



2013 §165(d) Tailored Resolution Plan

[Version 2.2]

Australia and New Zealand Banking Group Limited
Public Section of 2013 §165(d) Tailored Resolution Plan



Public Section

(i) Executive Summary

Requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Section 165(d) of the Dodd-Frank Act (“DFA”) and its implementing rules require, among other things, that any company covered by section 165 (d) is required to produce a resolution plan (such plan for Australia and New Zealand Banking Group Limited (“ANZBGL”) being this “Resolution Plan”) to provide for such company’s rapid and orderly resolution in the event of material financial distress or failure. The implementing rules (collectively, the “Rule”) were jointly issued by the Federal Reserve System (the “Board”), codified at 12 C.F.R. Part 243, and the Federal Deposit Insurance Corporation (the “FDIC” and together with the Board, the “Agencies”), codified at 12 C.F.R. Part 381, on November 1, 2011. ANZBGL is considered a “Covered company” under the Rule and must file this Resolution Plan with the Agencies. References to the Rule contained herein are to 12 C.F.R. Part 243 as promulgated by the Board.

Under the requirements of the Rule, Covered companies are required to assess their U.S. banking operations for the presence of “Material entities”, “Critical operations”, and “Core business lines”. ANZBGL performed this assessment and determined that there were no Material Entities, Critical operations or Core business lines as defined in the Rule. Therefore, the focus of this Resolution Plan is the orderly resolution of the New York Branch (“ANZ NYB”) as an extension of the covered company, ANZBGL, in the US.

Description of ANZBGL

ANZBGL is a public company limited by shares, incorporated in Australia. Its principal ordinary share listing and quotation is on the Australian Securities Exchange (“ASX”) and its ordinary shares are also quoted on the New Zealand Stock Exchange (“NZX”). ANZ’s registered office, and head office, is located in Melbourne, Australia. The firm also operates in a number of other countries, including the United Kingdom and the United States of America.

ANZ’s history of expansion and growth stretches over 175 years. It has a strong franchise in Retail, Commercial and Institutional banking in its home markets of Australia and New Zealand and has been operating in Asia Pacific for more than 30 years. Today, ANZBGL operates in 32 markets globally. It is the third largest bank in Australia, the largest banking group in New Zealand and the Pacific, and is among the top 20 banks in the world.

As at 31st December 2012, ANZ had total risk weighted assets of A\$303.6bn, a total capital ratio of 12.1% and a tier 1 ratio of 10.9%¹.

¹ ANZ’s December 2012 BASEL II Pillar 3 Disclosure as required by APRA Prudential Standard 330.



ANZ Banking Group Limited long term credit ratings are as follows:

Moody's Investor Service, AA2

Standard & Poor's, AA-

Fitch Ratings, AA-

ANZ provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. It conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. ANZ operates in the following business segments:

- Australia
- New Zealand
- International & Institutional Banking
- Global Wealth & Private Banking

ANZBGL reported its annual results for fiscal year 2012 on September 30, 2012. It had total consolidated assets of approximately AUD 642 billion and total annual revenue of approximately AUD 17.71 billion. At September 30, 2012, ANZBGL employed approximately 48,000 people located primarily in Australia and New Zealand.

Overview of the New York Branch

ANZBGL maintains a licensed branch in New York ("ANZ NYB"). In the United States, ANZBGL is regulated by the Office of the Comptroller of Currency (OCC) as a Foreign Banking Organization, and by the Federal Reserve as a Financial Holding Company. Because ANZ's total consolidated global assets exceed \$50 billion, it is a covered company under Regulation QQ and must submit a resolution plan that covers its U.S. operations.

ANZ's New York office was opened in December 1968 and today operates as a branch of Australia and New Zealand Banking Group Limited. Its business is concentrated on corporate and investment banking services and international trade finance.

The main focus of the investment banking activity is to provide specialist strategic and financial advisory services to major companies, institutions and governments. Working as an offshore partner with ANZBGL's key clients, the New York-based team supports trade and investment flows between clients in America with Australia, New Zealand and Asia. Through ANZ, clients receive access and expertise in the key global financial markets.

The team of New York-based specialists provides full relationship services, originating and executing complex product solutions with specific emphasis on resources (food, beverages and agriculture, mining, metals, oil and gas and commodities) and specialized infrastructure, manufacturing and services. The Financial Institutions group provides a range of services to global investor intermediaries.

The New York Markets activities offer corporate and institutional clients a full range of integrated specialist services including risk management in foreign exchange, currency options, credit and interest rate derivatives and fund raising activities.



The Trade Finance business supports customers trading in commodity flows in and out of the Americas and the Asia-Pacific region, as well as exports to and from Australia and New Zealand.

(ii) **Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources**

The ANZ group consolidated balance sheet is as follows:

**Figure 1****ANZ Consolidated Statement of Financial Position**

	31 Dec 12
	A\$m
Assets	
Liquid assets	48,718
Due from other financial institutions	21,458
Trading securities	40,656
Derivative financial instruments	46,548
Investment securities	20,745
Net loans and advances	432,051
Regulatory deposits	1,471
Due from controlled entities	0
Shares in controlled entities	0
Shares in associates and joint venture entities	3,614
Current tax assets	1
Deferred tax assets	1,932
Goodwill	7,082
Investments relating to insurance business	30,020
Other assets	5,189
Premises and equipment	2,079
Total assets	661,566
Liabilities	
Due to other financial institutions	38,554
Deposits and other borrowings	414,658
Derivative financial instruments	48,630
Due to controlled entities	0
Current tax liabilities	783
Deferred tax liabilities	1,196
Policyholder liabilities	29,639
External unit holder liabilities (insurance funds)	3,949
Payables and other liabilities	9,477
Provisions	1,115
Bonds and notes	60,484
Loan Capital	12,121
Total liabilities	620,607
Net Assets	40,959
Shareholders' equity	
Ordinary share capital	23,529
Preference share capital	871
Reserves	(2,477)
Retained Profits	18,984
Share capital and reserves attributable to members of the company	40,907
Outside equity interests	52
Total shareholders' equity	40,959



As disclosed in ANZ NYB's 31 December 2012 regulatory reporting requirements, ANZ NYB total assets in US dollars, were \$31.7bn of which \$17.3bn were amounts due from intergroup counterparties. Additionally, \$11.4bn comprises liquid assets mainly cash placed with the Federal Reserve, \$1.2bn of available for sale securities, \$2.3bn of loans and advances and \$0.5bn of derivatives and other assets.

ANZ NYB total liabilities were \$31.7bn of which \$19.5bn were from intergroup sources. The remaining \$12.2bn primarily comprises deposits and borrowings from external parties and \$0.9bn of capital and reserves. ANZ NYB is not subject to any standalone regulatory capital minimums.

(iii) A description of derivative activities and hedging activities

ANZ NYB engages in derivative activities primarily to hedge its interest rate or currency risk. There is minimal trading activity booked in the branch itself as this activity is centralized in the head office in Melbourne, Australia.

(iv) A list of memberships in material payment, clearing and settlement systems

ANZ NYB is not a member of any material payment, clearing or settlement system other than Swift.

(v) A description of foreign operations

ANZ NYB operates a Cayman Islands branch but otherwise has no foreign operations (other than the Head Office) material to its resolution.

(vi) The identities of material supervisory authorities

The New York Branch is supervised by the following authorities:

USA

- (1) OCC; and
- (2) Federal Reserve Bank of New York.

Australia

- (1) The Australian Prudential Regulatory Authority ("APRA"), the statutory authority overseeing banks, credit unions, building societies, and parts of the insurance industry.
- (2) The Reserve Bank of Australia, the Central Bank of Australia.

(vii) The identities of the principal officers

- (1) Truett Tate, CEO of the New York Branch
- (2) Hayden McNamara, COO of the New York Branch
- (3) Pamela Couch, Chief Risk Officer, Americas



(viii) A description of the corporate governance structure and processes related to resolution planning

The US Resolution Plan is a living document meaning that it is subject to annual review and approval. With each iteration, the Plan will be updated to include changes in ANZ NYB business, operations and entities. The Plan will be subject to review and challenge by senior management and subject matter experts both within the branch and at ANZBGL and with assistance from external providers if required. Any new developments in regulations will be incorporated into the Plan with each iteration.

This process will follow the existing ANZBGL governance structure culminating in annual approval by the ANZBGL Board Risk Committee, the body with delegated authority from the ANZBGL Board to approve the Plan. The ANZBGL Board Risk Committee is principally responsible for approving ANZBGL risk tolerance related strategies and policies, and is responsible for the oversight of policy compliance and effectiveness of the risk and compliance management framework that is in place. The ANZBGL Board Risk Committee is delegated responsibility for overseeing, monitoring and reviewing the Group's risk management principles and policies, strategies, process and controls, including credit, market, liquidity, balance sheet, operational, compliance and other reputational risk frameworks.

(ix) A description of material management information systems

The New York Branch uses several material management information systems, including MIDANZ, Merva, Murex, RAZOR, and eCart II.

- MIDANZ is an internal system that processes ANZBGL's transactions and updates its records
- Merva processes Swift payments
- Murex is the system used for derivatives trade capture, reporting and risk management
- Razor is a system to manage client and country risk limits and exposures
- eCart II calculates counterparty credit risk for customers and accounts

(x) A description, at a high level, of the Covered company's resolution strategy, covering such items as the range of potential purchasers of the Covered company, its Material entities and Core business lines.

The resolution of ANZ NYB will, on the basis of a 'jump to default' assumption, be a relatively straightforward receivership whereby assets will be liquidated and distributions made to creditors.

Upon determination and issuance of a declaration of insolvency, the OCC will appoint a receiver to take possession of all U.S. assets of ANZBGL, including those not owned by the Material Entity. The commencement of a receivership will not affect the rights of parties to secured transactions, who will retain the right to liquidate collateral in which they have a secured interest. Any balances remaining after satisfaction of their claims must be transferred to the receiver.



After taking possession, the receiver is responsible for the orderly liquidation of ANZBGL's assets within the United States financial system. While this is happening, notice must be sent to those that may have a claim against the branch. Claims may be proven to the OCC's satisfaction, or where parties disagree, adjudicated in a court of competent jurisdiction. Either way, the validity and credibility of claims is assessed as if the branch were a separate entity apart from the foreign parent. The receiver must then make pro rata distributions, respecting the general principles of debtor/creditor law, to parties determined to have valid claims against ANZ NYB.

After all claims are satisfied, because the ANZBGL does not have any other U.S. branches, excess proceeds are returned to ANZBGL's home office for treatment under Australia's resolution framework. As noted in the plan, one of the potential challenges of the receivership may be liquidating assets due to the potential for competing claims due to the cross border nature of ANZBGL's business.