



**BASEL III PILLAR 3  
DISCLOSURE  
AS AT 31 DECEMBER 2017**

DECEMBER 2017 PILLAR 3 /  
2018 FIRST QUARTER CHART PACK

AUSTRALIA AND NEW ZEALAND BANKING  
GROUP LIMITED

20 FEBRUARY 2018

To be read in conjunction with ANZ 2017 Basel III Pillar 3  
disclosure as at 31 December 2017



# SUMMARY

## Capital, Funding & Liquidity

- Common Equity Tier 1 (CET1) ratio of 10.82% at Dec-17, 25bp increase from Sep-17. Dec-17 CET1 ratio includes the proceeds of the sale of Shanghai Rural Commercial Bank stake and a small benefit from the sale of the Asian retail and wealth businesses (Taiwan & Vietnam settlements in the December quarter).
- APRA's 'unquestionably strong' requirements achieved well ahead of 2020 implementation.
- Shares allocated under 2017 Final Dividend Re-investment Plan (DRP) neutralised by acquiring equivalent number of shares on market.
- Funding and liquidity position remains strong with LCR 131% (Dec-17 quarter avg) and NSFR 114% (as at 31-Dec-17).

## Portfolio movement

- Total Risk Weighted Assets (RWA) increased \$2.4b, including a \$2.3b increase in Credit RWA, with growth in Residential Mortgages, Corporate and Bank Pillar 3 categories
- Credit RWA increases comprised:
  - \$0.6b lending growth (underlying growth of \$2.6b offset by \$2.0b divestments in Retail Asia portfolio)
  - \$2.1b methodology/data changes (Inclusive of a \$1.5b interim RWA overlay on the NZ Residential Mortgage portfolio pending approval of updated Mortgage capital model)
  - \$0.4b reduction from improvement in the portfolio risk profile

## Credit Quality

- Gross impaired assets reduced by 9.3% to \$2.2b, including 6% reduction in Australia Division, 7% reduction in Institutional and 11% reduction in New Zealand Division.
- Total provision charge of \$202m in 1Q18 with individual provision charge of \$220m.
- Residential Mortgage 90+ day past due loans (as a % of Residential Mortgage EAD) increased by 1bp.

## Australia Housing update

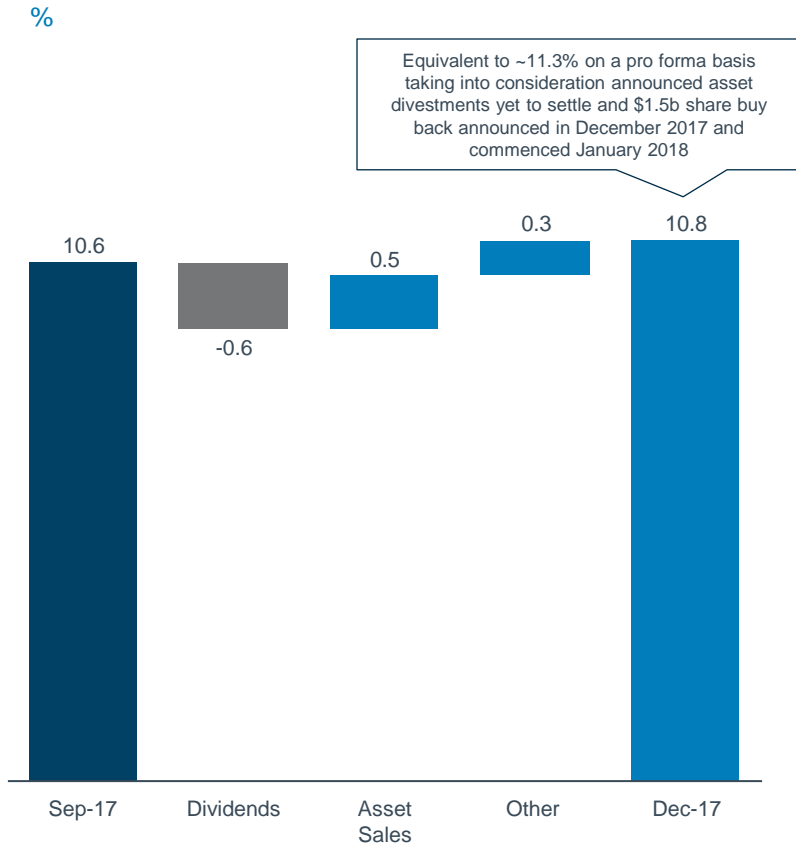
- Home lending portfolio grew at 1.2 times system in the December quarter, with Owner Occupied growth of 10% annualised (1.4 times system), Investor growth of 2% annualised<sup>1</sup>.
- Interest only new business in the December quarter (1Q18) represented 14.3% of total new business flows.
- \$5.7b of interest only loans switched to principal and interest in 1Q18, compared with \$9.5b in 4Q17 and \$4.3b per quarter on average across 1Q17 to 3Q17.

Growth refers to December 2017 vs September 2017 unless otherwise stated

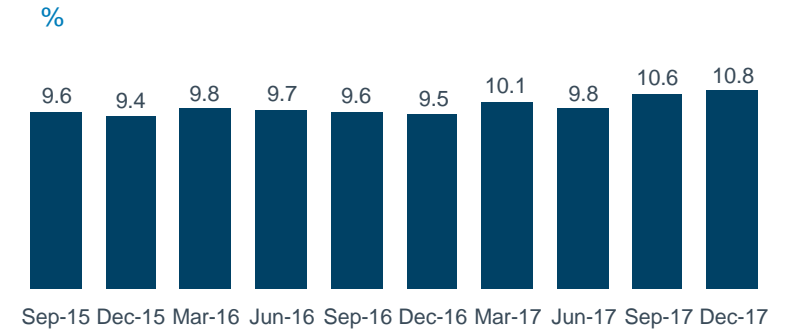
1. Source: ANZ analysis of Home Loans Market Share – APRA Banking statistics. December 2017 report. The current classification of Investor vs Owner Occupier, as reported to regulators and the market, is based on the classification at origination (as advised by the customer) and the ongoing precision relies on the customers obligation to advise ANZ, and ANZ targeted activity to identify, any change in circumstances.

# CAPITAL, LIQUIDITY & FUNDING

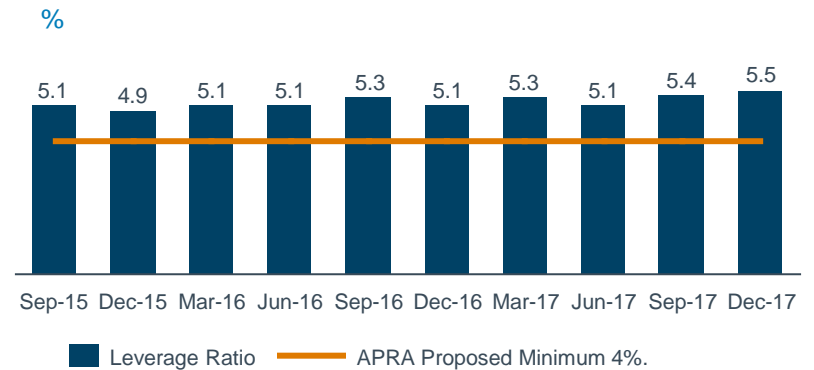
## APRA CET1 CAPITAL MOVEMENT



## APRA COMMON EQUITY TIER 1 (CET1)



## LEVERAGE RATIO



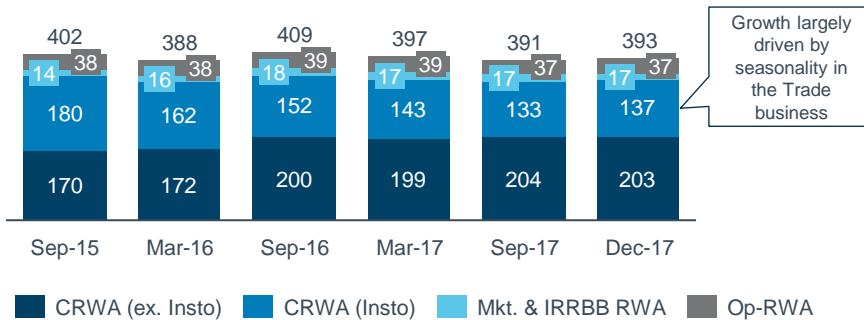
# PORTFOLIO MOVEMENT

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

### TOTAL RISK WEIGHTED ASSETS (RWA)

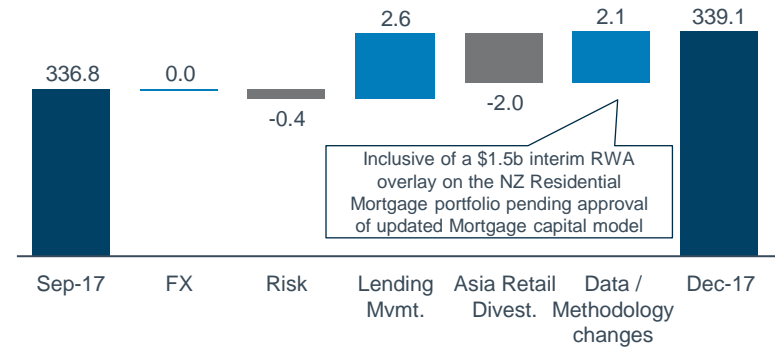
(Note: Corporate Banking included in Institutional<sup>2</sup>)

\$b



### CREDIT RWA MOVEMENT DRIVERS

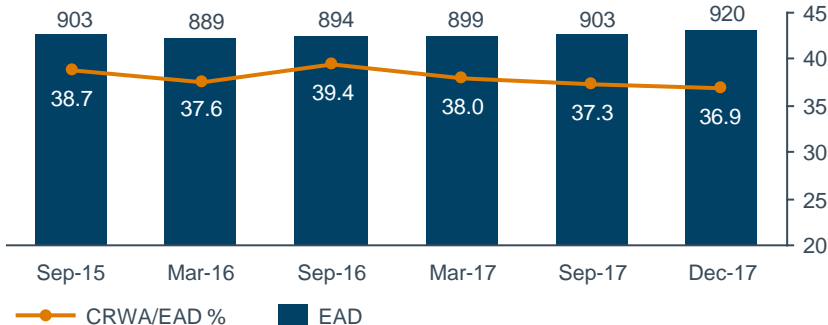
\$b



### EXPOSURE AT DEFAULT (EAD) & CRWAEAD<sup>1</sup>

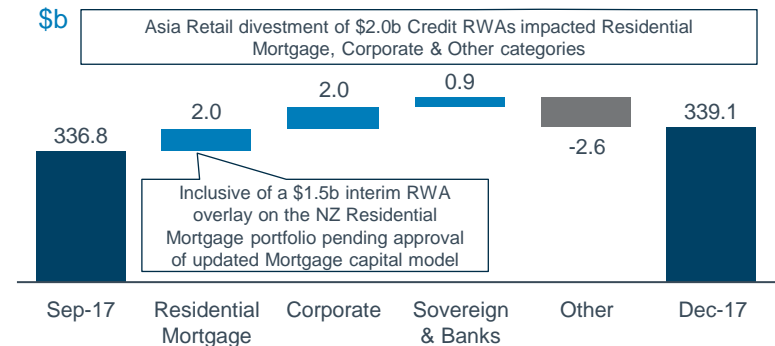
\$b

%



### CREDIT RWA MOVEMENT BY SEGMENT

\$b



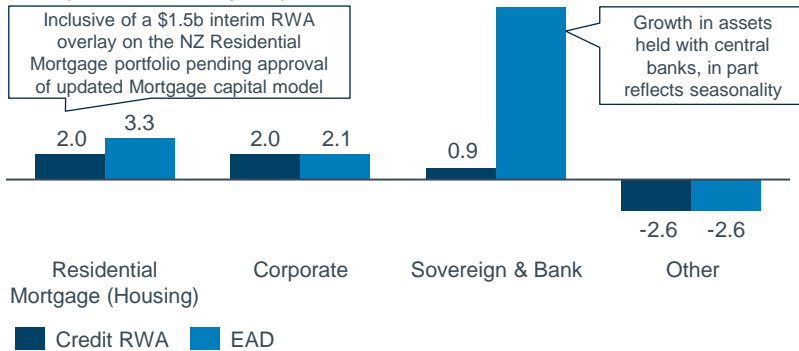
1. EAD excludes Securitisation and Other assets whereas CRWA is inclusive as per APS 330  
 2. Institutional RWAs are inclusive of Corporate Banking, transferred from Australia Division to Institutional in October 2017 and backdated to September 2015 for the purposes of chart time series

# PORTFOLIO MOVEMENT

## MOVEMENT BY SEGMENTS

### CRWA & EAD MOVEMENT BY SEGMENT

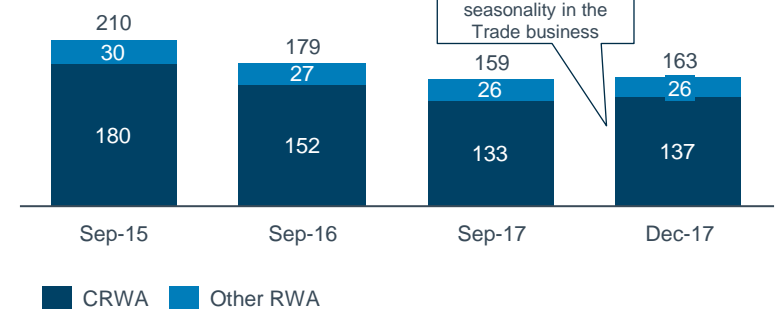
\$b (Dec 17 vs Sep 17)



### INSTITUTIONAL DIVISIONAL RWA

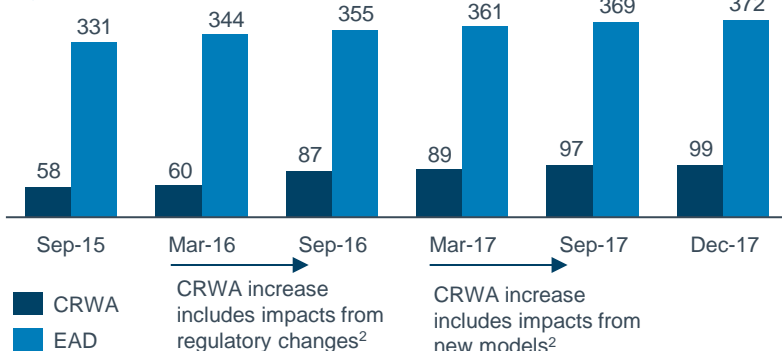
(Includes Corporate Banking)<sup>3</sup>

\$b



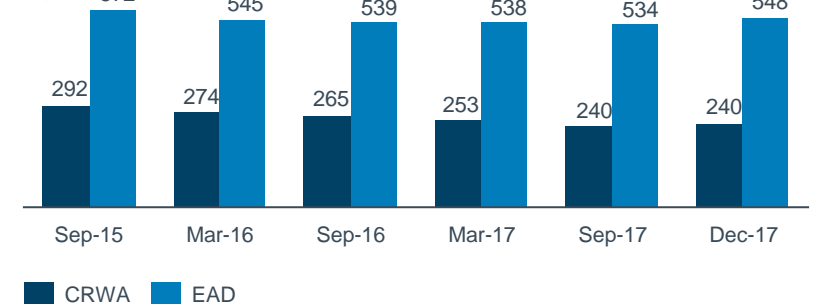
### HOUSING CREDIT RWA & EAD

\$b



### NON HOUSING CREDIT RWA & EAD<sup>1</sup>

\$b



1. Non Housing based on APS330 Pillar 3, all Credit RWA categories excluding Residential Mortgage category
2. Housing based on APS330 Pillar 3 Residential Mortgage category. Change in CRWA from Mar-16 to Sep-16 includes impacts from regulatory changes to Australia housing risk weights introduced 1 July 2016. Change in CRWA from Mar-17 to Sep-17 includes impacts from further increases to Australia housing risk weights following APRA having completed its review of ANZ's mortgage capital model and approved the new model for Australia residential mortgages effective from June 2017
3. Note: Institutional RWAs are inclusive of Corporate Banking, transferred from Australia Division to Institutional in October 2017 and backdated to September 2015 for the purposes of chart time series

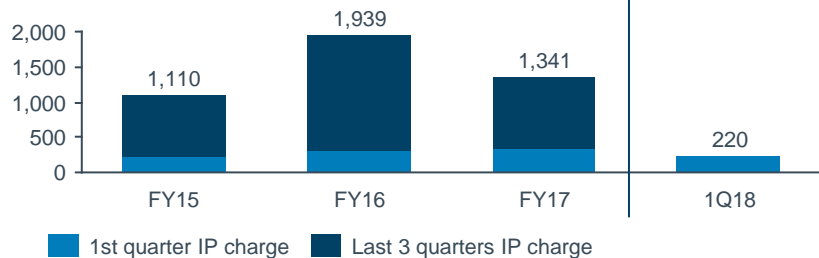
# CREDIT QUALITY

## PROVISION CHARGE

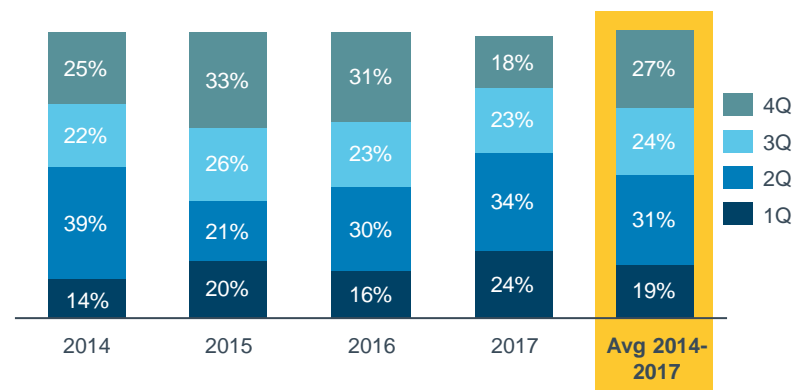
Total Provision charge (\$m)

1,205	1,956	1,199	202
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Individual provision (IP) charge (\$m)

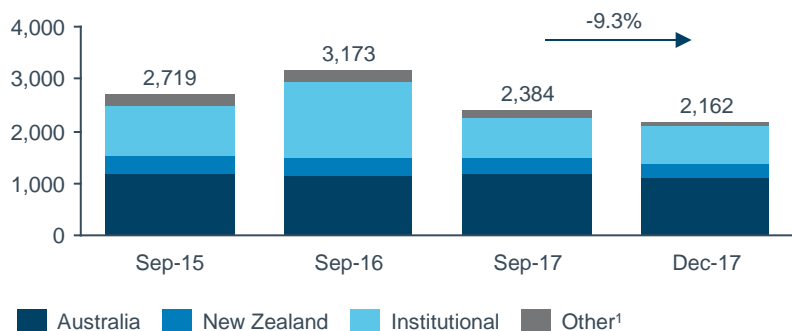


## IP CHARGE COMPOSITION BY QUARTERS



## GROSS IMPAIRED ASSETS<sup>2</sup>

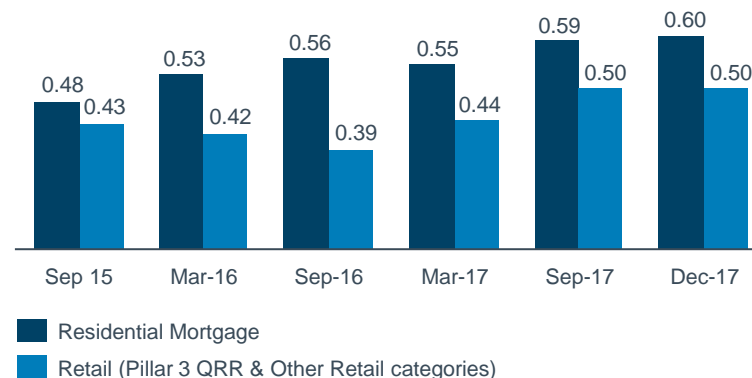
\$m



■ Australia ■ New Zealand ■ Institutional ■ Other<sup>1</sup>

## PAST DUE LOANS > 90 DAYS AS A % OF EAD

%



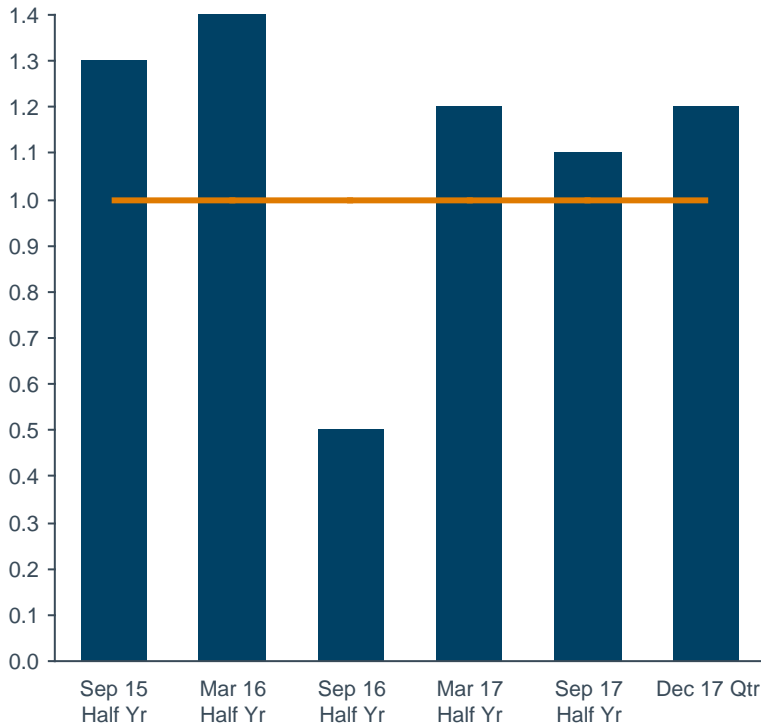
■ Residential Mortgage  
■ Retail (Pillar 3 QRR & Other Retail categories)

1. Other includes Retail Asia & Pacific and Australia Wealth  
2. Excluding unsecured 90 days past due

# AUSTRALIA HOUSING

## HOUSING LENDING GROWTH<sup>1</sup>

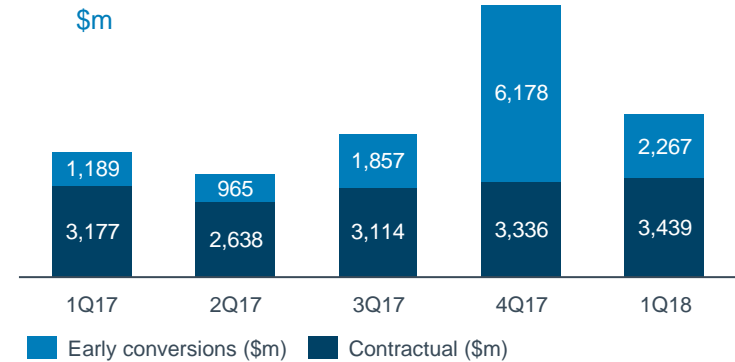
ANZ growth x System (System = 1)



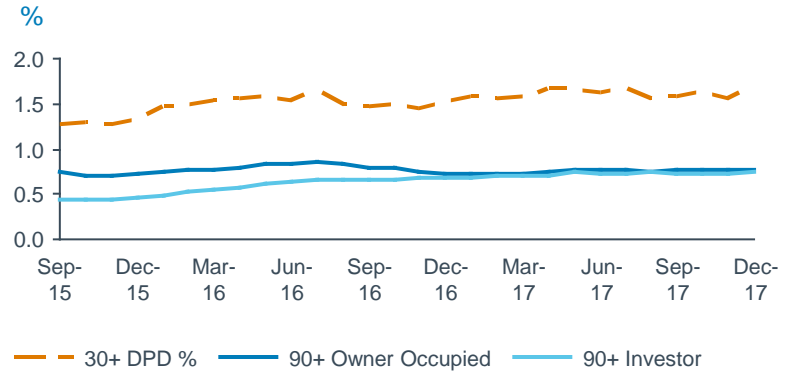
■ ANZ    — System

## SWITCHING: INTEREST ONLY TO PRINCIPAL & INTEREST

\$m



## ANZ AUSTRALIA HOME LOAN DELINQUENCIES<sup>2,3</sup>



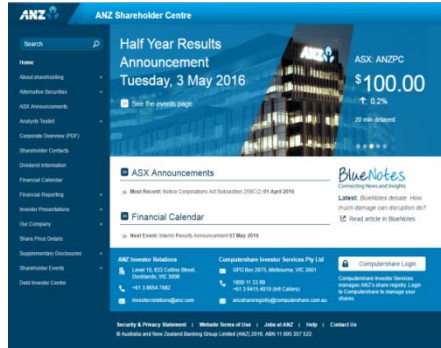
— 30+ DPD %    — 90+ Owner Occupied    — 90+ Investor

1. ANZ analysis of APRA monthly banking statistics. December 2017

2. Excludes Non Performing Loans

3. 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.

# FURTHER INFORMATION



## Our Shareholder information

[shareholder.anz.com](http://shareholder.anz.com)

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