2019 BASEL III PILLAR 3 DISCLOSURE

AS AT 30 JUNE 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)	Jun 19 $M	Mar 19 $M	Dec 18 $M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	128,949	127,989	127,973
Sovereign	7,560	7,016	6,986
Bank	14,915	15,511	15,709
Residential Mortgage	101,452	101,469	101,320
Qualifying Revolving Retail	5,522	5,795	5,890
Other Retail	27,451	28,029	28,715
Credit risk weighted assets subject to Advanced IRB approach	**285,849**	**285,809**	**286,593**
Credit Risk Specialised Lending exposures subject to slotting approach[1]	**36,384**	**35,696**	**34,032**
Subject to Standardised approach			
Corporate	11,819	12,252	13,943
Residential Mortgage	335	331	336
Other Retail	78	81	84
Credit risk weighted assets subject to Standardised approach	**12,232**	**12,664**	**14,363**
Credit Valuation Adjustment and Qualifying Central Counterparties	**6,489**	**6,217**	**7,629**
Credit risk weighted assets relating to securitisation exposures	1,851	1,558	1,616
Other assets	3,307	3,579	3,437
Total credit risk weighted assets	**346,112**	**345,523**	**347,670**
Market risk weighted assets	5,292	5,790	5,797
Operational risk weighted assets	37,789	37,733	38,019
Interest rate risk in the banking book (IRRBB) risk weighted assets	7,150	7,245	6,957
Total Risk Weighted Assets	**396,343**	**396,291**	**398,443**
Capital ratios (%)			
Level 2 Common Equity Tier 1 capital ratio	**11.8%**	**11.5%**	**11.3%**
Level 2 Tier 1 capital ratio	**13.8%**	**13.4%**	**13.1%**
Level 2 Total capital ratio	**15.5%**	**15.3%**	**15.0%**

Credit Risk Weighted Assets (CRWA)

Total CRWA increased $0.6 billion (0.2%) from March 2019 to $346.1 billion at Jun 2019. This was driven by an increase in Corporates under the Advanced IRB approach with CRWA increasing $1.0 billion predominantly from portfolio growth in the Institutional Business.

Market Risk, Operational Risk and IRRBB Risk Weighted Assets (RWA)

Traded Market Risk RWA decreased $0.5 billion (8.6%) over the quarter due to reduction in Stress VaR.

[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]

	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**

[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)

	Mar 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	127,989	258,005	257,614	35	24
Sovereign	7,016	149,660	155,854	-	-
Bank	15,511	55,029	53,058	-	-
Residential Mortgage	101,469	379,512	379,899	31	28
Qualifying Revolving Retail	5,795	17,589	17,825	38	61
Other Retail	28,029	38,542	38,936	96	121
Total Advanced IRB approach	**285,809**	**898,337**	**903,186**	**200**	**234**
Specialised Lending	**35,696**	**42,661**	**41,675**	**-**	**2**
Standardised approach					
Corporate	12,252	13,519	14,295	(6)	2
Residential Mortgage	331	716	717	(1)	1
Other Retail	81	80	82	1	1
Total Standardised approach	**12,664**	**14,315**	**15,094**	**(6)**	**4**
Credit Valuation Adjustment and Qualifying Central Counterparties	**6,217**	**12,530**	**12,629**	**-**	**-**
Total	**340,386**	**967,843**	**972,584**	**194**	**240**

	Dec 18				
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	127,973	257,223	251,424	16	44
Sovereign	6,986	162,047	153,808	-	-
Bank	15,709	51,086	51,225	-	-
Residential Mortgage	101,320	380,286	378,430	14	22
Qualifying Revolving Retail	5,890	18,061	18,254	47	62
Other Retail	28,715	39,330	39,575	101	111
Total Advanced IRB approach	**286,593**	**908,033**	**892,716**	**178**	**239**
Specialised Lending	**34,032**	**40,689**	**40,076**	**1**	**-**
Standardised approach					
Corporate	13,943	15,071	15,068	7	17
Residential Mortgage	336	717	711	-	-
Other Retail	84	83	85	-	2
Total Standardised approach	**14,363**	**15,871**	**15,864**	**7**	**19**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,629**	**12,727**	**12,065**	**-**	**-**
Total	**342,617**	**977,320**	**960,721**	**186**	**258**

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

Portfolio Type	Jun 19 $M	Mar 19 $M	Dec 18 $M	Average for the quarter ended Jun 19 $M
Cash	60,996	61,314	73,193	61,155
Contingents liabilities, commitments, and other off-balance sheet exposures	160,633	157,005	157,227	158,819
Derivatives	46,354	43,924	46,064	45,139
Settlement Balances	28	8	54	18
Investment Securities	77,739	77,158	72,240	77,449
Net Loans, Advances & Acceptances	597,877	600,846	604,579	599,362
Other assets	4,914	5,348	5,222	5,131
Trading Securities	22,645	22,240	18,741	22,443
Total exposures	**971,186**	**967,843**	**977,320**	**969,516**

[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

	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[7]	-	332	2,978	168	40	34
Qualifying Revolving Retail	-	80	-	-	52	65
Other Retail	-	493	376	255	106	127
Total Advanced IRB approach	**-**	**1,923**	**3,559**	**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	**-**	**2,115**	**3,623**	**912**	**258**	**282**

[4] Impaired derivatives are net of credit valuation adjustment (CVA) of $6 million, being a market value based assessment of the credit risk of the relevant counterparties (March 2019: $20 million; December 2018: $20 million).

[5] Impaired loans / facilities include restructured items of $230 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 (March 2019: $264 million; December 2018: $265 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.

[7] ANZ has commenced implementing revised processes for the identification of impaired assets, and a more market responsive collateral valuation methodology for the home loan portfolio in Australia. From July, this will increase the number of home loans being classified as Impaired rather than past due loans ≥ 90 days.

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

Mar 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	-	1,050	167	375	35	24
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	335	2,655	156	31	28
Qualifying Revolving Retail	-	76	-	-	38	61
Other Retail	-	491	369	256	96	121
Total Advanced IRB approach	**-**	**1,952**	**3,191**	**787**	**200**	**234**
Specialised Lending	**-**	**38**	**32**	**6**	**-**	**2**
Portfolios subject to Standardised approach						
Corporate	-	138	14	87	(6)	2
Residential Mortgage	-	19	13	9	(1)	1
Other Retail	-	13	8	2	1	1
Total Standardised approach	**-**	**170**	**35**	**98**	**(6)**	**4**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**2,160**	**3,258**	**891**	**194**	**240**

Dec 18	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	-	1,044	155	374	16	44
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	315	2,365	152	14	22
Qualifying Revolving Retail	-	75	-	-	47	62
Other Retail	-	486	360	254	101	111
Total Advanced IRB approach	**-**	**1,920**	**2,880**	**780**	**178**	**239**
Specialised Lending	**-**	**43**	**48**	**7**	**1**	**-**
Portfolios subject to Standardised approach						
Corporate	-	153	14	94	7	17
Residential Mortgage	-	17	15	9	-	-
Other Retail	-	14	6	2	-	2
Total Standardised approach	**-**	**184**	**35**	**105**	**7**	**19**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**2,147**	**2,963**	**892**	**186**	**258**

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

	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**

	Mar 19		
	Specific Provision Balance $M	**General Reserve for Credit Losses $M**	**Total $M**
Collectively Assessed Provisions for Credit Impairment	395	2,983	3,378
Individually Assessed Provisions	891	-	891
Total Provision for Credit Impairment	**1,286**	**2,983**	**4,269**

	Dec 18		
	Specific Provision Balance $M	**General Reserve for Credit Losses $M**	**Total $M**
Collectively Assessed Provisions for Credit Impairment	358	2,974	3,332
Individually Assessed Provisions	892	-	892
Total Provision for Credit Impairment	**1,250**	**2,974**	**4,224**

[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]

	Jun 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	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**

	Mar 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	(53)	483	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(53)**	**483**	**-**	**-**

Securitisation activity by facility provided	**Notional amount $M**
Liquidity facilities	-
Funding facilities	(650)
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	(58)
Other	-
Total	**(708)**

[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)

	Dec 18			
	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	(66)	356	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(66)**	**356**	**-**	**-**

Securitisation activity by facility provided	Notional amount $M
Liquidity facilities	-
Funding facilities	-
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	97
Other	-
Total	**97**

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	Jun 19 $M	Mar 19 $M	Dec 18 $M
Liquidity facilities	-	-	-
Funding facilities	7,619	6,574	6,939
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	1,819	1,760	1,818
Protection provided	-	-	-
Other	261	141	112
Total	**9,699**	**8,475**	**8,869**

Securitisation exposure type - Off Balance Sheet	Jun 19 $M	Mar 19 $M	Dec 18 $M
Liquidity facilities	26	12	12
Funding facilities	1,979	1,320	1,291
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**2,005**	**1,332**	**1,303**

Total Securitisation exposure type	Jun 19 $M	Mar 19 $M	Dec 18 $M
Liquidity facilities	26	12	12
Funding facilities	9,598	7,894	8,229
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	1,819	1,760	1,818
Protection provided	-	-	-
Other	261	141	112
Total	**11,704**	**9,807**	**10,171**

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 ADIs approved for use of the internal ratings based approach.

The following information is the short form data disclosure required to be published under paragraph 47 of APS 330.

	Capital and total exposures	Jun 19 $M	Mar 19 $M	Dec 18 $M	Sep 18 $M
20	Tier 1 capital	54,614	53,075	52,356	52,218
21	Total exposures	996,557	985,583	992,720	954,957
	Leverage ratio				
22	Basel III leverage ratio	5.5%	5.4%	5.3%	5.5%

Table 20 Liquidity Coverage Ratio disclosure template

		Total Unweighted Value $M	Jun 19 Total Weighted Value $M	Total Unweighted Value $M	Mar 19 Total Weighted Value $M	Total Unweighted Value $M	Dec 18 Total Weighted Value $M
	Liquid assets, of which:						
1	High-quality liquid assets (HQLA)	-	137,770	-	141,966	-	142,176
2	Alternative liquid assets (ALA)	-	41,815	-	41,999	-	40,899
3	Reserve Bank of New Zealand (RBNZ) securities	-	5,150	-	5,579	-	5,699
	Cash outflows						
4	Retail deposits and deposits from small business customers	196,242	19,932	196,966	20,100	196,568	20,702
5	of which: stable deposits	76,070	3,804	75,599	3,780	76,098	3,805
6	of which: less stable deposits	120,172	16,128	121,367	16,320	120,470	16,897
7	Unsecured wholesale funding	199,950	110,313	198,225	110,546	203,583	115,711
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	60,514	14,670	57,304	13,840	57,906	13,820
9	of which: non-operational deposits (all counterparties)	127,266	83,473	128,579	84,364	134,548	90,762
10	of which: unsecured debt	12,170	12,170	12,342	12,342	11,129	11,129
11	Secured wholesale funding		168		1,165		1,721
12	Additional requirements	139,289	37,855	136,570	35,619	136,658	37,934
13	of which: outflows related to derivatives exposures and other collateral requirements	22,724	22,724	20,668	20,668	24,686	24,686
14	of which: outflows related to loss of funding on debt products	-	-	-	-	-	-
15	of which: credit and liquidity facilities	116,565	15,131	115,902	14,951	111,972	13,248
16	Other contractual funding obligations	11,403	-	10,508	-	10,119	-
17	Other contingent funding obligations	67,841	4,795	70,505	4,292	70,557	4,723
18	Total cash outflows		173,063		171,722		180,791
	Cash inflows						
19	Secured lending (e.g. reverse repos)	28,145	1,732	28,676	1,542	26,712	1,728
20	Inflows from fully performing exposures	37,147	25,744	33,223	22,715	29,119	19,000
21	Other cash inflows	16,680	16,680	15,336	15,336	16,829	16,829
22	Total cash inflows	81,972	44,156	77,235	39,593	72,660	37,557
23	Total liquid assets		184,735		189,544		188,774
24	Total net cash outflows		128,907		132,129		143,234
25	Liquidity Coverage Ratio (%)		143.3%		143.5%		131.8%
	Number of data points used (simple average)		65		63		66

Liquidity Coverage Ratio (LCR)

ANZ's average LCR for the 3 months to 30 Jun 2019 was 143.3% with total liquid assets exceeding net outflows by an average of $55.8bn.

The main contributors to net 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 half, with HQLA securities and cash making up on average 75% 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.

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