May 28, 2013

Commonwealth Bank of Australia
Recent Developments

The information set forth below is not complete and should be read in conjunction with the information contained on the "Supplementary business and financial disclosure" page of the U.S. investor website of the Commonwealth Bank of Australia (the "Group") at http://www.commbank.com.au/usinvestors (the "U.S. Investor Website"). This "Recent Developments" release supplements and, to the extent inconsistent with any information previously included on the U.S. Investor Website, amends and supersedes such information.

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's U.S. Half Year Disclosure Report for the half year ended December 31, 2012 (the "2013 Half Year Disclosure Report") included on the U.S. Investor Website.

References to "$" are to Australian dollars.

Trading Update for the Quarter ended March 31, 2013

The Group advised that its unaudited cash earnings[1] for the three months ended March 31, 2013 ("the quarter") were approximately $1.9 billion. Statutory net profit on an unaudited basis for the same period was approximately $1.9 billion, with non-cash items treated on a consistent basis to prior periods.

Key outcomes for the quarter are outlined below:

- Revenue growth continued to reflect a combination of conservative business settings and modest system credit growth;

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[1] Except as expressly noted, this update is based on the Group's cash earnings, which are prepared on a different basis than Australian equivalents to International Financial Reporting Standards ("IFRS"). The difference between cash and statutory earnings for the period is predominantly made up of hedging and IFRS volatility. Cash earnings is used by management of the Group to present a view of the Group's underlying operating results, excluding a number of items that management believes introduce volatility and/or one-off distortions of the Group's current period performance. These items are calculated consistently period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, please refer to page 5 of the 2013 Half Year Disclosure Report.

- Group Net Interest Margin was higher in the quarter than for the half year ended December 31, 2012 (“1H13”) due to a combination of factors including prior period asset re-pricing, partly offset by higher funding costs;

- Trading income in the quarter was at a level consistent with 1H13’s performance;

- Expenses continued to be well managed;

- Group liquids remained very strong at $130 billion;

- Total impairment expense was $255 million in the quarter, or 19 basis points of total average loans;

- Asset growth was funded by deposit growth in the quarter, with the deposit funding percentage increasing to 65 per cent at the end of March. The average tenor of the wholesale funding portfolio was extended further in the quarter to 3.8 years;

- The Group’s Internationally Harmonised Common Equity Tier 1 (CET1) ratio was 10.3 per cent as at March 31, 2013, compared to 10.6 per cent at December 31, 2012. Continued strong organic capital generation in the quarter was offset by the declaration of the 2013 interim dividend, which had a negative impact of 92 basis points in the period;

- The Group’s quarterly Pillar 3 disclosures as at the end of the quarter show that credit quality remained sound. Arrears rates in home lending were stable in the quarter, but seasonably higher in unsecured consumer lending. Corporate credit quality was stable, with Total Impaired Assets largely unchanged from December 31, 2012 at $4.3 billion; and

- Provisioning levels and coverage ratios remained strong, with the economic overlay maintained.

Business Commentary

Australia – Retail
System home loan credit growth remained modest through the quarter, with the Group growing slightly ahead of system. Growth in household deposits was also above system. Deposit margins remained under pressure in a competitive market. Good cost discipline was maintained in both Retail Banking Services and Bankwest.

Australia – Commercial
Asset growth reflected ongoing low system credit growth in the quarter. Aggregate margins were broadly stable through the quarter, notwithstanding continued competitive and funding pressures, particularly in deposits.

Wealth Management and Insurance

Funds under Administration and Funds under Management each grew by 4 per cent in the quarter, benefitting from strong investment performance as global equity markets improved. FirstChoice and Custom Solutions attracted solid combined net flows of $1.1 billion, with a second consecutive quarter of strong net flows to equities. Insurance premium growth was subdued as strong momentum in General Insurance and Direct Life was offset by weaker Wholesale Risk and Retail Advice performance.

New Zealand

The New Zealand economy continued to show signs of recovery, underpinned by a stronger household sector. ASB maintained above system growth in both home lending and commercial lending. New business home loan margins remained under competitive pressure, though there was some improvement in term deposit margins through the quarter.

Basel III Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at March 31, 2013

On May 15, 2013, the Group released its Basel III Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at March 31, 2013. That release is attached as Annex A hereto.

ANNEX A

Basel III Pillar 3

Capital adequacy and risk disclosures
Quarterly Update as at 31 March 2013

CommonwealthBank

COMMONWEALTH BANK OF AUSTRALIA | ACN 123 123 124 | 15 MAY 2013

Basel III Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly update as at 31 March 2013

1 Scope of Application

The Commonwealth Bank of Australia (the Group) is an authorised deposit-taking institution (ADI) subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959.

This document has been prepared in accordance with Board approved policy and quarterly reporting requirements set out in APRA's prudential standard APS 330 'Capital Adequacy: Public Disclosures of Prudential Information' (APS 330). It presents information on the Group's capital adequacy and risk weighted assets (RWA) calculations for credit risk including securitisation and equity exposures, traded 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. APS 330 defines Level 2 as the consolidated banking group, excluding the insurance and wealth management businesses and the 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 the Advanced Measurement Approach (AMA) for operational risk. The Group is also required to assess its traded market risk and IRRBB requirement under Pillar One.

The Group's capital adequacy and risk disclosure for the year ended 30 June 2012 is available on the Group's corporate website www.commbank.com.au.

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

2 Implementation of Basel III

The Group adopted the Basel III measurement 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. These 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.

3 Group Capital Ratios

The Group's Basel III Common Equity Tier One (CET1), Tier One and Total Capital ratios under APRA's Basel III prudential standards as at 31 March 2013 were 7.7%, 9.9% and 10.8% respectively.

The decrease in capital ratios during the quarter primarily reflects the impact of capital generated from earnings in the quarter more than offset by the impact of the declaration of the 2013 half year interim dividend, which included the on market purchase of shares in respect of the dividend reinvestment plan.

The Group's CET1 internationally harmonised ratio as at 31 March 2013 was 10.3%, well in excess of the Board approved target of greater than 9%.

The major differences in the Basel III APRA and the Basel III internationally harmonised CET1 ratios include:

- APRA requires a full deduction to be taken against CET1 for equity investments and deferred tax assets. Whilst on an internationally harmonised basis, such items are concessionally risk weighted if they fall below prescribed thresholds.
- APRA requires capital to be held for IRRBB with no similar requirement on an internationally harmonised basis; and
- APRA requires a minimum Loss Given Default (LGD) floor of 20% to be applied to residential mortgages which is higher than regulatory requirements elsewhere.

Capital Initiatives

The following significant capital initiatives have been undertaken since 31 December 2012.

- The Dividend Reinvestment Plan (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%.
- Redemption of Japanese Yen 5 billion (A$56 million) subordinated tier two debt issue.

APS 330 Table 16f – Capital ratios

	31 Mar 13 (Basel III)	1 Jan 13 (Basel III Pro forma)	31 Dec 12 (Basel 2.5)
Summary Group Capital Adequacy Ratios (Level 2)	%	%	%
Common Equity Tier One	**7.7**	8.1	8.3
Tier One	**9.9**	10.3	10.5
Tier Two	**0.9**	0.9	0.7
Total Capital	**10.8**	11.2	11.2
Common Equity Tier One (Internationally Harmonised) (1)	**10.3**	10.6	N/A

(1) Common Equity Tier One (Internationally Harmonised) is a Basel III measure and is not applicable under Basel 2.5

4 Risk Weighted Assets

The following table details the Group's Risk Weighted Assets (RWA) by risk and portfolio type.

APS 330 Table 16a to 16e – Capital adequacy (risk weighted assets)

	Risk Weighted Assets			Change in Basel III RWA for March 2013 quarter [1]	
	31 Mar 13 (Basel III)	1 Jan 13 (Basel III Pro forma)	31 Dec 12 (Basel 2.5)		
Asset Category	$M	$M	$M	$M	%
Credit Risk					
Subject to advanced IRB approach					
Corporate	**50,945**	52,847	51,851	(1,902)	(3.6)
SME corporate	**30,823**	31,127	30,833	(304)	(1.0)
SME retail	**4,255**	4,222	4,222	33	0.8
Sovereign	**3,779**	3,692	3,692	87	2.4
Bank	**11,534**	11,142	8,322	392	3.5
Residential mortgage	**65,337**	63,637	63,637	1,700	2.7
Qualifying revolving retail	**6,686**	6,460	6,460	226	3.5
Other retail	**10,671**	8,983	8,983	1,688	18.8
Impact of the regulatory scaling factor [2]	**11,042**	10,927	10,680	115	1.1
Total RWA subject to advanced IRB approach	**195,072**	193,037	188,680	2,035	1.1
Specialised lending	**47,444**	48,373	48,398	(929)	(1.9)
Subject to standardised approach					
Corporate	**3,476**	3,894	3,894	(418)	(10.7)
SME corporate	**251**	317	317	(66)	(20.8)
SME retail	**4,845**	4,728	4,728	117	2.5
Sovereign	**137**	203	203	(66)	(32.5)
Bank	**211**	138	138	73	52.9
Residential mortgage	**2,394**	2,257	2,257	137	6.1
Other retail	**2,231**	2,212	2,212	19	0.9
Other assets	**3,607**	4,124	4,124	(517)	(12.5)
Total RWA subject to standardised approach	**17,152**	17,873	17,873	(721)	(4.0)
Securitisation	**4,964**	5,290	1,119	(326)	(6.2)
Equity exposures	**-**	-	2,397	-	n/a
Credit valuation adjustment	**6,719**	7,225	-	(506)	(7.0)
Total RWA for credit risk exposures	**271,351**	271,798	258,467	(447)	(0.2)
Traded market risk	**4,698**	4,517	4,517	181	4.0
Interest rate risk in the banking book	**12,855**	10,996	10,996	1,859	16.9
Operational risk	**28,049**	27,631	27,631	418	1.5
Total risk weighted assets	**316,953**	314,942	301,611	2,011	0.6

(1) The difference between RWA as at 1 January 2013 and 31 March 2013. This excludes the effect on 1 January 2013 of the transition to Basel III treatments for counterparty credit risk (+$11.5bn), securitisation (+$4.2bn) and equity (-$2.4bn) exposures.

(2) APRA requires RWA derived from IRB risk-weight functions to be multiplied by a scaling factor of 1.06.

Total RWA increased by $15.3 billion or 5.1% on the prior quarter to $317.0 billion.

Credit Risk RWA

Credit risk RWA increased $12.9 billion or 5.0% on the prior quarter to $271.4 billion. The increase was mostly due to:

- Modest growth in bank and retail exposures;
- Refresh of credit risk factors and LGD models in some retail portfolios; and
- Transitioning to Basel III treatments for counterparty credit risk, securitisation and equity exposures as at 1 January 2013.

RWA increases were partly offset by asset quality movements, decreased corporate exposures and a lower Credit Valuation Adjustment capital charge since 1 January 2013.

Traded Market Risk, IRRBB and Operational Risk RWA

Traded Market Risk RWA increased by $0.2 billion or 4% to $4.7 billion. The increase in the March quarter 2013 was a result of higher value at risk (VAR), driven mainly by increased customer flow and underwriting activity.

IRRBB RWA increased by $1.9 billion or 16.9% to $12.9 billion during the quarter. The increase was due to the changes in the repricing term of loans and deposits and lower embedded gains from higher long-term interest rates.

Operational Risk RWA increased slightly by $0.4 billion or 1.5% to $28.0 billion reflecting a stable Operational Risk Group Profile.

5 Credit Risk Exposure

The following tables detail credit risk exposures (excluding equities and securitisation exposures) subject to Advanced IRB and Standardised approaches.

APS 330 Table 17a – Total credit exposure (excluding equities and securitisation) by portfolio type and modelling approach

	31 March 2013						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for March 2013 quarter [(2)] $M	Change in exposure for March 2013 quarter [(3)] $M	%
Subject to advanced IRB approach							
Corporate	44,705	34,647	5,670	**85,022**	85,315	(586)	(0. 7)
SME corporate	39,469	6,570	730	**46,769**	46,616	306	0. 7
SME retail	6,646	1,688	151	**8,485**	8,502	(33)	(0. 4)
Sovereign	45,844	2,761	1,307	**49,912**	49,662	500	1. 0
Bank	30,397	3,715	9,310	**43,422**	41,551	3,742	9. 4
Residential mortgage	359,858	65,064	-	**424,922**	421,733	6,378	1. 5
Qualifying revolving retail	9,485	12,840	-	**22,325**	22,197	257	1. 2
Other retail	6,706	2,073	-	**8,779**	8,477	604	7. 4
Total advanced IRB approach	543,110	129,358	17,168	**689,636**	684,053	11,168	1. 6
Specialised lending	43,782	8,851	1,127	**53,760**	54,214	(907)	(1. 7)
Subject to standardised approach							
Corporate	2,347	1,103	37	**3,487**	3,716	(458)	(11. 6)
SME corporate	109	168	-	**277**	306	(58)	(17. 3)
SME retail	3,960	1,257	-	**5,217**	5,047	340	7. 0
Sovereign	322	-	-	**322**	581	(517)	(61. 6)
Bank	481	27	-	**508**	429	158	45. 1
Residential mortgage	4,467	641	-	**5,108**	4,986	245	5. 0
Other retail	2,181	86	-	**2,267**	2,261	12	0. 5
Other assets	9,147	-	-	**9,147**	9,958	(1,621)	(15. 1)
Total standardised approach	23,014	3,282	37	**26,333**	27,284	(1,899)	(6. 7)
Total credit exposures [(1)]	609,906	141,491	18,332	**769,729**	765,551	8,362	1. 1

(1) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.
(2) The simple average of balances as at 31 March 2013 and 31 December 2012.
(3) The difference between credit exposures as at 31 March 2013 and 31 December 2012.

5 Credit Risk Exposure (continued)

APS 330 Table 17a – Total credit exposure (excluding equities and securitisation) by portfolio type and modelling approach (continued)

	31 December 2012						
		Off balance sheet					
	On balance sheet	Non-market related	Market related	Total	Average exposure for December 2012 quarter (2)	Change in exposure for December 2012 quarter (3)	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	44,726	35,317	5,565	85,608	84,098	3,021	3. 7
SME corporate	39,621	6,272	570	46,463	41,549	9,828	26. 8
SME retail	6,739	1,752	27	8,518	8,446	144	1. 7
Sovereign	45,512	2,498	1,402	49,412	49,791	(757)	(1. 5)
Bank	27,869	2,964	8,847	39,680	39,016	1,328	3. 5
Residential mortgage	354,944	63,600	-	418,544	388,676	59,737	16. 6
Qualifying revolving retail	9,413	12,655	-	22,068	21,893	351	1. 6
Other retail	6,469	1,706	-	8,175	8,000	351	4. 5
Total advanced IRB approach	535,293	126,764	16,411	678,468	641,469	74,003	12. 2
Specialised lending	43,520	10,028	1,119	54,667	48,561	12,212	28. 8
Subject to standardised approach							
Corporate	2,615	1,303	27	3,945	7,292	(6,693)	(62. 9)
SME corporate	136	199	-	335	3,400	(6,130)	(94. 8)
SME retail	3,904	973	-	4,877	5,087	(419)	(7. 9)
Sovereign	839	-	-	839	843	(7)	(0. 8)
Bank	324	26	-	350	417	(134)	(27. 7)
Residential mortgage	4,221	642	-	4,863	31,457	(53,187)	(91. 6)
Other retail	2,162	93	-	2,255	2,373	(236)	(9. 5)
Other assets	10,768	-	-	10,768	10,146	1,244	13. 1
Total standardised approach	24,969	3,236	27	28,232	61,015	(65,562)	(69. 9)
Total credit exposures (1)	603,782	140,028	17,557	761,367	751,045	20,653	2. 8

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

(2) The simple average of balances as at 31 December 2012 and 30 September 2012.

(3) The difference between credit exposures as at 31 December 2012 and 30 September 2012.

6 Past Due and Impaired Exposures, Provisions and Reserves

APS 330 Table 17c – General reserve for credit losses and reconciliation of the Australian Accounting Standards and APS220 based credit provisions

	31 March 2013		
	General reserve for credit losses (2) $M	Specific provision (2) $M	Total provisions $M
Collective provision (1)	2,729	153	**2,882**
Individual provisions (1)	-	1,881	**1,881**
Total provisions	2,729	2,034	**4,763**
Additional GRCL requirement (3)	279	-	**279**
Total regulatory provisions	3,008	2,034	**5,042**

(1) Provisions according to Australian Accounting Standards.

(2) Provisions classified according to APS 220 "Credit Quality".

(3) The Group recognised an after tax deduction from Tier One Capital of $195 million in order to maintain the required minimum GRCL.

	31 December 2012		
	General reserve for credit losses (2) $M	Specific provision (2) $M	Total provisions $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 according to Australian Accounting Standards.

(2) Provisions classified according to APS 220 "Credit Quality".

(3) The Group recognised an after tax deduction from Tier One Capital of $197 million in order to maintain the required minimum GRCL.

6 Past Due and Impaired Exposures, Provisions and Reserves (continued)

The following tables summarise the Group's financial losses by portfolio type.

APS 330 Table 17b – Impaired, past due, specific provisions and write-offs charged by portfolio

	As at 31 March 2013			Quarter ended 31 March 2013	
Portfolio	Impaired assets $M	Past due loans ≥ 90 days (3) $M	Specific provision balance (1) $M	Net charges for individual provisions $M	Actual losses (2) $M
Corporate including SME and specialised lending	3,192	444	1,589	70	66
Sovereign	-	-	-	-	-
Bank	52	-	48	-	-
Residential mortgage	1,028	2,013	259	31	55
Qualifying revolving retail	9	98	54	-	62
Other retail	54	120	84	1	64
Total	4,335	2,675	2,034	102	247

(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 quarter.

(3) The movement in Corporate past due loans ≥ 90 days is primarily due to a change in Bankwest process in September 2012 to align with CBA practice, which resulted in a temporary increase in past due loans ≥ 90 days.

	As at 31 December 2012			Quarter ended 31 December 2012	
Portfolio	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net charges for individual provisions $M	Actual losses (2) $M
Corporate including SME and specialised lending	3,232	708	1,535	152	317
Sovereign	-	-	-	-	-
Bank	52	-	48	-	8
Residential mortgage	964	1,910	276	19	63
Qualifying revolving retail	20	89	48	-	66
Other retail	45	99	77	(1)	53
Total	4,313	2,806	1,984	170	507

(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 quarter.

7 Securitisation

APS330 Table 18a – Total securitisation activity for the reporting period

Underlying asset type	For the 3 months to 31 March 2013 Total exposures securitised $M	 Recognised gain or loss on sale $M
Residential mortgage	2,501	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	2,501	-

Underlying asset type	For the 3 months to 31 December 2012 Total exposures securitised $M	 Recognised gain or loss on sale $M
Residential mortgage	-	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	-	-

APS330 Table 18b – Summary of total securitisation exposures retained or purchased

Securitisation facility type	As at 31 March 2013 On balance sheet $M	 Off balance sheet $M	 Total exposures $M
Liquidity support facilities	-	105	105
Warehouse facilities	2,587	1,081	3,668
Derivative facilities	846	-	846
Holdings of securities	4,642	-	4,642
Other	-	-	-
Total securitisation exposures	8,075	1,186	9,261

Securitisation facility type	As at 31 December 2012 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

8 Glossary

Term	Definition
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 accreditation approval provided by APRA 10 December 2007 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 accreditation approval provided by APRA 10 December 2007 that allows the Group to use internal estimates and operational 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 III	Refers to the Basel Committee on Banking Supervision "Basel III: A global regulatory framework for more resilient banks and banking systems issued December 2010 (revised June 2011)" and "Capital requirements for bank exposures to central counterparties (July 2012)".
CBA	Commonwealth Bank of Australia – the chief entity for 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, SME Corporate and SME Retail.
Credit Valuation Adjustment (CVA)	A capital charge for the risk of mark-to-market losses due to the deterioration in the credit worthiness of a counterparty prior to outright default.
EAD	Exposure at Default – the gross exposure under a facility (i.e. the amount that is legally owed to the Group) upon default of an obligor.
ECAI	External Credit Assessment Institution.
ELE	Extended Licensed Entity – APRA may deem a subsidiary 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 Tier One Capital on an after tax basis.

8 Glossary (continued)

Term	Definition
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 - 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 which is reported in the Bank's Income Statement. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
Level 1	Represents the ADI and each subsidiary 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.
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).
Tier One Capital	Comprises CET1 and Additional Tier 1 Capital.
Tier Two Capital	Capital items that fall short of the necessary conditions to qualify as Tier One Capital.

For further information contact:

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