

# Basel III Pillar 3

Capital Adequacy and Risk Disclosures  
as at 30 September 2021



Commonwealth  
Bank

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Having been delegated authority by the Board, the release of this announcement was authorised by the Chief Executive Officer, Chief Financial Officer and Chief Risk Officer.

Commonwealth Bank of Australia | Media Release 286/2021 | ACN 123 123 124 | Ground Floor Tower 1, 201 Sussex Street, Sydney NSW 2000 | 17 November 2021

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# Introduction

## 1 Introduction

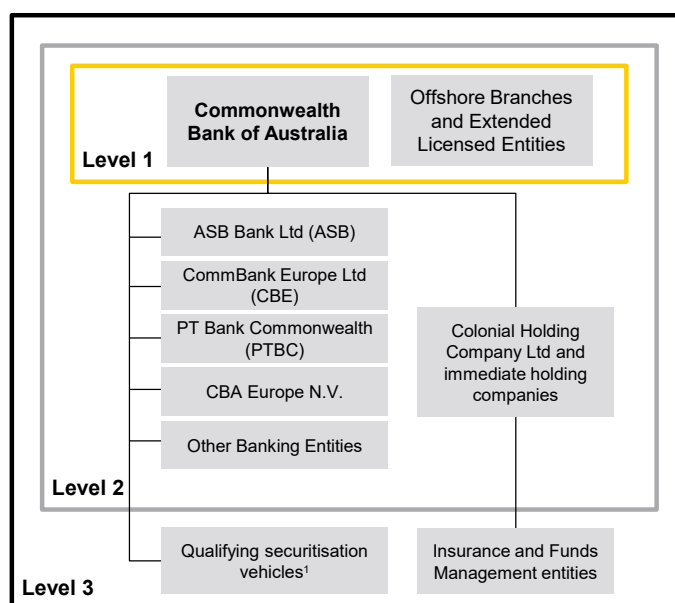
The Commonwealth Bank of Australia (CBA) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959.

This document is prepared for CBA and its subsidiaries (the Group) in accordance with a Board approved policy and quarterly reporting requirements set out in APRA Prudential Standard (APS) APS 330 *Public Disclosure* (APS 330). It presents information on the Group's capital adequacy and Risk Weighted Assets (RWA) calculations for credit risk including securitisation, traded market risk, Interest Rate Risk in the Banking Book (IRRBB) and operational risk.

This document also presents information on the Group's leverage and liquidity ratios in accordance with prescribed methodologies.

The Group is required to report its assessment of capital adequacy on a Level 2 basis. Level 2 is defined as the Consolidated Banking Group excluding the insurance and funds management businesses and certain entities through which securitisation of Group assets is conducted, as illustrated below.

### APS 330 reporting structure



<sup>1</sup> Securitisation that meets APRA's operational requirements for regulatory capital relief under APS 120 *Securitisation* (APS 120).

The Group is predominantly accredited to use the Advanced Internal-Ratings Based (AIRB) approach for credit risk and Advanced Measurement Approach (AMA) for operational risk. The Group is also required to assess its traded market risk and IRRBB requirement under Pillar 1 of the Basel capital framework.

This document is unaudited, however, it has been prepared consistent with information that has been supplied to APRA.

The Group's Pillar 3 documents are available on the Group's corporate website: [commbank.com.au/regulatorydisclosures](http://commbank.com.au/regulatorydisclosures)

### Capital Position

As at 30 September 2021, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios as measured on an APRA basis were 12.5%, 15.1% and 19.7% respectively.

The Group's CET1 ratio increased by 19 basis points in the quarter after allowing for the impact of the 2021 final dividend (-79 basis points). This was primarily driven by capital generated from earnings (+47 basis points), partly offset by a net increase in total RWA of \$8.7bn (\$6.5bn or -19 basis points, excluding the impact of foreign exchange (FX) movements in Credit RWA) and other regulatory adjustments (-9 basis points). Further details on the movements in RWA are provided on pages 4-5.

Subsequent to the current reporting period, in October 2021, the Group completed a \$6 billion off-market buy-back (-133bpts), resulting in a 30 September 2021 pro-forma CET1 ratio of 11.2%.

The Group's Basel III CET1 ratio was 18.9% on an internationally comparable basis as at 30 September 2021.

The CET1 ratio for Level 1 at 30 September 2021 is 12.8%, 30 basis points above Level 2.

# Introduction (continued)

	30 Sep 21	30 Jun 21
	%	%
<b>Summary Group Capital Adequacy Ratios (Level 2)</b>		
Common Equity Tier 1	12.5	13.1
Additional Tier 1	2.6	2.6
Tier 1	15.1	15.7
Tier 2	4.6	4.1
<b>Total Capital (APRA)</b>	<b>19.7</b>	19.8
<b>Common Equity Tier 1 (Internationally Comparable)</b> <sup>1</sup>	<b>18.9</b>	19.4

<sup>1</sup> Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".

## Capital Initiatives

The following significant capital initiatives were undertaken during the quarter ended 30 September 2021:

### Common Equity Tier 1 Capital

- The Dividend Reinvestment Plan (DRP) in respect of the 2021 final dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 16.1%.

### Tier 2 Capital

The Group issued the following Basel III compliant subordinated notes during the quarter ended 30 September 2021:

- AUD1,500 million and AUD135 million in August 2021; and
- AUD136 million and JPY14 billion in September 2021.

Subsequent to the current reporting period, in October 2021, the Group redeemed AUD1.45 billion CommBank PERLS VIII Capital Notes, a Basel III compliant Additional Tier 1 instrument and a USD750 million Basel III compliant Tier 2 instrument.

## APRA's COVID-19 Announcements

### COVID-19 Customer Support Measures

The Group continues to extend a number of support measures for customers impacted by COVID-19, which includes loan repayment deferral arrangements and the origination of loans under the Government's Small and Medium (SME) Guarantee Scheme and SME Recovery Loan Scheme.

The Group received guidance from APRA and the RBNZ on the regulatory approach in relation to the implementation of the COVID-19 customer support measures.

- APRA temporary capital relief allowed ADIs to 'stop the clock' on arrears for deferred loans and provide additional relief for restructured loans, to facilitate ADIs in transitioning impacted borrowers to a regular repayment schedule.
- The RBNZ provided similar concessions for repayment deferrals granted in response to COVID-19 up to 31 March 2021.

The Group's original temporary loan deferral programs concluded in March 2021, with the vast majority of customers returning to regular repayments on their loans. The Group has extended new support measures to assist customers further impacted by COVID-19, including loan repayment deferral arrangements, fee waivers and refunds. In response, APRA is providing regulatory relief to assist ADIs in supporting their customers through this period. For eligible borrowers, ADIs will not need to treat the period of deferral as a period of arrears or a loan restructuring. This will apply to loans that are granted a repayment deferral of up to three months before 30 September 2021.

The SME Guarantee Scheme and SME Loan Recovery Scheme were established by the Commonwealth Government to support economic recovery and provide continued assistance to businesses and may be regarded as eligible guarantees by the government for risk weighting purposes. ASB has participated in a similar scheme in New Zealand. The Group will continue to provision for these loans under relevant accounting standards.

## Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.7% at 30 September 2021 on an APRA basis and 6.6% on an internationally comparable basis.

## Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires Australian ADIs to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCOs) projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 132% in the September 2021 quarter.

# Risk Weighted Assets

## 2 Risk Weighted Assets

Risk weighted assets (RWA) are calculated using the AIRB approach for the majority of the Group's credit risk exposures. Internal assessment and supervisory formula approaches are used, where relevant, for non-rated securitisation exposures and for rated exposures where APS 120 prohibits the Group using the ratings-based approach. The ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI) where APS 120 allows or requires.

APS 330 Table 3a to 3e – Basel III Capital Requirements (RWA)

Asset Category	Risk Weighted Assets		Change in RWA for	
	30 Sep 21	30 Jun 21	September 2021 quarter	
	\$M	\$M	\$M	%
<b>Credit Risk</b>				
<b>Subject to AIRB approach <sup>1</sup></b>				
Corporate	67,852	66,664	1,188	1.8
SME corporate	30,429	29,845	584	2.0
SME retail	5,804	5,935	(131)	(2.2)
SME retail secured by residential mortgage	2,855	2,947	(92)	(3.1)
Sovereign	2,451	2,466	(15)	(0.6)
Bank	5,165	5,379	(214)	(4.0)
Residential mortgage	163,945	159,758	4,187	2.6
Qualifying revolving retail	5,137	5,466	(329)	(6.0)
Other retail	10,956	11,177	(221)	(2.0)
<b>Total RWA subject to AIRB approach</b>	<b>294,594</b>	<b>289,637</b>	<b>4,957</b>	<b>1.7</b>
<b>Specialised lending</b>	<b>64,926</b>	<b>63,705</b>	<b>1,221</b>	<b>1.9</b>
<b>Subject to standardised approach</b>				
Corporate	1,435	1,234	201	16.3
SME corporate	680	805	(125)	(15.5)
SME retail	2,502	2,500	2	0.1
Sovereign	290	289	1	0.3
Bank	53	52	1	1.9
Residential mortgage	6,471	6,523	(52)	(0.8)
Other retail	938	938	–	–
Other assets	8,042	8,013	29	0.4
<b>Total RWA subject to standardised approach</b>	<b>20,411</b>	<b>20,354</b>	<b>57</b>	<b>0.3</b>
Securitisation	3,142	3,106	36	1.2
Credit valuation adjustment	3,750	4,157	(407)	(9.8)
Central counterparties	658	591	67	11.3
<b>Total RWA for credit risk exposures</b>	<b>387,481</b>	<b>381,550</b>	<b>5,931</b>	<b>1.6</b>
Traded market risk	8,119	8,307	(188)	(2.3)
Interest rate risk in the banking book	17,732	14,619	3,113	21.3
Operational risk	46,096	46,204	(108)	(0.2)
<b>Total risk weighted assets</b>	<b>459,428</b>	<b>450,680</b>	<b>8,748</b>	<b>1.9</b>

<sup>1</sup> Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.

# Risk Weighted Assets (continued)

## Risk Weighted Assets

Total RWA increased by \$8.7 billion or 1.9% on the prior quarter to \$459.4 billion driven by increases in credit risk RWA and IRRBB RWA, partly offset by lower traded market risk RWA and operational risk RWA.

## Credit Risk RWA

Credit risk RWA increased by \$5.9 billion or 1.6% on the prior quarter to \$387.5 billion. Key movements include:

- Volume growth across residential mortgages, commercial portfolios, bank and sovereign exposures; partly offset by a reduction in unsecured retail portfolios and exposures subject to standardised treatment (+\$7.6 billion);
- Credit quality improvement, primarily across non-retail portfolios; partly offset by an increase in residential mortgage risk weights due to a lower proportion of customers with payments in advance (-\$2.6 billion); and
- Foreign currency movements (+\$2.2 billion); partly offset by
- Data and methodology, credit risk estimates and other changes (-\$1.3 billion).

## Traded Market Risk RWA

Traded market risk RWA decreased by \$0.2 billion or 2.3% on the prior quarter to \$8.1 billion. This was mainly due to positional changes driven by client activity.

## Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by \$3.1 billion or 21.3% on the prior quarter to \$17.7 billion. This was primarily driven by changes in interest rate risk management positions and a reduction in embedded gains due to increased longer term interest rates.

## Operational Risk RWA

Operational risk RWA decreased by \$0.1 billion on the prior quarter.

The Group regularly reviews and updates its operational risk RWA to reflect material changes in its operational risk profile in accordance with the Operational Risk Management Framework and governance processes.

The operational risk RWA includes the \$6.25 billion add-on required by APRA.

# Credit Risk

## 3 Credit Risk

### 3.1 Credit Risk Exposures

The following tables detail credit risk exposures subject to AIRB and standardised approaches.

APS 330 Table 4a – Credit risk exposures by portfolio type and modelling approach

Portfolio Type	30 September 2021				Average exposure for September 2021 quarter <sup>1</sup>	Change in exposure for September 2021 quarter <sup>2</sup>	
	On Balance Sheet	Off Balance Sheet	Non-market related	Market related		Total	\$M
	\$M	\$M	\$M	\$M	\$M	\$M	%
<b>Subject to AIRB approach</b>							
Corporate	71,116	47,549	10,042	128,707	124,822	7,770	6.4
SME corporate	46,824	10,550	747	58,121	57,431	1,381	2.4
SME retail	7,154	3,579	–	10,733	10,965	(464)	(4.1)
SME retail secured by residential mortgage	3,585	1,581	–	5,166	5,196	(60)	(1.1)
Sovereign	196,274	1,423	2,717	200,414	193,099	14,630	7.9
Bank	15,460	432	6,692	22,584	22,514	141	0.6
Residential mortgage	577,288	85,889	–	663,177	655,562	15,230	2.4
Qualifying revolving retail	7,145	16,450	–	23,595	23,821	(452)	(1.9)
Other retail	6,143	3,577	–	9,720	9,588	264	2.8
<b>Total AIRB approach</b>	<b>930,989</b>	<b>171,030</b>	<b>20,198</b>	<b>1,122,217</b>	<b>1,102,998</b>	<b>38,440</b>	<b>3.5</b>
<b>Specialised lending</b>	<b>61,694</b>	<b>11,319</b>	<b>1,703</b>	<b>74,716</b>	<b>74,278</b>	<b>876</b>	<b>1.2</b>
<b>Subject to standardised approach</b>							
Corporate	1,109	326	–	1,435	1,335	201	16.3
SME corporate	493	187	–	680	743	(125)	(15.5)
SME retail	1,823	663	–	2,486	2,486	–	–
Sovereign	970	1	–	971	989	(36)	(3.6)
Bank	261	–	–	261	253	16	6.5
Residential mortgage	13,157	1,811	–	14,968	14,990	(44)	(0.3)
Other retail	856	70	–	926	927	(1)	(0.1)
Other assets	20,123	–	–	20,123	19,590	1,067	5.6
Central counterparties	–	–	10,899	10,899	10,590	618	6.0
<b>Total standardised approach</b>	<b>38,792</b>	<b>3,058</b>	<b>10,899</b>	<b>52,749</b>	<b>51,903</b>	<b>1,696</b>	<b>3.3</b>
<b>Total credit exposures<sup>3</sup></b>	<b>1,031,475</b>	<b>185,407</b>	<b>32,800</b>	<b>1,249,682</b>	<b>1,229,179</b>	<b>41,012</b>	<b>3.4</b>

<sup>1</sup> The simple average of balances as at 30 September 2021 and 30 June 2021.

<sup>2</sup> The difference between exposures as at 30 September 2021 and 30 June 2021.

<sup>3</sup> Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.



# Credit Risk (continued)

APS 330 Table 4a – Credit risk exposures by portfolio type and modelling approach (continued)

Portfolio Type	30 June 2021				Average exposure for June 2021 quarter <sup>1</sup>	Change in exposure for June 2021 quarter <sup>2</sup>	
	On Balance Sheet	Off Balance Sheet	Non-market related	Market related		Total	\$M
	\$M	\$M	\$M	\$M	\$M	\$M	%
<b>Subject to AIRB approach</b>							
Corporate	64,843	46,013	10,081	120,937	120,700	474	0.4
SME corporate	45,865	10,033	842	56,740	55,805	1,870	3.4
SME retail	7,215	3,977	5	11,197	11,356	(318)	(2.8)
SME retail secured by residential mortgage	3,675	1,551	–	5,226	5,233	(13)	(0.2)
Sovereign	182,245	1,290	2,249	185,784	160,891	49,786	36.6
Bank	15,480	398	6,565	22,443	22,963	(1,039)	(4.4)
Residential mortgage	563,914	84,033	–	647,947	640,430	15,034	2.4
Qualifying revolving retail	7,865	16,182	–	24,047	24,178	(262)	(1.1)
Other retail	6,517	2,939	–	9,456	9,462	(12)	(0.1)
<b>Total AIRB approach</b>	<b>897,619</b>	<b>166,416</b>	<b>19,742</b>	<b>1,083,777</b>	<b>1,051,018</b>	<b>65,520</b>	<b>6.4</b>
<b>Specialised lending</b>	<b>62,032</b>	<b>10,120</b>	<b>1,688</b>	<b>73,840</b>	<b>73,100</b>	<b>1,481</b>	<b>2.0</b>
<b>Subject to standardised approach</b>							
Corporate	961	273	–	1,234	1,085	299	32.0
SME corporate	563	242	–	805	764	83	11.5
SME retail	1,831	648	7	2,486	2,456	61	2.5
Sovereign	1,006	1	–	1,007	771	473	88.6
Bank	245	–	–	245	303	(116)	(32.1)
Residential mortgage	13,092	1,920	–	15,012	14,954	116	0.8
Other retail	876	51	–	927	928	(2)	(0.2)
Other assets	19,056	–	–	19,056	19,552	(991)	(4.9)
Central counterparties	–	–	10,281	10,281	10,521	(479)	(4.5)
<b>Total standardised approach</b>	<b>37,630</b>	<b>3,135</b>	<b>10,288</b>	<b>51,053</b>	<b>51,334</b>	<b>(556)</b>	<b>(1.1)</b>
<b>Total credit exposures<sup>3</sup></b>	<b>997,281</b>	<b>179,671</b>	<b>31,718</b>	<b>1,208,670</b>	<b>1,175,452</b>	<b>66,445</b>	<b>5.8</b>

<sup>1</sup> The simple average of balances as at 30 June 2021 and 31 March 2021.

<sup>2</sup> The difference between exposures as at 30 June 2021 and 31 March 2021.

<sup>3</sup> Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

# Credit Risk (continued)

## 3.2 Past Due and Impaired Exposures, Provisions and Reserves

All provisions recognised in accordance with accounting standards that have been assessed on an individual basis are classified as specific provisions in accordance with APS 220 *Credit Quality* (APS 220). Most of the collective provisions raised under accounting standards are included in the General Reserve for Credit Losses (GRCL); however, certain collective provisions not eligible for inclusion in the GRCL, are classified as specific provisions. This includes, for example, collective provisions on retail products that are in default. The Group's GRCL methodology results in an amount lower than the provision recognised for accounting purposes, resulting in no additional GRCL requirement.

### Reconciliation of Australian Accounting Standards, APS 220 based credit provisions and APS 330 Table 4c – General reserve for credit losses

	30 September 2021		
	General reserve for credit losses <sup>1</sup> \$M	Specific provision <sup>1</sup> \$M	Total provisions \$M
Collective provision <sup>2</sup>	4,820	536	5,356
Individual provisions <sup>2</sup>	–	857	857
<b>Total regulatory provisions</b>	<b>4,820</b>	<b>1,393</b>	<b>6,213</b>

1 Provisions classified according to APS 220.

2 Provisions according to the Australian Accounting Standards.

	30 June 2021		
	General reserve for credit losses <sup>1</sup> \$M	Specific provision <sup>1</sup> \$M	Total provisions \$M
Collective provision <sup>2</sup>	4,683	628	5,311
Individual provisions <sup>2</sup>	–	900	900
<b>Total regulatory provisions</b>	<b>4,683</b>	<b>1,528</b>	<b>6,211</b>

1 Provisions classified according to APS 220.

2 Provisions according to the Australian Accounting Standards.

## Credit Risk (continued)

The following tables provide a summary of the Group's financial losses by portfolio type.

APS 330 Table 4b – Impaired, past due, specific provisions and write-offs charged by portfolio

Portfolio	As at 30 September 2021			Quarter ended 30 September 2021	
	Impaired assets	Past due loans ≥ 90 days <sup>1</sup>	Specific provision balance <sup>2</sup>	Net charges for individual provisions	Actual losses <sup>3</sup>
	\$M	\$M	\$M	\$M	\$M
Corporate including SME, specialised lending and central counterparties	1,537	674	714	26	71
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,886	2,876	526	(3)	10
Qualifying revolving retail	72	–	65	–	24
Other retail	96	–	88	–	33
<b>Total</b>	<b>3,591</b>	<b>3,550</b>	<b>1,393</b>	<b>23</b>	<b>138</b>

1 Represents loans ≥ 90 days past due but not impaired.

2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 30 September 2021.

Portfolio	As at 30 June 2021			Quarter ended 30 June 2021	
	Impaired assets	Past due loans ≥ 90 days <sup>1</sup>	Specific provision balance <sup>2</sup>	Net charges for individual provisions	Actual losses <sup>3</sup>
	\$M	\$M	\$M	\$M	\$M
Corporate including SME, specialised lending and central counterparties	1,482	715	751	92	32
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,746	3,045	598	5	12
Qualifying revolving retail	82	–	80	–	33
Other retail	99	–	99	6	42
<b>Total</b>	<b>3,409</b>	<b>3,760</b>	<b>1,528</b>	<b>103</b>	<b>119</b>

1 Represents loans ≥ 90 days past due but not impaired.

2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 30 June 2021.

# Credit Risk (continued)

## 3.3 Securitisation

APS 330 Table 5a – Total securitisation activity for the reporting period

Underlying Asset	Quarter ended 30 September 2021	
	Total exposures securitised \$M	Recognised gain or loss on sale \$M
Residential mortgage	633	–
Credit cards and other personal loans	–	–
Auto and equipment finance	–	–
Commercial loans	–	–
Other	–	–
<b>Total</b>	<b>633</b>	<b>–</b>

Underlying Asset	Quarter ended 30 June 2021	
	Total exposures securitised \$M	Recognised gain or loss on sale \$M
Residential mortgage	1,550	–
Credit cards and other personal loans	253	–
Auto and equipment finance	369	–
Commercial loans	–	–
Other	–	–
<b>Total</b>	<b>2,172</b>	<b>–</b>

APS 330 Table 5b – Summary of total securitisation exposures retained or purchased

Securitisation Facility Type	As at 30 September 2021		
	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
	Liquidity support facilities	–	268
Warehouse facilities	6,733	4,673	11,406
Derivative facilities	–	429	429
Holdings of securities	5,228	–	5,228
Other	–	15	15
<b>Total securitisation exposures</b>	<b>11,961</b>	<b>5,385</b>	<b>17,346</b>

Securitisation Facility Type	As at 30 June 2021		
	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
	Liquidity support facilities	–	265
Warehouse facilities	6,725	4,758	11,483
Derivative facilities	–	486	486
Holdings of securities	5,039	–	5,039
Other	–	15	15
<b>Total securitisation exposures</b>	<b>11,764</b>	<b>5,524</b>	<b>17,288</b>

# Leverage Ratio

## 4 Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.7% at 30 September 2021 on an APRA basis and 6.6% on an internationally comparable basis.

In November 2018, APRA released draft prudential and reporting standards, including changes to the definition of exposures related to derivatives and off Balance Sheet items and advocating a minimum leverage ratio requirement of 3.5% for IRB banks, applicable from 1 January 2023.

<b>Summary Group Leverage Ratio</b>	<b>30 Sep 21</b>	<b>30 Jun 21</b>	<b>31 Mar 21</b>	<b>31 Dec 20</b>	<b>30 Sep 20</b>
Tier 1 Capital (\$M)	<b>69,547</b>	70,844	67,481	67,900	64,401
Total Exposures (\$M) <sup>1</sup>	<b>1,216,213</b>	1,178,061	1,118,109	1,126,562	1,106,794
<b>Leverage Ratio (APRA) (%)</b>	<b>5.7</b>	6.0	6.0	6.0	5.8
<b>Leverage Ratio (Internationally Comparable) (%) <sup>2</sup></b>	<b>6.6</b>	6.9	6.8	6.8	6.6

1 Total Exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 *Capital Adequacy*.

2 The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the APRA study and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

# Liquidity Risk

## 5 Liquidity Risk

### Liquidity Coverage Ratio

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement of 100% and the Board's risk appetite. Over the September 2021 quarter, excess liquid assets averaged \$47 billion and the average LCR increased by 3% from 129% to 132% due to an increase in total liquid assets, accompanied by a smaller increase in NCOs.

The Group's mix of liquid assets consists of HQLA, being cash, deposits with central banks, Australian semi-government and Commonwealth government securities. Liquid assets also includes repo-eligible securities with the RBA under the Committed Liquidity Facility (CLF) and Term Funding Facility (TFF), and securities classified as liquid assets by the RBNZ. TFF drawdowns were completed in the June 2021 quarter. Liquid assets are distributed across the Group to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. Average Liquid Assets increased over the quarter due to strong deposit growth and the Group's management of increasing NCOs.

NCOs are modelled under an APRA prescribed 30 day severe liquidity stress scenario. The Group manages modelled NCOs by maintaining a large base of low LCR outflow customer deposits and actively managing its wholesale funding maturity profile as part of its overall liquidity management strategy. Average NCOs increased over the quarter due to deposit inflows and inclusions of the Group's dividend payment and the Group's off-market share buy-back entering the NCO window during the quarter.

APS 330 Table 20 – LCR disclosure template

	30 Sep 21		30 Jun 21	
	Total unweighted value (average) <sup>1</sup> \$M	Total weighted value (average) <sup>1</sup> \$M	Total unweighted value (average) <sup>1</sup> \$M	Total weighted value (average) <sup>1</sup> \$M
<b>Liquid assets, of which:</b>				
1 High-quality liquid assets (HQLA)		163,421		127,954
2 Alternative liquid assets (ALA)		27,290		44,236
3 Reserve Bank of New Zealand (RBNZ) securities		3,519		3,287
<b>Cash outflows</b>				
4 Retail deposits and deposits from small business customers, of which:	<b>405,263</b>	<b>35,867</b>	<b>388,832</b>	<b>34,631</b>
5 Stable deposits	225,799	11,290	216,487	10,824
6 Less stable deposits	179,464	24,577	172,345	23,807
7 Unsecured wholesale funding, of which:	<b>191,209</b>	<b>84,710</b>	<b>175,727</b>	<b>78,596</b>
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	89,050	21,853	79,412	19,457
9 Non-operational deposits (all counterparties)	90,618	51,316	86,003	48,827
10 Unsecured debt	11,541	11,541	10,312	10,312
11 Secured wholesale funding		<b>1,895</b>		<b>1,319</b>
12 Additional requirements, of which:	<b>179,113</b>	<b>26,468</b>	<b>175,054</b>	<b>25,235</b>
13 Outflows related to derivatives exposures and other collateral requirements	5,810	5,810	5,799	5,799
14 Outflows related to loss of funding on debt products	–	–	–	–
15 Credit and liquidity facilities	173,303	20,658	169,255	19,436
16 Other contractual funding obligations	6	–	6	–
17 Other contingent funding obligations	73,664	<b>11,975</b>	71,008	<b>8,714</b>
<b>18 Total cash outflows</b>		<b>160,915</b>		<b>148,495</b>
<b>Cash inflows</b>				
19 Secured lending	4,527	1,596	2,037	890
20 Inflows from fully performing exposures	10,626	6,876	10,786	6,886
21 Other cash inflows	5,304	5,304	4,749	4,749
<b>22 Total cash inflows</b>	<b>20,457</b>	<b>13,776</b>	<b>17,572</b>	<b>12,525</b>
<b>23 Total liquid assets</b>		194,230		175,477
<b>24 Total net cash outflows</b>		147,139		135,970
<b>25 Liquidity Coverage Ratio (%)</b>		132		129
<b>Number of data points used (Business Days)</b>		66		61

<sup>1</sup> The averages presented are calculated as simple averages of daily observations over the previous quarter.

# Glossary

Term	Definition
<b>Additional Tier 1 Capital (AT1)</b>	Additional Tier 1 Capital is a concept defined by APRA and consists of high quality capital that essentially provides a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
<b>Advanced Internal Ratings-based (AIRB) Approach</b>	This approach is used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital.
<b>Advanced Measurement Approach (AMA)</b>	Used to measure operational risk in accordance with the Group's Basel III accreditation that allows the Group to use its own internal model for the purposes of calculating regulatory capital.
<b>Alternative Liquid Assets (ALA)</b>	Assets that qualify for inclusion in the numerator of the LCR in jurisdictions where there is insufficient supply of HQLA.
<b>ASB</b>	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the RBNZ.
<b>Australian Accounting Standards</b>	The Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB).
<b>Australian Prudential Regulation Authority (APRA)</b>	The Australian Prudential Regulation Authority is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian parliament. The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
<b>Authorised Deposit-taking Institution (ADI)</b>	ADIs are corporations that are authorised under the Banking Act 1959 to carry on banking business in Australia.
<b>Banking Book</b>	The banking book is a term for assets on a bank's Balance Sheet that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers. The banking book can also include those derivatives that are used to hedge exposures arising from the banking book activity, including interest rate risk.
<b>Basel II</b>	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
<b>Basel III</b>	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012).
<b>CBA</b>	Commonwealth Bank of Australia – the head entity of the Group.
<b>Collective Provision</b>	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are reported in the Group's Financial Statements in accordance with Australian Accounting Standards (AASB 9 <i>Financial Instruments</i> ).
<b>Committed Liquidity Facility (CLF)</b>	The Reserve Bank of Australia (RBA) provides the CLF to participating ADIs under the LCR, as a shortfall in Commonwealth government and semi-government securities exists in Australia. ADIs can draw on the CLF in a liquidity crisis against qualifying securities pledged to the RBA. The amount of the CLF for each ADI is set by APRA annually.
<b>Common Equity Tier 1 Capital (CET1)</b>	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
<b>Corporate</b>	Basel asset class - includes commercial credit risk where annual revenues are \$50 million or more.

## Glossary (continued)

Term	Definition
<b>Credit Valuation Adjustment (CVA) Risk</b>	The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty.
<b>Exposure at Default (EAD)</b>	The extent to which a bank may be exposed upon default of an obligor.
<b>Extended Licenced Entity (ELE)</b>	An Extended Licensed Entity is comprised of an ADI and each subsidiary of an ADI as specified in any approval granted by APRA in accordance with Prudential Standard APS 222 <i>Associations with Related Entities</i> .
<b>External Credit Assessment Institution (ECAI)</b>	For example: Moody's Investor Services, S&P Global Ratings or Fitch Ratings.
<b>General Reserve for Credit Losses (GRCL)</b>	APS 220 <i>Credit Quality</i> (APS 220) requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the GRCL. An excess of required GRCL over an entity's collective provisions is recognised as a deduction from CET1.
<b>Group</b>	Commonwealth Bank of Australia and its subsidiaries.
<b>High Quality Liquid Assets (HQLA)</b>	Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.
<b>Impaired Assets</b>	Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments due, will be received in a timely manner.
<b>Individual provisions</b>	Provisions made against individual facilities in the credit-rated managed segment where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 9 <i>Financial Instruments</i> ). Also known as individually assessed provisions or IAP.
<b>Interest Rate Risk in the Banking Book (IRRBB)</b>	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential, and secondly as the anticipated change to Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group's 30 June 2021 Basel III Pillar 3 report.
<b>Level 1</b>	The Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licensed Entities.
<b>Level 2</b>	The level at which the Group reports its capital adequacy to APRA, being the Consolidated Banking Group comprising the ADI and all of its subsidiary entities other than the insurance and funds management businesses and certain entities through which securitisation of Group assets is conducted. This is the basis on which this report has been produced.
<b>Level 3</b>	The conglomerate group including the Group's insurance and funds management businesses (the Group).
<b>Leverage Ratio</b>	Tier 1 Capital divided by total exposures, with this ratio expressed as a percentage.
<b>Liquidity Coverage Ratio (LCR)</b>	The liquidity coverage ratio is a quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
<b>Loss Given Default (LGD)</b>	An estimate of the expected severity of loss for a credit exposure following a default event. Loss Given Default represents the fraction of EAD that is not expected to be recovered following default.
<b>Net Cash Outflows (NCO)</b>	Net cash outflows in the LCR are calculated by applying prescribed run-off factors on liabilities and various off Balance Sheet exposures that can generate a cash outflow in the next 30 days.



## Glossary (continued)

Term	Definition
<b>Other Assets</b>	Basel asset class – primarily includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
<b>Other Retail</b>	Basel asset class – primarily includes retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
<b>Past due</b>	Facilities are past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements.
<b>Probability of Default (PD)</b>	The likelihood that a debtor fails to meet an obligation or contractual commitment.
<b>Prudential Capital Ratio (PCR)</b>	The regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times.
<b>Qualifying Revolving Retail (QRR)</b>	Basel asset class – represents revolving exposures to individuals less than \$0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class.
<b>RBA</b>	Reserve Bank of Australia.
<b>RBNZ</b>	Reserve Bank of New Zealand.
<b>Residential mortgage</b>	Basel asset class – retail exposures secured by residential mortgage property.
<b>Risk Weighted Assets (RWA)</b>	The value of the Group's on and off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards.
<b>Scaling Factor</b>	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the RWA amounts for credit risk under the AIRB approach of 1.06.
<b>Securities Financing Transactions (SFT)</b>	APRA defines securities financing transactions as transactions such as repurchase agreements, reverse repurchase agreements, and security lending and borrowing, and margin lending transactions, where the value of the transactions depends on the market valuation of securities and the transactions are typically subject to margin agreements.
<b>Securitisation</b>	Basel asset class – Group originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
<b>SME Corporate</b>	Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than \$50 million and exposures are greater than \$1 million.
<b>SME Retail</b>	Basel asset class – Small and Medium Enterprise (SME) exposures up to \$1 million that are not secured by residential mortgage property.
<b>SME retail secured by Residential Mortgage</b>	Basel asset class – Small and Medium Enterprise (SME) exposures up to \$1 million that are partly or fully secured by residential mortgage property.
<b>Sovereign</b>	Basel asset class – primarily includes claims on Australian and foreign governments, central banks (including the RBA), international banking agencies and regional development banks.
<b>Specialised Lending</b>	Basel asset classes subject to the supervisory slotting approach, and which include Income Producing Real Estate, object finance, project finance and commodity finance.
<b>Specific Provisions</b>	APS 220 <i>Credit Quality</i> (APS 220) requires ADIs to report as specific provisions all provisions for impairment assessed by an ADI on an individual basis in accordance with the Australian Accounting Standards and that portion of provisions assessed on a collective basis which are deemed ineligible to be included in the GRCL (which are primarily collective provisions on some defaulted assets).
<b>Standardised Approach</b>	An alternate approach to the assessment of credit, operational and traded market risk whereby an ADI uses external ratings agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.

## Glossary (continued)

<b>Term</b>	<b>Definition</b>
<b>Stressed Value-at-Risk (SVaR)</b>	Stressed Value-at-Risk uses the same methodology as VaR except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
<b>Term Funding Facility (TFF)</b>	A facility provided by the RBA to certain ADIs to support lending to Australian businesses.
<b>Tier 1 Capital</b>	Comprises CET1 and Additional Tier 1 Capital.
<b>Tier 2 Capital</b>	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.
<b>Total Capital</b>	Comprises CET1, Additional Tier 1 Capital and Tier 2 Capital.
<b>Total Exposures (as used in the leverage ratio)</b>	The sum of on Balance Sheet items, derivatives, securities financing transactions (SFTs), and off Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items, as outlined in APS 110 <i>Capital Adequacy</i> (APS 110) Attachment D.
<b>Trading Book</b>	Exposures, including derivative products and other off Balance Sheet instruments that are held either with a trading intent or to hedge other elements of the trading book.
<b>Value-at-Risk (VaR)</b>	Value-at-Risk is a measure of potential loss using historically observed market volatility and correlation between different markets.

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