BASEL II PILLAR 3 DISCLOSURES

(In accordance with APS 330)

Quarterly report
30 June 2009

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Important Notice

This document has been prepared by Australia & New Zealand Banking Group Ltd (ANZ, or the Group) to meet its disclosure obligations under the Australian Prudential Regulation Authority (APRA) APS 330 Capital Adequacy: Public Disclosure of Prudential Information.

This quarterly disclosure was prepared as at 30 June 2009. 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 [1]

	Risk Weighted Assets	
	June 2009 $M	March 2009 $M
Subject to Advanced Internal ratings Based (IRB) approach		
Corporate	125,942	136,559
Sovereign	1,892	1,402
Bank	6,615	10,374
Residential Mortgage	36,648	35,932
Qualifying revolving retail	7,812	8,900
Other retail	17,068	14,905
Credit risk weighted assets subject to Advanced IRB approach	**195,977**	**208,072**
Credit Risk Specialised Lending exposures subject to slotting criteria	**22,476**	**25,362**
Subject to Standardised approach		
Corporate	14,605	15,875
Sovereign	0	0
Bank	20	21
Residential Mortgage	432	467
Credit risk weighted assets subject to standardised approach	**15,057**	**16,363**
Credit risk weighted assets relating to securitisation exposures	3,408	3,364
Credit risk weighted assets relating to equity exposures	1,685	1,707
Other assets	2,742	2,902
Market risk weighted assets	3,059	5,632
Operational risk weighted assets	17,418	17,480
Interest rate risk in the banking book weighted assets	608	0
TOTAL RISK WEIGHTED ASSETS	**262,430**	**280,882**
Capital ratios (%)		
Level 2 Total capital ratio	**12.4%**	**11.0%**
Level 2 Tier 1 capital ratio	**9.7%**	**8.2%**

Total risk weighted assets decreased by $18.5 billion (6.6%) in the June 2009 quarter. This was due to declining asset volumes, changes in exchange rates and a continuing focus on optimising risk weighted assets, partially offset by some deterioration in credit quality.

Corporate risk weighted assets decreased mainly due to a reduction in volume (particularly in derivatives and other off balance sheet exposures) arising from subdued demand for credit as well as customers repairing balance sheets and the impact of higher AUD exchange rate. These factors were partly offset by some deterioration in credit quality.

Sovereign risk weighted assets increased due to a change in mix of exposures, particularly in the offshore deposit and bond market.

Bank risk weighted assets declined due to a reduction in derivatives and short term exposures.

Residential Mortgage risk weighted assets increased in line with growth in the portfolio, mainly in Australia .

Qualifying revolving retail risk weighted assets decreased due mainly to the reclassification of some exposures into the Other retail asset class.

Risk weighted assets for specialised lending exposures subject to Slotting criteria decreased predominantly due to the reduction of exposures in the portfolio, which was only partly offset by deterioration in asset quality.

Market risk weighted assets decreased mainly due to a reduction in foreign exchange translation exposure associated with structured credit.

Interest rate risk in the banking book weighted assets increased due to a reduction in embedded gains over the quarter. This reduction was due to both realisation of prior gains and an increase in global term yields.

The increase in capital ratios reflects the combined effect of lower risk weighted assets and the raising of $2.5 billion Tier-1 capital via an Institutional ordinary equity share placement, partly offset by the redemption of $0.7 billion lower Tier-2 capital. (The recent retail Share Purchase Plan raising closed subsequent to 30 June 2009)

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[1] Specialised Lending subject to slotting approach exposure is where the main servicing and repayment is from the asset being financed (eg: specified commercial property development/investment lending, project finance and object finance).

Table 17: Credit risk exposures [2]

Table 17(a) (i): Regulatory credit exposures by measurement approach [3]

Advanced IRB	June 2009 $M	March 2009 $M	Average for the quarter ended 30 June 2009 $M
Corporate	197,933	217,873	207,903
Sovereign	21,721	21,553	21,637
Bank	40,090	48,847	44,468
Residential Mortgage	198,356	195,432	196,894
Qualifying Revolving Retail	19,667	23,604	21,636
Other Retail	29,729	27,073	28,401
Total Advanced IRB	**507,496**	**534,382**	**520,939**

Standardised	June 2009 $M	March 2009 $M	Average for the quarter ended 30 June 2009 $M
Corporate	15,838	17,001	16,419
Sovereign	0	0	0
Bank	27	29	28
Residential Mortgage	1,212	1,325	1,269
Other Retail	0	0	0
Total Standardised	**17,077**	**18,355**	**17,716**
Total Exposure	**524,573**	**552,737**	**538,655**

Table 17(a) (ii): Regulatory credit exposures by major type of credit exposure

Facility type	June 2009 $M	March 2009 $M	Average for the quarter ended 30 June 2009 $M
Cash and liquid assets	16,157	19,039	17,598
Trading Securities	11,941	10,736	11,338
Investment Securities	15,633	14,127	14,880
Due from other financial Institutions	8,972	3,776	6,374
Loans & advances	328,521	334,500	331,510
Acceptances	18,326	19,161	18,743
Derivatives	14,938	29,653	22,295
Contingents liabilities, commitments, and other off-balance sheet exposures	108,398	119,835	114,117
Creditors & Other Liabilities	287	130	209
Total deposits & other borrowings	200	199	200
Other assets	1,200	1,581	1,391
Total Exposures	**524,573**	**552,737**	**538,655**

[2] Regulatory Credit Exposure is also known as Exposure At Default (EAD), and is the estimated amount of exposure likely to be owed on a credit obligation at the time of default. Under the Advanced Internal Ratings Based (IRB) approach, banks provide their own estimates of EAD for all exposures (drawn, commitments or contingents) reflecting the current balance as well as the likelihood of additional drawings prior to default. These estimates are based on internal data over time, and are required to reflect all drivers of EAD - including conservative allowances for the economic cycle where appropriate. (In accordance with APS 330, Regulatory Credit Exposure in Table 17 does not include equities or securitisation exposures.)

[3] Specialised Lending subject to Slotting criteria is included in the Advanced IRB Corporate asset class.

Table 17(b): Impaired assets [4] [5], Past due loans [6], Provisions[7] and Write-offs

	Impaired derivatives $M		Impaired loans / facilities $M		90 days past due loans $M		Individual provision balance $M		Charges for individual provision $M		Write-offs $M	
Portfolios subject to IRB approach	June 2009	March 2009	June 2009	March 2009	June 2009	March 2009	June 2009	March 2009	3 months ending June 2009	6 months ending March 2009	3 months ending June 2009	6 months ending March 2009
Corporate	113	254	3,318	3,164	445	410	759	931	330	1,030	545	451
Sovereign	0	0	0	0	0	0	0	0	0	0	0	0
Bank	0	0	80	7	0	0	42	4	39	4	0	30
Residential Mortgage	0	0	358	279	893	879	133	91	61	48	15	14
Qualifying Revolving Retail	0	0	0	0	80	77	0	0	64	108	73	124
Other Retail	0	0	361	348	189	181	240	269	123	226	101	148
Total IRB approach	**113**	**254**	**4,117**	**3,798**	**1,607**	**1,547**	**1,174**	**1,295**	**617**	**1,416**	**734**	**767**
Portfolios subject to Standardised approach												
Corporate	0	0	214	101	61	39	59	45	28	33	9	16
Sovereign	0	0	0	0	0	0	0	0	0	0	0	0
Bank	0	0	0	0	0	0	0	0	0	0	0	0
Residential Mortgage	0	0	7	5	0	0	1	1	0	0	0	0
Total Standardised approach	**0**	**0**	**221**	**106**	**61**	**39**	**60**	**46**	**28**	**33**	**9**	**16**
Total	**113**	**254**	**4,338**	**3,904**	**1,668**	**1,586**	**1,234**	**1,341**	**645**	**1,449**	**743**	**783**

Table 17(c): General reserve for credit losses [8]

	June 2009 $M	March 2009 $M
General reserve for credit losses balance	**2,797**	**2,742**

[4] Impaired loans / facilities include restructured items for customer facilities which for reason of financial difficulty have been re-negotiated on terms which ANZ considers as uncommercial, but necessary in the circumstances, and are not considered non-performing. Includes both on and off balance sheet exposures.

[5] Impaired derivatives include a credit valuation adjustment of $51 million, being a market assessment of the credit risk of the relevant counterparties ($70 million in March 2009) considered non-performing. Impaired derivatives include both on and off balance sheet exposures.

[6] Past due loans ≥ 90 days includes $1,513 million well secured loans (March 2009 2008: $1,440 million).

[7] The individual provision charge relates only to loans and advances, and does not include impairment on Available-For-Sale assets (June 2009: Nil; March 2009: $20 million).

[8] General Reserve for Credit Losses is equivalent to Collective Provision.

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