

2011

BASEL II PILLAR 3 DISCLOSURE

QUARTER ENDED 30 JUNE 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) Australian Prudential Standard (APS) 330 Capital Adequacy: Public Disclosure of Prudential Information.

This disclosure was prepared as at 30 June 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.

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

Risk weighted assets	Jun 11	Mar 11	Dec 10
	\$M	\$M	\$M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	99,938	98,393	99,984
Sovereign	3,756	3,217	2,827
Bank	7,938	6,958	5,838
Residential Mortgage	41,271	40,126	39,558
Qualifying Revolving Retail	7,525	7,552	7,229
Other Retail	18,799	18,485	18,220
Credit risk weighted assets subject to Advanced IRB approach	179,227	174,731	173,656
Credit risk Specialised Lending exposures subject to slotting approach	27,740	26,799	27,215
Subject to Standardised approach			
Corporate	19,638	20,680	20,650
Residential Mortgage	606	406	570
Qualifying Revolving Retail	1,781	1,792	1,826
Other Retail	2,107	2,125	1,773
Credit risk weighted assets subject to Standardised approach	24,132	25,003	24,819
Credit risk weighted assets relating to securitisation exposures	1,247	1,209	1,846
Credit risk weighted assets relating to equity exposures	1,218	1,635	1,622
Other assets	4,100	3,869	3,906
Total credit risk weighted assets	237,664	233,246	233,064
Market risk weighted assets	3,291	2,547	3,260
Operational risk weighted assets	18,448	18,331	17,265
Interest rate risk in the banking book (IRRBB) risk weighted assets	9,027	10,112	8,509
Total risk weighted assets	268,430	264,236	262,098
Capital ratios (%)			
Level 2 Total capital ratio	11.8%	12.1%	11.9%
Level 2 Tier 1 capital ratio	10.6%	10.5%	10.3%

Credit Risk Weighted Assets (CRWA)

Total CRWA increased \$4.4 billion (1.9%) from March 2011 to \$237.7 billion. The key impacts on the movement in Advanced IRB CRWA were an increase in Corporate and Bank driven by growth in Institutional assets. These increases were partially offset by a decrease in Standardised CRWA due to exchange rate impacts and a reduction in exposures.

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

The increase in Market Risk RWA (29%) over the quarter was due to an increase in the level of interest rate risk held over the month of June.

IRRBB RWA decreased by \$1.1 billion (10.7%) due to a reduction in 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}

	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	19,638	19,640	20,161	14	3
Residential Mortgage	606	1,494	1,324	2	1
Qualifying Revolving Retail	1,781	1,781	1,786	-	6
Other Retail	2,107	2,075	2,061	9	17
Total Standardised approach	24,132	24,990	25,332	25	27
Total	231,099	581,653	571,807	344	315

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.

	Mar 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	98,393	158,912	157,842	93	72
Sovereign	3,217	36,977	37,944	-	-
Bank	6,958	34,974	33,693	(1)	-
Residential Mortgage	40,126	226,659	226,138	13	18
Qualifying Revolving Retail	7,552	21,020	20,969	57	67
Other Retail	18,485	28,538	28,554	72	79
Total Advanced IRB approach	174,731	507,080	505,140	234	236
Specialised Lending	26,799	29,207	29,290	50	54
Standardised approach					
Corporate	20,680	20,681	20,668	19	2
Residential Mortgage	406	1,154	1,267	-	-
Qualifying Revolving Retail	1,792	1,791	1,809	3	22
Other Retail	2,125	2,048	1,910	10	27
Total Standardised approach	25,003	25,674	25,654	32	51
Total	226,533	561,961	560,084	316	341

	Dec 10				
	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	99,984	156,771	157,498	98	191
Sovereign	2,827	38,911	37,005	-	-
Bank	5,838	32,413	32,547	(7)	-
Residential Mortgage	39,558	225,618	222,836	10	22
Qualifying Revolving Retail	7,229	20,917	20,841	58	68
Other Retail	18,220	28,570	28,426	61	63
Total Advanced IRB approach	173,656	503,200	499,153	220	344
Specialised Lending	27,215	29,374	28,605	57	2
Standardised approach					
Corporate	20,650	20,654	20,968	6	-
Residential Mortgage	570	1,381	1,430	1	-
Qualifying Revolving Retail	1,826	1,826	1,833	1	3
Other Retail	1,773	1,772	1,442	9	13
Total Standardised approach	24,819	25,633	25,673	17	16
Total	225,690	558,207	553,431	294	362

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

	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	-	403	153	205	14	3
Residential Mortgage	-	28	-	7	2	1
Qualifying Revolving Retail	-	78	11	78	-	6
Other Retail	-	157	34	130	9	17
Total Standardised approach	-	666	198	420	25	27
Total	43	5,918	2,128	1,722	344	315

⁶ Impaired derivatives include a credit valuation adjustment (CVA) of \$72 million, being a market value based assessment of the credit risk of the relevant counterparties (March 2011: \$71 million; December 2010: \$85 million).

⁷ Impaired loans/facilities include restructured items of \$659 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 (March 2011: \$704 million; December 2010: \$697 million).

⁸ Past due loans ≥ 90 days includes \$1,971 million well secured loans (March 2011: \$1,810 million; December 2010: \$1,581 million).

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

Mar 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	22	3,123	186	617	93	72
Sovereign	-	-	-	-	-	-
Bank	-	81	-	17	(1)	-
Residential Mortgage	-	555	1,211	182	13	18
Qualifying Revolving Retail	-	-	93	-	57	67
Other Retail	-	352	160	222	72	79
Total Advanced IRB approach	22	4,111	1,650	1,038	234	236
Specialised Lending	19	1,404	60	252	50	54
Portfolios subject to Standardised approach						
Corporate	-	401	195	188	19	2
Residential Mortgage	-	14	2	6	-	-
Qualifying Revolving Retail	-	79	12	84	3	22
Other Retail	-	171	36	149	10	27
Total Standardised approach	-	665	245	427	32	51
Total	41	6,180	1,955	1,717	316	341

Dec 10

	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	13	3,162	220	649	98	191
Sovereign	-	-	-	-	-	-
Bank	-	86	-	19	(7)	-
Residential Mortgage	-	544	973	198	10	22
Qualifying Revolving Retail	-	-	81	-	58	68
Other Retail	-	344	143	209	61	63
Total Advanced IRB approach	13	4,136	1,417	1,075	220	344
Specialised Lending	17	1,511	108	265	57	2
Portfolios subject to Standardised approach						
Corporate	-	353	99	174	6	-
Residential Mortgage	-	21	1	7	1	-
Qualifying Revolving Retail	-	103	13	103	1	3
Other Retail	-	198	40	169	9	13
Total Standardised approach	-	675	153	453	17	16
Total	30	6,322	1,678	1,793	294	362

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

	Jun 11		
	Specific Provision Balance	General Reserve for Credit Losses	Total
	\$M	\$M	\$M
Collective Provision	347	2,837	3,184
Individual Provision	1,722	-	1,722
Total Provision for Credit Impairment			4,906
	Mar 11		
	Specific Provision Balance	General Reserve for Credit Losses	Total
	\$M	\$M	\$M
Collective Provision	271	2,906	3,177
Individual Provision	1,717	-	1,717
Total Provision for Credit Impairment			4,894
	Dec 10		
	Specific Provision Balance	General Reserve for Credit Losses	Total
	\$M	\$M	\$M
Collective Provision	234	2,902	3,136
Individual Provision	1,793	-	1,793
Total Provision for Credit Impairment			4,929

¹⁰ Due to definitional differences, there is a difference 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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