Basel III Pillar 3

Capital adequacy and risks disclosures as at 30 June 2013

CommonwealthBank

This page has been intentionally left blank

Table of Contents

For further information contact:

Investor Relations

Warwick Bryan
Phone: 02 9118 7112
Email: warwick.bryan@cba.com.au

1 Introduction

The Commonwealth Bank of Australia (the Group) 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 in accordance with Board approved policy and APRA's prudential standard APS 330 "Public Disclosure". It presents information on the Group's capital adequacy and Risk Weighted Asset (RWA) calculations for credit risk including securitisation and equities exposures, market risk, Interest Rate Risk in the Banking Book (IRRBB) and operational risk.

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, funds management businesses and entities through which securitisation of Group assets are conducted.

The Group is accredited to use the Advanced Internal Ratings Based approach (AIRB) 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.

The Group has adopted the Basel III measurement of regulatory capital effective from 1 January 2013.

This document is unaudited, however, it has been prepared consistent with information that has been subject to review by an external auditor and published elsewhere or has been supplied to APRA.

This document is available on the Group's corporate website www.commbank.com.au.

The Group in Review

The Group further strengthened its capital position as at 30 June 2013 under the new Basel III capital framework. The Group's Internationally Harmonised Common Equity Tier One (CET1) ratio as at 30 June 2013, as measured on the full adoption of the Basel III capital reforms was 11.0%. The Group compares favourably to our international and domestic peers.

The Group's Basel III CET1, Tier One and Total Capital Ratios as measured on an APRA basis as at 30 June 2013 were 8.2%, 10.2% and 11.2% respectively.

The Group's strong risk culture has been strengthened over the year via enhancements to the risk appetite framework and further embedding the risk accountability ("Three Lines of Defence") model. The risk appetite framework creates transparency over risk management and strategy decisions; and the Three Lines of Defence model formally assigns risk management activities to business managers ("Line 1"), independent risk management ("Line 2") and internal audit ("Line 3"). This starts with a requirement for business management to operate responsibly by taking well understood and managed risks that are appropriately and adequately priced.

The strength and robustness of the Group's risk management framework has been reflected in the Group's overall asset quality and capital position. In particular, the Group remains in a select group of banking institutions with an AA-/Aa2 credit rating. To maintain this strength, the Group continues to invest in its risk systems and management processes.

The Group regularly benchmarks and aligns its policy framework against existing prudential and regulatory standards. Potential developments in Australian and international standards, and global best practice are also considered.

The Group's capital forecasting process ensures pro-active actions and plans are in place to ensure a sufficient capital buffer above minimum levels is in place at all times. The Group manages its capital by regularly and simultaneously considering regulatory capital requirements, rating agency views on the capital required to maintain the Group's credit rating, the market response to capital, stress testing and the Group's bottom up view of economic capital. These views then cascade into considerations on what capital level is targeted.

The Group's management of its capital adequacy is supported by robust capital management processes applied in each Business Unit. The results are integrated into the Group's consolidated regulatory and economic capital requirements, and risk-adjusted performance and pricing processes.

Summary Group Capital Adequacy Ratios (Level 2)	30 Jun 13 Basel III %	1 Jan 13 Basel III %	31 Dec 12 Basel 2.5 (2) %	30 Jun 12 Basel 2.5 (2) %
Common Equity Tier One	**8. 2**	8. 1	8. 3	7. 8
Tier One	**10. 2**	10. 2	10. 5	10. 0
Tier Two	**1. 0**	1. 0	0. 7	1. 0
Total Capital	**11. 2**	11. 2	11. 2	11. 0
Common Equity Tier One (Internationally Harmonised) (1)	**11. 0**	10. 6	-	-

(1) Common Equity Tier One (Internationally Harmonised) is a Basel III measure and is not applicable under Basel 2.5.
(2) The capital ratios under Basel 2.5 incorporate the impact of the Basel II enhancements for market risk and securitisation implemented from January 2012.

2 Basel Regulatory Framework Overview

The Group is required to report the calculation of RWA and assessment of capital adequacy on a Level 2 basis (see section 3, page 4 for further details on the Scope of Application). APRA has set minimum regulatory capital requirements for banks.

These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by banks so that the "need" for capital can be compared to the amount of capital "at hand".

The Basel Regulatory Capital Framework is based on "three pillars" as summarised below:

Basel Capital Framework		
Pillar 1 Minimum Capital Requirements	**Pillar 2** Supervisory Review Process	**Pillar 3** Market Discipline
Credit Risk Interest Rate Risk in the Banking Book (1) Operational Risk Market Risk	Firm-wide risk oversight Internal Capital Adequacy Assessment Process considers: additional risks; capital buffers and targets; and risk concentrations	Regular disclosure to the market covering both qualitative and quantitative aspects of capital adequacy and risk disclosures

(1) Applicable to Pillar 1 in Australia only (Pillar 2 elsewhere).

Pillar 1 – Minimum Capital Requirements

Basel II

In December 2007, APRA granted advanced Basel II accreditation to the Group to calculate RWA and the assessment of capital adequacy in accordance with Pillar 1.

Adoption of advanced methodologies prescribed under Basel II was effective from 1 January 2008.

As a result of receiving advanced Basel II accreditation, the Group uses the Internal Ratings Based (IRB) approach for credit risk and the AMA for operational risk in the calculation of RWA. Portfolios which attract the Standardised approach are discussed in section 7.3 "Portfolios Subject to Standardised and Supervisory Risk-Weights" (page 31).

The Group included an appropriate allowance for IRRBB in its regulatory capital calculations with effect from 1 July 2008, as required by APRA for Australian ADIs. (This is not a Pillar 1 requirement in other jurisdictions).

The Basel II enhancements announced in July 2009, relating to securitisation and market risk, were implemented on 1 January 2012. These enhancements are commonly referred to as Basel 2.5.

Basel III

The Group adopted the Basel III measurement and monitoring of regulatory capital effective from 1 January 2013.

In December 2010, the Basel Committee on Banking Supervision (BCBS) published a discussion paper on banking reforms to address issues which led to the Global Financial Crisis and to position banks for future crises. The objectives of the capital reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are to be phased in from 1 January 2013 to 1 January 2019.

In September 2012, APRA published final standards relating to the implementation of the Basel III capital reforms in Australia. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and a more accelerated timetable for implementation.

The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 2.5% will be implemented on 1 January 2016, bringing the minimum CET1 requirement to 7%. The BCBS advocates the same minimum requirements, but implementation is to be phased in over an extended timeframe up to 1 January 2019.

Pillar 2 – Supervisory Review Process

ICAAP

Under Pillar 2, APRA requires each bank to have in place an Internal Capital Adequacy Assessment Process (ICAAP). The Group updates its ICAAP annually and submits its ICAAP document on a confidential basis to APRA.

The ICAAP document provides details on:

- The Group's capital position and minima;
- A three year capital forecast;
- Stress testing and contingent capital planning;
- Key capital management policies; and
- Details on key processes and supporting frameworks.

Pillar 3 – Market Discipline

Disclosures

To enhance transparency in Australian financial markets, APRA established a set of requirements under APS 330 for the public disclosure of information on the risk management practices and capital adequacy of ADIs (pursuant to Pillar 3). This was recently updated to account for the new Basel III disclosure requirements.

The Pillar 3 qualitative and quantitative disclosures are made in detail in this document as part of the Group's 30 June 2013 financial year reporting. Detailed quantitative information is released at the Group's December half year with summarised quantitative information released for March and September quarters. These reports are published on the Group's corporate website www.commbank.com.au.

3 Scope of Application

This document has been prepared in accordance with Board approved policy and semi-annual reporting requirements set out in APS 330.

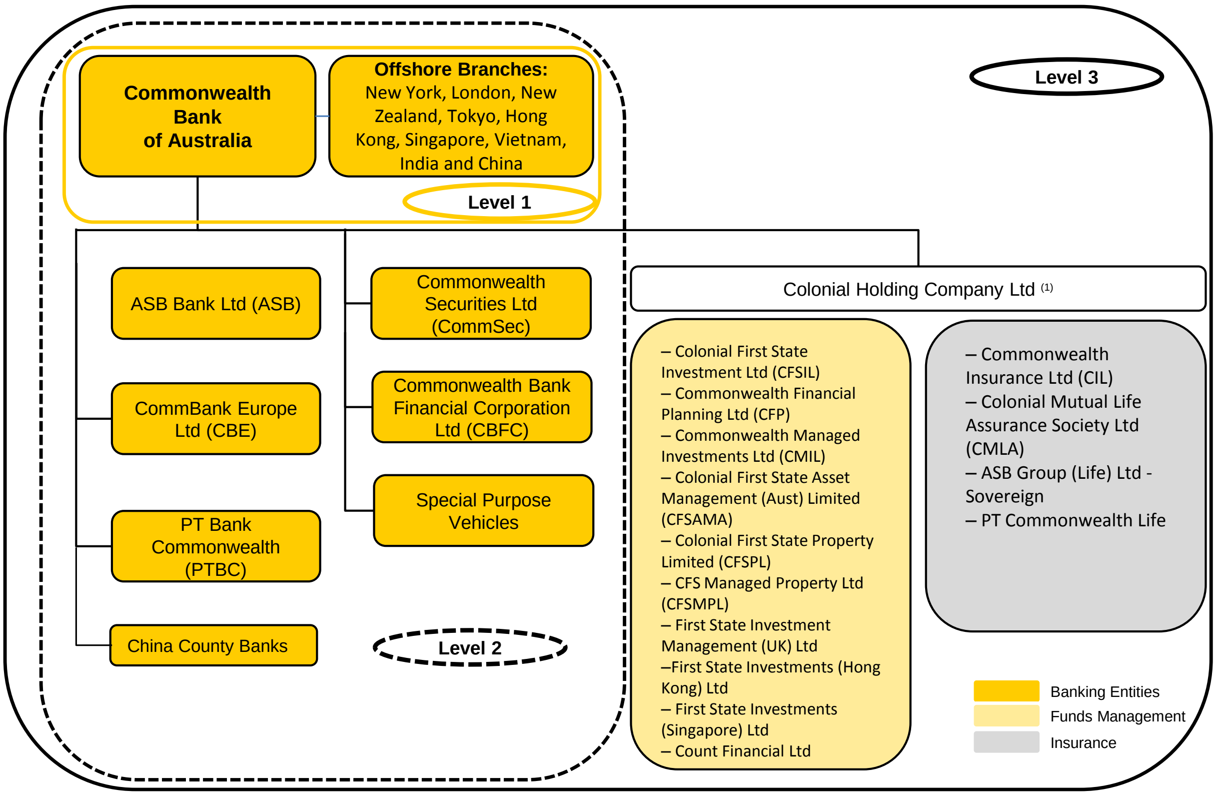
APRA adopts a tiered approach to the measurement of an ADIs capital adequacy:

- **Level 1:** the Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licenced Entities (ELE);
- **Level 2:** the Consolidated Banking Group excluding the insurance and funds management businesses and the entities through which securitisation of Group assets are conducted; and
- **Level 3:** the conglomerate group including the Group's insurance and funds management businesses (the Group).

The Group is required to report its semi-annual assessment of capital adequacy on a Level 2 basis. Additional semi-annual disclosure of capital ratios relating to material ADIs within the Group together with CBA's own Level 1 capital ratios are included under APS 330 Table 6g of this report (page 6).

ASB Bank Limited (ASB) is subject to regulation by the Reserve Bank of New Zealand (RBNZ). The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements. ASB operates under advanced Basel III status.

CommBank Europe (CBE), PT Bank Commonwealth (PTBC) and the China County Banks use Standardised Basel III methodology.



(1) Represents the Colonial Holding Company Ltd and major operating subsidiaries. A more detailed list of non-consolidated entities, together with details on their principal activities is provided in Appendix 11.4.

The transfer of regulatory capital and funding within the Group is subject to restrictions imposed by local regulatory requirements. In particular, APS 222 "Associations with Related Entities" establishes prudential limits on the level of exposure that the Bank may have to a related entity.

The Bank and all of the subsidiaries of the Group are adequately capitalised. There are no restrictions or other major impediments on the transfer of funds within the Group. There are no capital deficiencies in non-consolidated subsidiaries in the Group.

4 Capital

Capital Adequacy

The Group actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital, while maintaining adequate capital ratios throughout the financial year.

APRA advises the Group of its Prudential Capital Ratio (PCR), which represents the regulatory minimum Common Equity Tier One, Tier One and Total Capital ratios that the Group is required to maintain at all times. In order to ensure there is no breach of these minimum levels, APRA expects the Group to maintain a prudent buffer over these prescribed minimum levels. The PCR is subject to an ongoing review by APRA and is formally reassessed on an annual basis.

The Group has a range of instruments and methodologies available to effectively manage capital. These include share issues and buybacks, dividend and Dividend Reinvestment Plan (DRP) policies, hybrid capital raising and dated and undated subordinated debt issues. All major capital related initiatives require approval by the Board.

The Group manages its capital within a framework which is integral to its ICAAP. The Group's ICAAP is an integration of risk, financial and capital management processes.

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Committee of the Group. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategic plan is presented to the Board annually.

The Group is required to inform APRA immediately of any breach or potential breach of it's PCR, including details of remedial action taken or planned to be taken.

Capital Management

The Group maintained a strong capital position with the capital ratios well in excess of it's PCR and the Board Approved minimum levels at all times throughout the year ended 30 June 2013.

The Group's CET1 (APRA) ratio at 30 June 2013 was 8.2% and compares with a Basel III 1 January 2013 CET1 ratio of 8.1%. The increase was primarily driven by capital generated from earnings and the benefit of favourable market movements. This was partially offset by the impact of the December 2012 interim dividend in which the DRP was neutralised and increase in RWA. Details on the movement in RWA's are included in section 5 page 9.

The Tier One and Total Capital ratios under Basel III (APRA) are 10.2% and 11.2% respectively at 30 June 2013. These ratios are well above regulatory and board approved minima.

The Group's 30 June 2013 Internationally Harmonised Basel III CET1 ratio is 11.0%, 280 basis points higher than the equivalent measure under the APRA methodology. Details on the differences in the Basel III APRA and Internationally Harmonised ratios are provided on page 7.

Capital Initiatives

The following significant initiatives were undertaken during the year to actively manage the Group's capital:

Common Equity Tier One Capital

The DRP in respect of the final dividend for the 2011/2012 financial year was satisfied by the allocation of approximately $929 million of ordinary shares. The participation rate for the DRP was 29.6%.

The DRP for the 2013 interim dividend was satisfied in full by the on market purchase of shares. The participation ratio for the DRP was 22.7%.

In October 2012, the Group issued $2 billion Perpetual Exchangeable Resalable Listed Securities (PERLS VI), Basel III compliant, Additional Tier One security. The proceeds of this issue were used, to the extent necessary, to refinance the maturing PERLS IV and otherwise to fund the Group's business.

Tier Two Capital

Redemption of three separate subordinated Lower Tier Two debt issues totalling $711 million in the December 2012 half year; and of a further subordinated Lower Tier Two debt issue redemption of $56 million in the June 2013 half year.

Other Regulatory Changes

General and Life Insurers

In October 2012, APRA completed its review of the Life and General Insurance Capital (LAGIC) regulatory standards and released the final version of all life insurance and general insurance prudential standards. Implementation of the majority of the reforms occurred on 1 January 2013.

Superannuation Funds Management

In November 2012, APRA released final prudential standards that introduce new financial requirements for registered superannuation trustees. The new requirements are being implemented on 1 July 2013.

In November 2011, the Australian Securities and Investments Commission (ASIC) released new financial requirements that apply to Responsible Entities. These new requirements became effective on 1 November 2012.

Conglomerate Groups

In May 2013 APRA released a discussion paper and draft prudential standards titled "Supervision of Conglomerate Groups" focusing on the requirements of risk management and capital adequacy. APRA is extending its current prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. The aims of the Level 3 proposals are to ensure that a Conglomerate Group holds adequate capital to protect the APRA regulated entities from potential contagion and other risks within the Group. APRA is expected to implement these new requirements from 1 January 2014.

Group Regulatory Capital Position

Summary Group Capital Adequacy Ratios (Level 2)	30 Jun 13 Basel III %	1 Jan 13 Basel III %	31 Dec 12 Basel 2.5 %	30 Jun 12 Basel 2.5 %
Common Equity Tier One	**8. 2**	8. 1	8. 3	7. 8
Tier One	**10. 2**	10. 2	10. 5	10. 0
Tier Two	**1. 0**	1. 0	0. 7	1. 0
Total Capital	**11. 2**	11. 2	11. 2	11. 0
Common Equity Tier One (Internationally Harmonised)	**11. 0**	10. 6	-	-

	APRA Basel III 30 Jun 13 $M	APRA Basel III 1 Jan 13 $M	APRA Basel 2.5 31 Dec 12 $M	APRA Basel 2.5 30 Jun 12 $M
Ordinary Share Capital and Treasury Shares [(1)]	**26,620**	26,427	26,427	25,498
Reserves	**1,389**	1,426	1,095	1,547
Retained earnings	**16,015**	14,201	11,143	10,529
Non-controlling interests	**-**	-	27	26
Common Equity Tier One Capital before regulatory adjustments	**44,024**	42,054	38,692	37,600
Common Equity Tier One regulatory adjustments	**(17,039)**	(16,509)	(13,643)	(13,936)
Common Equity Tier One Capital	**26,985**	25,545	25,049	23,664
Additional Tier One Capital	**6,720**	6,720	6,731	6,635
Tier One Capital	**33,705**	32,265	31,780	30,299
Tier Two Capital	**3,088**	3,078	2,066	2,939
Total Capital	**36,793**	35,343	33,846	33,238

(1) Inclusive of Treasury shares held by the Group's life insurance operations and employee share scheme trusts.

Further details on the composition of the Group's capital is detailed in Appendix 11.

APS 330 Table 6(g) – Capital Ratios – Level 1 and Major Subsidiaries

Significant Group ADIs	30 Jun 13 Basel III %	31 Dec 12 Basel 2.5 %	30 Jun 12 Basel 2.5 %
CBA Level 1 CET1 Capital ratio	**8. 0**	n/a	n/a
CBA Level 1 Tier One Capital ratio	**10. 0**	10. 8	10. 7
CBA Level 1 Total Capital ratio	**11. 0**	10. 9	11. 0
ASB CET1 Capital ratio	**10. 4**	n/a	n/a
ASB Tier One Capital ratio	**11. 8**	12. 2	11. 7
ASB Total Capital ratio	**11. 9**	12. 2	12. 6

Regulatory Capital Frameworks Comparison

International Harmonisation Details

In implementing the Basel III capital framework in Australia, APRA elected to adopt a more conservative approach than the BCBS Basel III minimum requirements. APRA is also adopting an accelerated timetable for the implementation of the Basel III capital framework. As a result APRA Basel III capital ratios published by Australian banks are not directly comparable to the published capital ratios of international banks.

The table below provides an explanation of the material differences between APRA's Basel III capital rules and the BCBS Basel III minimum requirements and the impact of converting APRA Basel III capital ratios to fully implemented Internationally Harmonised Basel III capital ratios.

Item	Description	Movement in ratios from APRA to international
Differences relating to the Capital Numerator		
Equity investments	A 100% deduction is required from CET1 for equity investments in financial institutions and entities that are deconsolidated for regulatory purposes (e.g. insurance and funds management businesses). APRA requires these equity investments to be 100% deducted from CET1. The BCBS allows a concessional threshold before the deduction is required.	Increase ratio
Deferred tax assets	A 100% deduction is required from CET1 for deferred tax assets relating to temporary differences. APRA requires all deferred tax assets, including those relating to temporary differences, to be deducted 100% from CET1. The BCBS allows a concessional threshold before the deduction is required.	Increase ratio
Differences relating to risk weighted assets		
IRRBB RWA	APRA requires the inclusion of IRRBB within RWA. The BCBS requirements make no reference to IRRBB RWAs.	Increase ratio
Mortgages RWA	APRA imposes a floor of 20% on the downturn Loss Given Default (LGD) used in advanced credit models for determining credit RWAs for retail residential mortgages. The BCBS imposes a downturn LGD floor of 10% for these exposures.	Increase ratio

The following table details the differences between APRA's Basel III prudential requirements and those of the BCBS as at 30 June 2013. The Group's CET1, Tier One and Total Capital ratios as at 30 June 2013 on a Basel III fully implemented Internationally Harmonised basis were 11.0%, 13.3% and 14.4% respectively. Further details on the differences between APRA and the BCBS are available on the Australian Bankers' Association website.

	30 June 2013		
Regulatory Capital Frameworks Comparison	**CET1** %	**Tier One capital** %	**Total capital** %
Basel III - APRA	8. 2	10. 2	11. 2
Differences relating to the capital numerator			
Equity investments	0. 9	0. 9	0. 9
Deferred tax assets	0. 3	0. 3	0. 3
Differences relating to risk weighted assets			
IRRBB risk weighted asset	0. 5	0. 6	0. 6
RWA treatment - residential mortgage	1. 1	1. 3	1. 4
Total adjustments	2. 8	3. 1	3. 2
Basel III - Internationally Harmonised	11. 0	13. 3	14. 4

5 Risk Weighted Assets

RWA are calculated in accordance with 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 the ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI).

APS 330 Table 6b to 6f – Basel III Capital Requirements (Risk Weighted Assets)

	Risk Weighted Assets					
	Basel III 30 Jun 13	Basel III 1 Jan 13 [2]	Basel 2.5 31 Dec 12	Basel 2.5 [1] 30 Jun 12	Change in Basel III RWA for June half [2]	
Asset Category	$M	$M	$M	$M	$M	%
Credit Risk						
Subject to advanced IRB approach						
Corporate	53,468	52,847	51,851	49,331	621	1.2
SME corporate	30,835	31,127	30,833	22,319	(292)	(0.9)
SME retail	4,203	4,222	4,222	4,071	(19)	(0.5)
Sovereign	3,684	3,692	3,692	3,003	(8)	(0.2)
Bank	10,328	11,142	8,322	7,619	(814)	(7.3)
Residential mortgage	66,741	63,637	63,637	54,545	3,104	4.9
Qualifying revolving retail	6,683	6,460	6,460	6,703	223	3.5
Other retail	11,093	8,983	8,983	8,462	2,110	23.5
Impact of the regulatory scaling factor [3]	11,222	10,927	10,680	9,363	295	2.7
Total RWA subject to advanced IRB approach	198,257	193,037	188,680	165,416	5,220	2.7
Specialised lending	50,392	48,373	48,398	36,141	2,019	4.2
Subject to standardised approach						
Corporate	3,684	3,894	3,894	10,430	(210)	(5.4)
SME corporate	525	317	317	6,580	208	65.6
SME retail	4,572	4,728	4,728	4,836	(156)	(3.3)
Sovereign	249	203	203	107	46	22.7
Bank	176	138	138	1,243	38	27.5
Residential mortgage	2,432	2,257	2,257	25,705	175	7.8
Other retail	2,224	2,212	2,212	2,559	12	0.5
Other assets	4,395	4,124	4,124	3,240	271	6.6
Total RWA subject to standardised approach	18,257	17,873	17,873	54,700	384	2.1
Securitisation	5,373	5,290	1,119	2,833	83	1.6
Equity exposures	-	-	2,397	2,339	-	-
Credit valuation adjustment	7,395	7,225	-	-	170	2.4
Total RWA for credit risk exposures	279,674	271,798	258,467	261,429	7,876	2.9
Traded market risk	5,151	4,517	4,517	4,842	634	14.0
Interest rate risk in the banking book	16,289	10,996	10,996	9,765	5,293	48.1
Operational risk	28,044	27,631	27,631	26,751	413	1.5
Total risk weighted assets	329,158	314,942	301,611	302,787	14,216	4.5

(1) RWA for June 2012 includes the consolidation of Bankwest under the Basel 2.5 standardised methodology. APRA granted approval for the Group to extend its advanced accreditation to include Bankwest non-retail loans and residential mortgage portfolios from 31 December 2012.

(2) Basel III effective 1 January 2013 RWA including additional requirements for counterparty credit risk and changes in methodology for securitisation and equity exposures. Additional requirements for counterparty credit risk include an Asset Value Correlation (AVC) multiplier for large financial institutions and a Credit Valuation Adjustment (CVA) to address the credit worthiness of counterparties involved in mark-to-market transactions.

(3) APRA requires RWA amounts that are derived from IRB risk weight functions to be multiplied by a factor of 1.06.

Risk Weighted Assets

Total RWA increased by $27.5 billion or 9.1% on the prior half to $329.2 billion.

Credit Risk Exposure and RWA

Credit risk RWA increased over the half by $21.2 billion or 8.2% to $279.7 billion primarily due to:

- Volume growth across most portfolios;
- Foreign exchange movements;
- Refresh of Credit Risk Factors (CRFs); and
- Transitioning to Basel III treatments for counterparty credit risk, securitisation and equity exposures as at 1 January 2013.

These increases were partly offset by:

- Improved credit quality; and
- Net result of data/methodology changes.

Traded Market Risk RWA

Traded market risk RWA increased by $0.6 billion or 14% to $5.2 billion. The increase was mainly the result of higher market volatility that impacted the Value at Risk (VaR) capital charges under the Internal Model Approach.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by $5.3 billion during the half year as a result of treasury risk management activities and reduced offset of embedded gains from higher long term interest rates.

Operational Risk RWA

Operational Risk RWA increased $0.4 billion over the half which is consistent with a stable operational risk profile across the Group.

Explanation of change in credit RWA

Migrating from Basel 2.5 to Basel III at the beginning of the year resulted in Credit RWA increasing by $13.3 billion. The composition of the movement in Credit RWA over the prior half commencing 1 January 2013, as reflected in APS 330 Table 6b to 6f (page 8), is shown below.

		Credit RWA movement drivers			
Asset Category	**Change in Basel III RWA for June 13 half $M**	**Volume and FX changes $M**	**Credit risk factor changes and regulatory treatments $M**	**Data and methodology enhancements $M**	**Change in credit quality $M**
AIRB corporate including SME and specialised lending	**2,348**	4,338	738	(1,513)	(1,215)
AIRB bank	**(863)**	917	(1,014)	(650)	(116)
AIRB sovereign	**(8)**	598	(157)	-	(449)
AIRB consumer retail	**5,762**	4,007	1,033	-	722
Standardised (including other assets)	**384**	83	-	698	(397)
Equity and securitisation exposures	**253**	659	-	-	(406)
Total credit RWA movement	**7,876**	10,602	600	(1,465)	(1,861)

6 Risk Management

6.1 Risk Governance

Risk governance originates at Board level and cascades through to the CEO and businesses via Group and Business Unit risk appetite statements, Group policies, delegated authorities and committee structures.

The Group's Board has a comprehensive framework of Corporate Governance Guidelines (the "Guidelines"), which are designed to properly balance performance and compliance and thereby allow the Group to undertake prudent risk-taking activities that are the basis of its business. The Guidelines and the practices of the Group comply with the "Corporate Governance Principles and Recommendations" published by the Australian Securities Exchange (ASX) Limited's Corporate Governance Council.

The risk governance structure is illustrated in the diagram "Risk Governance Structure" (Page 11).

The Risk Committee of the Board oversees credit, market (including traded, IRRBB, lease residual values, non-traded equity and structural foreign exchange risks), liquidity and funding, operational, compliance (including regulatory), insurance and reputational risks assumed by the Group in the course of carrying on its business.

Strategic risks are governed by the full Board with input from the various Board sub-committees. Tax and accounting risks are governed by the Audit Committee.

A key purpose of the Risk Committee is to help formulate the Group's risk appetite for consideration by the Board, and agreeing and recommending a risk management framework to the Board that is consistent with the approved risk appetite. This framework, which is designed to achieve portfolio outcomes consistent with the Group's risk/return expectations, includes:

- High-level risk management policies for each of the risk areas it is responsible for overseeing; and
- A set of risk limits to manage exposures and risk concentrations.

The Risk Committee also makes recommendations on the key policies relating to capital (that underpin the ICAAP) and liquidity and funding, which are overseen and reviewed by the Board on at least an annual basis.

In overseeing the risk framework, and through its dialogues with the risk leadership team and executive management, the Risk Committee also monitors the health of the Group's risk culture, and reports any significant issues to the Board. To allow it to form a view on the independence of the function, the Risk Committee meets with the Group Chief Risk Officer (CRO) at the will of the Committee or the CRO.

The Risk Committee charter states that the Risk Committee will meet at least quarterly, and as required; in practice this is at least eight times a year. The Chairman of the Risk Committee provides a report to the Board following each Risk Committee meeting. A copy of the Risk Committee charter appears on the Group's website.

Risk Management Organisation

The Group has an integrated risk management framework in place to identify, assess, manage and report risks and risk-adjusted returns on a consistent and reliable basis.

This risk management framework requires each business to manage the outcome of its risk-taking activities and allows it to benefit from the resulting risk-adjusted returns.

Accountability for risk management is structured by a "Three Lines of Defence" model as follows:

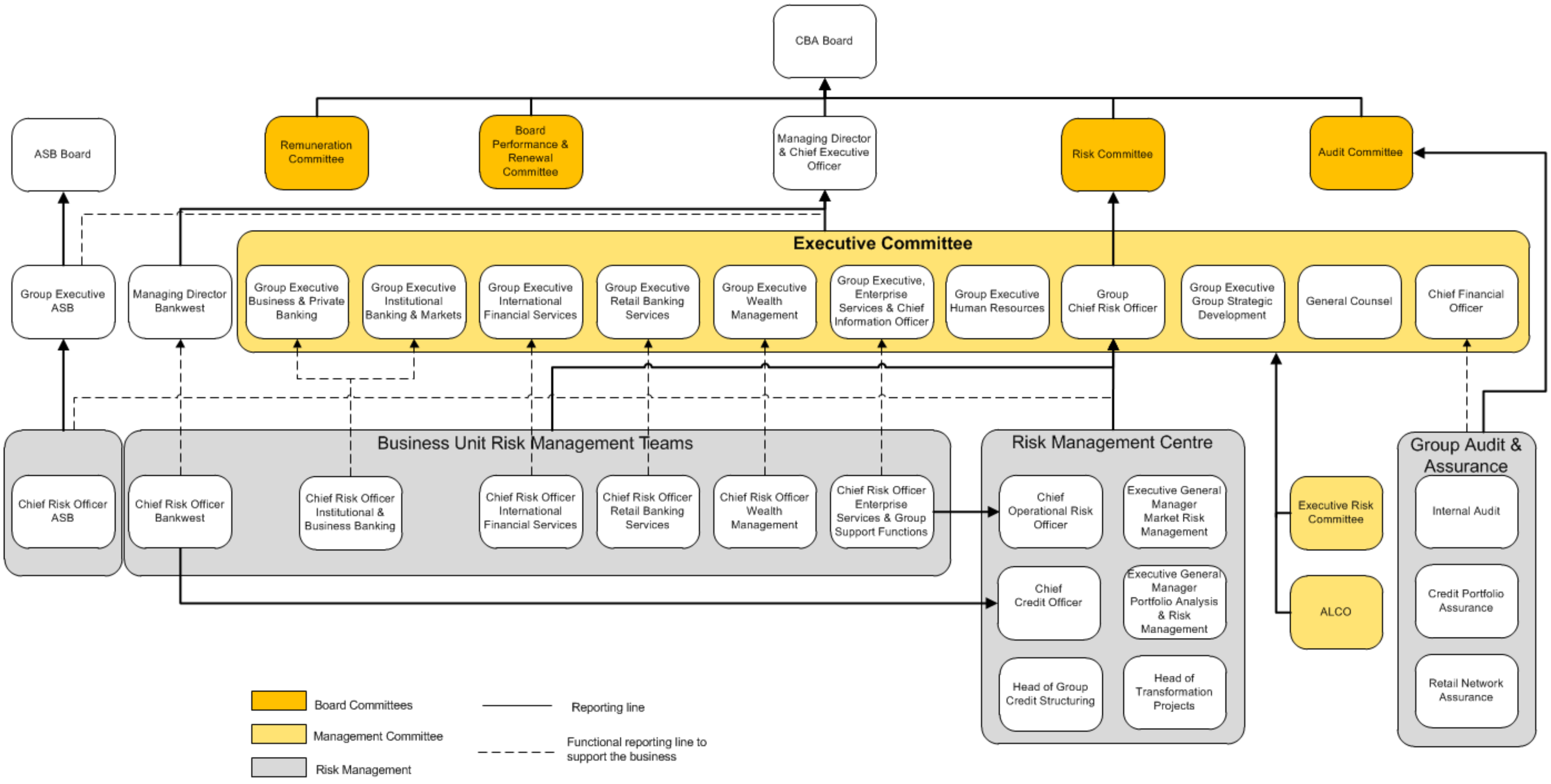
- Line 1 - Business Management - Risk is best managed at the place it occurs, therefore business managers are responsible for managing the risks for their business. This includes implementing approaches to proactively manage their risk within risk appetite levels, and using risk management outcomes ("the costs of risks") and considerations as part of their day-to-day business making processes. They are to establish and maintain all appropriate risk controls.
- Line 2 - Risk Management - Group, Business Unit and Divisional Risk Management units provide independent risk management expertise and oversight for Business Management risk-taking activities. Risk management develop specialist policies and procedures for risk management and ensure they are embedded and in use as part of the day-to-day management of the business. Risk Management also measures risk exposures to support risk decisions by business owners and also to make certain market and credit risk decisions under approved delegations of authority; in particular it undertakes quantitative and qualitative analysis of the credit exposures originated by the business as part of its responsibility for credit rating and decisioning. Line 2 also monitors control testing by Line 1 and provides supplemental control testing.
- Line 3 - Group Audit and Assurance - Group Audit and Assurance provides independent assurance to key stakeholders regarding the adequacy and effectiveness of the Group's system of internal controls, risk management procedures and governance processes. It is responsible for reviewing risk management frameworks and Business Unit practices including credit origination and credit quality of the portfolio.

The Group CRO, who heads up the risk management function, oversees independent risk management for the whole Group. This unit is comprised of both risk management teams embedded in the businesses and Group functional teams that develop policies and controls for each type of risk. It also helps the Group understand risk aggregation to enable enterprise wide risk management. The Group CRO reports to the CEO and has direct and unfettered reporting requirements to the Risk Committee.

The Group's risk appetite framework creates transparency over risk management and strategy decisions and, in turn, promotes a strong risk culture. Connected to the Group and business unit risk appetite statements are governance processes and disciplines. These promote independence of the risk management function from the Group's Business Units and the Group Audit function.

Independent review of the risk management framework is carried out through Group Audit and Assurance.

Risk Governance Structure



6.2 Risk Appetite

Risk Appetite Concept and Framework

The Risk Appetite of the Group represents the types and degree of risk that it is willing to accept for its shareholders in its strategic and business actions. Fundamentally it guides the Group's risk culture and sets out quantitative and qualitative boundaries on risk-taking activities which apply Group wide.

The Board's view is that a well articulated risk appetite is important in giving the Group's stakeholders a clear expectation of how the Group will operate from a risk taking perspective.

This expectation is defined by a number of principles and metrics that are aligned to the Board's risk philosophy and define minimum standards and/or limits for capital, funding, asset/liability management, liquidity and other risk drivers.

Risk Appetite is dynamic in nature and is reviewed on a regular basis in conjunction with the Group's strategic plans and business actions. At least annually, validation of strategic plans are done such that the plans are aligned with Risk Appetite, thus, the plans and Risk Appetite challenge each other. It also serves to identify emerging risks for the Group and provide an understanding of the trade-offs being made between risk and potential returns. This interaction of Risk Appetite with strategy is central to creating transparency over risk management and strategy decisions which in turn promotes a strong risk culture.

A Risk Appetite Framework (which includes the key elements of risk appetite, namely the Board approved Risk Appetite Statement and the related Risk Policies and Risk Tolerances, as well as the interaction of these elements with other key processes within the organisation) is illustrated below.

Risk Appetite Statement

The Risk Appetite Statement establishes the philosophy and the high-level boundaries for risk-taking activities across the Group. Risk Policies and Tolerances give more specific guidance/limits for particular risks, providing clarity for management in making day-to-day risk-return decisions.

The Group's risk culture is to take risks that are adequately rewarded and that support its aspiration of achieving solid and sustainable growth in shareholder value. Supporting this culture, the Group will:

- Operate responsibly, so as to excel at securing and enhancing the financial wellbeing of people, businesses and communities;
- Maintain impeccable professional standards and business ethics;
- Differentiate between risk (with a relatively clear discernible distribution of possible outcomes), which is to be assessed on its merits, and uncertainty (which has an unknown distribution of possible outcomes that is hard to discern), which is to be minimised;
- Make business decisions only after careful consideration of risk, including consideration of potential upside and downside scenarios;
- Imposes a set of limits and operating controls aligned to this and each subordinate (e.g. Business Unit) risk appetite statement so that discipline in risk taking is systematically maintained;
- Understand the risks it takes on (or the nature of uncertainties involved), undertaking strategic initiatives or exposure to new products and services only as sufficient experience and insight is gained;
- Exercise disciplined moderation in risk-taking; underpinned with strength in capital, funding and liquidity;
- Diligently strive to protect and enhance its reputation; and
- Maintain a control environment that, within practical constraints, minimises risks to the sustainability of its business.

The Group willingly accepts risks that are aligned with its risk culture and are contained within defined boundaries covering areas such as risks to which the Group is intolerant, capital resilience, debt rating, funding risk, asset/liability management, liquidity risk and profit volatility.

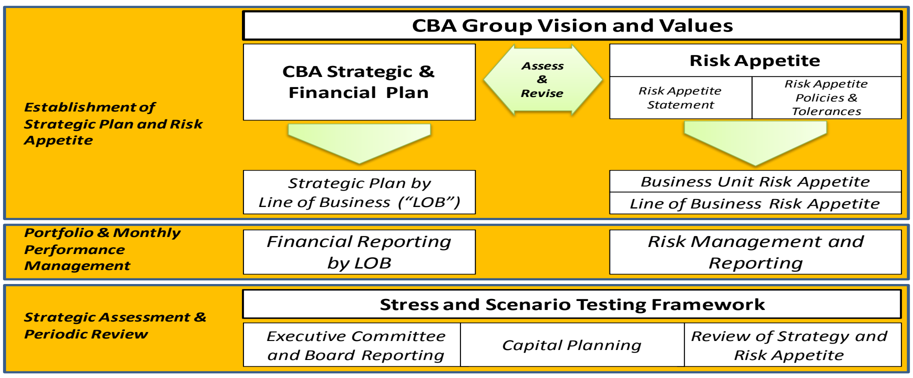
In conjunction with its risk culture and boundaries, the Group has a moderate appetite for each of the major risk types to which it is exposed, so as not to have an over concentration in any one area. It also requires operational and compliance risks to be kept at low absolute levels. The specific appetite for each risk type is implemented and enforced by an extensive set of codified specific limits, controls, delegations and governance processes.

Risk policies and tolerances, which are reviewed and endorsed annually by the Risk Committee or Board, support the Group and business risk appetite statements by:

- Summarising risk management principles and practices;
- Quantifying the limits for major risks, principally credit risk, market risk (both traded and non-traded), funding, and liquidity risks; and
- Stating risk outcomes to which the Group is intolerant.

The principal risk types, their relevant governing policies and how they support risk appetite are outlined in the following table "Principal Risk Types".

The Risk Appetite Framework



Principal Risk Types

Risk Type	Description	Governing Policies	Key limits and approaches
Credit Risk (see section 7)	Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. At a portfolio level, credit risk includes concentration risk arising from interdependencies between counterparties (large credit exposures), and concentrations of exposure to countries, industry sectors and geographical regions. Exposure to credit risk also arises through securitisation activities.	▪ The Group Credit Framework and Policies, (including: Large Credit Exposure Policy; Country Risk Exposure Policy; and Industry Sector Concentration Policy).	**Key quantitative limits/tolerances:** ▪ Exposures to a single or groups of related counterparties (differentiated by counterparty type, judgements on management quality, PD rating and security cover); ▪ Industry limits in terms of exposure and risk adjusted concentration; and ▪ Country exposure limits to control transfer / cross-border and sovereign default risks. The measurement of credit risk is based on an internal credit risk rating system, which uses judgements on management supported by analytical tools to estimate expected and unexpected loss within the credit portfolio.
Market Risk (including Equity Risk) (see section 8 and section 9)	Market risk is the potential of an adverse impact on the Group's earnings or capital from changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, and the resale value of assets underlying operating leases at maturity (lease residual value risk).	▪ Group Market Risk Policy; and ▪ Trading Book Policy Statement.	**Key quantitative limits/tolerances:** ▪ Traded Market Risk (VaR and Stress Testing limits); ▪ Interest Rate Risk in the Banking Book (Market Value Sensitivity and Net Interest Earnings at Risk limits); ▪ Seed Trust Market Risk limits; ▪ Lease Residual Value Risk limits; ▪ Market Risk in Insurance business (VaR limits); and ▪ Non-Traded Equity limits.
Liquidity & Funding Risk (see section 9)	Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Funding risk is the risk of overreliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.	▪ Group Liquidity and Funding Policy.	**Key quantitative limits/tolerances:** ▪ Liquid asset holdings under name crisis scenario; and ▪ Source of funding (e.g. wholesale) limits and term funding limits.
Operational Risk (see section 10)	Operational risk is defined as the risk of economic loss arising from inadequate or failed internal processes, people, systems or from external events. It includes legal, regulatory, fraud, business continuity and technology risks.	▪ Operational Risk Policy and Framework, (including a number of risk mitigating policies).	**Management via:** ▪ Reporting and case management of loss and near miss incidents; ▪ Comprehensive risk assessment and control assurance processes; ▪ Quantitative Risk Assessment Framework and Capital modelling; and ▪ Support from skilled risk professionals embedded across the Group.
Insurance Risk	Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. In the life insurance business this arises primarily through mortality (death) or morbidity (illness or injury) risks being greater than expected. In the general insurance business variability arises mainly through weather related incidents and similar calamities, as well as general variability in home, motor and travel insurance claim amounts.	▪ Risk Management Framework (including Risk Management Strategy and Risk Statement; and Underwriting and claims standards).	The management of insurance risk is an integral part of the operation of the insurance business. It is essential in the control of claims on an end-to-end basis, from underwriting to policy termination or claim payment. The major methods of mitigating insurance risk are: ▪ Sound product design and pricing, to ensure that robust procedures are in place and there are no risks which have not been priced into contracts; ▪ Regular review of insurance experience, so that product design and pricing remains sound (as the insurance businesses retain the right to amend premiums on risk policies); ▪ Carrying out underwriting, so that the level of risk associated with an individual contract can be accurately assessed, charged and reserved for; ▪ Claims management, where an assessment is made such that only genuinely insured claims are admitted and paid; and ▪ Transferring a proportion of the risk carried to reinsurers.

Principal Risk Types (continued)

Risk Type	Description	Governing Policies	Key limits and approaches
Compliance Risk (see section 10)	Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with the requirements of relevant laws, regulatory bodies, industry standards and codes.	▪ Compliance Risk Management Framework (CRMF), which is consistent with the Australian Standard on Compliance Programs and is designed to help the Group meet its obligations under the Corporations Act 2001, the Group's Australian Financial Services Licence and Australian Credit Licences.	**Management via:** ▪ CRMF Minimum Group Standards; ▪ Risk Management Obligations Register and Guidance Notes that detail specific requirements / accountabilities for each Business Unit; ▪ Business Unit compliance frameworks; and ▪ Support from compliance professionals embedded across the Group.
Strategic Business Risk	Strategic Business Risk is defined as the risk of economic loss resulting from changes in the business environment caused by macroeconomic conditions, competitive forces at work or social trends.	▪ Strategic Framework.	**Management via:** Elements of other risk type policies and processes in addition to management controls including strategic planning, strategic implementation and financial management. The Board accepts or amends the Group's overall strategy and each key Business Unit's strategic plans. They do so as they simultaneously consider the Business Unit's Risk Appetite Statements, which include references to key risk limits.
Reputational Risk	Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant parties of the Group. This risk can adversely affect the Group's ability to maintain existing, or establish new, business relationships and access sources of funding. Reputational risk is multidimensional and reflects the perception of other market participants. Furthermore, it exists throughout the organisation and exposure to reputational risk is a function of the adequacy of the Group's control of its risk management processes, as well as the manner and efficiency with which management responds to external influences on Group-related transactions. In many, but not all respects, adverse reputational risk outcomes flow from the failure to manage other types of risk.	▪ Cultural Framework and Statement of Professional Practice.	**Management via:** ▪ Setting of risk culture and behavioural standards set out in the Group's Risk Appetite Statement. ▪ Reinforcing Group-wide requirements on leadership values that support the Group's vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities. ▪ Elements of other risk type policies and processes in addition to: – Crisis management testing of leadership team; and – Support from skilled risk professionals embedded across the Group.

7 Credit Risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. It arises primarily from lending activities, the provision of guarantees (including letters of credit), commitments to lend, investments in bonds and notes, financial markets transactions, providers of credit enhancements (e.g. credit default swaps and lender's mortgage insurance), securitisations and other associated activities. In the insurance business, credit risk arises from investment in bonds and notes, loans, and from reliance on reinsurance.

Credit Risk Management is one of the key inputs into the Group's integrated risk management framework. The Group maintains a robust system of controls and processes to optimise the Group's credit risk taking activities.

Credit risk is taken by business areas across the Group and is managed at both a Group and Business Unit level. The key Business Unit credit risk related functions support the overall risk management responsibilities of the Risk Committee and senior management as discussed in section 6 "Risk Management" of this document (page 10).

The Group applies the following elements for effective credit risk practice in its day-to-day business activities:

- Credit Risk Management Policies and Portfolio Standards below; and
- Credit Risk Rating and Measurement (pages 34 - 37).

Credit Risk Management Policies and Portfolio Standards

The Risk Committee operates under a Charter by which it oversees the Group's credit risk management policies and portfolio standards. These are designed to achieve credit portfolio outcomes that are consistent with the Group's risk and return expectations. The Risk Committee meets at least quarterly and more often if required.

The Group has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks, with specific portfolio standards applying to all major lending areas.

These incorporate income and repayment capacity, acceptable terms and security and loan documentation requirements.

The Group's Risk Appetite Statement requires that there is appropriate diversification of credit risk, which is controlled by established policies and limits for the key dimensions of the credit portfolio, including for:

- Individual obligors, or groups of related obligors;
- Industry sectors;
- Geography (e.g. country risk); and
- Products / portfolios.

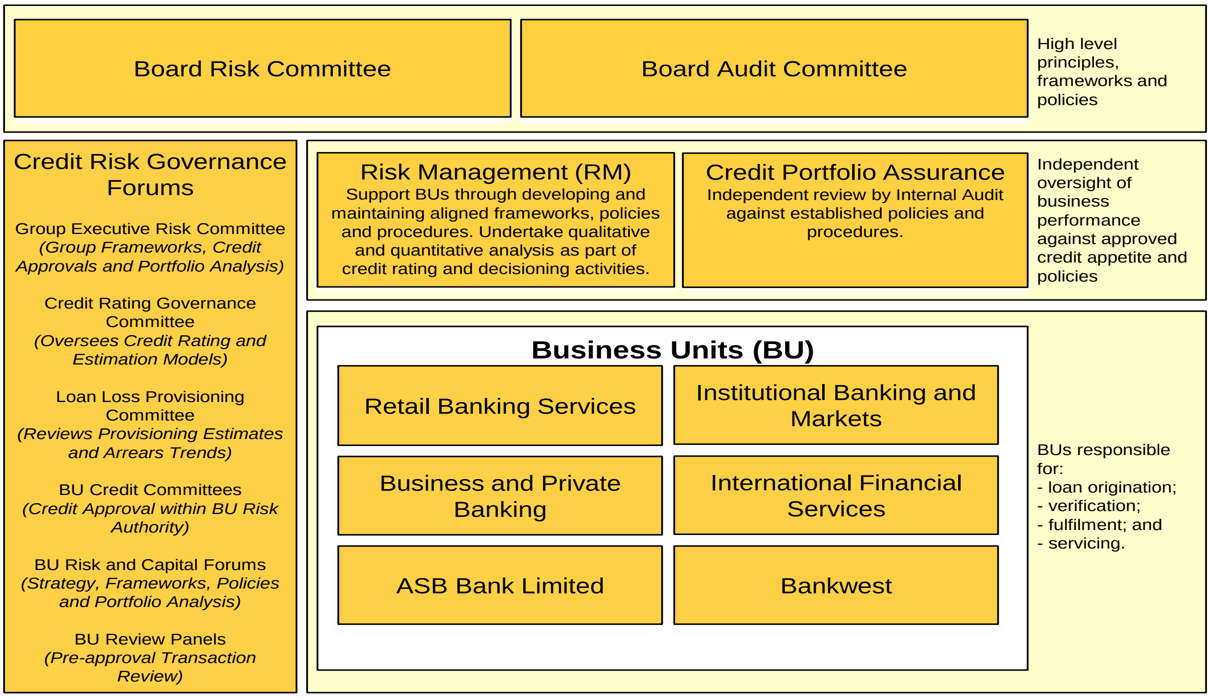
In addition, experts in each Business Unit search for ways to diversify credit risk exposure in the business, all within the limit framework boundaries.

The chart below illustrates the approach taken to manage credit risk in the Group.

The Group assesses the ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security, usually in the form of real estate or charge over income or assets, is generally taken for commercial credit except for major sovereign, bank and corporate counterparties that are often externally risk-rated and/or are of strong financial standing. Longer term consumer finance (e.g. housing loans) is generally secured against real estate while short term revolving consumer credit (e.g. credit cards) is primarily unsecured.

While the Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgment and the exercise of due care by relevant staff within their delegated authority.

A centralised exposure management system is used to record all significant credit risks borne by the Group. The credit risk portfolio has two major segments - Risk-Rated and Retail Managed (refer to section 7.4 "Portfolios subject to Internal Ratings Based approaches" for further detail, page 34).



7.1 Credit Risk Exposure – Excluding Equities and Securitisation

The following tables detail credit risk exposures subject to Advanced IRB and Standardised approaches.

APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach

	30 June 2013						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for June 2013 half [2] $M	Change in exposure for June 2013 half [3] $M	%
Subject to advanced IRB approach							
Corporate	46,700	35,371	6,468	**88,539**	87,074	2,931	3. 4
SME corporate	40,375	6,605	677	**47,657**	47,060	1,194	2. 6
SME retail	6,551	1,509	26	**8,086**	8,302	(432)	(5. 1)
Sovereign	52,309	2,940	1,711	**56,960**	53,186	7,548	15. 3
Bank	26,250	3,925	12,586	**42,761**	41,221	3,081	7. 8
Residential mortgage	369,224	66,411	-	**435,635**	427,090	17,091	4. 1
Qualifying revolving retail	9,463	13,041	-	**22,504**	22,286	436	2. 0
Other retail	6,923	2,213	-	**9,136**	8,656	961	11. 8
Total advanced IRB approach	557,795	132,015	21,468	**711,278**	694,875	32,810	4. 8
Specialised lending	46,207	9,482	1,331	**57,020**	55,844	2,353	4. 3
Subject to standardised approach							
Corporate	2,730	1,131	17	**3,878**	3,912	(67)	(1. 7)
SME corporate	351	190	1	**542**	439	207	61. 8
SME retail	4,200	1,298	1	**5,499**	5,188	622	12. 8
Sovereign	530	-	-	**530**	685	(309)	(36. 8)
Bank	390	38	-	**428**	389	78	22. 3
Residential mortgage	4,540	698	-	**5,238**	5,051	375	7. 7
Other retail	2,208	89	-	**2,297**	2,276	42	1. 9
Other assets	9,346	-	-	**9,346**	10,057	(1,422)	(13. 2)
Total standardised approach	24,295	3,444	19	**27,758**	27,997	(474)	(1. 7)
Total credit exposures [1]	628,297	144,941	22,818	**796,056**	778,716	34,689	4. 6

(1) Total Credit Risk Exposures (calculated as EAD) do not include equities or securitisation exposures.
(2) The simple average of exposures as at 30 June 2013 and at 31 December 2012.
(3) The difference between credit exposures as at 30 June 2013 and 31 December 2012.

Explanation of change in credit risk exposure

Details of credit risk exposure movements over the year are as follows:

Asset Category	Total Exposure Change $M	Regulatory Exposure Driver
AIRB corporate (including SME) and specialised lending	**6,046**	Reflects growth in corporate lending.
AIRB sovereign	**7,548**	Mostly growth in liquid assets held with highly rated entities.
AIRB bank	**3,081**	Mostly growth in liquid assets.
AIRB consumer retail	**18,488**	Mostly growth in residential mortgages.
Total advanced and specialised lending	**35,163**	
Standardised including other assets	**(474)**	Reduction in cash holdings.
Total excluding securitisation and equity exposures	**34,689**	

APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach (continued)

	31 December 2012						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2012 half [(2)] $M	Change in exposure for December 2012 half [(3)] $M	%
Subject to advanced IRB approach							
Corporate	44,726	35,317	5,565	85,608	84,137	2,943	3. 6
SME corporate	39,621	6,272	570	46,463	41,850	9,227	24. 8
SME retail	6,739	1,752	27	8,518	8,450	136	1. 6
Sovereign	45,512	2,498	1,402	49,412	48,011	2,803	6. 0
Bank	27,869	2,964	8,847	39,680	37,503	4,354	12. 3
Residential mortgage	354,944	63,600	-	418,544	386,077	64,934	18. 4
Qualifying revolving retail	9,413	12,655	-	22,068	21,812	513	2. 4
Other retail	6,469	1,706	-	8,175	7,886	578	7. 6
Total advanced IRB approach	535,293	126,764	16,411	678,468	635,726	85,488	14. 4
Specialised lending	43,520	10,028	1,119	54,667	48,123	13,089	31. 5
Subject to standardised approach							
Corporate	2,615	1,303	27	3,945	7,152	(6,414)	(61. 9)
SME corporate	136	199	-	335	3,388	(6,106)	(94. 8)
SME retail	3,904	973	-	4,877	5,006	(258)	(5. 0)
Sovereign	839	-	-	839	1,616	(1,553)	(64. 9)
Bank	324	26	-	350	3,416	(6,131)	(94. 6)
Residential mortgage	4,221	642	-	4,863	31,247	(52,767)	(91. 6)
Other retail	2,162	93	-	2,255	2,425	(339)	(13. 1)
Other assets	10,768	-	-	10,768	10,183	1,171	12. 2
Total standardised approach	24,969	3,236	27	28,232	64,433	(72,397)	(71. 9)
Total credit exposures [(1)]	603,782	140,028	17,557	761,367	748,282	26,180	3. 6

(1) Total Credit Risk Exposures (calculated as EAD) do not include equities or securitisation exposures.
(2) The simple average of exposures as at 31 December 2012 and at 30 June 2012.
(3) The difference between credit exposures as at 31 December 2012 and 30 June 2012.

APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach (continued)

	30 June 2012						
		Off balance sheet			Average		
	On balance sheet	Non-market related	Market related	Total	exposure for June 2012 half (2)	Change in exposure for June 2012 half (3)	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	44,509	32,218	5,938	82,665	79,723	5,885	7. 7
SME corporate	31,366	5,368	502	37,236	36,972	528	1. 4
SME retail	6,702	1,667	13	8,382	8,942	(1,121)	(11. 8)
Sovereign	42,170	2,926	1,513	46,609	43,982	5,255	12. 7
Bank	24,832	2,344	8,150	35,326	37,172	(3,692)	(9. 5)
Residential mortgage	299,331	54,279	-	353,610	350,854	5,512	1. 6
Qualifying revolving retail	9,256	12,299	-	21,555	21,252	607	2. 9
Other retail	6,066	1,531	-	7,597	7,340	513	7. 2
Total advanced IRB approach	464,232	112,632	16,116	592,980	586,237	13,487	2. 3
Specialised lending	33,656	6,733	1,189	41,578	42,039	(923)	(2. 2)
Subject to standardised approach							
Corporate	8,494	1,756	109	10,359	10,156	407	4. 1
SME corporate	5,795	610	36	6,441	6,682	(483)	(7. 0)
SME retail	3,967	1,168	-	5,135	5,222	(175)	(3. 3)
Sovereign	2,391	1	-	2,392	2,573	(362)	(13. 1)
Bank	6,419	17	45	6,481	6,504	(47)	(0. 7)
Residential mortgage	56,694	909	27	57,630	56,369	2,522	4. 6
Other retail	2,501	90	3	2,594	2,614	(39)	(1. 5)
Other assets	9,597	-	-	9,597	11,002	(2,810)	(22. 6)
Total standardised approach	95,858	4,551	220	100,629	101,122	(987)	(1. 0)
Total credit exposures (1)	593,746	123,916	17,525	735,187	729,398	11,577	1. 6

(1) Total Credit Risk Exposures (calculated as EAD) do not include equities or securitisation exposures.
(2) The simple average of exposures as at 30 June 2012 and at 31 December 2011.
(3) The difference between credit exposures as at 30 June 2012 and 31 December 2011.

APS 330 Table 7b – Credit risk exposure by portfolio type

Portfolio Type	As at 30 Jun 13 $M	Half year average [3] $M
Corporate	**92,417**	90,986
SME corporate	**48,199**	47,499
SME retail	**13,585**	13,490
Sovereign	**57,490**	53,871
Bank	**43,189**	41,610
Residential mortgage [1]	**440,873**	432,141
Qualifying revolving retail	**22,504**	22,286
Other retail	**11,433**	10,932
Specialised lending	**57,020**	55,844
Other assets	**9,346**	10,057
Total credit exposures [2]	796,056	778,716

Portfolio Type	As at 31 Dec 12 $M	Half year average [3] $M
Corporate	89,553	91,289
SME corporate	46,798	45,238
SME retail	13,395	13,456
Sovereign	50,251	49,627
Bank	40,030	40,919
Residential mortgage [1]	423,407	417,324
Qualifying revolving retail	22,068	21,812
Other retail	10,430	10,311
Specialised lending	54,667	48,123
Other assets	10,768	10,183
Total credit exposures [2]	761,367	748,282

Portfolio Type	As at 30 Jun 12 $M	Half year average [3] $M
Corporate	93,024	89,878
SME corporate	43,677	43,654
SME retail	13,517	14,165
Sovereign	49,001	46,555
Bank	41,807	43,676
Residential mortgage [1]	411,240	407,223
Qualifying revolving retail	21,555	21,252
Other retail	10,191	9,954
Specialised lending	41,578	42,039
Other assets	9,597	11,002
Total credit exposures [2]	735,187	729,398

(1) Residential mortgages include SME retail secured by residential property.
(2) Total credit risk exposures do not include equities or securitisation exposures.
(3) The simple average of closing balances of each half year.

APS 330 Table 7c – Credit risk exposure by portfolio type and geographic distribution

	30 June 2013			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	65,358	5,676	21,383	**92,417**
SME corporate	38,784	8,729	686	**48,199**
SME retail	11,498	2,059	28	**13,585**
Sovereign	36,295	2,676	18,519	**57,490**
Bank	19,343	1,808	22,038	**43,189**
Residential mortgage (1)	401,323	39,110	440	**440,873**
Qualifying revolving retail	22,504	-	-	**22,504**
Other retail	9,479	1,954	-	**11,433**
Specialised lending	46,459	4,727	5,834	**57,020**
Other assets	8,150	509	687	**9,346**
Total credit exposures (2)	659,193	67,248	69,615	**796,056**

	31 December 2012			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	66,097	5,718	17,738	89,553
SME corporate	38,624	7,671	503	46,798
SME retail	11,437	1,928	30	13,395
Sovereign	31,681	3,176	15,394	50,251
Bank	20,440	1,195	18,395	40,030
Residential mortgage (1)	387,363	35,441	603	423,407
Qualifying revolving retail	22,068	-	-	22,068
Other retail	8,921	1,506	3	10,430
Specialised lending	45,404	4,369	4,894	54,667
Other assets	9,414	554	800	10,768
Total credit exposures (2)	641,449	61,558	58,360	761,367

	30 June 2012			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	69,349	5,966	17,709	93,024
SME corporate	36,383	7,001	293	43,677
SME retail	11,615	1,862	40	13,517
Sovereign	27,968	1,954	19,079	49,001
Bank	23,000	592	18,215	41,807
Residential mortgage (1)	377,341	33,462	437	411,240
Qualifying revolving retail	21,555	-	-	21,555
Other retail	8,735	1,455	1	10,191
Specialised lending	35,426	3,669	2,483	41,578
Other assets	8,590	676	331	9,597
Total credit exposures (2)	619,962	56,637	58,588	735,187

(1) Residential mortgages include SME retail secured by residential property.
(2) Total credit risk exposures do not include equities or securitisation exposures.

APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector [1]

30 June 2013

	Industry Sector							
Portfolio Type	**Residential mortgage $M**	**Other personal $M**	**Asset finance $M**	**Sovereign $M**	**Bank $M**	**Other finance $M**	**Agriculture $M**	**Mining $M**
Corporate	-	-	1,666	-	-	12,879	2,080	8,701
SME corporate	-	-	3,324	-	-	2,274	13,126	373
SME retail	-	-	3,082	-	-	334	1,746	38
Sovereign	-	-	-	57,490	-	-	-	-
Bank	-	-	-	-	43,189	-	-	-
Residential mortgage [2]	434,775	-	-	-	-	240	256	13
Qualifying revolving retail	-	22,504	-	-	-	-	-	-
Other retail	-	11,433	-	-	-	-	-	-
Specialised lending	-	-	2	-	-	543	134	2,118
Other assets	-	3,269	-	-	-	-	-	-
Total credit exposures [1]	434,775	37,206	8,074	57,490	43,189	16,270	17,342	11,243

	Industry Sector							
Portfolio Type	**Manufacturing $M**	**Energy $M**	**Construction $M**	**Retail/ wholesale trade $M**	**Transport and storage $M**	**Property [3] $M**	**Other $M**	**Total $M**
Corporate	10,753	5,834	1,891	9,964	11,955	8,797	17,897	**92,417**
SME corporate	2,980	76	2,351	6,854	1,542	211	15,088	**48,199**
SME retail	433	18	730	1,228	230	1,273	4,473	**13,585**
Sovereign	-	-	-	-	-	-	-	**57,490**
Bank	-	-	-	-	-	-	-	**43,189**
Residential mortgage [2]	230	15	540	810	195	217	3,582	**440,873**
Qualifying revolving retail	-	-	-	-	-	-	-	**22,504**
Other retail	-	-	-	-	-	-	-	**11,433**
Specialised lending	328	1,246	1,856	260	4,873	43,254	2,406	**57,020**
Other assets	-	-	-	-	-	-	6,077	**9,346**
Total credit exposures [1]	14,724	7,189	7,368	19,116	18,795	53,752	49,523	**796,056**

(1) Total credit risk exposures do not include equities or securitisation exposures.
(2) SME retail business lending secured by residential property have been allocated by industry.
(3) Property includes REITs and excludes Business Services.

APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector (1) (continued)

	31 December 2012							
	Industry Sector							
Portfolio Type	**Residential mortgage $M**	**Other personal $M**	**Asset finance $M**	**Sovereign $M**	**Bank $M**	**Other finance $M**	**Agriculture $M**	**Mining $M**
Corporate	-	-	1,421	-	-	11,784	2,261	6,623
SME corporate	-	8	3,369	-	-	2,700	12,322	369
SME retail	-	1,046	3,181	-	-	293	1,740	33
Sovereign	-	-	-	50,251	-	-	-	-
Bank	-	-	-	-	40,030	-	-	-
Residential mortgage (2)	416,739	-	-	-	-	235	213	9
Qualifying revolving retail	-	22,068	-	-	-	-	-	-
Other retail	-	10,430	-	-	-	-	-	-
Specialised lending	-	-	7	-	-	486	135	2,277
Other assets	-	3,244	-	-	-	-	-	-
Total credit exposures (1)	416,739	36,796	7,978	50,251	40,030	15,498	16,671	9,311

	Industry Sector							
Portfolio Type	**Manufacturing $M**	**Energy $M**	**Construction $M**	**Retail/ wholesale trade $M**	**Transport and storage $M**	**Property** (3) **$M**	**Other $M**	**Total $M**
Corporate	10,601	5,982	1,920	10,791	11,125	8,534	18,511	89,553
SME corporate	2,953	63	1,806	6,934	1,576	190	14,508	46,798
SME retail	404	21	737	1,097	221	1,317	3,305	13,395
Sovereign	-	-	-	-	-	-	-	50,251
Bank	-	-	-	-	-	-	-	40,030
Residential mortgage (2)	183	10	443	717	170	866	3,822	423,407
Qualifying revolving retail	-	-	-	-	-	-	-	22,068
Other retail	-	-	-	-	-	-	-	10,430
Specialised lending	349	1,634	1,802	249	4,301	40,765	2,662	54,667
Other assets	-	-	-	-	-	-	7,524	10,768
Total credit exposures (1)	14,490	7,710	6,708	19,788	17,393	51,672	50,332	761,367

(1) Total credit risk exposures do not include equities or securitisation exposures.
(2) SME retail business lending secured by residential property have been allocated by industry.
(3) Property includes REITs and excludes Business Services.

APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector [1]

	30 June 2012							
	Industry Sector							
Portfolio Type	**Residential mortgage $M**	**Other personal $M**	**Asset finance $M**	**Sovereign $M**	**Bank $M**	**Other finance $M**	**Agriculture $M**	**Mining $M**
Corporate	-	-	1,289	-	-	12,839	2,259	6,556
SME corporate	-	887	3,362	-	-	2,461	11,141	445
SME retail	-	1,130	3,254	-	-	290	1,531	31
Sovereign	-	-	-	49,001	-	-	-	-
Bank	-	-	-	-	41,807	-	-	-
Residential mortgage [2]	404,532	-	-	-	-	251	215	11
Qualifying revolving retail	-	21,555	-	-	-	-	-	-
Other retail	-	10,187	-	-	-	-	-	-
Specialised lending	-	-	7	-	-	165	128	307
Other assets	-	3,465	-	-	-	-	-	-
Total credit exposures [1]	404,532	37,224	7,912	49,001	41,807	16,006	15,274	7,350

	Industry Sector							
Portfolio Type	**Manufacturing $M**	**Energy $M**	**Construction $M**	**Retail/ wholesale trade $M**	**Transport and storage $M**	**Property [3] $M**	**Other $M**	**Total $M**
Corporate	11,071	5,203	1,312	8,708	11,005	14,285	18,497	93,024
SME corporate	2,575	150	1,482	5,644	1,276	735	13,519	43,677
SME retail	406	18	725	1,106	225	1,295	3,506	13,517
Sovereign	-	-	-	-	-	-	-	49,001
Bank	-	-	-	-	-	-	-	41,807
Residential mortgage [2]	184	9	450	727	185	831	3,845	411,240
Qualifying revolving retail	-	-	-	-	-	-	-	21,555
Other retail	-	-	-	-	-	-	4	10,191
Specialised lending	185	2,267	2,256	271	3,625	30,470	1,897	41,578
Other assets	-	-	-	-	-	-	6,132	9,597
Total credit exposures [1]	14,421	7,647	6,225	16,456	16,316	47,616	47,400	735,187

(1) Total credit risk exposures do not include equities or securitisation exposures.
(2) SME retail business lending secured by residential property have been allocated by industry.
(3) Property includes REITs and excludes Business Services.

APS 330 Table 7e – Credit risk exposure by portfolio type and contractual maturity

	30 June 2013				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	11,966	74,583	4,515	1,353	**92,417**
SME corporate	9,274	32,594	6,331	-	**48,199**
SME retail	2,049	7,396	3,976	164	**13,585**
Sovereign	15,555	21,989	19,416	530	**57,490**
Bank	13,130	29,093	522	444	**43,189**
Residential mortgage (1)	13,497	5,835	363,962	57,579	**440,873**
Qualifying revolving retail	-	-	-	22,504	**22,504**
Other retail	129	4,198	3,236	3,870	**11,433**
Specialised lending	17,580	34,875	4,565	-	**57,020**
Other assets	3,333	726	600	4,687	**9,346**
Total credit exposures (2)	86,513	211,289	407,123	91,131	**796,056**

	31 December 2012				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	11,305	72,345	4,934	969	89,553
SME corporate	9,005	31,452	6,341	-	46,798
SME retail	1,986	7,573	3,659	177	13,395
Sovereign	9,854	22,295	17,263	839	50,251
Bank	13,513	25,785	382	350	40,030
Residential mortgage (1)	12,657	5,766	349,206	55,778	423,407
Qualifying revolving retail	-	-	-	22,068	22,068
Other retail	120	3,985	3,023	3,302	10,430
Specialised lending	17,314	34,122	3,231	-	54,667
Other assets	3,245	-	-	7,523	10,768
Total credit exposures (2) (3)	78,999	203,323	388,039	91,006	761,367

	30 June 2012				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	10,234	76,006	5,212	1,572	93,024
SME corporate	6,564	30,454	6,659	-	43,677
SME retail	2,151	7,707	3,659	-	13,517
Sovereign	12,148	20,429	15,448	976	49,001
Bank	12,483	28,560	413	351	41,807
Residential mortgage (1)	10,370	6,110	338,817	55,943	411,240
Qualifying revolving retail	-	-	-	21,555	21,555
Other retail	124	3,933	2,793	3,341	10,191
Specialised lending	14,265	24,833	2,480	-	41,578
Other assets	3,455	-	-	6,142	9,597
Total credit exposures (2) (3)	71,794	198,032	375,481	89,880	735,187

(1) Residential mortgages include SME retail secured by residential property.
(2) Total credit risk exposures do not include equities or securitisation exposures.
(3) Comparative information has been restated to conform to presentation in the current period.

7.2. Past Due and Impaired Exposures, Provisions and Reserves

Provisioning for Impairment

The Group assesses and measures credit losses in accordance with statutory financial accounting requirements under the Corporations Act 2001 and the Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB), and APRA regulatory requirements.

Accounting Standard AASB 139 "Financial Instruments: Recognition and Measurement" requires the Group to assess whether a financial asset or a group of financial assets is impaired. Impairment losses are recognised if there is objective evidence of impairment. Separate accounting provisions are also raised under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" for assets other than recognised financial instruments.

The Group assesses its provisioning for impairment in accordance with AASB 139 and recognises both individually assessed provisions and collectively assessed provisions.

This is done by a monthly assessment of the quality of the credit portfolio to determine the loan loss expense and provisions.

APRA Prudential Standard APS 220 "Credit Quality" (APS 220) requires the Group to report Specific Provisions and a General Reserve for Credit Losses (GRCL) and requires that impairment be recognised for both on and off balance sheet items, including financial guarantees, for the expected life of the loan. Any shortfall of the Group's provisions eligible for inclusion in the GRCL are deducted from CET1 on an after tax basis.

APRA Prudential Standard APS 111 "Capital Adequacy: Measurement of Capital" requires the Group to reduce CET1 when the amount of regulatory expected losses is in excess of APRA defined eligible provisions.

Individually Assessed and Collective Provisions

The Group assesses at each balance sheet date whether there is any objective evidence of impairment.

If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial asset's original effective interest rate. Short term balances are not discounted. Individually assessed provisions are made against individual risk-rated credit facilities where a loss of $20,000 or more is expected.

All other loans and advances that do not have an individually assessed provision are assessed collectively for impairment. Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts.

The evaluation process for these collective provisions is subject to a series of estimates and judgements depending on how the portfolio is managed:

- Risk-rated segment – the risk rating, including the frequency of default and LGD rates, and loss history are considered; or
- Retail-managed segment – the history of arrears and losses are reviewed for the various portfolios and average loss experience is applied.

Current developments in portfolios including performance, quality and economic conditions are also considered as part of the collective provisioning process. Changes in these estimates can have a direct impact on the level of provisions determined.

General Reserve for Credit Losses

All provisions for impairment assessed on an individual basis in accordance with the Australian Accounting Standards are classified as specific provisions in accordance with APS 220 "Credit Quality". Most of the collective provisions raised under the Australian Accounting Standards are included in the GRCL; however, certain collective provisions not eligible for inclusion in the GRCL are classified as specific provisions. This includes, for example, collective provisions on unsecured retail products 90 days or more past due.

Reconciliation of Australian Accounting Standards and APS 220 based credit provisions and APS 330 Table 7f – General reserve for credit losses

	30 June 2013		
	General reserve for credit losses (2)	Specific provision (2)	Total provisions
	$M	$M	$M
Collective provision (1)	2,699	159	**2,858**
Individual provisions (1)	-	1,628	**1,628**
Total provisions	2,699	1,787	**4,486**
Additional GRCL requirement (3)	297	-	**297**
Total regulatory provisions	2,996	1,787	**4,783**

(1) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(2) Provisions classified according to APS 220 "Credit Quality".
(3) The Group has recognised an after tax deduction from CET1 of $208 million in order to maintain the required minimum GRCL.

	31 December 2012		
	General reserve for credit losses (2)	Specific provision (2)	Total provisions
	$M	$M	$M
Collective provision (1)	2,719	139	2,858
Individual provisions (1)	-	1,845	1,845
Total provisions	2,719	1,984	4,703
Additional GRCL requirement (3)	282	-	282
Total regulatory provisions	3,001	1,984	4,985

(1) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(2) Provisions classified according to APS 220 "Credit Quality".
(3) The Group has recognised an after tax deduction from CET1 of $197 million in order to maintain the required minimum GRCL.

	30 June 2012		
	General reserve for credit losses (2)	Specific provision (2)	Total provisions
	$M	$M	$M
Collective provision (1)	2,682	155	2,837
Individual provisions (1)	-	2,008	2,008
Total provisions	2,682	2,163	4,845
Additional GRCL requirement (3)	299	-	299
Total regulatory provisions	2,981	2,163	5,144

(1) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(2) Provisions classified according to APS 220 "Credit Quality".
(3) The Group has recognised an after tax deduction from CET1 of $209 million in order to maintain the required minimum GRCL.

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

APS 330 Table 7f (i) – Impaired, past due, specific provisions and write-offs charged by industry sector

	30 June 2013				
Industry Sector	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance [1] $M**	**Net full year charges for individual provisions $M**	**Full year actual losses [2] $M**
Home loans	1,117	1,871	225	124	233
Other personal	264	25	145	3	526
Asset finance	62	3	25	34	19
Sovereign	-	42	-	-	-
Bank	25	-	23	(10)	18
Other finance	356	15	199	66	62
Agriculture	543	66	184	86	34
Mining	10	4	2	-	1
Manufacturing	65	16	43	(1)	85
Energy	70	1	33	1	-
Construction	120	34	89	56	139
Wholesale/retail trade	282	53	109	67	42
Transport and storage	27	11	11	8	2
Property	677	71	400	73	380
Other	712	114	299	80	194
Total	4,330	2,326	1,787	587	1,735

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2013.

	31 December 2012				
Industry Sector	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance [1] $M**	**Net half year charges for individual provisions $M**	**Half year actual losses [2] $M**
Home loans	964	1,910	276	56	104
Other personal [3]	232	21	125	(2)	262
Asset finance	43	3	19	15	10
Sovereign	-	-	-	-	-
Bank	52	-	48	-	8
Other finance	421	8	221	80	47
Agriculture	475	127	146	48	17
Mining	14	2	1	-	1
Manufacturing	185	35	107	9	36
Energy	66	-	32	3	-
Construction	106	31	65	8	108
Wholesale/retail trade	113	124	63	16	29
Transport and storage	8	15	6	1	1
Property	1,029	198	549	86	218
Other	772	165	326	61	95
Total	4,480	2,639	1,984	381	936

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2012.
(3) Comparative information has been restated to conform to presentation in the current period.

APS 330 Table 7f (i) – Impaired, past due, specific provisions and write-offs charged by industry sector (continued)

	30 June 2012				
Industry Sector	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance [1] $M**	**Net full year charges for individual provisions $M**	**Full year actual losses [2] $M**
Home loans	1,082	2,529	315	143	107
Other personal [3]	222	28	134	4	521
Asset finance	60	13	15	16	21
Sovereign	-	-	-	-	-
Bank	58	-	54	20	-
Other finance	370	7	187	50	35
Agriculture	282	28	96	16	37
Mining	5	3	1	1	1
Manufacturing	197	15	130	63	12
Energy	73	-	32	(5)	47
Construction	225	22	152	35	45
Wholesale/retail trade	119	40	72	103	126
Transport and storage	26	6	11	(20)	11
Property	1,361	64	653	253	347
Other	607	122	311	98	339
Total	4,687	2,877	2,163	777	1,649

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2012.
(3) Comparative information has been restated to conform to presentation in the current period.

APS 330 Table 7f (ii) – Impaired, past due, specific provisions and write-offs charged by portfolio

	30 June 2013				
Portfolio	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance (1) $M**	**Net full year charges for individual provisions $M**	**Full year actual losses (2) $M**
Corporate including SME and specialised lending	2,924	430	1,394	470	958
Sovereign	-	-	-	-	-
Bank	25	-	23	(10)	18
Residential mortgage	1,117	1,871	225	124	233
Qualifying revolving retail	110	-	56	-	260
Other retail	154	25	89	3	266
Total	4,330	2,326	1,787	587	1,735

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2013.

	31 December 2012				
Portfolio	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance (1) $M**	**Net half year charges for individual provisions $M**	**Half year actual losses (2) $M**
Corporate including SME and specialised lending	3,232	708	1,535	327	562
Sovereign	-	-	-	-	-
Bank	52	-	48	-	8
Residential mortgage	964	1,910	276	56	104
Qualifying revolving retail (3)	109	-	48	-	133
Other retail (3)	123	21	77	(2)	129
Total	4,480	2,639	1,984	381	936

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2012.
(3) Comparative information has been restated to conform to presentation in the current period.

	30 June 2012				
Portfolio	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance (1) $M**	**Net full year charges for individual provisions $M**	**Full year actual losses (2) $M**
Corporate including SME and specialised lending	3,325	320	1,660	610	1,021
Sovereign	-	-	-	-	-
Bank	58	-	54	20	-
Residential mortgage	1,082	2,529	315	143	107
Qualifying revolving retail (3)	103	-	56	-	258
Other retail (3)	119	28	78	4	263
Total	4,687	2,877	2,163	777	1,649

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2012.
(3) Comparative information has been restated to conform to presentation in the current period.

APS 330 Table 7g (i) – Impaired, past due and specific provisions by geographic region

	30 June 2013		
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance
Geographic Region (1)	**\$M**	**\$M**	**\$M**
Australia	3,879	2,204	1,688
New Zealand	355	111	54
Other	96	11	45
Total	4,330	2,326	1,787

(1) Balances are reported based on the risk domicile of the borrower.

	31 December 2012		
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance
Geographic Region (1)	**\$M**	**\$M**	**\$M**
Australia (2)	4,003	2,520	1,832
New Zealand (2)	376	110	83
Other	101	9	69
Total	4,480	2,639	1,984

(1) Balances are reported based on the risk domicile of the borrower.
(2) Comparative information has been restated to conform to presentation in the current period.

	30 June 2012		
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance
Geographic Region (1)	**\$M**	**\$M**	**\$M**
Australia (2)	4,263	2,702	2,000
New Zealand (2)	317	166	90
Other	107	9	73
Total	4,687	2,877	2,163

(1) Balances are reported based on the risk domicile of the borrower.
(2) Comparative information has been restated to conform to presentation in the current period.

The Group's GRCL (before tax) by geographic region is distributed as follows:

APS 330 Table 7g (ii) – GRCL by geographic region

	30 Jun 13	31 Dec 12	30 Jun 12
Geographic Region	**\$M**	**\$M**	**\$M**
Australia	**2,694**	2,771	2,748
New Zealand	**158**	109	108
Other	**144**	121	125
Total GRCL	**2,996**	3,001	2,981

APS 330 Table 7h (i) – Movement in collective and other provisions

	Half Year Ended		
	30 Jun 13	31 Dec 12	30 Jun 12
Movement in Collective Provisions	$M	$M	$M
Opening balance	2,858	2,837	2,984
Net charge against profit and loss	260	299	111
Recoveries	80	74	127
Other	6	(3)	(1)
Write-offs	(346)	(349)	(384)
Total collective provisions	2,858	2,858	2,837
Less collective provisions transferred to specific provisions	(159)	(139)	(155)
Additional GRCL requirement (1)	297	282	299
General reserve for credit losses	2,996	3,001	2,981

(1) The Group has recognised an after tax deduction from CET1 of $208 million for 30 June 2013 (31 December 2012: $197 million; 30 June 2012: $209 million) in order to maintain the required minimum GRCL.

APS 330 Table 7h (ii) – Movement in individual provisions

	Half Year Ended		
	30 Jun 13	31 Dec 12	30 Jun 12
Movement in Individual Provisions	$M	$M	$M
Opening balance for the period	**1,845**	2,008	2,097
Net new and increased provisioning	**416**	521	662
Net write back of provisions no longer required	**(210)**	(140)	(229)
Discount unwind to interest income	**(39)**	(51)	(59)
Other	**149**	168	187
Write-offs	**(533)**	(661)	(650)
Individual provisions	**1,628**	1,845	2,008
Add collective provisions transferred to specific provisions	**159**	139	155
Specific provisions	**1,787**	1,984	2,163

7.3 Portfolios Subject to Standardised and Supervisory Risk-Weights

CommBank Europe Limited, PT Bank Commonwealth (Indonesia) and the China County Banks operate under the Standardised Basel III approach and are consolidated at Level 2.

The Standardised approach is also used by the Group where portfolios or segments are considered as immaterial by the size of exposure or where APRA requires a Standardised approach to be used.

Portfolios that use the Standardised approach include:

Commonwealth Bank of Australia:

- Some retail SMEs (overdrawn accounts);
- Non-rated Corporate exposures;
- Some residential mortgages (purchased portfolios);
- Reverse mortgages;
- Margin Lending;
- Non-recourse purchased receivables; and
- Some branches (China, India and Vietnam).

ASB Bank Limited:

- Personal Loans; and
- Retail SME.

Bankwest:

- Retail SME;
- Some residential mortgages (equity lines of credit); and
- Unsecured consumer retail (personal loans, credit cards and personal cheque amounts).

All exposures in the following entities:

- Commbank Europe Limited;
- PT Bank Commonwealth (Indonesia); and
- China County Banks.

The Group continues to review portfolios that use the Standardised approach. Approval to apply the advanced approach will be sought from APRA when the volume of exposure and number of customers within these portfolios are sufficient to qualify for advanced approaches.

Risk weights pertaining to Retail and SME Corporate Standardised portfolios have been applied in accordance with APRA Prudential Standard APS 112 "Capital Adequacy: Standardised Approach to Credit Risk" and with consideration to the type of collateral held and past due status. In respect of loans secured by residential mortgages, consideration is given with respect to the Loan to Value Ratio (LVR) and whether mortgage insurance is held.

The Group's definition of internal risk ratings has been aligned to recognised long-term ratings and equivalent rating grades provided by ECAI including Standard & Poor's, Moody's Investors Services for larger Corporate, Bank and Sovereign exposures in Group offshore entities (including CommBank Europe Limited and PT Bank Commonwealth (Indonesia)).

Margin loans and specialised lending are subject to specified supervisory risk weights.

APS 330 Table 8b – Exposures subject to standardised and supervisory risk-weights

Standardised Approach Exposures	Exposure After Risk Mitigation [1] [2] 30 Jun 13 $M	31 Dec 12 $M	30 Jun 12 $M
Risk weight			
0%	**2,759**	3,559	6,301
20%	**4,280**	5,755	10,459
35%	**2,453**	2,484	39,663
50%	**3,549**	2,387	12,339
75%	**297**	152	681
100%	**14,164**	12,559	29,242
150%	**255**	1,324	1,869
> 150%	**-**	-	-
Capital deductions	**-**	-	-
Total	**27,757**	28,220	100,554

(1) Exposure after credit risk mitigation does not include equity or securitisation exposures.
(2) Exposure for June 2012 includes the consolidation of Bankwest under the Basel 2.5 standardised methodology. APRA granted approval for the Group to extend its advanced accreditation to include Bankwest non-retail loans and residential mortgage portfolios from 31 December 2012.

Other Assets [1]	30 June 2013 Exposure $M	Risk weight %	RWA $M
Cash	1,772	-	-
Cash items in course of collection	705	20	141
Margin lending	3,269	20	654
Fixed assets	1,474	100	1,474
Other	2,126	100	2,126
Total	9,346	47	4,395

Other Assets [1]	31 December 2012 Exposure $M	Risk weight %	RWA $M
Cash	2,730	-	-
Cash items in course of collection	1,649	20	330
Margin lending	3,244	20	649
Fixed assets	1,468	100	1,468
Other	1,677	100	1,677
Total	10,768	38	4,124

Other Assets [1]	30 June 2012 Exposure $M	Risk weight %	RWA $M
Cash	2,715	-	-
Cash items in course of collection	1,086	20	217
Margin lending	3,466	20	693
Fixed assets	1,523	100	1,523
Other	807	100	807
Total	9,597	34	3,240

(1) Other Assets are included in Standardised Approach Exposures table above.

Specialised Lending Exposures Subject to Supervisory Slotting (1) (2)	30 Jun 13 $M	31 Dec 12 $M	30 Jun 12 $M
Risk Weight			
0%	**1,349**	1,623	743
70%	**17,117**	15,800	14,263
90%	**28,528**	27,551	20,559
115%	**9,133**	8,660	5,466
250%	**893**	1,033	547
Total exposures	**57,020**	54,667	41,578

(1) APRA requires certain specialised lending exposures including Income Producing Real Estate, Object and Project Finance to be assigned specific risk weights according to "slotting" criteria defined by the regulator.

(2) Exposure for June 2012 does not include Bankwest. APRA granted approval for the Group to extend its advanced accreditation to include Bankwest from 31 December 2012.

7.4 Portfolios Subject to Internal Ratings Based Approaches

The Group is accredited to use advanced internal ratings based (AIRB) approaches to calculate its capital requirements under APRA Prudential Standard APS 113 "Capital Adequacy: Internal Ratings-based Approach to Credit Risk".

The measurement of credit risk is based on an internal credit risk rating system which uses expert judgement and analytical tools to calculate Internal Ratings Based (IRB) credit risk factors, including customer Probabilities of Default (PD) and facility Loss Given Default (LGD). These are inputs into the estimation of Expected Loss (EL) and Unexpected Loss (UL) for the credit portfolio.

Credit Risk Measurement

The measurement of credit risk is based on the use of analytical tools to calculate three risk components: PD; Exposure At Default (EAD) and LGD.

PD estimates are based on the average for the Group's historical data, scaled where appropriate, to reflect a central tendency measure over a full economic cycle. EAD and LGD estimates are based on downturn economic conditions.

The Credit Rating Governance Committee oversees Group credit rating models and processes to ensure appropriately predictive credit rating models are developed, model performance is reviewed on a regular basis and that there is consistency across Business Unit credit models as appropriate.

Probability of Default

The PD, expressed as a percentage, is the estimate of the probability that an obligor will default within the next twelve months. It reflects an obligor's ability to generate sufficient cash flows into the future to meet the terms of all of its credit obligations to the Group. The PD rating methodology applied to the various segments of the credit portfolio is shown in APS 330 Table 9c below.

PD estimates are based on a long-run average default rate for the Group's historical data. Application scores and account performance criteria are used to define retail risk pools. Pools may be combined to ensure the number of exposures within a given pool is sufficient to allow quantification of reliable estimates and to facilitate validation of loss characteristics at the pool level.

Models are independently validated and in addition, confidence intervals are calculated to statistically demonstrate that retail pools meaningfully differentiate risk. PD models results are calibrated to obtain long-run PDs that reflect the central tendency over a full economic cycle.

Exposure at Default

The EAD, expressed as a dollar amount, is the estimate of the amount of a facility that will be outstanding in the event of default. EAD for committed facilities is measured as a dollar amount based on the drawn and undrawn components twelve months prior to default. It comprises the drawn balance plus a proportion of the undrawn amount that is expected to convert to drawn in the period leading up to default. The proportion of the undrawn amount that is converted is termed the credit conversion factor. For most committed facilities, the Group applies a credit conversion factor of 100%.

For uncommitted facilities the EAD will generally be the outstanding balance only. For retail exposures, a modelling approach based on limit usage, arrears and loan type is used to segment accounts into homogeneous pools for the calculation of EAD.

Loss Given Default

LGD and EAD are derived using data from accounts that were in default during any given month within the modelling observation period.

LGD is estimated as the net present value of the post default cash flows, including an allowance for internal and external costs, expressed as a percentage of the EAD.

Amounts recovered and the associated costs of recovery after the point of default are discounted using an appropriate discount rate inclusive of a risk premium.

LGD is impacted by:

- The level of security cover and the type of collateral held;
- Liquidity and volatility of collateral value;
- Loan workout costs (effectively the costs of providing a facility that is not generating an interest return) and management expenses (realisation costs);
- Time estimated to achieve all possible payments; and
- The discount factor applied to reflect the time value of money and the uncertainty of future cash flows.

It is recognised that some accounts will cure after entering default and cure rates are an important aspect of estimating a downturn LGD that is consistent with economic recession conditions.

Long-run LGD is used for Economic Capital purposes and is based on averages over an economic cycle.

For calculating regulatory capital an estimated downturn LGD is used that reflects likely recovery rates under stressed economic conditions. Downturn LGD estimates for commercial exposures are based on the long-run estimates calibrated to a 99.9% confidence level. For retail exposures, downturn LGDs are adjusted for expected recovery rates in stressed conditions except for residential mortgages, where a 20% floor has been determined by APRA.

APS 330 Table 9c – PD rating methodology by portfolio segment

Portfolio Segment	PD Rating Methodology
Bank and sovereign exposures	Expert Judgement assigned risk rating, informed but not driven by rating agency views.
Large corporate exposures	Combination of Expert Judgement and PD Rating Tool assigned risk ratings depending on the industry sector.
Middle market and local business banking exposures	PD Rating Tool(s) and Expert Judgement assigned risk rating.
SME retail exposures < $1m	SME Behaviour Score assigned PD pools.
Consumer retail exposures	Depending on the product, PD pools are assigned using product specific Application Scorecards, Behavioural Scorecards, payment status or a combination of these.

Expected Loss (EL)

Regulatory EL is calculated as the product of PD, EAD and LGD.

Regulatory EL is reported for both defaulted and non-defaulted exposures. For non-defaulted exposures, Regulatory EL is based on the quality of exposures at a point in time using long-run PDs and downturn LGDs as required by APRA.

Regulatory EL for Specialised Lending exposures is determined by the Supervisory Slotting approach.

For defaulted exposures, Regulatory EL is based on the best estimate of loss. For the non-retail portfolios, this is the individually assessed provisions. For retail exposures Regulatory EL is determined using the downturn LGD.

Regulatory EL is not required to be calculated on Standardised Portfolios.

Unexpected Loss (UL)

The UL for each portfolio segment is calculated based on a given level of confidence that the magnitude of the UL will not be exceeded with a known probability. UL represents the difference between EL and the point on the loss distribution associated with the required level of probability that the loss not be exceeded. The Group holds capital to cover the unexpected loss.

There are two measures of UL. The regulatory measure used to determine the regulatory capital requirement, and an internal measure based on the Group's economic capital model.

The regulatory measure is calculated based on the Basel III Framework using a 99.9% probability that UL will not be exceeded.

Economic Capital

The economic capital measure takes into account portfolio specific characteristics (e.g. industry segment) and allows for diversification effects between obligors within a portfolio segment as well as across different portfolio segments. Economic capital is the currency of risk measurement using a 99.95% probability that UL is not exceeded. The Group evaluates portfolio performance based on the return on economic capital.

Economic capital is an input to pricing models and strategic decision making within the Group. The long-run LGD is used in the economic capital model rather than the downturn LGD which is used for regulatory capital purposes.

Uses of Internal Estimates of Credit Risk Components Other Than for Regulatory Capital Purposes

The Group uses its internal estimates of PD, LGD and EAD for a number of activities other than for IRB regulatory capital purposes. They include:

- Management of credit risk concentrations – through the Large Credit Exposure Policy and industry limits;
- Loan origination and credit quality control - through the generation and monitoring of credit risk-ratings;
- Calculation of some collective provisions;
- Capital budgeting - through modelling of business plans under expected and stressed scenarios, and the calculation of economic capital; and
- Aligning risk culture to the Group's risk appetite – through its internal risk-based-pricing performance framework; ensuring the Group generates appropriate economic returns through its risk-pricing framework at both: (i) a transactional level where long-run EL is factored into interest margins and fees and (ii) at a portfolio level via Profit After Capital Charge and Return on Target Equity frameworks.

Credit Risk Ratings System

The Credit Risk Rating (CRR) is assigned by reference to a matrix that maps the PD and long-run LGD to a number commensurate with EL.

The Group uses its credit risk factors to price transactions, measure performance and help determine the amount of capital required to support business activities.

The Group's credit risk factors are subject to annual review in accordance with a Risk Committee approved Model Policy to ensure independent validation and testing of assigned risk factors.

PD Ratings

The credit risk portfolio has two major PD rating segments, (i) Risk-Rated and (ii) Retail Managed.

(i) Risk-Rated Segment

This segment comprises commercial exposures including bank, sovereign and corporate exposures. Commercial exposures to clients with turnover less than $50 million that are required to be risk-rated and individually managed under the Group's internal credit policy are classified under the SME Corporate asset class.

A credit risk rating system for corporate customer exposures was first introduced in the Group in 1994. The initial nine grade PD rating scale has been progressively expanded to the 24 PD grades (16 performing, 6 weak/doubtful, 1 restructured, 1 defaulted) currently in use.

This system has subsequently been enhanced as the result of reviewing outcomes against projections.

Obligors that are risk-rated have their PD rating assigned via expert judgement and the appropriate PD Rating Tool. Obligors whose PD ratings are assigned via expert judgement include banks, sovereigns and large corporate customers of the Institutional Banking business. Under expert judgement, PD ratings are assigned based on the expert knowledge of the credit officer conducting the review. The credit officer may use multiple rating inputs, including the use of internal PD Tools, the ratings assigned by an external rating agency, benchmark rating criteria, management capability and integrity, market or other relevant information to assist with the rating decision.

For the Business and Private Banking Business Units across the Group (including within CBA, Bankwest and ASB), PD Rating Tools are the primary method of assigning a PD rating. PD Rating Tools are statistical models designed to predict the rating outcome under Expert Judgement. Ratings are assigned based on the responses to a series of questions relating to the financial condition of the customer's business, as well as questions relating to management capability and integrity. The responses are weighted by their importance in predicting credit quality and are used to calculate an overall score upon which the PD rating is determined.

The PD rating reflects the estimated probability of default for that grade over a one-year horizon. The Group uses a through-the-cycle (TTC) approach whereby PD ratings are based on longer term considerations to capture a company's ability to perform through a credit cycle. External rating agencies also use a TTC PD rating approach.

The Group's PD rating criteria reflect both long-run and current considerations of the financial health of an obligor.

PD Ratings (continued)

PD ratings fall within the following categories:

1. Exceptional – (A0 through to A3) – a strong profit history with principal and interest repayments covered by large stable surpluses.

2. Strong – (B1 through to C3) – a strongly performing business with principal and interest payments well protected by stable cash operating surpluses.

3. Pass – (D1 through to E3) – a soundly performing business with sufficient operating cash surpluses to meet all principal and interest repayments.

4. Weak/Doubtful – (F1 through to G3) – profitability has been weak and the capacity to meet principal and interest payments is declining.

5. Restructured – (R) – concessions of interest and/or principal obligations have been provided due to the customer's financial difficulties, rendering the facility non-commercial to the Group. Restructured facilities are treated as impaired assets.

6. Default – (H) – the obligation is in default (see below).

A PD rating of "Pass" grade or above qualifies the obligor for approval of new facilities or increased exposure on normal commercial terms. An obligor whose PD rating is "Weak" (excluding F grade – well secured) or "Default" is not eligible for new facilities or increased exposure unless it will protect or improve the Group's position by maximising recovery prospects or to facilitate rehabilitation.

Assignments of obligor PD ratings are reviewed annually with higher risk exposures being reviewed more frequently. Rating reviews are also initiated when material new information on an obligor comes to light. The Credit Portfolio Assurance unit reviews credit portfolios and prepares reports covering Business Unit compliance with credit policies, portfolio standards, application of credit risk ratings and other key practices on a regular basis. The Credit Portfolio Assurance unit reports its findings to the Board Audit and Risk Committees as appropriate.

For the purpose of determining the PD rating, default is defined as any one of the following:

- The customer is 90 days or more overdue on a scheduled credit obligation repayment; or
- The customer is unlikely to repay their credit obligation to the Group in full, without the Group taking action such as realising on available security.

Material deviations from the reference default definition are not permitted.

Both the expert judgement and PD Rating Tools rating methods target a common rating descriptor for each risk grade. The rating descriptors are the same, regardless of how the rating is assigned and all ratings map to the same PD master scale which allocates probabilities of default to each PD grade. PD Rating Tools are used to form a benchmark in the rating process and are based on customer financials and a number of management related questions.

The Group's mapping of internal rating scales for risk-rated exposures to external rating agencies is detailed in APS 330 Table 9b (page 37).

(ii) Retail Managed Segment

This segment has sub-segments covering housing loan, credit card, personal loan facilities, some leasing products, some unsecured commercial lending, and most secured commercial lending up to $1 million.

The Group has been using scorecards to "auto-decision" loan applications for over 18 years in its Consumer Retail business and more recently for small and medium enterprise (SME) Retail applications. These are auto-decisioned for the approval of credit using a scorecard approach whereby the performance of historical applications is supplemented by information from a credit reference bureau and/or from the Group's existing knowledge of a customer's behaviour.

Customers with similar characteristics, products and subject to the same origination process are allocated the same PD.

Portfolios in the Retail Managed Segment are managed on a delinquency band approach (e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due) and are reviewed by the relevant Risk Management support unit.

Commercial lending up to $1 million is reviewed as part of the client quality review process and oversight is provided by the independent Credit Portfolio Assurance unit. Facilities in the retail segment become classified for remedial management by centralised units based on delinquency band.

Financial assets in the retail segment are classified as secured or unsecured. Unsecured facilities (e.g. credit cards) are considered impaired at 90 days past due and are generally written off once they reach 180 days past due (unless arrangements have been made between the borrower and the Group).

Secured facilities (e.g. home loans) are classified as impaired when an assessment is made that the security does not cover the facility and all outstanding interest and fees.

Common PD, EAD and LGD methodologies are followed in constructing the internal ratings process for residential mortgages, qualifying revolving retail exposures and other retail advances with the default definition applied when payment on a facility is 90 days or more past due, 90 days over limit or a write-off amount exists against the facility.

LGD Ratings

For Corporate and SME Corporate customers, an LGD rating is applied based on the security cover ratio after taking into consideration the security lending margins applied to various security asset types. The LGD rating provides an estimate of the likely loss in the event of default, based on past experience. Secured commercial exposures receive an LGD rating of A-F. A rating of A is applied only to very well secured exposures where the security cover ratio exceeds 140%. An LGD rating of F applies where the security cover is less than 40%. An LGD rating of C reflects a security cover ratio of 100%. Unsecured large corporate customers, banks and sovereigns receive an LGD rating of J-N, depending on their PD rating and the existence of covenants.

For retail exposures, accounts are segmented into homogeneous "LGD" pools based on product/loan type and other relevant attributes.

LGD Ratings (continued)

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken and what types are acceptable and appropriate in order to mitigate credit risk, including valuation parameters, review frequency and independence of valuation. In some instances such as certain types of consumer loans (e.g. credit cards), a customer's facilities may not be secured.

Main collateral types include:

- Residential mortgages;
- Charges over other properties (including commercial and broad-acre);
- Cash (usually in the form of a charge over a term deposit);
- Guarantees by company directors supporting commercial lending;
- A charge over a company's assets, including stock and work in progress; and
- A charge over bonds, stock or scrip.

Collateral types are discussed further detail in section 7.5 "Credit Risk Mitigation" (page 47).

APS 330 Table 9b – Internal ratings structure for credit risk exposures

Description	Internal Rating	Probability of Default
Exceptional	A0, A1, A2, A3	0% - 0.035%
Strong	B1, B2, B3, C1, C2, C3	0.035% - 0.47%
Pass	D1, D2, D3, E1, E2, E3	0.47% - 5.04%
Weak/ doubtful	F1, F2, F3, G1, G2, G3	> 5.04%
Restructured/ default	R, H	100%

Description	S&P Rating	Moody's Rating
Exceptional	AAA, AA+, AA, AA-	Aaa, Aa1, Aa2, Aa3
Strong	A+, A, A-, BBB+, BBB, BBB-	A1, A2, A3, Baa1, Baa2, Baa3
Pass	BB+, BB, BB-, B+, B, B-	Ba1, Ba2, Ba3, B1, B2, B3
Weak/ doubtful	CCC, CC, C	Caa, Ca
Default	D	C

Credit Risk Exposure Subject to the Advanced IRB Approach

APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band

	30 June 2013							
	PD Grade							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Non Retail [1]	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Corporate	-	29,346	35,293	21,471	297	1,025	1,107	**88,539**
SME corporate	-	563	3,658	36,892	2,643	1,933	1,968	**47,657**
SME retail	-	-	965	5,008	1,453	423	237	**8,086**
Sovereign	54,016	886	670	1,368	14	6	-	**56,960**
Bank	-	40,292	1,741	569	-	-	159	**42,761**
Total	54,016	71,087	42,327	65,308	4,407	3,387	3,471	**244,003**
Undrawn commitments [2]								
Corporate	-	12,386	15,944	6,677	81	174	109	**35,371**
SME corporate	-	76	863	5,203	232	157	74	**6,605**
SME retail	-	-	536	737	207	19	10	**1,509**
Sovereign	1,053	148	463	1,257	13	6	-	**2,940**
Bank	-	3,021	478	426	-	-	-	**3,925**
Total	1,053	15,631	18,284	14,300	533	356	193	**50,350**
Exposure - weighted average EAD ($M)								
Corporate	-	13. 748	2. 007	0. 253	0. 570	0. 855	1. 841	**5. 453**
SME corporate	-	0. 368	0. 218	0. 131	0. 177	0. 258	0. 221	**0. 152**
SME retail	-	-	0. 007	0. 014	0. 015	0. 029	0. 114	**0. 017**
Sovereign	8. 328	1. 059	0. 181	0. 048	0. 032	0. 049	-	**7. 917**
Bank	-	5. 324	1. 729	0. 160	-	-	26. 545	**5. 188**
Exposure - weighted average LGD (%)								
Corporate	-	56. 6	55. 6	48. 3	40. 7	52. 6	50. 6	**54. 0**
SME corporate	-	58. 4	31. 0	31. 1	28. 6	33. 6	35. 1	**31. 6**
SME retail	-	-	34. 8	42. 3	30. 5	42. 3	36. 0	**39. 1**
Sovereign	23. 1	35. 5	45. 6	10. 2	7. 3	5. 1	-	**23. 3**
Bank	-	61. 2	60. 3	61. 1	-	-	61. 3	**61. 2**
Exposure - weighted average risk weight (%)								
Corporate	-	27. 6	61. 6	88. 2	121. 9	250. 1	159. 3	**60. 4**
SME corporate	-	21. 0	31. 9	55. 4	71. 5	137. 2	236. 4	**64. 7**
SME retail	-	-	18. 4	50. 6	43. 5	85. 9	210. 9	**52. 0**
Sovereign	5. 4	19. 4	35. 6	26. 1	22. 5	24. 0	-	**6. 5**
Bank	-	21. 8	60. 1	88. 3	-	-	-	**24. 2**

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) The credit exposure value of undrawn commitments is included in total credit risk exposures above.

APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band (continued)

	31 December 2012							
	PD Grade							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Non Retail [1]	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposure								
Corporate	-	25,943	38,219	18,835	788	750	1,073	85,608
SME corporate	-	434	4,138	35,232	3,230	1,369	2,060	46,463
SME retail	-	-	1,073	5,252	1,667	316	210	8,518
Sovereign	46,723	886	594	1,195	13	1	-	49,412
Bank	-	37,185	1,777	545	14	-	159	39,680
Total	46,723	64,448	45,801	61,059	5,712	2,436	3,502	229,681
Undrawn commitments [2]								
Corporate	-	11,764	17,742	5,445	281	50	35	35,317
SME corporate	-	62	868	4,930	299	84	29	6,272
SME retail	-	-	665	772	298	8	9	1,752
Sovereign	834	116	420	1,114	13	1	-	2,498
Bank	-	2,278	369	313	4	-	-	2,964
Total	834	14,220	20,064	12,574	895	143	73	48,803
Exposure - weighted average EAD ($M)								
Corporate	-	6. 167	4. 374	0. 815	1. 328	1. 889	3. 214	4. 070
SME corporate	-	0. 163	0. 292	0. 184	0. 247	0. 378	0. 713	0. 227
SME retail	-	-	0. 007	0. 009	0. 033	0. 056	0. 060	0. 016
Sovereign	7. 663	1. 043	1. 181	0. 443	0. 131	1. 162	-	7. 290
Bank	-	10. 646	4. 271	0. 127	4. 662	-	22. 746	10. 262
Exposure - weighted average LGD (%)								
Corporate	-	56. 6	55. 5	48. 4	44. 7	44. 2	48. 7	54. 0
SME corporate	-	58. 1	31. 8	29. 6	28. 4	31. 1	36. 0	30. 3
SME retail	-	-	33. 6	41. 8	29. 6	50. 1	39. 6	38. 6
Sovereign	21. 8	42. 7	44. 4	9. 2	7. 1	5. 0	-	22. 1
Bank	-	61. 3	60. 4	61. 0	61. 3	-	61. 3	61. 3
Exposure - weighted average risk weight (%)								
Corporate	-	29. 2	62. 8	86. 2	143. 5	227. 5	111. 3	60. 6
SME corporate	-	20. 3	33. 2	53. 3	77. 6	148. 9	293. 4	66. 4
SME retail	-	-	17. 7	49. 7	42. 2	101. 7	189. 6	49. 6
Sovereign	6. 4	23. 5	40. 1	21. 1	23. 5	26. 0	-	7. 5
Bank	-	18. 9	49. 7	72. 3	245. 8	-	-	21. 0

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) The credit exposure value of undrawn commitments is included in total credit risk exposures above.

APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band (continued)

	30 June 2012							
	PD Grade							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Non Retail [1]	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposure								
Corporate	-	26,134	36,634	17,741	861	672	623	82,665
SME corporate	-	495	3,977	28,322	2,523	1,073	846	37,236
SME retail	-	-	978	5,235	1,765	224	180	8,382
Sovereign	43,592	1,311	644	1,047	12	3	-	46,609
Bank	-	32,884	2,250	153	-	-	39	35,326
Total	43,592	60,824	44,483	52,498	5,161	1,972	1,688	210,218
Undrawn commitments [2]								
Corporate	-	12,470	15,226	4,326	119	46	31	32,218
SME corporate	-	131	772	4,173	228	44	20	5,368
SME retail	-	-	599	755	298	9	6	1,667
Sovereign	1,293	195	402	1,021	12	3	-	2,926
Bank	-	1,861	374	109	-	-	-	2,344
Total	1,293	14,657	17,373	10,384	657	102	57	44,523
Exposure - weighted average EAD ($M)								
Corporate	-	5. 937	4. 315	0. 802	1. 295	1. 397	2. 857	4. 008
SME corporate	-	0. 211	0. 276	0. 153	0. 208	0. 302	0. 487	0. 182
SME retail	-	-	0. 006	0. 009	0. 033	0. 040	0. 052	0. 016
Sovereign	6. 946	1. 463	1. 118	0. 379	0. 158	2. 634	-	6. 562
Bank	-	11. 005	4. 230	0. 037	-	-	13. 073	10. 528
Exposure - weighted average LGD (%)								
Corporate	-	58. 6	55. 3	46. 9	37. 2	43. 5	47. 0	54. 2
SME corporate	-	58. 8	33. 7	30. 4	29. 3	33. 4	35. 8	31. 2
SME retail	-	-	33. 4	41. 8	29. 0	35. 5	32. 4	37. 8
Sovereign	17. 7	46. 1	45. 4	6. 9	5. 4	5. 0	-	18. 7
Bank	-	61. 3	58. 3	60. 9	-	-	61. 3	61. 1
Exposure - weighted average risk weight (%)								
Corporate	-	30. 9	62. 8	83. 8	123. 0	214. 9	141. 9	59. 7
SME corporate	-	19. 6	34. 6	52. 4	77. 9	159. 2	275. 6	59. 9
SME retail	-	-	17. 6	49. 8	41. 3	78. 2	216. 3	48. 6
Sovereign	5. 0	26. 6	40. 9	18. 1	16. 9	25. 4	-	6. 4
Bank	-	19. 6	45. 8	93. 3	-	-	-	21. 6

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) The credit exposure value of undrawn commitments is included in total credit risk exposures above.

APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band

	30 June 2013							
	PD Grade							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Retail	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Residential mortgage	96,345	133,818	61,890	124,321	6,592	9,523	3,146	**435,635**
Qualifying revolving retail	10,801	3,054	-	4,966	2,947	583	153	**22,504**
Other retail	66	52	179	6,741	1,344	642	112	**9,136**
Total	107,212	136,924	62,069	136,028	10,883	10,748	3,411	**467,275**
Undrawn commitments (1)								
Residential mortgage	44,744	9,764	2,972	8,490	367	56	18	**66,411**
Qualifying revolving retail	8,306	2,171	-	2,040	444	77	3	**13,041**
Other retail	63	43	164	1,737	178	26	2	**2,213**
Total	53,113	11,978	3,136	12,267	989	159	23	**81,665**
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 189	0. 237	0. 195	0. 192	0. 274	0. 226	0. 181	**0. 207**
Qualifying revolving retail	0. 008	0. 007	-	0. 008	0. 009	0. 007	0. 008	**0. 008**
Other retail	0. 004	0. 004	0. 002	0. 009	0. 003	0. 005	0. 004	**0. 008**
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 2	20. 3	21. 0	22. 7	20. 4	20. 4	**20. 4**
Qualifying revolving retail	77. 7	78. 3	-	84. 7	88. 4	88. 1	86. 9	**81. 0**
Other retail	94. 3	92. 6	94. 6	94. 2	98. 6	98. 6	97. 3	**95. 2**
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 4	8. 4	13. 7	24. 7	71. 0	97. 5	0. 2	**15. 3**
Qualifying revolving retail	3. 0	11. 3	-	33. 1	108. 7	199. 6	-	**29. 7**
Other retail	17. 9	47. 9	59. 7	114. 3	149. 7	191. 4	0. 4	**121. 4**

(1) The credit exposure value of undrawn commitments is included in total credit risk exposures above.

APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band (continued)

	31 December 2012							
	PD Grade							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Retail	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Residential mortgage	86,345	129,422	58,943	123,386	8,491	8,875	3,082	418,544
Qualifying revolving retail	10,596	3,012	-	4,927	2,838	567	128	22,068
Other retail	-	373	679	5,403	1,155	499	66	8,175
Total	96,941	132,807	59,622	133,716	12,484	9,941	3,276	448,787
Undrawn commitments (1)								
Residential mortgage	39,600	8,669	2,363	12,643	269	48	8	63,600
Qualifying revolving retail	7,966	2,122	-	2,053	434	80	-	12,655
Other retail	-	345	560	656	69	76	-	1,706
Total	47,566	11,136	2,923	15,352	772	204	8	77,961
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 198	0. 251	0. 246	0. 190	0. 251	0. 226	0. 253	0. 221
Qualifying revolving retail	0. 008	0. 007	-	0. 008	0. 009	0. 007	0. 008	0. 008
Other retail	-	0. 002	0. 005	0. 008	0. 005	0. 002	0. 004	0. 007
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 1	20. 2	20. 9	21. 8	20. 3	20. 4	20. 4
Qualifying revolving retail	78. 0	78. 3	-	84. 5	88. 4	87. 9	86. 6	81. 1
Other retail	-	94. 2	90. 3	97. 0	97. 8	99. 4	98. 2	96. 6
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 2	8. 5	13. 7	22. 8	70. 4	97. 3	0. 1	15. 2
Qualifying revolving retail	3. 1	11. 3	-	32. 9	107. 7	197. 3	-	29. 3
Other retail	-	43. 1	59. 0	104. 6	144. 4	220. 3	1. 8	109. 9

(1) The credit exposure value of undrawn commitments is included in total credit risk exposures above.

APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band (continued)

	30 June 2012							
	PD Grade							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Retail	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Residential mortgage	76,957	111,839	35,519	110,312	7,768	7,959	3,256	353,610
Qualifying revolving retail	10,027	2,949	-	4,812	3,017	603	147	21,555
Other retail	-	245	651	4,954	1,161	511	75	7,597
Total	86,984	115,033	36,170	120,078	11,946	9,073	3,478	382,762
Undrawn commitments (1)								
Residential mortgage	33,592	7,249	1,411	11,618	345	56	8	54,279
Qualifying revolving retail	7,693	2,106	-	1,973	449	78	-	12,299
Other retail	-	231	544	619	66	71	-	1,531
Total	41,285	9,586	1,955	14,210	860	205	8	68,109
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 194	0. 240	0. 211	0. 185	0. 230	0. 229	0. 241	0. 209
Qualifying revolving retail	0. 008	0. 007	-	0. 008	0. 009	0. 007	0. 007	0. 008
Other retail	-	0. 002	0. 005	0. 009	0. 006	0. 002	0. 004	0. 007
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 1	20. 3	20. 7	22. 2	20. 5	20. 5	20. 4
Qualifying revolving retail	77. 4	77. 9	-	84. 6	88. 3	88. 0	86. 3	81. 0
Other retail	-	93. 4	90. 3	96. 9	97. 6	99. 4	98. 3	96. 5
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 2	8. 4	13. 6	22. 8	74. 3	97. 0	-	15. 4
Qualifying revolving retail	3. 0	11. 2	-	33. 1	108. 9	196. 9	-	31. 1
Other retail	-	42. 7	59. 0	104. 5	143. 8	220. 4	0. 5	111. 4

(1) The credit exposure value of undrawn commitments is included in total credit risk exposures above.

Analysis of Losses

The following tables provide a summary of financial losses by IRB portfolio (APS 330 Table 9e) and a comparison of financial losses to regulatory EL estimates (APS 330 Table 9f (i)).

APS 330 Table 9e – Actual losses by portfolio type

	30 June 2013		
	Full year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	**$M**	**$M**	**$M**
Corporate	188	(6)	182
SME corporate	262	(11)	251
SME retail (including SME retail secured by residential mortgages)	36	(6)	30
Specialised lending	490	-	490
Total corporate including SME and specialised lending	976	(23)	953
Sovereign	-	-	-
Bank	22	(4)	18
Residential mortgage (excluding SME retail secured by residential mortgages)	238	(5)	233
Qualifying revolving retail	315	(55)	260
Other retail	262	(51)	211
Total advanced IRB and specialised lending portfolios	1,813	(138)	1,675

	31 December 2012		
	Half year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	**$M**	**$M**	**$M**
Corporate	111	(3)	108
SME corporate	132	(2)	130
SME retail (including SME retail secured by residential mortgages)	23	(3)	20
Specialised lending	301	-	301
Total corporate including SME and specialised lending	567	(8)	559
Sovereign	-	-	-
Bank	8	-	8
Residential mortgage (excluding SME retail secured by residential mortgages)	106	(2)	104
Qualifying revolving retail	160	(27)	133
Other retail	128	(26)	102
Total advanced IRB and specialised lending portfolios	969	(63)	906

	30 June 2012		
	Full year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	**$M**	**$M**	**$M**
Corporate	138	(20)	118
SME corporate	158	(14)	144
SME retail (including SME retail secured by residential mortgages)	57	(16)	41
Specialised lending	262	(3)	259
Total corporate including SME and specialised lending	615	(53)	562
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	104	(5)	99
Qualifying revolving retail	322	(64)	258
Other retail	282	(54)	228
Total advanced IRB and specialised lending portfolios	1,323	(176)	1,147

APS 330 Table 9f (i) – Historical loss analysis by portfolio type

	30 June 2013	
	Full year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	182	958
SME corporate	251	830
SME retail (including SME retail secured by residential mortgages)	30	141
Specialised lending	490	1,298
Total corporate including SME and specialised lending	953	3,227
Sovereign	-	5
Bank	18	174
Residential mortgage (excluding SME retail secured by residential mortgages)	233	1,375
Qualifying revolving retail	260	436
Other retail	211	465
Total advanced IRB and specialised lending portfolios	1,675	5,682

	31 December 2012	
	Half year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	108	900
SME corporate	130	788
SME retail (including SME retail secured by residential mortgages)	20	144
Specialised lending	301	1,420
Total corporate including SME and specialised lending	559	3,252
Sovereign	-	4
Bank	8	175
Residential mortgage (excluding SME retail secured by residential mortgages)	104	1,331
Qualifying revolving retail	133	399
Other retail	102	336
Total advanced IRB and specialised lending portfolios	906	5,497

	30 June 2012 (1)	
	Full year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	118	507
SME corporate	144	395
SME retail (including SME retail secured by residential mortgages)	41	137
Specialised lending	259	790
Total corporate including SME and specialised lending	562	1,829
Sovereign	-	4
Bank	-	52
Residential mortgage (excluding SME retail secured by residential mortgages)	99	1,303
Qualifying revolving retail	258	430
Other retail	228	343
Total advanced IRB and specialised lending portfolios	1,147	3,961

(1) Does not include Bankwest exposures.

Actual outcomes may differ from modelled regulatory estimates for a number of reasons.

Actual losses are historical and are based on the quality of the assets in prior periods, write-offs (whether full or partial) and recent economic conditions. Regulatory EL for AIRB portfolios (calculated as the product of PD, LGD and EAD) is based on the quality of exposures at a point in time using long-run PDs and downturn LGDs as required by APRA. Actual losses would be below the regulatory EL estimate in most years.

Regulatory EL is reported for both defaulted and non-defaulted exposures. For non-defaulted exposures, regulatory EL is a function of long-run PD and downturn LGD. For defaulted exposures, regulatory EL is based on the best estimate of loss which, for the non-retail portfolios, is the individually assessed provision. Regulatory EL measures economic loss including costs (such as internal costs) not included in actual losses.

Accuracy of Risk Estimates

The following tables provide a summary of credit risk estimates used in calculating regulatory capital compared to realised outcomes.

Probability of Default

APS 330 Table 9f (ii) compares estimates of long-run PD to actual default rates averaged over five financial years to 30 June 2013.

Average estimated PD is based on the average of long-run PD's for obligors that are not in default at the beginning of each financial year over the observation period. Actual PD is based on the number of defaulted obligors during the year compared to the non-defaulted obligors measured at the beginning of each financial year.

APS 330 Table 9f (ii) – Accuracy of risk estimates – PD

	As at 30 June 2013	
Portfolio Type	Average estimated PD %	Average actual PD %
Corporate	1. 35	0. 91
SME corporate	2. 26	1. 88
SME retail (including SME retail secured by residential mortgages)	1. 85	0. 92
Specialised lending (1)	n/a	1. 58
Sovereign (2)	0. 54	0. 05
Bank (2)	0. 23	0. 34
Residential mortgage (excluding SME retail secured by residential mortgages)	0. 95	0. 85
Qualifying revolving retail	2. 08	2. 32
Other retail	4. 63	4. 30

(1) Average estimated PD is not relevant for specialised lending under the Supervisory Slotting approach.
(2) Realised PDs based on a low volume of defaults observed.

Loss Given Default and Exposure at Default

APS 330 Table 9f (iii) compares estimates of downturn LGD to actual losses for accounts that defaulted during the observation period.

LGDs for non-retail portfolios are based on accounts that defaulted in 2009 to 2011 financial years. LGDs for retail portfolios are based on accounts that defaulted in 2009 to 2012 financial years. Defaults occurring in the most recent years have been excluded from the analysis to allow sufficient time for workout of impaired assets, booking of losses and more meaningful disclosures.

Average estimated LGD is based on the average of the estimated downturn LGD for defaulted accounts at the beginning of each year. Where workouts have yet to be finalised, the best estimate of loss has been used to approximate actual LGD in non retail portfolios. Such defaults have been excluded from the analysis for retail portfolios.

In assessing the accuracy of the downturn LGD estimate, it should be noted that the period of analysis does not cover a full economic cycle or a significant downturn experience.

The EAD ratio compares estimates of EAD prior to default to realised EAD for obligors that defaulted.

APS 330 Table 9f (iii) – Accuracy of risk estimates – LGD and EAD

Portfolio Type	Average estimated downturn LGD %	Average actual LGD %	Ratio of estimated to actual EAD
Corporate	60.7	45.7	1.1
SME corporate	35.7	24.0	1.1
SME retail (including SME retail secured by residential mortgages)	38.2	27.3	1.3
Specialised lending (1)	n/a	38.4	1.2
Sovereign	n/a	nil	1.8
Bank (2)	65.0	110.2	1.8
Residential mortgage (excluding SME retail secured by residential mortgages) (3)	20.8	7.3	1.0
Qualifying revolving retail	86.2	65.2	1.1
Other retail	94.9	77.8	1.0

(1) Average estimated LGD is not relevant for specialised lending under Supervisory Slotting approach.
(2) Realised LGDs for Banks based on a low volume of defaults observed.
(3) Estimated downturn LGD based on minimum regulatory floor requirements imposed by APRA and RBNZ.

7.5 Credit Risk Mitigation

Collateral

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation. The Chief Credit Officer (or delegate) is responsible for approving acceptable collateral types.

The type, liquidity, carrying and realisation costs on collateral held are key determinant of the LGD percentage that is assigned to a credit risk exposure. Collateral held for any credit facility is valued, recorded and controlled as follows:

Real Estate Collateral

Real estate collateral values can only be used for reducing LGD estimates where the following criteria are met:

- Objective market value of collateral - the collateral must be valued by an independent valuer (or via a valuation approach approved by the Group CRO or delegate), at no more than the current fair value under which the property could be sold via a private contract between a willing seller and an arm's-length buyer on the date of valuation;
- Revaluation - the value of the collateral should be up-to-date, which the Group monitors and when appropriate regularly updates collateral values;
- Insurance - steps are taken to ensure that the commercial property taken as collateral is adequately insured against damage or deterioration;
- Prior claim - other parties may have senior claims to the Group on an asset offered for collateral. For example, council rates and land tax usually benefit from specific legal protection. The impact of such claims needs to be allowed for when assessing security values; and
- Environment - the risk of environmental liability arising in respect of the collateral must be appropriately assessed, monitored and where appropriate, reflected in the valuation of collateral.

All home loans are secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, Lenders Mortgage Insurance (LMI) is taken out for most loans with a Loan to Value Ratio (LVR) higher than 80% at origination to cover 100% of the original principal plus interest.

Non-Real Estate Collateral

Non-real estate collateral values are only extended for LGD purposes where there is a sound process for determining the value of the collateral. Monitoring processes appropriate for the specific exposures (either immediate or contingent) attributable to the collateral are used as a risk mitigant. The main non-real estate collateral types include:

- Cash (usually in the form of a charge over a term deposit) and other liquid assets (e.g. bonds, shares, investment funds);
- Guarantees by company directors supporting commercial lending;
- Fixed or floating charges over a company's assets, including stock debtors and work in progress; and
- A charge over assets being financed (e.g. vehicles, equipment).

Where collateral is highly correlated with the counterparty exposure that it is used to secure (wrong way risk), policy specifies that the exposure is to be treated as unsecured (i.e. no risk reduction can be taken for the collateral held).

Other - Including Credit Default Swaps and Guarantees

The Group mitigates its credit exposure by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Counterparty credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The Group mitigates its counterparty Credit Risk exposure from dealing in Global Markets type products through the use of Credit Support Annexes (CSAs). CSAs require the counterparty (or the Group) to post collateral when mark-to-market positions exceed Threshold and Minimum Transfer Amounts.

Other forms of credit risk mitigation used to either reduce or transfer credit risk include purchasing credit derivatives (e.g. credit default swaps) and/or guarantees from highly rated banks or corporates. To be an eligible mitigant, the credit derivative or guarantee must be contractually binding, have legal certainty and be non-cancellable.

APS 330 Table 10b and 10c (page 48) discloses the Group's coverage of exposure by credit default swaps and guarantees.

Portfolio Management

The Group applies a Board-approved Large Credit Exposure Policy (LCEP). This policy governs the authority of management with regard to the amount of credit provided to any single counterparty, or group of related counterparties, after applying the Aggregation Policy within the risk-rated segment.

The objective of the LCEP is to limit the risk of catastrophic loss to the Group through over-exposure to the failure of a single obligor, or group of related counterparties. The LCEP is reviewed annually. Usage of LCEP limits is determined at both individual counterparty and group of related (aggregated) counterparties levels. Limits are tiered by counterparty type, PD Rating and security cover.

Management reports to the Executive Risk Committee monthly and the Risk Committee at each meeting, on a total credit risk exposure basis:

- All exposures at, or greater than, the LCEP limits – including those resulting from PD deterioration; and
- All exposures ceasing to exceed LCEP limits since the last report.

All relevant borrower specific credit submissions prominently display relative compliance with the LCEP.

Credit risk concentration limits are in place to ensure portfolio diversification and prevent over concentration to industries or countries. Geographic dispersion monitoring within Australia is also conducted for some larger sub-portfolios.

Periodic stress tests of major credit risk concentrations are conducted to identify potential changes in market conditions such as changes in interest rates, droughts, etc. that could adversely impact the credit portfolio's performance. Action is taken where necessary to reduce the volatility of losses.

APS 330 Table 10b and 10c – Credit risk mitigation

	30 June 2013				
	Total exposure [1] $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach [2]					
Corporate	88,539	-	1,098	3	1. 2
SME corporate	47,657	-	-	4	-
SME retail	8,086	-	-	-	-
Sovereign	56,960	-	-	-	-
Bank	42,761	-	356	315	1. 6
Residential mortgage	435,635	-	-	-	-
Qualifying revolving retail	22,504	-	-	-	-
Other retail	9,136	-	-	-	-
Total advanced approach	711,278	-	1,454	322	0. 2
Specialised lending	57,020	-	-	-	-
Standardised approach					
Corporate	3,878	-	-	-	-
SME corporate	542	-	-	-	-
SME retail	5,499	-	-	-	-
Sovereign	530	-	-	-	-
Bank	428	-	-	-	-
Residential mortgage	5,238	-	-	-	-
Other retail	2,297	-	-	-	-
Other assets	9,346	-	-	-	-
Total standardised approach	27,758	-	-	-	-
Total exposures	796,056	-	1,454	322	0. 2

	31 December 2012				
	Total exposure [1] $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach [2]					
Corporate	85,608	-	903	-	1. 1
SME corporate	46,463	-	-	5	-
SME retail	8,518	-	-	-	-
Sovereign	49,412	-	-	-	-
Bank	39,680	-	455	263	1. 8
Residential mortgage	418,544	-	-	-	-
Qualifying revolving retail	22,068	-	-	-	-
Other retail	8,175	-	-	-	-
Total advanced approach	678,468	-	1,358	268	0. 2
Specialised lending	54,667	-	-	-	-
Standardised approach					
Corporate	3,945	2	-	-	-
SME corporate	335	1	-	-	0. 2
SME retail	4,877	11	-	-	0. 2
Sovereign	839	-	-	-	-
Bank	350	-	-	-	-
Residential mortgage	4,863	2	-	-	-
Other retail	2,255	-	-	-	-
Other assets	10,768	-	-	-	-
Total standardised approach	28,232	16	-	-	0. 1
Total exposures	761,367	16	1,358	268	0. 2

(1) Credit derivatives that are treated as part of synthetic securitisation structures are excluded from credit risk mitigation disclosures and included within those relating to securitisation.
(2) Advanced approach: Exposure for derivatives is after netting and financial collateral.

APS 330 Table 10b and 10c – Credit risk mitigation (continued)

	30 June 2012				
	Total exposure [(1)] $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach					
Corporate	82,665	-	601	-	0. 7
SME corporate	37,236	-	-	7	-
SME retail	8,382	-	-	-	-
Sovereign	46,609	-	-	-	-
Bank	35,326	-	264	430	2. 0
Residential mortgage	353,610	-	-	-	-
Qualifying revolving retail	21,555	-	-	-	-
Other retail	7,597	-	-	-	-
Total advanced approach	592,980	-	865	437	0. 2
Specialised lending	41,578	-	-	-	-
Standardised approach					
Corporate	10,359	61	-	-	0. 6
SME corporate	6,441	46	-	-	0. 7
SME retail	5,135	16	-	-	0. 3
Sovereign	2,392	3	-	-	0. 1
Bank	6,481	-	-	-	-
Residential mortgage	57,630	56	-	-	0. 1
Other retail	2,594	1	-	-	-
Other assets	9,597	-	-	-	-
Total standardised approach	100,629	183	-	-	0. 2
Total exposures	735,187	183	865	437	0. 2

(1) Credit derivatives that are treated as part of synthetic securitisation structures are excluded from credit risk mitigation disclosures and included within those relating to securitisation.

7.6 Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value for the Group at the time of default. Unlike exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement of underlying market factors.

Economic capital is allocated to CCR exposures after taking into account the risk-rating and expected exposure of due counterparty, and correlations and diversification impacts across risk types.

Counterparty credit risk is controlled through a variety of credit policies and procedures including, but not limited, to the following:

- Large Credit Exposure Policy;
- Country Risk Policy;
- Aggregation Policy;
- Netting Policy;
- Global Markets Cross-Product Collateralisation Policy; and
- Specific product policies.

Wrong-way risk is a risk associated with CCR. There are two types of wrong-way risk, general and specific. General wrong-way risk arises when the PD of counterparties is positively correlated with general market risk factors. Specific wrong-way risk arises when the exposure to a particular counterparty and the PD of the counterparty providing credit risk mitigation for the exposure are highly correlated.

Specific wrong-way risk is controlled through not recognising any risk reduction from credit risk mitigation provided by highly correlated counterparties. General wrong way risk is monitored through the Group's stress testing activities and is controlled via the Group's policies that manage industry, country and individual counterparty concentrations.

CSAs are used with some large corporates and most bank and non-bank counterparties to collateralise CCR for global markets products. The use of CSAs is governed by the Global Markets Cross Product Collateralisation Policy. CSAs lower the wrong-way risk that arises from market movements by requiring the counterparty (or the Group) to post collateral to cover mark-to-market values that might be owed upon a counterparty default.

Aggregate Threshold and Minimum Transfer amounts (including "zero" for some counterparties), are the amounts by which the counterparty (or the Bank) can be out of the money before they may be obliged to post collateral. In approximately 25% of ISDA Master Agreement and CSAs these amounts vary depending on the counterparty's long term debt rating. In the remaining agreements the amounts are fixed. Generally, the better a counterparty's rating, the higher the Threshold and Minimum Transfer Amount given to that counterparty. A trend to lower Thresholds has been observed since the Global Financial Crisis. This trend will continue in line with regulatory change.

Risk Managers provide sign-off on terms of the CSA prior to the documentation being executed. Upon execution of a CSA with a counterparty, all possible thresholds levels are input into the collateral management system.

Collateral stress testing is used to determine the effect that a rating downgrade would have on the Group's collateral obligation to its counterparties.

As at 30 June 2013, a unilateral one-notch downgrade in the Group's rating would have resulted in a $156 million increase in collateral posted by the Group to other counterparties. A two-notch downgrade would have resulted in a $187 million increase in collateral posted by the Group to other counterparties. Collateral stress tests are also conducted on the Group's counterparties so that it can monitor for likely collateral stresses in the event of a counterparty downgrade.

7.7 Securitisation

Securitisation is defined as a structure where the cash flow from a pool of assets is used to service obligations to at least two different tranches or classes of creditors (typically holders of debt securities), with each class or tranche reflecting a different degree of credit risk (i.e. one class of creditor is entitled to receive payments from the pool before another class of creditors).

Securitisations may be categorised as either:

- Traditional securitisations - where assets are sold to a Special Purpose Vehicle (SPV), which finances the purchase by issuing notes in different tranches with different risk and return profiles. Cash flow arising from those assets is used by the SPV to service its debt obligations; or
- Synthetic transactions - where only the underlying credit risk or part of the credit risk is transferred to a third party without the ownership of assets being transferred as part of the transaction.

Securitisation Activities

The Group is involved in the following types of business activities that give rise to securitisation exposures:

- Group originated securitisations – where the Group sells assets it has originated to an externally rated securitisation, which in turn raises funding principally through external investors. The principal example of this is the Group's Medallion Programme which is primarily involved in the securitisation of Group originated residential mortgage loans, which in turn are predominately used to create financial instruments with good characteristics for the Group to use when securing liquidity from the Reserve Bank of Australia. As the Group bears the majority of residual risks and rewards of the SPVs, they are consolidated;
- Third party securitisations – where assets are originated by parties other than the Group. Such transactions usually have added layers of credit protection, whether it is lenders mortgage insurance, over-collateralisation or other subordinated credit support. The nature of the underlying assets is similar to those that the Group would normally support in a non securitised form including residential and commercial mortgages, vehicle loans and equipment financing;
- The purchase of asset/mortgage backed securities for trading or portfolio investment; and
- The provision of swaps and/or liquidity support facilities to an external SPV where the Group may be the arranger or originator of the respective securities or underlying assets.

Other than derivatives related to hedging securitisation exposures, all securitisation exposures are held on balance sheet.

As at 30 June 2013, the Group had a loan to a series issued by a Group sponsored SPV conduit; Shield Series 50 (Medallion CP). This series holds AAA, prime RMBS issued under the Group's Medallion programme. The underlying assets of Medallion CP are consolidated into the Group's financial statements. The loan arrangement to Medallion CP was approved under the Group's Risk Framework.

Medallion CP assets comprise AAA prime Residential Mortgage-Backed Securities (RMBS) issued under the Group's Medallion program. These RMBS are eligible collateral for repurchase agreements with the RBA which are consolidated as per above.

For contingent liquidity, the Group manages a $75 billion RMBS portfolio which is not intended to be issued publicly. These notes will be held by the Group and, if required, can be used for repurchase agreements with the RBA to generate additional liquidity for the Group.

Strategic Issues

For the Group, securitisation has and will continue to provide a source of liquidity through RBA repurchase transactions and an opportunistic rather than core external funding source. The Group, when undertaking an intermediation role for third-party securitisations, receives fee-based income and collateral business in other banking products.

Regulatory Compliance

APRA's requirements in managing the capital and risks associated with securitisation activities and exposures are set out in APRA prudential standard APS 120 "Securitisation" (APS 120) and prudential practice guide APG 120 "Securitisation". To be compliant with the standard the Group has policies and procedures that include:

- Appropriate risk management systems to identify, measure, monitor and manage the risks arising from the Group's involvement in securitisation;
- Monitoring the effects of securitisation on its risk profile, including credit quality, and how it has aligned with its risk management practices; and
- Measures to ensure that it is not providing implicit support for a securitisation.

The Group's securitisation activities also need to comply with other prudential standards applicable to any traded or balance sheet exposure.

The Bank uses a hierarchy detailed in APS 120 to determine the credit risk rating for regulatory capital purposes. The three approaches the Group uses are the Ratings-Based Approach (RBA) for exposures rated by an External Credit Assessment Institution (ECAI), and the Internal Assessment Approach (IAA) or Supervisory Formula Approach (SFA) for unrated exposures.

IAA Process

The Bank may use the IAA methodology for unrated securitisation exposures where the underlying assets are either residential mortgages (excluding reverse mortgages), equipment assets, trade receivables or auto loans.

IAA Models are developed, audited, reviewed and maintained in accordance with the Bank's Model Policy to ensure appropriate levels of independence, accountability and internal assessment process review.

IAA models must reflect the publically available methodologies of ECAIs that rate securitisations for the relevant underlying asset class. If publically available, the stress factors for determining credit enhancement requirements must be at least as conservative as the rating criteria of those ECAIs. The Bank may use Standard & Poor's, Fitch Ratings or Moody's Investors Service criteria.

The internal ratings developed from the IAA models may be used for regulatory and economic capital, as well as for internal risk measurement and reporting.

Risk Management Framework

Risk Assessment

Where the Group arranges either a Group-originated or third party securitisation transaction, the capital markets issuance will be rated by at least one ECAI based on their respective rating models. The Group uses recognised ECAI including Standard & Poor's, Moody's Investors Service and/or Fitch Ratings for both Group-originated and third-party securitisation transactions.

The Group undertakes credit assessment on all securitisation transactions. In addition to compliance with the securitisation and other prudential standards, credit risk assessment of securitisation exposures is performed in accordance with the Group's policies and procedures.

The risk assessment takes into account a wide range of credit, reputation, origination, concentration and servicing factors related to the underlying portfolio of assets being securitised in addition to the capital structure of the proposed securitisation SPV.

Where a securitisation exposure is held through a warehouse structure prior to terming out via the debt capital markets, the credit rating of the securities in warehouse is also estimated by the Group using the accepted rating methodologies of the ECAI or other models accepted by APRA.

Credit Approval

Credit approval authorities relating to securitisation are restricted to officers with appropriately badged delegations. Risk Management's Institutional and Business Banking - Financial Institutions Group is responsible for approval and limit management and monitoring for all securitisations. Proposed exposures that exceed individual approval authorities are referred to various credit committees of the Group.

Each Group-originated or third-party transaction is led by a Deal Team leader who is responsible for the deal origination and its compliance with Group policies and prudential standards.

Exposure Reporting and Monitoring

All securitisation exposures and limits are recorded on appropriate risk systems and monitored for limit and capital compliance.

Where exposures are held for trading or are Available-for-Sale, the transactions are monitored under the Group's market risk management framework (refer section 8 page 65). This includes a limit framework and monitoring around the size and turnover of such exposures, and a robust independent price validation process conducted on the prices used to value those exposures. All securitisation limits and exposures are reviewed in accordance with the Group's approved risk management framework which in turn is subject to periodic internal (internal audits and reviews) and external review (external audit and APRA). At a minimum, the following reviews are undertaken:

Externally-rated exposures:

- External ratings are reviewed on a weekly basis via a monitor that tracks rating changes; and
- The underlying pool and transaction performance is reviewed monthly via an internally produced report and/ or issuer provided information.

For resecuritisation transactions as defined in APS 120, investor reports as above are also obtained for each of the underlying securitisation exposures in the pool. The Group has an immaterial exposure to resecuritisation transactions and does not actively participate in resecuritisation activity.

Third-party unrated client securitisation exposures:

- The Bank receives frequent and detailed pool performance data from the issuer/trust manager. The pool performance data reports are extracted and reviewed for changes in underlying pool quality;
- Dynamic ECAI-based credit support models are run monthly to determine the required credit support; and
- Formal reviews are conducted at least annually for all third-party client exposures.

Medallion and Swan securitisation program exposures:

- Formal reviews are conducted at least annually for all Medallion and Swan exposures; and
- The Bank receives the monthly Investor reports and underlying pool data.

Exposure Aggregation

Securitisation SPVs are bankruptcy remote entities. Generally, there is no legally enforceable obligation on the asset originator or issuer to provide ongoing credit support to such transactions and they are mostly not aggregated for either Group Large Credit Exposure Policy or APRA prudential standard compliance. Aggregation is assessed on a case by case basis having regard to the proposed structure. The Group will aggregate, where appropriate, the broader banking exposures to the proposed originator and/or issuing entities in making its determinations.

Group-Originated Securitisations

General Principles

Where the Group intends to securitise assets it has originated, it ensures the terms and conditions applicable to the proposed securitisation and any support facilities or dealings are arm's length and market based and compliant with APRA prudential regulations. These transactions are managed by the Group's Treasury.

Where the Group has sold assets to a SPV but retains a servicer role in managing those assets on behalf of the SPV the Group ensures those securitised assets are effectively ring-fenced from the Group's own assets. Where the Group or its subsidiary provides support services such as servicing to the SPV, these need to be subject to arm's length, market based terms and be of an equivalent standard available in the market.

Purchase of Securities issued under Group-Originated Securitisation

Any purchases of either securities issued by an SPV or assets of an SPV must be arm's length in nature and approved under the Group's credit approval process. No pre-existing obligation to purchase public securities or the underlying assets of the SPV exists. The SPVs are consolidated for accounting purposes as the Group bears the majority of residual risks and rewards. For regulatory purposes, the Group achieves capital relief for $4.4 billion of assets issued externally in RMBS with $5.8 billion not achieving relief.

The Group will hold less than 20% (excepting permitted underwritings as per APS 120) of the public securities outstanding issued by an SPV for Group-originated securitisation.

Purchase of Securities issued under Group-Originated continued

The aggregated value of all securities held by the Group under its various public Medallion and Swan Programmes and/or other securitisation SPVs (where the Group was the originating entity)Securitisation will not exceed 10% of the Group's Level 2 capital (excepting permitted security underwritings as per APS 120).

Summary of Accounting Policies

Securitisations may, depending on the individual arrangement, result in: continued recognition of the securitised assets on the balance sheet of the Group; continued recognition of the assets to the extent of the Group's continuing involvement in those assets (as defined within AASB); or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer of assets to the securitisation vehicle.

A securitisation transaction is first assessed for any potential requirement to consolidate the vehicles used. The assessment is made considering the requirements of AASB 127 'Consolidated and Separate Financial Statements' and Urgent Issues Group (UIG) Interpretation 112 'Consolidation – Special Purpose Entities'. Both AASB 127 and UIG 112 require consolidation of entities where, the residual risks and rewards are retained by the Group. Whether a securitisation transaction is treated as a sale or financing depends on whether the derecognition tests of AASB 139 'Financial Instruments: Recognition and Measurement' are met.

For Group's accounting policy on financial asset and financial liabilities derecognition refer to Note 1 of the 2013 Annual Report.

Any retained interests are valued in accordance with the Group's Accounting Policies Note 1, as set out in the 2013 Annual Report. The valuation process of any retained interests in securitisation exposures primarily focuses on quotations from third parties and calibrated valuations from market standard models with key inputs such as spreads to discount rates, default and recovery rates that may be observable or unobservable. This process did not change in 2013.

Synthetic securitisations are assessed in accordance with the same policies as non-synthetic securitisations. Any derivatives are treated in accordance with the requirements of AASB 139.

Assets are valued according to the normal methods appropriate to the asset class. At both 31 December 2012 and 30 June 2013, the Group had no assets considered to be categorised as awaiting securitisation.

The Group recognises all contractual commitments, such as liquidity lines, and applies the accounting policies as set out in the Group's 2013 Annual Report. The Group provides support for securitisation transactions to the extent of those contractual obligations.

APS 330 Table 12g (i) – Banking book exposures securitised – traditional securitisation

	30 June 2013			
Underlying Asset	Bank originated assets - capital relief [(1)] $M	Bank originated assets - non capital relief [(2)] $M	Bank originated assets - internal RMBS [(3)] $M	Third party originated assets [(4)] $M
Residential mortgage	4,378	5,791	70,208	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	76
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	4,378	5,791	70,208	76

	31 December 2012			
Underlying Asset [(5)]	Bank originated assets - capital relief [(1)] $M	Bank originated assets - non capital relief [(2)] $M	Bank originated assets - internal RMBS [(3)] $M	Third party originated assets [(4)] $M
Residential mortgage	4,935	3,883	73,268	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	77
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	4,935	3,883	73,268	77

	30 June 2012			
Underlying Asset [(5)]	Bank originated assets - capital relief [(1)] $M	Bank originated assets - non capital relief [(2)] $M	Bank originated assets - internal RMBS [(3)] $M	Third party originated assets [(4)] $M
Residential mortgage	5,932	3,354	74,014	588
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	79
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	5,932	3,354	74,014	667

(1) Bank originated assets (capital relief) comprise CBA Medallion and Bankwest Swan Trusts subject to capital treatment under APS120.
(2) Bank originated assets (non-capital relief) comprise CBA Medallion and Bankwest Swan Trusts subject to capital treatment under APS113.
(3) Bank originated assets (internal RMBS) comprise CBA Medallion, Bankwest Swan and ASB Medallion Trusts held for contingent liquidity purposes.
(4) Third party originated assets comprise assets managed and sponsored by the Bank.
(5) Comparative information has been restated to conform to presentation in current period.

APS 330 Table 12g (ii) – Banking book exposures securitised – synthetic securitisation

APS 120 provides specific regulatory treatment for synthetic securitisations where credit risk is transferred to a third party; however, legal ownership of the underlying assets remains with the originator.

The Group has not undertaken any synthetic securitisation in the banking book.

APS 330 Table 12g (iii) – Total banking book exposures securitised

APS 330 Table 12g (i) discloses the total banking book exposures securitised by the Group.

APS 330 Table 12h – Past due and impaired banking book exposures by asset type

	30 June 2013			
	Group originated assets securitised			
Underlying Asset	Outstanding exposure $M	Impaired $M	Past due $M	Losses recognised $M
Residential mortgage	80,377	59	365	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	76	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	80,453	59	365	-

	31 December 2012			
	Group originated assets securitised			
Underlying Asset	Outstanding exposure $M	Impaired $M	Past due $M	Losses recognised $M
Residential mortgage (1)	82,086	34	323	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance (1)	77	1	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	82,163	35	323	-

	30 June 2012			
	Group originated assets securitised			
Underlying Asset	Outstanding exposure $M	Impaired $M	Past due $M	Losses recognised $M
Residential mortgage (1)	83,888	42	366	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	79	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	83,967	42	366	-

(1) Comparative information has been restated to conform to presentation in the current period.

APS 330 Table 12i – Banking book exposures intended to be securitised

The group does not have any outstanding banking book exposures that are intended to be securitised at 30 June 2013.

APS 330 Table 12j (i) – Banking book activity for the reporting period

The group securitised $4 billion new exposures in the banking book during the full year ending 30 June 2013.

	Full year ended 30 June 2013	
Underlying Asset Type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgages	3,954	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	108	-
Other	-	-
Total	4,062	-

	Half year ended 31 December 2012	
Underlying Asset Type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	1,025	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	1,025	-

	Full year ended 30 June 2012	
Underlying Asset Type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	34,299	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	34,299	-

APS 330 Table 12k – Banking book exposures retained or purchased

	30 June 2013		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	-	142	142
Warehouse facilities	2,540	1,559	4,099
Derivative facilities	166	-	166
Holdings of securities	4,695	-	4,695
Other	-	-	-
Total securitisation exposures in the banking book	7,401	1,701	9,102

	31 December 2012		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	-	108	108
Warehouse facilities	2,621	1,307	3,928
Derivative facilities	174	-	174
Holdings of securities	4,490	-	4,490
Other	-	-	-
Total securitisation exposures in the banking book	7,285	1,415	8,700

	30 June 2012		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	20	321	341
Warehouse facilities	3,202	1,494	4,696
Derivative facilities	151	6	157
Holdings of securities	4,558	-	4,558
Other	-	16	16
Total securitisation exposures in the banking book	7,931	1,837	9,768

APS 330 Table 12I (i) – Banking book exposure by risk weighting

Total securitisation exposures in the banking book decreased by $601 million or 6.2 % during the full year ending 30 June 2013. The corresponding RWA increased by $2,576 million or 93.3%. This was mainly due to changes in the new APS120 standard which require lower-rated securitisation exposures and exposures which do not meet due diligence requirements that were previously being subject to capital deduction are now being risk weighted at 1250%.

	30 June 2013					
	Exposures		Total	Risk Weighted Assets		Total Risk
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	Weighted Assets
Risk Weight Band	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
≤ 25%	7,841	3	**7,844**	729	1	**730**
> 25% ≤ 35%	640	-	**640**	224	-	**224**
> 35% ≤ 50%	-	-	**-**	-	-	**-**
> 50% ≤ 75%	250	-	**250**	162	-	**162**
> 75% ≤ 100%	-	-	**-**	-	-	**-**
> 100% ≤ 650%	6	-	**6**	37	-	**37**
> 650% ≤ 1250%	337	26	**363**	3,859	325	**4,184**
Total	9,074	29	**9,103**	5,011	326	**5,337**

	31 December 2012					
	Exposures		Total	Risk Weighted Assets		Total Risk
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	Weighted Assets
Risk Weight Band	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
≤ 25%	8,059	5	**8,064**	824	1	**825**
> 25% ≤ 35%	33	-	**33**	11	-	**11**
> 35% ≤ 50%	-	-	**-**	-	-	**-**
> 50% ≤ 75%	250	-	**250**	138	-	**138**
> 75% ≤ 100%	-	-	**-**	-	-	**-**
> 100% ≤ 650%	21	-	**21**	90	-	**90**
> 650% ≤ 1250%	-	-	**-**	-	-	**-**
Total	8,363	5	**8,368**	1,063	1	**1,064**

	30 June 2012					
	Exposures		Total	Risk Weighted Assets		Total Risk
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	Weighted Assets
Risk Weight Band	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
≤ 25%	8,753	207	**8,960**	790	41	**831**
> 25% ≤ 35%	63	-	**63**	22	-	**22**
> 35% ≤ 50%	-	-	**-**	-	-	**-**
> 50% ≤ 75%	250	-	**250**	138	-	**138**
> 75% ≤ 100%	31	-	**31**	31	-	**31**
> 100% ≤ 650%	400	-	**400**	1,739	-	**1,739**
> 650% ≤ 1250%	-	-	**-**	-	-	**-**
Total	9,497	207	**9,704**	2,720	41	**2,761**

APS 330 Table 12I (ii) – Banking book exposure deducted entirely from capital

The capital deduction in June 2012 reflected the exposures of $42 million that did not meet due diligence requirements and lower rated exposures of $22 million. With the new APS120 effective from January 2013, the capital deduction in June 2013 reflects the third party subordinated tranches exposure of $29 million.

	30 June 2013
Underlying Asset Type	Common Equity Tier One Capital [(1)] $M
Residential mortgage	29
Credit cards and other personal loans	-
Auto and equipment finance	-
Commercial loans	-
Other	-
Total	29

	31 December 2012		
Underlying Asset Type	Deductions from Tier One Capital $M	Deductions from Tier Two Capital $M	Total $M
Residential mortgage	156	156	312
Credit cards and other personal loans	-	-	-
Auto and equipment finance	8	8	16
Commercial loans	2	2	4
Other	-	-	-
Total	166	166	332

	30 June 2012		
Underlying Asset Type	Deductions from Tier One Capital $M	Deductions from Tier Two Capital $M	Total $M
Residential mortgage	26	26	52
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Commercial loans	6	6	12
Other	-	-	-
Total	32	32	64

(1) Capital deductions exposure is calculated according to the revised APS 120 standard effective 1 January 2013.

APS 330 Table 12m – Banking book exposures subject to early amortisation

The Group has not undertaken any securitisation subject to early amortisation treatment.

APS 330 Table 12n – Banking book resecuritisation exposures

As at 30 June 2013, banking book resecuritisation exposures without credit risk mitigation total $29 million (31 December 2012: $31 million, 30 June 2012: $249 million).

The Group did not have any resecuritisation exposures subject to credit risk mitigation.

The Group did not have any exposure to third party guarantors providing guarantees for securitised assets.

APS 330 Table 12o (i) – Trading book exposures securitised – traditional securitisation

The Group has no traditional securitisation exposures in the trading book.

APS 330 Table 12o (ii) – Trading book exposures securitised – synthetic securitisation

The Group has not undertaken any synthetic securitisation in the trading book.

APS 330 Table 12o (iii) – Total trading book exposures securitised

The Group has not securitised any exposures in the trading book.

APS 330 Table 12p – Trading book exposures intended to be securitised

The Group does not have any outstanding trading book exposures that are intended to be securitised at 30 June 2013.

APS 330 Table 12q – Trading book activity for the reporting period

No residential mortgages were securitised in the trading book during the year to 30 June 2013 (30 June 2012: $103 million).

APS 330 Table 12r – Trading book exposures subject to APS 116

The aggregate amount of exposures securitised by the Group and subject to Prudential Standard APS 116 "Capital Adequacy: Market Risk" was $452 million as at 30 June 2013 (31 December 2012: $781 million, 30 June 2012: $965 million). This consists of:

- Securities held in the trading Book subject to the Standard Method of $43 million (31 December 2012: $35 million, 30 June 2012: $26 million); and
- Derivatives held in the trading Book subject to the Internal Models Approach (IMA) of $409 million (31 December 2012: $746 million, 30 June 2012 $939 million).

APS 330 Table 12s – Trading book exposures retained or purchased subject to APS 120

	30 June 2013		
	On Balance Sheet	Off Balance Sheet	Total Exposures
Securitisation facility type	$M	$M	$M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	409	-	409
Holdings of securities	43	-	43
Other	-	-	-
Total securitisation exposures in the trading book	452	-	452

	31 December 2012		
	On Balance Sheet	Off Balance Sheet	Total Exposures
Securitisation facility type	$M	$M	$M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	746	-	746
Holdings of securities	35	-	35
Other	-	-	-
Total securitisation exposures in the trading book	781	-	781

	30 June 2012		
	On Balance Sheet	Off Balance Sheet	Total Exposures
Securitisation facility type	$M	$M	$M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	939	-	939
Holdings of securities	26	-	26
Other	-	-	-
Total securitisation exposures in the trading book	965	-	965

APS 330 Table 12t (i) – Trading book exposures retained/purchased subject to IMA

The Group has $409 million of derivatives exposures held in the trading book subject to IMA (default risk) under APS 116 as at 30 June 2013 (31 December 2012: $746 million, 30 June 2012: $939 million).

APS 330 Table 12t (ii) – Trading book exposures subject to APS 120 by risk weighting

Total securitisation exposures in the trading book decreased by $501 million during the full year ending 30 June 2013 reflecting runoff of derivatives exposures.

	30 June 2013			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total Exposures $M
≤ 25%	4	39	409	**452**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	-	-	-	**-**
> 650% ≤ 1250%	-	-	-	**-**
Total	4	39	409	**452**

	31 December 2012			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total Exposures $M
≤ 25%	4	31	746	**781**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	-	-	-	**-**
> 650% ≤ 1250%	-	-	-	**-**
Total	4	31	746	**781**

	30 June 2012			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total Exposures $M
≤ 25%	5	14	933	**952**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	1	-	-	**1**
> 650% ≤ 1250%	-	-	-	**-**
Total	6	14	933	**953**

APS 330 Table 12u (i) – RWA of trading book exposures retained/purchased subject to IMA

The Group has $218 million of RWA held in the trading book subject to IMA (default risk) under APS 116 as at 30 June 2013 (31 December 2012: $237 million, 30 June 2012: $261 million).

APS 330 Table 12u (ii) – Capital requirements (RWA) of trading book exposures subject to APS 120 by risk weighting

Total RWA for securitisation exposures in the trading book decreased by $34 million during the full year ended 30 June 2013 reflecting runoff of derivative exposures.

30 June 2013

Risk Weight Band	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M
≤ 25%	1	-	1	4	29	-	-	-	**31**	**4**
> 25% ≤ 35%	-	-	-	-	-	-	-	-	**-**	**-**
> 35% ≤ 50%	-	-	-	-	-	-	-	-	**-**	**-**
> 50% ≤ 75%	-	-	-	-	-	-	-	-	**-**	**-**
> 75% ≤ 100%	-	-	-	-	-	-	-	-	**-**	**-**
> 100% ≤ 650%	-	-	-	-	-	-	-	-	**-**	**-**
> 650% ≤ 1250%	3	-	-	-	-	-	-	-	**3**	**-**
Total	4	-	1	4	29	-	-	-	**34**	**4**

31 December 2012

Risk Weight Band	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M
≤ 25%	1	-	2	-	52	-	-	-	**55**	**-**
> 25% ≤ 35%	-	-	-	-	-	-	-	-	**-**	**-**
> 35% ≤ 50%	-	-	-	-	-	-	-	-	**-**	**-**
> 50% ≤ 75%	-	-	-	-	-	-	-	-	**-**	**-**
> 75% ≤ 100%	-	-	-	-	-	-	-	-	**-**	**-**
> 100% ≤ 650%	-	-	-	-	-	-	-	-	**-**	**-**
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	**-**	**-**
Total	1	-	2	-	52	-	-	-	**55**	**-**

30 June 2012

Risk Weight Band	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M	Securitisation $M	Resecuritisation $M
≤ 25%	1	-	1	-	65	-	-	-	**67**	**-**
> 25% ≤ 35%	-	-	-	-	-	-	-	-	**-**	**-**
> 35% ≤ 50%	-	-	-	-	-	-	-	-	**-**	**-**
> 50% ≤ 75%	-	-	-	-	-	-	-	-	**-**	**-**
> 75% ≤ 100%	-	-	-	-	-	-	-	-	**-**	**-**
> 100% ≤ 650%	4	-	-	-	-	-	-	-	**4**	**-**
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	**-**	**-**
Total	5	-	1	-	65	-	-	-	**71**	**-**

APS 330 Table 12u (iii) – Trading book exposures entirely deducted from capital

The Group has no trading book exposures that are deducted entirely from Common Equity Tier One capital as at 30 June 2013 (31 December 2012: $0.2 million; 30 June 2012: $6 million).

The Group does not have any trading book exposures that are credit enhancements deducted from total capital or any other exposures deducted from total capital.

APS 330 Table 12v – Trading book exposures subject to early amortisation

The Group has not undertaken any securitisation subject to early amortisation treatment.

APS 330 Table 12w – Trading book resecuritisation exposures

The trading book resecuritisation exposures without credit risk mitigation as at 30 June 2013 is $18 million (31 December 2012: $nil, 30 June 2012: $11 million).

The Group did not have any resecuritisation exposures subject to credit risk mitigation.

The Group did not have any third party guarantors providing guarantees for securitised assets.

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

The Group disclosed the summary of the current period's securitisation activity including the total amount of exposures securitised and recognised gain or loss on sale by exposure type in APS 330 Table 12j (banking book) and APS 330 Table 12q (trading book).

The total exposures (residential mortgages and other) securitised in the full year to 30 June 2013 was $4,062 million (30 June 2012: $34,402 million). The total exposures (residential mortgages and other) securitised in the half year to 31 December 2012 was $1,025 million.

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

	As at 30 June 2013		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	-	142	142
Warehouse facilities	2,540	1,559	4,099
Derivative facilities	575	-	575
Holdings of securities	4,738	-	4,738
Other	-	-	-
Total securitisation exposures	7,853	1,701	9,554

	As at 31 December 2012		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	-	108	108
Warehouse facilities	2,621	1,307	3,928
Derivative facilities	920	-	920
Holdings of securities	4,525	-	4,525
Other	-	-	-
Total securitisation exposures	8,066	1,415	9,481

	As at 30 June 2012		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	20	321	341
Warehouse facilities	3,202	1,494	4,696
Derivative facilities	1,090	6	1,096
Holdings of securities	4,584	-	4,584
Other	-	16	16
Total securitisation exposures	8,896	1,837	10,733

8 Equity Risk

Equity risk is the potential loss arising from price volatility in equity investments.

The Group holds equity investments in the banking book for both capital gain and strategic reasons. Equity investments acquired for strategic reasons require approval from the relevant Finance and Risk management functions, including governance by the Risk Committee and monitoring by an independent Market Risk Management function. The method of measurement applied to banking book securities is determined by the Group's accounting policies. This varies depending on the significance of the holding between equity accounting and measurement at fair value.

Significant holdings (generally interests above 20%) are treated as associates under the equity accounting method. This treatment recognises investments at cost plus the Group's share of post-acquisition profit or loss and other reserves.

Other holdings are recognised at fair value. When an active market exists, fair value is determined using quoted market prices. When a quoted price in an active market is not available, fair value is determined using a market accepted valuation technique.

Changes in the value of equity investments in the banking book are recognised in profit and loss, or an equity reserve (Available-for-Sale Investments reserve) based on their accounting classification as discussed above.

Under the application of Basel III APRA requires that these equity investments be deducted 100% from CET1. Under Basel II such items were either deducted from capital (50% Tier One and 50% Tier Two) or risk weighted, dependent on the amount involved and the nature of the underlying investment.

The Group has no equity investments that are subject to any supervisory transition or grandfathering provisions regarding capital requirements.

APS 330 Table 16b to 16f – Equity investment exposures

	30 June 2013	
Equity Investments	**Balance sheet value $M**	**Fair value [2] $M**
Value of listed (publicly traded) equities	1,047	1,070
Value of unlisted (privately held) equities	1,642	1,642
Total [1]	2,689	2,712

(1) Equity holdings comprise; $2,080 million Investments in Associates, $3 million Assets Held for Sale and $606 million Available-for-Sale Securities.
(2) Fair value represents the quoted price of listed securities. The difference between balance sheet value and fair value is due to some of the Group's listed securities being equity accounted as required under the accounting standards.

	31 December 2012	
Equity Investments	**Balance sheet value $M**	**Fair value [2] $M**
Value of listed (publicly traded) equities	905	901
Value of unlisted (privately held) equities	1,396	1,396
Total [1]	2,301	2,297

(1) Equity holdings comprise; $1,834 million Investments in Associates, $12 million Assets Held for Sale and $455 million Available-for-Sale Securities.
(2) Fair value represents the quoted price of listed securities. The difference between balance sheet value and fair value is due to some of the Group's listed securities being equity accounted as required under the accounting standards.

	30 June 2012	
Equity Investments	**Balance sheet value $M**	**Fair value [2] $M**
Value of listed (publicly traded) equities	889	890
Value of unlisted (privately held) equities	1,319	1,319
Total [1]	2,208	2,209

(1) Equity holdings comprise; $1,761 million Investments in Associates, $12 million Assets Held for Sale and $435 million Available-for-Sale Securities.
(2) Fair value represents the quoted price of listed securities. The difference between balance sheet value and fair value is due to some of the Group's listed securities being equity accounted as required under the accounting standards.

	Half year ended		
Gain/(Losses) on Equity Investments	**30 Jun 13 $M**	**31 Dec 12 $M**	**30 Jun 12 $M**
Cumulative realised gains in reporting period	-	23	49
Total unrealised gains	**192**	116	29
Total unrealised gains included in Tier One/Tier Two Capital (APRA Basel II only)	-	27	9

9 Market Risk

Market risk is the potential of an adverse impact on the Group's earnings or capital from changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, and the resale value of assets underlying operating leases at maturity (lease residual value risk).

The Group makes a distinction between Traded and Non-traded market risk for the purposes of risk management, measurement and reporting. Traded market risk principally arises from the Group's trading book activities within the Institutional Banking and Markets business and its subsidiary financial institutions.

Non-traded market risk includes interest rate risk that arises from banking book activities, non-traded equity risk, market risk arising from the insurance business, structural foreign exchange risk and lease residual value risk.

Market Risk Management Governance Overview

The Group's appetite for market risk is determined by the Risk Committee and is expressed via its Risk Appetite Statement and its framework of limits and policies. The limits are designed to manage the volatility in earnings and value due to market risk. The policies establish a sound operating environment for market risk, which is consistent with the governance and control standards of the Group and also conform to prudential regulatory requirements.

The market risk profile of the Group is overseen by the Risk Committee and the senior executive management of the Group via the Group's Asset and Liability Committee (ALCO). The central Market Risk Management (MRM) and Portfolio Analysis and Risk Management (PARM) units provide support to the Risk Committee and ALCO in the performance of their market risk management accountabilities.

Market risk may only be generated by authorised business areas across the Group. The key functional areas that must be established to support market risk activity comprise:

- An approved Trading, Treasury or Origination function;
- An independent Market Risk Oversight area; and
- A Senior Management Oversight Committee.

The table below details the major market risk types and identifies who performs these key activities for each.

The Market Risk Oversight areas support the implementation of the Board approved policies through the establishment of Market Risk Standards and other documents that define the operational requirements for managing market risk, including details of sub-limits, stress testing, key controls, delegations, reporting and escalation requirements. The Market Risk Oversight areas are responsible for the daily monitoring and analysis of risk positions against the limits and the profit and loss performance of the Trading, Treasury or Origination areas for which they have responsibility, including providing independent valuations of equity holdings across the Group and lease residual valuations. The Senior Management Oversight Committees review market risk performance against risk and return expectations on a monthly basis. The Risk Committee meets at least quarterly to address the operation of the market risk management framework together with any issues that may arise.

Internal Market Risk Measurement

The Group uses Value at Risk (VaR) as one of the measures of Traded and Non-traded market risk. VaR measures potential loss using historically observed market volatility and correlation between different markets. The VaR measured for Traded market risk uses two years of daily movement in market rates. The VaR measure for Non-traded Banking Book market risk uses six years of daily movement in market rates.

VaR is modelled at a 97.5% confidence level over a 1-day holding period for trading book positions. A 20-day holding period is used for interest rate risk in the banking book (IRRBB), insurance business market risk and Non-traded equity risk.

Stressed VaR is calculated for Traded market risk using the same methodology as the regular Traded market risk VaR except that the historical data is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis (GFC).

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 97.5%. Management then uses these results in decisions to manage the economic impact of market risk positions.

The stress events considered for market risk are extreme but plausible market movements, and have been back-tested against moves seen during 2008 and 2009 at the height of the GFC. The results are reported to the Risk Committee and the Group's ALCO on a regular basis. Stress tests also include a range of forward looking macro scenario stresses.

Risk Type	Owned By	Oversight By	Group Oversight	Senior Management Oversight Committees	Board Oversight
Traded Market Risk	CBA Domestic & Offshore: • Institutional Banking & Markets • Group Treasury Liquidity Operations • International Financial Services (IFS)	• Market Risk Management • Portfolio Analysis & Risk Management • IFS Risk Management and in-country risk teams	Global monitoring by Market Risk Management and Portfolio Analysis & Risk Management	• Market Risk Forum • CBA ALCO • ASB Market Risk Committee • ASB ALCO • PTBC ALCO	CBA Board Risk Committee and Subsidiary Boards or their Committees
	International & Domestic Banking Subsidiaries: • ASB Institutional Banking & Markets (New Zealand) • PT Bank Commonwealth (PTBC) Treasury (Indonesia)	• ASB Market Risk • PTBC Risk Management (Indonesia) & IFS Risk Management (Sydney)			
Interest Rate Risk in the Banking Book	CBA Domestic & Offshore: • Group Treasury	Portfolio Analysis & Risk Management		• Market Risk Forum • CBA ALCO • ASB Market Risk Committee • ASB ALCO • PTBC ALCO	
	International & Domestic Banking Subsidiaries: • ASB Treasury (New Zealand) • PTBC Treasury (Indonesia)	• ASB Market Risk • Portfolio Analysis & Risk Management • PTBC Risk Management & IFS Risk Management			
Non-Traded Market Risk in Insurance Business	Wealth Management: • The Colonial Mutual Life Assurance Society Limited (CMLA) • Commonwealth Insurance Limited	• Wealth Risk Management		• CommInsure ALCO • CBA ALCO	
Non-Traded Equity Risk	CBA Domestic & Offshore: • Wealth Management: Colonial First State Global Asset Management (CFSGAM) & Colonial First State Investments (CFSI) • Institutional Banking & Markets	• Wealth Risk Management • Market Risk Management		• CFSGAM and CFS Risk Committees • CBA ALCO	
Lease Residual Value Risk	CBA Domestic & Offshore: • Institutional Banking & Markets	• Market Risk Management		Residual Value Risk Committee	
Seed Funding Risk	Globally by: • Wealth Management CFSGAM and CFSI	• Wealth Risk Management		• CFSGAM and CFS Seed Trust Risk Committees • CBA ALCO	

9.1 Traded Market Risk

The Group trades and distributes financial market products and provides risk management solutions to customers on a global basis.

The objectives of the Group's financial markets activities are to:

- Provide risk management and capital market products and services to customers;
- Efficiently assist in managing the Group's own market risks; and
- Conduct profitable market making within a controlled framework to assist in the provision of products and services to customers.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

The Group is a participant in all major markets across foreign exchange, interest rate, debt, equity and commodity products as required to provide treasury, capital markets and risk management services to institutional, corporate, middle market and retail customers.

Income is earned from spreads achieved through market making and from warehousing market risk. Trading positions are valued at fair value and taken to profit and loss on a mark-to-market basis. Market liquidity risk is controlled by concentrating trading activity in highly liquid markets.

The Group measures and manages Traded market risk through a combination of VaR and stress-test limits, together with other key controls including permitted instruments, sensitivity limits and term restrictions. Thus Traded market risk is managed under a clearly defined risk appetite within the Group Market Risk Policy and limit structure approved by the Risk Committee. Risk is monitored by the independent Market Risk Oversight function.

Credit Valuation Adjustment (CVA) is comparable to Traded market risk and is managed using a VaR and stress-testing framework. The Risk Committee and the Group's ALCO regularly monitor CVA exposures. Daily oversight is managed by the independent Market Risk Oversight function. The Basel III framework has required a CVA regulatory capital charge since 1 January 2013.

Capital Calculation Methods

The Group is accredited by APRA as an Internal Model user for regulatory capital calculation for Group trading book activity.

Consequently, general market risk regulatory capital is calculated for foreign exchange, interest rates, equity, commodity and credit spread risk using this model.

In accordance with the Standard Method, a specific risk charge is calculated for debt specific and equity position risk. There are also a small number of products in the trading book for which regulatory capital is determined using the Standard Method. The Group applies the contingent loss and simplified approaches against these products for capital calculations. An approved pricing model exists for these products in the Group's official product valuation and trading systems; however the model is yet to be implemented and approved within the Internal Model risk engine. These products are therefore managed in a distinct portfolio with regulatory capital calculated as an add-on to that from the Internal Model. Electricity trading, inflation linked products and a small number of path dependent rates related products are managed in this manner.

The breakdown of RWA for Traded market risk by modelling method is summarised below and the capital requirement for Traded market risk under the Standard Method is disclosed in APS 330 Table 13b (page 68).

The breakdown of Traded market risk RWA by modelling method is summarised below:

Traded Market Risk RWA by Modelling Approach	30 Jun 13 $M	31 Dec 12 $M	30 Jun 12 $M
Internal Model Approach	**3,208**	2,431	2,565
Standard Method	**1,943**	2,086	2,277
Total Traded Market Risk RWA	**5,151**	4,517	4,842

APS 330 Table 13b – Traded Market Risk under the Standard Method

Exposure Type	30 Jun 13 $M	31 Dec 12 $M	30 Jun 12 $M
Interest Rate risk	**125. 9**	133. 2	160. 9
Equity risk	**23. 9**	24. 4	14. 0
Foreign Exchange risk	**5. 6**	8. 9	2. 7
Commodity risk	**-**	0. 4	4. 6
Total	**155.4**	166. 9	182. 2
Risk Weighted Asset equivalent (1)	**1,943**	2,086	2,277

(1) Risk Weighted Asset equivalent is the capital requirements multiplied by 12.5 in accordance with APRA Prudential Standard APS 110.

Internal Models in the Traded Market Risk Portfolios

Each individual pricing model within the Internal Model Approach has been independently validated in accordance with the Group Model Policy. The Internal Model, as a whole, is subject to back-testing against hypothetical and actual profit and loss.

APS 330 Table 14d – Value at Risk and Stressed Value at Risk for trading portfolios under the Internal Model Approach

	Aggregate Value at Risk Over the Reporting Period			
Average VaR (1)	Mean value $M	Maximum value $M	Minimum value $M	As at balance date $M
Over the 6 months to 30 June 2013	34	44	26	42
Over the 6 months to 31 December 2012	25	35	20	28
Over the 6 months to 30 June 2012	31	37	26	28

	Aggregate SVaR Over the Reporting Period			
Stressed VaR (1)	Mean value $M	Maximum value $M	Minimum value $M	As at balance date $M
Over the 6 months to 30 June 2013	43	100	22	62
Over the 6 months to 31 December 2012	40	57	27	35
Over the 6 months to 30 June 2012	40	59	29	38

Summary Table of the Number of Back-Testing Outliers (2)	
Over the 6 months to 30 June 2013	1
Over the 6 months to 31 December 2012	1
Over the 6 months to 30 June 2012	-

(1) 10 day, 99% confidence interval over the reporting period.
(2) 1 day, 99% confidence interval over the reporting period.

Internal Model Approach – VaR Outliers

There was one outlier during the 6 months to 30 June 2013, when the hypothetical loss exceeded VaR at 99% confidence for the corresponding day, and this was the result of volatile interest and foreign exchange rates.

	Over the Reporting Period 1 January 2013 to 30 June 2013	
	Hypothetical loss	**VaR 99%**
Date	**$M**	**$M**
21 June 2013	(8.1)	(7.9)

	Over the Reporting Period 1 July 2012 to 31 December 2012	
	Hypothetical loss	**VaR 99%**
Date	**$M**	**$M**
24 October 2012	(7.0)	(6.0)

	Over the Reporting Period 1 January 2012 to 30 June 2012	
	Hypothetical loss	**VaR 99%**
Date	**$M**	**$M**
-	-	-

9.2 Non-Traded Market Risk

Non-traded market risk activities are governed by the Group market risk framework approved by the Risk Committee. The Group market risk framework governs all the activities performed in relation to Non-traded market risk.

Interest Rate Risk in the Banking Book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. The maturity transformation activities of the Group create mismatches in the repricing terms of asset and liability positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements.

The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long term.

The Group measures and manages the impact of interest rate risk in two ways:

(i) Next 12 Months' Earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis which applies an instantaneous 100 basis point parallel shock (increase) in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change to the balance sheet product mix, growth, funding and pricing strategies is incorporated.

Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied. Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Bank and repricing behaviours of customers. In addition to considering how the products have repriced in the past, the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analyses.

The figures in APS 330 Table 17b (page 70) represent expected unfavourable net change in the price of assets and liabilities, held for purposes other than trading, based on a 200 basis point parallel rate shock (increase).

(ii) Economic Value

Interest rate risk from the economic value perspective is based on a 20-day, 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology.

A 20-day 97.5% VaR measure is used to capture the net economic value impact over the long term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation.

Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation.

Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

Determining Interest Rate Risk in the Banking Book

APRA requires Australian banks accredited for the Advanced Approach under the Basel III framework to incorporate regulatory capital for IRRBB in their assessment of total capital. The capital requirement associated with interest rate risk in the banking book item is measured by the Group's internal measurement model which incorporates the following risk calculations:

- Repricing and yield curve risks, which arise from repricing mismatches between assets and liabilities, are jointly determined from the distribution of changes in the economic value of the banking book as a consequence of interest rate changes (overall level of the yield curve and the shape of the yield curve). An historical simulation VaR approach is used, with IRRBB regulatory capital determined with respect to a one year holding period and a 99% level of confidence. Interest rate scenarios are constructed over a historical observation period of six years.
- Basis risk is measured as the risk of loss in earnings of the banking book arising from differences between the actual and expected interest margins on banking book items. The IRRBB regulatory capital requirement for basis risk is measured under a dynamic simulation approach, as the change in net interest income over a twelve month forecast period in response to an adverse change to implied forward cash rates.
- Optionality risk is measured as the risk of loss in economic value owing to the existence of stand-alone or embedded options in the banking book, to the extent that such potential losses are not included in the measurement of repricing, yield curve or basis risks. Optionality risk arising from a departure from assumed prepayment behaviour is calculated from a stressed prepayment rate scenario by the VaR model. Optionality risk arising from the use of replicating portfolios for indeterminate maturity or discretionary rate items is measured by the VaR model under an applied mismatch between the underlying product balances and the unhedged term asset positions.
- The embedded loss or gain in banking book items not accounted for on a mark-to-market basis is measured and included in the regulatory capital for IRRBB. The embedded loss or gain measures the difference between the book value and economic value of banking book activities, based on transfer-priced assets and liabilities.

These interest rate risk calculations are summed (subject to the capital requirement not being less than zero in total) and multiplied by 12.5 to derive Regulatory RWA for IRRBB in accordance with APS Prudential Standard APS110.

Stress Testing of Interest Rate Risk in the Banking Book

Stress testing of IRRBB measures the impact of extreme but plausible market movements on both an earnings and an economic value basis. The results are reported to the Risk Committee and the Group ALCO on a regular basis.

The Stress Testing figures in APS 330 Table 17b (below) represent expected net change in the economic value of assets and liabilities, held for purposes other than trading, based on a 200 basis point parallel rate shock (increase). In addition APS 330 Table 17b includes the Regulatory RWA for IRRBB.

APS 330 Table 17b – Interest Rate Risk in the Banking Book

	Change in Economic Value		
Stress Testing: Interest Rate Shock Applied	**30 Jun 13 $M**	**31 Dec 12 $M**	**30 Jun 12 $M**
AUD			
200 basis point parallel increase	**(885)**	(720)	(506)
200 basis point parallel decrease	**960**	799	566
NZD			
200 basis point parallel increase	**(116)**	(147)	(118)
200 basis point parallel decrease	**125**	158	127
Other			
200 basis point parallel increase	**(23)**	(14)	(14)
200 basis point parallel decrease	**23**	14	14

Regulatory RWA	**30 Jun 13 $M**	**31 Dec 12 $M**	**30 Jun 12 $M**
Interest rate risk in the banking book	**16,289**	10,996	9,765

Structural Foreign Exchange Risk

Structural Foreign Exchange Risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance subsidiaries. This risk is managed in accordance with the following Risk Committee approved principles:

- Permanently deployed capital in a foreign jurisdiction is not hedged; and
- Earnings from the Group's New Zealand banking and insurance subsidiaries, forecast over a one year horizon, are hedged.

The management of structural foreign exchange risk is regularly reported to the Group's ALCO.

Non-Traded Equity Risk

The Group retains Non-traded equity risk through business activities in divisions including Institutional Banking and Markets, and Wealth Management. This activity is subject to governance arrangements approved by Risk Committee, and is monitored within the Risk Management function.

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value. The 30 June 2013 VaR measure is $112 million (30 June 2012: $94 million) (refer also to section 8 "Equity Risk", page 65).

Market Risk in Insurance Businesses

Modest in the broader Group context, a significant component of Non-traded market risk activities result from the holding of assets related to the Life Insurance businesses.

There are two main sources of market risk in these businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

A second order market risk also arises for the Group from assets held for investment linked policies. On this type of contract, the policyholder takes the risk of falls in the market value of the assets. However, falls in market value also impact assets under management and reduce the fee income collected for this class of business.

Guarantees (to Policyholders)

All financial assets within the Life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by the monthly monitoring and rebalancing of assets to contract liabilities.

However, for some contracts the ability to match asset characteristics with policy obligations is constrained by a number of factors including regulatory requirements or the lack of investments that substantially align cash flows with the cash payments to be made to policyholders.

Shareholders' Capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholders' Funds of the Life Insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian Life Insurance businesses are invested 85% in income assets (cash and fixed interest) and 15% in growth assets (shares and property), as at 30 June 2013.

Lease Residual Value Risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee then exposes the Group to the movement in second-hand prices of these assets. The lease residual value risk within the Group is controlled through a risk management framework approved by the Risk Committee. Supporting this framework is an internal Market Risk Standard document, which has a risk limit framework that includes asset, geographic and maturity concentration limits, and stress testing that is performed by the Market Risk Oversight function.

Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to borrow funds on an unsecured basis, or has sufficient quality assets to borrow against on a secured basis, or has sufficient quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations across its Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest, and overseas businesses, during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

The Risk Management Framework for Liquidity and Funding

The Group's liquidity and funding policies are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group.

Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Liquidity Plan be evoked. Group Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand. The Group also has a

The Risk Management Framework for Liquidity and Funding continued

relatively small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- Balance Sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Short and long term wholesale funding limits are established, reviewed regularly and monitored to ensure that they are met. The Group's market capacity is regularly assessed and used as a factor in funding strategies;
- At least a prescribed minimum level of assets are retained in highly liquid form;
- This level of liquid assets complies with crisis scenario assumptions related to "worst case" wholesale and retail market conditions; is adequate to meet known funding obligations over certain timeframes and are held to provide for the risk of the Group's committed but undrawn lending obligations;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government bonds. The second includes negotiable certificates of deposit, bank bills, bank term securities, supranational bonds and Australia RMBS securities that meet certain Reserve Bank of Australia (RBA) requirements. The final is internal RMBS securities, being mortgages that have been securitised but retained by the Bank, are held for their repo-eligibility with the RBA under a stress scenario and included within Group liquids; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are central bank repo-eligible under normal market conditions.

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes programs; Australian dollar Domestic Debt Program; U.S. 144a and 3a2 Medium Term Note Programs; Euro Medium Term Note Program, multi jurisdiction Covered Bond program and its Medallion securitisation program.

The Group's key liquidity tools include:

- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "worst case" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- Central bank repurchase agreement facilities provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Liquidity Plan is in place and regularly tested so that it can be evoked in case of need due to a liquidity event.

10 Operational Risk

Operational risk is defined as the risk of economic loss arising from inadequate or failed internal processes, people, systems or from external events. The Group is continually faced with issues or incidents that have the potential to disrupt normal Group operations, exposing the Group to loss or harmful reputation and/or regulatory scrutiny.

Capital is attributed to operational risks according to the Group's Economic Capital Framework using the Group's Advanced Measurement Approach (AMA) methodology for operational risk.

The Group's Operational Risk Management Framework

Operational Risk Objectives

The Group's operational risk management framework supports the achievement of its financial and business goals.

The following objectives have been approved by Risk Committee:

- Maintenance of an effective internal control environment and system of internal control;
- Demonstration of effective governance, including a consistent approach to operational risk management across the Group;
- Transparency, escalation and resolution of risk and control incidents and issues; and
- Making decisions based upon an informed risk-return analysis and appropriate standards of professional practice.

Operational Risk Management Framework

The Operational Risk Management Framework is integral to the achievement of the Group's operational risk objectives and must be embedded within business practices across the Group. It comprises four core components to ensure sound management and measurement of the Group's operational risk. The core components are:

- Governance;
- Management, Measurement and Systems;
- Analytics, Review and Reporting; and
- Trusted Advice and Continuous Improvement.

The Group continues to enhance and embed its Operational Risk Management Framework, supported by its strategic investment in consolidating operational risk and compliance systems into a single IBM Open Pages platform, internally referred to as RiskInSite. The deployment of the RiskInSite platform across all Business Units has enabled greater consistency, increased sharing of better operational risk practices and enhanced analytical capabilities for the Group.

Roles and Responsibilities

Every staff member has responsibility for risk management and compliance with obligations. Individual responsibilities and limits of authority are articulated within the position descriptions for each role.

Within the Group, accountability for operational risk has been structured into "Three Lines of Defence" as per section 6.1.

Operational Risk Within the Group

There are several areas within the Group responsible for providing policies and guidance to reduce the likelihood of an operational risk event occurring and actions that can be taken when the event occurs. These areas may also issue policies to
when the event occurs. These areas may also issue policies to
communicate the Group's requirements for managing selected risks.

Responsibilities of Group Functions

Group Functions collaborate to identify where there are commonalities in their own areas of accountabilities. They also centrally implement processes and act as information repositories so that information can be shared, rather than collected and recorded in multiple areas.

Risk Mitigation through Insurance

The Group insures against selected unexpected insurable operational risk losses. The Group's insurance program is structured based upon the Group's risk appetite and risk retention strategies.

In designing the Group's insurance program, the adequacy and appropriateness of cover are considered along with the Group's operational risk profile.

The Group appoints an external advisor to provide insurance risk management advice and to deliver the optimal insurance program. The insurance program is subject to review by the Executive Committee and the Risk Committee.

Regulatory Capital Calculation

The Group has approval from APRA to calculate its operational risk regulatory capital using the Basel II Advanced Measurement Approach, the requirements of which are unchanged under Basel III. Smaller overseas operations are excluded and computed using the Standardised approach.

Capital Measurement Approach

The Group follows a mathematically determined loss distribution approach to measure operational risk. This involves separate modelling of the frequency and severity of risks at a component level and then aggregating the simulated losses from these components into loss distributions for the Group and for its parts. Monte Carlo simulations are then used to produce regulatory and economic capital results for the Group and each business.

This modelling system has been subject to review by APRA and other independent third parties.

The operational risk measurement approach integrates the use of relevant factors as follows:

Direct inputs

- Scenario analysis to capture business judgments (also called Quantitative Risk Assessments); and
- Internal loss data.

Indirect inputs

- External loss data (sourced from external providers such as Operational Riskdata eXchange association (ORX));
- Risk indicators; and
- Judgmental overlays and benchmarks.

Economic Capital

The outcomes of the operational risk capital measurement process include an economic capital requirement based on a 99.95% confidence interval that is calibrated to the Group's overall target AA debt rating.

A primary outcome of the capital framework process is that capital for operational risk is allocated across the Group's Business Units and this information is used to assist risk

Economic Capital (continued)

review and to drive risk-adjusted performance management metrics for each Business Unit.

Compliance Risk Management

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with the requirements of relevant laws, regulatory bodies, industry standards and codes.

The Group's Compliance Risk Management Framework (CRMF) complies with the Australian Standard on Compliance Programs as such it is designed to meet the Group's obligations under the Corporations Act 2001, the Group's Australian Financial Services Licence and Australian Credit Licences. The CRMF incorporates a number of components including Group Policies, a Compliance Obligations Register and a Compliance Review program to monitor compliance with policies.

These are complemented by Business Unit compliance frameworks including standards and procedures.

The CRMF provides for the assessment of compliance risks, implementation of controls, monitoring and testing of framework effectiveness and the escalation, remediation and reporting of compliance incidents and control weaknesses.

The Group's compliance strategy is based on the following fundamental principles:

- Line Management in each Business Unit have the responsibility to ensure their business is and remains compliant with legislative, regulatory, industry code and organisational requirements; and
- Group and Business Unit regulatory risk and compliance team's work together to monitor and report on compliance to management, compliance committees and the Board; and
- Group Audit and External Audit's role is to review the implementation, maintenance and management of the CRMF by Line 1 and Line 2.

APS 330 Table 15c – Capital requirements for operational risk

	30 Jun 13 Basel III $M	31 Dec 12 Basel II $M	30 Jun 12 Basel II $M
Advanced measurement approach	**27,914**	27,513	22,506
Standardised approach	**130**	118	4,245
Total operational risk RWA	**28,044**	27,631	26,751

11 Appendices

11.1 Detailed Capital Disclosures Template (APS 330 Attachment A)

The capital disclosures detailed in the template below represents the post 1 January 2018 Basel III common disclosure requirements. The Group is applying the Basel III regulatory adjustments in full as implemented by APRA. These tables should be read in conjunction with section 11.2 Regulatory Balance Sheet and section 11.3 Reconciliation between detailed capital disclosures template and the Regulatory Balance Sheet.

Capital Ratios	30 Jun 13 Basel III APRA %	30 Jun 13 Basel III Internationally Harmonised %
CET1	8.2	11.0
Tier One	10.2	13.3
Total Capital	11.2	14.4

		30 Jun 13 Basel III $M	Reconciliation Table Reference
Common Equity Tier 1 Capital: instruments and reserves			
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	26,453	Table A
2	Retained earnings	16,015	
3	Accumulated other comprehensive income (and other reserves)	1,389	
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	n/a	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	Table B
6	Common Equity Tier 1 Capital before regulatory adjustments	43,857	
Common Equity Tier 1 Capital : regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	(7,723)	Table C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	(2,605)	Table C
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	(368)	
12	Shortfall of provisions to expected losses (1)	(479)	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	(11)	
15	Defined benefit superannuation fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	Table G
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	Table G
20	Mortgage service rights (amount above 10% threshold)	n/a	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	Table D
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the ordinary shares of financial entities	-	Table G
24	of which: mortgage servicing rights	n/a	
25	of which: deferred tax assets arising from temporary differences	-	Table D
	CET1 (Internationally Harmonised)	32,671	

(1) Represents regulatory expected loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions of $271 million and general reserve for credit losses (post-tax) of $208 million.

11.1 Detailed Capital Disclosures Template (APS 330 Attachment A) (continued)

		30 Jun 13 Basel III $M	Reconciliation Table Reference
APRA Specific Regulatory Adjustments			
26	National specific regulatory adjustments (rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j)		
26a	of which: treasury shares	**167**	Table A
26b	of which: offset to dividends declared due to a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	**-**	
26c	of which: deferred fee income	**59**	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	**(3,827)**	Table G
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	**(1,400)**	Table D
26f	of which: capitalised expenses	**(272)**	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	**(107)**	Table G
26h	of which: covered bonds in excess of asset cover in pools	**-**	
26i	of which: undercapitalisation of a non-consolidated subsidiary	**-**	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	**(306)**	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	**-**	
28	Total regulatory adjustments to CET1 [1]	**(16,872)**	
29	CET1 (APRA)	**26,985**	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments		
31	of which: classified as equity under applicable accounting standards	**-**	
32	of which: classified as liabilities under applicable accounting standards	**2,000**	Table E
33	Directly issued capital instruments subject to phase out from Additional Tier 1	**4,265**	Table E
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which: instruments issued by subsidiaries subject to phase out	**505**	Table E
36	Additional Tier 1 Capital before regulatory adjustments	**6,770**	Table E
Additional Tier 1 Capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	**-**	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	**-**	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	**-**	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	**-**	
41	National specific regulatory adjustments (rows 41a, 41b, 41c)		
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	**-**	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	**-**	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	**(50)**	Table E
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	**-**	
43	Total regulatory adjustments to Additional Tier 1 Capital	**(50)**	
44	Additional Tier 1 Capital (AT1)	**6,720**	Table E
45	Tier 1 Capital (T1=CET1+AT1)	**33,705**	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	**-**	
47	Directly issued capital instruments subject to phase out from Tier 2	**2,901**	Table F
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	of which: instruments issued by subsidiaries subject to phase out	**-**	
50	Provisions	**202**	
51	Tier 2 Capital before regulatory adjustments	**3,103**	

(1) Total regulatory adjustments to CET1 of $16,872 million in row 28 is net of APRA's allowance for treasury shares held by the group's employee share scheme trusts of $167 million as detailed in row 26a.

11.1 Detailed Capital Disclosures Template (APS 330 Attachment A) (continued)

		30 Jun 13 Basel III $M	Reconciliation Table Reference
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	(15)	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (rows 56a, 56b, 56c)		
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	Total regulatory adjustments to Tier 2 Capital	(15)	
58	Tier 2 Capital (T2)	3,088	
59	Total Capital (TC=T1+T2)	36,793	
60	Total risk-weighted assets based on APRA standards	329,158	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	8.2%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.2%	
63	Total Capital (as a percentage of risk-weighted assets)	11.2%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements, expressed as a percentage of risk-weighted assets)		
65	of which: capital conservation buffer requirement	n/a	
66	of which: ADI-specific countercyclical buffer requirements	n/a	
67	of which: G-SIB buffer requirement (not applicable)	n/a	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	n/a	
National minima			
69	National Common Equity Tier 1 minimum ratio	4.5%	
70	National Tier 1 minimum ratio	6.0%	
71	National total capital minimum ratio	8.0%	
Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial entities	1,128	Table G
73	Significant investments in the ordinary shares of financial entities	2,699	Table G
74	Mortgage servicing rights (net of related tax liability)	n/a	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,400	Table D
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	202	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	321	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,524	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	n/a	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	n/a	
82	Current cap on AT1 instruments subject to phase out arrangements	4,720	Table E
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	600	Table E
84	Current cap on Tier 2 instruments subject to phase out arrangements	2,901	Table F
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	281	Table F

11.2 Regulatory Balance Sheet

The following table provides details on the Commonwealth Bank of Australia Group's Balance Sheet and the Level 2 Regulatory Balance Sheet.

	Group Balance Sheet $M	Adjustment [1] $M	Level 2 Regulatory Balance Sheet $M	Template/ Reconciliation Table Reference
Assets				
Cash and liquid assets	**20,634**	(355)	20,279	
Receivables due from other financial institutions	**7,744**	(120)	7,624	
Assets at fair value through Income Statement:				
Trading	**19,617**	(11)	19,606	
Insurance	**14,359**	(14,359)	-	
Other	**907**	(189)	718	
Derivative assets	**45,340**	260	45,600	
Available-for-sale investments	**59,601**	(51)	59,550	
Loans, bills discounted and other receivables	**556,648**	(4,380)	552,268	
Bank acceptances of customers	**6,063**	-	6,063	
Investment in regulatory non consolidated subsidiaries [2]	**-**	1,196	1,196	Table G
Loans to non controlled entities	**-**	800	800	
Property, plant and equipment	**2,718**	(30)	2,688	
Investment in associates	**2,281**	(201)	2,080	
Intangible assets [3]	**10,423**	-	10,423	Table C
Deferred tax assets	**935**	(25)	910	Table D
Other assets	**6,598**	(1,601)	4,997	
Assets held for sale	**8**	-	8	
Total assets	**753,876**	(19,066)	734,810	
Liabilities				
Deposits and other public borrowings	**459,429**	1,973	461,402	
Payables due to other financial institutions	**25,922**	(314)	25,608	
Liabilities at fair value through Income Statement	**8,701**	-	8,701	
Derivative liabilities	**38,580**	(86)	38,494	
Bank acceptances	**6,063**	-	6,063	
Due to controlled entities	**-**	800	800	
Current tax liabilities	**1,529**	(46)	1,483	
Deferred tax liabilities	**471**	(417)	54	Table D
Other provisions	**1,249**	(185)	1,064	
Insurance policy liabilities	**13,004**	(13,004)	-	
Debt issues	**132,808**	(5,366)	127,442	
Managed funds units on issue	**891**	(891)	-	
Bills payable and other liabilities	**10,050**	(1,352)	8,698	
Loan capital	**9,687**	-	9,687	Table E
Total liabilities	**708,384**	(18,888)	689,496	
Net assets	**45,492**	(178)	45,314	
Shareholders' Equity				
Share capital:				
Ordinary share capital	**26,323**	130	26,453	Row 1, Table A
Other equity instruments	**939**	-	939	Table E
Reserves	**1,333**	56	1,389	Row 3
Retained profits	**16,360**	(345)	16,015	Row 2
Shareholders' equity attributable to Equity holders of the Bank	**44,955**	(159)	44,796	
Non-controlling interests	**537**	(19)	518	Table B
Total Shareholders' equity	**45,492**	(178)	45,314	

(1) Reflects the deconsolidation of the Insurance and funds management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.

(2) Represents the tangible investment in non-consolidated subsidiaries only. No adjustment has been made to the intangible component of the investment as APRA requires this to be deducted in full from CET1.

(3) Includes the intangible component of investments in non-consolidated subsidiaries. This has not been included in investment in regulatory consolidated subsidiaries as APRA requires these intangible assets to be deducted in full from CET1.

11.3 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet

The following tables provide additional information on the differences between the detailed capital disclosures (section 11.1) and the Regulatory Balance Sheet (section 11.2).

Table A	30 Jun 13 $M	Template Reference
Share Capital		
Ordinary Share Capital	26,323	
Add Treasury Shares held by the Group's life insurance operations	130	
Total per Balance Sheet (Ordinary Share Capital Internationally Harmonised) [1]	26,453	Row 1
Treasury Shares held by the Group's employee share scheme trusts (APRA specific adjustment)	167	Row 26a
Total Ordinary Share Capital and Treasury Shares (APRA)	**26,620**	

Table B	30 Jun 13 $M	Template Reference
Non Controlling Interests		
Total per Balance Sheet [1]	518	
Less ASB perpetual Shares transferred to Additional Tier One Capital (refer Table E)	(505)	
Less other non controlling interests not included in capital	(13)	
Total per Capital Template (APRA and Internationally Harmonised)	**-**	Row 5

Table C	30 Jun 13 $M	Template Reference
Goodwill & Other Intangibles		
Total per Balance Sheet [1]	10,423	
Less capitalised software and other Intangibles separately disclosed in template	(2,700)	
Total per Capital Template - Goodwill (APRA and Internationally Harmonised)	**7,723**	Row 8
Capitalised software	1,923	
Other intangibles	777	
Total per Balance Sheet	2,700	
Less DTL associated with other intangibles	(95)	
Total per Capital Template - Other Intangibles (APRA and Internationally Harmonised)	**2,605**	Row 9

Table D	30 Jun 13 $M	Template Reference
Deferred Tax Assets		
Deferred tax asset per Balance Sheet [1]	910	
Less deferred tax liability per Balance Sheet [1]	(54)	
Net Deferred Tax Assets [2]	**856**	
Add back deferred tax liability associated with other intangibles	95	
Add deferred tax asset associated with General reserve for credit losses	89	
Adjustments required in accordance with APRA prudential standards [3]	360	
Deferred tax asset adjustment before applying prescribed thresholds (APRA specific adjustment)	1,400	Row 26e
Less amounts below prescribed threshold - risk weighted [4]	(1,400)	Row 75
Total per Capital Template (Internationally Harmonised)	**-**	Row 21, 25

(1) Represents the balance per Level 2 Regulatory Balance Sheet.
(2) Represents the balance of deferred tax asset net of deferred tax liability per Level 2 Regulatory Balance Sheet.
(3) Represents the deferred tax balances associated with reserves ineligible for inclusion in regulatory capital and the impact of limitations of netting of balances within the same geographic tax authority.
(4) The BCBS allows these items to be risk-weighted at 250% if the balance falls below prescribed threshold levels. APRA require these to be deducted from Common Equity Tier One Capital.

11.3 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet (continued)

Table E	30 Jun 13 $M	Template Reference
Additional Tier 1 Capital		
Total Loan Capital per Balance Sheet [1]	9,687	
Less fair value hedge adjustments [2]	(382)	
Total Loan Capital net of issue costs at their contractual values	9,305	
Less amount related to Tier Two Capital Instruments	(3,474)	
Total Tier One Loan Capital	5,831	
Add ASB perpetual Shares transferred from Non Controlling interest (refer Table B)	505	
Add other equity instruments included in share capital [3]	939	
Add issue costs [4]	45	
Less Basel III transitional relief amortisation for directly issued instruments [5]	(550)	Row 83
Total per Capital Template (Internationally Harmonised)	6,770	Row 36
Less APRA specific Basel III transitional relief amortisation for instruments issued by subsidiaries [6]	(50)	Row 41c, 83
Total per Capital Template (APRA)	6,720	Row 44
Additional Tier 1 Capital Instruments comprises		
Basel III Complying Instruments		
PERLS VI	2,000	Row 32
Basel III Non Complying Instruments		
PERLS III	1,166	
PERLS V	2,000	
TPS 03	593	
TPS 06	948	
Other Instruments	108	
Less Basel III transitional relief amortisation for directly issued instruments [5]	(550)	Row 83
	4,265	Row 33
Basel III Non Complying Instruments - issued by subsidiaries		
ASB preference shares	505	Row 35
Less APRA specific Basel III transitional relief amortisation for instruments issued by subsidiaries [6]	(50)	Row 41c, 83
	455	
Total Basel III Non Complying Instruments	4,720	Row 82
Total Additional Tier 1 Capital Instruments (APRA)	6,720	

Table F	30 Jun 13 $M	Template Reference
Tier 2 Capital Instruments		
Total included in Balance Sheet	3,474	
Add issue costs [4]	8	
Less amortisation of instruments [7]	(300)	
Less Basel III transitional relief amortisation for directly issued instruments [5]	(281)	Row 85
Total per Capital Template (APRA and Internationally Harmonised)	2,901	Row 47, 84

Details on the main features of Capital instruments included in the Group's Regulatory Capital, (Ordinary Share Capital, Additional Tier 1 Capital and Tier 2 Capital) as required by APS 330 Attachment B can be found at www.commbank.com.au/shareholder.

(1) Represents the balance per Level 2 Regulatory Balance Sheet.
(2) For regulatory capital purposes, APRA requires these instruments to be included as if they were unhedged.
(3) Represents Trust Preferred Securities 2006 issued on 15 March 2006.
(4) Unamortised issue costs relating to capital instruments are netted off against each instrument in the Balance Sheet. For regulatory capital purposes, these capital instruments are shown at face value. The unamortised issue costs are deducted from CET1 as part of capitalised expenses in Row 26f in the Capital template.
(5) Basel III transitional arrangements apply to those capital instruments not compliant with the new Basel III requirements.
(6) APRA Basel III transitional arrangements for capital instruments issued by subsidiaries are effective from 1 January 2013. The BCBS transitional arrangements for instruments issued by subsidiary are not effective until 1 January 2014.
(7) APRA requires these instruments to be amortised by 20% of the original amount during each of the last five years to maturity. This is in addition to Basel III transitional arrangements.

11.3 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet (continued)

Table G	30 Jun 13 $M	Template Reference
Equity Investments		
Investment in commercial entities	**107**	Row 26g
Investments in significant financial entities	**1,503**	Row 26d, 73
Investments in non-significant financial entities	**1,128**	Row 26d, 72
	2,738	
Equity investment in non consolidated subsidiaries	**1,196**	Row 26d, 73
Total Equity Investments before applying prescribed thresholds APRA specific adjustment (1)	**3,934**	
Less amounts risk weighted under Internationally Harmonised (2)	**(3,934)**	
Total per Capital Template (Internationally Harmonised)	**-**	Row 18, 19, 23

(1) Equity Investments are classified in the Level 2 Regulatory Balance Sheet across Investments in Associates, Assets held for Sale, Available-for-Sale Securities & Investment in non-consolidated subsidiaries. In additional, the Group has undrawn commitments (off balance sheet) which are deemed in the nature of equity for Regulatory Capital purposes.

(2) The aggregate of investments in significant financial entities of $1,503 million, investments in non-significant financial entities of $1,128 million and equity investment in non-consolidated subsidiaries of $1,196 million is a total of $3,827 million and is included in row 26d in the Capital template. The BCBS allows for equity investments to be concessionally risk weighted provided they are below prescribed thresholds. APRA requires such items to be deducted 100% from CET1 capital. The remaining balance of $107 million related to Investments in commercial entities are risk weighted under Internationally Harmonised methodology, with no prescribed threshold limits.

11.4 Entities excluded from Level 2 Regulatory Consolidated Group

The material legal entities included within the accounting scope of consolidation, but excluded from the Level 2 regulatory consolidated Group are detailed below.

Entity name	Total Assets $M	Total Liabilities $M
(a) Securitisation		
Medallion Trust Series 2005-1G	499	499
Medallion Trust Series 2005-2G	247	247
Medallion Trust Series 2006-1G	870	869
Medallion Trust Series 2007-1G	1,593	1,593
Series 2006-1E SWAN Trust (1)	479	491
Series 2007-1E SWAN Trust (1)	616	618
Series 2010-1 SWAN Trust (1)	256	258

(1) These entities have negative net assets due to asymmetric accounting between hedging derivative which are marked to market and the debt issues being hedged that are measured at amortised cost. The entities remain solvent despite these accounting measurement differences.

Entity name	Total Assets $M	Total Liabilities $M
(b) Insurance and Funds Management		
ASB Group (Life) Limited	896	128
Avanteos Investments Limited	13	3
Avanteos Pty Ltd	17	9
Capital 121 Pty Limited	1,572	-
Colonial Finance Limited	300	70
Colonial First State Asset Management (Australia) Limited	38	23
Colonial First State Group Limited	685	2
Colonial First State Investments Limited	223	152
Colonial First State Property Limited	1,011	130
CFS Property Management Trust	71	71
Colonial First State Property Retail Trust	215	37
Colonial Holding Company Limited	8,370	2,532
Commonwealth Financial Planning Limited	80	41
Commonwealth Insurance Holdings Limited	6,860	-
Commonwealth Insurance Limited	747	529
Commonwealth Managed Investments Limited	88	78
Count Financial Limited	59	15
Financial Wisdom Limited	23	15
First State Investment Management (UK) Limited	76	-
First State Investment Managers (Asia) Limited	46	-
First State Investment Services (UK) Limited	129	116
First State Investments (Bermuda) Limited	25	-
First State Investments (Hong Kong) Limited	133	57
First State Investments (Singapore)	120	34
First State Investments (UK Holdings) Limited	93	-
First State Investments (UK) Limited	296	287
First State Investments Holdings (Singapore) Limited	16	-
First State Investments International Limited	67	10
Jacques Martin Administration and Consulting Pty Ltd	9	3
Kiwi Property Management Limited	12	4
PT Commonwealth Life	585	478
SI Holdings Limited	58	-
Sovereign Assurance Company Limited	1,991	1,369
The Colonial Mutual Life Assurance Society Limited	13,554	11,914

11.5 List of APRA APS 330 Tables

The following schedule lists the quantitative tables in this document as referenced in APRA Prudential Standard APS 330 “Capital Adequacy: Public Disclosure of Prudential Information” Attachments A and C.

11.6 List of Supplemental Tables and Diagrams

11.7 Glossary

Term	Definition
Additional Tier One Capital	Additional Tier One Capital is a Basel III defined concept and consists of high quality capital that essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board.
ADI	Authorised Deposit-taking Institution - includes banks, building societies and credit unions which are authorised by APRA to take deposits from customers.
AIRB	Advanced Internal Ratings Based approach - used to measure credit risk in accordance with the Group's Basel III accreditation approval that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital.
AMA	Advanced Measurement Approach - used to measure operational risk in accordance with the Group's approval that allows the Group to use its own internal model for the purposes of calculating regulatory capital.
APRA	Australian Prudential Regulation Authority - the regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
APS	APRA's ADI Prudential Standards. For more information, refer to the APRA web site.
ASB	ASB Bank Limited - a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the Reserve Bank of New Zealand.
Bank	APS asset class - includes claims on central banks, international banking agencies, regional development banks, ADI and overseas banks.
Basel II	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.
Basel 2.5	Refers to the Basel II framework revised (2009) to include additional requirements such as the Incremental Risk Charge (IRC), Stressed VaR (SVaR), the treatment of securitisation exposures, and the Comprehensive Risk Measure (CRM) for certain correlation trading activities.
Basel III	Refers to the Basel Committee on Banking Supervision's Basel III: A global regulatory framework for the more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012).
CBA	Commonwealth Bank of Australia - the head entity of the Group.
Central counterparty (CCP)	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
CET1	Common Equity Tier One Capital is 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.
Collective Provision	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 as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement").
Corporate	APS asset class - includes commercial credit risk where annual revenues exceed $50 million.
Credit Valuation Adjustment (CVA)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk arising from bilateral OTC derivative contracts. CVA is the amount of counterparty credit risk net of the mark-to market calculated for CBA.
EAD	Exposure at Default - the extent to which a bank may be exposed upon default of an obligor.
ECAI	External Credit Assessment Institution, for example Moody's.

11.7 Glossary (continued)

Term	Definition
ELE	Extended Licenced Entity – APRA may deem an entity of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities.
General Reserve for Credit Losses	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 General Reserve for Credit Losses. An excess of required General Reserve for Credit Losses over the Group's collective provisions is recognised as a deduction from CET1 on an after tax basis.
Individual Provisions	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 established based primarily on estimates of realisable value of collateral taken. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement"). Also known as individually assessed provisions or IAP.
IRRBB	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 the Net Interest Income earned over the period. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
Level 1	Represents the ADI and each entity of the ADI that has been approved as an extended licence entity by APRA.
Level 2	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 non-consolidated subsidiaries. This is the basis on which this report has been produced.
Level 3	The conglomerate group including the Group's insurance and wealth management business.
LGD	Loss Given Default – the fraction of EAD that is not expected to be recovered following default.
Other Assets	APS asset class – includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Other Retail	APS asset class – includes all retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
PD	Probability of Default - the likelihood that a debtor fails to meet an obligation or contractual commitment.
Qualifying Revolving Retail	APS 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.
Residential Mortgage	APS asset class - includes retail and small and medium enterprise exposures up to $1 million that are secured by residential mortgage property.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
RWA	Risk Weighted Assets – the value of the Group's on and off balance sheet assets are adjusted according to risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA web site.
Scaling Factor	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 risk-weighted asset amounts for credit risk under the IRB approach. The current scaling factor is 1.06.
Securitisation	APS asset class - includes Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	APS asset class - includes small and medium enterprise (SME) commercial credit risk where annual revenues are less than $50 million and exposures are greater than $1 million.
SME Retail	APS asset class - includes small and medium enterprise (SME) exposures up to $1 million that are not secured by residential mortgage property.

Term	Definition
Sovereign	APS asset class - includes claims on the Reserve Bank of Australia and on Australian and foreign governments.
Specialised Lending	APS asset classes subject to the supervisory slotting approach and which include Income Producing Real Estate (IPRE), object finance and project finance assets.
Specific Provisions	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 General Reserve for Credit Losses (which are primarily collective provisions on some defaulted assets).
Stress VAR	Stressed Value at Risk using the same methodology as Value at Risk (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.
Tier One Capital	Comprises CET1 and Additional Tier One Capital.
Tier Two Capital	Capital items that fall short of the necessary conditions to qualify as Tier One Capital.