2016 | BASEL III PILLAR 3 DISCLOSURE

AS AT 30 JUNE 2016

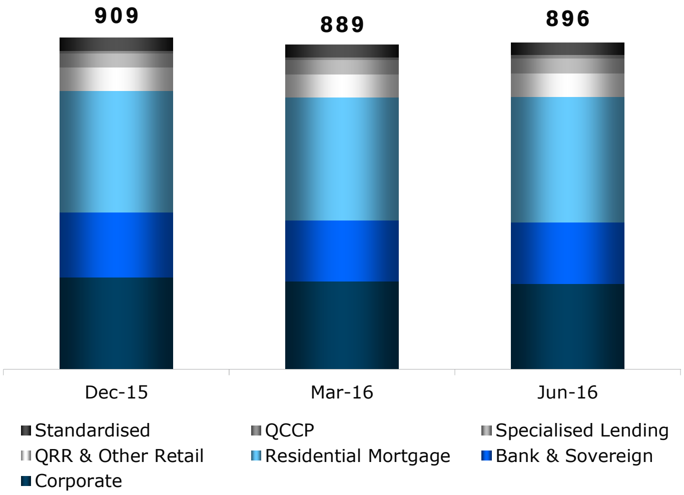
APS 330: PUBLIC DISCLOSURE

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.

Highlights

Exposure at Default ($bn)*

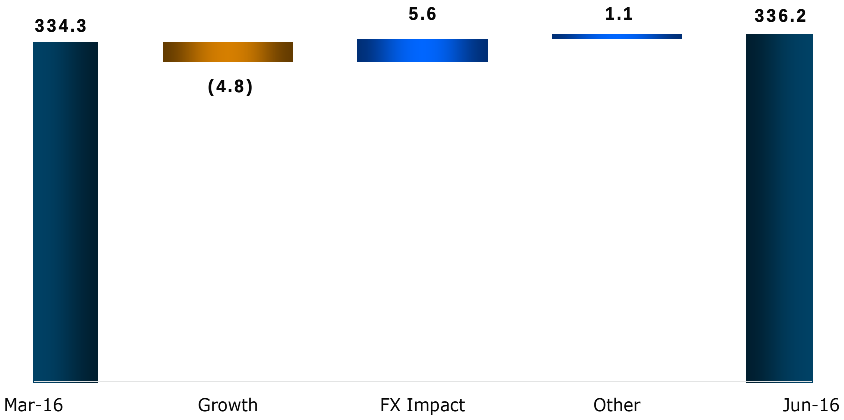


*Exposure at Default is post Credit Risk Mitigation (CRM) and does not include Securitisation, Equities or Other Assets.

EAD up $6.5bn to $896bn for 3Q16

- FX impact of +$15.8bn offset by underlying movement of -$9.3bn.
- Underlying movement driven by reduction in Corporate and Sovereign asset classes due to portfolio contraction in the Institutional business offset by growth in Residential Mortgages and QCCP asset classes.

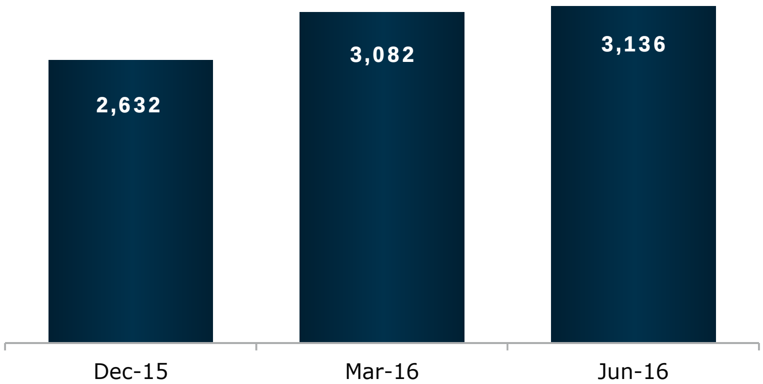
Movement in Credit Risk Weighted Assets ($bn)



Credit Risk Weighted Assets (CRWA) increased by $1.9bn quarter on quarter.

- FX movements increased CRWA by $5.6bn, mainly driven by depreciation of AUD against US and NZ currencies.
- Portfolio contraction decreased CRWA by $4.8bn, driven by a decrease in Institutional Corporate assets partially offset by an increase in Australia Residential Mortgages.

Impaired Assets ($m)



Impaired Assets up 1.9% quarter on quarter

- Impaired Assets increased by 1.9% QoQ due to small increase in Advanced Other Retail and Standardised asset classes.

Table 3 Capital adequacy - Capital ratios and Risk Weighted Assets

Risk weighted assets (RWA)	Jun 16 $M	Mar 16 $M	Dec 15 $M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	136,916	139,643	148,017
Sovereign	6,622	6,185	6,363
Bank	16,027	15,061	16,428
Residential Mortgage	58,600	57,218	56,479
Qualifying Revolving Retail	7,676	7,744	7,469
Other Retail	31,302	30,681	30,156
Credit risk weighted assets subject to Advanced IRB approach	**257,143**	**256,532**	**264,912**
Credit risk Specialised Lending exposures subject to slotting approach[1]	**35,831**	**35,066**	**35,173**
Subject to Standardised approach			
Corporate	23,074	22,941	23,929
Residential Mortgage	2,606	2,616	2,765
Other Retail	3,402	3,550	3,638
Credit risk weighted assets subject to Standardised approach	**29,082**	**29,107**	**30,332**
Credit Valuation Adjustment and Qualifying Central Counterparties	**9,078**	**8,355**	**8,723**
Credit risk weighted assets relating to securitisation exposures	1,202	1,194	1,215
Other assets	3,876	4,054	3,735
Total credit risk weighted assets	**336,212**	**334,308**	**344,090**
Market risk weighted assets	6,312	6,059	5,903
Operational risk weighted assets	37,737	37,688	37,849
Interest rate risk in the banking book (IRRBB) risk weighted assets	11,468	10,280	9,457
Total risk weighted assets	**391,729**	**388,335**	**397,299**
Capital ratios (%)			
Level 2 Common Equity Tier 1 capital ratio	**9.7%**	**9.8%**	**9.4%**
Level 2 Tier 1 capital ratio	**11.8%**	**11.6%**	**11.2%**
Level 2 Total capital ratio	**14.4%**	**13.7%**	**13.3%**

Credit Risk Weighted Assets (CRWA)

Total CRWA increased $1.9 billion (0.6%) from March 2016 to $336.2 billion at June 2016. This included a $5.6 billion increase due to foreign currency movements, combined with portfolio growth of $1.0 billion predominantly in the Australia IRB Residential Mortgage asset class. This growth was offset by a $4.7 billion portfolio contraction in Institutional business, mainly in the AIRB Corporate asset class.

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

Increase in IRRBB RWA over the quarter was due to an increase in repricing and yield curve risk. Traded Market Risk RWA increased 4% over the quarter moving from $6.1 billion to $6.3 billion. The Operational Risk RWA remained relatively unchanged since March 2016 reflecting minimal change in the ANZ operational risk profile.

[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

In order to provide better alignment to the prudential reporting of other IRB accredited ADIs, ANZ has changed the reporting of exposure at default (EAD) from a pre credit risk mitigation basis to post credit risk mitigation basis.

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.

The March 2016 and December 2015 EAD values have been restated to provide comparative post credit risk mitigation basis EAD figures for the past 6 months.

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

	Jun 16				
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	136,916	234,943	237,982	211	192
Sovereign	6,622	117,018	117,618	-	2
Bank	16,027	50,947	50,037	-	-
Residential Mortgage	58,600	345,176	341,245	10	10
Qualifying Revolving Retail	7,676	22,570	22,494	55	72
Other Retail	31,302	41,910	41,427	130	134
Total Advanced IRB approach	**257,143**	**812,564**	**810,803**	**406**	**410**
Specialised Lending	**35,831**	**40,391**	**39,899**	**(1)**	**2**
Standardised approach					
Corporate	23,074	22,651	22,571	1	3
Residential Mortgage	2,606	7,153	7,168	1	1
Other Retail	3,402	3,404	3,480	41	48
Total Standardised approach	**29,082**	**33,208**	**33,219**	**43**	**52**
Credit Valuation Adjustment and Qualifying Central Counterparties	**9,078**	**9,733**	**8,713**	**-**	**-**
Total	**331,134**	**895,896**	**892,634**	**448**	**464**

[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.

Mar 16					
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	139,643	241,020	246,384	338	65
Sovereign	6,185	118,219	122,106	-	-
Bank	15,061	49,127	50,927	-	-
Residential Mortgage	57,218	337,314	335,847	7	7
Qualifying Revolving Retail	7,744	22,417	22,303	45	61
Other Retail	30,681	40,943	40,905	129	116
Total Advanced IRB approach	**256,532**	**809,040**	**818,472**	**519**	**249**
Specialised Lending	**35,066**	**39,407**	**39,465**	**13**	**4**
Standardised approach					
Corporate	22,941	22,491	23,154	2	1
Residential Mortgage	2,616	7,182	7,351	(2)	3
Other Retail	3,550	3,556	3,601	41	56
Total Standardised approach	**29,107**	**33,229**	**34,106**	**41**	**60**
Credit Valuation Adjustment and Qualifying Central Counterparties	**8,355**	**7,693**	**7,259**	**-**	**-**
Total	**329,060**	**889,369**	**899,302**	**573**	**313**

Dec 15					
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	148,017	251,747	253,687	100	79
Sovereign	6,363	125,994	122,597	2	-
Bank	16,428	52,728	53,502	-	-
Residential Mortgage	56,479	334,380	328,777	3	9
Qualifying Revolving Retail	7,469	22,188	22,138	51	69
Other Retail	30,156	40,866	43,608	129	134
Total Advanced IRB approach	**264,912**	**827,903**	**824,309**	**285**	**291**
Specialised Lending	**35,173**	**39,523**	**38,616**	**(7)**	**2**
Standardised approach					
Corporate	23,929	23,816	24,975	-	1
Residential Mortgage	2,765	7,520	7,665	-	1
Other Retail	3,638	3,645	3,640	41	48
Total Standardised approach	**30,332**	**34,981**	**36,280**	**41**	**50**
Credit Valuation Adjustment and Qualifying Central Counterparties	**8,723**	**6,825**	**6,919**	**-**	**-**
Total	**339,140**	**909,232**	**906,124**	**319**	**343**

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

Portfolio Type	Jun 16 $M	Mar 16 $M	Dec 15 $M	Average for the quarter ended Jun 16 $M
Cash	24,341	31,759	20,542	28,050
Contingents liabilities, commitments, and other off-balance sheet exposures	156,442	160,920	166,936	158,681
Derivatives	41,884	39,263	40,640	40,573
Settlement Balances	20,736	20,026	41,568	20,381
Investment Securities	54,401	43,579	42,072	48,990
Net Loans, Advances & Acceptances	564,373	557,810	563,978	561,092
Other assets	4,327	5,405	2,538	4,866
Trading Securities	29,392	30,607	30,958	29,999
Total exposures	**895,896**	**889,369**	**909,232**	**892,632**

[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 16					
	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	14	1,905	214	853	211	192
Sovereign	-	-	-	4	-	2
Bank	-	-	12	-	-	-
Residential Mortgage	-	211	1,992	78	10	10
Qualifying Revolving Retail	-	96	-	-	55	72
Other Retail	-	517	289	280	130	134
Total Advanced IRB approach	**14**	**2,729**	**2,507**	**1,215**	**406**	**410**
Specialised Lending	**-**	**68**	**27**	**36**	**(1)**	**2**
Portfolios subject to Standardised approach						
Corporate	-	62	14	20	1	3
Residential Mortgage	-	33	10	12	1	1
Other Retail	-	230	7	(3)	41	48
Total Standardised approach	**-**	**325**	**31**	**29**	**43**	**52**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**14**	**3,122**	**2,565**	**1,280**	**448**	**464**

[4] Impaired derivatives are net of credit value adjustment (CVA) of $72 million, being a market value based assessment of the credit risk of the relevant counterparties (March 2016: $63 million; December 2015: $64 million).

[5] Impaired loans / facilities include restructured items of $251 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 2016: $226 million; December 2015: $211 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

	Mar 16					
	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	19	1,903	226	822	338	65
Sovereign	-	2	2	6	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	212	1,815	77	7	7
Qualifying Revolving Retail	-	95	-	-	45	61
Other Retail	-	490	270	265	129	116
Total Advanced IRB approach	**19**	**2,702**	**2,313**	**1,170**	**519**	**249**
Specialised Lending	**-**	**73**	**24**	**38**	**13**	**4**
Portfolios subject to Standardised approach						
Corporate	-	43	25	25	2	1
Residential Mortgage	-	32	5	11	(2)	3
Other Retail	-	213	8	(6)	41	56
Total Standardised approach	**-**	**288**	**38**	**30**	**41**	**60**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**19**	**3,063**	**2,375**	**1,238**	**573**	**313**

	Dec 15					
	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	12	1,397	208	585	100	79
Sovereign	-	1	-	6	2	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	218	1,592	81	3	9
Qualifying Revolving Retail	-	81	-	-	51	69
Other Retail	-	447	288	242	129	134
Total Advanced IRB approach	**12**	**2,144**	**2,088**	**914**	**285**	**291**
Specialised Lending	**35**	**146**	**24**	**35**	**(7)**	**2**
Portfolios subject to Standardised approach						
Corporate	-	59	42	21	-	1
Residential Mortgage	-	38	9	13	-	1
Other Retail	-	198	5	3	41	48
Total Standardised approach	**-**	**295**	**56**	**37**	**41**	**50**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**47**	**2,585**	**2,168**	**986**	**319**	**343**

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

	Jun 16		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	353	2,580	2,933
Individual Provision	1,280	-	1,280
Total Provision for Credit Impairment	**1,633**	**2,580**	**4,213**

	Mar 16		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	313	2,549	2,862
Individual Provision	1,238	-	1,238
Total Provision for Credit Impairment	**1,551**	**2,549**	**4,100**

	Dec 15		
	Specific Provision Balance $M	General Reserve for Credit Losses $M	Total $M
Collective Provision	308	2,611	2,919
Individual Provision	986	-	986
Total Provision for Credit Impairment	**1,294**	**2,611**	**3,905**

[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]

	Jun 16			
	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	-	727	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**727**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	105
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	(78)
Other	-	-	-	7
Total	**-**	**-**	**-**	**34**

	Mar 16			
	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	-	451	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**451**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	-
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	(186)
Other	-	-	-	49
Total	**-**	**-**	**-**	**(137)**

[8] Activity represents net movement in outstandings.

	Dec 15			
	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	-	(36)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**(36)**	**-**	**-**

Securitisation activity by facility provided				Notional amount $M
Liquidity facilities	-	-	-	-
Funding facilities	-	-	-	-
Underwriting facilities	-	-	-	-
Lending facilities	-	-	-	-
Credit enhancements	-	-	-	-
Holdings of securities (excluding trading book)	-	-	-	142
Other	-	-	-	11
Total	**-**	**-**	**-**	**154**

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 – Exposure at Default by exposure type

Securitisation exposure type - On balance sheet	Jun 16 $M	Mar 16 $M	Dec 15 $M
Liquidity facilities	5	5	5
Funding facilities	6,256	6,100	5,841
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	4,812	4,890	5,219
Protection provided	-	-	-
Other	166	170	161
Total	**11,239**	**11,165**	**11,226**

Securitisation exposure type - Off Balance Sheet	Jun 16 $M	Mar 16 $M	Dec 15 $M
Liquidity facilities	64	62	72
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**64**	**62**	**72**

Total Securitisation exposure type	Jun 16 $M	Mar 16 $M	Dec 15 $M
Liquidity facilities	69	67	77
Funding facilities	6,256	6,100	5,841
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	4,812	4,890	5,219
Protection provided	-	-	-
Other	166	170	161
Total	**11,303**	**11,227**	**11,298**

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

Securitisation exposure type - On balance sheet	Jun 16 $M	Mar 16 $M	Dec 15 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	2	-	16
Protection provided	-	-	-
Other	-	-	-
Total	**2**	**-**	**16**

Securitisation exposure type - Off Balance Sheet	Jun 16 $M	Mar 16 $M	Dec 15 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**-**	**-**	**-**

Total Securitisation exposure type	Jun 16 $M	Mar 16 $M	Dec 15 $M
Liquidity facilities	-	-	-
Funding facilities	-	-	-
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities	2	-	16
Protection provided	-	-	-
Other	-	-	-
Total	**2**	**-**	**16**

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: Capital Adequacy. APRA has not finalised a minimum Leverage Ratio requirement for Australian ADIs, although the current BCBS proposal is for a minimum of 3%. Currently the Leverage Ratio is only a disclosure requirement. APRA intends to consult on the appropriate application of the Leverage Ratio as a minimum requirement for Australian ADIs once BCBS finalises its calibration for implementation as a Pillar 1 requirement by January 2018.

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

Capital and total exposures		Jun 16 $M	Mar 16 $M	Dec 15 $M	Sep 15 $M
20	Tier 1 capital	46,356	45,062	44,364	45,484
21	Total exposures	909,177	888,850	908,186	896,985
Leverage ratio					
22	Basel III leverage ratio	5.1%	5.1%	4.9%	5.1%

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.
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.
Internationally Comparable Basel III Capital	The Internationally Comparable Basel 3 CET1 ratio incorporates differences between APRA and both the Basel Committee Basel III framework (including differences identified in the March 2014 Basel Committee Regulatory Consistency Assessment Programme (RCAP) on Basel III implementation in Australia) and its application in major offshore jurisdictions.

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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Australia and New Zealand Banking Group Limited

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