2013
BASEL III
PILLAR 3 DISCLOSURE

QUARTER ENDED 31 DECEMBER 2013

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.

This disclosure was prepared as at 31 December 2013. 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 3 Capital adequacy - Capital ratios and Risk Weighted Assets [1]

	Basel III		
	Dec 13	Sep 13	Jun 13
Risk weighted assets (RWA)	$M	$M	$M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	124,250	121,586	123,753
Sovereign	4,360	4,360	4,638
Bank	21,701	16,270	17,584
Residential Mortgage	49,396	47,559	46,249
Qualifying Revolving Retail	7,167	7,219	7,260
Other Retail	25,839	24,328	23,742
Credit risk weighted assets subject to Advanced IRB approach	**232,713**	**221,322**	**223,226**
Credit risk Specialised Lending exposures subject to slotting approach	**28,359**	**27,640**	**27,436**
Subject to Standardised approach			
Corporate	24,281	19,285	18,175
Residential Mortgage	2,081	1,922	1,831
Qualifying Revolving Retail	1,819	1,728	1,886
Other Retail	1,070	985	1,005
Credit risk weighted assets subject to Standardised approach	**29,251**	**23,920**	**22,897**
Credit Valuation Adjustment[2] and Qualifying Central Counterparties[3]	**9,170**	**8,501**	**9,506**
Credit risk weighted assets relating to securitisation exposures	2,803	2,724	2,883
Other assets	4,083	3,544	3,537
Total credit risk weighted assets	**306,379**	**287,651**	**289,485**
Market risk weighted assets	5,988	4,303	5,101
Operational risk weighted assets	32,054	29,024	28,875
Interest rate risk in the banking book (IRRBB) risk weighted assets	18,264	18,287	17,323
Total risk weighted assets	**362,685**	**339,265**	**340,784**
Capital ratios (%)			
Level 2 Common Equity Tier 1 capital ratio	**7.9%**	**8.5%**	**8.0%**
Level 2 Tier 1 capital ratio	**9.6%**	**10.4%**	**9.5%**
Level 2 Total capital ratio	**11.2%**	**12.2%**	**11.4%**

Credit Risk Weighted Assets (CRWA)
Total CRWA increased $18.7 billion (6.5%) from September 2013 to $306.4 billion at December 2013, including a $5.0 billion increase due to foreign currency movements. Portfolio growth contributed a further $11.0 billion, with growth in the Institutional portfolio contributing to the increase in the AIRB Bank and Corporate Asset Classes and growth in Australian mortgages portfolio contributing to the increase in the AIRB Residential Mortgage Asset Class.

Market Risk, Operational Risk and IRRBB Risk Weighted Assets (RWA)
Market Risk RWA increased $1.7 billion (39.2%) to $6.0 billion in line with increased levels of Traded Market Risk. The increases are distributed across a variety of instruments and portfolios.

The increase in Operational Risk RWA is reflective of our business growth and recognises global and local industry trends.

[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.

[2] Credit Value Adjustment (CVA) is the capital charge on over the counter (OTC) derivative assets.

[3] Qualifying Central Counterparties (QCCP's) exposures arising from over the counter (OTC) derivatives, exchange-traded derivatives and securities financing transactions are subject to refined capital requirements.

Table 4 Credit risk exposures

Table 4(a) part (i): Period end and average Exposure at Default [4] [5]

	Dec 13				
Advanced IRB approach	Basel III 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	124,250	235,007	229,547	4	90
Sovereign	4,360	87,383	80,615	-	-
Bank	21,701	113,981	108,309	-	-
Residential Mortgage	49,396	282,271	278,513	3	8
Qualifying Revolving Retail	7,167	21,199	21,187	51	70
Other Retail	25,839	37,806	37,420	79	89
Total Advanced IRB approach	**232,713**	**777,647**	**755,591**	**137**	**257**
Specialised Lending	**28,359**	**32,877**	**32,475**	**(2)**	**16**
Standardised approach					
Corporate	24,281	26,181	22,969	3	3
Residential Mortgage	2,081	5,670	5,431	1	8
Qualifying Revolving Retail	1,819	1,812	1,767	5	11
Other Retail	1,070	1,064	1,022	13	16
Total Standardised approach	**29,251**	**34,727**	**31,189**	**22**	**38**
Credit Valuation Adjustment and Qualifying Central Counterparties	**9,170**	**6,976**	**6,023**	**-**	**-**
Total	**299,493**	**852,227**	**825,278**	**157**	**311**

[4] Exposure at Default in Table 4 includes Advanced IRB, Specialised Lending and Standardised exposures, however does not include Securitisation, Equities or Other Assets exposures. Exposure at Default in Table 4 is gross of credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral.

[5] 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.

	Sep 13				
Advanced IRB approach	Basel III 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	121,586	224,087	215,887	168	152
Sovereign	4,360	73,846	75,922	-	-
Bank	16,270	102,636	102,504	-	-
Residential Mortgage	47,559	274,755	267,154	9	19
Qualifying Revolving Retail	7,219	21,174	21,063	53	72
Other Retail	24,328	37,034	36,111	79	99
Total Advanced IRB approach	**221,322**	**733,532**	**718,641**	**309**	**342**
Specialised Lending	**27,640**	**32,072**	**32,197**	**6**	**21**
Standardised approach					
Corporate	19,285	19,756	18,373	8	63
Residential Mortgage	1,922	5,191	4,699	3	2
Qualifying Revolving Retail	1,728	1,721	1,892	(3)	1
Other Retail	985	980	1,111	11	12
Total Standardised approach	**23,920**	**27,648**	**26,075**	**19**	**78**
Credit Valuation Adjustment and Qualifying Central Counterparties	**8,501**	**5,069**	**3,293**	**-**	**-**
Total	**281,383**	**798,321**	**780,206**	**334**	**441**

	Jun 13				
Advanced IRB approach	Basel III 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	123,753	225,561	216,624	57	88
Sovereign	4,638	83,102	80,550	-	-
Bank	17,584	121,287	111,830	-	-
Residential Mortgage	46,249	267,421	263,487	14	32
Qualifying Revolving Retail	7,260	21,056	21,004	62	80
Other Retail	23,742	35,987	35,587	87	89
Total Advanced IRB approach	**223,226**	**754,414**	**729,082**	**220**	**289**
Specialised Lending	**27,436**	**31,545**	**31,933**	**-**	**30**
Standardised approach					
Corporate	18,175	17,968	17,479	12	8
Residential Mortgage	1,831	4,923	4,565	1	3
Qualifying Revolving Retail	1,886	1,879	1,971	(4)	2
Other Retail	1,005	999	1,121	9	20
Total Standardised approach	**22,897**	**25,769**	**25,136**	**18**	**33**
Credit Valuation Adjustment and Qualifying Central Counterparties	**9,506**	**4,766**	**3,141**	**-**	**-**
Total	**283,065**	**816,494**	**789,292**	**238**	**352**

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

Portfolio Type	Dec 13 $M	Sep 13 $M	Jun 13 $M	Average for the quarter ended Dec 13 $M
Cash and liquid assets	50,009	38,767	47,762	44,388
Contingents liabilities, commitments, and other off-balance sheet exposures	142,518	133,668	133,304	138,093
Derivatives	96,918	90,368	103,492	93,643
Due from other financial Institutions	13,061	11,991	19,975	12,526
Investment Securities	25,613	24,207	23,484	24,910
Net Loans, Advances & Acceptances	486,905	468,000	457,813	477,453
Other assets	6,429	2,956	4,128	4,693
Trading Securities	30,774	28,364	26,536	29,569
Total exposures	**852,227**	**798,321**	**816,494**	**825,275**

Table 4(b): Impaired asset [6] [7], Past due loans [8], Provisions and Write-offs

	Dec 13					
	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	-	2,047	377	738	4	90
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	371	1,054	129	3	8
Qualifying Revolving Retail	-	79	-	-	51	70
Other Retail	-	367	198	210	79	89
Total Advanced IRB approach	**-**	**2,864**	**1,629**	**1,077**	**137**	**257**
Specialised Lending	**59**	**743**	**94**	**116**	**(2)**	**16**
Portfolios subject to Standardised approach						
Corporate	-	156	26	97	3	3
Residential Mortgage	-	44	10	7	1	8
Qualifying Revolving Retail	-	87	-	52	5	11
Other Retail	-	58	3	26	13	16
Total Standardised approach	**-**	**345**	**39**	**182**	**22**	**38**
Credit Valuation Adjustment and Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**59**	**3,952**	**1,762**	**1,375**	**157**	**311**

[6] Impaired derivatives is net of credit valuation adjustment (CVA) of $78 million, being a market value based assessment of the credit risk of the relevant counterparties (September 2013: $93 million; June 2013: $110 million).

[7] Impaired loans / facilities include restructured items of $329 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 (September 2013: $341 million; June 2013: $536 million).

[8] Not well secured portfolio managed retail exposures have been reclassified from past due loans ≥ 90 days to impaired loans / facilities from June 2013.

	Sep 13					
	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	2	2,286	308	790	168	152
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	398	1,026	134	9	19
Qualifying Revolving Retail	-	78	-	-	53	72
Other Retail	-	390	233	213	79	99
Total Advanced IRB approach	**2**	**3,152**	**1,567**	**1,137**	**309**	**342**
Specialised Lending	**65**	**857**	**97**	**145**	**6**	**21**
Portfolios subject to Standardised approach						
Corporate	-	172	21	100	8	63
Residential Mortgage	-	44	9	14	3	2
Qualifying Revolving Retail	-	65	-	45	(3)	1
Other Retail	-	58	4	26	11	12
Total Standardised approach	**-**	**339**	**34**	**185**	**19**	**78**
Credit Valuation Adjustment and Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**67**	**4,348**	**1,698**	**1,467**	**334**	**441**

	Jun 13					
	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	9	2,228	289	757	57	88
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	427	989	144	14	32
Qualifying Revolving Retail	-	90	-	-	62	80
Other Retail	-	391	240	211	87	89
Total Advanced IRB approach	**9**	**3,136**	**1,518**	**1,112**	**220**	**289**
Specialised Lending	**66**	**937**	**103**	**157**	**-**	**30**
Portfolios subject to Standardised approach						
Corporate	2	281	37	161	12	8
Residential Mortgage	-	17	11	13	1	3
Qualifying Revolving Retail	-	67	-	48	(4)	2
Other Retail	-	51	4	28	9	20
Total Standardised approach	**2**	**416**	**52**	**250**	**18**	**33**
Total	**77**	**4,489**	**1,673**	**1,519**	**238**	**352**

Table 4(c): Specific Provision Balance and General Reserve for Credit Losses [9]

	Dec 13		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	339	2,617	2,956
Individual Provision	1,375	-	1,375
Total Provision for Credit Impairment			**4,331**

	Sep 13		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	346	2,541	2,887
Individual Provision	1,467	-	1,467
Total Provision for Credit Impairment			**4,354**

	Jun 13		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	368	2,524	2,892
Individual Provision	1,519	-	1,519
Total Provision for Credit Impairment			**4,411**

[9] 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 [10]

Dec 13

Securitisation activity by underlying asset type	Original value securitised ANZ Originated $M	ANZ Self Securitised $M	ANZ Sponsored $M	Recognised gain or loss on sale $M
Residential mortgage	-	2,225	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**2,225**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	454
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	(150)
Other	-	-	-	-
Total	**-**	**-**	**-**	**304**

Sep 13

Securitisation activity by underlying asset type	Original value securitised ANZ Originated $M	ANZ Self Securitised $M	ANZ Sponsored $M	Recognised gain or loss on sale $M
Residential mortgage	-	456	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**456**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	661
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	150
Other	-	-	-	589
Total	**-**	**-**	**-**	**1400**

[10] Activity represents net movement in outstandings.

Securitisation activity by underlying asset type	Jun 13 Original value securitised ANZ Originated $M	ANZ Self Securitised $M	ANZ Sponsored $M	Recognised gain or loss on sale $M
Residential mortgage	-	577	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**577**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	(103)
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	(30)
Other	-	-	-	596
Total	**-**	**-**	**-**	**463**

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.

Securitisation activities:

ANZ’s key securitisation activities are:

• Securitisation of ANZ originated assets (including self-securitisation) – use of securitisation as a funding, liquidity and capital management tool which may or may not involve the transfer of credit risk i.e. may or may not provide regulatory capital relief.

• Securitisation of third-party originated assets.

• Provision of facilities and services to securitisations or resecuritisations (where the underlying assets may be ANZ or third-party originated) e.g. liquidity, funding derivatives and/or credit support, structuring and arranging services, conduit management and (via ANZ Capel Court Limited) trust management services.

• Investment in securities - ANZ may purchase notes issued by securitisation programmes.

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

Securitisation exposure type - On balance sheet	Dec 13 $M	Sep 13 $M	Jun 13 $M
Liquidity facilities	-	-	-
Funding facilities	6,735	5,806	5,124
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,890	3,040	2,859
Protection provided	-	-	-
Other	429	589	596
Total	**10,054**	**9,435**	**8,579**

Securitisation exposure type - Off balance sheet	Dec 13 $M	Sep 13 $M	Jun 13 $M
Liquidity facilities	124	113	119
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**124**	**113**	**119**

Total Securitisation exposure type	Dec 13 $M	Sep 13 $M	Jun 13 $M
Liquidity facilities	124	113	119
Funding facilities	6,735	5,806	5,124
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,890	3,040	2,859
Protection provided	-	-	-
Other	429	589	596
Total	**10,178**	**9,548**	**8,698**

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

Securitisation exposure type - On balance sheet	Dec 13 $M	Sep 13 $M	Jun 13 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	11	21	2
Protection provided	-	-	-
Other	-	-	-
Total	**11**	**21**	**2**

Securitisation exposure type - Off balance sheet	Dec 13 $M	Sep 13 $M	Jun 13 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**-**	**-**	**-**

Total Securitisation exposure type	Dec 13 $M	Sep 13 $M	Jun 13 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	11	21	2
Protection provided	-	-	-
Other	-	-	-
Total	**11**	**21**	**2**

Glossary

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)	Impaired 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.
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 which are weighted for credit risk according to a set formula (APS 112/113).
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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Australia and New Zealand Banking Group Limited
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