

Basel II Pillar 3 - Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 June 2009

Background

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

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

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

1. Group Capital Ratios

30 June 2009
%

| | |
|----------------------|-------|
| Tier One | 7.32 |
| Tier Two | 3.87 |
| Total Capital | 11.19 |

The Bank maintains a strong capital position. The Tier One and Total Capital ratios as at 30 June 2009 were 7.32% and 11.19% respectively.

2. Capital Structure

30 June 2009
\$M

| | |
|--|--------------|
| Tier 1 capital | 3,350 |
| Paid up and ordinary share capital | 3,207 |
| Retained earnings | 955 |
| Retained earnings regulatory adjustment | (133) |
| Cash NPAT | 113 |
| Acquisition Accounting adjustment ¹ | (374) |
| Integration Expenses | (54) |
| Deferred Tax on Acquisition | (356) |
| Current year earnings regulatory adjustment | (8) |
| Gross Tier 1 capital | 3,350 |
| Deductions from Tier 1 capital | |
| Goodwill | (1) |
| Other deductions from Tier 1 capital | (122) |
| Total Tier 1 deductions | (123) |
| Net Tier 1 capital | 3,227 |
| Tier 2 capital | |
| Upper Tier 2 capital ² | 686 |
| Lower Tier 2 capital | 1,025 |
| Net Tier 2 capital | 1,711 |
| Total capital base | 4,938 |

¹ The acquisition accounting adjustments relate to the fair value adjustments for assets acquired by CBA but not recognised by Bankwest and fair value accounting for securitised notes with Bankwest.

² The amount of General Reserve for Credit Losses able to be included as Upper Tier 2 capital is limited to a maximum of 1.25% of total risk weighted assets. The amount included within Upper Tier 2 capital in the above table is \$551m as at 30 June 2009.

3. Risk Weighted Assets

| | 30 June 2009 |
|--|---------------|
| | \$M |
| Risk weighted assets | |
| Credit Risk | |
| Subject to Standardised approach | |
| Corporate | 14,784 |
| Sovereign | 2 |
| Bank | 1,334 |
| Residential Mortgage | 19,610 |
| Other retail | 4,291 |
| Other | 971 |
| Total risk weighted assets subject to standardised approach | 40,992 |
| Securitisation | 64 |
| Equity exposures | 14 |
| Total risk weighted assets for credit risk exposures | 41,070 |
| Market risk | 267 |
| Operational risk | 2,779 |
| Total risk weighted assets | 44,116 |

4. Credit Risk Exposure

| | 30 June 2009 | | | |
|-------------------------------------|------------------|-----------------------|-------------------|---------------|
| | On Balance Sheet | Off Balance Sheet | | Totals |
| | | Non-Market related | Market related | |
| Total Exposure⁽¹⁾ | \$M | \$M | \$M | \$M |
| Standardised approach | | | | |
| Corporate | 12,926 | 1,455 | 121 | 14,502 |
| Sovereign | 1 | 1 | - | 2 |
| Bank | 6,090 | 45 | 395 | 6,530 |
| Residential mortgage | 39,753 | 573 | 33 | 40,359 |
| Other retail | 4,113 | 134 | 10 | 4,257 |
| Other assets | 1,313 | - | - | 1,313 |
| Total Exposures | 64,196 | 2,208 | 559 | 66,963 |
| Standardised approach | | | | |

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

5. Past Due and Impaired Exposures, Provisions and Reserves

30 June 2009

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

(1) Actual losses equals write-offs from specific provisions, write-offs direct from general reserves for credit losses less recoveries of amounts previous written off for the three months ending 30 June 2009.

General Reserves for Credit Losses comprises:

30 June 2009

| | \$M |
|---|------------|
| General reserve for credit losses | 143 |
| Collective provisions | 662 |
| Tax effect | (242) |
| Total General Reserves for Credit Losses | 563 |

Classification of exposures

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

Glossary

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