.9%

<b>Basel III APRA Level 1 Extended licensed CET1</b>	<b>Sep-19</b>	<b>Dec-19</b>
Common Equity Tier 1 Capital (AUD m)	43,095	41,849
Total Risk Weighted Assets (AUD m)	379,539	383,575
Common Equity Tier 1 Capital Ratio	11.4%	10.9%

## APRA LEVEL 2 CET1 RATIO - CAPITAL MOVEMENT



1. Includes capital deductions increases such as Investments in Associates and Deferred Tax Assets and Non Cash items  
 2. Taking into consideration announced divestment benefits (P&I ~20bps)

# CAPITAL FRAMEWORK

## CURRENT REGULATORY PROPOSALS AND RECENT FINALISATION<sup>1</sup>

	2019	1H20	2H20	1H21	Expected Implementation date
<b>RBNZ capital framework</b>	Transition to 2027				2027
<b>Leverage ratio</b>		Finalise			2022
<b>Standardised approach to credit risk</b>	Consultation		Finalise		2022
<b>Internal Ratings-based Approach to Credit Risk</b>		Consultation	Finalise		2022
<b>Operational risk</b>		Finalise			2021
<b>Fundamental Review of the Trading Book</b>		Consultation			2023
<b>Interest Rate Risk in the Banking Book</b>	Consultation		Finalise		2022
<b>Loss Absorbing Capacity (LAC)<sup>2</sup></b>	Transition to 2024				2024
<b>Capital treatment for investments in subsidiaries (Level 1)</b>		Consultation	Finalise		2022

1. Timeline is based on APRA's 2020 Policy Agenda (published January 2020)

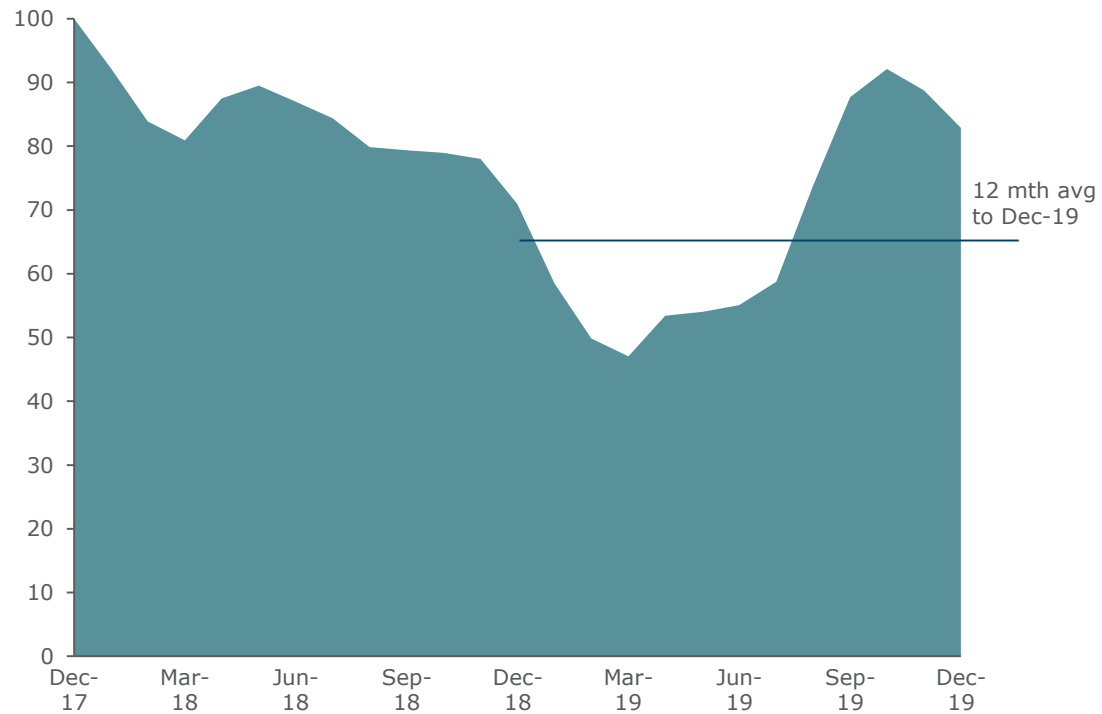
2. Only in relation to the 3% of RWA increase in Total Capital requirements announced in July 2019

# AUSTRALIA HOME LOANS

## PORTFOLIO

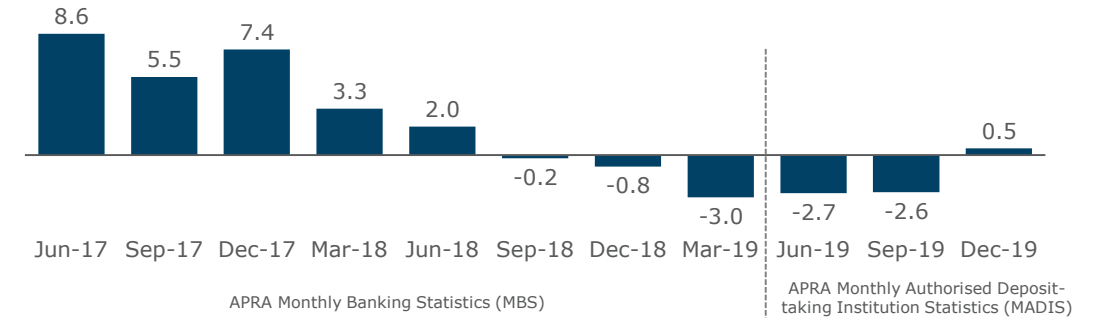
### ANZ HOME LOAN APPLICATIONS (FUM)

3 month rolling average (Index Dec 2017 = 100)



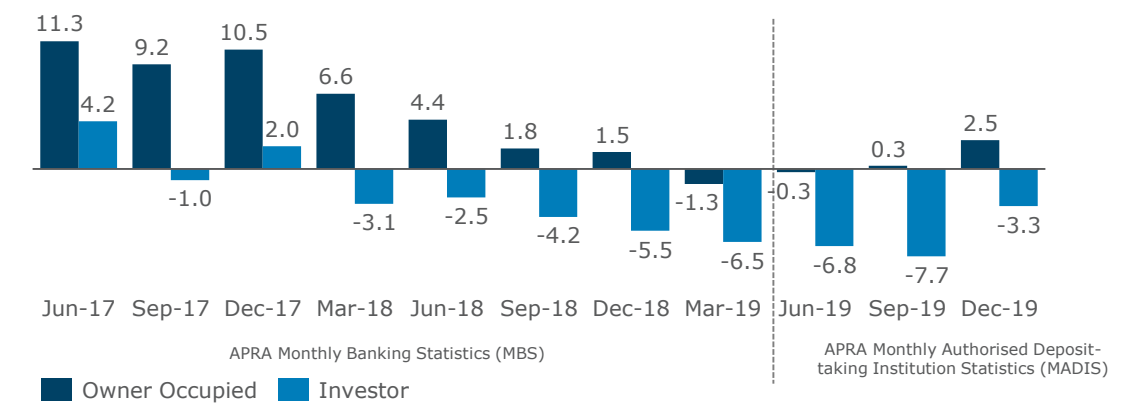
### ANZ TOTAL HOUSING LOAN GROWTH<sup>1</sup>

3 month annualised (%)



### ANZ TOTAL HOUSING LOAN GROWTH BY TYPE<sup>1</sup>

3 month annualised (%)



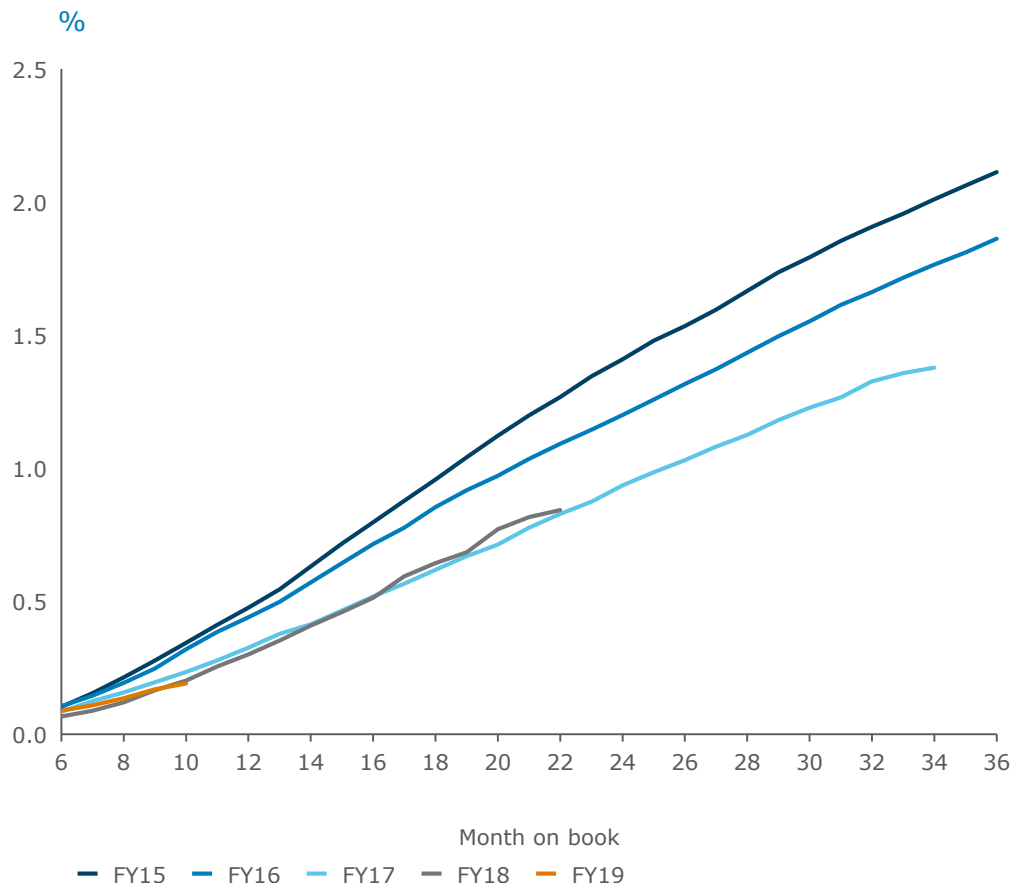
1. Source: APRA Monthly Banking Statistics (MBS) and Monthly Authorised Deposit-taking Institution Statistics (MADIS)



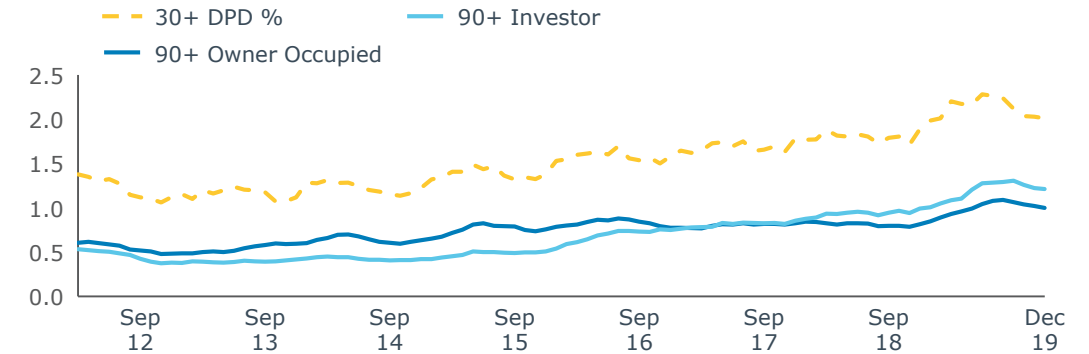
# AUSTRALIA HOME LOANS

## CREDIT QUALITY

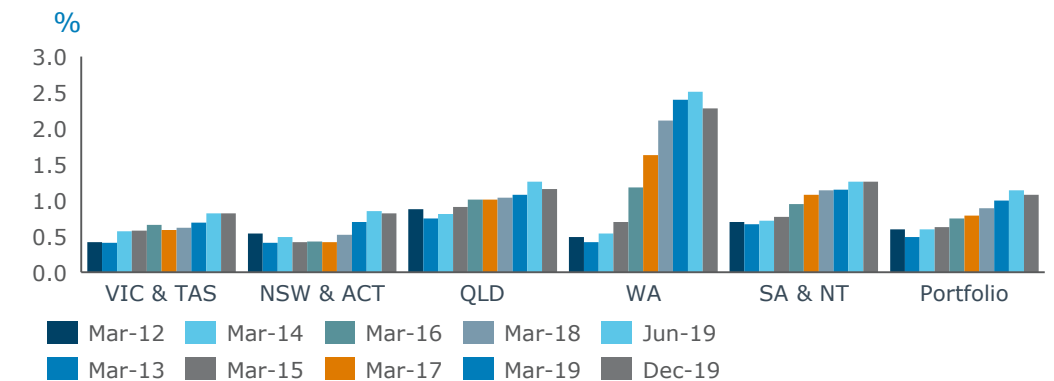
### HOME LOANS – 90+ DAYS PAST DUE<sup>1</sup> (BY VINTAGE)



### HOME LOANS – 30+ DAYS & 90+ DAYS PAST DUE<sup>2,3,4</sup>



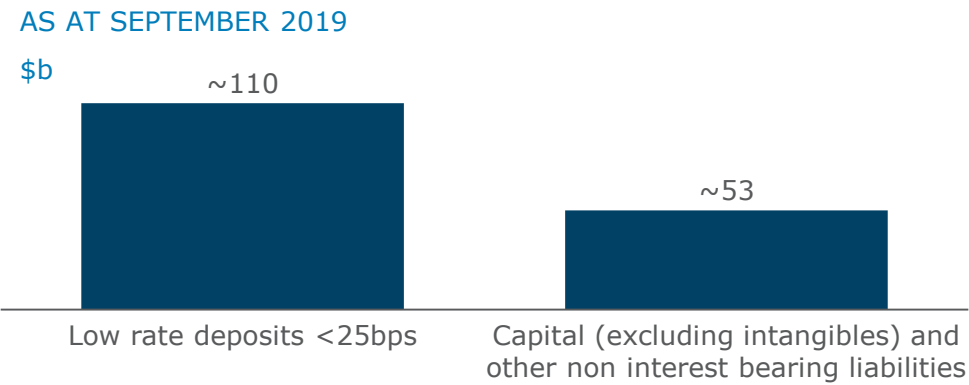
### HOME LOANS – 90+ DAYS PAST DUE<sup>2,3</sup> (BY STATE)



- 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.
- Includes Non Performing Loans
- ANZ delinquencies calculated on a missed payment basis
- The current classification of Investor vs Owner Occupier, is based on ANZ's product category, determined at origination as advised by the customer and the ongoing precision relies primarily on the customer's obligation to advise ANZ of any change in circumstances

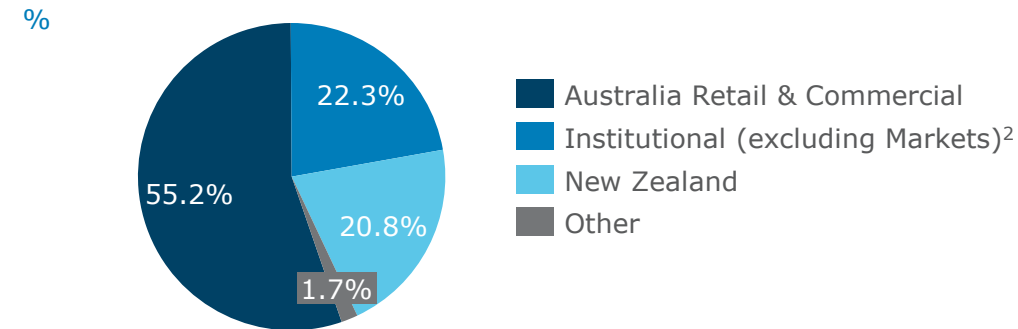
# MARGIN ENVIRONMENT

## LOW RATE ENVIRONMENT



## BUSINESS MIX – AVERAGE INTEREST EARNING ASSETS

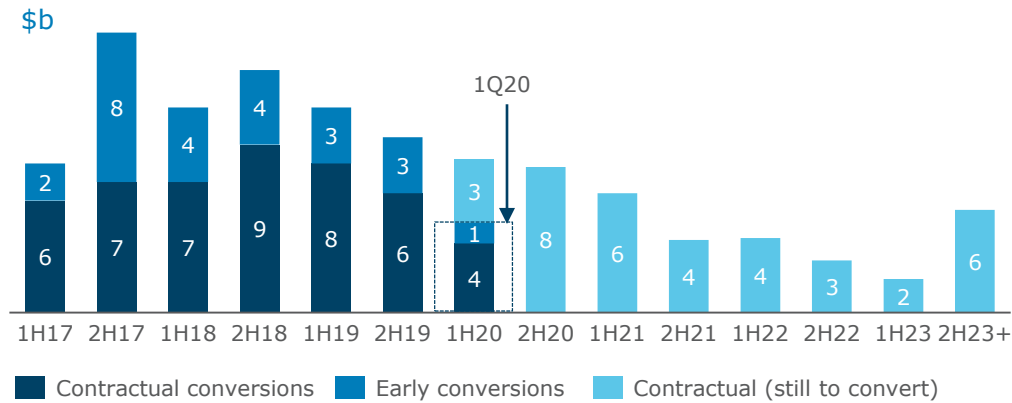
AS AT SEPTEMBER 2019 (FULL YEAR AVERAGE, EXCLUDING MARKETS)



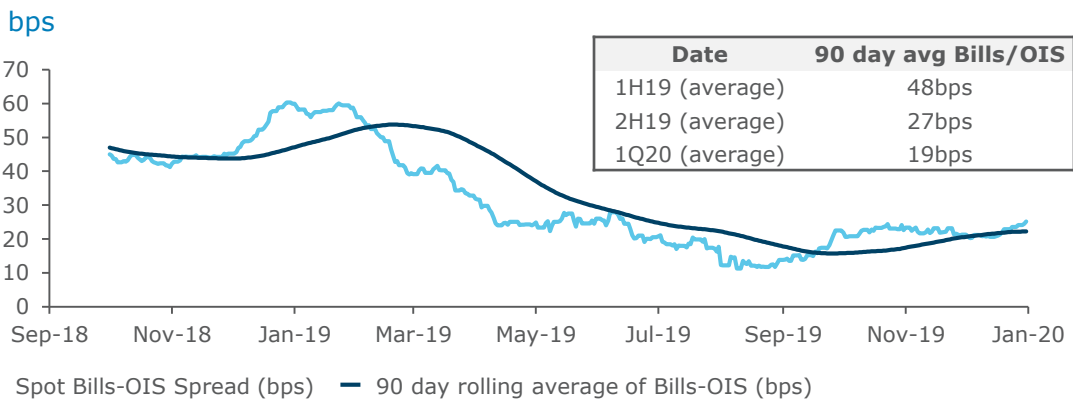
1. Total portfolio including new flows

2. Note: Institutional average interest earning assets excluding Markets are \$126.0b. Markets average interest earning assets (Markets/Liquid assets) are \$247.9b

## SWITCHING INTEREST ONLY TO PRINCIPAL & INTEREST<sup>1</sup>



## BILLS/OIS SPREAD



# FURTHER INFORMATION

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