100 YEARS OF BANKING ON AUSTRALIA'S FUTURE

Basel II Pillar 3

CAPITAL ADEQUACY AND RISK DISCLOSURES AS AT 31 DECEMBER 2011

CommonwealthBank

15 FEBRUARY 2012
COMMONWEALTH BANK OF AUSTRALIA
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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) subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959.

This document presents information on the Group's capital adequacy and Risk Weighted Assets (RWA) calculations for credit risk including securitisation exposures and equities, market risk, Interest Rate Risk in the Banking Book (IRRBB) and operational risk according to APRA requirements.

An important component of the Basel Committee on Banking Supervision's (BCBS) revised framework of capital measurement and capital adequacy, known as Basel II, is the public disclosure of prudential information (referred to as "Pillar 3" within the framework). These requirements are outlined in APRA's ADI Prudential Standard APS 330 "*Capital Adequacy: Public Disclosures of Prudential Information*" (APS 330). The standard aims to enhance transparency in Australian financial markets by setting minimum requirements for the disclosure of information on the risk management and capital adequacy of ADIs.

The Group is required to report its quarterly assessment of capital adequacy on a Level 2 basis. APS 330 defines Level 2 as the consolidated banking group excluding the insurance, wealth management businesses and entities through which securitisation of group assets are conducted.

The Group is accredited with advanced Basel II status to use the Advanced Internal Ratings Based approach (AIRB) for credit risk and Advanced Measurement Approach (AMA) for operational risk under Basel II 'Pillar One' minimum capital requirements. The Group is also required to assess its traded market risk and IRRBB requirements under Pillar One.

ASB Bank Limited (ASB) is subject to regulation by the Reserve Bank of New Zealand (RBNZ). RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements. ASB operates under Basel II advanced status and Level 2 reporting by the Group includes ASB.

These disclosures include consolidation of the Bank of Western Australia Limited (Bankwest), CommBank Europe Limited and PT Bank Commonwealth, which use the Standardised Basel II methodology.

The Group has maintained a strong capital position with the capital ratios well in excess of APRA's minimum capital adequacy requirements and the Board approved minimum levels at all times throughout the period.

The Group's Common Equity, Tier One and Total Capital ratios as at 31 December 2011 were 7.67%, 9.90% and 11.11% respectively.

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

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

Summary Group Capital Adequacy Ratios (Level 2)	31/12/11 %	30/06/11 %	31/12/10 %
Common Equity	**7. 67**	7. 66	7. 35
Tier One	**9. 90**	10. 01	9. 71
Tier Two	**1. 21**	1. 69	1. 79
Total Capital	**11. 11**	11. 70	11. 50

2 Scope of Application

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

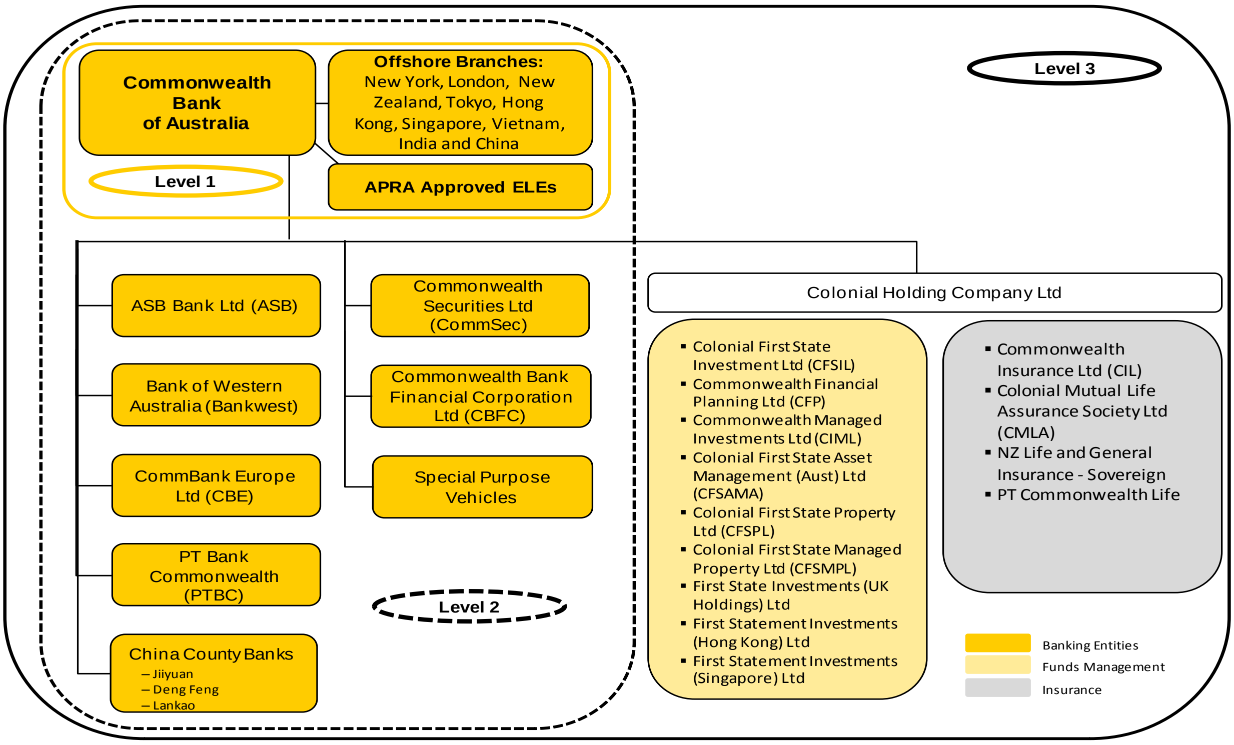
APRA adopts a tiered approach to the measurement of an ADI's capital adequacy:

- Level 1: the Parent Bank (CBA) and offshore branches (the Bank) and APRA approved Extended Licensed 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 3g of this report (page 5).

The net tangible component of the investment in the insurance, funds management and securitisation activities are deducted from capital, 50% from Tier One and 50% from Tier Two Capital.

These disclosures include the consolidation of ASB (which operates under Basel II advanced status) and Bankwest, CommBank Europe Limited (Malta) and PT Bank Commonwealth (Indonesia), which operate under the standardised Basel II approach. There is a programme to extend the Group's advanced accreditation to Bankwest.



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 and there are no capital deficiencies in the non-consolidated subsidiaries.

APS 330 Table 1d – Capital deficiencies in non-consolidated subsidiaries

There continues to be no capital deficiencies in non-consolidated subsidiaries in the Group.

3 Capital and Risk Weighted Assets

Capital Management

The Group maintains a strong capital position with the capital ratios well in excess of APRA minimum capital adequacy requirements (Prudential Capital Ratio (PCR)) and the Board Approved minimum levels at all times throughout the half year ended 31 December 2011.

The Group's Common Equity, Tier One Capital and Total Capital ratios as at 31 December 2011 were 7.67%, 9.90% and 11.11% respectively.

The Group's Common Equity and Tier One Capital ratios remained relatively stable during the half year, with the capital generated from earnings (net of dividend and Dividend Reinvestment Plan (DRP)) offset by increases in RWA and the actuarial losses from the defined benefit superannuation fund recognised in equity.

The Group's Total Capital ratio decreased 59 basis points over the prior half to 11.11%, driven by both movement in Tier One Capital and the planned redemption of a number of Lower Tier Two debt instruments.

RWA were $298 billion at 31 December 2011, an increase of $16 billion since 30 June 2011 primarily driven by higher Credit RWA. Credit RWA increased by $12 billion, driven by higher liquid assets and lending volume growth.

Summary Group Capital Adequacy and RWA	31/12/11	30/06/11	31/12/10
Total Risk Weighted Assets ($M)	**297,705**	281,711	285,563
Common Equity Capital ($M)	**22,837**	21,575	20,999
Tier One Capital ($M)	**29,473**	28,213	27,735
Total Capital ($M)	**33,061**	32,962	32,846
Common Equity (%)	**7. 67**	7. 66	7. 35
Tier One Capital (%)	**9. 90**	10. 01	9. 71
Total Capital (%)	**11. 11**	11. 70	11. 50

Regulatory Capital Framework Comparison

The following table estimates the impact on the Group's capital as at 31 December 2011, of the differences between APRA's prudential requirements for calculating risk weighted assets and those of the Financial Services Authority (FSA), the UK regulator.

The Group's Common Equity, Tier One and Total Capital ratios as at 31 December 2011 under the FSA method of calculating regulatory capital as a percentage of RWA were 10.6%, 13.2% and 14.1% respectively.

Further details on the differences between APRA and the FSA are available on the Australian Bankers' Association website.

	31 December 2011		
Regulatory Capital Frameworks Comparison	Common equity capital [1] %	Tier One capital %	Total capital %
Reported risk weighted capital ratios	7. 7	9. 9	11. 1
RWA treatment - mortgages [2] and margin loans	1. 1	1. 4	1. 5
IRRBB risk weighted assets	0. 3	0. 4	0. 4
Future dividends (net of Dividend Reinvestment Plan)	0. 6	0. 6	0. 6
Tax impact in EL v EP calculation	0. 1	0. 1	0. 2
Deferred tax assets	0. 1	0. 1	0. 1
Equity investments	0. 2	0. 2	0. 2
Value of in force deductions [3]	0. 5	0. 5	-
Total adjustments	2. 9	3. 3	3. 0
Normalised FSA equivalent	10. 6	13. 2	14. 1

(1) Represents Fundamental Tier One Capital net of Tier One deductions.

(2) Based on APRA 20% Loss Given Default (LGD) floor compared to the FSA's 10% and the Group's downturn LGD loss experience. For Standardised portfolio, based on APRA risk weights under APS 112 compared to the FSA's standard.

(3) VIF at acquisition is treated as goodwill and intangibles and therefore is deducted at Tier One by APRA. FSA allows VIF to be included in Tier One Capital but deducted from Total Capital.

3.1 Regulatory Capital

APS 330 Table 2b to 2d – Group regulatory capital position

	31/12/11 $M	30/06/11 $M	31/12/10 $M
Tier One Capital			
Ordinary Share Capital and Treasury Shares	**24,967**	23,896	23,384
Total Reserves	**462**	372	566
Net Retained Earnings	**10,161**	9,667	9,167
Non-controlling interests less ASB Perpetual Preference Shares	**23**	23	19
Total Fundamental Tier One Capital	**35,613**	33,958	33,136
Deductions from Tier One Capital			
Goodwill and other intangibles (excluding software)	**(8,546)**	(8,306)	(8,382)
Other deductions from Tier One Capital	**(2,286)**	(2,021)	(1,750)
Tier One Capital deductions - 50%	**(1,944)**	(2,056)	(2,005)
Total Tier One Capital Deductions	**(12,776)**	(12,383)	(12,137)
Fundamental Tier One Capital After Deductions	**22,837**	21,575	20,999
Residual Capital			
Total Innovative Tier One Capital	**3,229**	3,231	3,329
Non-innovative Residual Tier One Capital	**3,407**	3,407	3,407
Total Residual Tier One Capital	**6,636**	6,638	6,736
Total Tier One Capital	**29,473**	28,213	27,735
Tier Two Capital			
Total Upper Tier Two Capital	**1,236**	1,166	1,161
Total Lower Tier Two Capital	**4,296**	5,639	5,955
Gross Tier Two Capital	**5,532**	6,805	7,116
Deduction from Tier Two Capital			
Tier Two Capital deductions - 50%	**(1,944)**	(2,056)	(2,005)
Total Tier Two Capital Deductions	**(1,944)**	(2,056)	(2,005)
Total Tier Two Capital	**3,588**	4,749	5,111
Total Capital	**33,061**	32,962	32,846

APS 330 Table 3g – Capital ratios

Significant Group ADIs	31/12/11 %	30/06/11 %	31/12/10 %
CBA Level 2 Tier One Capital ratio (1)	**9. 90**	10. 01	9. 71
CBA Level 2 Total Capital ratio (1)	**11. 11**	11. 70	11. 50
CBA Level 1 Tier One Capital ratio (1)	**10. 69**	10. 83	10. 59
CBA Level 1 Total Capital ratio (1)	**11. 17**	11. 80	11. 65
ASB Tier One Capital ratio (1)	**11. 23**	11. 22	11. 04
ASB Total Capital ratio (1)	**12. 91**	12. 79	13. 27
Bankwest Tier One Capital ratio (2)	**9. 12**	9. 14	9. 26
Bankwest Total Capital ratio (2)	**12. 86**	12. 93	13. 06

(1) Calculated under advanced Basel II methodology.
(2) Calculated under standardised Basel II methodology.

Capital Initiatives

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

Tier One Capital

- The allocation of $832 million ordinary shares in order to satisfy the DRP in respect of the final dividend for the 2010/2011 financial year, representing a participation rate of 28.4%; and
- The issue of $237 million ordinary shares associated with the acquisition of Count Financial Limited.

Tier Two Capital

- Redemption of four separate subordinated Lower Tier Two debt issues totalling $1,361 million.

Banking Regulatory Framework

The Group, excluding Bankwest, operates under Basel II advanced status which resulted in the AIRB approach for credit risk and the AMA for operational risk being adopted in the calculation of RWA effective from 1 January 2008. IRRBB was incorporated into the calculation of RWA from 1 July 2008. The agreed methodology for measuring market risk for traded assets remained unchanged from Basel I.

Bankwest's operations are included in the Group's Capital requirements. However, Bankwest operates as a stand-alone bank under Basel II standardised status and is separately regulated by APRA. There is a programme to extend the Group's advanced accreditation to determine regulatory capital for Bankwest. Once Basel II reforms are implemented, Bankwest will be required to report a common equity ratio.

ASB's operations are included in the Group's Capital requirements. However, ASB operates as a stand-alone bank under Basel II advanced status and is subject to regulation by the RBNZ. The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements. Once Basel III reforms are implemented, ASB will be required to report a common equity ratio.

Insurance and Funds Management Business

The Group's insurance and funds management businesses held $1,108 million of assets in excess of regulatory solvency requirements at 31 December 2011 (30 June 2011: $1,014 million; 31 December 2010: $1,147 million). In addition these companies held assets in excess of regulatory capital requirements at 31 December 2011.

Regulatory Changes

There are a number of regulatory changes in progress that will impact the measurement of capital for the Group in regards to Banking, General and Life Insurance and Conglomerate Groups.

Banking – Basel Committee Changes

On 16 December 2010 the Basel Committee on Banking Supervision (BCBS) published details of its main banking reforms to strengthen global capital and liquidity regulations with the aim of promoting a more resilient banking sector.

The "*Basel III: A global regulatory framework for more resilient banks and banking systems*" reforms are designed to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risks.

The regulations increase the common equity minimum requirement from 2% to 4.5%. They introduce a capital conservation buffer of 2.5%, taking the minimum common equity requirement to 7%. Tier One and Total Capital minimum requirements (inclusive of the capital conservation buffer) will increase to 8.5% and 10.5% respectively. The reforms also introduce a minimum leverage ratio of Tier One Capital to total exposures of 3%.

The reforms are phased in from 1 January 2013 to 1 January 2019.

Banking – APRA Changes

On 6 September 2011, APRA released their Discussion Paper "*Implementing Basel III capital reforms in Australia*". APRA proposes to adopt a more conservative approach than the minimum standards published by the BCBS, and adopting an accelerated timetable for implementation.

The BCBS and APRA continue to conduct several Quantitative Impact Studies (QIS) to assess the impact of the proposed changes. APRA are expected to release draft prudential standards in early 2012.

Basel II enhancements announced in July 2009, relating to securitisation and market risk will be implemented from 1 January 2012.

General and Life Insurers

APRA commenced a review of general and life insurance capital standards in May 2010 with the release of a Discussion Paper titled "*Review of capital standards for General Insurers and Life Insurers*". Since that time APRA has released a number of technical papers, a response paper and conducted two QIS's. In December 2011 APRA released a second response paper and a number of draft prudential standards. Final prudential standards are expected to be released by APRA during 2012.

The RBNZ issued final solvency standards for life insurance operations in August 2011.

Supervision of Conglomerate Groups

APRA released a Discussion Paper titled "*Supervision of Conglomerate Groups*" in March 2010. APRA is seeking to extend 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.

A QIS to assess the impact of the proposed changes was completed in February 2011. Draft capital standards are expected in 2012.

3.2 Risk Weighted Assets

APS 330 Table 3b to 3f – Capital adequacy (risk weighted assets)

Asset Category	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 2011 vs Jun 2011 $M	Dec 2011 vs Jun 2011 %	Jun 2011 vs Dec 2010 $M	Jun 2011 vs Dec 2010 %
Credit Risk							
Subject to advanced IRB approach							
Corporate	**45,983**	39,180	40,129	6,803	17. 4	(949)	(2. 4)
SME corporate	**22,155**	22,471	22,071	(316)	(1. 4)	400	1. 8
SME retail	**4,486**	4,435	4,896	51	1. 1	(461)	(9. 4)
Sovereign	**3,201**	2,517	2,557	684	27. 2	(40)	(1. 6)
Bank	**7,925**	7,216	6,686	709	9. 8	530	7. 9
Residential mortgage	**53,844**	55,709	56,412	(1,865)	(3. 3)	(703)	(1. 2)
Qualifying revolving retail	**6,491**	6,398	6,761	93	1. 5	(363)	(5. 4)
Other retail	**8,116**	7,253	6,398	863	11. 9	855	13. 4
Impact of the regulatory scaling factor (1)	**9,132**	8,711	8,755	421	4. 8	(44)	(0. 5)
Total RWA subject to advanced IRB approach	**161,333**	153,890	154,665	7,443	4. 8	(775)	(0. 5)
Specialised lending	**36,915**	35,990	34,339	925	2. 6	1,651	4. 8
Subject to standardised approach							
Corporate	**9,950**	8,048	8,040	1,902	23. 6	8	0. 1
SME corporate	**6,803**	7,389	7,597	(586)	(7. 9)	(208)	(2. 7)
SME retail	**4,230**	4,461	4,377	(231)	(5. 2)	84	1. 9
Sovereign	**308**	103	99	205	large	4	4. 0
Bank	**1,303**	1,238	1,583	65	5. 3	(345)	(21. 8)
Residential mortgage	**24,660**	23,515	22,605	1,145	4. 9	910	4. 0
Other retail	**2,627**	2,574	2,510	53	2. 1	64	2. 5
Other assets	**5,215**	4,751	4,619	464	9. 8	132	2. 9
Total RWA subject to standardised approach	**55,096**	52,079	51,430	3,017	5. 8	649	1. 3
Securitisation	**2,695**	2,670	1,894	25	0. 9	776	41. 0
Equity exposures	**2,407**	2,113	2,280	294	13. 9	(167)	(7. 3)
Total RWA for credit risk exposures	**258,446**	246,742	244,608	11,704	4. 7	2,134	0. 9
Traded market risk	**3,105**	3,162	3,873	(57)	(1. 8)	(711)	(18. 4)
Interest rate risk in the banking book	**11,525**	9,699	17,033	1,826	18. 8	(7,334)	(43. 1)
Operational risk	**24,629**	22,108	20,049	2,521	11. 4	2,059	10. 3
Total risk weighted assets (2)	**297,705**	281,711	285,563	15,994	5. 7	(3,852)	(1. 3)

(1) APRA requires RWA that are derived from the advanced IRB approach to be multiplied by a factor of 1.06 (refer glossary).
(2) RWA include the consolidation of Bankwest which operates under the Basel II standardised methodology.

Risk Weighted Assets

Total RWA increased by $16 billion or 5.7% on the prior half to $298 billion, driven by increases in credit risk, IRRBB and operational risk RWA.

Credit Risk Exposure and Credit Risk RWA

Credit risk RWA increased by $12 billion or 4.7% to $258 billion. The increase was primarily due to:

- The Group holding more liquid assets in the Bank portfolio;
- Growth in the Corporate and Residential Mortgage exposures; and
- Rating migration in Corporate and Sovereign portfolios.

These increases were partly offset by the implementation of revised risk estimates for the Retail portfolio including a new methodology to determine Probability of Default (PD) for the CBA domestic Residential Mortgage portfolio.

Traded Market Risk RWA

Traded Market Risk RWA remained largely unchanged.

Interest Rate Risk in the Banking Book RWA

IRRBB RWA increased by $2 billion or 18.8% to $12 billion during the half. The IRRBB capital requirement increased in December 2011 due to changes in the repricing term of loans and deposits partially offset by greater embedded gains from lower interest rates as compared to June 2011.

Operational Risk RWA

Operational Risk RWA increased $3 billion or 11.4% to $25 billion. The increase reflects a more conservative assessment of the operational risk profile of the Group including the impact of the external environment.

Explanation of change in credit RWA

The composition of the movement in Credit RWA over the prior half, as reflected in APS 330 Table 3b to 3f, is shown below.

Asset Category	Total credit RWA movement Jun 11 to Dec 11 $M	Credit RWA driven by volume changes $M	Credit RWA driven by credit risk factor changes $M	Credit RWA driven by change in regulatory treatments $M	Credit RWA driven by change in credit quality $M
AIRB corporate including SME and specialised lending	**7,463**	5,905	-	-	1,558
AIRB bank	**709**	634	-	-	75
AIRB sovereign	**684**	(18)	-	-	702
AIRB consumer retail	**(909)**	2,342	(386)	-	(2,865)
Standardised (including other assets)	**3,017**	3,450	-	-	(433)
Equity and securitisation exposures	**319**	674	-	-	(355)
Impact of Basel II scaling factor	**421**	110	-	-	311
Total credit RWA movement	**11,704**	**13,097**	**(386)**	**-**	**(1,007)**

4 Credit Risk

4.1 Credit Risk Exposure – Excluding Equities and Securitisation

The table below, and those on page 10, detail credit risk exposures (excluding Equities and Securitisation Exposures) subject to Advanced IRB and Standardised approaches.

APS 330 Table 4i – Total credit exposures (excluding equities and securitisation) by portfolio type and modelling approach

	31 December 2011						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2011 half [2] $M	Change in exposure for December 2011 half [3] $M	%
Subject to advanced IRB approach							
Corporate	39,276	32,367	5,137	**76,780**	72,203	9,154	13. 5
SME corporate	30,693	5,534	481	**36,708**	36,896	(376)	(1. 0)
SME retail	7,393	2,084	26	**9,503**	9,366	274	3. 0
Sovereign	38,232	1,774	1,348	**41,354**	41,506	(303)	(0. 7)
Bank	25,948	2,292	10,778	**39,018**	37,442	3,152	8. 8
Residential mortgage	293,726	54,372	-	**348,098**	344,889	6,419	1. 9
Qualifying revolving retail	9,087	11,861	-	**20,948**	19,754	2,388	12. 9
Other retail	5,732	1,352	-	**7,084**	6,868	433	6. 5
Total advanced IRB approach	450,087	111,636	17,770	**579,493**	568,924	21,141	3. 8
Specialised lending	33,373	8,038	1,090	**42,501**	42,097	808	1. 9
Subject to standardised approach							
Corporate	8,105	1,765	82	**9,952**	8,898	2,109	26. 9
SME corporate	6,003	884	37	**6,924**	7,212	(577)	(7. 7)
SME retail	3,691	1,619	-	**5,310**	5,364	(107)	(2. 0)
Sovereign	2,751	3	-	**2,754**	2,350	808	41. 5
Bank	6,412	71	45	**6,528**	6,346	365	5. 9
Residential mortgage	54,112	975	21	**55,108**	53,411	3,394	6. 6
Other retail	2,534	97	2	**2,633**	2,619	29	1. 1
Other assets	12,407	-	-	**12,407**	13,160	(1,505)	(10. 8)
Total standardised approach	96,015	5,414	187	**101,616**	99,360	4,516	4. 7
Total credit exposures [1]	579,475	125,088	19,047	**723,610**	710,381	26,465	3. 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 2011 and 30 June 2011.
(3) The difference between exposures as at 31 December 2011 and 30 June 2011.

Explanation of change in credit risk exposure

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

Asset Category	Total Exposure Change $M	Regulatory Exposure Driver
AIRB corporate (including SME) and specialised lending	**9,860**	Portfolio growth reflects an increase in corporate lending and specialised lending facilities.
AIRB sovereign	**(303)**	No material change.
AIRB bank	**3,152**	Growth reflects prudent business settings and balance sheet growth.
AIRB consumer retail	**9,240**	Continued growth in Australian Residential Mortgage and Qualifying Revolving Retail portfolios moderated by appreciation of the AUD against the NZD on the New Zealand home loan book.
Total advanced and specialised lending	**21,949**	
Standardised including other assets	**4,516**	Growth in the Bankwest residential mortgage portfolio.
Total excluding securitisation and equity exposures	**26,465**	

APS 330 Table 4i – Total credit exposures (excluding equities and securitisation) by portfolio type and modelling approach (continued)

	30 June 2011						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for June 2011 half [(2)] $M	Change in exposure for June 2011 half [(3)] $M	%
Subject to advanced IRB approach							
Corporate	36,068	26,892	4,666	67,626	67,417	418	0. 6
SME corporate	31,189	5,542	353	37,084	37,823	(1,477)	(3. 8)
SME retail	7,367	1,835	27	9,229	9,168	122	1. 3
Sovereign	32,696	7,760	1,201	41,657	36,185	10,944	35. 6
Bank	23,737	2,377	9,752	35,866	33,147	5,438	17. 9
Residential mortgage	289,846	51,833	-	341,679	339,163	5,032	1. 5
Qualifying revolving retail	8,883	9,677	-	18,560	15,907	5,307	40. 0
Other retail	5,397	1,254	-	6,651	6,341	621	10. 3
Total advanced IRB approach	435,183	107,170	15,999	558,352	545,151	26,405	5. 0
Specialised lending	31,813	8,896	984	41,693	40,584	2,219	5. 6
Subject to standardised approach							
Corporate	6,899	908	36	7,843	8,004	(322)	(3. 9)
SME corporate	6,430	1,046	25	7,501	7,657	(312)	(4. 0)
SME retail	3,870	1,547	-	5,417	5,348	138	2. 6
Sovereign	1,945	1	-	1,946	1,168	1,556	large
Bank	6,064	74	25	6,163	6,961	(1,596)	(20. 6)
Residential mortgage	50,907	794	13	51,714	50,481	2,467	5. 0
Other retail	2,508	95	1	2,604	2,579	50	2. 0
Other assets	13,912	-	-	13,912	13,692	441	3. 3
Total standardised approach	92,535	4,465	100	97,100	95,890	2,422	2. 6
Total credit exposures [(1)]	559,531	120,531	17,083	697,145	681,625	31,046	4. 7

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

(2) The simple average of balances as at 30 June 2011 and 31 December 2010.

(3) The difference between exposures as at 30 June 2011 and 31 December 2010.

	31 December 2010						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2010 half [(2)] $M	Change in exposure for December 2010 half [(3)] $M	%
Subject to advanced IRB approach							
Corporate	37,321	24,389	5,498	67,208	67,044	328	0. 5
SME corporate	32,475	5,667	419	38,561	39,006	(889)	(2. 3)
SME retail	7,340	1,757	10	9,107	9,118	(21)	(0. 2)
Sovereign	27,059	1,388	2,266	30,713	30,301	825	2. 8
Bank	16,855	2,537	11,036	30,428	30,379	98	0. 3
Residential mortgage	283,579	53,068	-	336,647	334,788	3,719	1. 1
Qualifying revolving retail	8,732	4,521	-	13,253	12,973	560	4. 4
Other retail	5,067	963	-	6,030	6,012	37	0. 6
Total advanced IRB approach	418,428	94,290	19,229	531,947	529,621	4,657	0. 9
Specialised lending	31,020	7,488	966	39,474	39,424	101	0. 3
Subject to standardised approach							
Corporate	7,386	753	26	8,165	8,570	(810)	(9. 0)
SME corporate	6,775	1,012	26	7,813	7,884	(142)	(1. 8)
SME retail	3,844	1,435	-	5,279	5,376	(194)	(3. 5)
Sovereign	389	1	-	390	820	(860)	(68. 8)
Bank	7,659	68	32	7,759	6,831	1,856	31. 4
Residential mortgage	48,480	755	12	49,247	48,355	1,785	3. 8
Other retail	2,460	94	-	2,554	2,565	(22)	(0. 9)
Other assets	13,471	-	-	13,471	13,884	(826)	(5. 8)
Total standardised approach	90,464	4,118	96	94,678	94,285	787	0. 8
Total credit exposures [(1)]	539,912	105,896	20,291	666,099	663,330	5,545	0. 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 2010 and 30 June 2010.

(3) The difference between exposures as at 31 December 2010 and 30 June 2010.

APS 330 Table 4b – Credit risk exposure by portfolio type

Portfolio Type	As at 31/12/11 $M	Half year average (3) $M
Corporate	**86,732**	81,101
SME corporate	**43,632**	44,108
SME retail	**14,813**	14,730
Sovereign	**44,108**	43,856
Bank	**45,546**	43,788
Residential mortgage (1)	**403,206**	398,300
Qualifying revolving retail	**20,948**	19,754
Other retail	**9,717**	9,487
Specialised lending	**42,501**	42,097
Other assets	**12,407**	13,160
Total credit exposures (2)	**723,610**	710,381

(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.

Portfolio Type	As at 30/06/11 $M	Half year average (3) $M
Corporate	75,469	75,421
SME corporate	44,585	45,480
SME retail	14,646	14,516
Sovereign	43,603	37,353
Bank	42,029	40,108
Residential mortgage (1)	393,393	389,644
Qualifying revolving retail	18,560	15,907
Other retail	9,255	8,920
Specialised lending	41,693	40,584
Other assets	13,912	13,692
Total credit exposures (2)	697,145	681,625

(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.

Portfolio Type	As at 31/12/10 $M	Half year average (3) $M
Corporate	75,373	75,615
SME corporate	46,374	46,891
SME retail	14,386	14,494
Sovereign	31,103	31,121
Bank	38,187	37,210
Residential mortgage (1)	385,894	383,143
Qualifying revolving retail	13,253	12,973
Other retail	8,584	8,577
Specialised lending	39,474	39,424
Other assets	13,471	13,882
Total credit exposures (2)	666,099	663,330

(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 4c – Credit risk exposure by portfolio type and geographic distribution

	31 December 2011			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	64,773	5,470	16,489	**86,732**
SME corporate	36,784	6,237	611	**43,632**
SME retail	12,963	1,806	44	**14,813**
Sovereign	25,263	2,121	16,724	**44,108**
Bank	23,609	1,150	20,787	**45,546**
Residential mortgage (1)	370,554	32,246	406	**403,206**
Qualifying revolving retail	20,948	-	-	**20,948**
Other retail	8,329	1,387	1	**9,717**
Specialised lending	37,105	3,789	1,607	**42,501**
Other assets	9,455	2,603	349	**12,407**
Total credit exposures (2)	609,783	56,809	57,018	**723,610**

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

	30 June 2011			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	56,970	5,696	12,803	75,469
SME corporate	37,698	6,411	476	44,585
SME retail	12,760	1,840	46	14,646
Sovereign	22,708	1,416	19,479	43,603
Bank	19,723	1,341	20,965	42,029
Residential mortgage (1)	360,474	32,541	378	393,393
Qualifying revolving retail	18,560	-	-	18,560
Other retail	7,878	1,376	1	9,255
Specialised lending	36,284	3,809	1,600	41,693
Other assets	9,646	1,315	2,951	13,912
Total credit exposures (2)	582,701	55,745	58,699	697,145

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

	31 December 2010			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	56,421	6,143	12,809	75,373
SME corporate	39,413	6,392	569	46,374
SME retail	12,510	1,829	47	14,386
Sovereign	18,928	1,478	10,697	31,103
Bank	14,958	1,762	21,467	38,187
Residential mortgage (1)	353,584	31,921	389	385,894
Qualifying revolving retail	13,253	-	-	13,253
Other retail	7,237	1,346	1	8,584
Specialised lending	33,955	3,934	1,585	39,474
Other assets	9,897	1,337	2,237	13,471
Total credit exposures (2)	560,156	56,142	49,801	666,099

(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 4d – Credit risk exposure by portfolio type and industry sector [1]

	31 December 2011							
	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	-	-	1,168	-	-	13,338	2,284	6,565
SME corporate	-	870	3,189	-	-	2,755	10,924	500
SME retail	-	1,131	3,584	-	-	365	1,508	32
Sovereign	-	-	-	44,108	-	-	-	-
Bank	-	-	-	-	45,533	13	-	-
Residential mortgage [2]	390,045	-	-	-	-	355	707	63
Qualifying revolving retail	-	20,948	-	-	-	-	-	-
Other retail	-	9,717	-	-	-	-	-	-
Specialised lending	-	-	5	-	-	221	143	403
Other assets	-	3,580	-	-	-	-	-	-
Total credit exposures [1]	390,045	36,246	7,946	44,108	45,533	17,047	15,566	7,563

	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	10,777	5,290	866	10,798	9,192	11,087	15,367	**86,732**
SME corporate	2,418	214	1,386	5,769	1,260	942	13,405	**43,632**
SME retail	430	19	740	1,133	234	1,260	4,377	**14,813**
Sovereign	-	-	-	-	-	-	-	**44,108**
Bank	-	-	-	-	-	-	-	**45,546**
Residential mortgage [2]	441	26	1,030	1,591	379	3,226	5,343	**403,206**
Qualifying revolving retail	-	-	-	-	-	-	-	**20,948**
Other retail	-	-	-	-	-	-	-	**9,717**
Specialised lending	163	1,696	2,780	206	4,427	31,127	1,330	**42,501**
Other assets	-	-	-	-	-	-	8,827	**12,407**
Total credit exposures [1]	14,229	7,245	6,802	19,497	15,492	47,642	48,649	**723,610**

(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 4d – Credit risk exposure by portfolio type and industry sector [1] (continued)

	30 June 2011							
	Industry Sector							
	Residential mortgage	Other personal	Asset finance	Sovereign	Bank	Other finance	Agriculture	Mining
Portfolio Type	$M	$M	$M	$M	$M	$M	$M	$M
Corporate	-	-	1,200	-	-	11,817	2,189	5,149
SME corporate	-	913	3,130	-	-	2,982	11,033	335
SME retail	-	1,178	3,646	-	-	404	1,559	30
Sovereign	-	-	-	43,603	-	-	-	-
Bank	-	-	-	-	42,009	20	-	-
Residential mortgage [2]	379,812	-	-	-	-	398	801	43
Qualifying revolving retail	-	18,560	-	-	-	-	-	-
Other retail	-	9,247	-	-	-	-	-	-
Specialised lending	-	-	4	-	-	178	167	451
Other assets	-	4,277	-	-	-	-	-	-
Total credit exposures [1]	379,812	34,175	7,980	43,603	42,009	15,799	15,749	6,008

	Industry Sector							
	Manufacturing	Energy	Construction	Retail/ wholesale trade	Transport and storage	Property [3]	Other	Total
Portfolio Type	$M	$M	$M	$M	$M	$M	$M	$M
Corporate	9,575	4,123	512	7,679	7,422	10,327	15,476	75,469
SME corporate	2,466	222	1,253	5,876	1,467	1,269	13,639	44,585
SME retail	393	19	630	1,086	216	1,261	4,224	14,646
Sovereign	-	-	-	-	-	-	-	43,603
Bank	-	-	-	-	-	-	-	42,029
Residential mortgage [2]	493	22	1,221	1,793	414	2,906	5,490	393,393
Qualifying revolving retail	-	-	-	-	-	-	-	18,560
Other retail	-	-	-	-	-	-	8	9,255
Specialised lending	197	2,208	3,269	181	4,482	29,279	1,277	41,693
Other assets	-	-	-	-	-	-	9,635	13,912
Total credit exposures [1]	13,124	6,594	6,885	16,615	14,001	45,042	49,749	697,145

(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 4d – Credit risk exposure by portfolio type and industry sector [1] (continued)

	31 December 2010							
	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	-	-	1,146	-	-	11,997	2,123	4,539
SME corporate	-	961	3,223	-	-	2,992	11,032	442
SME retail	-	1,222	3,756	-	-	404	1,475	28
Sovereign	-	-	-	31,103	-	-	-	-
Bank	-	-	-	-	38,169	18	-	-
Residential mortgage [2]	371,948	-	-	-	-	353	769	57
Qualifying revolving retail	-	13,253	-	-	-	-	-	-
Other retail	-	8,584	-	-	-	-	-	-
Specialised lending	-	-	3	-	-	85	99	495
Other assets	-	4,505	-	-	-	-	-	-
Total credit exposures [1]	371,948	28,525	8,128	31,103	38,169	15,849	15,498	5,561

	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	10,057	4,348	610	7,371	7,312	12,335	13,535	75,373
SME corporate	2,458	158	1,304	5,942	1,437	1,590	14,835	46,374
SME retail	372	15	580	1,016	200	1,252	4,066	14,386
Sovereign	-	-	-	-	-	-	-	31,103
Bank	-	-	-	-	-	-	-	38,187
Residential mortgage [2]	515	22	1,318	1,840	397	3,365	5,310	385,894
Qualifying revolving retail	-	-	-	-	-	-	-	13,253
Other retail	-	-	-	-	-	-	-	8,584
Specialised lending	195	2,335	2,586	170	3,632	28,840	1,034	39,474
Other assets	-	-	-	-	-	-	8,966	13,471
Total credit exposures [1]	13,597	6,878	6,398	16,339	12,978	47,382	47,746	666,099

(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 4e – Credit risk exposure by portfolio type and contractual maturity

	31 December 2011				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	10,258	68,383	4,729	3,362	**86,732**
SME corporate	3,755	31,722	7,301	854	**43,632**
SME retail	2,113	8,288	4,251	161	**14,813**
Sovereign	9,629	19,620	14,013	846	**44,108**
Bank	11,058	33,107	914	467	**45,546**
Residential mortgage (1)	8,798	9,259	327,639	57,510	**403,206**
Qualifying revolving retail	-	-	-	20,948	**20,948**
Other retail	112	3,768	2,865	2,972	**9,717**
Specialised lending	14,677	24,904	2,920	-	**42,501**
Other assets	4,470	-	-	7,937	**12,407**
Total credit exposures (2)	64,870	199,051	364,632	95,057	**723,610**

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

	30 June 2011				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	8,873	61,138	3,890	1,568	75,469
SME corporate	3,103	32,499	8,020	963	44,585
SME retail	2,125	7,926	4,425	170	14,646
Sovereign	8,127	24,218	11,256	2	43,603
Bank	14,749	26,537	739	4	42,029
Residential mortgage (1)	8,638	8,996	319,440	56,319	393,393
Qualifying revolving retail	-	-	-	18,560	18,560
Other retail	82	3,639	2,624	2,910	9,255
Specialised lending	15,354	24,442	1,897	-	41,693
Other assets	5,084	-	-	8,828	13,912
Total credit exposures (2)	66,135	189,395	352,291	89,324	697,145

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

	31 December 2010				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	10,325	57,681	5,782	1,585	75,373
SME corporate	5,225	28,596	11,659	894	46,374
SME retail	2,097	6,955	5,173	161	14,386
Sovereign	4,251	16,766	10,086	-	31,103
Bank	16,175	20,377	1,567	68	38,187
Residential mortgage (1)	8,849	10,414	312,262	54,369	385,894
Qualifying revolving retail	-	-	-	13,253	13,253
Other retail	3	3,490	2,478	2,613	8,584
Specialised lending	13,942	22,487	3,045	-	39,474
Other assets	5,189	33	8	8,241	13,471
Total credit exposures (2)	66,056	166,799	352,060	81,184	666,099

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

4.2 Past Due and Impaired Exposures, Provisions and Reserves

All provisions for impairment assessed on an individual basis in accordance with the Australian Accounting Standards are classified as specific provisions in accordance with APS220 "Credit Quality". Most of the collective provisions raised under the Australian Accounting Standards are included in the general reserve for credit losses (GRCL), however, since 31 December 2009, 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 the Australian Accounting Standards, APS220 based credit provisions and APS 330 Table 4f – General reserve for credit losses

	31 December 2011		
	General reserve for credit losses (2)	Specific provision (2)	Total provisions
	$M	$M	$M
Collective provision (1)	2,868	116	**2,984**
Individual provisions (1)	-	2,097	**2,097**
Total provisions	2,868	2,213	**5,081**
Additional GRCL requirement (3)	261	-	**261**
Total regulatory provisions	3,129	2,213	**5,342**

(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 Tier One Capital of $183 million in order to maintain the required minimum GRCL.

	30 June 2011		
	General reserve for credit losses (2)	Specific provision (2)	Total provisions
	$M	$M	$M
Collective provision (1)	2,920	123	3,043
Individual provisions (1)	-	2,125	2,125
Total provisions	2,920	2,248	5,168
Additional GRCL requirement (3)	189	-	189
Total regulatory provisions	3,109	2,248	5,357

(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 Tier One Capital of $132 million in order to maintain the required minimum GRCL.

	31 December 2010		
	General reserve for credit losses (2)	Specific provision (2)	Total provisions
	$M	$M	$M
Collective provision (1)	3,211	116	3,327
Individual provisions (1)	-	2,169	2,169
Total provisions	3,211	2,285	5,496
Additional GRCL requirement	151	-	151
Total regulatory provisions (3)	3,362	2,285	5,647

(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 Tier One Capital of $106 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 4f (i) – Impaired, past due, specific provisions and write-offs charged by industry sector

	31 December 2011				
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	961	2,525	281	79	39
Other personal	13	239	120	2	261
Asset finance	63	8	26	6	5
Sovereign	-	-	-	-	-
Bank	39	-	29	1	-
Other finance	384	12	198	28	15
Agriculture	229	31	80	4	32
Mining	14	3	1	-	1
Manufacturing	144	16	89	8	2
Energy	71	-	32	(5)	47
Construction	234	21	134	16	29
Wholesale/retail trade	248	36	154	97	27
Transport and storage	152	8	16	(18)	8
Property	1,409	111	727	124	146
Other	731	127	326	2	130
Total	4,692	3,137	2,213	344	742

(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 2011.

	30 June 2011				
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	911	3,047	236	88	21
Other personal	11	232	123	1	194
Asset finance	85	42	39	10	3
Sovereign	-	-	-	-	-
Bank	39	-	29	-	50
Other finance	411	23	226	34	14
Agriculture	315	40	98	12	22
Mining	2	5	1	(8)	4
Manufacturing	138	18	83	18	9
Energy	322	-	84	61	1
Construction	236	27	133	71	60
Wholesale/retail trade	188	38	94	33	28
Transport and storage	251	14	43	68	117
Property	1,625	131	678	208	299
Other	763	141	381	64	173
Total	5,297	3,758	2,248	660	995

(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 30 June 2011.

APS 330 Table 4f (i) – Impaired, past due, specific provisions and write-offs charged by industry sector (continued)

	31 December 2010				
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	846	2,562	205	55	46
Other personal	15	191	105	1	254
Asset finance	93	21	27	33	21
Sovereign	-	-	-	-	-
Bank	89	-	80	15	-
Other finance	396	20	206	47	41
Agriculture	402	33	103	7	5
Mining	26	4	15	(4)	3
Manufacturing	209	13	69	7	2
Energy	144	-	24	4	-
Construction	229	35	142	16	30
Wholesale/retail trade	140	33	85	19	21
Transport and storage	217	5	86	63	7
Property	1,641	175	723	199	197
Other	737	132	415	113	147
Total	5,184	3,224	2,285	575	774

(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 2010.

APS 330 Table 4f (ii) – Impaired, past due, specific provisions and write-offs charged by portfolio

	31 December 2011				
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	3,679	373	1,783	262	442
Sovereign	-	-	-	-	-
Bank	39	-	29	1	-
Residential mortgage	961	2,525	281	79	39
Qualifying revolving retail	-	102	58	-	136
Other retail	13	137	62	2	125
Total	4,692	3,137	2,213	344	742

(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 2011.

	30 June 2011				
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	4,336	479	1,860	571	730
Sovereign	-	-	-	-	-
Bank	39	-	29	-	50
Residential mortgage	911	3,047	236	88	21
Qualifying revolving retail	-	109	60	-	132
Other retail	11	123	63	1	62
Total	5,297	3,758	2,248	660	995

(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 30 June 2011.

	31 December 2010				
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	4,234	471	1,895	504	474
Sovereign	-	-	-	-	-
Bank	89	-	80	15	-
Residential mortgage	846	2,562	205	55	46
Qualifying revolving retail	-	92	50	-	125
Other retail	15	99	55	1	129
Total	5,184	3,224	2,285	575	774

(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 2010.

APS 330 Table 4g (i) – Impaired, past due and specific provisions by geographic region

Geographic Region [1]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
	31 December 2011		
Australia	4,238	2,932	2,105
New Zealand	262	196	65
Other	192	9	43
Total	4,692	3,137	2,213

(1) Balances are disclosed based on the risk domicile of the borrower. The Group's financial statements disclose balances based on the domicile of the lending entity.

Geographic Region [1]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
	30 June 2011		
Australia	4,640	3,492	2,115
New Zealand	398	257	71
Other	259	9	62
Total	5,297	3,758	2,248

(1) Balances are disclosed based on the risk domicile of the borrower. The Group's financial statements disclose balances based on the domicile of the lending entity.

Geographic Region [1]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
	31 December 2010		
Australia	4,458	2,959	2,060
New Zealand	447	255	85
Other	279	10	140
Total	5,184	3,224	2,285

(1) Balances are disclosed based on the risk domicile of the borrower. The Group's financial statements disclose balances based on the domicile of the lending entity.

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

APS 330 Table 4g (ii) – GRCL by geographic region

Geographic Region	31/12/11 $M	30/06/11 $M	31/12/10 $M
Australia	**2,896**	2,827	3,093
New Zealand	**137**	174	165
Other	**96**	108	104
Total GRCL	**3,129**	3,109	3,362

APS 330 Table 4h (i) – Movement in collective provisions

Movement in Collective Provisions	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M
Opening balance	**3,043**	3,327	3,461
Net charge against profit and loss	**201**	(102)	147
Recoveries	**101**	152	54
Other	**(5)**	(14)	(9)
Write-offs	**(356)**	(320)	(326)
Total collective provisions	**2,984**	3,043	3,327
Less collective provisions transferred to specific provisions	**(116)**	(123)	(116)
General reserve for credit losses	**2,868**	2,920	3,211
Additional GRCL requirement [1]	**261**	189	151
General reserve for credit losses	**3,129**	3,109	3,362

(1) The Group has recognised an after tax deduction from Tier One Capital of $183 million for 31 December 2011 (30 June 2011: $132 million; 31 December 2010: $106 million) in order to maintain the required minimum GRCL.

APS 330 Table 4h (ii) – Movement in individual provisions

Movement in Individual Provisions	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M
Opening balance for the period	**2,125**	2,169	1,992
Net new and increased provisioning	**540**	889	713
Net write back of provisions no longer required	**(196)**	(229)	(138)
Discount unwind to interest income	**(63)**	(68)	(79)
Other	**178**	191	183
Write-offs	**(487)**	(827)	(502)
Individual provisions	**2,097**	2,125	2,169
Add collective provisions transferred to specific provisions	**116**	123	116
Specific provisions	**2,213**	2,248	2,285

4.3 Portfolios Subject to Standardised and Supervisory Risk-Weights in the IRB Approaches

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;
  - Non-recourse purchased receivables; and
  - Some branches (China, India & Vietnam).
- ASB Bank Limited:
  - Personal Loans.
- All exposures in the following entities:
  - Bank of Western Australia Limited;
  - Commbank Europe Limited;
  - PT Bank Commonwealth (Indonesia); and
  - China County Banks.

APS 330 Table 5b – Exposures subject to standardised and supervisory risk-weights

Standardised Approach Exposures [1]	Exposure After Risk Mitigation [1] 31/12/11 $M	30/06/11 $M	31/12/10 $M
Risk weight			
0%	**7,508**	8,671	7,141
20%	**10,885**	10,608	11,900
35%	**38,078**	35,428	33,814
50%	**11,813**	10,616	9,669
75%	**666**	595	610
100%	**31,448**	29,770	30,586
150%	**1,158**	1,353	890
> 150%	**-**	-	-
Capital deductions	**-**	-	-
Total	**101,556**	97,041	94,610

(1) Exposure after credit risk mitigation does not include equity or securitisation exposures.

APS 330 Table 5b – Exposures subject to standardised and supervisory risk-weights (continued)

Other Assets (1)	31 December 2011 Exposure $M	Risk weight %	RWA $M
Cash	3,650	-	-
Cash items in course of collection	848	20	170
Margin lending	3,580	20	716
Fixed assets	1,350	100	1,350
Other	2,979	100	2,979
Total	12,407	42	5,215

Other Assets (1)	30 June 2011 Exposure $M	Risk weight %	RWA $M
Cash	5,047	-	-
Cash items in course of collection	865	20	173
Margin lending	4,277	20	855
Fixed assets	1,407	100	1,407
Other	2,316	100	2,316
Total	13,912	34	4,751

Other Assets (1)	31 December 2010 Exposure $M	Risk weight %	RWA $M
Cash	5,073	-	-
Cash items in course of collection	219	20	44
Margin lending	4,505	20	901
Fixed assets	1,395	100	1,395
Other	2,279	100	2,279
Total	13,471	34	4,619

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

Specialised Lending Exposures Subject to Supervisory Slotting (1)	31/12/11 $M	30/06/11 $M	31/12/10 $M
Risk Weight			
0%	**745**	1,240	1,220
70%	**15,559**	15,567	14,586
90%	**19,720**	18,082	16,523
115%	**5,864**	6,068	6,374
250%	**613**	736	771
Total exposures	**42,501**	41,693	39,474

(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.

Equity Credit Exposures	31/12/11 $M	30/06/11 $M	31/12/10 $M
Risk Weight			
300%	**421**	399	141
400%	**286**	229	464
Total credit exposures	**707**	628	605

4.4 Portfolios Subject to Internal Ratings Based Approaches

The Group's mapping of internal rating scales for risk-rated exposures to external rating agencies is detailed in APS 330 Table 6b.

APS 330 Table 6b – Internal ratings structure for credit risk exposures

Description	Internal Rating	Probability of Default
Exceptional	A0, A1, A2, A3	0.00% - 0.05%
Strong	B1, B2, B3, C1, C2, C3	0.05% - 0.46%
Pass	D1, D2, D3, E1, E2, E3	0.46% - 4.39%
Weak/doubtful	F1, F2, F3, G1, G2, G3	> 4.39%
Default	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

APS 330 Table 6c summarises the PD rating methodology applied by the Group to various segments of the credit portfolio.

APS 330 Table 6c – PD rating methodology by portfolio segment

Portfolio Segment	PD Rating Methodology
Bank, sovereign and large corporate exposures	Expert judgement assigned risk rating, informed but not driven by rating agency views.
Middle market and local business banking exposures	PD calculator(s) assigned risk rating.
SME retail exposures < $1m	SME Behaviour Score assigned PD pools.
Consumer retail exposures	For some products PD pools are assigned using product specific Application Scorecards for three to nine months (depending on the product); Behavioural Scorecards are then used to assign PD pools. For other products PD pools are assigned based on facility characteristics including time on books, utilisation, prepayments, etc.

Credit Risk Exposure Subject to the Basel II Advanced Approach

APS 330 Table 6d (i) provides a breakdown by asset class and PD Band, of the Group's credit risk for non-retail exposures that qualify for calculation of RWA under the Basel II AIRB approach.

APS 330 Table 6d (i) – Non-Retail exposures by portfolio type and PD band

	31 December 2011							
	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	$M
Total credit risk exposures								
Corporate	-	24,262	32,895	17,169	1,034	828	592	**76,780**
SME corporate	-	601	3,856	27,407	2,696	1,330	818	**36,708**
SME retail	-	-	1,151	6,154	1,819	193	186	**9,503**
Sovereign	39,799	928	560	67	-	-	-	**41,354**
Bank	-	37,043	1,765	154	16	-	40	**39,018**
Total	39,799	62,834	40,227	50,951	5,565	2,351	1,636	**203,363**
Undrawn commitments [2]								
Corporate	-	12,683	14,937	4,546	85	89	27	**32,367**
SME corporate	-	172	869	4,112	303	60	18	**5,534**
SME retail	-	-	713	1,014	334	17	6	**2,084**
Sovereign	1,339	166	253	16	-	-	-	**1,774**
Bank	-	1,758	437	97	-	-	-	**2,292**
Total	1,339	14,779	17,209	9,785	722	166	51	**44,051**
Exposure - weighted average EAD ($M)								
Corporate	-	4. 751	4. 240	0. 809	2. 191	1. 604	2. 312	**3. 563**
SME corporate	-	0. 232	0. 275	0. 205	0. 201	0. 308	0. 417	**0. 221**
SME retail	-	-	0. 007	0. 011	0. 032	0. 045	0. 052	**0. 061**
Sovereign	5. 653	1. 160	0. 967	0. 030	-	-	-	**5. 480**
Bank	-	9. 728	5. 147	1. 329	16. 182	-	6. 584	**9. 487**
Exposure - weighted average LGD (%)								
Corporate	-	60. 0	56. 3	45. 1	34. 2	47. 5	48. 0	**54. 5**
SME corporate	-	56. 8	34. 2	30. 3	29. 4	32. 6	36. 0	**31. 3**
SME retail	-	-	31. 8	41. 2	28. 2	35. 6	31. 8	**37. 3**
Sovereign	20. 6	61. 3	61. 3	61. 3	-	-	-	**22. 1**
Bank	-	61. 2	59. 9	59. 3	61. 3	-	61. 0	**61. 1**
Exposure - weighted average risk weight (%)								
Corporate	-	31. 4	61. 8	80. 0	115. 2	245. 2	181. 5	**59. 9**
SME corporate	-	20. 5	34. 7	52. 5	76. 5	156. 4	265. 5	**60. 4**
SME retail	-	-	16. 8	49. 1	40. 3	79. 4	206. 1	**47. 2**
Sovereign	6. 1	38. 3	62. 8	101. 5	-	-	-	**7. 7**
Bank	-	18. 5	45. 8	91. 8	225. 3	-	189. 8	**20. 3**

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.

(2) The credit exposure value of undrawn commitments included in Total Credit Exposures above.

APS 330 Table 6d (i) – Non-Retail exposures by portfolio type and PD band (continued)

	30 June 2011							
	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	$M
Total credit risk exposure								
Corporate	-	19,664	27,561	17,807	1,007	831	756	67,626
SME corporate	-	630	3,935	27,005	3,088	1,599	827	37,084
SME retail	-	-	1,094	6,128	1,607	197	203	9,229
Sovereign	40,036	1,177	332	100	12	-	-	41,657
Bank	-	34,157	1,396	257	17	-	39	35,866
Total	40,036	55,628	34,318	51,297	5,731	2,627	1,825	191,462
Undrawn commitments [2]								
Corporate	-	9,128	13,218	4,337	97	34	78	26,892
SME corporate	-	161	851	4,089	316	81	44	5,542
SME retail	-	-	634	914	263	12	12	1,835
Sovereign	7,440	194	110	16	-	-	-	7,760
Bank	-	1,711	517	149	-	-	-	2,377
Total	7,440	11,194	15,330	9,505	676	127	134	44,406
Exposure - weighted average EAD ($M)								
Corporate	-	5. 539	3. 890	0. 835	1. 486	3. 393	2. 513	3. 508
SME corporate	-	0. 149	0. 287	0. 201	0. 208	0. 307	0. 225	0. 215
SME retail	-	-	0. 006	0. 012	0. 031	0. 034	0. 099	0. 017
Sovereign	7. 471	1. 542	0. 589	0. 045	0. 618	-	-	7. 229
Bank	-	9. 126	6. 585	2. 735	0. 599	-	13. 061	8. 981
Exposure - weighted average LGD (%)								
Corporate	-	59. 1	56. 6	42. 9	38. 6	47. 9	49. 7	53. 3
SME corporate	-	54. 9	33. 9	29. 6	28. 7	32. 7	35. 7	30. 7
SME retail	-	-	31. 3	41. 4	28. 0	37. 1	33. 5	37. 6
Sovereign	15. 3	61. 3	61. 3	46. 0	61. 3	-	-	17. 1
Bank	-	61. 2	58. 0	56. 2	60. 6	-	61. 3	61. 0
Exposure - weighted average risk weight (%)								
Corporate	-	27. 2	55. 8	71. 9	122. 0	239. 0	322. 5	57. 9
SME corporate	-	18. 2	33. 3	51. 5	76. 1	155. 9	277. 5	60. 6
SME retail	-	-	16. 5	49. 5	40. 1	80. 1	208. 0	48. 1
Sovereign	4. 4	37. 3	65. 6	93. 3	176. 4	-	-	6. 0
Bank	-	18. 3	46. 2	80. 2	280. 4	-	189. 0	20. 1

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.

(2) The credit exposure value of undrawn commitments included in Total Credit Exposures above.

APS 330 Table 6d (i) – Non-Retail exposures by portfolio type and PD band (continued)

	31 December 2010							
	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	$M
Total credit risk exposure								
Corporate	-	19,761	26,882	17,712	1,335	625	893	67,208
SME corporate	-	1,103	3,479	28,107	3,322	1,857	693	38,561
SME retail	-	-	1,004	5,874	1,733	169	327	9,107
Sovereign	26,991	3,206	410	96	10	-	-	30,713
Bank	-	28,791	1,309	207	32	-	89	30,428
Total	26,991	52,861	33,084	51,996	6,432	2,651	2,002	176,017
Undrawn commitments [2]								
Corporate	-	8,128	12,162	3,924	132	21	22	24,389
SME corporate	-	157	811	4,245	337	90	27	5,667
SME retail	-	-	571	786	384	7	9	1,757
Sovereign	784	478	112	14	-	-	-	1,388
Bank	-	1,915	520	102	-	-	-	2,537
Total	784	10,678	14,176	9,071	853	118	58	35,738
Exposure - weighted average EAD ($M)								
Corporate	-	4. 586	4. 141	0. 815	1. 550	2. 962	3. 066	3. 319
SME corporate	-	0. 254	0. 260	0. 198	0. 208	0. 341	0. 139	0. 212
SME retail	-	-	0. 007	0. 017	0. 014	0. 014	0. 566	0. 035
Sovereign	6. 676	1. 440	0. 986	0. 041	0. 655	-	-	6. 031
Bank	-	7. 813	5. 619	2. 493	1. 147	-	29. 746	7. 740
Exposure - weighted average LGD (%)								
Corporate	-	59. 3	57. 5	42. 9	43. 6	34. 5	46. 3	53. 5
SME corporate	-	35. 7	33. 3	29. 5	28. 6	31. 0	34. 0	30. 1
SME retail	-	-	32. 0	42. 4	28. 8	38. 5	31. 5	38. 2
Sovereign	15. 3	61. 5	61. 8	44. 6	61. 3	-	-	20. 8
Bank	-	60. 1	61. 3	55. 6	61. 1	-	61. 3	60. 1
Exposure - weighted average risk weight (%)								
Corporate	-	27. 9	58. 2	78. 5	144. 4	185. 3	221. 6	59. 7
SME corporate	-	15. 6	33. 5	50. 8	71. 3	138. 8	216. 6	57. 2
SME retail	-	-	16. 9	50. 8	41. 0	83. 3	271. 9	53. 8
Sovereign	4. 7	26. 5	82. 7	94. 6	157. 1	-	-	8. 3
Bank	-	19. 9	53. 7	85. 4	230. 7	-	5. 6	22. 0

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.

(2) The credit exposure value of undrawn commitments included in Total Credit Exposures above.

APS 330 Table 6d (ii) provides a breakdown by asset class and PD band, of the Group's credit risk for retail exposures that qualify for calculation of RWA under the Basel II IRB approach.

APS 330 Table 6d (ii) – Retail exposures by portfolio type and PD band

	31 December 2011							
	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	$M
Total credit risk exposures								
Residential mortgage	74,941	108,778	35,861	110,057	7,509	7,696	3,256	**348,098**
Qualifying revolving retail	9,821	2,810	-	4,670	2,889	612	146	**20,948**
Other retail	-	183	613	4,679	1,147	364	98	**7,084**
Total	84,762	111,771	36,474	119,406	11,545	8,672	3,500	**376,130**
Undrawn commitments (1)								
Residential mortgage	33,437	7,520	1,250	11,724	389	44	8	**54,372**
Qualifying revolving retail	7,365	1,990	-	1,978	443	85	-	**11,861**
Other retail	-	172	505	555	55	65	-	**1,352**
Total	40,802	9,682	1,755	14,257	887	194	8	**67,585**
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 189	0. 235	0. 224	0. 178	0. 231	0. 230	0. 241	**0. 206**
Qualifying revolving retail	0. 007	0. 007	-	0. 007	0. 008	0. 007	0. 007	**0. 007**
Other retail	-	0. 002	0. 005	0. 009	0. 006	0. 001	0. 002	**0. 007**
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 1	20. 2	20. 8	22. 6	20. 3	20. 5	**20. 3**
Qualifying revolving retail	77. 6	77. 8	-	84. 2	88. 1	87. 7	86. 3	**80. 9**
Other retail	-	92. 4	90. 3	96. 8	98. 1	100. 5	98. 4	**96. 6**
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 1	8. 4	13. 5	23. 0	74. 1	95. 8	-	**15. 5**
Qualifying revolving retail	3. 0	11. 2	-	32. 9	108. 7	196. 3	-	**31. 0**
Other retail	-	42. 3	59. 0	111. 2	144. 6	224. 2	0. 2	**114. 6**

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

APS 330 Table 6d (ii) – Retail exposures by portfolio type and PD band – (continued)

	30 June 2011							
	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	$M
Total credit risk exposures								
Residential mortgage	80,205	117,540	7,418	116,025	11,408	6,058	3,025	341,679
Qualifying revolving retail	8	10,399	-	5,583	2,138	264	168	18,560
Other retail	-	155	619	4,352	1,061	337	127	6,651
Total	80,213	128,094	8,037	125,960	14,607	6,659	3,320	366,890
Undrawn commitments (1)								
Residential mortgage	31,169	7,389	1,747	10,941	545	31	11	51,833
Qualifying revolving retail	7	7,401	-	1,968	265	36	-	9,677
Other retail	-	145	518	488	62	41	-	1,254
Total	31,176	14,935	2,265	13,397	872	108	11	62,764
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 174	0. 220	0. 169	0. 195	0. 274	0. 229	0. 232	0. 202
Qualifying revolving retail	0. 006	0. 006	-	0. 007	0. 007	0. 008	0. 007	0. 006
Other retail	-	0. 003	0. 005	0. 009	0. 004	0. 002	0. 002	0. 007
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 1	20. 6	20. 7	21. 9	20. 5	20. 7	20. 4
Qualifying revolving retail	72. 6	76. 0	-	85. 0	88. 1	86. 8	86. 5	80. 3
Other retail	-	36. 6	90. 3	95. 4	95. 1	92. 6	78. 8	93. 0
Exposure - weighted average risk weight (%)								
Residential mortgage	1. 9	8. 8	12. 6	23. 9	74. 5	110. 2	-	16. 3
Qualifying revolving retail	4. 0	5. 6	-	41. 4	133. 8	241. 5	-	34. 5
Other retail	-	10. 0	59. 0	107. 8	141. 2	203. 2	0. 3	109. 1

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

APS 330 Table 6d (ii) – Retail exposures by portfolio type and PD band – (continued)

	31 December 2010							
	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	$M
Total credit risk exposures								
Residential mortgage	70,222	127,273	2,790	115,632	12,792	5,156	2,782	336,647
Qualifying revolving retail	-	5,477	98	4,422	2,603	471	182	13,253
Other retail	97	58	566	3,517	1,394	331	67	6,030
Total	70,319	132,808	3,454	123,571	16,789	5,958	3,031	355,930
Undrawn commitments (1)								
Residential mortgage	24,150	15,833	276	11,635	1,131	35	8	53,068
Qualifying revolving retail	-	2,786	56	1,341	278	21	39	4,521
Other retail	96	39	467	324	22	15	-	963
Total	24,246	18,658	799	13,300	1,431	71	47	58,552
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 172	0. 205	0. 076	0. 180	0. 111	0. 205	0. 222	0. 185
Qualifying revolving retail	-	0. 004	0. 006	0. 005	0. 008	0. 007	0. 009	0. 005
Other retail	0. 003	0. 003	0. 005	0. 008	0. 005	0. 002	0. 003	0. 007
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 0	23. 5	20. 6	22. 2	20. 5	20. 8	20. 3
Qualifying revolving retail	-	85. 1	86. 0	85. 8	86. 2	86. 2	85. 5	85. 6
Other retail	37. 7	34. 7	82. 2	97. 9	96. 2	89. 2	88. 9	93. 9
Exposure - weighted average risk weight (%)								
Residential mortgage	3. 2	8. 9	15. 3	24. 3	68. 0	108. 9	-	16. 8
Qualifying revolving retail	-	10. 4	17. 0	40. 7	127. 6	223. 8	-	51. 0
Other retail	7. 2	17. 9	48. 1	102. 0	137. 7	181. 5	0. 2	106. 1

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

Analysis of Losses

The following tables provide an analysis, for the advanced portfolios, of the Group's financial losses by portfolio type (APS 330 Table 6e) and a comparison of losses against the Group's regulatory expected loss estimates (APS 330 Table 6f).

APS 330 Table 6e – Analysis of losses by portfolio type

	31 December 2011		
	Half year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	$M	$M	$M
Corporate including SME and specialised lending	286	(22)	264
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage	41	(4)	37
Qualifying revolving retail	161	(25)	136
Other retail	137	(19)	118
Total	625	(70)	555

	30 June 2011		
	Full year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	$M	$M	$M
Corporate including SME and specialised lending	699	(19)	680
Sovereign	-	-	-
Bank	50	-	50
Residential mortgage	93	(43)	50
Qualifying revolving retail	295	(38)	257
Other retail	220	(37)	183
Total	1,357	(137)	1,220

	31 December 2010		
	Half year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	$M	$M	$M
Corporate including SME and specialised lending	261	(6)	255
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage	45	-	45
Qualifying revolving retail	145	(20)	125
Other retail	99	(20)	79
Total	550	(46)	504

APS 330 Table 6f – Historical loss analysis by portfolio type

	31 December 2011	
	Half year actual loss $M	Regulatory one year expected loss estimate $M
Corporate including SME and specialised lending	264	1,888
Sovereign	-	3
Bank	-	33
Residential mortgage	37	1,310
Qualifying revolving retail	136	425
Other retail	118	346
Total advanced	555	4,005

	30 June 2011	
	Full year actual loss $M	Regulatory one year expected loss estimate $M
Corporate including SME and specialised lending	680	2,084
Sovereign	-	3
Bank	50	33
Residential mortgage	50	1,427
Qualifying revolving retail	257	453
Other retail	183	324
Total advanced	1,220	4,324

	31 December 2010	
	Half year actual loss $M	Regulatory one year expected loss estimate $M
Corporate including SME and specialised lending	255	2,147
Sovereign	-	3
Bank	-	84
Residential mortgage	45	1,326
Qualifying revolving retail	125	485
Other retail	79	248
Total advanced	504	4,293

Analysis of Losses

There are a number of reasons why the actual losses will differ from regulatory expected losses. For example:

- Actual losses are historical and are based on the quality of the assets in the prior period, write-offs and recent economic conditions;
- Expected Loss (EL) measures losses, including costs such as internal workout costs, which are not included in actual losses;
- Regulatory EL for AIRB portfolios is based on the quality of exposures at a point in time using long run PDs and downturn LGDs as required by APRA. Again, in most years actual losses would be below the regulatory EL estimate;
- Regulatory EL for AIRB portfolios 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; and
- Regulatory EL for Specialised Lending exposures is determined by the “slotting” approach mandated by APRA which is more punitive than under the AIRB approach.

Regulatory EL decreased $319 million on the prior half to $4 billion, mainly as a result of:

- A $123 million decrease related to the retail asset classes as a result of reduced arrears; and
- A net decrease of $196 million in non-retail expected loss largely reflecting improvement in defaulted Specialised Lending facilities.

4.5 Credit Risk Mitigation

APS 330 Table 7b and 7c – Credit risk mitigation

	31 December 2011				
	Total exposure (1) $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach					
Corporate	76,780	-	619	-	0. 8
SME corporate	36,708	-	-	-	-
SME retail	9,503	-	-	-	-
Sovereign	41,354	-	-	-	-
Bank	39,018	-	332	442	2. 0
Residential mortgage	348,098	-	-	-	-
Qualifying revolving retail	20,948	-	-	-	-
Other retail	7,084	-	-	-	-
Total advanced approach	579,493	-	951	442	0. 2
Specialised lending	42,501	-	-	-	-
Standardised approach					
Corporate	9,952	106	-	-	1. 1
SME corporate	6,924	44	-	-	0. 6
SME retail	5,310	16	-	-	0. 3
Sovereign	2,754	3	-	-	0. 1
Bank	6,528	-	37	-	0. 6
Residential mortgage	55,108	63	-	-	0. 1
Other retail	2,633	2	-	-	0. 1
Other assets	12,407	-	-	-	-
Total standardised approach	101,616	234	37	-	0. 3
Total exposures	723,610	234	988	442	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.

APS 330 Table 7b and 7c – Credit risk mitigation (continued)

	30 June 2011				
	Total exposure (1) $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach					
Corporate	67,626	-	639	16	1. 0
SME corporate	37,084	-	-	-	-
SME retail	9,229	-	-	-	-
Sovereign	41,657	-	-	-	-
Bank	35,866	-	292	366	1. 8
Residential mortgage	341,679	-	-	-	-
Qualifying revolving retail	18,560	-	-	-	-
Other retail	6,651	-	-	-	-
Total advanced approach	558,352	-	931	382	0. 2
Specialised lending	41,693	-	-	-	-
Standardised approach					
Corporate	7,843	91	-	-	1. 2
SME corporate	7,501	54	-	-	0. 7
SME retail	5,417	15	-	-	0. 3
Sovereign	1,946	-	-	-	-
Bank	6,163	1	49	-	0. 8
Residential mortgage	51,714	65	-	-	0. 1
Other retail	2,604	2	-	-	0. 1
Other assets	13,912	-	-	-	-
Total standardised approach	97,100	228	49	-	0. 3
Total exposures	697,145	228	980	382	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.

	31 December 2010				
	Total exposure (1) $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach					
Corporate	67,208	-	763	9	1. 1
SME corporate	38,561	-	-	25	0. 1
SME retail	9,107	-	-	-	-
Sovereign	30,713	-	-	-	-
Bank	30,428	-	436	358	2. 6
Residential mortgage	336,647	-	-	-	-
Qualifying revolving retail	13,253	-	-	-	-
Other retail	6,030	-	-	-	-
Total advanced approach	531,947	-	1,199	392	0. 3
Specialised lending	39,474	-	-	-	-
Standardised approach					
Corporate	8,165	135	-	-	1. 7
SME corporate	7,813	79	-	-	1. 0
SME retail	5,279	15	-	-	0. 3
Sovereign	390	-	-	-	-
Bank	7,759	-	45	-	0. 6
Residential mortgage	49,247	65	-	-	0. 1
Other retail	2,554	3	-	-	0. 1
Other assets	13,471	-	-	-	-
Total standardised approach	94,678	297	45	-	0. 4
Total exposures	666,099	297	1,244	392	0. 3

(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.

4.6 Securitisation

APS 330 Table 9d (i) – Total outstanding exposures securitised – traditional securitisations

	31 December 2011			
Underlying Asset	**Bank originated assets [(1)] $M**	**Third party originated assets [(2)] $M**	**Facilities provided [(3)] $M**	**Other $M**
Residential mortgage	6,681	448	1,219	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	81	76	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	6,681	529	1,295	-

	30 June 2011			
Underlying Asset	**Bank originated assets [(1)] $M**	**Third party originated assets [(2)] $M**	**Facilities provided [(3)] $M**	**Other $M**
Residential mortgage	7,577	597	2,098	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	184	269	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	7,577	781	2,367	-

	31 December 2010			
Underlying Asset	**Bank originated assets [(1)] $M**	**Third party originated assets [(2)] $M**	**Facilities provided [(3)] $M**	**Other $M**
Residential mortgage	8,610	738	1,907	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	220	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	8,610	958	1,907	-

(1) Bank originated assets comprise the Medallion and Swan Trusts but exclude those assets held for contingent liquidity purposes.

(2) The Bank does not have any indirect origination i.e. the Bank does not use a third party to originate exposures into an SPV without those exposures having appeared on the Bank's Balance Sheets.

(3) Facilities provided include liquidity facilities, derivatives etc. provided to the Medallion Trusts and facilities provided to clients' term or ABCP securitisation programmes.

APS 330 Table 9d (ii) – Total outstanding exposures securitised – synthetic securitisations

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

The Group has not undertaken any synthetic securitisations.

APS 330 Table 9d (iii) – Total outstanding exposures securitised

The Group has only undertaken traditional securitisation as disclosed under APS 330 Table 9d (i).

APS 330 Table 9e – Analysis of past due and impaired securitisation exposures by asset type

	31 December 2011			
	Group originated assets securitised			
Underlying Asset	Outstanding exposure $M	Impaired $M	Past due $M	Losses recognised $M
Residential mortgage	7,129	15	47	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	81	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	7,210	15	47	-

	30 June 2011			
	Group originated assets securitised			
Underlying Asset	Outstanding exposure $M	Impaired $M	Past due $M	Losses recognised $M
Residential mortgage	8,174	12	50	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	184	-	2	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	8,358	12	52	-

	31 December 2010			
	Group originated assets securitised			
Underlying Asset	Outstanding exposure $M	Impaired $M	Past due $M	Losses recognised $M
Residential mortgage	9,348	8	56	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	220	-	2	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	9,568	8	58	-

APS 330 Table 9f – Analysis of securitisation exposure by facility type

Securitisation Facility Type	31/12/11 Exposure $M	30/06/11 Exposure $M	31/12/10 Exposure $M
Liquidity support facilities	**349**	438	346
Warehouse facilities	**5,019**	4,534	4,993
Derivative transactions	**1,256**	2,295	1,788
Holdings of securities (banking book)	**4,080**	1,953	1,944
Other	**4**	6	11
Total securitisation exposures in the banking book	**10,708**	9,226	9,082
Holdings of securities (trading book)	**38**	56	43
Total securitisation exposures	**10,746**	9,282	9,125

APS 330 Table 9g (i) – Analysis of securitisation exposure by risk weighting

Risk Weight Band	31 December 2011 Exposure $M	31 December 2011 RWA $M
≤ 25%	9,643	927
> 25% ≤ 35%	366	128
> 35% ≤ 50%	-	-
> 50% ≤ 75%	15	11
> 75% ≤ 100%	86	73
> 100% ≤ 650%	591	1,556
> 650% < 1250%	-	-
Total (1) (2)	10,701	2,695

Risk Weight Band	30 June 2011 Exposure $M	30 June 2011 RWA $M
≤ 25%	7,888	888
> 25% ≤ 35%	342	120
> 35% ≤ 50%	-	-
> 50% ≤ 75%	142	106
> 75% ≤ 100%	296	256
> 100% ≤ 650%	541	1,300
> 650% < 1250%	-	-
Total (1) (2)	9,209	2,670

Risk Weight Band	31 December 2010 Exposure $M	31 December 2010 RWA $M
≤ 25%	8,117	934
> 25% ≤ 35%	201	70
> 35% ≤ 50%	2	1
> 50% ≤ 75%	370	271
> 75% ≤ 100%	56	56
> 100% ≤ 650%	259	562
> 650% < 1250%	-	-
Total (2)	9,005	1,894

(1) As a result of a review of the securitisation portfolio, trading book exposures are also included in the tables above to account for the associated credit risk.

(2) Securitisation exposures held in the trading book are subject to the VaR capital model based capital calculation and are reported in the market risk sections of this report. They are not included in the above table.

APS 330 Table 9g (ii) – Securitisation exposures deducted from capital

	31 December 2011		
Underlying Asset Type	**Deductions from Tier One Capital $M**	**Deductions from Tier Two Capital $M**	**Total $M**
Residential mortgage	7	7	14
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Commercial loans	16	16	32
Other	-	-	-
Total	23	23	46

	30 June 2011		
Underlying Asset Type	**Deductions from Tier One Capital $M**	**Deductions from Tier Two Capital $M**	**Total $M**
Residential mortgage	8	8	16
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Commercial loans	29	29	58
Other	-	-	-
Total	37	37	74

	31 December 2010		
Underlying Asset Type	**Deductions from Tier One Capital $M**	**Deductions from Tier Two Capital $M**	**Total $M**
Residential mortgage	14	9	23
Credit cards and other personal loans	-	-	-
Auto and equipment finance	2	2	4
Commercial loans	25	25	50
Other	-	-	-
Total	41	36	77

APS 330 Table 9h – Analysis of securitisation exposure subject to early amortisation

Attachment G of *APS 120* provides for specific regulatory treatment for securitisations of certain types of assets. The Group has not undertaken any securitisations subject to early amortisation treatment.

APS 330 Table 9i – Securitised assets under the standardised approach

Bankwest securitisation exposures are subject to the Standardised approach and are incorporated in APS 330 Tables 9g.

APS 330 Table 9j (i) – Securitisation activity for the reporting period

	Half year ended 31 December 2011	
Underlying Asset Type	**Value of loans sold or originated into securitisation $M**	**Recognised gain or loss on sale $M**
Residential mortgage	496	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	496	-

	Half year ended 30 June 2011	
Underlying Asset Type	**Value of loans sold or originated into securitisation $M**	**Recognised gain or loss on sale $M**
Residential mortgage	2,873	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	2,873	-

	Half year ended 31 December 2010	
Underlying Asset Type	**Value of loans sold or originated into securitisation $M**	**Recognised gain or loss on sale $M**
Residential mortgage	1,000	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	212	-
Total	1,212	-

APS 330 Table 9j (ii) – New facilities provided in the reporting period

New Facilities Provided	**31/12/11 (1) Notional amount $M**	**30/06/11 (2) Notional amount $M**	**31/12/10 (1) Notional amount $M**
Liquidity support facilities	**58**	-	-
Warehouse facilities	**2,006**	308	308
Derivative transactions	**699**	78	4
Other	**3**	-	-
Total	**2,766**	386	312

(1) For a 6 month reporting period.

(2) For a 12 month reporting period.

5. Equity Risk

APS 330 Table 13b to 13f – Equity investment exposures

Equity Investments	31 December 2011 Balance sheet value $M	31 December 2011 Fair value (2) $M
Value of listed (publicly traded) equities	927	865
Value of unlisted (privately held) equities	1,283	1,283
Total (1)	2,210	2,148

(1) Equity holdings comprise $1,720 million Investments in Associates, $29 million Assets Held for Sale and $461 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 the Group's listed securities being equity accounted as required under the accounting standards.

Equity Investments	30 June 2011 Balance sheet value $M	30 June 2011 Fair value (2) $M
Value of listed (publicly traded) equities	954	909
Value of unlisted (privately held) equities	1,243	1,243
Total (1)	2,197	2,152

(1) Equity holdings comprise $1,712 million Investments in Associates, $29 million Assets Held for Sale and $456 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 the Group's listed securities being equity accounted as required under the accounting standards.

Equity Investments	31 December 2010 Balance sheet value $M	31 December 2010 Fair value (2) $M
Value of listed (publicly traded) equities	578	504
Value of unlisted (privately held) equities	1,578	1,578
Total (1)	2,156	2,082

(1) Equity holdings comprise $1,683 million Investments in Associates, $29 million Assets Held for Sale and $444 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 the Group's listed securities being equity accounted as required under the accounting standards.

Gain/Losses on Equity Investments	Half year ended 31/12/11 $M	30/06/11 $M	31/12/10 $M
Cumulative realised gains in reporting period	**40**	-	-
Total unrealised (gains) losses	**2**	24	(8)
Total unrealised gains included in Tier One/Tier Two Capital	**12**	11	20

Risk Weighted Assets	31/12/11 $M	30/06/11 $M	31/12/10 $M
Equity investments subject to a 300% risk weight	**1,263**	1,197	424
Equity investments subject to a 400% risk weight	**1,144**	916	1,856
Total RWA	**2,407**	2,113	2,280

Equity Credit Exposure	31/12/11 $M	30/06/11 $M	31/12/10 $M
Equity investments subject to a 300% risk weight	**421**	399	141
Equity investments subject to a 400% risk weight	**286**	229	464
Total equity credit exposure	**707**	628	605

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

6 Market Risk

6.1 Traded Market Risk

The breakdown of Traded Market Risk RWA by modelling method is summarised below:

Traded Market Risk RWA by Modelling Approach	31/12/11 $M	30/06/11 $M	31/12/10 $M
Internal Model Approach	**1,068**	1,418	1,724
Standard Method	**2,037**	1,744	2,149
Total Traded Market Risk RWA	**3,105**	3,162	3,873

APS 330 Table 10b – Traded Market Risk under the Standard Method

Exposure Type	31/12/11 $M	30/06/11 $M	31/12/10 $M
Interest rate risk	**156.1**	127. 0	163. 2
Equity risk	**2.7**	5. 4	4. 6
Foreign exchange risk	**3.0**	1. 9	1. 2
Commodity risk	**1.2**	5. 2	2. 9
Total	**163.0**	139. 5	171. 9
Risk Weighted Asset equivalent (1)	**2,037.0**	1,744. 0	2,148. 8

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

APS 330 Table 11d – Value at Risk for trading portfolios under the internal model approach

	Aggregate VaR 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 31 December 2011	30	50	23	25
Over the 6 months to 30 June 2011	39	58	30	30
Over the 6 months to 31 December 2010	41	65	29	46

Summary Table of the Number of Back-Testing Outliers (2)	
Over the 6 months to 31 December 2011	-
Over the 6 months to 30 June 2011	-
Over the 6 months to 31 December 2010	-

(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 were no back-testing outliers over the 6 months to 31 December 2011.

	Over the Reporting Period 1 July 2011 to 31 December 2011	
	Hypothetical	VaR
	loss	99%
Date	$M	$M
-	-	-

	Over the Reporting Period 1 January 2011 to 30 June 2011	
	Hypothetical	VaR
	loss	99%
Date	$M	$M
-	-	-

	Over the Reporting Period 1 July 2010 to 31 December 2010	
	Hypothetical	VaR
	loss	99%
Date	$M	$M
-	-	-

6.2 Non-Traded Market Risk

APS 330 Table 14b – Interest Rate Risk in the Banking Book

	Change in Economic Value		
	31/12/11	30/06/11	31/12/10
Stress Testing: Interest Rate Shock Applied	$M	$M	$M
AUD			
200 basis point parallel increase	**(358)**	(109)	(293)
200 basis point parallel decrease	**428**	82	334
NZD			
200 basis point parallel increase	**(117)**	(104)	(119)
200 basis point parallel decrease	**126**	112	126
Other			
200 basis point parallel increase	**(11)**	(6)	(6)
200 basis point parallel decrease	**11**	6	6

	31/12/11	30/06/11	31/12/10
Regulatory RWA	$M	$M	$M
Interest rate risk in the banking book (1)	**11,525**	9,699	17,033

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

7 Operational Risk

APS 330 Table 16c – Capital requirements for operational risk (risk weighted assets)

	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Advanced Measurement Approach	**20,471**	18,113	16,234
Standardised Approach	**4,158**	3,995	3,815
Total operational risk RWA	**24,629**	22,108	20,049

8 Appendices

8.1 Detailed Capital Disclosures

Fundamental Tier One Capital

The Group's fundamental capital is comprised of ordinary share capital, reserves, and retained earnings (including current period profits net of allowance for expected dividends).

Ordinary Share Capital for regulatory purposes

Ordinary Share Capital	31/12/11 $M	30/06/11 $M	31/12/10 $M
Ordinary share capital	**24,651**	23,602	23,083
Add back treasury shares (1)	**316**	294	301
Ordinary share capital for regulatory purposes	**24,967**	23,896	23,384

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

Reserves balance included in regulatory capital

The table below details the reserve accounts that qualify as Tier One Capital.

Reserves (1)	31/12/11 $M	30/06/11 $M	31/12/10 $M
General reserve	**1,140**	978	1,155
Capital reserve	**332**	328	323
Available for sale reserve (2)	**(83)**	-	-
Foreign currency translation reserve (3)	**(927)**	(934)	(912)
Total reserves balance included in regulatory capital	**462**	372	566

(1) Regulatory capital excludes cash flow hedge reserve, employee compensation reserve, and asset revaluation reserve from Tier One Capital. Upper Tier Two Capital allows for the inclusion of 45% of the asset revaluation reserve balance.

(2) As at 31 December 2011 the available for sale reserve had a deficit balance of $83 million, resulting in the requirement to recognise this deficit in the regulatory capital calculations.

(3) Excludes balances related to non consolidated subsidiaries.

Retained Earnings (including Current Year Earnings)

Through the use of dividend policy and strategy, retained earnings (including current period profits) are a significant mechanism by which the Group's capital is managed. There are a number of reconciling items between accounting designated retained earnings and that amount which qualifies as Tier One Capital. This primarily includes allowance for expected dividends and expected share issues associated with the Dividend Reinvestment Plan (DRP).

The table below details the Retained Earnings and Current Period Profits that qualify as Tier One Capital.

Retained and current period profits included in regulatory capital

	31/12/11 $M	30/06/11 $M	31/12/10 $M
Retained earnings and current period profits	**11,928**	11,826	10,534
Less expected dividend	**(2,166)**	(2,930)	(2,045)
Add back estimated reinvestment under dividend reinvestment plan (1)	**542**	733	511
Retained earnings adjustment for non-consolidated subsidiaries (2)	**35**	227	230
Other	**(178)**	(189)	(63)
Total included in regulatory capital	**10,161**	9,667	9,167

(1) Dividend Reinvestment Plan (DRP) in respect of the December 2011 interim dividend to be satisfied through the issue of shares, with the assumed reinvestment rate based on reinvestment experience as approved by APRA. The DRP in respect of both the June 2011 final and December 2010 interim dividend was satisfied in full by the issue of shares.

(2) Represents cumulative current year profit and retained earnings adjustment for subsidiaries not consolidated for regulatory purposes. This includes adjustments to the extent to which retained earnings from non-consolidated subsidiaries have not been repatriated to the Bank in dividends (December 2011: $717 million, June 2011: $525 million, December 2010: $522 million). The retention of these profits are used to fund the future growth of these operations. This has been offset by the one-off write back adjustments upon adoption of IFRS of $752 million.

Residual Tier One Capital

The Group's Residual Tier One Capital instruments are comprised of both innovative capital and non-innovative capital.

Residual Capital eligible for inclusion as Tier One Capital is subject to an APRA prescribed limit of 25% of Tier One Capital with any excess transferred to Upper Tier Two Capital, subject to transitional arrangements which ceased on 1 January 2010.

Innovative Capital

The following innovative capital instruments were current at 31 December 2011:

Innovative Capital [1]	31/12/11 $M	30/06/11 $M	31/12/10 $M
PERLS III	**1,147**	1,147	1,147
Trust preferred securities 2003	**540**	512	540
Trust preferred securities 2006	**939**	939	939
ASB preference shares	**505**	505	505
Perpetual exchangeable floating rate notes [2]	**98**	128	198
Total Innovative Capital	**3,229**	3,231	3,329

(1) Represents AUD equivalent net of issue cost.

(2) In July 2011, discontinued the inclusion of US$37.5 million floating rate note in Tier One Capital. In February 2011, US$65 million exchangeable floating rate note was redeemed.

PERLS III

Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III) were issued in 2006 and are classified as Loan Capital in the Group's balance sheet.

Trust Preferred Securities

The Group has on issue Trust Preferred Securities (TPS) issued in 2003 and 2006.

The TPS 2003 securities are classified as Loan Capital in the Group's balance sheet.

The TPS 2006 securities are classified as Other Equity Instruments in the Group's balance sheet and reflect the fact there is no contractual obligation to deliver cash or another financial asset to the holder. Due to the equity nature of the securities they are revalued back to Australian dollars at the historical exchange rate.

ASB Preference Shares

The Group has issued preference shares through two subsidiary entities, ASB Capital and ASB Capital No 2. These preference shares are classified as minority interests for accounting purposes.

Perpetual Exchangeable Floating Rate Notes

The Group has a US denominated perpetual exchangeable floating rate note on issue. This instrument is classified as Loan Capital in the Group's balance sheet.

Non-Innovative Capital

Non-Innovative Capital [1]	31/12/11 $M	30/06/11 $M	31/12/10 $M
PERLS IV	**1,443**	1,443	1,443
PERLS V	**1,964**	1,964	1,964
Total Non-Innovative Capital	**3,407**	3,407	3,407

(1) Represents AUD equivalent net of issue costs.

The Group's Perpetual Exchangeable Resaleable Listed Securities (PERLS IV and PERLS V), issued in July 2007 and October 2009 respectively, qualify as Non-Innovative Tier One Capital and are classified as Loan Capital in the Group's balance sheet. PERLS IV were the first non-innovative transaction undertaken by the Group.

Further details on the terms and conditions of the Group's innovative and non-innovative Tier One Capital instruments are contained in the Group's 30 June 2011 Basel II Pillar 3 Capital Adequacy and Risk Disclosures and Note 26 of the Group's Annual Report 2011.

Tier One Capital Deductions

Tier One Capital Deductions - 100%	31/12/11 $M	30/06/11 $M	31/12/10 $M
Goodwill	**(8,546)**	(8,306)	(8,382)
Capitalised expenses	**(240)**	(252)	(242)
Capitalised computer software costs	**(1,480)**	(1,297)	(1,100)
Defined benefit superannuation plan accounting surplus	**-**	(53)	(255)
General reserve for credit losses (1)	**(183)**	(132)	(106)
Deferred tax	**(383)**	(287)	(47)
Total Tier One Capital deductions - 100%	**(10,832)**	(10,327)	(10,132)

(1) Capital deduction at 31 December 2011 of $183 million after tax (June 2011: $132 million, 31 December 2010: $106 million) to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of the individual facilities, as required by APS 220.

Tier One Capital Deductions - 50%	31/12/11 $M	30/06/11 $M	31/12/10 $M
Equity investments in other companies and trusts	**(287)**	(317)	(328)
Equity investments in non-consolidated subsidiaries (net of intangibles)	**(594)**	(526)	(539)
Expected impairment loss (before tax) in excess of eligible credit provisions (net of deferred tax)	**(646)**	(817)	(748)
Other deductions	**(417)**	(396)	(390)
Total Tier One Capital deductions - 50%	**(1,944)**	(2,056)	(2,005)

Tier Two Capital

Upper Tier Two Capital	31/12/11 $M	30/06/11 $M	31/12/10 $M
Prudential general reserve for credit losses (net of tax) (1)	**631**	620	618
Asset revaluation reserve (2)	**86**	86	85
Upper Tier Two note and bond issues	**368**	336	350
Other	**151**	124	108
Total Upper Tier Two Capital	**1,236**	1,166	1,161

(1) Prudential general reserve for credit losses represents the after tax collective provisions and general reserve for credit losses of Banking entities in the Group (including Bankwest) which operate under the Basel II Standardised methodology.

(2) APRA allows only 45% of the asset revaluation reserve to be included in Tier Two Capital.

Lower Tier Two Capital

The Group has a number of subordinated debt issues across multiple currencies on issue at any one point in time. In order to qualify as Lower Tier Two Capital the instrument must:

- be unsecured and paid up;
- have a minimum term of 5 years; and
- recognise the amount available for inclusion in Lower Tier Two as being amortised at a rate of 20% (straight line) over the last 4 years to maturity.

8.2 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 B.

8.3 List of Supplemental Tables and Diagrams

8.4 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 Basel II 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 Basel II 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.
CBA	Commonwealth Bank of Australia - the chief entity for the Group.
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.
EAD	Exposure at Default – the extent to which a bank may be exposed to a counterparty in the event of default.
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.
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 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.

8.4 **Glossary** (continued)

Term	Definition
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 exposure at default (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) 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	Tier One Capital is the highest quality of capital available to the Group and reflects the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises: • Fundamental Capital (share capital, retained earnings and reserves); • Residual Capital (innovative and non innovative); and • Prescribed Regulatory deductions.
Tier Two Capital	Tier Two Capital represents those capital items that fall short of the necessary conditions to qualify as Tier One Capital. There are two main classes, upper and lower Tier Two.