2014 BASEL III PILLAR 3 DISCLOSURE

AS AT 31 DECEMBER 2014

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 2014. 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 3 Capital adequacy - Capital ratios and Risk Weighted Assets

Risk weighted assets (RWA)	Dec-14 $M	Sep-14 $M	Jun-14 $M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	136,776	129,087	124,835
Sovereign	5,216	4,923	4,681
Bank	21,893	20,329	20,846
Residential Mortgage	50,952	50,068	50,821
Qualifying Revolving Retail	7,595	7,546	7,036
Other Retail	30,866	26,858	26,711
Credit risk weighted assets subject to Advanced IRB approach	**253,298**	**238,811**	**234,930**
Credit risk Specialised Lending exposures subject to slotting approach[1]	**31,852**	**29,505**	**29,309**
Subject to Standardised approach			
Corporate	26,154	23,121	25,054
Residential Mortgage	2,463	2,344	1,996
Qualifying Revolving Retail	1,998	1,908	1,796
Other Retail	1,130	1,081	1,066
Credit risk weighted assets subject to Standardised approach	**31,745**	**28,454**	**29,912**
Credit Valuation Adjustment and Qualifying Central Counterparties	**8,686**	**7,394**	**7,227**
Credit risk weighted assets relating to securitisation exposures	1,011	1,030	1,116
Other assets	3,711	3,691	3,834
Total credit risk weighted assets	**330,303**	**308,885**	**306,328**
Market risk weighted assets	6,217	7,048	7,536
Operational risk weighted assets	32,862	31,969	31,797
Interest rate risk in the banking book (IRRBB) risk weighted assets	9,521	13,627	13,711
Total risk weighted assets	**378,903**	**361,529**	**359,372**
Capital ratios (%)			
Level 2 Common Equity Tier 1 capital ratio	**8.4%**	**8.8%**	**8.3%**
Level 2 Tier 1 capital ratio	**9.9%**	**10.7%**	**10.2%**
Level 2 Total capital ratio	**11.8%**	**12.7%**	**12.1%**

Credit Risk Weighted Assets (CRWA)
Total CRWA increased $21.4 billion (6.9%) from September 2014 to $330.3 billion at December 2014, including $8.2 billion increase due to foreign currency movements. Growth in Institutional business contributed to the increase in AIRB Corporate, Standardised Corporate, Specialised Lending and AIRB Bank asset classes. Growth in the Australian mortgage portfolio added further to the growth in the IRB Residential Mortgage asset class. The increase in IRB Other Retail asset class includes a reclassification of exposures from IRB Residential Mortgage asset class.

Market Risk, Operational Risk and IRRBB Risk Weighted Assets (RWA)
The increase in Operation Risk RWA is reflective of ANZ's risk profile and our business growth.

Traded Market Risk RWA for the December quarter was $6.22 billion, a decrease of 12% from the previous quarter, with lower levels of general market risk held over the quarter.

Decrease in IRRBB RWA was due to a reduction in repricing and yield curve risk combined with an improvement 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

Table 4(a) part (i): Period end and average Exposure at Default [2] [3]

	Dec 14				
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	136,776	262,461	255,604	58	47
Sovereign	5,216	119,267	103,306	-	-
Bank	21,893	128,466	123,678	-	-
Residential Mortgage	50,952	300,724	297,565	4	10
Qualifying Revolving Retail	7,595	21,755	21,613	44	66
Other Retail	30,866	45,317	42,381	85	123
Total Advanced IRB approach	**253,298**	**877,990**	**844,147**	**191**	**246**
Specialised Lending	**31,852**	**37,904**	**36,427**	**11**	**8**
Standardised approach					
Corporate	26,154	27,104	26,291	1	1
Residential Mortgage	2,463	6,889	6,724	-	-
Qualifying Revolving Retail	1,998	1,990	1,945	7	12
Other Retail	1,130	1,159	1,136	16	20
Total Standardised approach	**31,745**	**37,142**	**36,096**	**24**	**33**
Credit Valuation Adjustment and Qualifying Central Counterparties	**8,686**	**17,805**	**14,125**	**-**	**-**
Total	**325,581**	**970,841**	**930,795**	**226**	**287**

[2] 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.

[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.

	Sep 14				
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	129,087	248,746	242,200	95	208
Sovereign	4,923	87,346	90,475	-	-
Bank	20,329	118,889	114,384	-	-
Residential Mortgage	50,068	294,407	293,189	11	20
Qualifying Revolving Retail	7,546	21,471	21,211	45	65
Other Retail	26,858	39,445	39,267	107	111
Total Advanced IRB approach	**238,811**	**810,304**	**800,726**	**258**	**404**
Specialised Lending	**29,505**	**34,949**	**34,856**	**(8)**	**23**
Standardised approach					
Corporate	23,121	25,477	26,637	9	60
Residential Mortgage	2,344	6,559	6,055	3	2
Qualifying Revolving Retail	1,908	1,900	1,845	6	12
Other Retail	1,081	1,112	1,086	19	21
Total Standardised approach	**28,454**	**35,048**	**35,623**	**37**	**95**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,394**	**10,444**	**11,387**	**-**	**-**
Total	**304,164**	**890,745**	**882,592**	**287**	**522**

	Jun 14				
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	124,835	235,653	233,045	61	168
Sovereign	4,681	93,603	84,122	-	-
Bank	20,846	109,879	108,077	-	-
Residential Mortgage	50,821	291,971	289,693	13	7
Qualifying Revolving Retail	7,036	20,950	21,037	55	74
Other Retail	26,711	39,089	38,815	104	100
Total Advanced IRB approach	**234,930**	**791,145**	**774,789**	**233**	**349**
Specialised Lending	**29,309**	**34,762**	**34,366**	**2**	**10**
Standardised approach					
Corporate	25,054	27,797	28,463	(1)	1
Residential Mortgage	1,996	5,550	5,500	3	-
Qualifying Revolving Retail	1,796	1,789	1,789	5	11
Other Retail	1,066	1,060	1,063	13	18
Total Standardised approach	**29,912**	**36,196**	**36,815**	**20**	**30**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,227**	**12,329**	**11,311**	**-**	**-**
Total	**301,378**	**874,432**	**857,281**	**255**	**389**

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

Portfolio Type	Dec-14 $M	Sep-14 $M	Jun-14 $M	Average for the quarter ended Dec-14 $M
Cash	26,816	20,866	18,630	23,841
Contingents liabilities, commitments, and other off-balance sheet exposures	154,653	147,702	144,212	151,179
Derivatives	119,465	109,101	91,810	114,283
Settlement Balances	37,394	25,348	29,315	31,371
Investment Securities	30,306	25,671	25,166	27,989
Net Loans, Advances & Acceptances	544,800	519,327	517,238	532,064
Other assets	17,899	6,321	14,634	12,110
Trading Securities	39,508	36,409	33,427	37,958
Total exposures	**970,841**	**890,745**	**874,432**	**930,795**

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

	Dec 14					
	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	-	1,334	283	573	58	47
Sovereign	-	2	1	2	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	317	1,194	112	4	10
Qualifying Revolving Retail	-	77	-	-	44	66
Other Retail	-	422	308	257	85	123
Total Advanced IRB approach	**-**	**2,152**	**1,786**	**944**	**191**	**246**
Specialised Lending	**29**	**437**	**96**	**99**	**11**	**8**
Portfolios subject to Standardised approach						
Corporate	-	98	41	55	1	1
Residential Mortgage	-	48	10	17	-	-
Qualifying Revolving Retail	-	68	-	34	7	12
Other Retail	-	71	5	15	16	20
Total Standardised approach	**-**	**285**	**56**	**121**	**24**	**33**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**29**	**2,874**	**1,938**	**1,164**	**226**	**287**

[4] Impaired derivatives is net of credit valuation adjustment (CVA) of $63 million, being a market value based assessment of the credit risk of the relevant counterparties (September 2014: $46 million; March 2014: $80 million).

[5] Impaired loans / facilities include restructured items of $73 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 2014: $67 million; March 2014: $60 million).

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

	Sep 14					
	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	1,398	312	574	95	208
Sovereign	-	2	13	2	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	356	1,127	116	11	20
Qualifying Revolving Retail	-	77	-	-	45	65
Other Retail	-	437	245	265	107	111
Total Advanced IRB approach	**2**	**2,270**	**1,697**	**957**	**258**	**404**
Specialised Lending	**35**	**457**	**88**	**96**	**(8)**	**23**
Portfolios subject to Standardised approach						
Corporate	-	97	31	56	9	60
Residential Mortgage	-	43	9	16	3	2
Qualifying Revolving Retail	-	70	-	35	6	12
Other Retail	-	69	3	16	19	21
Total Standardised approach	**-**	**279**	**43**	**123**	**37**	**95**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**37**	**3,006**	**1,828**	**1,176**	**287**	**522**

	Jun 14					
	Impaired Derivatives $M	Impaired loans/ facilities $M	Past dueloans ≥ 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	10	1,617	339	691	61	168
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	357	1,221	128	13	7
Qualifying Revolving Retail	-	85	-	-	55	74
Other Retail	-	438	234	255	104	100
Total Advanced IRB approach	**10**	**2,497**	**1,794**	**1,074**	**233**	**349**
Specialised Lending	**57**	**572**	**113**	**124**	**2**	**10**
Portfolios subject to Standardised approach						
Corporate	-	142	43	93	(1)	1
Residential Mortgage	-	51	7	16	3	-
Qualifying Revolving Retail	-	68	-	36	5	11
Other Retail	-	66	3	21	13	18
Total Standardised approach	**-**	**327**	**53**	**166**	**20**	**30**
Total	**67**	**3,396**	**1,960**	**1,364**	**255**	**389**

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

	Dec 14		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	286	2,535	2,821
Individual Provision	1,164	-	1,164
Total Provision for Credit Impairment			**3,985**

	Sep 14		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	283	2,474	2,757
Individual Provision	1,176	-	1,176
Total Provision for Credit Impairment			**3,933**

	Jun 14		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	300	2,518	2,818
Individual Provision	1,364	-	1,364
Total Provision for Credit Impairment			**4,182**

[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]

Dec-14	Original value securitised			
Securitisation activity by underlying asset type	ANZ Originated $M	ANZ Self Securitised $M	ANZ Sponsored $M	Recognized gain or loss on sale $M
Residential mortgage	-	(69)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**(69)**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	(30)
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	621
Other	-	-	-	9
Total	**-**	**-**	**-**	**600**

Sep-14	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	-	25,422	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**25,422**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	(43)
Funding facilities	-	-	-	(722)
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	1,312
Other	-	-	-	4
Total	**-**	**-**	**-**	**551**

[8] Activity represents net movement in outstandings.

	Jun-14			
	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	-	(72)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**(72)**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	(43)
Funding facilities	-	-	-	-
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	(93)
Other	-	-	-	-
Total	**-**	**-**	**-**	**(136)**

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	Dec14 $M	Sep14 $M	Jun14 $M
Liquidity facilities	-	-	-
Funding facilities	4,398	4,599	5,967
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	4,583	3,962	2,556
Protection provided	-	-	-
Other	323	356	464
Total	**9,304**	**8,917**	**8,987**

Securitisation exposure type - Off Balance Sheet	Dec14 $M	Sep14 $M	Jun14 $M
Liquidity facilities	81	70	77
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**81**	**70**	**77**

Total Securitisation exposure type	Dec14 $M	Sep14 $M	Jun14 $M
Liquidity facilities	81	70	77
Funding facilities	4,398	4,599	5,967
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	4,583	3,962	2,556
Protection provided	-	-	-
Other	323	356	464
Total	**9,385**	**8,987**	**9,064**

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

Securitisation exposure type - On balance sheet	Dec14 $M	Sep 14 $M	Jun14 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	39	10	-
Protection provided	-	-	-
Other	-	-	-
Total	**39**	**10**	**-**

Securitisation exposure type - Off Balance Sheet	Dec14 $M	Sep 14 $M	Jun14 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**-**	**-**	**-**

Total Securitisation exposure type	Dec14 $M	Sep 14 $M	Jun14 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	39	10	-
Protection provided	-	-	-
Other	-	-	-
Total	**39**	**10**	**-**

Glossary

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)	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.
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 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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