20 February 2020

Market Announcements Office
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

APS 330 Pillar 3 Disclosure at 31 December 2019

Australia and New Zealand Banking Group Limited (ANZ) today releases its APS 330 Pillar 3 Disclosure at 31 December 2019.

This has been approved for distribution by ANZ's Continuous Disclosure Committee.

Yours faithfully

Simon Pordage
Company Secretary
Australia and New Zealand Banking Group Limited

2019 BASEL III PILLAR 3 DISCLOSURE

AS AT 31 DECEMBER 2019

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.

Table 3 Capital adequacy - Capital Ratios and Risk Weighted Assets

Risk Weighted Assets (RWA)	Dec 19 $M	Sep 19 $M	Jun 19 $M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	139,134	136,885	128,949
Sovereign	6,169	6,199	7,560
Bank	16,357	15,968	14,915
Residential Mortgage	106,549	105,491	101,452
Qualifying Revolving Retail	5,101	5,255	5,522
Other Retail	25,678	26,258	27,451
Credit risk weighted assets subject to Advanced IRB approach	**298,988**	**296,056**	**285,849**
Credit Risk Specialised Lending exposures subject to slotting approach[1]	**37,085**	**36,318**	**36,384**
Subject to Standardised approach			
Corporate	13,557	11,645	11,819
Residential Mortgage	214	216	335
Other Retail	48	50	78
Credit risk weighted assets subject to Standardised approach	**13,819**	**11,911**	**12,232**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,817**	**8,682**	**6,489**
Credit risk weighted assets relating to securitisation exposures	1,880	1,859	1,851
Other assets	4,603	3,280	3,307
Total credit risk weighted assets	**364,192**	**358,106**	**346,112**
Market risk weighted assets	5,728	5,307	5,292
Operational risk weighted assets	46,773	46,626	37,789
Interest rate risk in the banking book (IRRBB) risk weighted assets	7,461	6,922	7,150
Total Risk Weighted Assets	**424,154**	**416,961**	**396,343**

Capital ratios (%)	Dec 19	Sep 19	Jun 19
Level 2 Common Equity Tier 1 capital ratio	**10.9%**	**11.4%**	**11.8%**
Level 2 Tier 1 capital ratio	**12.8%**	**13.2%**	**13.8%**
Level 2 Total capital ratio	**15.2%**	**15.3%**	**15.5%**

Basel III APRA level 2 CET1	Dec 19	Sep 19
Common Equity Tier 1 Capital	46,359	47,355
Total Risk Weighted Assets	424,154	416,961
Common Equity Tier 1 capital ratio	**10.9%**	**11.4%**

Basel III APRA level 1 Extended licensed entity CET1	Dec 19	Sep 19
Common Equity Tier 1 Capital	41,849	43,095
Total Risk Weighted Assets	383,575	379,539
Common Equity Tier 1 capital ratio	**10.9%**	**11.4%**

Credit Risk Weighted Assets (CRWA)
Total CRWA increased $6.1 billion (1.7%) from Sep 2019 to $364.2 billion at Dec 2019. The increase is driven by lending growth in the Corporate asset class in the Institutional business across both Advanced IRB and exposures receiving Standardised treatment. CRWA on Other assets increased $1.3 billion mainly due to recognition of on balance sheet of right of use lease assets following implementation of IFRS 16 Leases on 1 October 2019.

Market Risk, Operational Risk and IRRBB Risk Weighted Assets (RWA)
Traded Market Risk RWA increased $0.4 billion (7.9%) over the quarter due to increase in Stress VaR.
IRRBB RWA Increased due to a deterioration in embedded gains and an increase in 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 4 Credit risk exposures

Exposure at Default in Table 4 represents credit exposure net of offsets for credit risk mitigation such as guarantees, credit derivatives, netting and financial collateral. It includes Advanced IRB, Specialised Lending and Standardised exposures, however does not include Securitisation, Equities or Other Assets exposures.

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

	Dec 19				
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	139,134	280,704	278,651	38	22
Sovereign	6,169	166,395	159,668	-	-
Bank	16,357	55,170	55,158	-	-
Residential Mortgage	106,549	378,944	376,160	15	27
Qualifying Revolving Retail	5,101	16,327	16,487	39	57
Other Retail	25,678	35,754	36,038	82	101
Total Advanced IRB approach	**298,988**	**933,294**	**922,162**	**174**	**207**
Specialised Lending	**37,085**	**43,903**	**43,626**	**-**	**-**
Standardised approach					
Corporate	13,557	14,831	13,915	(9)	-
Residential Mortgage	214	442	444	-	-
Other Retail	48	47	48	-	-
Total Standardised approach	**13,819**	**15,320**	**14,407**	**(9)**	**-**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,817**	**8,133**	**8,741**	**-**	**-**
Total	**357,709**	**1,000,650**	**988,936**	**165**	**207**

[2] 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.

Table 4(a) part (i): Period end and average Exposure at Default (continued)

	Sep 19				
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	136,885	276,599	269,091	25	43
Sovereign	6,199	152,940	154,017	-	-
Bank	15,968	55,145	53,877	-	-
Residential Mortgage	105,491	373,376	374,775	(3)	33
Qualifying Revolving Retail	5,255	16,647	16,870	35	61
Other Retail	26,258	36,322	36,957	81	137
Total Advanced IRB approach	**296,056**	**911,029**	**905,587**	**138**	**274**
				-	-
Specialised Lending	**36,318**	**43,348**	**43,375**	**(2)**	**1**
Standardised approach					
Corporate	11,645	12,998	13,052	2	19
Residential Mortgage	216	445	583	2	1
Other Retail	50	49	63	-	1
Total Standardised approach	**11,911**	**13,492**	**13,698**	**4**	**21**
Credit Valuation Adjustment and Qualifying Central Counterparties	**8,682**	**9,348**	**11,544**	**-**	**-**
Total	**352,967**	**977,217**	**974,204**	**140**	**296**

	Jun 19				
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	128,949	261,582	259,794	50	46
Sovereign	7,560	155,094	152,377	-	-
Bank	14,915	52,608	53,819	-	-
Residential Mortgage	101,452	376,173	377,843	40	34
Qualifying Revolving Retail	5,522	17,092	17,341	52	65
Other Retail	27,451	37,592	38,067	106	127
Total Advanced IRB approach	**285,849**	**900,141**	**899,241**	**248**	**272**
Specialised Lending	**36,384**	**43,402**	**43,032**	**-**	**-**
Standardised approach					
Corporate	11,819	13,106	13,313	9	7
Residential Mortgage	335	720	718	1	-
Other Retail	78	77	79	-	3
Total Standardised approach	**12,232**	**13,903**	**14,110**	**10**	**10**
Credit Valuation Adjustment and Qualifying Central Counterparties	**6,489**	**13,740**	**13,135**	**-**	**-**
Total	**340,954**	**971,186**	**969,518**	**258**	**282**

Table 4(a) part (ii): Exposure at Default by portfolio type[3]

Portfolio Type	Dec 19 $M	Sep 19 $M	Jun 19 $M	Average for the quarter ended Dec 19 $M
Cash	69,471	55,083	60,996	62,277
Contingents liabilities, commitments, and other off-balance sheet exposures	164,703	160,293	160,633	162,498
Derivatives	48,818	53,716	46,354	51,267
Settlement Balances	1	26	28	14
Investment Securities	77,758	82,289	77,739	80,024
Net Loans, Advances & Acceptances	607,801	597,084	597,877	602,443
Other assets	4,608	4,627	4,914	4,618
Trading Securities	27,490	24,099	22,645	25,795
Total exposures	**1,000,650**	**977,217**	**971,186**	**988,936**

[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.

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

	Dec 19					
	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	-	1,013	201	390	38	22
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	489	2,743	130	15	27
Qualifying Revolving Retail	-	66	-	-	39	57
Other Retail	-	415	401	223	82	101
Total Advanced IRB approach	**-**	**1,983**	**3,345**	**743**	**174**	**207**
Specialised Lending	**-**	**30**	**31**	**5**	**-**	**-**
Portfolios subject to Standardised approach						
Corporate	-	125	16	80	(9)	-
Residential Mortgage	-	9	6	7	-	-
Other Retail	-	20	1	-	-	-
Total Standardised approach	**-**	**154**	**23**	**87**	**(9)**	**-**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**2,167**	**3,399**	**835**	**165**	**207**

[4] Impaired derivatives are net of credit valuation adjustment (CVA) of $4 million, being a market value based assessment of the credit risk of the relevant counterparties (September 2019: $7 million; June 2019: $6 million).

[5] Impaired loans / facilities include restructured items of $222 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 2019: $267 million; June 2019: $230 million).

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

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

Sep 19	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	-	1,038	248	369	25	43
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	438	2,943	137	(3)	33
Qualifying Revolving Retail	-	69	-	-	35	61
Other Retail	-	442	379	221	81	137
Total Advanced IRB approach	**-**	**1,987**	**3,570**	**727**	**138**	**274**
Specialised Lending	**-**	**31**	**33**	**5**	**(2)**	**1**
Portfolios subject to Standardised approach						
Corporate	-	106	14	75	2	19
Residential Mortgage	-	10	6	7	2	1
Other Retail	-	15	1	-	-	1
Total Standardised approach	**-**	**131**	**21**	**82**	**4**	**21**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**2,149**	**3,624**	**814**	**140**	**296**

Jun 19	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	-	1,018	205	386	50	46
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	476	2,869	168	40	34
Qualifying Revolving Retail	-	80	-	-	52	65
Other Retail	-	493	376	255	106	127
Total Advanced IRB approach	**-**	**2,067**	**3,450**	**809**	**248**	**272**
Specialised Lending	**-**	**33**	**31**	**6**	**-**	**-**
Portfolios subject to Standardised approach						
Corporate	-	125	13	88	9	7
Residential Mortgage	-	18	13	9	1	-
Other Retail	-	16	7	-	-	3
Total Standardised approach	**-**	**159**	**33**	**97**	**10**	**10**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**2,259**	**3,514**	**912**	**258**	**282**

[7] In the September 2019 half, ANZ implemented a revised process for the identification of impaired assets, and a more market responsive collateral valuation methodology for the home loan portfolio in Australia which increased the number of home loans being classified as impaired rather than past due. Comparative information has not been restated for the change in methodology. Additional refinement to underlying processes and associated data resulted in the transfer of loans from past due and sub-standard categories into impaired assets. Comparative information has been restated with a transfer of $144 million at June 2019.

Table 4(c): Specific Provision Balance and General Reserve for Credit Losses [8]

	Dec 19		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collectively Assessed Provisions for Credit Impairment	425	2,902	3,327
Individually Assessed Provisions	835	-	835
Total Provision for Credit Impairment	**1,260**	**2,902**	**4,162**

	Sep 19		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collectively Assessed Provisions for Credit Impairment	435	2,941	3,376
Individually Assessed Provisions	814	-	814
Total Provision for Credit Impairment	**1,249**	**2,941**	**4,190**

	Jun 19		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collectively Assessed Provisions for Credit Impairment	417	2,915	3,332
Individually Assessed Provisions	912	-	912
Total Provision for Credit Impairment	**1,329**	**2,915**	**4,244**

[8] Due to definitional differences, there is a variation in the split between ANZ's Individually and Collectively Assessed Provisions for Credit Impairment 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 Individually and Collectively Assessed Provisions for Credit Impairment, 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 [9]

	Dec 19			
	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	(143)	(6,221)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(143)**	**(6,221)**	**-**	**-**

Securitisation activity by facility provided	Notional amount $M
Liquidity facilities	-
Funding facilities	585
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	654
Other	25
Total	**1,264**

	Sep 19			
	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	(152)	(1,032)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(152)**	**(1,032)**	**-**	**-**

Securitisation activity by facility provided	Notional amount $M
Liquidity facilities	-
Funding facilities	35
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	104
Other	71
Total	**210**

[9] Activity represents net movement in outstanding.

Table 5(a) part (i): Banking Book - Summary of current period’s activity by underlying asset type and facility (continued)

Securitisation activity by underlying asset type	ANZ Originated $M	Jun 19 Original value securitised ANZ Self Securitised $M	ANZ Sponsored $M	Recognised gain or loss on sale $M
Residential mortgage	1,429	441	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**1,429**	**441**	**-**	**-**

Securitisation activity by facility provided	Notional amount $M
Liquidity facilities	15
Funding facilities	1,100
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	59
Other	82
Total	**1,256**

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.

Table 5(b) part (i): Banking Book: Securitisation - Regulatory credit exposures by exposure type

Securitisation exposure type - On balance sheet	Dec 19 $M	Sep 19 $M	Jun 19 $M
Liquidity facilities	-	-	-
Funding facilities	7,052	7,679	7,619
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,577	1,923	1,819
Protection provided	-	-	-
Other	338	437	261
Total	**9,967**	**10,039**	**9,699**

Securitisation exposure type - Off Balance Sheet	Dec 19 $M	Sep 19 $M	Jun 19 $M
Liquidity facilities	23	25	26
Funding facilities	1,735	1,598	1,979
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**1,758**	**1,623**	**2,005**

Total Securitisation exposure type	Dec 19 $M	Sep 19 $M	Jun 19 $M
Liquidity facilities	23	25	26
Funding facilities	8,787	9,277	9,598
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,577	1,923	1,819
Protection provided	-	-	-
Other	338	437	261
Total	**11,725**	**11,662**	**11,704**

Table 5(b) part (ii): Trading Book: Securitisation – Regulatory credit exposures by exposure type

No assets from ANZ's Trading Book were securitised during the reporting period.

Table 18 Leverage ratio

The Leverage Ratio requirements are part of the Basel Committee on Banking Supervision (BCBS) Basel III capital framework. It is a simple, non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system.

Consistent with the BCBS definition, APRA's Leverage Ratio compares Tier 1 Capital to the Exposure Measure (expressed as a percentage) as defined by APS 110. APRA has not finalised a minimum Leverage Ratio requirement for Australian ADIs, although they have proposed a minimum of 3.5% for internal ratings based approach ADIs.

The following information is the short form data disclosure required to be published under paragraph 49 of APS 330.

	Capital and total exposures	Dec 19 $M	Sep 19 $M	Jun 19 $M	Mar 19 $M
20	Tier 1 capital	54,172	55,221	54,614	53,075
21	Total exposures	1,022,701	989,225	996,557	985,583
	Leverage ratio				
22	Basel III leverage ratio	5.3%	5.6%	5.5%	5.4%

Table 20 Liquidity Coverage Ratio disclosure template

		Dec 19		Sep 19		Jun 19	
		Total Unweighted Value $M	Total Weighted Value $M	Total Unweighted Value $M	Total Weighted Value $M	Total Unweighted Value $M	Total Weighted Value $M
	Liquid assets, of which:						
1	High-quality liquid assets (HQLA)	-	158,981	-	144,200	-	137,770
2	Alternative liquid assets (ALA)	-	41,402	-	41,400	-	41,815
3	Reserve Bank of New Zealand (RBNZ) securities	-	5,872	-	4,997	-	5,150
	Cash outflows						
4	Retail deposits and deposits from small business customers	211,449	21,852	202,675	20,702	196,242	19,932
5	of which: stable deposits	81,912	4,096	78,262	3,913	76,070	3,804
6	of which: less stable deposits	129,537	17,756	124,413	16,789	120,172	16,128
7	Unsecured wholesale funding	211,756	115,753	208,233	114,820	199,950	110,313
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	65,792	15,856	64,317	15,552	60,514	14,670
9	of which: non-operational deposits (all counterparties)	135,907	89,840	132,524	87,876	127,266	83,473
10	of which: unsecured debt	10,057	10,057	11,392	11,392	12,170	12,170
11	Secured wholesale funding		1,412		513		168
12	Additional requirements	140,594	38,768	143,054	40,181	139,289	37,855
13	of which: outflows related to derivatives exposures and other collateral requirements	22,915	22,915	24,736	24,736	22,724	22,724
14	of which: outflows related to loss of funding on debt products	-	-	-	-	-	-
15	of which: credit and liquidity facilities	117,679	15,853	118,318	15,445	116,565	15,131
16	Other contractual funding obligations	10,661	-	10,892	-	11,403	-
17	Other contingent funding obligations	75,473	4,813	66,370	3,985	67,841	4,795
18	Total cash outflows		182,598		180,201		173,063
	Cash inflows						
19	Secured lending (e.g. reverse repos)	27,329	1,480	30,556	1,901	28,145	1,732
20	Inflows from fully performing exposures	29,791	19,130	37,335	26,443	37,147	25,744
21	Other cash inflows	16,031	16,031	18,235	18,235	16,680	16,680
22	Total cash inflows	73,151	36,641	86,126	46,579	81,972	44,156
23	Total liquid assets		206,255		190,597		184,735
24	Total net cash outflows		145,957		133,622		128,907
25	Liquidity Coverage Ratio (%)		141.3%		142.6%		143.3%
	Number of data points used (simple average)		66		66		65

Liquidity Coverage Ratio (LCR)

ANZ’s average LCR for the 3 months to 31 December 2019 was 141.3% with total liquid assets exceeding net outflows by an average of $60.3b.

The main contributors to net cash outflows were modelled outflows associated with the Bank’s corporate and retail deposit portfolios, offset by inflows from maturing loans. While cash outflows associated with derivatives are material, these are effectively offset by derivative cash inflows.

The composition of the liquid asset portfolio has remained relatively stable through the quarter, with HQLA securities and cash making up on average 77% of total liquid assets.

ANZ has a well diversified deposit and funding base avoiding undue concentrations by investor type, maturity, market source and currency.

ANZ monitors and manages its liquidity risk on a daily basis including LCR by geography and currency, ensuring ongoing compliance across the network.

Glossary

ADI	Authorised Deposit-taking Institution.
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.
Collectively Assessed Provision for Credit Impairment	Collectively assessed provisions for credit impairment represent the Expected Credit Loss (ECL) calculated in accordance with AASB 9 Financial Instruments (AASB 9). These incorporate forward looking information and do not require an actual loss event to have occurred for an impairment provision to be 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)	Individual 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.
Individually Assessed Provisions for Credit Impairment	Individually assessed provisions for credit impairment are calculated in accordance with AASB 9 Financial Instruments (AASB 9). They 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 (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in the case of default. In the case of non asset backed risks (i.e. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5.
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.

This page has been intentionally left blank

anz.com
Australia and New Zealand Banking Group Limited
ABN 11005357522