

Basel II Pillar 3 - Capital Adequacy and Risk Disclosures

Quarterly Update as at 31 March 2009

Background

The Bank of Western Australia Ltd (the Bank) is an Authorised Deposit-taking Institution (“ADI”) subject to regulation by the Australian Prudential Regulation Authority (“APRA”) under the authority of the Banking Act 1959 and is a 100% owned subsidiary of the Commonwealth Bank of Australia.

Until 31 December 2008 the Bank operated under the Basel I methodology. The Bank effective from 1 January 2009 adopted the standardised Basel II methodology. This update of the Bank’s capital adequacy and risk disclosures has been prepared primarily in accordance with APRA Prudential Standard APS 330 which requires the Bank to report its Basel II assessment of capital adequacy on a Level 2 basis.

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

1. Group Capital Ratios

31 Mar 2009

	%
Tier One	7.92
Tier Two	3.72
Total Capital	11.64

The Bank maintains a strong capital position. The Tier One and Total Capital ratios as at 31 March 2009 were 7.92% and 11.64% respectively. No capital initiatives or redemptions were undertaken during the quarter.

2. Risk Weighted Assets

31 Mar 2009

Risk weighted assets	\$M
Credit Risk	
Subject to Standardised approach	
Corporate	14,181
Sovereign	-
Bank	198
Residential Mortgage	18,440
Other retail	4,277
Other	613
Total risk weighted assets subject to standardised approach	37,709
Securitisation	86
Equity exposures	10
Total risk weighted assets for credit risk exposures	37,805
Market risk	282
Operational risk	2,465
Total risk weighted assets	40,552

3. Credit Risk Exposure

31 Mar 2009

	On Balance Sheet	Off Balance Sheet		Totals
	\$M	Non-Market related \$M	Market related \$M	\$M
Total Exposure⁽¹⁾				
Standardised approach				
Corporate	12,431	881	743	14,055
Sovereign	150	1	-	151
Bank	63	45	-	108
Residential mortgage	37,781	805	-	38,586
Other retail	4,161	245	-	4,406
Other assets	1,107	-	-	1,107
Total Exposures				
Standardised approach	55,693	1,977	743	58,413

(1) Total credit risk exposures do not include equities or securitisation exposures.

4. Past Due and Impaired Exposures, Provisions and Reserves

31 Mar 2009

Exposure type	Impaired loans	Past due loans ≥ 90 days	Specific provision balance	Actual losses ⁽¹⁾
	\$M	\$M	\$M	\$M
Corporate	753	226	341	1
Sovereign	-	-	-	-
Bank	-	-	-	-
Residential Mortgage	54	258	14	-
Other retail	88	6	88	4
Other	-	-	-	-
Total	895	490	443	5

(1) Actual losses equals write-offs from specific provisions, write-offs direct from general reserves for credit losses less recoveries of amounts previous written off for the three months ending 31 March 2009.

General Reserves for Credit Losses comprises:

31 Mar 2009

	\$M
Collective provisions	501
Tax effect	150
Total General Reserves for Credit Losses	351

A continued deterioration in economic conditions has resulted in:

- Specific provisions being raised appropriately for corporate impaired assets; and
- increasing arrears in the residential mortgage portfolios.

For the qualifying revolving and other retail portfolio (credit cards and personal loans), increases in impaired assets is driven by Bankwest's current arrangements that fully provide for loans at 180 days past due but do not automatically write them off. Bankwest is in the process of moving to the 180 day write-off arrangements.

Classification of exposures

Basel asset class	Definition
Bank	Bank includes claims on central banks, international banking agencies, regional development banks, ADI and overseas banks.
Corporate	Corporate includes claims on Australian and international counterparties.
Other	Other Assets includes items such as Cash, Fixed Assets, other sundry debtors and prepayments.
Residential mortgage	Residential Mortgages include all exposures secured on residential real estate.
Securitisation	Securitisation includes Bank-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
Sovereign	Sovereign includes claims on the Reserve Bank of Australia and on Australian and foreign governments.
Other Retail	Other Retail includes claims on private sector counterparties not secured by residential real estate.

Glossary

Term	Definition
ADI	Authorised Deposit-taking Institution includes banks, building societies and credit unions which are authorised by the APRA to take deposits from customers.
APRA	Australian Prudential Regulatory Authority. The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
Basel II	Refers to the Basel Committee on Banking Supervision revised framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006.
Level 1	The lowest level at which the Bank reports its capital adequacy to APRA.
Level 2	The middle level at which the group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI, its immediate locally incorporated non-operating holding company, if any, and all their subsidiary entities other than non-consolidated subsidiaries. This is the basis on which this report has been produced.
RWA	Risk Weighted Assets.