



# 2018 BASEL III PILLAR 3 DISCLOSURE

AS AT 31 DECEMBER 2018

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**

	Dec 18	Sep 18	Jun 18
	\$M	\$M	\$M
<b>Risk Weighted Assets (RWA)</b>			
<b>Subject to Advanced Internal Rating Based (IRB) approach</b>			
Corporate	127,973	121,891	122,902
Sovereign	6,986	6,955	7,112
Bank	15,709	15,908	15,083
Residential Mortgage	101,320	97,764	99,257
Qualifying Revolving Retail	5,890	6,314	6,679
Other Retail	28,715	29,373	29,992
<b>Credit risk weighted assets subject to Advanced IRB approach</b>	<b>286,593</b>	<b>278,205</b>	<b>281,025</b>
<b>Credit Risk Specialised Lending exposures subject to slotting approach<sup>1</sup></b>	<b>34,032</b>	<b>33,110</b>	<b>32,714</b>
<b>Subject to Standardised approach</b>			
Corporate	13,943	13,760	14,085
Residential Mortgage	336	327	326
Other Retail	84	88	95
<b>Credit risk weighted assets subject to Standardised approach</b>	<b>14,363</b>	<b>14,175</b>	<b>14,506</b>
<b>Credit Valuation Adjustment and Qualifying Central Counterparties</b>	<b>7,629</b>	<b>7,344</b>	<b>7,633</b>
Credit risk weighted assets relating to securitisation exposures	1,616	1,600	1,716
Other assets	3,437	3,146	3,310
<b>Total credit risk weighted assets</b>	<b>347,670</b>	<b>337,580</b>	<b>340,904</b>
Market risk weighted assets	5,797	6,808	7,181
Operational risk weighted assets	38,019	37,618	37,378
Interest rate risk in the banking book (IRRBB) risk weighted assets	6,957	8,814	8,988
<b>Total Risk Weighted Assets</b>	<b>398,443</b>	<b>390,820</b>	<b>394,451</b>
<b>Capital ratios (%)</b>			
Level 2 Common Equity Tier 1 capital ratio	<b>11.3%</b>	<b>11.4%</b>	<b>11.1%</b>
Level 2 Tier 1 capital ratio	<b>13.1%</b>	<b>13.4%</b>	<b>13.0%</b>
Level 2 Total capital ratio	<b>15.0%</b>	<b>15.2%</b>	<b>14.8%</b>

**Credit Risk Weighted Assets (CRWA)**

Total CRWA increased \$10.1 billion (3%) from September 2018 to \$347.7 billion at December 2018. This was driven by an increase in Corporates under the Advanced IRB approach with CRWA increasing \$6.1 billion predominantly from portfolio growth in the Institutional Business of \$4.4 billion and foreign exchange movements of \$1.6 billion. CRWA for Residential Mortgages under the Advanced IRB approach increased \$3.6 billion predominately from the impact of regulatory determined adjustments.

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

Traded Market Risk RWA decreased \$1 billion over the quarter driven by the release of additional market risk capital which was required to be held pending implementation of the upgraded market risk system which occurred during the quarter.

IRRBB RWA decreased \$1.9 billion over the quarter due to a reduction in Repricing and Yield Curve risk.

<sup>1</sup> 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 <sup>2</sup>**

			Dec 18		
	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
<b>Advanced IRB approach</b>					
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
<b>Total Advanced IRB approach</b>	<b>286,593</b>	<b>908,033</b>	<b>892,716</b>	<b>178</b>	<b>239</b>
<b>Specialised Lending</b>	<b>34,032</b>	<b>40,689</b>	<b>40,076</b>	<b>1</b>	<b>-</b>
<b>Standardised approach</b>					
Corporate	13,943	15,071	15,068	7	17
Residential Mortgage	336	717	711	-	-
Other Retail	84	83	85	-	2
<b>Total Standardised approach</b>	<b>14,363</b>	<b>15,871</b>	<b>15,864</b>	<b>7</b>	<b>19</b>
<b>Credit Valuation Adjustment and Qualifying Central Counterparties</b>	<b>7,629</b>	<b>12,727</b>	<b>12,065</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>342,617</b>	<b>977,320</b>	<b>960,721</b>	<b>186</b>	<b>258</b>

<sup>2</sup> 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 18				
	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
<b>Advanced IRB approach</b>					
Corporate	121,891	245,625	243,675	(10)	56
Sovereign	6,955	145,569	146,142	-	-
Bank	15,908	51,363	51,582	-	-
Residential Mortgage	97,764	376,573	376,580	27	27
Qualifying Revolving Retail	6,314	18,447	18,742	42	63
Other Retail	29,373	39,819	40,201	112	135
<b>Total Advanced IRB approach</b>	<b>278,205</b>	<b>877,396</b>	<b>876,922</b>	<b>171</b>	<b>281</b>
<b>Specialised Lending</b>	<b>33,110</b>	<b>39,462</b>	<b>39,386</b>	<b>2</b>	<b>3</b>
<b>Standardised approach</b>					
Corporate	13,760	15,064	15,254	10	6
Residential Mortgage	327	704	699	-	3
Other Retail	88	87	91	-	2
<b>Total Standardised approach</b>	<b>14,175</b>	<b>15,855</b>	<b>16,044</b>	<b>10</b>	<b>11</b>
<b>Credit Valuation Adjustment and Qualifying Central Counterparties</b>	<b>7,344</b>	<b>11,402</b>	<b>11,134</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>332,834</b>	<b>944,115</b>	<b>943,486</b>	<b>183</b>	<b>295</b>
	Jun 18				
	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
<b>Advanced IRB approach</b>					
Corporate	122,902	241,724	239,758	11	34
Sovereign	7,112	146,715	143,999	(3)	-
Bank	15,083	51,800	50,234	-	-
Residential Mortgage	99,257	376,586	376,334	29	14
Qualifying Revolving Retail	6,679	19,037	19,184	51	77
Other Retail	29,992	40,582	41,081	99	142
<b>Total Advanced IRB approach</b>	<b>281,025</b>	<b>876,444</b>	<b>870,590</b>	<b>187</b>	<b>267</b>
<b>Specialised Lending</b>	<b>32,714</b>	<b>39,309</b>	<b>38,585</b>	<b>-</b>	<b>1</b>
<b>Standardised approach</b>					
Corporate	14,085	15,444	15,836	(29)	9
Residential Mortgage	326	694	688	1	-
Other Retail	95	94	98	1	1
<b>Total Standardised approach</b>	<b>14,506</b>	<b>16,232</b>	<b>16,622</b>	<b>(27)</b>	<b>10</b>
<b>Credit Valuation Adjustment and Qualifying Central Counterparties</b>	<b>7,633</b>	<b>10,865</b>	<b>10,728</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>335,878</b>	<b>942,850</b>	<b>936,525</b>	<b>160</b>	<b>278</b>

**Table 4(a) part (ii): Exposure at Default by portfolio type<sup>3</sup>**

Portfolio Type	Dec 18	Sep 18	Jun 18	Average for the quarter ended
	\$M	\$M	\$M	Dec 18 \$M
Cash	73,193	57,604	62,107	65,399
Contingents liabilities, commitments, and other off-balance sheet exposures	157,227	153,021	152,872	155,124
Derivatives	46,064	42,752	43,388	44,408
Settlement Balances	54	16	15	35
Investment Securities	72,240	73,296	72,907	72,768
Net Loans, Advances & Acceptances	604,579	592,967	587,547	598,773
Other assets	5,222	4,387	3,126	4,805
Trading Securities	18,741	20,072	20,888	19,407
<b>Total exposures</b>	<b>977,320</b>	<b>944,115</b>	<b>942,850</b>	<b>960,719</b>

<sup>3</sup> 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<sup>4</sup>, Past due loans<sup>6</sup>, Provisions and Write-offs

	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
<b>Portfolios subject to Advanced IRB approach</b>						
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
<b>Total Advanced IRB approach</b>	<b>-</b>	<b>1,920</b>	<b>2,880</b>	<b>780</b>	<b>178</b>	<b>239</b>
<b>Specialised Lending</b>	<b>-</b>	<b>43</b>	<b>48</b>	<b>7</b>	<b>1</b>	<b>-</b>
<b>Portfolios subject to Standardised approach</b>						
Corporate	-	153	14	94	7	17
Residential Mortgage	-	17	15	9	-	-
Other Retail	-	14	6	2	-	2
<b>Total Standardised approach</b>	<b>-</b>	<b>184</b>	<b>35</b>	<b>105</b>	<b>7</b>	<b>19</b>
<b>Qualifying Central Counterparties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>2,147</b>	<b>2,963</b>	<b>892</b>	<b>186</b>	<b>258</b>

<sup>4</sup> Impaired derivatives are net of credit valuation adjustment (CVA) of \$20 million, being a market value based assessment of the credit risk of the relevant counterparties (September 2018: \$27 million; June 2018: \$36 million).

<sup>5</sup> Impaired loans / facilities include restructured items of \$265 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 2018: \$269 million; June 2018: \$78 million).

<sup>6</sup> 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)

	Sep 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
<b>Portfolios subject to Advanced IRB approach</b>						
Corporate	-	1,051	161	394	(10)	56
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	304	2,291	160	27	27
Qualifying Revolving Retail	-	76	-	-	42	63
Other Retail	-	490	353	247	112	135
<b>Total Advanced IRB approach</b>	<b>-</b>	<b>1,921</b>	<b>2,805</b>	<b>801</b>	<b>171</b>	<b>281</b>
<b>Specialised Lending</b>	<b>-</b>	<b>43</b>	<b>22</b>	<b>7</b>	<b>2</b>	<b>3</b>
<b>Portfolios subject to Standardised approach</b>						
Corporate	-	150	17	101	10	6
Residential Mortgage	-	20	12	9	-	3
Other Retail	-	15	6	2	-	2
<b>Total Standardised approach</b>	<b>-</b>	<b>185</b>	<b>35</b>	<b>112</b>	<b>10</b>	<b>11</b>
<b>Qualifying Central Counterparties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>2,149</b>	<b>2,862</b>	<b>920</b>	<b>183</b>	<b>295</b>
	Jun 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
<b>Portfolios subject to Advanced IRB approach</b>						
Corporate	-	920	151	431	11	34
Sovereign	-	-	-	-	(3)	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	301	2,351	161	29	14
Qualifying Revolving Retail	-	85	-	-	51	77
Other Retail	-	514	343	249	99	142
<b>Total Advanced IRB approach</b>	<b>-</b>	<b>1,820</b>	<b>2,845</b>	<b>841</b>	<b>187</b>	<b>267</b>
<b>Specialised Lending</b>	<b>-</b>	<b>29</b>	<b>19</b>	<b>8</b>	<b>-</b>	<b>1</b>
<b>Portfolios subject to Standardised approach</b>						
Corporate	-	155	29	96	(29)	9
Residential Mortgage	-	24	14	11	1	-
Other Retail	-	15	5	2	1	1
<b>Total Standardised approach</b>	<b>-</b>	<b>194</b>	<b>48</b>	<b>109</b>	<b>(27)</b>	<b>10</b>
<b>Qualifying Central Counterparties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>2,043</b>	<b>2,912</b>	<b>958</b>	<b>160</b>	<b>278</b>



**Table 4(c): Specific Provision Balance and General Reserve for Credit Losses** <sup>7 8</sup>

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

  

	<b>Sep 18</b>		
	<b>Specific Provision Balance \$M</b>	<b>General Reserve for Credit Losses \$M</b>	<b>Total \$M</b>
Collective Provision	307	2,216	2,523
Individual Provision	920	-	920
<b>Total Provision for Credit Impairment</b>	<b>1,227</b>	<b>2,216</b>	<b>3,443</b>

  

	<b>Jun 18</b>		
	<b>Specific Provision Balance \$M</b>	<b>General Reserve for Credit Losses \$M</b>	<b>Total \$M</b>
Collective Provision	326	2,215	2,541
Individual Provision	958	-	958
<b>Total Provision for Credit Impairment</b>	<b>1,284</b>	<b>2,215</b>	<b>3,499</b>

<sup>7</sup> 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.

<sup>8</sup> The Group has adopted AASB 9 Financial Instruments effective from 1 October 2018 which has resulted in an \$813 million increase to Collectively Assessed Provisions for Credit Impairment.

**Table 5      Securitisation****Table 5(a) part (i): Banking Book - Summary of current period's activity by underlying asset type and facility<sup>9</sup>**

Securitisation activity by underlying asset type	ANZ Originated \$M	Dec 18 Original value securitised		Recognised gain or loss on sale \$M
		ANZ Self Securitised \$M	ANZ Sponsored \$M	
Residential mortgage	(66)	356	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>(66)</b>	<b>356</b>	<b>-</b>	<b>-</b>
<b>Securitisation activity by facility provided</b>				<b>Notional amount \$M</b>
Liquidity facilities				-
Funding facilities				-
Underwriting facilities				-
Lending facilities				-
Credit enhancements				-
Holdings of securities (excluding trading book)				97
Other				-
<b>Total</b>				<b>97</b>
Securitisation activity by underlying asset type	ANZ Originated \$M	Sep 18 Original value securitised		Recognised gain or loss on sale \$M
		ANZ Self Securitised \$M	ANZ Sponsored \$M	
Residential mortgage	(72)	781	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>(72)</b>	<b>781</b>	<b>-</b>	<b>-</b>
<b>Securitisation activity by facility provided</b>				<b>Notional amount \$M</b>
Liquidity facilities				-
Funding facilities				600
Underwriting facilities				-
Lending facilities				-
Credit enhancements				-
Holdings of securities (excluding trading book)				(208)
Other				5
<b>Total</b>				<b>397</b>

<sup>9</sup> 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 18 Original value securitised		Recognised gain or loss on sale \$M
		ANZ Self Securitised \$M	ANZ Sponsored \$M	
Residential mortgage	(66)	(875)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>(66)</b>	<b>(875)</b>	<b>-</b>	<b>-</b>
<b>Securitisation activity by facility provided</b>				<b>Notional amount \$M</b>
Liquidity facilities				(3)
Funding facilities				-
Underwriting facilities				-
Lending facilities				-
Credit enhancements				-
Holdings of securities (excluding trading book)				(236)
Other				-
<b>Total</b>				<b>(239)</b>

**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**

	Dec 18	Sep 18	Jun 18
<b>Securitisation exposure type - On balance sheet</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Liquidity facilities	-	-	-
Funding facilities	6,939	6,924	7,173
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	1,818	1,721	1,929
Protection provided	-	-	-
Other	112	104	116
<b>Total</b>	<b>8,869</b>	<b>8,749</b>	<b>9,218</b>

	Dec 18	Sep 18	Jun 18
<b>Securitisation exposure type - Off Balance Sheet</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Liquidity facilities	12	13	13
Funding facilities	1,291	1,362	1,624
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
<b>Total</b>	<b>1,303</b>	<b>1,375</b>	<b>1,637</b>

	Dec 18	Sep 18	Jun 18
<b>Total Securitisation exposure type</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Liquidity facilities	12	13	13
Funding facilities	8,229	8,286	8,797
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	1,818	1,721	1,929
Protection provided	-	-	-
Other	112	104	116
<b>Total</b>	<b>10,171</b>	<b>10,124</b>	<b>10,855</b>

**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 the current BCBS requirement is for a minimum of 3%.

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

		<b>Dec 18</b>	<b>Sep 18</b>	<b>Jun 18</b>	<b>Mar 18</b>
		<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Capital and total exposures</b>					
20	Tier 1 capital	52,356	52,218	51,158	51,125
21	Total exposures	992,720	954,957	956,377	942,291
<b>Leverage ratio</b>					
22	Basel III leverage ratio	5.3%	5.5%	5.3%	5.4%

**Table 20 Liquidity Coverage Ratio disclosure template**

		Dec 18		Sep 18		Jun 18	
	Total Unweighted Value \$M	Total Weighted Value \$M	Total Unweighted Value \$M	Total Weighted Value \$M	Total Unweighted Value \$M	Total Weighted Value \$M	Total Weighted Value \$M
<b>Liquid assets, of which:</b>							
1	High-quality liquid assets (HQLA)	-	142,176	-	143,308	-	140,961
2	Alternative liquid assets (ALA)	-	40,899	-	40,897	-	40,896
3	Reserve Bank of New Zealand (RBNZ) securities	-	5,699	-	10,672	-	11,554
<b>Cash outflows</b>							
4	Retail deposits and deposits from small business customers	196,568	20,702	200,900	21,704	202,281	21,797
5	of which: stable deposits	76,098	3,805	76,278	3,814	76,751	3,838
6	of which: less stable deposits	120,470	16,897	124,622	17,890	125,530	17,959
7	Unsecured wholesale funding	203,583	115,711	191,856	106,859	191,333	108,219
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	57,906	13,820	57,716	13,760	57,657	13,787
9	of which: non-operational deposits (all counterparties)	134,548	90,762	121,176	80,135	121,593	82,349
10	of which: unsecured debt	11,129	11,129	12,964	12,964	12,083	12,083
11	Secured wholesale funding	-	1,721	-	1,679	-	272
12	Additional requirements	136,658	37,934	142,461	42,596	143,057	43,349
13	of which: outflows related to derivatives exposures and other collateral requirements	24,686	24,686	29,301	29,301	30,726	30,726
14	of which: outflows related to loss of funding on debt products	-	-	-	-	-	-
15	of which: credit and liquidity facilities	111,972	13,248	113,160	13,295	112,331	12,623
16	Other contractual funding obligations	10,119	-	10,200	-	10,244	-
17	Other contingent funding obligations	70,557	4,723	66,375	3,872	73,918	4,571
18	Total cash outflows		180,791		176,710		178,208
<b>Cash inflows</b>							
19	Secured lending (e.g. reverse repos)	26,712	1,728	27,371	1,271	24,262	1,025
20	Inflows from fully performing exposures	29,119	19,000	29,633	19,433	30,890	20,646
21	Other cash inflows	16,829	16,829	19,211	19,211	20,789	20,789
22	Total cash inflows	72,660	37,557	76,215	39,915	75,941	42,460
23	Total liquid assets		188,774		194,877		193,411
24	Total net cash outflows		143,234		136,795		135,748
25	Liquidity Coverage Ratio (%)		131.8%		142.5%		142.5%
	Number of data points used (simple average)		66		65		65

**Liquidity Coverage Ratio (LCR)**

ANZ's average LCR for the 3 months to 31 December 2018 was 131.8% with total liquid assets exceeding net outflows by an average of \$45.5bn.

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.

The reduction in the RBNZ securities in the December quarter is due to a methodology change (industry wide) to exclude surplus liquid assets held by ANZ Bank New Zealand Limited, from the Level 2 LCR. The ANZ Bank New Zealand Limited liquidity position was not materially changed.

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.
Collective provision (CP)	Collective provision under AASB 139 Financial Instruments (AASB 139) 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)	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.
Individually Provision (IP)	Individual provisions under AASB 139 Financial Instruments (AASB 139) 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	<p>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:</p> <p>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.</p> <p>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.</p>
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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