

2012

BASEL II PILLAR 3 DISCLOSURE



QUARTER ENDED 30 JUNE 2012

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 2012. 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.

Scope of application

Top corporate entity

The top corporate entity in the reporting group is Australia and New Zealand Banking Group Limited.

Table 16 Capital adequacy - Capital ratios and Risk Weighted Assets ¹

	Jun 12	Mar 12	Dec 11
	\$M	\$M	\$M
Risk weighted assets (RWA)			
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	103,738	101,280	102,726
Sovereign	4,503	4,669	4,843
Bank	10,579	10,195	10,049
Residential Mortgage	43,029	42,684	41,798
Qualifying Revolving Retail	7,396	7,610	7,612
Other Retail	20,984	20,087	19,455
Credit risk weighted assets subject to Advanced IRB approach	190,229	186,525	186,483
Credit risk Specialised Lending exposures subject to slotting approach	27,632	27,903	28,545
Subject to Standardised approach			
Corporate	26,261	24,922	25,513
Residential Mortgage	1,316	1,445	1,380
Qualifying Revolving Retail	2,007	1,933	1,968
Other Retail	1,328	1,124	1,170
Credit risk weighted assets subject to Standardised approach	30,912	29,424	30,031
Credit risk weighted assets relating to securitisation exposures	1,229	1,225	1,156
Credit risk weighted assets relating to equity exposures	1,211	1,235	1,259
Other assets	3,671	3,853	3,740
Total credit risk weighted assets	254,884	250,165	251,214
Market risk weighted assets	4,458	4,201	2,800
Operational risk weighted assets	20,072	20,005	19,415
Interest rate risk in the banking book (IRRBB) risk weighted assets	11,276	10,465	9,597
Total risk weighted assets	290,690	284,836	283,026
Capital ratios (%)			
Level 2 Total capital ratio	12.3%	12.6%	12.0%
Level 2 Tier 1 capital ratio	11.1%	11.3%	11.0%

Credit Risk Weighted Assets (CRWA)

Total CRWA increased \$4.7 billion (1.9%) from March 2012 to \$254.9 billion. The key impacts on CRWA were an increase of \$2.5 billion (2.4%) in IRB Corporate driven by growth in Institutional assets and an increase of \$1.5 billion (5.1%) in Standardised assets driven by growth in Asia and exchange rate impacts.

IRRBB Risk Weighted Assets (RWA)

Increase in IRRBB RWA over the quarter was primarily due to greater 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 and project finance.

Table 17 Credit risk exposures**Table 17(a) part(i): Period end and average Exposure at Default**^{2 3}

	Jun 12				
	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	103,738	179,286	177,379	157	71
Sovereign	4,503	62,970	59,538	-	-
Bank	10,579	42,458	41,851	-	-
Residential Mortgage	43,029	248,917	246,555	19	23
Qualifying Revolving Retail	7,396	21,102	21,244	70	84
Other Retail	20,984	31,366	30,925	79	74
Total Advanced IRB approach	190,229	586,099	577,492	325	252
Specialised Lending	27,632	31,686	31,530	32	32
Standardised approach					
Corporate	26,261	25,730	25,021	5	11
Residential Mortgage	1,316	3,473	3,306	1	-
Qualifying Revolving Retail	2,007	1,999	1,962	9	16
Other Retail	1,328	1,307	1,205	(38)	5
Total Standardised approach	30,912	32,509	31,494	(23)	32
Total	248,773	650,294	640,516	334	316

² 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.

³ Average Exposure at Default in Table 17(a) for quarter is calculated as the simple average of the balances at the start and the end of each three month period.

Mar 12					
	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	101,280	175,471	175,255	135	52
Sovereign	4,669	56,106	56,560	-	-
Bank	10,195	41,243	42,044	-	-
Residential Mortgage	42,684	244,192	240,877	26	23
Qualifying Revolving Retail	7,610	21,387	21,351	59	72
Other Retail	20,087	30,485	29,985	67	64
Total Advanced IRB approach	186,525	568,884	566,072	287	211
Specialised Lending	27,903	31,374	31,415	91	51
Standardised approach					
Corporate	24,922	24,313	24,582	8	3
Residential Mortgage	1,445	3,140	3,042	4	1
Qualifying Revolving Retail	1,933	1,924	1,941	11	19
Other Retail	1,124	1,103	1,125	(4)	8
Total Standardised approach	29,424	30,480	30,690	19	31
Total	243,852	630,738	628,177	397	293

Dec 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	102,726	175,039	174,142	101	126
Sovereign	4,843	57,014	54,777	-	-
Bank	10,049	42,845	42,577	-	-
Residential Mortgage	41,798	237,562	236,222	18	23
Qualifying Revolving Retail	7,612	21,314	21,267	62	74
Other Retail	19,455	29,486	29,525	50	84
Total Advanced IRB approach	186,483	563,260	558,510	231	307
Specialised Lending	28,545	31,456	31,189	77	35
Standardised approach					
Corporate	25,513	24,850	23,847	(9)	2
Residential Mortgage	1,380	2,945	2,850	1	-
Qualifying Revolving Retail	1,968	1,958	2,030	14	18
Other Retail	1,170	1,146	1,021	(21)	7
Total Standardised approach	30,031	30,899	29,748	(15)	27
Total	245,059	625,615	619,447	293	369

Table 17(a) part(ii): Exposure at Default by portfolio type

Portfolio Type	Jun 12	Mar 12	Dec 11	Average for the quarter ended Jun 12
	\$M	\$M	\$M	\$M
Acceptances	19,504	19,174	18,412	19,339
Cash and liquid assets	24,862	24,605	25,967	24,734
Contingents liabilities, commitments, and other off-balance sheet exposures	119,559	120,925	117,865	120,242
Derivatives	27,243	25,230	25,961	26,236
Due from other financial institutions	13,907	9,745	9,672	11,826
Investment securities	17,675	18,584	22,530	18,129
Loans and advances	401,795	391,137	381,581	396,466
Other assets	1,494	1,210	1,565	1,352
Trading securities	24,255	20,128	22,062	22,192
Total exposures	650,294	630,738	625,615	640,516

Table 17(b): Impaired asset ^{4 5}, Past due loans ⁶, Provisions and Write-offs

	Jun 12					
	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	3	2,411	385	820	157	71
Sovereign	-	-	3	-	-	-
Bank	-	80	-	49	-	-
Residential Mortgage	-	510	1,021	175	19	23
Qualifying Revolving Retail	-	1	97	1	70	84
Other Retail	-	396	207	225	79	74
Total Advanced IRB approach	3	3,398	1,713	1,270	325	252
Specialised Lending	121	1,440	62	294	32	32
Portfolios subject to Standardised approach						
Corporate	-	130	78	62	5	11
Residential Mortgage	-	21	4	15	1	-
Qualifying Revolving Retail	-	70	16	70	9	16
Other Retail	-	43	9	36	(38)	5
Total Standardised approach	-	264	107	183	(23)	32
Total	124	5,102	1,882	1,747	334	316

⁴ Impaired derivatives is net of credit valuation adjustment (CVA) of \$57 million, being a market value based assessment of the credit risk of the relevant counterparties (March 2012: \$74 million; December 2011: \$47 million).

⁵ Impaired loans / facilities include restructured items of \$351 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 2012: \$340 million; December 2011: \$884 million).

⁶ Past due loans ≥ 90 days includes \$1,664 million well secured loans (March 2012: \$1,736 million; December 2011: \$1,533 million).

Mar 12						
	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	66	2,360	331	729	135	52
Sovereign	-	-	-	-	-	-
Bank	-	78	-	50	-	-
Residential Mortgage	-	560	1,041	185	26	23
Qualifying Revolving Retail	-	-	93	-	59	72
Other Retail	-	385	202	216	67	64
Total Advanced IRB approach	66	3,383	1,667	1,180	287	211
Specialised Lending	85	1,475	136	299	91	51
Portfolios subject to Standardised approach						
Corporate	-	123	23	66	8	3
Residential Mortgage	-	23	5	16	4	1
Qualifying Revolving Retail	-	77	22	75	11	19
Other Retail	-	111	23	78	(4)	8
Total Standardised approach	-	334	73	235	19	31
Total	151	5,192	1,876	1,714	397	293

Dec 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	67	2,924	252	553	101	126
Sovereign	-	-	-	-	-	-
Bank	-	80	-	51	-	-
Residential Mortgage	-	540	1,068	175	18	23
Qualifying Revolving Retail	-	-	84	-	62	74
Other Retail	-	304	140	187	50	84
Total Advanced IRB approach	67	3,848	1,544	966	231	307
Specialised Lending	11	976	61	256	77	35
Portfolios subject to Standardised approach						
Corporate	-	387	120	178	(9)	2
Residential Mortgage	-	23	4	15	1	-
Qualifying Revolving Retail	-	84	25	83	14	18
Other Retail	-	120	14	85	(21)	7
Total Standardised approach	-	614	163	361	(15)	27
Total	78	5,438	1,768	1,583	293	369

Table 17(c): Specific Provision Balance and General Reserve for Credit Losses ⁷

	Jun 12		
	Specific Provision Balance \$M	General Reserve for Credit Losses \$M	Total \$M
Collective Provision	325	2,683	3,008
Individual Provision	1,747	-	1,747
Total Provision for Credit Impairment			4,755

	Mar 12		
	Specific Provision Balance \$M	General Reserve for Credit Losses \$M	Total \$M
Collective Provision	312	2,682	2,994
Individual Provision	1,714	-	1,714
Total Provision for Credit Impairment			4,708

	Dec 11		
	Specific Provision Balance \$M	General Reserve for Credit Losses \$M	Total \$M
Collective Provision	365	2,716	3,081
Individual Provision	1,583	-	1,583
Total Provision for Credit Impairment			4,664

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 18 Securitisation**Table 18(a) part(i): Banking Book - Summary of current period's activity by underlying asset type and facility**

Securitisation activity by underlying asset type	Jun 12			Recognised gain or loss on sale \$M
	Original value securitised			
	ANZ Originated \$M	ANZ Self Securitised \$M	ANZ Sponsored \$M	
Residential mortgage	-	617	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	-	617	-	-
Securitisation activity by facility provided				Notional amount \$M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	-
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	363
Other	-	-	-	-
Total	-	-	-	363
Mar 12				
Securitisation activity by underlying asset type	Original value securitised			Recognised gain or loss on sale \$M
	ANZ Originated \$M	ANZ Self Securitised \$M	ANZ Sponsored \$M	
	Residential mortgage	-	643	
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	-	643	-	-
Securitisation activity by facility provided				Notional amount \$M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	194
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	-
Other	-	-	-	-
Total	-	-	-	194

Dec 11				
Original value securitised				
Securitisation activity by underlying asset type	ANZ Originated \$M	ANZ Self Securitized \$M	ANZ Sponsored \$M	Recognised gain or loss on sale \$M
Residential mortgage	-	190	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	-	190	-	-
Securitisation activity by facility provided				Notional amount \$M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	1,095
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	1,902
Other	-	-	-	42
Total	-	-	-	3,039

Table 18(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 18(b) part(i): Banking Book – Exposure at Default by exposure type

Securitisation exposure type - On balance sheet	Jun 12 \$M	Mar 12 \$M	Dec 11 \$M
Liquidity facilities	1,758	1,333	1,205
Funding facilities	3,198	3,202	3,131
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,873	2,689	2,878
Protection provided	-	-	-
Other	-	-	-
Total	7,829	7,224	7,214

Securitisation exposure type - Off balance sheet	Jun 12 \$M	Mar 12 \$M	Dec 11 \$M
Liquidity facilities	344	704	594
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	25	25
Total	344	729	619

Total Securitisation exposure type	Jun 12 \$M	Mar 12 \$M	Dec 11 \$M
Liquidity facilities	2,102	2,037	1,799
Funding facilities	3,198	3,202	3,131
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,873	2,689	2,878
Protection provided	-	-	-
Other	-	25	25
Total	8,173	7,953	7,833

Table 18(b) part(ii): Trading Book - Exposure at Default by exposure type

Securitisation exposure type - On balance sheet	Jun 12 \$M	Mar 12 \$M	Dec 11 \$M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	24	37	84
Protection provided	-	-	-
Other	-	-	-
Total	24	37	84

Securitisation exposure type - Off balance sheet	Jun 12 \$M	Mar 12 \$M	Dec 11 \$M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	-	-	-

Total Securitisation exposure type	Jun 12 \$M	Mar 12 \$M	Dec 11 \$M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	24	37	84
Protection provided	-	-	-
Other	-	-	-
Total	24	37	84

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