2020

BASEL III PILLAR 3 DISCLOSURE

AS AT 31 DECEMBER 2020

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 20 $M	Sep 20 $M	Jun 20 $M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	132,872	139,415	146,850
Sovereign	7,856	7,545	6,656
Bank	10,893	12,734	14,794
Residential Mortgage	111,842	110,353	109,500
Qualifying Revolving Retail	4,008	4,337	4,705
Other Retail	21,391	21,794	24,279
Credit risk weighted assets subject to Advanced IRB approach	**288,862**	**296,178**	**306,784**
Credit Risk Specialised Lending exposures subject to slotting approach[1]	**38,637**	**39,001**	**38,784**
Subject to Standardised approach			
Corporate	10,072	10,185	12,331
Sovereign	156	220	-
Residential Mortgage	203	210	214
Other Retail	27	33	38
Credit risk weighted assets subject to Standardised approach	**10,458**	**10,648**	**12,583**
Credit Valuation Adjustment and Qualifying Central Counterparties	**5,724**	**7,710**	**7,786**
Credit risk weighted assets relating to securitisation exposures	2,190	2,125	2,096
Other assets	4,351	4,375	4,208
Total credit risk weighted assets	**350,222**	**360,037**	**372,241**
Market risk weighted assets	10,215	8,237	7,609
Operational risk weighted assets	47,372	47,563	46,961
Interest rate risk in the banking book (IRRBB) risk weighted assets	14,202	13,547	9,874
Total Risk Weighted Assets	**422,011**	**429,384**	**436,685**

Capital ratios (%)	Dec 20	Sep 20	Jun 20
Level 2 Common Equity Tier 1 capital ratio	**11.7%**	**11.3%**	**11.1%**
Level 2 Tier 1 capital ratio	**13.5%**	**13.2%**	**12.9%**
Level 2 Total capital ratio	**17.3%**	**16.4%**	**15.8%**

Basel III APRA level 2 CET1	Dec 20	Sep 20	Jun 20
Common Equity Tier 1 Capital	49,334	48,702	48,609
Total Risk Weighted Assets	422,011	429,384	436,685
Common Equity Tier 1 capital ratio	**11.7%**	**11.3%**	**11.1%**

Basel III APRA level 1 Extended licensed entity CET1	Dec 20	Sep 20	Jun 20
Common Equity Tier 1 Capital	44,353	43,904	43,711
Total Risk Weighted Assets	384,857	391,939	396,235
Common Equity Tier 1 capital ratio	**11.5%**	**11.2%**	**11.0%**

Credit Risk Weighted Assets (CRWA)

Total CRWA decreased $9.8 billion (-2.7%) from September 2020 to $350.2 billion at December 2020. The decrease was driven by the Institutional business across Corporate and Bank asset classes from a reduction in exposures combined with the impact of foreign exchange movements. CVA and QCCP RWA reduction driven by additional CVA hedging actions during the quarter.

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

Traded Market Risk RWA increased $1.98 billion (24.0%) over the quarter due to increases in 10d VaR and Stressed VaR. IRRBB RWA increased due to greater 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 20				
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	132,872	265,411	269,912	(8)	25
Sovereign	7,856	216,384	201,494	-	-
Bank	10,893	36,858	39,515	-	-
Residential Mortgage	111,842	404,435	398,373	-	16
Qualifying Revolving Retail	4,008	14,499	14,673	21	34
Other Retail	21,391	31,517	31,724	7	45
Total Advanced IRB approach	**288,862**	**969,104**	**955,691**	**20**	**120**
Specialised Lending	**38,637**	**46,014**	**46,222**	**-**	**1**
Standardised approach					
Corporate	10,072	11,285	11,315	2	4
Sovereign	156	148	180	-	-
Residential Mortgage	203	421	428	-	1
Other Retail	27	27	30	(1)	-
Total Standardised approach	**10,458**	**11,881**	**11,953**	**1**	**5**
Credit Valuation Adjustment and Qualifying Central Counterparties	**5,724**	**11,824**	**10,754**	**-**	**-**
Total	**343,681**	**1,038,823**	**1,024,620**	**21**	**126**

[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 20					
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	139,415	274,414	283,411	13	99
Sovereign	7,545	186,605	183,826	-	-
Bank	12,734	42,171	46,298	-	-
Residential Mortgage	110,353	392,312	387,412	15	16
Qualifying Revolving Retail	4,337	14,846	15,080	38	53
Other Retail	21,794	31,931	33,215	49	69
Total Advanced IRB approach	**296,178**	**942,279**	**949,242**	**115**	**237**
Specialised Lending	**39,001**	**46,430**	**46,371**	**-**	**2**
Standardised approach					
Corporate	10,185	11,344	12,570	15	8
Sovereign	220	212	326	-	-
Residential Mortgage	210	435	437	1	1
Other Retail	33	33	36	-	4
Total Standardised approach	**10,648**	**12,024**	**13,369**	**16**	**13**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,710**	**9,684**	**9,421**	**-**	**-**
Total	**353,537**	**1,010,417**	**1,018,403**	**131**	**252**

Jun 20					
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	146,850	292,410	300,195	113	241
Sovereign	6,656	181,048	189,162	-	-
Bank	14,794	50,425	57,037	-	-
Residential Mortgage	109,500	382,513	381,297	24	16
Qualifying Revolving Retail	4,705	15,314	15,721	41	54
Other Retail	24,279	34,499	34,758	84	62
Total Advanced IRB approach	**306,784**	**956,209**	**978,170**	**262**	**373**
Specialised Lending	**38,784**	**46,311**	**47,374**	**3**	**-**
Standardised approach					
Corporate	12,331	13,796	14,884	(3)	10
Sovereign	-	-	-	-	-
Residential Mortgage	214	439	455	1	1
Other Retail	38	38	42	1	4
Total Standardised approach	**12,583**	**14,273**	**15,381**	**(1)**	**15**
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,786**	**9,158**	**9,582**	**-**	**-**
Total	**365,937**	**1,025,951**	**1,050,507**	**264**	**388**

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

Portfolio Type	Dec 20 $M	Sep 20 $M	Jun 20 $M	Average for the quarter ended Dec 20 $M
Cash	88,954	71,926	78,611	80,440
Contingents liabilities, commitments, and other off-balance sheet exposures	172,078	171,397	174,268	171,737
Derivatives	51,906	50,963	52,514	51,434
Settlement Balances	20	133	60	77
Investment Securities	93,972	89,977	85,790	91,974
Net Loans, Advances & Acceptances	598,524	593,904	609,049	596,214
Other assets	8,399	8,728	5,188	8,564
Trading Securities	24,970	23,389	20,471	24,180
Total exposures	**1,038,823**	**1,010,417**	**1,025,951**	**1,024,620**

[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 20					
	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	-	1,497	221	393	(8)	25
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	492	2,766	122	-	16
Qualifying Revolving Retail	-	43	-	-	21	34
Other Retail	-	384	436	226	7	45
Total Advanced IRB approach	**-**	**2,416**	**3,423**	**741**	**20**	**120**
Specialised Lending	**-**	**74**	**30**	**13**	**-**	**1**
Portfolios subject to Standardised approach						
Corporate	-	124	32	53	2	4
Residential Mortgage	-	9	15	6	-	1
Other Retail	-	9	-	2	(1)	-
Total Standardised approach	**-**	**142**	**47**	**61**	**1**	**5**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**2,632**	**3,500**	**815**	**21**	**126**

[4] Impaired derivatives are net of credit valuation adjustment (CVA) of $1 million, being a market value based assessment of the credit risk of the relevant counterparties (September 2020: $2 million; June 2020: $2 million).

[5] Impaired loans / facilities include restructured items of $497 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 2020: $254 million; June 2020: $258 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 20	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	-	1,298	212	435	13	99
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	549	3,004	136	15	16
Qualifying Revolving Retail	-	47	-	-	38	53
Other Retail	-	416	469	248	49	69
Total Advanced IRB approach	**-**	**2,310**	**3,685**	**819**	**115**	**237**
Specialised Lending	**-**	**79**	**31**	**14**	**-**	**2**
Portfolios subject to Standardised approach						
Corporate	1	135	28	56	15	8
Residential Mortgage	-	9	16	2	1	1
Other Retail	-	9	-	-	-	4
Total Standardised approach	**1**	**153**	**44**	**58**	**16**	**13**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1**	**2,542**	**3,760**	**891**	**131**	**252**

Jun 20	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	-	1,298	260	478	113	241
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	562	3,382	137	24	16
Qualifying Revolving Retail	-	76	-	-	41	54
Other Retail	-	471	494	264	84	62
Total Advanced IRB approach	**-**	**2,407**	**4,136**	**879**	**262**	**373**
Specialised Lending	**-**	**117**	**29**	**25**	**3**	**-**
Portfolios subject to Standardised approach						
Corporate	1	148	19	63	(3)	10
Residential Mortgage	-	9	15	5	1	1
Other Retail	-	16	-	-	1	4
Total Standardised approach	**1**	**173**	**34**	**68**	**(1)**	**15**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1**	**2,697**	**4,199**	**972**	**264**	**388**

[7] For Individual Provision Balance, the corporate asset class split between advanced and standardised has been updated for September 2020 comparative to reflect the Basel treatment of the underlying assets

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

	Dec 20		
	Specific Provision Balance $M	**General Reserve for Credit Losses $M**	**Total $M**
Collectively Assessed Provisions	385	4,416	4,801
Individually Assessed Provisions	815	-	815
Total Provision for Credit Impairment	**1,200**	**4,416**	**5,616**

	Sep 20		
	Specific Provision Balance $M	**General Reserve for Credit Losses $M**	**Total $M**
Collectively Assessed Provisions	484	4,524	5,008
Individually Assessed Provisions	891	-	891
Total Provision for Credit Impairment	**1,375**	**4,524**	**5,899**

	Jun 20		
	Specific Provision Balance $M	**General Reserve for Credit Losses $M**	**Total $M**
Collectively Assessed Provisions	538	4,110	4,648
Individually Assessed Provisions	972	-	972
Total Provision for Credit Impairment	**1,510**	**4,110**	**5,620**

[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

Commencing in March 2020, COVID-19 Assistance has been made available to customers of ANZ, with no distinction between loans within ANZ's portfolio and the securitisation pools. This approach was consistent with the assistance package developed in co-operation with Government and the banking industry.

Some of those customer requests for assistance resulted in loan terms being extended and consequently were repurchased from the securitisation pools. During May and June of 2020, ANZ repurchased ~$32m from KFT2016-1 and $57m from KFT2019-1 representing approximately 4.5% of the mortgages securitised in external RMBS transactions (and representing approximately 0.03% of ANZ Australia's total home loan portfolio).

APRA confirmed on 7 July 2020 that it considers that a loan to a borrower requesting payment deferral due to the impacts of COVID-19 may be lower quality exposure and not available for repurchase due to the requirements of APS 120: Securitisation. ANZ has ceased repurchases of any loans where COVID-19 assistance is being provided.

APRA's assessment of the repurchases concluded implicit support was provided to the external RMBS program and was inconsistent with the intent of APS 120. Going forward, in addition to this disclosure, APRA requires ANZ to obtain additional external review of its securitisation programs prior to issuing any further RMBS, using an independent assessor and with a review scope to be agreed with APRA.

Table 5(a) part (i): Banking Book - Summary of current period's activity by underlying asset type and facility [9]

	Dec 20			
	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	(105)	(1,106)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(105)**	**(1,106)**	**-**	**-**

Securitisation activity by facility provided	**Notional amount $M**
Liquidity facilities	-
Funding facilities	-
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	352
Other	4
Total	**356**

[9] Activity represents net movement in outstanding.

Sep 20				
	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	(108)	(48,282)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(108)**	**(48,282)**	**-**	**-**

Securitisation activity by facility provided	Notional amount $M
Liquidity facilities	-
Funding facilities	806
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	138
Other	22
Total	**966**

Jun 20				
	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	(207)	(129)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(207)**	**(129)**	**-**	**-**

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)	(255)
Other	1
Total	**(359)**

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 20 $M	Sep 20 $M	Jun 20 $M
Liquidity facilities	-	-	-
Funding facilities	8,489	8,480	8,801
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,632	2,280	2,142
Protection provided	-	-	-
Other	286	330	348
Total	**11,407**	**11,090**	**11,291**

Securitisation exposure type - Off Balance Sheet	Dec 20 $M	Sep 20 $M	Jun 20 $M
Liquidity facilities	18	19	20
Funding facilities	2,082	2,112	1,924
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**2,100**	**2,131**	**1,944**

Total Securitisation exposure type	Dec 20 $M	Sep 20 $M	Jun 20 $M
Liquidity facilities	18	19	20
Funding facilities	10,571	10,592	10,725
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,632	2,280	2,142
Protection provided	-	-	-
Other	286	330	348
Total	**13,507**	**13,221**	**13,235**

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: Capital Adequacy. APRA has not finalised a minimum Leverage Ratio requirement for Australian ADIs, although they have proposed a minimum of 3.5% for ADIs authorised to use the internal ratings based approach to credit risk.

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

		Dec 20	Sep 20	Jun 20	Mar 20
	Capital and total exposures	**$M**	**$M**	**$M**	**$M**
20	Tier 1 capital	56,996	56,481	56,459	56,295
21	Total exposures	1,062,452	1,046,670	1,060,751	1,124,399
	Leverage ratio				
22	Basel III leverage ratio	5.4%	5.4%	5.3%	5.0%

Table 20 Liquidity Coverage Ratio disclosure template

		Dec 20 Total Unweighted Value $M	Dec 20 Total Weighted Value $M	Sep 20 Total Unweighted Value $M	Sep 20 Total Weighted Value $M	Jun 20 Total Unweighted Value $M	Jun 20 Total Weighted Value $M
	Liquid assets, of which:						
1	High-quality liquid assets (HQLA)		194,069		172,617		176,310
2	Alternative liquid assets (ALA)		39,949		42,472		44,759
3	Reserve Bank of New Zealand (RBNZ) securities		282		146		300
	Cash outflows						
4	Retail deposits and deposits from small business customers	244,337	24,990	232,341	23,888	224,255	23,224
5	of which: stable deposits	107,326	5,366	101,925	5,096	96,360	4,818
6	of which: less stable deposits	137,011	19,624	130,416	18,792	127,895	18,406
7	Unsecured wholesale funding	241,502	127,456	234,284	118,912	252,193	131,113
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	89,147	21,465	87,824	21,385	87,016	21,108
9	of which: non-operational deposits (all counterparties)	142,213	95,849	134,334	85,401	152,462	97,290
10	of which: unsecured debt	10,142	10,142	12,126	12,126	12,715	12,715
11	Secured wholesale funding		368		333		1,968
12	Additional requirements	151,584	45,313	151,159	44,447	154,399	51,185
13	of which: outflows related to derivatives exposures and other collateral requirements	28,481	28,481	27,426	27,426	34,214	34,214
14	of which: outflows related to loss of funding on debt products	-	-	-	-	-	-
15	of which: credit and liquidity facilities	123,103	16,832	123,733	17,021	120,185	16,971
16	Other contractual funding obligations	7,997	-	8,569	-	9,724	-
17	Other contingent funding obligations	97,690	6,710	101,226	6,076	91,354	4,754
18	Total cash outflows		204,837		193,656		212,244
	Cash inflows						
19	Secured lending (e.g. reverse repos)	26,879	1,536	29,099	1,883	29,169	1,987
20	Inflows from fully performing exposures	23,428	15,431	25,704	17,135	32,161	22,437
21	Other cash inflows	22,372	22,372	20,226	20,226	27,079	27,079
22	Total cash inflows	72,679	39,339	75,029	39,244	88,409	51,503
23	Total liquid assets		234,300		215,235		221,369
24	Total net cash outflows		165,498		154,412		160,741
25	Liquidity Coverage Ratio (%)		141.6%		139.4%		137.7%
	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 2020 was 141.6% with total liquid assets exceeding net outflows by an average of $68.8b.

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 83% 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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