2017 | BASEL III PILLAR 3 DISCLOSURE

AS AT 30 JUNE 2017

APS 330: PUBLIC DISCLOSURE

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) ADI Prudential Standard (APS) 330: Public Disclosure.

Table 3 Capital adequacy - Capital ratios and Risk Weighted Assets

Risk weighted assets (RWA)	Jun 17 $M	Mar 17 $M	Dec 16 $M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	126,250	127,544	132,930
Sovereign	6,914	6,718	6,850
Bank	13,493	14,267	15,260
Residential Mortgage	95,528	86,218	86,450
Qualifying Revolving Retail	7,339	7,513	7,276
Other Retail	31,560	31,004	31,715
Credit risk weighted assets subject to Advanced IRB approach	**281,084**	**273,264**	**280,481**
Credit risk Specialised Lending exposures subject to slotting approach[1]	**32,832**	**33,896**	**34,838**
Subject to Standardised approach			
Corporate	16,464	16,264	20,658
Residential Mortgage	2,283	2,354	2,472
Other Retail	3,068	3,131	3,295
Credit risk weighted assets subject to Standardised approach	**21,815**	**21,749**	**26,425**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,822**	**8,168**	**9,326**
Credit risk weighted assets relating to securitisation exposures	1,179	1,171	1,263
Other assets	3,753	3,561	3,412
Total credit risk weighted assets	**348,485**	**341,809**	**355,745**
Market risk weighted assets	6,395	6,323	7,122
Operational risk weighted assets	38,738	38,576	38,833
Interest rate risk in the banking book (IRRBB) risk weighted assets	10,947	10,332	10,645
Total risk weighted assets	**404,565**	**397,040**	**412,345**
Capital ratios (%)			
Level 2 Common Equity Tier 1 capital ratio	**9.8%**	**10.1%**	**9.5%**
Level 2 Tier 1 capital ratio	**11.8%**	**12.1%**	**11.4%**
Level 2 Total capital ratio	**14.1%**	**14.5%**	**14.0%**

Credit Risk Weighted Assets (CRWA)

Total CRWA increased $6.7 billion (1.9%) from March 2017 to $348.5 billion at June 2017. This is driven by an increase in IRB Residential Mortgage asset class predominantly due to the implementation of ANZ's revised Mortgage Capital Model. This is partially offset by improved portfolio mix to lower risk exposures in our Institutional business driving the decrease seen in AIRB Corporate, Specialised Lending, and Bank asset classes.

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

IRRBB RWA increased over the quarter due to a decline in embedded gains.

[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 and project finance.

Table 4 Credit risk exposures

Exposure at Default in Table 4 represents credit exposure net of offsets for credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. It includes Advanced IRB, Specialised Lending and Standardised exposures, however does not include Securitisation, Equities or Other Assets exposures.

Table 4(a) part (i): Period end and average Exposure at Default [2]

	Jun 17				
Advanced IRB approach	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
Corporate	126,250	230,179	229,424	64	59
Sovereign	6,914	132,241	131,523	-	-
Bank	13,493	47,305	46,510	5	8
Residential Mortgage	95,528	363,733	359,211	21	8
Qualifying Revolving Retail	7,339	22,216	22,245	53	71
Other Retail	31,560	42,673	42,400	126	131
Total Advanced IRB approach	**281,084**	**838,347**	**831,313**	**269**	**277**
Specialised Lending	**32,832**	**38,251**	**38,474**	**(1)**	**1**
Standardised approach					
Corporate	16,464	17,428	17,147	(2)	4
Residential Mortgage	2,283	6,237	6,357	1	-
Other Retail	3,068	3,048	3,168	41	48
Total Standardised approach	**21,815**	**26,713**	**26,672**	**40**	**52**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,822**	**10,027**	**9,892**	**-**	**-**
Total	**343,553**	**913,338**	**906,351**	**308**	**330**

[2] 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.

	Mar 17				
Advanced IRB approach	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
Corporate	127,544	228,669	230,027	193	276
Sovereign	6,718	130,805	131,853	(1)	4
Bank	14,267	45,715	48,602	3	-
Residential Mortgage	86,218	354,689	354,822	21	14
Qualifying Revolving Retail	7,513	22,273	22,274	51	69
Other Retail	31,004	42,126	42,438	130	135
Total Advanced IRB approach	**273,264**	**824,277**	**830,016**	**397**	**498**
Specialised Lending	**33,896**	**38,696**	**39,147**	**(1)**	**2**
Standardised approach					
Corporate	16,264	16,866	19,308	25	28
Residential Mortgage	2,354	6,476	6,628	-	-
Other Retail	3,131	3,288	3,290	41	51
Total Standardised approach	**21,749**	**26,630**	**29,226**	**66**	**79**
Credit Valuation Adjustment and Qualifying Central Counterparties	**8,168**	**9,756**	**9,619**	**-**	**-**
Total	**337,077**	**899,359**	**908,008**	**462**	**579**

	Dec 16				
Advanced IRB approach	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
Corporate	132,930	231,385	230,351	96	38
Sovereign	6,850	132,900	126,917	-	-
Bank	15,260	51,489	50,182	-	-
Residential Mortgage	86,450	354,954	351,674	14	8
Qualifying Revolving Retail	7,276	22,274	22,335	53	72
Other Retail	31,715	42,749	42,520	109	135
Total Advanced IRB approach	**280,481**	**835,751**	**823,979**	**272**	**253**
Specialised Lending	**34,838**	**39,598**	**40,028**	**(2)**	**2**
Standardised approach					
Corporate	20,658	21,749	21,502	10	16
Residential Mortgage	2,472	6,779	6,815	-	1
Other Retail	3,295	3,291	3,285	45	51
Total Standardised approach	**26,425**	**31,819**	**31,602**	**55**	**68**
Credit Valuation Adjustment and Qualifying Central Counterparties	**9,326**	**9,482**	**9,965**	**-**	**-**
Total	**351,070**	**916,650**	**905,574**	**325**	**323**

Table 4(a) part (ii): Exposure at Default by portfolio type[3]

Portfolio Type	Jun 17 $M	Mar 17 $M	Dec 16 $M	Average for the quarter ended Jun 17 $M
Cash	33,841	33,613	32,486	33,727
Contingents liabilities, commitments, and other off-balance sheet exposures	153,303	153,607	152,531	153,455
Derivatives	40,226	40,393	45,682	40,310
Settlement Balances	20,759	18,433	19,486	19,596
Investment Securities	60,093	58,578	59,633	59,336
Net Loans, Advances & Acceptances	575,302	565,027	573,511	570,165
Other assets	2,800	3,411	3,550	3,106
Trading Securities	27,014	26,297	29,771	26,656
Total exposures	**913,338**	**899,359**	**916,650**	**906,351**

[3] 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.

Table 4(b): Impaired asset[4] [5], Past due loans[6], Provisions and Write-offs

	Jun 17					
	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	1	1,571	228	616	64	59
Sovereign	-	-	-	3	-	-
Bank	-	-	10	-	5	8
Residential Mortgage	-	245	2,125	118	21	8
Qualifying Revolving Retail	-	117	-	-	53	71
Other Retail	-	579	323	302	126	131
Total Advanced IRB approach	**1**	**2,512**	**2,686**	**1,039**	**269**	**277**
Specialised Lending	**-**	**29**	**14**	**19**	**(1)**	**1**
Portfolios subject to Standardised approach						
Corporate	8	385	44	216	(2)	4
Residential Mortgage	-	30	25	10	1	-
Other Retail	-	226	5	6	41	48
Total Standardised approach	**8**	**641**	**74**	**232**	**40**	**52**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**9**	**3,182**	**2,774**	**1,290**	**308**	**330**

[4] Impaired derivatives are net of credit valuation adjustment (CVA) of $49 million, being a market value based assessment of the credit risk of the relevant counterparties (March 2017: $55 million; December 2016: $66 million).

[5] Impaired loans / facilities include restructured items of $311 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 2017: $367 million; December 2016: $425 million).

[6] For regulatory reporting not well secured portfolio managed retail exposures have been reclassified from past due loans > 90 days to impaired loans / facilities

	Mar 17					
	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	1	1,569	207	614	193	276
Sovereign	-	-	-	3	(1)	4
Bank	-	13	11	3	3	-
Residential Mortgage	-	231	1,962	104	21	14
Qualifying Revolving Retail	-	88	-	-	51	69
Other Retail	-	552	291	289	130	135
Total Advanced IRB approach	**1**	**2,453**	**2,471**	**1,013**	**397**	**498**
Specialised Lending	**-**	**39**	**30**	**19**	**(1)**	**2**
Portfolios subject to Standardised approach						
Corporate	9	382	42	222	25	28
Residential Mortgage	-	31	18	9	-	-
Other Retail	-	227	8	6	41	51
Total Standardised approach	**9**	**640**	**68**	**237**	**66**	**79**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10**	**3,132**	**2,569**	**1,269**	**462**	**579**

	Dec 16					
	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	-	1,878	167	715	96	38
Sovereign	-	-	-	6	-	-
Bank	-	-	11	-	-	-
Residential Mortgage	-	225	1,926	99	14	8
Qualifying Revolving Retail	-	87	-	-	53	72
Other Retail	-	524	279	276	109	135
Total Advanced IRB approach	**-**	**2,714**	**2,383**	**1,096**	**272**	**253**
Specialised Lending	**-**	**45**	**34**	**21**	**(2)**	**2**
Portfolios subject to Standardised approach						
Corporate	16	389	24	235	10	16
Residential Mortgage	-	33	19	9	-	1
Other Retail	-	237	5	7	45	51
Total Standardised approach	**16**	**659**	**48**	**251**	**55**	**68**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**16**	**3,418**	**2,465**	**1,368**	**325**	**323**

Table 4(c): Specific Provision Balance and General Reserve for Credit Losses [7]

	Jun 17		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	350	2,385	2,735
Individual Provision	1,290	-	1,290
Total Provision for Credit Impairment	**1,640**	**2,385**	**4,025**

	Mar 17		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	350	2,435	2,785
Individual Provision	1,269	-	1,269
Total Provision for Credit Impairment	**1,619**	**2,435**	**4,054**

	Dec 16		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	354	2,506	2,860
Individual Provision	1,368	-	1,368
Total Provision for Credit Impairment	**1,722**	**2,506**	**4,228**

[7] 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.

Table 5 Securitisation

Table 5(a) part (i): Banking Book - Summary of current period's activity by underlying asset type and facility [8]

Jun 17	Original value securitised			
Securitisation activity by underlying asset type	ANZ Originated $M	ANZ Self Securitised $M	ANZ Sponsored $M	Recognised gain or loss on sale $M
Residential mortgage	(129)	102	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(129)**	**102**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	119
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	- (295)
Other	-	-	-	-
Total	**-**	**-**	**-**	**(176)**

Mar 17	Original value securitised			
Securitisation activity by underlying asset type	ANZ Originated $M	ANZ Self Securitised $M	ANZ Sponsored $M	Recognised gain or loss on sale $M
Residential mortgage	1,750	746	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**1,750**	**746**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	18
Funding facilities	-	-	-	220
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	(772)
Other	-	-	-	80
Total	**-**	**-**	**-**	**(454)**

[8] Activity represents net movement in outstandings.

Securitisation activity by underlying asset type	Dec 16 Original value securitised ANZ Originated $M	ANZ Self Securitised $M	ANZ Sponsored $M	Recognised gain or loss on sale $M
Residential mortgage	1,871	549	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**1,871**	**549**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	20
Funding facilities	-	-	-	220
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	(239)
Other	-	-	-	68
Total	**-**	**-**	**-**	**69**

Table 5(a) part (ii): Trading Book - Summary of current period's activity by underlying asset type and facility

No assets from ANZ's Trading Book were securitised during the reporting period.

Table 5(b) part (i): Banking Book – Exposure at Default by exposure type

Securitisation exposure type - On balance sheet	Jun 17 $M	Mar 17 $M	Dec 16 $M
Liquidity facilities	22	23	28
Funding facilities	7,202	7,023	6,921
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,909	3,204	3,737
Protection provided	-	-	-
Other	173	182	162
Total	**10,306**	**10,432**	**10,848**

Securitisation exposure type - Off Balance Sheet	Jun-17 $M	Mar 17 $M	Dec 16 $M
Liquidity facilities	56	57	62
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**56**	**57**	**62**

Total Securitisation exposure type	Jun-17 $M	Mar 17 $M	Dec 16 $M
Liquidity facilities	78	80	90
Funding facilities	7,202	7,023	6,921
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,909	3,204	3,737
Protection provided	-	-	-
Other	173	182	162
Total	**10,362**	**10,489**	**10,910**

Table 5(b) part (ii): Trading Book - Exposure at Default by exposure type

Securitisation exposure type - On balance sheet	Jun 17 $M	Mar 17 $M	Dec 16 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	6	8	13
Protection provided	-	-	-
Other	-	-	-
Total	**6**	**8**	**13**

Securitisation exposure type - Off Balance Sheet	Jun 17 $M	Mar 17 $M	Dec 16 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**-**	**-**	**-**

Total Securitisation exposure type	Jun 17 $M	Mar 17 $M	Dec 16 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	6	8	13
Protection provided	-	-	-
Other	-	-	-
Total	**6**	**8**	**13**

Table 18 Leverage ratio

The Leverage Ratio requirements are part of the Basel Committee on Banking Supervision (BCBS) Basel III capital framework. It is a simple, non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system.

Consistent with the BCBS definition, APRA's Leverage Ratio compares Tier 1 Capital to the Exposure Measure (expressed as a percentage) as defined by APS 110: Capital Adequacy. APRA has not finalised a minimum Leverage Ratio requirement for Australian ADIs, although the current BCBS proposal is for a minimum of 3%. Currently the Leverage Ratio is only a disclosure requirement. APRA intends to consult on the appropriate application of the Leverage Ratio as a minimum requirement for Australian ADIs once BCBS finalises its calibration for implementation as a Pillar 1 requirement by January 2018.

The following information is the short form data disclosure required to be published under paragraph 47 of APS 330

		Jun 17	Mar 17	Dec 16	Sep 16
Capital and total exposures		$M	$M	$M	$M
20	Tier 1 capital	47,594	48,091	47,096	48,285
21	Total exposures	925,892	906,454	927,021	904,836
Leverage ratio					
22	Basel III leverage ratio	5.1%	5.3%	5.1%	5.3%

Glossary

ADI	Authorised Deposit-taking Institution.
Basel III Credit Valuation Adjustment (CVA) capital charge	CVA charge is an additional capital requirement under Basel III for bilateral derivative exposures. Derivatives not cleared through a central exchange/counterparty are subject to this additional capital charge and also receive normal CRWA treatment under Basel II principles.
Collective provision (CP)	Collective provision is the provision for credit losses that are inherent in the portfolio but not able to be individually identified. A collective provision may only be recognised when a loss event has already occurred. Losses expected as a result of future events, no matter how likely, are not recognised.
Credit exposure	The aggregate of all claims, commitments and contingent liabilities arising from on- and off-balance sheet transactions (in the banking book and trading book) with the counterparty or group of related counterparties.
Credit risk	The risk of financial loss resulting from the failure of ANZ's customers and counterparties to honour or perform fully the terms of a loan or contract.
Credit Valuation Adjustment (CVA)	Over the life of a derivative instrument, ANZ uses a CVA model to adjust fair value to take into account the impact of counterparty credit quality. The methodology calculates the present value of expected losses over the life of the financial instrument as a function of probability of default, loss given default, expected credit risk exposure and an asset correlation factor. Impaired derivatives are also subject to a CVA.
Days past due	The number of days a credit obligation is overdue, commencing on the date that the arrears or excess occurs and accruing for each completed calendar day thereafter.
Exposure at Default (EAD)	Exposure At Default is defined as the expected facility exposure at the date of default.
Impaired assets (IA)	Facilities are classified as impaired when there is doubt as to whether the contractual amounts due, including interest and other payments, will be met in a timely manner. Impaired assets include impaired facilities, and impaired derivatives. Impaired derivatives have a credit valuation adjustment (CVA), which is a market assessment of the credit risk of the relevant counterparties.
Impaired loans (IL)	Impaired loans comprise of drawn facilities where the customer's status is defined as impaired.
Individual provision charge (IPC)	Individual provision charge is the amount of expected credit losses on financial instruments assessed for impairment on an individual basis (as opposed to on a collective basis). It takes into account expected cash flows over the lives of those financial instruments.
Individual provisions (IP)	Individual provisions are assessed on a case-by-case basis for all individually managed impaired assets taking into consideration factors such as the realisable value of security (or other credit mitigants), the likely return available upon liquidation or bankruptcy, legal uncertainties, estimated costs involved in recovery, the market price of the exposure in secondary markets and the amount and timing of expected receipts and recoveries.

Market risk	The risk to ANZ's earnings arising from changes in interest rates, currency exchange rates and credit spreads, or from fluctuations in bond, commodity or equity prices. ANZ has grouped market risk into two broad categories to facilitate the measurement, reporting and control of market risk: Traded market risk - the risk of loss from changes in the value of financial instruments due to movements in price factors for physical and derivative trading positions. Trading positions arise from transactions where ANZ acts as principal with clients or with the market. Non-traded market risk (or balance sheet risk) - comprises interest rate risk in the banking book and the risk to the AUD denominated value of ANZ's capital and earnings due to foreign exchange rate movements.
Operational risk	The risk of loss resulting from inadequate or failed internal controls or from external events, including legal risk but excluding reputation risk.
Past due facilities	Facilities where a contractual payment has not been met or the customer is outside of contractual arrangements are deemed past due. Past due facilities include those operating in excess of approved arrangements or where scheduled repayments are outstanding but do not include impaired assets.
Qualifying Central Counterparties (QCCP)	QCCP is a central counterparty which is an entity that interposes itself between counterparties to derivative contracts. Trades with QCCP attract a more favorable risk weight calculation.
Recoveries	Payments received and taken to profit for the current period for the amounts written off in prior financial periods.
Restructured items	Restructured items comprise 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.
Risk Weighted Assets (RWA)	Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in the case of default. In the case of non asset backed risks (i.e. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5.
Securitisation risk	The risk of credit related losses greater than expected due to a securitisation failing to operate as anticipated, or of the values and risks accepted or transferred, not emerging as expected.
Write-Offs	Facilities are written off against the related provision for impairment when they are assessed as partially or fully uncollectable, and after proceeds from the realisation of any collateral have been received. Where individual provisions recognised in previous periods have subsequently decreased or are no longer required, such impairment losses are reversed in the current period income statement.

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