

Basel II Pillar 3 - Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 September 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 (“CBA”).

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

APS 330 Table 16e – Capital Ratios	30 Sept 2009	30 June 2009
	%	%
Tier One	8.14	7.32
Tier Two	3.83	3.87
Total Capital	11.97	11.19

The Bank maintains a strong capital position. The Tier One and Total Capital ratios as at 30 September 2009 were 8.14% and 11.97% respectively.

2. Risk Weighted Assets

APS 330 Table 16a to 16d – Capital adequacy (risk weighted assets)	30 Sept 2009	30 June 2009
	\$M	\$M
Risk weighted assets		
Credit Risk		
Subject to Standardised approach		
Corporate	14,831	14,784
Sovereign	1	2
Bank	1,383	1,334
Residential Mortgage	20,423	19,610
Other retail	4,274	4,291
Other	689	971
Total risk weighted assets subject to standardised approach	41,601	40,992
Securitisation	54	64
Equity exposures	14	14
Total risk weighted assets for credit risk exposures	41,669	41,070
Market risk	263	267
Operational risk	2,783	2,779
Total risk weighted assets	44,715	44,116

3. Credit Risk Exposure

APS 330 Table 17a – Total credit exposures excluding equities and securitisation 30 Sept 2009

Total Exposure ⁽¹⁾	On Balance Sheet	Off Balance Sheet		Total Exposures	Average Exposures (2)
	\$M	Non-Market related \$M	Market related \$M	\$M	\$M
Standardised approach					
Corporate	13,121	1,224	94	14,439	14,471
Sovereign	253	2	-	255	128
Bank	6,413	175	316	6,904	6,717
Residential mortgage	41,633	575	23	42,231	41,295
Other retail	4,114	115	7	4,236	4,247
Other assets	1,137	-	-	1,137	1,225
Total Exposures Standardised approach	66,671	2,091	440	69,202	68,083

30 June 2009

Total Exposure ⁽¹⁾	On Balance Sheet	Off Balance Sheet		Total Exposures
	\$M	Non-Market related \$M	Market related \$M	\$M
Standardised approach				
Corporate	12,926	1,455	121	14,502
Sovereign	1	1	-	2
Bank	6,090	45	395	6,530
Residential mortgage	39,753	573	33	40,359
Other retail	4,113	134	10	4,257
Other assets	1,313	-	-	1,313
Total Exposures Standardised approach	64,196	2,208	559	66,963

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

(2) The simple average of opening and closing balances for the quarter.

4. Past Due and Impaired Exposures, Provisions and Reserves

Table APS 330 Table 17b – Impaired, past due, specific provisions and write-offs charged 30 Sept 2009

Exposure type	Impaired loans	Past due loans ≥ 90 days	Specific provision balance	Actual losses ⁽¹⁾
	\$M	\$M	\$M	\$M
Corporate	1,511	191	690	9
Sovereign	-	-	-	-
Bank	-	-	-	-
Residential Mortgage	93	250	32	1
Other retail	14	5	14	9
Other	9	-	8	5
Total	1,627	446	744	24

Exposure type	Impaired loans	Past due loans ≥ 90 days	Specific provision balance	Actual losses ⁽¹⁾
	\$M	\$M	\$M	\$M
Corporate	1,258	311	562	3
Sovereign	-	-	-	-
Bank	-	-	-	-
Residential Mortgage	88	268	36	-
Other retail	12	6	12	61
Other	8	-	10	25
Total	1,366	585	620	89

(1) Actual losses equals write-offs from specific provisions, write-offs direct from general reserves for credit losses less recoveries from amounts previously written off for the periods ending 30 June 2009 and 30 September 2009.

APS 330 Table 17c – General Reserves for credit losses

General Reserves for Credit Losses comprises:	30 Sept 2009	30 June 2009 \$M
General reserve for credit losses	143	143
Collective provisions	830	662
Collective and other provisions	973	805
Tax effect	(292)	(242)
Total General Reserves for Credit Losses	681	563

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.