2021

BASEL III PILLAR 3 DISCLOSURE

AS AT 31 DECEMBER 2021

APS330: 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.

Version	Date Issued	Brief Outline of Change
1.0	7th February 2022	Version for publication.
1.1	9th October 2024	Values for Level 1 entity Total Risk Weighted Assets and Capital Ratios havebeen adjusted along with inclusion of associated footnotes on page 2.

Table 3 Capital adequacy - Capital Ratios and Risk Weighted Assets

Risk Weighted Assets (RWA)	Dec 21 $M	Sep 21 $M	Jun 21 $M
Subject to Advanced Internal Rating Based (IRB) approach			
Corporate	142,829	136,298	137,358
Sovereign	10,085	9,893	8,657
Bank	9,810	9,118	9,231
Residential Mortgage	111,190	110,622	110,505
Qualifying Revolving Retail	3,598	3,723	3,618
Other Retail	19,063	19,660	20,464
Credit risk weighted assets subject to Advanced IRB approach	**296,575**	**289,314**	**289,833**
Credit Risk Specialised Lending exposures subject to slotting approach[1]	**37,566**	**36,977**	**36,423**
Subject to Standardised approach			
Corporate	7,263	6,632	5,791
Sovereign	255	27	35
Residential Mortgage	199	203	199
Other Retail	15	17	19
Credit risk weighted assets subject to Standardised approach	**7,732**	**6,879**	**6,044**
Credit Valuation Adjustment and Qualifying Central Counterparties	**2,909**	**3,270**	**3,636**
Credit risk weighted assets relating to securitisation exposures	2,037	2,056	2,131
Other assets	4,028	4,002	4,146
Total credit risk weighted assets	**350,847**	**342,498**	**342,213**
Market risk weighted assets	7,948	7,127	7,666
Operational risk weighted assets	48,253	48,425	47,383
Interest rate risk in the banking book (IRRBB) risk weighted assets	23,876	18,036	14,948
Total Risk Weighted Assets	**430,924**	**416,086**	**412,210**

Capital ratios (%)	Dec 21	Sep 21	Jun 21
Level 2 Common Equity Tier 1 capital ratio	**11.6%**	**12.3%**	**12.2%**
Level 2 Tier 1 capital ratio	**13.5%**	**14.3%**	**14.1%**
Level 2 Total capital ratio	**17.4%**	**18.4%**	**18.1%**

Basel III APRA level 2 CET1	Dec 21	Sep 21	Jun 21
Common Equity Tier 1 Capital	50,186	51,359	50,245
Total Risk Weighted Assets	430,924	416,086	412,210
Common Equity Tier 1 capital ratio	11.6%	12.3%	12.2%

Basel III APRA level 1 Extended licensed entity CET1	Dec 21	Sep 21	Jun 21
Common Equity Tier 1 Capital	44,101	45,555	45,424
Total Risk Weighted Assets[2]	395,649	381,515	380,015
Common Equity Tier 1 capital ratio[2]	11.1%	11.9%	12.0%

[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.

[2] On 9th October 2024, ANZ adjusted the following values for the period 30 September 2019 to 31 March 2024 to reflect the application of the $500 million Operational Risk capital overlay to both Level 1 and Level 2 regulatory consolidations.

- Level 1 Extended licensed entity Total Risk Weighted Assets with reporting period impacts of $2.1 billion, and
- CET 1 capital ratio with reporting period impacts between 6 and 7 bps.

Credit Risk Weighted Assets (CRWA)

Total Credit RWA increased by $8.3 billion (+2.4%) from September 2021 to $350.8 billion at December 2021. The increase was mainly in the Corporate asset class, driven by lending growth in the Institutional business.

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

IRRBB RWA increased by $5.8 billion over the quarter due to a decline in IToC Embedded Gains.

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 [3]

	Dec 21				
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	142,829	300,272	294,101	(2)	14
Sovereign	10,085	274,244	260,849	-	-
Bank	9,810	32,211	32,123	-	-
Residential Mortgage	111,190	411,804	411,026	12	9
Qualifying Revolving Retail	3,598	13,717	13,743	17	32
Other Retail	19,063	29,349	29,723	43	58
Total Advanced IRB approach	**296,575**	**1,061,597**	**1,041,565**	**70**	**113**
Specialised Lending	**37,566**	**46,240**	**45,640**	**8**	**-**
Standardised approach					
Corporate	7,263	7,228	6,939	-	3
Sovereign	255	491	259	-	-
Residential Mortgage	199	424	428	-	-
Other Retail	15	14	15	-	2
Total Standardised approach	**7,732**	**8,157**	**7,641**	**-**	**5**
Credit Valuation Adjustment and Qualifying Central Counterparties	**2,909**	**6,572**	**6,496**	**-**	**-**
Total	**344,782**	**1,122,566**	**1,101,342**	**78**	**118**

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

Sep 21					
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	136,298	287,932	282,878	16	42
Sovereign	9,893	247,455	254,500	-	-
Bank	9,118	32,035	32,198	-	-
Residential Mortgage	110,622	410,249	409,345	(10)	11
Qualifying Revolving Retail	3,723	13,769	13,883	20	33
Other Retail	19,660	30,096	30,264	24	70
Total Advanced IRB approach	**289,314**	**1,021,536**	**1,023,068**	**50**	**156**
Specialised Lending	**36,977**	**45,039**	**44,676**	**(5)**	**-**
Standardised approach					
Corporate	6,632	6,649	6,229	2	-
Sovereign	27	27	31	-	-
Residential Mortgage	203	431	426	1	1
Other Retail	17	16	18	-	-
Total Standardised approach	**6,879**	**7,123**	**6,704**	**3**	**1**
Credit Valuation Adjustment and Qualifying Central Counterparties	**3,270**	**6,420**	**8,046**	**-**	**-**
Total	**336,440**	**1,080,118**	**1,082,494**	**48**	**157**

Jun 21					
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	137,358	277,824	274,286	(30)	37
Sovereign	8,657	261,545	244,684	-	-
Bank	9,231	32,360	33,881	-	-
Residential Mortgage	110,505	408,441	406,996	7	10
Qualifying Revolving Retail	3,618	13,997	14,061	14	27
Other Retail	20,464	30,431	30,660	28	53
Total Advanced IRB approach	**289,833**	**1,024,598**	**1,004,568**	**19**	**127**
Specialised Lending	**36,423**	**44,313**	**43,908**	**-**	**-**
Standardised approach					
Corporate	5,791	5,808	6,127	2	2
Sovereign	35	35	52	-	-
Residential Mortgage	199	421	422	-	-
Other Retail	19	19	21	-	-
Total Standardised approach	**6,044**	**6,283**	**6,622**	**2**	**2**
Credit Valuation Adjustment and Qualifying Central Counterparties	**3,636**	**9,672**	**9,932**	**-**	**-**
Total	**335,936**	**1,084,866**	**1,065,030**	**21**	**129**

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

Portfolio Type	Dec 21 $M	Sep 21 $M	Jun 21 $M	Average for the quarter ended Dec 21 $M
Cash	159,941	133,269	136,806	146,605
Contingents liabilities, commitments, and other off-balance sheet exposures	184,178	175,410	175,574	179,794
Derivatives	40,092	40,937	43,086	40,515
Settlement Balances	32	138	13	85
Investment Securities	76,560	79,346	87,133	77,953
Net Loans, Advances & Acceptances	630,426	617,951	607,377	624,188
Other assets	8,628	8,390	10,197	8,509
Trading Securities	22,709	24,677	24,680	23,693
Total exposures	**1,122,566**	**1,080,118**	**1,084,866**	**1,101,342**

[4] 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[5] [6], Past due loans[7], Provisions and Write-offs

	Dec 21					
	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	7	1,027	216	327	(2)	14
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	353	2,126	99	12	9
Qualifying Revolving Retail	-	35	-	-	17	32
Other Retail	-	295	366	192	43	58
Total Advanced IRB approach	**7**	**1,710**	**2,708**	**618**	**70**	**113**
Specialised Lending	**-**	**110**	**20**	**22**	**8**	**-**
Portfolios subject to Standardised approach						
Corporate	-	107	77	38	-	3
Residential Mortgage	-	10	42	5	-	-
Other Retail	-	9	-	3	-	2
Total Standardised approach	**-**	**126**	**119**	**46**	**-**	**5**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**7**	**1,946**	**2,847**	**686**	**78**	**118**

[5] 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 2021: $1 million; June 2021: $1 million).

[6] Impaired loans / facilities include restructured items of $392 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 2021: $355 million; June 2021: $334 million).

[7] 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 21	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	11	1,083	217	338	16	42
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	363	2,214	93	(10)	11
Qualifying Revolving Retail	-	33	-	-	20	33
Other Retail	-	328	401	187	24	70
Total Advanced IRB approach	**11**	**1,807**	**2,832**	**618**	**50**	**156**
Specialised Lending	**-**	**66**	**35**	**13**	**(5)**	**-**
Portfolios subject to Standardised approach						
Corporate	1	119	94	46	2	-
Residential Mortgage	-	10	44	6	1	1
Other Retail	-	11	-	4	-	-
Total Standardised approach	**1**	**140**	**138**	**56**	**3**	**1**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12**	**2,013**	**3,005**	**687**	**48**	**157**

Jun 21	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	-	1,175	229	350	(30)	37
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Residential Mortgage	-	412	2,372	113	7	10
Qualifying Revolving Retail	-	35	-	-	14	27
Other Retail	-	357	412	209	28	53
Total Advanced IRB approach	**-**	**1,979**	**3,013**	**672**	**19**	**127**
Specialised Lending	**-**	**75**	**47**	**18**	**-**	**-**
Portfolios subject to Standardised approach						
Corporate	1	127	67	43	2	2
Residential Mortgage	-	10	29	6	-	-
Other Retail	-	10	-	4	-	-
Total Standardised approach	**1**	**147**	**96**	**53**	**2**	**2**
Qualifying Central Counterparties	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1**	**2,201**	**3,156**	**743**	**21**	**129**

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

	Dec 21		
	Specific Provision Balance $M	**General Reserve for Credit Losses $M**	**Total $M**
Collectively Assessed Provisions for Credit Impairment	423	3,635	4,058
Individually Assessed Provisions	686	-	686
Total Provision for Credit Impairment	**1,109**	**3,635**	**4,744**

	Sep 21		
	Specific Provision Balance $M	**General Reserve for Credit Losses $M**	**Total $M**
Collectively Assessed Provisions for Credit Impairment	436	3,759	4,195
Individually Assessed Provisions	687	-	687
Total Provision for Credit Impairment	**1,123**	**3,759**	**4,882**

	Jun 21		
	Specific Provision Balance $M	**General Reserve for Credit Losses $M**	**Total $M**
Collectively Assessed Provisions for Credit Impairment	440	3,807	4,247
Individually Assessed Provisions	743	-	743
Total Provision for Credit Impairment	**1,183**	**3,807**	**4,990**

[8] Due to definitional differences, there is a variation in the split between ANZ's Individually and Collectively Assessed Provisions for Credit Impairment for accounting purposes and the Specific Provision and General Reserve for Credit Losses (GRCL) for regulatory purposes. This does not impact total provisions, and essentially relates to the classification of collectively assessed provisions on defaulted accounts. The disclosures in this document are based on Individually and Collectively Assessed Provisions for Credit Impairment, for ease of comparison with other published results.

Table 5 Securitisation

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

	Dec 21			
	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	(84)	(287)	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(84)**	**(287)**	**-**	**-**

Securitisation activity by facility provided	Notional amount $M
Liquidity facilities	-
Funding facilities	(299)
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	362
Other	2
Total	**59**

	Sep 21			
	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	(98)	2,456	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(98)**	**2,456**	**-**	**-**

Securitisation activity by facility provided	Notional amount $M
Liquidity facilities	-
Funding facilities	(600)
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	151
Other	3
Total	**(446)**

[9] Activity represents net movement in outstanding.

Securitisation activity by underlying asset type	Jun 21 Original value securitised ANZ Originated $M	ANZ Self Securitised $M	ANZ Sponsored $M	Recognised gain or loss on sale $M
Residential mortgage	(93)	2,286	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**(93)**	**2,286**	**-**	**-**

Securitisation activity by facility provided	Notional amount $M
Liquidity facilities	-
Funding facilities	-
Underwriting facilities	-
Lending facilities	-
Credit enhancements	-
Holdings of securities (excluding trading book)	53
Other	6
Total	**59**

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 21 $M	Sep 21 $M	Jun 21 $M
Liquidity facilities	-	-	-
Funding facilities	7,144	7,696	7,955
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,986	2,624	2,473
Protection provided	-	-	-
Other	146	177	196
Total	**10,276**	**10,497**	**10,624**

Securitisation exposure type - Off Balance Sheet	Dec 21 $M	Sep 21 $M	Jun 21 $M
Liquidity facilities	14	15	16
Funding facilities	2,191	2,084	2,474
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	-	-	-
Protection provided	-	-	-
Other	-	-	-
Total	**2,205**	**2,099**	**2,490**

Total Securitisation exposure type	Dec 21 $M	Sep 21 $M	Jun 21 $M
Liquidity facilities	14	15	16
Funding facilities	9,335	9,780	10,429
Underwriting facilities	-	-	-
Lending facilities	-	-	-
Credit enhancements	-	-	-
Holdings of securities (excluding trading book)	2,986	2,624	2,473
Protection provided	-	-	-
Other	146	177	196
Total	**12,481**	**12,596**	**13,114**

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 requires ADIs authorised to use the internal ratings based approach to credit risk to maintain a minimum leverage ratio of 3.5% from January 2023.

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

	Capital and total exposures	Dec 21 $M	Sep 21 $M	Jun 21 $M	Mar 21 $M
20	Tier 1 capital	58,020	59,473	57,919	58,431
21	Total exposures	1,128,011	1,088,070	1,079,388	1,053,192
	Leverage ratio				
22	Basel III leverage ratio	5.1%	5.5%	5.4%	5.5%

Table 20 Liquidity Coverage Ratio disclosure template

		Dec 21		Sep 21	
		Total Unweighted Value $M	Total Weighted Value $M	Total Unweighted Value $M	Total Weighted Value $M
	Liquid assets, of which:				
1	High-quality liquid assets (HQLA)		229,565		229,748
2	Alternative liquid assets (ALA)		10,700		8,025
3	Reserve Bank of New Zealand (RBNZ) securities		-		22
	Cash outflows				
4	Retail deposits and deposits from small business customers	278,347	28,583	267,495	27,477
5	of which: stable deposits	119,886	5,994	114,957	5,748
6	of which: less stable deposits	158,461	22,589	152,538	21,729
7	Unsecured wholesale funding	280,746	145,579	271,577	141,562
8	of which: operational deposits (all counterparties) and deposits in networks for cooperative banks	105,142	25,411	98,712	23,840
9	of which: non-operational deposits (all counterparties)	160,873	105,437	157,480	102,337
10	of which: unsecured debt	14,731	14,731	15,385	15,385
11	Secured wholesale funding		742		681
12	Additional requirements	155,935	44,943	144,670	39,722
13	of which: outflows related to derivatives exposures and other collateral requirements	27,425	27,425	22,824	22,824
14	of which: outflows related to loss of funding on debt products	-	-	-	-
15	of which: credit and liquidity facilities	128,510	17,518	121,846	16,898
16	Other contractual funding obligations	8,877	-	8,789	-
17	Other contingent funding obligations	97,704	6,359	101,203	6,006
18	Total cash outflows		226,206		215,448
	Cash inflows				
19	Secured lending (e.g. reverse repos)	12,719	1,437	13,422	1,580
20	Inflows from fully performing exposures	26,663	17,786	24,857	16,068
21	Other cash inflows	25,953	25,953	22,636	22,636
22	Total cash inflows	65,335	45,176	60,915	40,284
23	Total liquid assets		240,265		237,795
24	Total net cash outflows		181,030		175,164
25	Liquidity Coverage Ratio (%)		132.7%		135.8%
	Number of data points used (simple average)		66		66

Liquidity Coverage Ratio (LCR)

ANZ's average LCR for the 3 months to 31 December 2021 was 132.7% with total liquid assets exceeding net outflows by an average of $59.2b.

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.

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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Australia and New Zealand Banking Group Limited

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