BASEL III
PILLAR 3

CAPITAL ADEQUACY AND RISKS DISCLOSURES AS AT 30 JUNE 2015

CommonwealthBank

COMMONWEALTH BANK OF AUSTRALIA | ACN 123 123 124 | 12 AUGUST 2015

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1 Introduction

The Commonwealth Bank of Australia (the Group) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959.

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

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

The Group is predominantly accredited to use the Advanced Internal Ratings Based approach (AIRB) for credit risk and Advanced Measurement Approach (AMA) for operational risk. The Group is also required to assess its traded market risk and IRRBB requirement under Pillar 1 of the Basel capital framework.

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

This document is available on the Group's corporate website www.commbank.com.au/about-us/investors/shareholders.

The Group in Review

The Group continued to maintain its strong capital position under the Basel III regulatory capital framework. As at 30 June 2015, the Basel III Common Equity Tier 1 (CET1) ratio was 12.7% on an internationally comparable basis. The internationally comparable basis aligns with the 13 July 2015 APRA study titled "International capital comparison study". This continues to place the Group in a strong position relative to our international and domestic peers. The Group's Basel III CET1, Tier 1 and Total Capital ratios as measured on an APRA basis as at 30 June 2015 were 9.1%, 11.2% and 12.7% respectively.

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

The Group continues to monitor and take actions to enhance its strong risk culture. This includes a risk appetite framework and a risk accountability (Three Lines of Defence) model. The Group has a formal Risk Appetite Framework that creates clear obligations and transparency over risk management and strategy decisions; and, the Three Lines of Defence model requires business management to operate responsibly by taking well understood and managed risks that are appropriately and adequately priced.

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

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

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

Summary Group Capital Adequacy Ratios (Level 2)	30 Jun 15 %	31 Dec 14 %	30 Jun 14 %
Common Equity Tier 1	**9. 1**	9. 2	9. 3
Tier 1	**11. 2**	11. 6	11. 1
Tier 2	**1. 5**	1. 1	0. 9
Total Capital (APRA)	**12. 7**	12. 7	12. 0
Common Equity Tier 1 (Internationally Comparable) (1)	**12. 7**	n/a	n/a

(1) Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".

2 Basel Regulatory Framework Overview

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

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

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

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

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

Pillar 1 – Minimum Capital Requirements

Basel II

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

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

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

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

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

Basel III

As a result of the issues which led to the Global Financial Crisis, the Basel Committee on Banking Supervision (BCBS) has implemented a set of capital, liquidity and funding reforms known as "Basel III". The objectives of the capital reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are being implemented on a phased approach to 1 January 2019.

The Basel III capital reforms were implemented in Australia on 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation.

The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a Domestic Systemically Important Bank (DSIB) requirement of 1%, will be implemented on 1 January 2016, bringing the CET1 requirement for the Group to 8% at that date.

Pillar 2 – Supervisory Review Process

ICAAP

Under Pillar 2, APRA requires each bank to have in place and report confidentially its Internal Capital Adequacy Assessment Process (ICAAP). The Group updates its ICAAP annually. The ICAAP document provides details on:

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

Pillar 3 – Market Discipline

Disclosures

To enhance transparency in Australian financial markets, APRA established a set of requirements under APRA's ADI Prudential Standard (APS) 330 for the public disclosure of information on the risk management practices and capital adequacy of ADIs (pursuant to Pillar 3).

Pillar 3 qualitative and quantitative disclosures are made in detail in this document as part of the Group's 30 June 2015 financial year reporting. Detailed quantitative information is released at the Group's December half year with summarised quantitative information released for March and September quarters. These reports are published on the Group's corporate website www.commbank.com.au/about-us/investors/shareholders.

3 Scope of Application

This document has been prepared in accordance with Board approved policy and 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 (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licenced Entities (ELE);
- **Level 2**(1)**:** 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 assessment of capital adequacy on a Level 2 basis. Additional disclosure of capital ratios relating to material ADIs within the Group together with CBA's own Level 1 capital ratios are included under APS 330 Table 6g of this report (page 6).

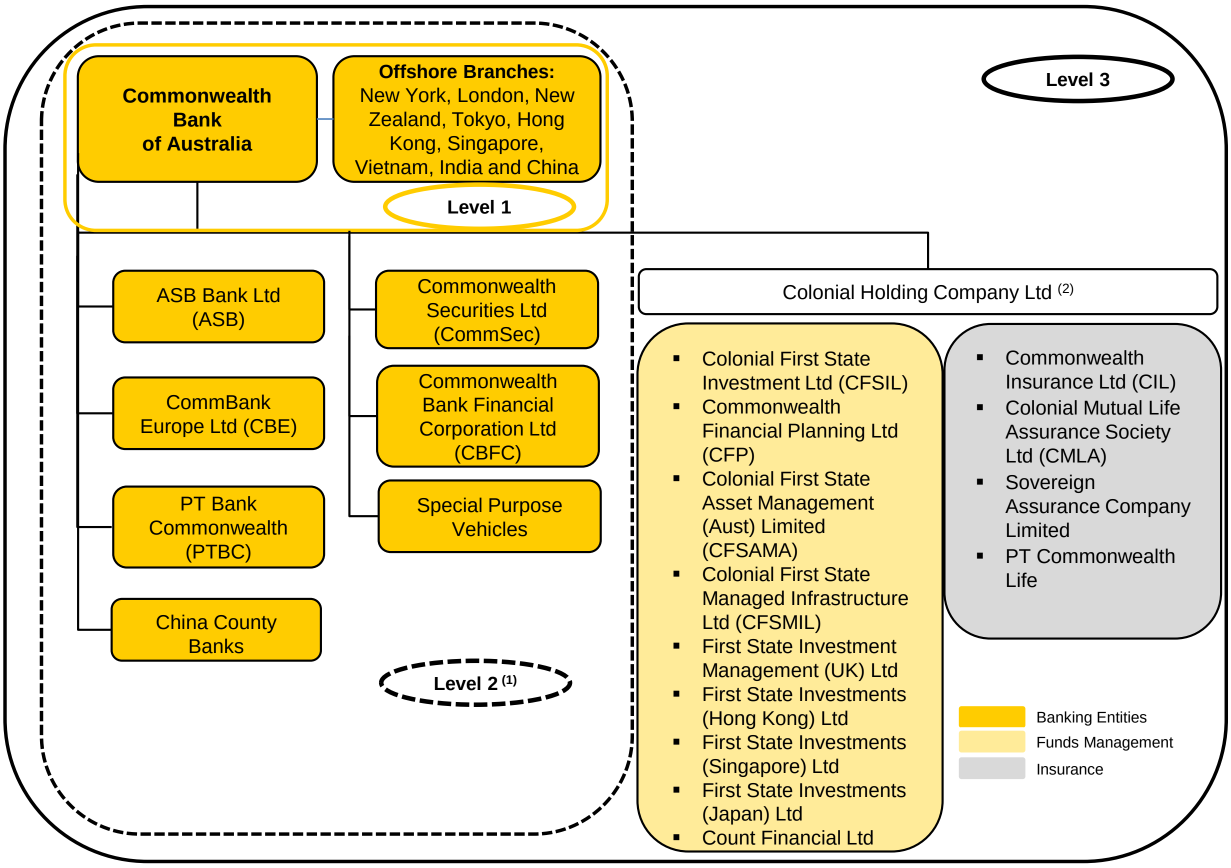
ASB Bank Limited (ASB) operates under advanced Basel III status and is subject to regulation by the Reserve Bank of New Zealand (RBNZ). The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements.

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

Restrictions on transfer of funds or regulatory capital within the Group

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

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



(1) The Level 2 Regulatory Consolidated group is based on the historic definition of the Level 2 Group, prior to APRA clarification provided in May 2014. Refer to Section 4 Capital – Other Regulatory Changes on page 6 for more details.

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

4 Capital

Capital Adequacy

The Group actively manages its capital to balance the perspectives of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital, while maintaining adequate capital ratios throughout the financial year. The Group's capital is managed within a formal framework, its ICAAP, which is an integration of risk, financial and capital management processes.

APRA advises the Group of its Prudential Capital Ratio (PCR), which represents the regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times. In order to ensure there is no breach of these minimum levels, APRA expects the Group to maintain a prudent buffer over these prescribed minimum levels. The PCR is subject to an ongoing review by APRA and is formally reassessed on an annual basis. The Group is required to inform APRA immediately of any breach or potential breach of its PCR, including details of remedial action taken or planned to be taken. The Group maintained capital ratios well in excess of regulatory minimum capital adequacy requirements at all times during the year ended 30 June 2015.

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

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

Capital Management

The Group's Basel III CET1 ratio as measured on an APRA basis was 9.1% at 30 June 2015, compared with 9.2% at 31 December 2014 and 9.3% at 30 June 2014.

The decrease in capital across the June 2015 half and full year reflects capital generated from earnings more than offset by the impact of dividend payments, higher risk weighted assets and the first reduction in the capital benefits arising from the debt issued by the Colonial Group.

The Group's Basel III internationally comparable CET1 ratio as at 30 June 2015 was 12.7%.

Details of the major differences in the Basel III APRA and the Basel III internationally comparable CET1 ratios are provided on page 7.

The Tier 1 and Total Capital ratios under Basel III (APRA) are 11.2% and 12.7% respectively at 30 June 2015.

Capital Initiatives

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

Common Equity Tier 1 Capital

- The DRP in respect of the 2014 final dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 19.9%; and
- The DRP in respect of the 2015 interim dividend was satisfied by the allocation of approximately $571 million of ordinary shares. The participation rate for the DRP was 17.9%.

Additional Tier 1 Capital

- In October 2014 the Bank issued $3 billion of CommBank PERLS VII Capital Notes (PERLS VII) a Basel III compliant Additional Tier 1 security, the proceeds of which were used to fund the Group's business. In turn, the Bank bought back and cancelled $2 billion of PERLS V issued in 2009; and
- In June 2015, the Bank redeemed USD550 million Trust Preferred Securities (TPS) 03 issued in 2003.

Tier 2 Capital

The Group issued a series of subordinated notes that are Basel III compliant Tier 2 capital:

- November 2014 AUD1,000 million;
- March 2015 1,000 million Chinese Renminbi (AUD200 million); and
- April 2015 EUR1,250 million (AUD1,700 million).

Other Regulatory Changes

Financial Systems Inquiry

In December 2014, the Government released the final report of the Financial System Inquiry (FSI). The key recommendations from the report included:

- Setting capital standards such that Australian ADI capital ratios are unquestionably strong;
- Raising the average IRB mortgage risk weight for ADIs using IRB risk-weight models;
- Implementing a framework for minimum loss absorbing and recapitalisation capacity in line with emerging international practice, sufficient to facilitate the orderly resolution of ADIs and minimise taxpayer support;
- Introducing a leverage ratio, in line with the Basel Committee, that acts as a backstop to the capital position of ADIs; and
- Developing a reporting template to improve the transparency and comparability of capital ratios.

In July 2015, in connection with the FSI recommendations, APRA released the following:

- Information paper; "International capital comparison study" (APRA study), which endorsed the FSI recommendation that the capital of Australian ADIs should be unquestionably strong. However, APRA did not confirm the definition of "unquestionably strong". Nevertheless, the report confirmed that the major banks are well-capitalised and compared the major banks' capital ratios against a set of international peers; and
- An announcement in relation to increases in the capital requirements under the IRB approach for Australian residential mortgages, which will increase the average risk weighting for a mortgage portfolio to 25%, effective from 1 July 2016.

Basel Committee on Banking Supervision

During the second half of the 2014 calendar year the BCBS issued a number of consultation documents including:

- "Capital Floors: The Design of a Framework based on Standardised Approaches";
- "Revisions to the Standardised Approach for Credit Risk";
- "Fundamental Review of the Trading Book: Outstanding Issues"; and
- "Revisions to the Simpler Approaches" – Operational Risk.

Other Regulatory Changes (continued)

Finalisation of all of the above proposals is expected by the end of 2015.

In June 2015, the BCBS issued a consultation document "Interest Rate Risk in the Banking Book" which is open for consultation until September 2015.

Composition of Level 2 ADI Groups

In May 2014, APRA provided more clarity on the definition of the Level 2 Banking Group. Subsidiary intermediate holding companies are now considered part of the Level 2 Group, regardless of the nature of any activity undertaken by their operating subsidiaries. As a result, capital benefits arising from the debt issued by the Colonial Group will be phased out. APRA granted transition arrangements on these changes, in line with the maturity profile of the debt.

Leverage Ratio

The leverage ratio is defined as Tier 1 Capital as a percentage of exposures. Public disclosure of the leverage ratio by Australian ADIs is to commence from 1 July 2015.

The BCBS has advised that any adjustments to the definition and calibration of the ratio will be made by 2017 with migration to a Pillar 1 (minimum capital requirement) expected from 1 January 2018.

Conglomerate Groups

APRA has proposed extending its 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. APRA released revised conglomerate standards in August 2014. However, a decision on the implementation date has yet to be provided. APRA has confirmed that a minimum transition period of 12 months will apply before the implementation date.

Group Regulatory Capital Position

Summary Group Capital Adequacy Ratios (Level 2)	30 Jun 15 %	31 Dec 14 %	30 Jun 14 %
Common Equity Tier 1	**9. 1**	9. 2	9. 3
Tier 1	**11. 2**	11. 6	11. 1
Tier 2	**1. 5**	1. 1	0. 9
Total Capital (APRA)	**12. 7**	12. 7	12. 0
Common Equity Tier 1 (Internationally Comparable) (1)	**12. 7**	n/a	n/a

(1) Analysis aligns with the 13 July 2015 APRA study titled "International capital comparison study".

	APRA 30 Jun 15 $M	APRA 31 Dec 14 $M	APRA 30 Jun 14 $M
Ordinary Share Capital and Treasury Shares (1)	**27,898**	27,326	27,327
Reserves	**2,252**	2,548	1,962
Retained earnings	**20,999**	19,446	18,459
Non-controlling interests	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**51,149**	49,320	47,748
Common Equity Tier 1 regulatory adjustments	**(17,751)**	(16,735)	(16,336)
Common Equity Tier 1 Capital	**33,398**	32,585	31,412
Additional Tier 1 Capital	**7,749**	8,413	6,196
Tier 1 Capital	**41,147**	40,998	37,608
Tier 2 Capital	**5,661**	3,903	2,935
Total Capital	**46,808**	44,901	40,543

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

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

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

Significant Group ADIs	30 Jun 15 %	31 Dec 14 %	30 Jun 14 %
CBA Level 1 CET1 Capital ratio	**9. 6**	9. 1	9. 1
CBA Level 1 Tier 1 Capital ratio	**11. 5**	11. 5	10. 9
CBA Level 1 Total Capital ratio	**13. 1**	12. 5	11. 8
ASB CET1 Capital ratio	**8. 8**	9. 9	10. 6
ASB Tier 1 Capital ratio	**10. 8**	11. 0	11. 7
ASB Total Capital ratio	**11. 8**	12. 0	12. 7

Regulatory Capital Frameworks Comparison

The APRA Basel III capital requirements are more conservative than those of the BCBS, leading to lower reported capital ratios.

In July 2015, APRA published a study on the calculation of internationally comparable capital by Australian banks entitled "International capital comparison study" (APRA study). As at 30 June 2015, the Group's internationally comparable CET1, Tier 1 and Total Capital ratios were 12.7%, 14.3% and 15.4% respectively. The basis of this analysis aligns with the APRA study.

The following table provides details on the differences, as at 30 June 2015, between the APRA Basel III capital requirements and the internationally comparable capital ratios. The resulting calculation assumes that the Basel III requirements have been fully implemented and that any transitional rules are no longer applicable.

Item	APRA Study Reference	Description of adjustment	CET1 %	Tier 1 %	Total Capital %
Basel III (APRA)			**9. 1**	**11. 2**	**12. 7**
Equity investments	Appendix 1 Items 1, 2, 4	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	1. 0	0. 9	0. 9
Deferred tax assets	Appendix 1 Item 3	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0. 2	0. 2	0. 2
IRRBB RWA	3.3.2	APRA requires capital to be held for Interest Rate Risk in the Banking Book (IRRBB). The BCBS does not have any capital requirement.	0. 3	0. 4	0. 4
Residential mortgages	3.3.1	Loss Given Default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements.	0. 6	0. 7	0. 8
Other retail standardised exposures	3.3.6	Risk-weighting of 75%, rather than 100% under APRA's requirements.	0. 1	0. 1	0. 1
Unsecured non-retail exposures	3.3.3	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements.	0. 5	0. 6	0. 7
Non-retail undrawn commitments	3.3.4	Credit conversion factor of 75%, compared to 100% under APRA's requirements.	0. 3	0. 4	0. 4
Specialised lending	3.3.5	Use of IRB probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factor.	0. 5	0. 6	0. 7
Currency conversion	3.3.7	Increase in the A$ equivalent concessional threshold level for small business retail and small/medium enterprise corporate exposures.	0. 1	0. 1	0. 1
Basel III non-compliant instruments		Removal of Basel III non compliant Tier 1 and Tier 2 instruments that are currently subject to transitional rules.	n/a	(0. 9)	(1. 6)
Total adjustments			3. 6	3. 1	2. 7
Basel III (Internationally Comparable - aligns with APRA study)			**12. 7**	**14. 3**	**15. 4**

In July 2015, APRA announced increases in the capital requirements under the IRB approach for Australian residential mortgages, which will increase the average risk weighting for a mortgage portfolio to 25%, effective from 1 July 2016. In the future, the calculation of internationally comparable capital will require an adjustment for this amount.

The above calculations do not include the impact of a Basel I capital floor, which was introduced as a transitional measure as part of the implementation of Basel II. The Australian banks have now fully implemented Basel III and, therefore, it is difficult to calculate the impact of such a floor. APRA concluded in the APRA study that it is difficult to make adjustments for the floor in internationally comparable calculations at this time but the inclusion of a floor could reduce internationally comparable ratios by a material amount.

5 Risk Weighted Assets

Risk weighted assets are calculated in accordance with the AIRB approach for the majority of the Group's credit risk exposures.

Internal assessment and supervisory formula approaches are used where relevant for non-rated securitisation exposures and the ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI).

APS 330 Table 6b to 6f – Basel III Capital Requirements (RWA)

	Risk Weighted Assets			Change in RWA for June 2015 half	
	30 Jun 15	31 Dec 14	30 Jun 14		
Asset Category	$M	$M	$M	$M	%
Credit Risk					
Subject to advanced IRB approach					
Corporate	**60,879**	56,612	49,067	4,267	8
SME corporate	**25,289**	23,913	22,478	1,376	6
SME retail	**5,068**	4,963	5,280	105	2
SME retail secured by residential mortgage	**2,949**	3,285	3,543	(336)	(10)
Sovereign	**5,163**	5,432	5,330	(269)	(5)
Bank	**12,024**	10,983	10,131	1,041	9
Residential mortgage [1]	**74,382**	72,278	65,986	2,104	3
Qualifying revolving retail [1]	**8,861**	8,533	8,215	328	4
Other retail [1]	**13,942**	13,620	12,757	322	2
Impact of the regulatory scaling factor [2]	**12,513**	11,977	10,967	536	4
Total RWA subject to advanced IRB approach	**221,070**	211,596	193,754	9,474	4
Specialised lending	**51,081**	48,774	48,935	2,307	5
Subject to standardised approach					
Corporate	**10,357**	11,358	10,850	(1,001)	(9)
SME corporate	**5,921**	5,470	4,924	451	8
SME retail	**5,843**	5,571	5,207	272	5
Sovereign	**209**	169	124	40	24
Bank	**244**	204	220	40	20
Residential mortgage	**6,728**	6,416	6,040	312	5
Other retail	**2,679**	2,946	2,648	(267)	(9)
Other assets	**4,982**	4,924	4,214	58	1
Total RWA subject to standardised approach	**36,963**	37,058	34,227	(95)	-
Securitisation	**1,653**	5,016	5,010	(3,363)	(67)
Credit valuation adjustment	**7,712**	8,126	6,636	(414)	(5)
Central counterparties	**695**	954	576	(259)	(27)
Total RWA for credit risk exposures	**319,174**	311,524	289,138	7,650	2
Traded market risk	**6,335**	6,466	5,284	(131)	(2)
Interest rate risk in the banking book	**10,847**	4,846	14,762	6,001	large
Operational risk	**32,365**	30,212	28,531	2,153	7
Total risk weighted assets	**368,721**	353,048	337,715	15,673	4

(1) In December 2014 a change in the application of the Retail Best Estimate of Expected Loss (BEEL) resulted in an increase RWA of $6.4 billion which was largely offset by a drop in the regulatory Expected Loss deduction for CET1 capital.

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

Risk Weighted Assets

Total Group RWA increased $15.7 billion or 4% on the prior half to $368.7 billion.

Credit Risk Exposure and RWA

Credit risk RWA increased $7.7 billion or 2% to $319.2 billion, primarily due to:

- Growth across Corporate (including SME and Specialised Lending), Retail and Bank portfolios; and
- Revision of data and regulatory treatments.

These increases were partly offset by:

- The sale of a securitisation asset and foreign exchange movements.

Traded Market Risk RWA

Traded market risk RWA decreased $0.1 billion or 2% to $6.3 billion.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased $6.0 billion to $10.8 billion, as a result of treasury risk management activities and the decreased offset from embedded gains (as gains are realised).

Operational Risk RWA

Operational Risk RWA increased $2.2 billion or 7% to $32.4 billion. The increase reflects industry events and the current regulatory environment.

The Group continues to monitor industry events and the current regulatory environment to assess the impact on its Operational Risk profile.

Explanation of change in credit RWA

The composition of the movement in Credit RWA over the prior half is shown below.

		Credit RWA movement drivers				
Asset Category	**Change in RWA for June 15 half $M**	**Volume changes $M**	**FX changes $M**	**Credit risk estimates changes and regulatory treatments (1) $M**	**Data and methodology changes $M**	**Change in credit quality $M**
AIRB corporate including SME and specialised lending	**8,043**	7,523	(37)	2,021	(369)	(1,095)
AIRB bank	**1,103**	976	128	(7)	-	6
AIRB sovereign	**(285)**	(354)	13	(225)	-	281
AIRB retail	**2,920**	2,868	(1,139)	(202)	-	1,393
Standardised (including other assets, CCP and CVA)	**(768)**	(749)	-	(116)	(366)	463
Securitisation exposures	**(3,363)**	(3,677)	-	-	-	314
Total credit RWA movement	**7,650**	6,587	(1,035)	1,471	(735)	1,362

(1) Reflects the recording of Business and Private Banking exposures at the time of offer instead of at the time of acceptance.

6 Risk Management

6.1 Risk Management Framework

Managing financial risks, especially credit risk, and non-financial risks is a fundamental part of the Group's business activities.

The Group has in place an integrated Risk Management Framework to manage risks (including identifying, measuring, assessing, reporting and mitigating risks) and risk-adjusted returns on a consistent and reliable basis.

The Framework incorporates the requirements of APRA's prudential standard for risk management, CPS 220 "Risk Management" (CPS 220), and is structured around the interaction and integration of its key documentary components: the Risk Appetite Statement (RAS), Business Plan and Risk Management Strategy (RMS).

- The Group RAS articulates the type and degree of risk the Board is prepared to tolerate;
- The Group's Business Plan summarises the Group's strategy, including the strategic growth opportunities and capabilities supporting their achievement, and the risks to the strategy. Consideration of risk is an integral part of the Group's Strategic Planning Process both at a Group level and in supporting Business Unit (BU) and Line of Business strategic plans; and
- The Group's RMS is guided by the Business Plan and RAS, and documents the Group's approach to risk management for each of its material risks and the way that this is operationalised through governance, policy, reporting and infrastructure.

This framework requires each business to plan and manage the outcome of its risk-taking activities. This is supported by an internal risk-adjusted performance measurement approach that allows for "the costs of risk", and on which results are assessed and incentives are based.

The framework requires that each business:

- Proactively manages its risk profile within risk appetite levels;
- Uses risk-adjusted outcomes and considerations as part of its day-to-day business decision-making processes; and
- Establishes and maintains appropriate risk controls.

Risk Governance

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

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

In summary:

- Risk Management governance originates at Board level, and cascades through the Group via policies, delegated authorities and committee structures. The Board and its Risk Committee operate under the direction of their respective charters;
- The Board sets the foundation for risk management via its articulated RAS. It is also responsible for overseeing the establishment of systems of risk management by approving management's RMS document and the key frameworks and policy components; and
- The Risk Committee oversees the Group's Risk Management Framework and helps formulate the Group's risk appetite for consideration by the Board. It reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems.

The Risk Committee also:

- Monitors the health of the Group's risk culture (via both formal reports and through its dialogues with the risk leadership team and executive management) and reports any significant issues to the Board;
- Makes recommendations on the key policies relating to capital (that underpin the ICAAP) and liquidity and funding, which are overseen and reviewed by the Board on at least an annual basis; and
- Forms a view on the independence of the risk function by meeting with the Group Chief Risk Officer (CRO) at the will of the Committee or the CRO.

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

Tax and accounting risks are governed by the Audit Committee.

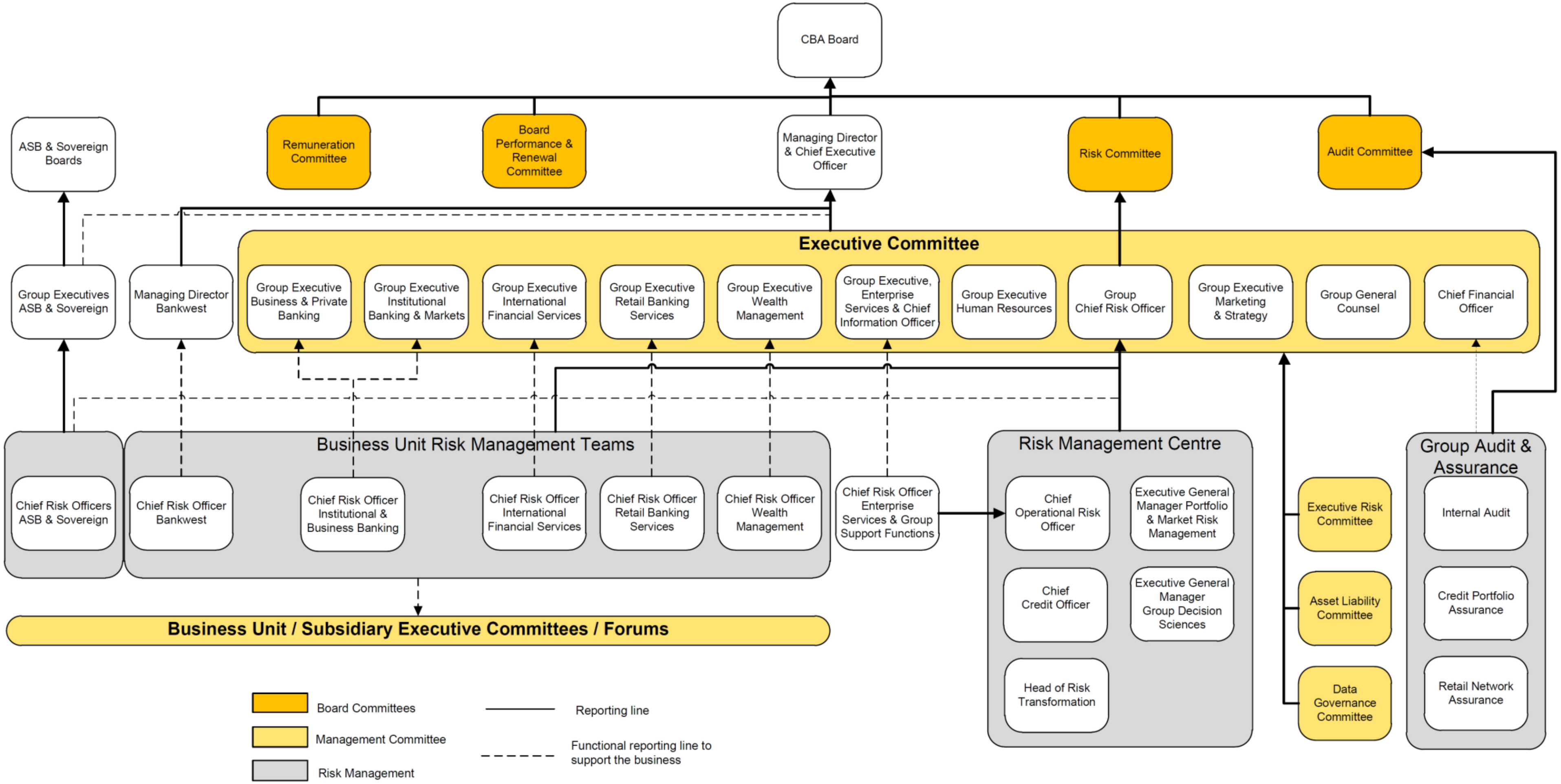
Risk Infrastructure

Risk management infrastructure incorporates people, processes and systems. A fundamental aspect of this is the internal approach for risk management accountability which is structured according to a "Three Lines of Defence" model:

- Line 1 – Business Management is responsible for managing the risks for its business;
- Line 2 – Risk Management teams provide independent expertise and oversight for Business Management risk-taking activities; and
- Line 3 – Group Audit and Assurance provides independent assurance regarding the adequacy and effectiveness of the Group's system of internal controls, risk management procedures and governance processes. This is reported to the Audit Committee.

The Group CRO, who heads up the Line 2 Risk Management function, oversees independent Risk Management for the whole Group. This unit is comprised of both risk management teams embedded in the businesses and Group functional teams that develop policies and controls for each type of risk. It also helps the Group understand risk aggregation to enable enterprise wide risk management. The Group CRO reports to the CEO and has direct and unfettered reporting requirements to the Risk Committee.

Risk Governance Structure



6.2 Risk Appetite

Risk Appetite Concept and Framework

The Risk Appetite of the Group represents the types and degree of risk that it is willing to accept for its shareholders in its strategic and business actions. Fundamentally the Board guides the Group's risk culture and through the Risk Appetite Statement plus ongoing oversight sets out quantitative and qualitative boundaries on all key risk-taking activities.

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

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

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

A Risk Appetite Framework (which includes the key elements of risk appetite, namely the Board approved Risk Appetite Statement and the related Risk Policies and Risk Tolerances, as well as the interaction of these elements with other key processes within the organisation) is illustrated below. This framework creates transparency over risk management and strategy decisions and, in turn, promotes a strong risk culture.

Risk Appetite Statement

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

The Group's risk culture is to actively take risks that are adequately rewarded and that support the:

- Vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities; and
- Values of integrity, collaboration, excellence, accountability and service.

Supporting this culture, the Group will:

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

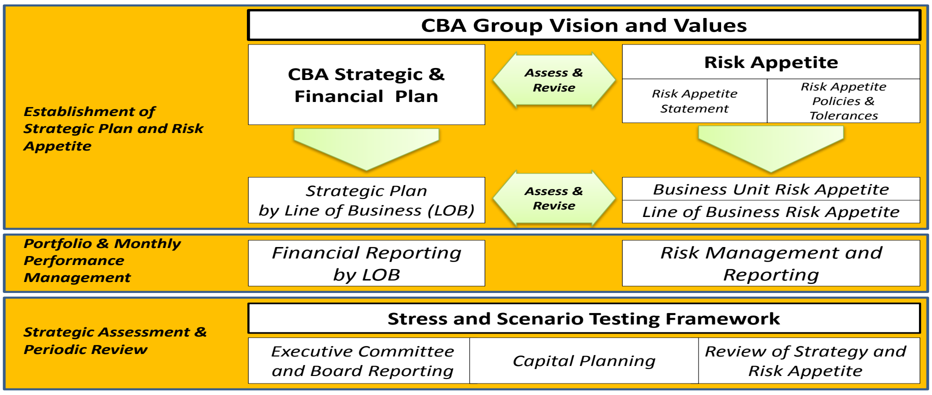
The Risk Appetite allows the Group to accept risks that are aligned with its risk culture and are contained within defined boundaries covering areas such as risks to which the Group is intolerant, capital resilience, debt rating, funding risk, liquidity risk and profit volatility.

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

Risk policies and tolerances, which are reviewed and endorsed at least annually by the Risk Committee or Board, support the Group and business Risk Appetite Statements by:

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

The Risk Appetite Framework



6.3 Risk Strategy

Risk Management Strategy

Management's overall approach to risk management is recorded in the Risk Management Strategy (RMS) document. This document is a requirement of the prudential standard, CPS 220.

The RMS, written by management and approved by the Board, comprises two parts:

- Part A – a high-level description of the Group's approach for managing risk in the context of the Group's Strategy and the Group Risk Appetite Statement; and
- Part B – the key operational elements which give effect to this approach.

It provides a high-level description of the Group's key risk management practices across all major risk classes, and demonstrates how, collectively, the Group ensures the comprehensive identification, measurement, assessment, monitoring, reporting and control/mitigation of risks across the Group in support of achieving its strategic goals.

A copy of the RMS is provided to APRA each time it is materially updated.

A description of the major risk classes and the Group's approach to managing them is summarised in the following table.

Material Risk Types

Risk Type	Description	Governing Policies and Key Management Forums	Key limits and approaches
Credit Risk (see section 7)	Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. At a portfolio level, credit risk includes concentration risk arising from interdependencies among counterparties and concentrations of exposure to countries, geographical regions, industry sectors and products. Exposure to credit risk also arises through securitisation activities.	▪ The Group Credit Risk Framework and Policies (including: Aggregation Policy, Portfolio Standards, Product Standards, Large Credit Exposure Policy; Country Risk Exposure Policy; and Industry Sector Concentration Policy) ▪ Key Forum: Executive Risk Committee	**Key quantitative limits/tolerances:** ▪ Exposures to a single or groups of related counterparties (differentiated by counterparty type including individual, commercial, bank and government client groups; Probability of Default (PD) rating; security cover; and facility maturity); ▪ Industry limits in terms of exposure and risk adjusted concentration; ▪ Country exposure limits to control transfer / cross-border and sovereign default risks; and ▪ Exposures to consumer credit products managed within credit quality boundaries in Business Unit Risk Appetite Statements. The measurement of credit risk is based on an internal credit risk rating system, which uses judgements on individual or management supported by analytical tools (including scorecards) to estimate expected and unexpected loss within the credit portfolio.
Market Risk (including Equity Risk) (see section 8 and section 9)	Market risk is the potential of an adverse impact on the Group's earnings or capital from changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of assets underlying operating leases at maturity.	▪ The Group Market Risk Framework (including the Group Market Risk Policy and Trading Book Policy Statement) ▪ Key Forum: Asset and Liability Committee	**Key quantitative limits/tolerances:** ▪ Traded Market Risk (VaR and Stress Testing limits); ▪ IRRBB (Market Value Sensitivity and Net Interest Earnings at Risk limits); ▪ Lease Residual Value Risk limits; ▪ Market Risk in Insurance business (VaR limits); and ▪ Non-Traded Equity limits.
Liquidity and Funding Risk (see section 9)	Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk); and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk).	▪ Group Liquidity Risk Management Policy and Strategy ▪ Key Forum: Asset and Liability Committee	**Key quantitative limits/tolerances:** ▪ The Liquidity Coverage Ratio (LCR) which requires liquid assets exceed modelled 30 day stress outflows; ▪ Additional market and idiosyncratic stress test scenarios; and ▪ Limits that set tolerances for the sources and tenor of funding.
Operational Risk (see section 10)	Operational risk is defined as the risk of economic loss arising from inadequate or failed internal processes, people, systems or from external events.	▪ Operational Risk Management Framework (ORMF) ▪ Key Forum: Executive Committee	**Management via:** ▪ Investigation and reporting of loss and near miss incidents; ▪ Comprehensive risk assessment and control assurance processes; ▪ Quantitative Risk Assessment Framework, ORMF and Capital modelling; ▪ Support from skilled risk professionals embedded across the Group; and ▪ Single integrated operational risk and compliance system (internally referred to as RiskInSite) in use to enable consistent application of the ORMF/Compliance Risk Management Framework (CRMF) across the Group, transparency and reporting of risk management activities for business management and monitoring and review activities.

Material Risk Types (continued)

Risk Type	Description	Governing Policies and Key Management Forums	Key limits and approaches
Compliance Risk (see section 10)	Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with the requirements of relevant laws, regulatory bodies, industry standards and codes.	▪ CRMF ▪ Key Forum: Executive Committee	**Management via:** ▪ Support from compliance professionals embedded across the Group, which report into Risk Management; ▪ Maintaining pro-active relationships with our regulators at all times; ▪ Establishing appropriate policies, processes and procedures; ▪ Undertaking robust and well-informed advocacy and lobbying activities including participation in 'quantitative impact studies' for regulators; ▪ Alignment and integration with the ORMF methodology and tools; and ▪ Employing appropriate management, monitoring and reporting of compliance activities.
Insurance Risk	Insurance risk is the risk of loss due to increases in claim payments arising from variations in the incidence or severity of insured events. In the life insurance business this arises primarily through mortality (death) or morbidity (illness or injury) claims being greater than expected. In the general insurance business, variability arises mainly through weather related incidents and similar events, as well as general variability in home, motor and travel insurance claim amounts.	▪ Risk Management Frameworks (including Risk Management Strategy and Risk Appetite Statement; and Underwriting and claims standards) of insurance writing businesses ▪ Key Forum: Executive Committees of insurance writing businesses	The management of insurance risk is an integral part of the operation of the Group's insurance businesses. It is applied on an end-to-end basis, from underwriting to policy termination or claim payment. The major methods of mitigating insurance risk are: ▪ Sound product design and pricing, to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved; ▪ Underwriting new customers to ensure that the cover provided and the premium rates quoted are appropriate for the level of risk accepted; ▪ Regular review of insurance experience, so that product design, policy liabilities and pricing remains sound; ▪ Claims management to ensure that claims are paid within the agreed policy terms and that these genuine claims are paid as soon as possible after documentation is received and reasonable investigations are undertaken; and ▪ Transferring a proportion of insurance risk to reinsurers to keep within risk appetite.
Strategic Business Risk	Strategic Business Risk is defined as the risk of economic loss resulting from changes in the business environment caused by macroeconomic conditions, competitive forces at work, technology, regulatory or social trends.	▪ Group Risk Management Strategy (RMS) ▪ Key Forum: Executive Committee	**Management via:** Elements of other risk type policies and processes in addition to management controls including strategic planning, strategic implementation and financial management. The Board accepts or amends the Group's overall strategy and each key Business Unit's strategic plans. They do so as they simultaneously consider: ▪ Development and consideration by the Board of the most significant risks (current and emerging); and ▪ Business Unit's Risk Appetite Statements, which include references to key risk limits, and changes to the risk profile arising from adopting the strategy.
Reputational Risk	Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant parties of the Group. In many, but not all respects, adverse reputational risk outcomes flow from the failure to manage other types of risk.	▪ Cultural Framework and Statement of Professional Practice ▪ Sustainability Framework ▪ Key Forum: Executive Committee	**Management via:** ▪ Risk culture and behavioural standards are set out in the Group's Risk Appetite Statement and various other code of conduct and related standards; ▪ Reinforcing Group-wide requirements on leadership values that support the Group's vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities; and ▪ Elements of other risk type policies and processes in addition to: – Crisis management testing of leadership team; – Support from skilled risk professionals embedded across the Group; and – Sustainability framework which supports the Group in managing its environmental, social and governance (ESG) risks.

7 Credit Risk

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

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

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

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

- Credit Risk Management Framework with associated policies and portfolio standards; and
- Credit Risk Rating and Measurement (pages 33 - 36).

Credit Risk Management Framework

The Risk Committee oversees the Group's Credit Risk Management Framework and portfolio standards which are designed to achieve credit portfolio outcomes that are consistent with the Group's risk and return expectations. The Risk Committee meets at least quarterly and more often if required.

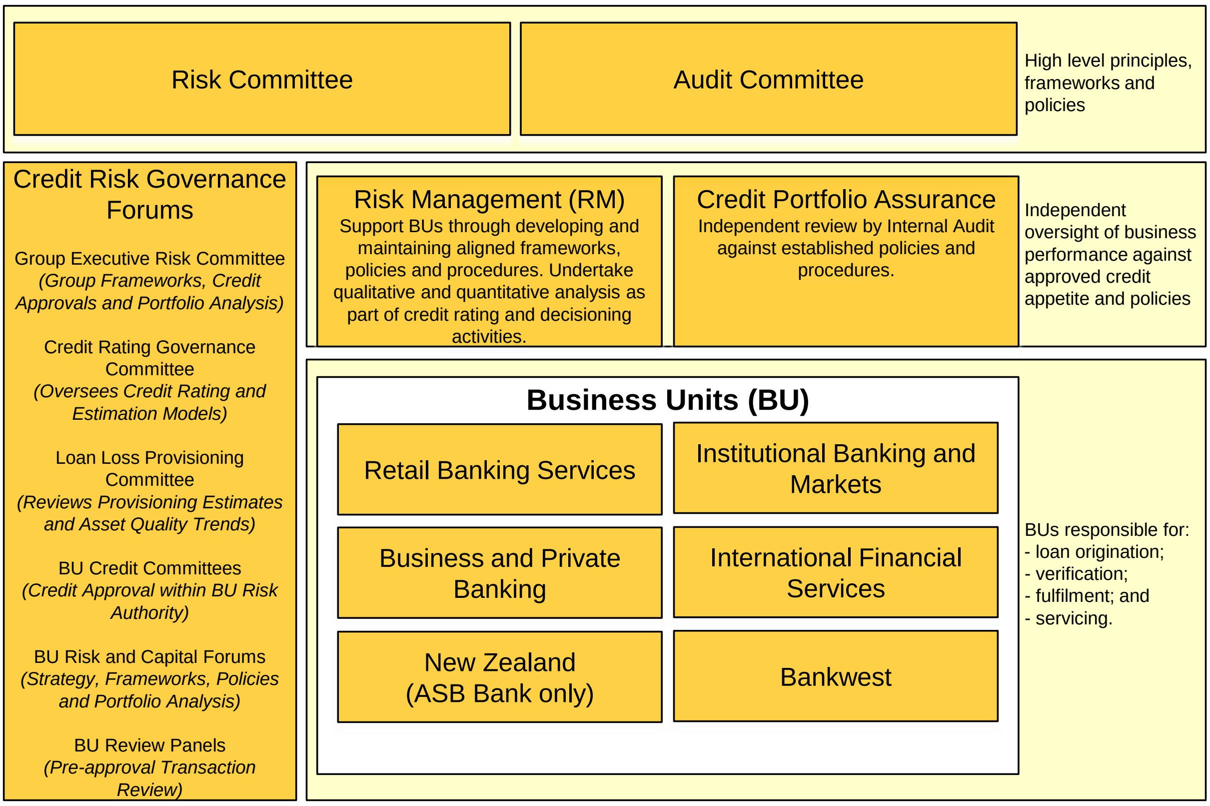
The Group has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks, with specific portfolio standards applying to all major lending areas. These set the minimum requirements in assessing the integrity and ability of debtors or counterparties to meet their contractual financial obligations for repayment, acceptable forms of collateral and security, and the frequency of credit reviews. The Group's Risk Appetite Statement requires that there is appropriate diversification of credit risk, which is controlled by established policies and limits for the key dimensions of the credit portfolio, including for:

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

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

The Credit Portfolio Assurance Unit, part of Group Audit and Assurance, reviews credit portfolios and business unit compliance with policies, portfolio standards, application of credit risk ratings and other key practices on a regular basis. The Credit Portfolio Assurance Unit reports its findings to the Audit and Risk Committees as appropriate.

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



7.1 Credit Risk Exposure – Excluding Equities and Securitisation

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

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

	30 June 2015						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for June 2015 half (1) $M	Change in exposure for June 2015 half (2) $M	%
Subject to advanced IRB approach							
Corporate	56,926	44,405	6,683	**108,014**	104,389	7,251	7. 2
SME Corporate	33,855	8,664	605	**43,124**	41,976	2,296	5. 6
SME retail	7,393	2,978	20	**10,391**	10,228	327	3. 2
SME retail secured by residential mortgage (3)	4,918	1,294	-	**6,212**	6,701	(978)	(13. 6)
Sovereign	64,526	1,309	2,316	**68,151**	70,297	(4,291)	(5. 9)
Bank	33,138	2,924	13,290	**49,352**	47,214	4,275	9. 5
Residential mortgage (3)	414,950	69,888	-	**484,838**	480,183	9,309	2. 0
Qualifying revolving retail	9,847	17,221	-	**27,068**	26,952	232	0. 9
Other retail	7,913	2,917	-	**10,830**	10,774	112	1. 0
Total advanced IRB approach	633,466	151,600	22,914	**807,980**	798,714	18,533	2. 3
Specialised lending	47,358	11,921	1,609	**60,888**	59,646	2,483	4. 3
Subject to standardised approach							
Corporate	8,328	1,987	95	**10,410**	10,946	(1,073)	(9. 3)
SME Corporate	4,831	997	25	**5,853**	5,619	467	8. 7
SME retail	5,290	534	14	**5,838**	5,700	276	5. 0
Sovereign	382	8	-	**390**	351	78	25. 0
Bank	731	1	-	**732**	638	187	34. 3
Residential mortgage	10,134	1,819	19	**11,972**	11,480	985	9. 0
Other retail	2,608	55	1	**2,664**	2,797	(266)	(9. 1)
Other assets	9,862	-	-	**9,862**	10,192	(659)	(6. 3)
Central counterparties (4)	-	-	3,430	**3,430**	5,770	(4,679)	(57. 7)
Total standardised approach	42,166	5,401	3,584	**51,151**	53,493	(4,684)	(8. 4)
Total credit exposures (5)	722,990	168,922	28,107	**920,019**	911,853	16,332	1. 8

(1) The simple average of balances as at 30 June 2015 and 31 December 2014.
(2) The difference between exposures as at 30 June 2015 and 31 December 2014.
(3) Includes $700 million of exposures reclassified from SME retail secured by residential mortgage to Residential mortgages.
(4) Netting arrangements implemented with Clearing Houses.
(5) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Explanation of change in credit risk exposure

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

Asset Category	Total exposure change $M	Regulatory Exposure Driver
AIRB corporate (including SME) and specialised lending	**11,379**	Reflects portfolio growth, regulatory and data treatments.
AIRB sovereign	**(4,291)**	Reflects lower holdings of liquid assets offset by foreign currency movements.
AIRB bank	**4,275**	Reflects portfolio growth and foreign currency movements.
AIRB retail	**9,653**	Reflects portfolio growth offset by foreign currency movements and regulatory treatments.
Total advanced and specialised lending	**21,016**	
Standardised including other assets and central counterparties	**(4,684)**	Mostly reflects implementation of netting arrangements with Clearing Houses.
Total excluding securitisation and equity exposures	**16,332**	

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

	31 December 2014						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2014 half (1) $M	Change in exposure for December 2014 half (2) $M	%
Subject to advanced IRB approach							
Corporate	53,498	41,140	6,125	100,763	94,334	12,859	14. 6
SME Corporate	33,516	6,725	587	40,828	39,112	3,432	9. 2
SME retail	7,163	2,845	56	10,064	10,325	(521)	(4. 9)
SME retail secured by residential mortgage	5,768	1,422	-	7,190	7,273	(165)	(2. 2)
Sovereign	68,504	1,371	2,567	72,442	68,224	8,437	13. 2
Bank	30,315	3,382	11,380	45,077	43,981	2,192	5. 1
Residential mortgage	403,297	72,232	-	475,529	468,159	14,741	3. 2
Qualifying revolving retail	10,028	16,808	-	26,836	26,616	441	1. 7
Other retail	7,764	2,954	-	10,718	10,542	352	3. 4
Total advanced IRB approach	619,853	148,879	20,715	789,447	768,563	41,768	5. 6
Specialised lending	44,682	11,696	2,027	58,405	57,881	1,049	1. 8
Subject to standardised approach							
Corporate	9,110	2,295	78	11,483	11,274	418	3. 8
SME Corporate	4,539	815	32	5,386	5,096	581	12. 1
SME retail	5,225	337	-	5,562	5,380	364	7. 0
Sovereign	310	2	-	312	285	54	20. 9
Bank	544	1	-	545	531	29	5. 6
Residential mortgage	9,203	1,762	22	10,987	10,291	1,393	14. 5
Other retail	2,896	33	1	2,930	2,779	302	11. 5
Other assets	10,521	-	-	10,521	10,343	356	3. 5
Central counterparties	-	-	8,109	8,109	4,990	6,239	large
Total standardised approach	42,348	5,245	8,242	55,835	50,967	9,736	21. 1
Total credit exposures (3)	706,883	165,820	30,984	903,687	877,411	52,553	6. 2

(1) The simple average of balances as at 31 December 2014 and 30 June 2014.
(2) The difference between exposures as at 31 December 2014 and 30 June 2014.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

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

	30 June 2014						
		Off balance sheet					
	On balance sheet	Non-market related	Market related	Total	Average exposure for June 2014 half [1]	Change in exposure for June 2014 half [2]	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	47,324	36,395	4,185	87,904	85,931	3,947	4. 7
SME Corporate	31,210	5,704	482	37,396	37,102	589	1. 6
SME retail	7,365	3,211	9	10,585	9,809	1,552	17. 2
SME retail secured by residential mortgage	6,007	1,348	-	7,355	7,643	(576)	(7. 3)
Sovereign	61,061	1,525	1,419	64,005	65,565	(3,120)	(4. 6)
Bank	27,737	5,575	9,573	42,885	42,812	146	0. 3
Residential mortgage	391,727	69,061	-	460,788	453,742	14,093	3. 2
Qualifying revolving retail	9,733	16,662	-	26,395	24,675	3,441	15. 0
Other retail	7,589	2,777	-	10,366	10,077	574	5. 9
Total advanced IRB approach	589,753	142,258	15,668	747,679	737,356	20,646	2. 8
Specialised lending	44,789	10,811	1,756	57,356	57,031	651	1. 1
Subject to standardised approach							
Corporate	8,906	2,097	62	11,065	11,162	(194)	(1. 7)
SME Corporate	4,110	667	28	4,805	5,047	(484)	(9. 2)
SME retail	4,772	426	-	5,198	4,901	595	12. 9
Sovereign	256	2	-	258	249	18	7. 5
Bank	467	47	2	516	581	(129)	(20. 0)
Residential mortgage	8,671	906	17	9,594	9,544	101	1. 1
Other retail	2,594	33	1	2,628	2,590	73	2. 9
Other assets	10,165	-	-	10,165	10,222	(114)	(1. 1)
Central counterparties	-	-	1,870	1,870	1,717	306	19. 6
Total standardised approach	39,941	4,178	1,980	46,099	46,013	172	0. 4
Total credit exposures [3]	674,483	157,247	19,404	851,134	840,400	21,469	2. 6

(1) The simple average of balances as at 30 June 2014 and 31 December 2013.
(2) The difference between exposures as at 30 June 2014 and 31 December 2013.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

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

Portfolio Type	As at 30 Jun 15 $M	Half year average [1] $M
Corporate	**118,424**	115,335
SME Corporate	**48,977**	47,595
SME retail	**16,229**	15,928
SME retail secured by residential mortgage	**6,212**	6,701
Sovereign	**68,541**	70,648
Bank	**50,084**	47,852
Residential mortgage	**496,810**	491,663
Qualifying revolving retail	**27,068**	26,952
Other retail	**13,494**	13,571
Specialised lending	**60,888**	59,646
Other assets	**9,862**	10,192
Central counterparties	**3,430**	5,770
Total credit exposures [2]	**920,019**	911,853

Portfolio Type	As at 31 Dec 14 $M	Half year average [1] $M
Corporate	112,246	105,608
SME Corporate	46,214	44,208
SME retail	15,626	15,705
SME retail secured by residential mortgage	7,190	7,273
Sovereign	72,754	68,509
Bank	45,622	44,512
Residential mortgage	486,516	478,449
Qualifying revolving retail	26,836	26,616
Other retail	13,648	13,321
Specialised lending	58,405	57,881
Other assets	10,521	10,343
Central counterparties	8,109	4,990
Total credit exposures [2]	903,687	877,411

Portfolio Type	As at 30 Jun 14 $M	Half year average [1] $M
Corporate	98,969	97,093
SME Corporate	42,201	42,149
SME retail	15,783	14,710
SME retail secured by residential mortgage	7,355	7,643
Sovereign	64,263	65,814
Bank	43,401	43,393
Residential mortgage	470,382	463,286
Qualifying revolving retail	26,395	24,675
Other retail	12,994	12,667
Specialised lending	57,356	57,031
Other assets	10,165	10,222
Central counterparties	1,870	1,717
Total credit exposures [2]	851,134	840,400

(1) The simple average of closing balances of each half year.
(2) Total credit risk exposures do not include equities or securitisation exposures.

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

	30 June 2015 [1]			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	74,439	7,870	36,115	**118,424**
SME Corporate	35,965	11,842	1,170	**48,977**
SME retail [2]	19,765	1,879	797	**22,441**
Sovereign	39,779	2,883	25,879	**68,541**
Bank	22,199	2,628	25,257	**50,084**
Residential mortgage	451,559	44,800	451	**496,810**
Qualifying revolving retail	27,068	-	-	**27,068**
Other retail	11,057	2,415	22	**13,494**
Specialised lending	44,442	6,243	10,203	**60,888**
Other assets	7,997	624	1,241	**9,862**
Central counterparties	292	-	3,138	**3,430**
Total credit exposures [3]	734,562	81,184	104,273	**920,019**

	31 December 2014 [1]			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	73,908	6,887	31,451	112,246
SME Corporate	33,915	11,622	677	46,214
SME retail [2]	19,909	1,953	954	22,816
Sovereign	42,715	2,458	27,581	72,754
Bank	20,869	1,805	22,948	45,622
Residential mortgage	439,479	46,793	244	486,516
Qualifying revolving retail	26,834	2	-	26,836
Other retail	10,767	2,602	279	13,648
Specialised lending	42,546	6,541	9,318	58,405
Other assets	8,184	455	1,882	10,521
Central counterparties	52	-	8,057	8,109
Total credit exposures [3]	719,178	81,118	103,391	903,687

	30 June 2014 [1]			
Portfolio Type	Australia $M	New Zealand $M	Other $M	Total $M
Corporate	67,377	6,492	25,100	98,969
SME Corporate	31,249	10,532	420	42,201
SME retail [2]	20,913	1,966	259	23,138
Sovereign	40,904	2,099	21,260	64,263
Bank	19,579	1,532	22,290	43,401
Residential mortgage	425,680	44,506	196	470,382
Qualifying revolving retail	26,395	-	-	26,395
Other retail	10,593	2,385	16	12,994
Specialised lending	44,805	5,564	6,987	57,356
Other assets	7,588	925	1,652	10,165
Central clearing counterparties	43	-	1,827	1,870
Total credit exposures [3]	695,126	76,001	80,007	851,134

(1) Balances are reported based on the risk domicile of the borrowers.
(2) Including SME retail secured by residential property.
(3) Total credit risk exposures do not include equities or securitisation exposures.

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

	30 June 2015							
	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	-	-	2,156	-	-	19,180	2,188	12,377
SME Corporate	-	444	3,096	-	-	2,629	13,628	325
SME retail (1)	-	607	3,697	-	-	530	1,781	67
Sovereign	-	-	-	68,541	-	-	-	-
Bank	-	-	-	-	50,084	-	-	-
Residential mortgage	493,584	-	-	-	-	110	274	11
Qualifying revolving retail	-	27,068	-	-	-	-	-	-
Other retail	-	13,494	-	-	-	-	-	-
Specialised lending	-	-	9	-	-	94	255	4,101
Other assets	-	3,263	-	-	-	-	-	-
Central counterparties	-	-	-	-	-	3,430	-	-
Total credit exposures (2)	493,584	44,876	8,958	68,541	50,084	25,973	18,126	16,881

	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	12,358	6,418	3,100	13,167	12,800	14,017	20,663	**118,424**
SME Corporate	2,947	78	2,414	5,988	1,282	1,773	14,373	**48,977**
SME retail (1)	918	32	1,415	2,753	495	1,959	8,187	**22,441**
Sovereign	-	-	-	-	-	-	-	**68,541**
Bank	-	-	-	-	-	-	-	**50,084**
Residential mortgage	137	-	183	574	104	1,172	661	**496,810**
Qualifying revolving retail	-	-	-	-	-	-	-	**27,068**
Other retail	-	-	-	-	-	-	-	**13,494**
Specialised lending	19	1,492	1,420	160	5,451	42,814	5,073	**60,888**
Other assets	-	-	-	-	-	-	6,599	**9,862**
Central counterparties	-	-	-	-	-	-	-	**3,430**
Total credit exposures (2)	16,379	8,020	8,532	22,642	20,132	61,735	55,556	**920,019**

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

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

	31 December 2014							
	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	-	-	2,123	-	-	17,119	2,017	12,988
SME Corporate	-	486	3,168	-	-	2,150	13,128	275
SME retail (1)	-	673	3,531	-	-	540	1,852	73
Sovereign	-	-	-	72,754	-	-	-	-
Bank	-	-	-	-	45,622	-	-	-
Residential mortgage	483,194	-	-	-	-	106	253	10
Qualifying revolving retail	-	26,836	-	-	-	-	-	-
Other retail	-	13,648	-	-	-	-	-	-
Specialised lending	-	-	10	-	-	391	241	3,369
Other assets	-	3,230	-	-	-	-	-	-
Central counterparties	-	-	-	-	-	8,109	-	-
Total credit exposures (2)	483,194	44,873	8,832	72,754	45,622	28,415	17,491	16,715

	Industry Sector							
Portfolio Type	Manufacturing $M	Energy $M	Construction $M	Retail/ wholesale trade $M	Transport and storage $M	Property (3) $M	Other $M	Total $M
Corporate	11,677	6,647	2,913	12,190	10,206	14,216	20,150	112,246
SME Corporate	2,595	112	2,561	6,060	1,233	1,134	13,312	46,214
SME retail (1)	980	33	1,345	2,626	478	2,635	8,050	22,816
Sovereign	-	-	-	-	-	-	-	72,754
Bank	-	-	-	-	-	-	-	45,622
Residential mortgage	139	-	210	601	103	1,216	684	486,516
Qualifying revolving retail	-	-	-	-	-	-	-	26,836
Other retail	-	-	-	-	-	-	-	13,648
Specialised lending	15	1,798	1,258	153	7,066	38,793	5,311	58,405
Other assets	-	-	-	-	-	-	7,291	10,521
Central counterparties	-	-	-	-	-	-	-	8,109
Total credit exposures (2)	15,406	8,590	8,287	21,630	19,086	57,994	54,798	903,687

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

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

	30 June 2014							
	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	-	-	1,785	-	-	13,329	1,872	8,651
SME Corporate	-	570	3,056	-	-	1,807	12,744	282
SME retail [1]	-	773	3,479	-	-	536	2,091	68
Sovereign	-	-	-	64,263	-	-	-	-
Bank	-	-	-	-	43,401	-	-	-
Residential mortgage	466,859	-	-	-	-	104	327	24
Qualifying revolving retail	-	26,395	-	-	-	-	-	-
Other retail	-	12,994	-	-	-	-	-	-
Specialised lending	-	-	11	-	-	307	384	3,223
Other assets	-	3,277	-	-	-	-	-	-
Central counterparties	-	-	-	-	-	1,870	-	-
Total credit exposures [2]	466,859	44,009	8,331	64,263	43,401	17,953	17,418	12,248

	Industry Sector							
Portfolio Type	Manufacturing $M	Energy $M	Construction $M	Retail/ wholesale trade $M	Transport and storage $M	Property [3] $M	Other $M	Total $M
Corporate	11,900	5,863	1,930	10,370	10,565	15,105	17,599	98,969
SME Corporate	2,567	76	1,881	5,456	1,255	538	11,969	42,201
SME retail [1]	739	32	1,325	2,389	466	2,750	8,490	23,138
Sovereign	-	-	-	-	-	-	-	64,263
Bank	-	-	-	-	-	-	-	43,401
Residential mortgage	166	1	275	626	79	1,265	656	470,382
Qualifying revolving retail	-	-	-	-	-	-	-	26,395
Other retail	-	-	-	-	-	-	-	12,994
Specialised lending	99	2,111	1,589	453	6,294	37,701	5,184	57,356
Other assets	-	-	-	-	-	-	6,888	10,165
Central counterparties	-	-	-	-	-	-	-	1,870
Total credit exposures [2]	15,471	8,083	7,000	19,294	18,659	57,359	50,786	851,134

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

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

	30 June 2015				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	18,810	93,647	5,669	298	**118,424**
SME Corporate	10,280	30,433	8,264	-	**48,977**
SME retail (1)	4,311	13,315	4,815	-	**22,441**
Sovereign	21,991	28,304	18,246	-	**68,541**
Bank	21,300	28,767	17	-	**50,084**
Residential mortgage	17,425	14,292	408,041	57,052	**496,810**
Qualifying revolving retail	-	-	-	27,068	**27,068**
Other retail	102	4,871	3,614	4,907	**13,494**
Specialised lending	15,979	38,685	6,121	103	**60,888**
Other assets	3,377	666	342	5,477	**9,862**
Central counterparties	1,439	1,930	61	-	**3,430**
Total credit exposures (2)	115,014	254,910	455,190	94,905	**920,019**

	31 December 2014				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	18,141	86,398	6,849	858	112,246
SME Corporate	8,975	27,855	9,384	-	46,214
SME retail (1)	4,357	13,014	5,445	-	22,816
Sovereign	28,202	27,123	17,429	-	72,754
Bank	19,903	25,674	45	-	45,622
Residential mortgage	16,562	13,205	400,288	56,461	486,516
Qualifying revolving retail	-	-	-	26,836	26,836
Other retail	97	5,028	3,567	4,956	13,648
Specialised lending	14,043	37,660	6,599	103	58,405
Other assets	3,249	712	459	6,101	10,521
Central counterparties	1,191	6,872	46	-	8,109
Total credit exposures (2)	114,720	243,541	450,111	95,315	903,687

	30 June 2014				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	13,416	79,203	4,714	1,636	98,969
SME Corporate	7,010	26,228	8,815	148	42,201
SME retail (1)	4,485	10,713	7,940	-	23,138
Sovereign	24,847	22,752	16,408	256	64,263
Bank	19,647	23,149	131	474	43,401
Residential mortgage	15,729	10,874	387,802	55,977	470,382
Qualifying revolving retail	-	-	-	26,395	26,395
Other retail	55	4,539	3,612	4,788	12,994
Specialised lending	14,600	38,123	4,633	-	57,356
Other assets	3,287	345	637	5,896	10,165
Central counterparties	611	1,196	63	-	1,870
Total credit exposures (2)	103,687	217,122	434,755	95,570	851,134

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

7.2. Past Due and Impaired Exposures, Provisions and Reserves

Provisioning for Impairment

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

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

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

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

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

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

Individually Assessed and Collective Provisions

The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment.

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

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

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

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

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

General Reserve for Credit Losses

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

Reconciliation of Australian Accounting Standards and APS 220 based credit provisions and APS 330

Table 7j – General reserve for credit losses

	30 June 2015		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,599	163	**2,762**
Individual provisions [2]	-	887	**887**
Total provisions	2,599	1,050	**3,649**
Additional GRCL requirement [3]	346	-	**346**
Total regulatory provisions	2,945	1,050	**3,995**

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $346 million in order to maintain the required minimum GRCL.

	31 December 2014		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,613	150	2,763
Individual provisions [2]	-	1,116	1,116
Total provisions	2,613	1,266	3,879
Additional GRCL requirement [3]	321	-	321
Total regulatory provisions	2,934	1,266	4,200

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $321 million in order to maintain the required minimum GRCL.

	30 June 2014		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,614	165	2,779
Individual provisions [2]	-	1,127	1,127
Total provisions	2,614	1,292	3,906
Additional GRCL requirement [3]	305	-	305
Total regulatory provisions	2,919	1,292	4,211

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $305 million in order to maintain the required minimum GRCL.

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

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

	30 June 2015				
Industry Sector	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net full year charges for individual provisions $M	Full year actual losses (2) $M
Home loans	951	1,753	179	60	76
Other personal	282	25	149	(2)	593
Asset finance	120	2	41	53	41
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Other finance	26	10	26	54	96
Agriculture	506	97	147	77	68
Mining	155	8	71	80	35
Manufacturing	108	37	49	(1)	72
Energy	28	-	8	-	(2)
Construction	40	34	21	3	14
Wholesale/retail trade	79	64	53	13	40
Transport and storage	22	23	11	2	(5)
Property	175	109	114	-	124
Other	353	161	171	60	151
Total	2,855	2,323	1,050	399	1,303

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2015.

	31 December 2014				
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	905	1,583	176	27	36
Other personal	254	28	138	(1)	292
Asset finance	106	3	36	28	23
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Other finance	79	20	76	11	(1)
Agriculture	631	67	171	66	24
Mining	118	6	41	14	-
Manufacturing	125	30	73	(9)	37
Energy	32	-	7	-	(1)
Construction	42	36	30	6	5
Wholesale/retail trade	95	73	61	7	20
Transport and storage	74	26	5	1	(3)
Property	318	131	208	8	26
Other	571	148	234	18	56
Total	3,360	2,151	1,266	176	514

(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 2014.

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

	30 June 2014				
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance [1]	Net full year charges for individual provisions	Full year actual losses [2]
Industry Sector	$M	$M	$M	$M	$M
Home loans	898	1,620	186	69	121
Other personal	272	32	153	(1)	593
Asset finance	87	1	32	44	32
Sovereign	-	-	-	-	-
Bank	10	-	10	(2)	11
Other finance	97	33	73	(31)	102
Agriculture	408	87	126	65	138
Mining	150	8	29	37	9
Manufacturing	173	42	115	102	29
Energy	17	1	6	(16)	6
Construction	51	58	30	(3)	52
Wholesale/retail trade	120	96	67	28	86
Transport and storage	72	16	8	31	24
Property	373	127	213	7	256
Other	639	232	244	91	189
Total	3,367	2,353	1,292	421	1,648

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2014.

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

Portfolio	30 June 2015 Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net full year charges for individual provisions $M	Full year actual losses (2) $M
Corporate including SME, specialised lending and central counterparties	1,612	545	712	341	634
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Residential mortgage	951	1,753	179	60	76
Qualifying revolving retail	117	-	59	-	261
Other retail	165	25	90	(2)	332
Total	2,855	2,323	1,050	399	1,303

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2015.

Portfolio	31 December 2014 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, specialised lending and central counterparties	2,191	540	942	150	186
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Residential mortgage	905	1,583	176	27	36
Qualifying revolving retail	105	-	53	-	129
Other retail	149	28	85	(1)	163
Total	3,360	2,151	1,266	176	514

(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 2014.

Portfolio	30 June 2014 Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net full year charges for individual provisions $M	Full year actual losses (2) $M
Corporate including SME and specialised lending	2,187	701	943	355	923
Sovereign	-	-	-	-	-
Bank	10	-	10	(2)	11
Residential mortgage	898	1,620	186	69	121
Qualifying revolving retail	109	-	56	-	271
Other retail	163	32	97	(1)	322
Total	3,367	2,353	1,292	421	1,648

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2014.

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

	30 June 2015		
Geographic Region [(1)]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
Australia	2,335	2,205	908
New Zealand	404	89	76
Other	116	29	66
Total	2,855	2,323	1,050

	31 December 2014		
Geographic Region [(1)]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
Australia	2,791	2,040	1,139
New Zealand	431	98	80
Other	138	13	47
Total	3,360	2,151	1,266

	30 June 2014		
Geographic Region [(1)]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
Australia	2,731	2,233	1,172
New Zealand	436	108	72
Other	200	12	48
Total	3,367	2,353	1,292

(1) Balances are reported 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 7g (ii) – GRCL by geographic region

Geographic Region	30 Jun 15 $M	31 Dec 14 $M	30 Jun 14 $M
Australia	**2,634**	2,573	2,632
New Zealand	**169**	198	156
Other	**142**	163	131
Total GRCL	**2,945**	2,934	2,919

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

	Half Year Ended		
	30 Jun 15	31 Dec 14	30 Jun 14
Movement in Collective Provisions	$M	$M	$M
Opening balance	**2,763**	2,779	2,870
Net charge against profit and loss	**325**	264	219
Recoveries	**78**	98	74
Other	**(17)**	5	-
Write-offs	**(387)**	(383)	(384)
Total collective provisions	**2,762**	2,763	2,779
Less collective provisions transferred to specific provisions	**(163)**	(150)	(165)
Additional GRCL requirement (1)	**346**	321	305
General reserve for credit losses	**2,945**	2,934	2,919

(1) The Group has recognised a deduction from CET1 of $346 million for 30 June 2015 (31 December 2014: $321 million; 30 June 2014: $305 million) in order to maintain the required minimum GRCL.

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

	Half Year Ended		
	30 Jun 15	31 Dec 14	30 Jun 14
Movement in Individual Provisions	$M	$M	$M
Opening balance for the period	**1,116**	1,127	1,416
Net new and increased provisioning	**362**	297	390
Net write back of provisions no longer required	**(139)**	(121)	(148)
Discount unwind to interest income	**(20)**	(18)	(21)
Other	**48**	60	71
Write-offs	**(480)**	(229)	(581)
Individual provisions	**887**	1,116	1,127
Add collective provisions transferred to specific provisions	**163**	150	165
Specific provisions	**1,050**	1,266	1,292

7.3 Portfolios Subject to Standardised and Supervisory Risk-Weights

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

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

Portfolios that use the Standardised approach include:

Commonwealth Bank of Australia:

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

Bankwest Division:

- Non-retail asset classes;
- Some residential mortgages (equity lines of credit); and
- Unsecured consumer retail (personal loans, credit cards and personal cheque accounts).

ASB Bank Limited:

- Personal loans and Retail SME.

All exposures in the following entities:

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

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

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

The Group's definition of internal risk ratings used for Corporate, Bank and Sovereign exposures has been aligned to equivalent rating grades provided by External Credit Assessment Institutions (ECAI) including Standard & Poor's Rating Services and Moody's Investors Services.

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.

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

Standardised Approach Exposures	Exposure After Credit Risk Mitigation [1] 30 Jun 15 $M	31 Dec 14 $M	30 Jun 14 $M
Risk weight			
0%	**1,963**	2,999	2,284
20%	**4,185**	3,783	4,948
35%	**5,889**	4,884	3,463
50%	**3,413**	3,565	3,208
75%	**440**	312	317
100%	**31,354**	31,828	29,560
150%	**449**	323	416
> 150%	**-**	-	-
Capital deductions	**-**	-	-
Total	**47,693**	47,694	44,196

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

Other Assets [1]	30 June 2015 Exposure $M	Risk weight %	RWA $M
Cash	1,850	-	-
Cash items in course of collection	1,117	20	223
Margin lending [2]	3,263	35	1,127
Fixed and forward purchased assets	1,358	100	1,358
Other	2,274	≥100	2,274
Total	9,862	51	4,982

Other Assets [1] [3]	31 December 2014 Exposure $M	Risk weight %	RWA $M
Cash	2,814	-	-
Cash items in course of collection	966	20	193
Margin lending [2]	3,231	38	1,217
Fixed and forward purchased assets	1,282	100	1,282
Other	2,228	≥100	2,232
Total	10,521	47	4,924

Other Assets [1]	30 June 2014 Exposure $M	Risk weight %	RWA $M
Cash	2,209	-	-
Cash items in course of collection	1,400	20	280
Margin lending	3,277	20	655
Fixed and forward purchased assets	1,309	100	1,309
Other	1,970	≥100	1,970
Total	10,165	41	4,214

(1) Other Assets are included in Standardised Approach Exposures table above.
(2) Margin lending against listed instruments are risk weighted at 20%. Other unlisted instruments are risk weighted at 100%.
(3) Comparative information has been restated to conform to presentation in the current year.

Specialised Lending Exposures Subject to Supervisory Slotting [1]	30 Jun 15 $M	31 Dec 14 $M	30 Jun 14 $M
Risk Weight			
0%	**560**	669	620
70%	**25,073**	24,726	22,548
90%	**30,072**	27,494	27,883
115%	**4,809**	5,237	5,708
250%	**374**	279	597
Total exposures	**60,888**	58,405	57,356

(1) APRA requires 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.

7.4 Portfolios Subject to Internal Ratings Based Approaches

The Group, with the exception of Bankwest non-retail portfolios and some other relatively small portfolios, is accredited to use AIRB approaches to calculate its capital requirements under APRA Prudential Standard APS 113 "Capital Adequacy: Internal Ratings-based Approach to Credit Risk".

Credit Risk Measurement

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

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

Probability of Default

The PD, expressed as a percentage, is the estimate of the probability that an obligor will default within the next twelve months. It reflects an obligor's ability to generate sufficient cash flows into the future to meet the terms of all of its credit obligations to the Group. The PD rating methodology applied to the various segments of the credit portfolio is shown in APS 330 Table 9c (page 35).

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

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

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

(i) Risk-Rated Segment

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

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

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

PD Rating Tools are used to form a benchmark in the rating process and are based on customer financials and a number of management related questions.

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

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

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

PD ratings fall within the following major categories:

1. Exceptional – (A0 through to A3) – a strong profit history with principal and interest repayments covered by large stable surpluses.
2. Strong – (B1 through to C3) – a strongly performing business with principal and interest payments well protected by stable cash operating surpluses.
3. Pass – (D1 through to E3) – a soundly performing business with sufficient operating cash surpluses to meet all principal and interest repayments.
4. Weak/Doubtful – (F1 through to G3) – profitability has been weak and the capacity to meet principal and interest payments is weak or doubtful.
5. Restructured – (R) – concessions of interest and/or principal obligations have been provided due to the customer's financial difficulties, rendering the facility non-commercial to the Group. Restructured facilities are treated as impaired assets.
6. Default – (H) – the obligation is in default (see below).

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

Assignments of obligor PD ratings are reviewed at least annually with higher risk exposures being reviewed more frequently. Rating reviews are also initiated when material new information on an obligor comes to light.

Probability of Default (continued)

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

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

Material deviations from the reference default definition are not permitted.

The Group's mapping of internal rating scales for risk-rated exposures to external rating agencies is detailed in APS 330 Table 9b (page 36).

(ii) Retail Managed Segment

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

The Group has been using scorecards to "auto-decision" loan applications for over 20 years in its consumer retail divisions and more recently for SME Retail applications. These are auto-decisioned for the approval of credit using a scorecard approach whereby the performance of historical applications is supplemented by information from a credit reference bureau and/or from the Group's existing knowledge of a customer's behaviour.

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

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

Commercial lending up to $3 million is reviewed as part of the client quality review process and oversight is provided by the independent Credit Portfolio Assurance unit. Financial assets in the retail segment are classified as secured or unsecured. Unsecured facilities (e.g. credit cards) are considered impaired at 90 days past due and are generally written off once they reach 180 days past due (unless arrangements have been made between the borrower and the Group).

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

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

Loss Given Default

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

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

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

LGD is impacted by:

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

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

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

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

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

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

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken and what types are acceptable and appropriate in order to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

Collateral types are discussed in further detail in section 7.5 "Credit Risk Mitigation" (page 46).

Exposure at Default

The EAD, expressed as a dollar amount, is the estimate of the amount of a facility that will be outstanding in the event of default. Estimates are based on downturn economic conditions.

EAD for committed facilities is measured as a dollar amount based on the drawn and undrawn components 12 months prior to default. It comprises the drawn balance plus an undrawn amount that is expected to convert to drawn in the period leading up to default. For most committed facilities, the Group applies a credit conversion factor of 100% to the undrawn amount. For uncommitted facilities the EAD will generally be the drawn balance only. For retail exposures, a modelling approach based on limit usage, arrears and loan type is used to segment accounts into homogeneous pools for the calculation of EAD.

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

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

Expected Loss

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

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

Regulatory EL for Specialised Lending exposures is prescribed by APRA's Supervisory Slotting approach. Regulatory EL is not required to be calculated on Standardised Portfolios.

Unexpected Loss

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

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

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

Economic Capital

The economic capital measure takes into account portfolio specific characteristics (e.g. industry segment) and allows for diversification effects between obligors within a portfolio segment as well as across different portfolio segments. Economic capital is the currency of risk measurement using a 99.95% probability that UL is not exceeded. The long-run LGD is used in the economic capital model rather than the downturn LGD which is used for regulatory capital purposes.

The Group primarily evaluates risk-adjusted portfolio performance based on the return on economic capital.

Economic capital is an input to pricing models and strategic decision making within the Group.

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

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

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

Credit Risk Ratings System

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

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

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

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

Description	Internal Rating	Probability of Default
Exceptional	A0, A1, A2, A3	0% - 0.038%
Strong	B1, B2, B3, C1, C2, C3	>0.038% - 0.453%
Pass	D1, D2, D3, E1, E2, E3	>0.453% - 5.924%
Weak/ doubtful	F1, F2, F3, G1, G2, G3	>5.924%
Restructured/ default	R, H	21.22%, 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
Restructured/ default	D	C

Credit Risk Exposure Subject to the Advanced IRB Approach

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

	30 June 2015							
	PD Band							
	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	$M
Total credit risk exposures								
Corporate	-	36,187	45,709	24,830	558	241	489	**108,014**
SME Corporate	-	805	3,721	34,460	2,036	1,039	1,063	**43,124**
SME retail [2]	-	-	3,005	9,606	3,493	228	271	**16,603**
Sovereign	61,753	5,704	455	239	-	-	-	**68,151**
Bank	-	46,306	2,344	578	-	-	124	**49,352**
Total	61,753	89,002	55,234	69,713	6,087	1,508	1,947	**285,244**
Undrawn commitments [3]								
Corporate	-	14,213	20,812	8,989	234	38	119	**44,405**
SME Corporate	-	251	968	7,016	242	117	70	**8,664**
SME retail [2]	-	-	1,425	2,370	442	12	23	**4,272**
Sovereign	706	259	275	69	-	-	-	**1,309**
Bank	-	2,482	295	147	-	-	-	**2,924**
Total	706	17,205	23,775	18,591	918	167	212	**61,574**
Exposure - weighted average EAD ($M)								
Corporate	-	2. 953	2. 572	0. 791	0. 870	0. 222	1. 370	2. 271
SME Corporate	-	0. 388	0. 259	0. 181	0. 220	0. 182	0. 328	0. 197
SME retail [2]	-	-	0. 012	0. 028	0. 023	0. 018	0. 036	0. 024
Sovereign	6. 777	5. 979	0. 038	0. 001	-	-	-	6. 641
Bank	-	10. 277	2. 873	0. 693	-	-	41. 399	9. 891
Exposure - weighted average LGD (%)								
Corporate	-	56. 9	57. 4	45. 9	52. 9	52. 0	46. 2	54. 5
SME Corporate	-	59. 7	35. 8	29. 7	30. 0	34. 6	34. 2	31. 1
SME retail [2]	-	-	30. 9	34. 6	31. 6	44. 2	34. 2	33. 4
Sovereign	24. 1	58. 7	55. 2	55. 1	-	-	-	27. 3
Bank	-	60. 6	60. 5	61. 0	-	-	61. 3	60. 6
Exposure - weighted average risk weight (%)								
Corporate	-	27. 8	62. 9	79. 8	177. 2	248. 4	128. 6	56. 4
SME Corporate	-	21. 1	36. 0	53. 6	77. 9	146. 6	207. 0	58. 6
SME retail [2]	-	-	16. 5	42. 5	64. 7	116. 0	337. 4	48. 3
Sovereign	6. 6	11. 3	42. 8	112. 8	-	-	-	7. 6
Bank	-	22. 2	54. 0	83. 5	-	-	-	24. 4

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) Including SME retail secured by residential property.
(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

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

	31 December 2014							
	PD Band							
	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	$M
Total credit risk exposure								
Corporate	-	33,762	42,840	22,744	274	272	871	100,763
SME Corporate	-	791	3,854	32,211	2,043	882	1,047	40,828
SME retail [2]	-	-	3,071	10,320	3,255	360	248	17,254
Sovereign	65,347	5,802	1,058	235	-	-	-	72,442
Bank	-	42,222	1,825	906	-	-	124	45,077
Total	65,347	82,577	52,648	66,416	5,572	1,514	2,290	276,364
Undrawn commitments [3]								
Corporate	-	14,356	18,909	7,718	69	48	40	41,140
SME Corporate	-	187	903	5,268	219	90	58	6,725
SME retail [2]	-	-	1,287	2,533	409	21	17	4,267
Sovereign	835	199	233	104	-	-	-	1,371
Bank	-	2,490	405	487	-	-	-	3,382
Total	835	17,232	21,737	16,110	697	159	115	56,885
Exposure - weighted average EAD ($M)								
Corporate	-	1. 557	2. 466	0. 787	0. 636	0. 284	2. 531	1. 772
SME Corporate	-	0. 477	0. 249	0. 173	0. 239	0. 194	0. 330	0. 194
SME retail [2]	-	-	0. 012	0. 029	0. 022	0. 018	0. 033	0. 024
Sovereign	7. 075	5. 569	0. 142	0. 001	-	-	-	6. 830
Bank	-	9. 970	2. 825	1. 121	0. 024	-	62. 097	9. 646
Exposure - weighted average LGD (%)								
Corporate	-	56. 3	56. 3	47. 0	42. 8	40. 9	43. 7	54. 0
SME Corporate	-	59. 6	36. 0	29. 8	29. 4	32. 9	37. 8	31. 2
SME retail [2]	-	-	31. 4	33. 8	31. 5	39. 1	35. 1	33. 1
Sovereign	26. 3	58. 5	57. 5	56. 1	61. 3	58. 9	-	29. 5
Bank	-	60. 4	60. 3	59. 6	57. 8	-	61. 3	60. 4
Exposure - weighted average risk weight (%)								
Corporate	-	26. 6	62. 9	85. 7	145. 6	194. 2	35. 7	56. 3
SME Corporate	-	23. 3	36. 2	53. 6	75. 7	139. 2	219. 3	58. 6
SME retail [2]	-	-	16. 6	42. 3	65. 0	107. 2	353. 8	47. 8
Sovereign	6. 0	11. 8	54. 1	98. 2	195. 0	252. 0	-	7. 5
Bank	-	21. 8	56. 2	80. 8	164. 1	-	-	24. 4

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) Including SME retail secured by residential property.
(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

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

	30 June 2014							
	PD Band							
	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	$M
Total credit risk exposure								
Corporate	-	29,309	37,841	19,350	195	576	633	87,904
SME Corporate	-	549	3,374	29,754	1,785	967	967	37,396
SME retail [2]	-	-	2,973	10,610	3,675	419	263	17,940
Sovereign	57,793	4,815	938	459	-	-	-	64,005
Bank	-	40,050	2,200	510	-	-	125	42,885
Total	57,793	74,723	47,326	60,683	5,655	1,962	1,988	250,130
Undrawn commitments [3]								
Corporate	-	13,680	16,284	6,248	55	98	30	36,395
SME Corporate	-	133	756	4,471	178	113	53	5,704
SME retail [2]	-	-	1,217	2,863	450	16	13	4,559
Sovereign	932	208	314	71	-	-	-	1,525
Bank	-	4,455	692	428	-	-	-	5,575
Total	932	18,476	19,263	14,081	683	227	96	53,758
Exposure - weighted average EAD ($M)								
Corporate	-	2. 294	2. 061	0. 605	0. 649	0. 383	1. 501	1. 800
SME Corporate	-	0. 312	0. 195	0. 187	0. 199	0. 197	0. 253	0. 192
SME retail [2]	-	-	0. 011	0. 025	0. 022	0. 024	0. 041	0. 022
Sovereign	7. 415	4. 777	0. 127	0. 002	-	-	-	7. 057
Bank	-	7. 878	3. 812	1. 338	0. 027	-	31. 156	7. 659
Exposure - weighted average LGD (%)								
Corporate	-	57. 0	56. 0	47. 2	41. 8	46. 2	50. 7	54. 3
SME Corporate	-	56. 8	32. 8	30. 6	29. 1	35. 8	34. 3	31. 4
SME retail [2]	-	-	31. 9	33. 5	32. 2	40. 9	36. 4	33. 2
Sovereign	27. 4	57. 7	56. 4	57. 7	58. 9	58. 9	-	30. 3
Bank	-	60. 6	60. 6	59. 0	29. 1	-	61. 3	60. 6
Exposure - weighted average risk weight (%)								
Corporate	-	25. 9	62. 2	83. 0	147. 3	228. 1	43. 4	55. 8
SME Corporate	-	21. 2	35. 5	54. 5	75. 0	150. 3	223. 2	60. 1
SME retail [2]	-	-	16. 9	41. 8	66. 7	107. 4	372. 8	49. 2
Sovereign	6. 8	10. 6	49. 3	93. 5	167. 4	252. 0	-	8. 3
Bank	-	21. 3	54. 1	82. 6	82. 6	-	-	23. 6

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) Including SME retail secured by residential property.
(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

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

	30 June 2015							
	PD Band							
	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	$M
Total credit risk exposures								
Residential mortgage	143,305	126,752	81,712	115,612	5,075	9,305	3,077	**484,838**
Qualifying revolving retail	13,976	14	3,643	5,534	3,126	615	160	**27,068**
Other retail	60	46	299	7,999	1,629	663	134	**10,830**
Total	157,341	126,812	85,654	129,145	9,830	10,583	3,371	**522,736**
Undrawn commitments [(1)]								
Residential mortgage	53,018	7,019	4,185	5,476	124	49	17	**69,888**
Qualifying revolving retail	11,278	13	2,738	2,456	632	101	3	**17,221**
Other retail	57	40	265	2,257	261	34	3	**2,917**
Total	64,353	7,072	7,188	10,189	1,017	184	23	**90,026**
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 231	0. 267	0. 239	0. 206	0. 203	0. 243	0. 248	**0. 236**
Qualifying revolving retail	0. 010	0. 011	0. 008	0. 009	0. 009	0. 008	0. 008	**0. 009**
Other retail	0. 004	0. 004	0. 002	0. 008	0. 003	0. 005	0. 005	**0. 007**
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 1	20. 4	21. 0	21. 3	20. 1	20. 3	**20. 3**
Qualifying revolving retail	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	**88. 0**
Other retail	94. 2	94. 1	94. 6	96. 9	97. 8	98. 9	98. 2	**97. 1**
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 9	9. 2	14. 4	24. 3	73. 4	99. 5	186. 2	**15. 3**
Qualifying revolving retail	3. 9	7. 8	15. 1	38. 8	122. 4	208. 6	315. 8	**32. 7**
Other retail	17. 9	48. 7	59. 7	118. 2	147. 5	195. 9	426. 6	**128. 7**

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

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

	31 December 2014							
	PD Band							
	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	$M
Total credit risk exposures								
Residential mortgage	141,596	121,022	82,892	113,741	4,880	8,590	2,808	475,529
Qualifying revolving retail	13,904	8	3,644	5,559	2,982	595	144	26,836
Other retail	62	47	292	8,060	1,540	608	109	10,718
Total	155,562	121,077	86,828	127,360	9,402	9,793	3,061	513,083
Undrawn commitments (1)								
Residential mortgage	53,971	7,365	4,404	6,341	91	42	18	72,232
Qualifying revolving retail	10,953	7	2,693	2,448	589	115	3	16,808
Other retail	59	41	267	2,298	255	31	3	2,954
Total	64,983	7,413	7,364	11,087	935	188	24	91,994
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 227	0. 263	0. 227	0. 215	0. 202	0. 241	0. 250	0. 233
Qualifying revolving retail	0. 010	0. 010	0. 008	0. 009	0. 009	0. 007	0. 008	0. 009
Other retail	0. 004	0. 004	0. 002	0. 009	0. 003	0. 005	0. 005	0. 008
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 1	20. 3	21. 1	21. 3	20. 2	20. 4	20. 4
Qualifying revolving retail	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0
Other retail	94. 3	94. 2	94. 6	96. 9	97. 8	98. 9	97. 9	97. 1
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 9	9. 2	14. 4	24. 4	74. 0	99. 8	183. 2	15. 2
Qualifying revolving retail	3. 9	7. 8	15. 1	38. 7	121. 2	207. 5	300. 2	31. 8
Other retail	17. 9	48. 7	59. 7	118. 0	147. 5	195. 4	404. 3	127. 1

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

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

	30 June 2014							
	PD Band							
	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	$M
Total credit risk exposures								
Residential mortgage	135,273	116,858	76,923	115,337	4,894	8,633	2,870	460,788
Qualifying revolving retail	13,415	9	3,608	5,514	3,087	609	153	26,395
Other retail	63	48	265	7,657	1,574	641	118	10,366
Total	148,751	116,915	80,796	128,508	9,555	9,883	3,141	497,549
Undrawn commitments (1)								
Residential mortgage	51,262	7,177	3,685	6,791	82	45	19	69,061
Qualifying revolving retail	10,790	8	2,695	2,421	634	111	3	16,662
Other retail	60	41	237	2,160	245	31	3	2,777
Total	62,112	7,226	6,617	11,372	961	187	25	88,500
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 222	0. 257	0. 240	0. 204	0. 201	0. 242	0. 245	0. 230
Qualifying revolving retail	0. 010	0. 009	0. 008	0. 009	0. 009	0. 007	0. 008	0. 009
Other retail	0. 004	0. 004	0. 002	0. 009	0. 003	0. 005	0. 005	0. 008
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 2	20. 3	21. 0	21. 3	20. 2	20. 4	20. 4
Qualifying revolving retail	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0
Other retail	94. 3	94. 0	94. 6	96. 9	97. 9	99. 0	98. 2	97. 1
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 9	9. 3	14. 4	24. 2	74. 3	99. 7	-	14. 3
Qualifying revolving retail	3. 9	7. 8	15. 1	38. 9	120. 6	209. 4	-	31. 1
Other retail	17. 9	48. 6	59. 7	117. 4	147. 8	194. 8	0. 4	123. 1

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

Analysis of Losses

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

APS 330 Table 9e – Actual losses by portfolio type

	30 June 2015		
	Full year losses in reporting period		
Portfolio Type	Gross write-offs $M	Recoveries $M	Actual losses $M
Corporate	161	(10)	151
SME Corporate	142	(17)	125
SME retail (including SME retail secured by residential mortgages)	60	(5)	55
Specialised lending	70	(2)	68
Total corporate including SME and specialised lending	433	(34)	399
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	79	(4)	75
Qualifying revolving retail	317	(56)	261
Other retail	329	(62)	267
Total advanced IRB and specialised lending portfolios	1,158	(156)	1,002

	31 December 2014		
	Half year losses in reporting period		
Portfolio Type	Gross write-offs $M	Recoveries $M	Actual losses $M
Corporate	58	(9)	49
SME Corporate	56	(14)	42
SME retail (including SME retail secured by residential mortgages)	30	(1)	29
Specialised lending	2	-	2
Total corporate including SME and specialised lending	146	(24)	122
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	37	(2)	35
Qualifying revolving retail	157	(28)	129
Other retail	164	(33)	131
Total advanced IRB and specialised lending portfolios	504	(87)	417

	30 June 2014		
	Full year losses in reporting period		
Portfolio Type	Gross write-offs $M	Recoveries $M	Actual losses $M
Corporate	195	(14)	181
SME Corporate	175	(12)	163
SME retail (including SME retail secured by residential mortgages)	40	(6)	34
Specialised lending	130	(3)	127
Total corporate including SME and specialised lending	540	(35)	505
Sovereign	-	-	-
Bank	11	-	11
Residential mortgage (excluding SME retail secured by residential mortgages)	126	(5)	121
Qualifying revolving retail	324	(53)	271
Other retail	306	(44)	262
Total advanced IRB and specialised lending portfolios	1,307	(137)	1,170

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

	30 June 2015	
	Full year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	151	451
SME Corporate	125	605
SME retail (including SME retail secured by residential mortgages)	55	132
Specialised lending	68	785
Total corporate including SME and specialised lending	399	1,973
Sovereign	-	6
Bank	-	143
Residential mortgage (excluding SME retail secured by residential mortgages)	75	944
Qualifying revolving retail	261	509
Other retail	267	508
Total advanced IRB and specialised lending portfolios	1,002	4,083

	31 December 2014	
	Half year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	49	768
SME Corporate	42	550
SME retail (including SME retail secured by residential mortgages)	29	136
Specialised lending	2	822
Total corporate including SME and specialised lending	122	2,276
Sovereign	-	7
Bank	-	142
Residential mortgage (excluding SME retail secured by residential mortgages)	35	906
Qualifying revolving retail	129	478
Other retail	131	472
Total advanced IRB and specialised lending portfolios	417	4,281

	30 June 2014	
	Full year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	181	695
SME Corporate	163	471
SME retail (including SME retail secured by residential mortgages)	34	147
Specialised lending	127	831
Total corporate including SME and specialised lending	505	2,144
Sovereign	-	8
Bank	11	141
Residential mortgage (excluding SME retail secured by residential mortgages)	121	1,333
Qualifying revolving retail	271	528
Other retail	262	515
Total advanced IRB and specialised lending portfolios	1,170	4,669

Actual losses are historical and are based on the quality of the assets in prior periods, write-offs (whether full or partial) and recent economic conditions. Regulatory EL for AIRB portfolios is calculated on non-defaulted exposures at a point in time using long-run PDs and downturn LGDs as required by APRA and for defaulted exposures the Best Estimate of Expected Loss (BEEL) is used. Hence, actual outcomes may differ from modelled regulatory estimates for a number of reasons.

Actual losses are expected to be below the regulatory EL estimate in most years. Regulatory EL is reported for both defaulted and non-defaulted exposures. Regulatory EL measures economic loss including costs (such as internal costs) not included in actual losses.

Accuracy of Risk Estimates

The following tables compare credit risk estimates used in calculating regulatory capital to realised outcomes.

Probability of Default

APS 330 Table 9f (ii) compares estimates of long-run PD to actual default rates averaged over 7 financial years to 30 June 2015.

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

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

	As at 30 June 2015	
Portfolio Type	Average estimated PD %	Average actual PD %
Corporate	1. 36	0. 87
SME Corporate	2. 20	1. 95
SME retail (including SME retail secured by residential mortgages)	1. 84	0. 88
Specialised lending (1)	n/a	1. 63
Sovereign (2)	0. 64	0. 05
Bank (2)	0. 26	0. 32
Residential mortgage (excluding SME retail secured by residential mortgages)	0. 91	0. 77
Qualifying revolving retail	1. 97	2. 14
Other retail	4. 80	4. 37

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

Loss Given Default and Exposure at Default

LGDs for non-retail portfolios are based on accounts that defaulted in 2009 to 2013 financial years. LGDs for retail portfolios are based on accounts that defaulted in 2009 to 2014 financial years. Defaults occurring in the most recent years have been excluded from the analysis, to allow sufficient time for workout of impaired assets, booking of losses and more meaningful disclosures.

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

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

	As at 30 June 2015		
Portfolio Type	Average estimated downturn LGD %	Average actual LGD %	Ratio of estimated EAD to actual EAD
Corporate	57.1	42.4	1.1
SME Corporate	33.0	22.3	1.1
SME retail (including SME retail secured by residential mortgages)	34.5	24.5	1.3
Specialised lending (1)	n/a	37.9	1.2
Sovereign	n/a	nil	1.8
Bank (2)	64.9	109.2	1.8
Residential mortgage (excluding SME retail secured by residential mortgages) (3)	20.8	6.7	1.0
Qualifying revolving retail	87.1	70.4	1.1
Other retail	96.1	79.2	1.0

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

7.5 Credit Risk Mitigation

Collateral

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

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

Real Estate Collateral

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

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

All home loans are secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, with the exception of some relatively small portfolios, for loans with a Loan to Valuation (LVR) of higher than 80% either a Low Deposit Premium is levied, or Lenders Mortgage Insurance (LMI) is taken out to protect the Group by covering 100% of the principal amount at default plus interest.

Non-Real Estate Collateral

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

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

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

Other - Including Credit Default Swaps and Guarantees

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

The Group mitigates its counterparty credit risk exposure from dealing in Global Markets type products through the use of Credit Support Annexes (CSAs) and clearing of eligible trades with Central Counterparties (CCPs). CSAs require the counterparty (or the Group) to post collateral when Mark-to-market positions exceed agreed Threshold and Minimum Transfer Amounts.

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

APS 330 Table 10b and 10c (page 47) discloses the Group's coverage of exposure by credit default swaps and guarantees.

Portfolio Management

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

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

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

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

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

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

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

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

	30 June 2015				
	Total exposure (1) $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach (2)					
Corporate	108,014	-	1,000	10	0. 9
SME Corporate	43,124	-	-	1	-
SME retail (3)	16,603	-	-	-	-
Sovereign	68,151	-	-	-	-
Bank	49,352	-	588	342	1. 9
Residential mortgage	484,838	-	-	-	-
Qualifying revolving retail	27,068	-	-	-	-
Other retail	10,830	-	-	-	-
Total advanced approach	807,980	-	1,588	353	0. 2
Specialised lending	60,888	-	-	-	-
Standardised approach					
Corporate	10,410	118	-	-	1. 1
SME Corporate	5,853	41	-	-	0. 7
SME retail	5,838	5	-	-	0. 1
Sovereign	390	-	-	-	-
Bank	732	-	-	-	-
Residential mortgage	11,972	15	-	-	0. 1
Other retail	2,664	-	-	-	-
Other assets	9,862	-	-	-	-
Central clearing counterparties	3,430	-	-	-	-
Total standardised approach	51,151	179	-	-	0. 3
Total exposures	920,019	179	1,588	353	0. 2

	31 December 2014				
	Total exposure (1) $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach (2)					
Corporate	100,763	-	1,301	-	1. 3
SME Corporate	40,828	-	-	9	-
SME retail (3)	17,254	-	-	-	-
Sovereign	72,442	-	-	-	-
Bank	45,077	-	727	237	2. 1
Residential mortgage	475,529	-	-	-	-
Qualifying revolving retail	26,836	-	-	-	-
Other retail	10,718	-	-	-	-
Total advanced approach	789,447	-	2,028	246	0. 3
Specialised lending	58,405	-	-	-	-
Standardised approach					
Corporate	11,483	166	-	-	1. 4
SME Corporate	5,386	31	-	-	0. 6
SME retail	5,562	5	-	-	0. 1
Sovereign	312	-	-	-	-
Bank	545	-	-	-	-
Residential mortgage	10,987	21	-	-	0. 2
Other retail	2,930	-	-	-	-
Other assets	10,521	-	-	-	-
Central clearing counterparties	8,109	-	-	-	-
Total standardised approach	55,835	223	-	-	0. 4
Total exposures	903,687	223	2,028	246	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.
(2) Advanced approach: Exposure for derivatives is after netting and financial collateral.
(3) Including SME retail secured by residential property.

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

	30 June 2014				
	Total exposure (1) $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach (2)					
Corporate	87,904	-	1,027	-	1. 2
SME Corporate	37,396	-	-	1	-
SME retail (3)	17,940	-	-	-	-
Sovereign	64,005	-	-	-	-
Bank	42,885	-	663	321	2. 3
Residential mortgage	460,788	-	-	-	-
Qualifying revolving retail	26,395	-	-	-	-
Other retail	10,366	-	-	-	-
Total advanced approach	747,679	-	1,690	322	0. 3
Specialised lending	57,356	-	-	-	-
Standardised approach					
Corporate	11,065	148	-	-	1. 3
SME Corporate	4,805	37	-	-	0. 8
SME retail	5,198	6	-	-	0. 1
Sovereign	258	-	-	-	-
Bank	516	-	-	-	-
Residential mortgage	9,594	21	-	-	0. 2
Other retail	2,628	1	-	-	-
Other assets	10,165	-	-	-	-
Central clearing counterparties	1,870	-	-	-	-
Total standardised approach	46,099	213	-	-	0. 5
Total exposures	851,134	213	1,690	322	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.
(2) Advanced approach: Exposure for derivatives is after netting and financial collateral.
(3) Including SME retail secured by residential property.

7.6 Counterparty Credit Risk

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

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

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

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

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

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

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

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

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

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

As at 30 June 2015, the maximum additional collateral that could be posted to other counterparties based on the Group's current rating is $526 million. As at 30 June 2015, a unilateral one-notch and two-notch downgrade in the Group's rating would have resulted in a further $590 million and $599 million of collateral being posted to other counterparties respectively. Collateral stress tests are also conducted on the Group's counterparties so that it can monitor for likely collateral stresses in the event of a counterparty downgrade.

7.7 Securitisation

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

Securitisations may be categorised as either:

- Traditional securitisations - where assets are sold to a Special Purpose Vehicle (SPV), which issues notes in different tranches with different risk and return profiles. Cash flow arising from those assets is used by the SPV to pay the coupons and principal on the notes issued by the SPV; or
- Synthetic transactions - where only the underlying credit risk or part of the credit risk is transferred to a third party without the ownership of assets being transferred to the SPV.

Securitisation Activities

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

- Group originated securitisations – where the Group equitably assigns the home loans it has originated to a SPV, which in turn raises wholesale funding by the issuance of notes to external investors. The Medallion Programme is the Group's securitisation program of CBA originated residential mortgage loans, and the Swan Programme is the Group's securitisation program of Bankwest originated residential mortgage loans. CBA has also established an internal securitisation where CBA retains all the notes issued to use as collateral to raise contingent liquidity from the Reserve Bank of Australia. As the Group bears the majority of residual risks and rewards of the SPVs, they are consolidated;
- Third-party securitisations – where assets are originated by parties other than the Group. Such transactions usually have added layers of credit protection, whether it is lenders mortgage insurance, over-collateralisation, cash reserves and/or other subordinated credit support. The nature of the underlying assets is similar to those that the Group would normally support in a non-securitised form including residential and commercial mortgages, personal loans, revolving credit exposures, and vehicle loans and equipment financing;
- The purchase of asset/mortgage backed securities for trading or portfolio investment; and
- The provision of interest rate swaps, cross-currency swaps and/or liquidity support facilities to an external SPV where the Group may be the arranger, lead manager and/or originator of the respective securities or underlying assets.

As at 30 June 2015, the Group holds a loan to a series issued by a Group sponsored SPV conduit; Shield Series 50 (Medallion CP). This series holds AAA prime RMBS issued under the Group's Medallion programme. The underlying assets of Medallion CP are consolidated into the Group's financial statements. The loan arrangement to Medallion CP was approved under the Group's Risk Framework.

These RMBS are eligible collateral for repurchase agreements with the Reserve Bank of Australia (RBA) which are consolidated as per above.

For contingent liquidity, the Group manages an $82 billion RMBS portfolio which is not intended to be issued publicly. These notes will be held by the Group and the senior notes, if required, can be used for repurchase agreements with the RBA to generate additional liquidity for the Group.

Strategic Issues

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

Regulatory Compliance

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

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

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

The Bank uses a hierarchy detailed in APS 120 to determine the credit rating grade for regulatory capital purposes. The three approaches the Group uses are the Ratings-Based Approach, the Internal Assessment Approach (IAA) or the Supervisory Formula Approach (SFA).

IAA Process

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

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

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

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

Securitisation Risk Management Framework

Risk Assessment

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

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

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

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

Credit Approval

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

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

Exposure Reporting and Monitoring

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

Where exposures are held for trading or are available-for-sale, the transactions are monitored under the Group's market risk management framework (refer section 9 page 64). This includes a limit framework and monitoring around the size and turnover of such exposures, and a robust independent price validation process conducted on the prices used to value those exposures. All securitisation limits and exposures are reviewed in accordance with the Group's approved risk management framework which in turn is subject to periodic internal (internal audits and reviews) and external review (external audit and APRA). At a minimum, the following reviews are undertaken:

Externally-rated exposures:

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

The Group has an immaterial exposure to resecuritisation transactions and does not actively participate in resecuritisation activity.

Third-party unrated client securitisation exposures:

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

Group-originated securitisation program exposures:

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

Exposure Aggregation

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

Group-Originated Securitisations

General Principles

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

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

Purchase of Securities issued under Group-Originated Securitisation

Any purchases of either securities issued by an SPV or assets of an SPV must be arm's length in nature and approved under the Group's credit approval process. No pre-existing obligation to purchase public securities or the underlying assets of the SPV exists. The Group's SPVs under the Medallion and Swan programs are consolidated for accounting purposes as the Group bears the majority of residual risks and rewards. For regulatory purposes, for the year ended 30 June 2015 the Group achieved capital relief for $1 billion of assets issued externally in RMBS with $13 billion not achieving relief.

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

The aggregated value of all securities held by the Group under its various public Medallion and Swan programs will not exceed 10% of the Group's Level 2 capital (excepting permitted security underwritings as per APS 120).

Summary of Accounting Policies

Securitisations may, depending on the individual arrangement, result in: continued recognition of the securitised assets on the Balance Sheet of the Group; continued recognition of the assets to the extent of the Group's continuing involvement in those assets (as defined within AASB 139); or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer of assets to the securitisation vehicle.

A securitisation transaction is first assessed for any potential requirement to consolidate the vehicles used.

The assessment is made considering the requirements of AASB 10 "Consolidated Financial Statements" (AASB 10), which was applied by the Group from 1 July 2014. AASB 10 introduces control as the single basis for consolidation for all entities, regardless of the nature of the investee. AASB 10 replaces those parts of AASB 127 "Consolidated and Separate Financial Statements" that address when and how an investor should prepare consolidated financial statements and replaces SIC-12 "Consolidation – Special Purpose Vehicles" in its entirety. The implementation of AASB 10 did not impact the consolidation assessment of securitisation vehicles used by the Group.

For the Group's accounting policy on the derecognition of financial assets and financial liabilities refer to Note 1 of the 2015 Annual Report.

Any retained interests are valued in accordance with the Group's Accounting Policies Note 1, as set out in the 2015 Annual Report. The valuation process of any retained interests in securitisation exposures primarily focuses on quotations from third parties and calibrated valuations from market standard models with key inputs such as spreads to discount rates, default and recovery rates that may be observable or unobservable. This process did not change in 2015.

Synthetic securitisations are assessed in accordance with the same policies as non-synthetic securitisations. Any derivatives are treated in accordance with the requirements of AASB 139 "Financial Instruments: Recognition and Measurement".

Assets are valued according to the normal methods appropriate to the asset class. At both 31 December 2014 and 30 June 2015, the Group had no assets considered to be categorised as awaiting securitisation.

The Group recognises all contractual commitments, such as liquidity lines, and applies the accounting policies as set out in the Group's 2015 Annual Report. The Group provides support for securitisation transactions to the extent of those contractual obligations.

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

	30 June 2015			
	Group originated assets - capital relief (1)	Group originated assets - non capital relief (2)	Group originated assets - internal RMBS (3)	Third party originated assets (4)
Underlying Asset	**$M**	**$M**	**$M**	**$M**
Residential mortgage	1,458	12,806	82,327	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	1,458	12,806	82,327	-

	31 December 2014			
	Group originated assets - capital relief (1)	Group originated assets - non capital relief (2)	Group originated assets - internal RMBS (3)	Third party originated assets (4)
Underlying Asset	**$M**	**$M**	**$M**	**$M**
Residential mortgage	2,225	12,405	74,435	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	2,225	12,405	74,435	-

	30 June 2014			
	Group originated assets - capital relief (1)	Group originated assets - non capital relief (2)	Group originated assets - internal RMBS (3)	Third party originated assets (4)
Underlying Asset	**$M**	**$M**	**$M**	**$M**
Residential mortgage	3,047	9,935	74,765	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	3,047	9,935	74,765	-

(1) Group originated assets (capital relief) comprise CBA Medallion and Bankwest Swan Trusts subject to capital treatment under APS 120.
(2) Group originated assets (non-capital relief) comprise CBA Medallion and Bankwest Swan Trusts subject to capital treatment under APS 113.
(3) Group originated assets (internal RMBS) comprise CBA Medallion, Bankwest Swan and ASB Medallion Trusts held for contingent liquidity purposes.
(4) Third-party originated assets comprise assets managed and sponsored by the Group.

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

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

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

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

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

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

	30 June 2015			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying Asset	$M	$M	$M	$M
Residential mortgage	96,591	11	443	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	96,591	11	443	-

	31 December 2014			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying Asset	$M	$M	$M	$M
Residential mortgage	89,065	36	368	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	89,065	36	368	-

	30 June 2014			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying Asset	$M	$M	$M	$M
Residential mortgage	87,747	48	356	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	87,747	48	356	-

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

The Group does not have any outstanding banking book exposures that are intended to be securitised at 30 June 2015.

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

The Group securitised $12,878 million new exposures in the banking book during the full year ended 30 June 2015.

	Full year ended 30 June 2015	
Underlying Asset Type	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgages	11,436	-
Credit cards and other personal loans	806	-
Auto and equipment finance	636	-
Commercial loans	-	-
Other	-	-
Total	12,878	-

	Half year ended 31 December 2014	
Underlying Asset Type	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	7,113	-
Credit cards and other personal loans	-	-
Auto and equipment finance	341	-
Commercial loans	-	-
Other	-	-
Total	7,454	-

	Full year ended 30 June 2014	
Underlying Asset Type	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	9,502	-
Credit cards and other personal loans	-	-
Auto and equipment finance	768	-
Commercial loans	4	-
Other	-	-
Total	10,274	-

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

Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
	30 June 2015		
Liquidity support facilities	-	54	54
Warehouse facilities	2,200	2,564	4,764
Derivative facilities	35	1	36
Holdings of securities	8,676	-	8,676
Other	5	-	5
Total securitisation exposures in the banking book	10,916	2,619	13,535

Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
	31 December 2014		
Liquidity support facilities	-	106	106
Warehouse facilities	2,311	1,714	4,025
Derivative facilities	52	1	53
Holdings of securities	7,573	-	7,573
Other	-	-	-
Total securitisation exposures in the banking book	9,936	1,821	11,757

Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
	30 June 2014		
Liquidity support facilities	-	104	104
Warehouse facilities	2,393	1,075	3,468
Derivative facilities	83	1	84
Holdings of securities	5,834	-	5,834
Other	-	-	-
Total securitisation exposures in the banking book	8,310	1,180	9,490

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

Total securitisation exposures in the banking book increased by $4,045 million or 42.6% during the full year ended 30 June 2015. However, the corresponding RWA decreased by $3,337 million or 66.9%, mainly due to the disposal of a securitisation asset.

	30 June 2015					
	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	RWA
Risk Weight Band	$M	$M	$M	$M	$M	$M
≤ 25%	12,449	-	**12,449**	1,123	-	**1,123**
> 25% ≤ 35%	830	-	**830**	291	-	**291**
> 35% ≤ 50%	210	-	**210**	105	-	**105**
> 50% ≤ 75%	-	-	**-**	-	-	**-**
> 75% ≤ 100%	-	-	**-**	-	-	**-**
> 100% ≤ 650%	-	-	**-**	-	-	**-**
> 650% ≤ 1250%	20	26	**46**	-	131	**131**
Total	13,509	26	**13,535**	1,519	131	**1,650**

	31 December 2014					
	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	RWA
Risk Weight Band	$M	$M	$M	$M	$M	$M
≤ 25%	11,032	-	**11,032**	981	-	**981**
> 25% ≤ 35%	109	-	**109**	38	-	**38**
> 35% ≤ 50%	212	-	**212**	106	-	**106**
> 50% ≤ 75%	-	-	**-**	-	-	**-**
> 75% ≤ 100%	-	-	**-**	-	-	**-**
> 100% ≤ 650%	62	-	**62**	68	-	**68**
> 650% ≤ 1250%	316	26	**342**	3,678	138	**3,816**
Total	11,731	26	**11,757**	4,871	138	**5,009**

	30 June 2014					
	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	RWA
Risk Weight Band	$M	$M	$M	$M	$M	$M
≤ 25%	8,410	-	**8,410**	658	-	**658**
> 25% ≤ 35%	371	-	**371**	105	-	**105**
> 35% ≤ 50%	300	-	**300**	150	-	**150**
> 50% ≤ 75%	28	-	**28**	20	-	**20**
> 75% ≤ 100%	2	-	**2**	2	-	**2**
> 100% ≤ 650%	34	-	**34**	34	-	**34**
> 650% ≤ 1250%	319	26	**345**	3,693	325	**4,018**
Total	9,464	26	**9,490**	4,662	325	**4,987**

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

Total securitisation exposures deducted from Tier 1 and Tier 2 Capital increased by $11 million during the full year ended 30 June 2015, mainly due to the reclassification of a securitisation exposure as a subordinated tranche exposure.

	Common Equity Tier 1 Capital		
	30 Jun 15	31 Dec 14	30 Jun 14
Underlying Asset Type	$M	$M	$M
Residential mortgage	35	37	24
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Commercial loans	-	-	-
Other	-	-	-
Total	35	37	24

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

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

APS 330 Table 12n – Banking book resecuritisation exposures

As at 30 June 2015, banking book resecuritisation exposures without credit risk mitigation total $26 million (31 December 2014: $26 million, 30 June 2014: $26 million).

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

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

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

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

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

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

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

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

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

The Group does not have any outstanding trading book exposures that are intended to be securitised at 30 June 2015.

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

The Group securitised $58 million residential mortgages (30 June 2014: $37 million) and $1 million personal finance (30 June 2014: nil) exposures in the trading book during the full year ended 30 June 2015.

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

The aggregate amount of exposures securitised by the Group and subject to Prudential Standard APS 116 “Capital Adequacy: Market Risk” was $45 million as at 30 June 2015 (31 December 2014: $83 million, 30 June 2014: $322 million). This consists of:

- Securities held in the trading book subject to the Standard Method of $28 million (31 December 2014: $36 million, 30 June 2014: $85 million); and
- Derivatives held in the trading book subject to the Internal Models Approach (IMA) of $17 million (31 December 2014: $47 million, 30 June 2014: $237 million).

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

	30 June 2015		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	8	9	17
Holdings of securities	28	-	28
Other	-	-	-
Total securitisation exposures in the trading book	36	9	45

	31 December 2014		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	36	11	47
Holdings of securities	36	-	36
Other	-	-	-
Total securitisation exposures in the trading book	72	11	83

	30 June 2014		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	197	40	237
Holdings of securities	85	-	85
Other	-	-	-
Total securitisation exposures in the trading book	282	40	322

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

The Group has $17 million of derivatives exposures held in the trading book subject to IMA (default risk) under APS 116 as at 30 June 2015 (31 December 2014: $47 million, 30 June 2014: $237 million).

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

Total securitisation exposures in the trading book decreased by $277 million during the full year ended 30 June 2015 mainly reflecting run-off of derivatives exposures.

	30 June 2015			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total exposures $M
≤ 25%	-	26	19	**45**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	-	-	-	**-**
> 650% ≤ 1250%	-	-	-	**-**
Total	-	26	19	**45**

	31 December 2014			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total exposures $M
≤ 25%	-	34	48	**82**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	-	-	1	**1**
> 650% ≤ 1250%	-	-	-	**-**
Total	-	34	49	**83**

	30 June 2014			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total exposures $M
≤ 25%	-	83	238	**321**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	-	-	1	**1**
> 650% ≤ 1250%	-	-	-	**-**
Total	-	83	239	**322**

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

The Group has $156 million of RWA held in the trading book subject to IMA (default risk) under APS 116 as at 30 June 2015 (31 December 2014: $209 million, 30 June 2014: $171 million).

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

Total RWA for securitisation exposures in the trading book decreased by $21 million during the full year ended 30 June 2015 reflecting run-off of derivative exposures.

	30 June 2015									
	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
Risk Weight Band	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
≤ 25%	-	-	2	-	1	-	-	-	**3**	**-**
> 25% ≤ 35%	-	-	-	-	-	-	-	-	**-**	**-**
> 35% ≤ 50%	-	-	-	-	-	-	-	-	**-**	**-**
> 50% ≤ 75%	-	-	-	-	-	-	-	-	**-**	**-**
> 75% ≤ 100%	-	-	-	-	-	-	-	-	**-**	**-**
> 100% ≤ 650%	-	-	-	-	-	-	-	-	**-**	**-**
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	**-**	**-**
Total	-	-	2	-	1	-	-	-	**3**	**-**

	31 December 2014									
	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
Risk Weight Band	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
≤ 25%	-	-	2	-	3	-	-	-	**5**	**-**
> 25% ≤ 35%	-	-	-	-	-	-	-	-	**-**	**-**
> 35% ≤ 50%	-	-	-	-	-	-	-	-	**-**	**-**
> 50% ≤ 75%	-	-	-	-	-	-	-	-	**-**	**-**
> 75% ≤ 100%	-	-	-	-	-	-	-	-	**-**	**-**
> 100% ≤ 650%	-	-	-	-	2	-	-	-	**2**	**-**
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	**-**	**-**
Total	-	-	2	-	5	-	-	-	**7**	**-**

	30 June 2014									
	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
Risk Weight Band	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
≤ 25%	-	-	6	-	17	-	-	-	**23**	**-**
> 25% ≤ 35%	-	-	-	-	-	-	-	-	**-**	**-**
> 35% ≤ 50%	-	-	-	-	-	-	-	-	**-**	**-**
> 50% ≤ 75%	-	-	-	-	-	-	-	-	**-**	**-**
> 75% ≤ 100%	-	-	-	-	-	-	-	-	**-**	**-**
> 100% ≤ 650%	-	-	-	-	1	-	-	-	**1**	**-**
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	**-**	**-**
Total	-	-	6	-	18	-	-	-	**24**	**-**

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

The Group has no trading book exposures that are deducted entirely from Common Equity Tier 1 capital as at 30 June 2015 (31 December 2014: $nil; 30 June 2014: $nil).

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

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

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

APS 330 Table 12w – Trading book resecuritisation exposures

The Group did not have any trading book resecuritisation exposures without credit risk mitigation as at 30 June 2015 (31 December 2014: $nil; 30 June 2014: $nil).

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

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

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

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

The total exposures securitised in the full year to 30 June 2015 was $12,937 million (30 June 2014: $10,311 million). The total exposures securitised in the half year to 31 December 2014 was $7,487 million.

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

	As at 30 June 2015		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	54	54
Warehouse facilities	2,200	2,564	4,764
Derivative facilities	43	10	53
Holdings of securities	8,704	-	8,704
Other	5	-	5
Total securitisation exposures	10,952	2,628	13,580

	As at 31 December 2014		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	106	106
Warehouse facilities	2,311	1,714	4,025
Derivative facilities	88	12	100
Holdings of securities	7,609	-	7,609
Other	-	-	-
Total securitisation exposures	10,008	1,832	11,840

	As at 30 June 2014		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	104	104
Warehouse facilities	2,393	1,075	3,468
Derivative facilities	280	41	321
Holdings of securities	5,919	-	5,919
Other	-	-	-
Total securitisation exposures	8,592	1,220	9,812

8 Equity Risk

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

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

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

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

Changes in the value of equity investments in the banking book are recognised in the income statement, or an equity reserve based on their accounting classification as discussed above.

Under the application of Basel III APRA requires that these equity investments be deducted 100% from CET1.

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

	30 June 2015	
Equity Investments	Balance sheet value $M	Fair value $M
Value of listed (publicly traded) equities	665	665
Value of unlisted (privately held) equities	2,509	3,004
Total	3,174	3,669

	31 December 2014	
Equity Investments	Balance sheet value $M	Fair value $M
Value of listed (publicly traded) equities	911	911
Value of unlisted (privately held) equities (1)	2,072	2,386
Total	2,983	3,297

	30 June 2014	
Equity Investments	Balance sheet value $M	Fair value $M
Value of listed (publicly traded) equities	782	782
Value of unlisted (privately held) equities (1)	1,794	1,933
Total	2,576	2,715

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

	Half year ended		
	30 Jun 15	31 Dec 14	30 Jun 14
Gain/(Losses) on Equity Investments	$M	$M	$M
Cumulative realised gains in reporting period	**175**	32	22
Total unrealised gains	**574**	281	50

9 Market Risk

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

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

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

Market Risk Management Governance Overview

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

The market risk profile of the Group is overseen by the Risk Committee and the senior executive management of the Group via the Group's Asset and Liability Committee (ALCO). The Portfolio and Market Risk Management (PMRM) unit provides support to the Risk Committee and ALCO in the performance of their market risk management accountabilities.

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

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

The table on page 65 details the major market risk types and identifies who performs these key activities for each.

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

Market Risk Measurement

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

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

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

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

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

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

9.1 Traded Market Risk

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

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

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

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

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

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

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

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

Capital Calculation Methods

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

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

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

Capital Calculation Methods (continued)

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

Traded Market Risk RWA by Modelling Approach	30 Jun 15 $M	31 Dec 14 $M	30 Jun 14 $M
Internal Model Approach	**3,821**	3,497	2,773
Standard Method	**2,514**	2,969	2,511
Total Traded Market Risk RWA	**6,335**	6,466	5,284

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

Exposure Type	30 Jun 15 $M	31 Dec 14 $M	30 Jun 14 $M
Interest rate risk	**148. 0**	158. 9	131. 3
Equity risk	**30. 2**	65. 3	64. 7
Foreign exchange risk	**22. 9**	13. 3	4. 9
Commodity risk	**-**	-	-
Total	**201. 1**	237. 5	200. 9
RWA equivalent (1)	**2,514**	2,969	2,511

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

Internal Models in the Traded Market Risk Portfolios

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

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

	Aggregate Value at Risk Over the Reporting Period			
VaR (1)	Mean value $M	Maximum value $M	Minimum value $M	As at balance date $M
Over the 6 months to 30 June 2015	28	43	23	26
Over the 6 months to 31 December 2014	31	63	22	35
Over the 6 months to 30 June 2014	36	50	21	29

	Aggregate SVaR Over the Reporting Period			
Stressed VaR (1)	Mean value $M	Maximum value $M	Minimum value $M	As at balance date $M
Over the 6 months to 30 June 2015	70	94	56	82
Over the 6 months to 31 December 2014	54	95	35	83
Over the 6 months to 30 June 2014	47	73	31	42

Summary Table of the Number of Back-Testing Outliers (2)	
Over the 6 months to 30 June 2015	-
Over the 6 months to 31 December 2014	-
Over the 6 months to 30 June 2014	1

(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 outliers during the 6 months to 30 June 2015, when the hypothetical loss exceeded VaR at 99% confidence for the corresponding day. Total Traded Market Risk backtesting exceptions indicates acceptable operation of the VaR model within APRA guidelines.

	Over the Reporting Period 1 January 2015 to 30 June 2015	
Date	**Hypothetical loss $M**	**VaR 99% $M**
	-	-

	Over the Reporting Period 1 July 2014 to 31 December 2014	
Date	**Hypothetical loss $M**	**VaR 99% $M**
	-	-

	Over the Reporting Period 1 January 2014 to 30 June 2014	
Date	**Hypothetical loss $M**	**VaR 99% $M**
26 February 2014	(12.3)	(10.6)

9.2 Non-Traded Market Risk

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

Interest Rate Risk in the Banking Book

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

The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic interest rate risk in the Banking Book in accordance with its own interest rate risk management policies and the policies of the Group. The Group also has a relatively small banking subsidiary in Indonesia, PTBC that manages its own interest rate risk in the Banking Book on a similar basis.

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

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

(i) Next 12 Months' Earnings

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

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

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

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

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

(ii) Economic Value

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

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

A 20-day 97.5% VaR measure is used to capture the net economic value for all Balance Sheet assets and liabilities due to adverse changes in interest rates.

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

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

Determining Interest Rate Risk in the Banking Book

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

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

These interest rate risk calculations are summed (subject to the capital requirement not being less than zero in total) and multiplied by 12.5 to derive Regulatory RWA for IRRBB in accordance with APRA's Prudential Standard APS 110 "Capital Adequacy".

Stress Testing of Interest Rate Risk in the Banking Book

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

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

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

	Change in Economic Value		
	30 Jun 15	**31 Dec 14**	**30 Jun 14**
Stress Testing: Interest Rate Shock Applied	**$M**	**$M**	**$M**
AUD			
200 basis point parallel increase	**(638)**	(418)	(503)
200 basis point parallel decrease	**664**	472	550
NZD			
200 basis point parallel increase	**(205)**	(208)	(209)
200 basis point parallel decrease	**219**	222	223
Other			
200 basis point parallel increase	**(18)**	(18)	(18)
200 basis point parallel decrease	**18**	18	18

	30 Jun 15	**31 Dec 14**	**30 Jun 14**
Regulatory RWA	**$M**	**$M**	**$M**
Interest rate risk in the banking book	**10,847**	4,846	14,762

Structural Foreign Exchange Risk

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

- Permanently deployed capital in a foreign jurisdiction is not hedged; and
- Forecast earnings from the Group's New Zealand banking and insurance subsidiaries are hedged.

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

Non-Traded Equity Risk

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

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value. The 30 June 2015 VaR measure is $58 million (30 June 2014: $70 million) (refer also to section 8 "Equity Risk", page 63).

Market Risk in Insurance Businesses

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

Guarantees (to Policyholders)

All financial assets within the Life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by having an asset and liability management framework which includes the use of hedging instruments. The Group also monitors the risk on a monthly basis.

Shareholders' Capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholders' Funds of the Life Insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian Life Insurance businesses are invested 100% in income assets (cash and fixed interest) as at 30 June 2015.

Lease Residual Value Risk

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

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group. Wealth Risk Management and Human Resources provide oversight of the market risks of the Fund held and managed on behalf of the employees receiving defined benefit pension funds on behalf of the Group. Regular reporting is provided to senior management via the Group's ALCO and the Risk Committee on the status of the surplus, risk sensitivities and risk management options. For further information on the Fund, refer to Note 35 of the Annual Report.

Liquidity and Funding Risk

Overview

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

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

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

Liquidity and Funding Risk Management Framework

The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee (ALCO) whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Funding Plan be activated. Group Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand. The Group also has a relatively small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis. The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the level prescribed under APRA's Liquidity Coverage Ratio (LCR) requirement is maintained. Australian ADIs are required from 1 January 2015 to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- Group 'going concern' funding and liquidity metrics are also calculated and stress tests additional to the LCR are run;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly. The Group's market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes negotiable certificates of deposit, bank bills, bank term securities, supranational bonds and Australian Residential Mortgage-backed Securities (RMBS), securities that meet certain Reserve Bank of Australia (RBA) criteria for purchases under reverse repo. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under stress; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are central bank repo-eligible under normal market conditions.

The Group's key funding tools include:

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

The Group's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "stress" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- Central bank repurchase agreement facilities including the RBA's open-ended Committed Liquidity Facility that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Funding Plan that is regularly tested so that it can be activated in case of need due to a liquidity event.

10 Operational Risk

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

Operational Risk Objectives

The Group's operational risk objectives support the achievement of its financial and business goals, through:

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

Operational Risk Management Framework

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

- Governance;
- Management, Measurement and Systems;
- Analytics, Review and Reporting; and
- People and Culture.

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

Compliance Risk Management

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

The Group's Compliance Risk Management Framework (CRMF) is consistent with the Australian Standard on Compliance Programs and is designed to help meet the Group's obligations under the Corporations Act 2001, the Group's Australian Financial Services Licence and Australian Credit Licenses. The CRMF incorporates key mandatory requirements and roles and responsibilities for achieving compliance. It captures Compliance Obligations, Group Policies, Regulatory Change and People and Culture considerations.

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

Roles and Responsibilities

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

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

Operational Risk Policies

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

Risk Mitigation through Insurance

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

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

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

Capital Measurement Approach

Capital attributed to operational risks is calculated according to the Group's Economic Capital Framework using the Group's AMA methodology for operational risk.

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

This modelling system has been subject to review by APRA and other independent third parties. The operational risk measurement approach integrates the use of relevant factors as follows:

Direct inputs

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

Indirect inputs

- External loss data (sourced from external providers such as Operational Riskdata eXchange association (ORX));
- Business environment and internal control factors; and
- Judgmental overlays and benchmarks.

Economic Capital Calculation

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

Economic Capital Calculation (continued)

A primary outcome of the economic capital framework is that capital for operational risk is allocated across the Group's Business Units and this information is used to assist risk review and to drive risk-adjusted performance management metrics for each Business Unit.

Regulatory Capital Calculation

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

APS 330 Table 15c – Capital requirements for operational risk

	30 Jun 15 $M	31 Dec 14 $M	30 Jun 14 $M
Advanced measurement approach	**32,175**	30,026	28,366
Standardised approach	**190**	186	165
Total operational risk RWA (1)	**32,365**	30,212	28,531

(1) Refer to page 9 for commentary.

11 Appendices

11.1 Detailed Capital Disclosures Template (APS 330 Attachment A)

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

Summary Group Capital Adequacy Ratios (Level 2)	30 Jun 15 Basel III APRA %	30 Jun 15 Basel III Internationally Comparable %
CET1	9.1	12.7
Tier 1	11.2	14.3
Total Capital	12.7	15.4

		30 Jun 15 Basel III $M	Reconciliation Table Reference
Common Equity Tier 1 Capital: instruments and reserves			
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	**27,726**	Table A
2	Retained earnings	**20,999**	
3	Accumulated other comprehensive income (and other reserves)	**2,252**	
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	**-**	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	**-**	Table B
6	Common Equity Tier 1 Capital before regulatory adjustments	**50,977**	
Common Equity Tier 1 Capital : regulatory adjustments			
7	Prudential valuation adjustments	**-**	
8	Goodwill (net of related tax liability)	**(7,599)**	Table C
9	Other intangibles other than mortgage servicing rights (net of related tax liability) (1)	**(2,812)**	Table C
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**-**	Table D
11	Cash-flow hedge reserve	**(263)**	
12	Shortfall of provisions to expected losses (2)	**(376)**	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	**-**	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	**(144)**	
15	Defined benefit superannuation fund net assets (3)	**(193)**	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**(1)**	
17	Reciprocal cross-holdings in common equity	**-**	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	**-**	Table G
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	**-**	Table G
20	Mortgage service rights (amount above 10% threshold)	**-**	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**-**	Table D
22	Amount exceeding the 15% threshold	**-**	
23	of which: significant investments in the ordinary shares of financial entities	**-**	Table G
24	of which: mortgage servicing rights	**-**	
25	of which: deferred tax assets arising from temporary differences	**-**	Table D
	CET1 (Internationally Comparable)	**39,589**	

(1) Includes other intangibles, capitalised software and other costs and deferred fee income adjustment.

(2) Represents regulatory expected loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions of $134 million and general reserve for credit losses of $242 million (post tax, with the associated tax amount incorporated in the row 26e adjustment).

(3) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.

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

		30 Jun 15 Basel III $M	Reconciliation Table Reference
APRA Specific Regulatory Adjustments			
26	National specific regulatory adjustments (rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j)	-	
26a	of which: treasury shares	172	Table A
26b	of which: offset to dividends declared due to a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-	
26c	of which: deferred fee income	-	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	(4,808)	Table G
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	(1,164)	Table D
26f	of which: capitalised expenses	-	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	(76)	Table G
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	(315)	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to CET1 (1)	(17,579)	
29	CET1 (APRA)	33,398	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	5,000	Table E
33	Directly issued capital instruments subject to phase out from Additional Tier 1	2,244	Table E
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	505	Table E
36	Additional Tier 1 Capital before regulatory adjustments	7,749	Table E
Additional Tier 1 Capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (rows 41a, 41b, 41c)	-	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 Capital	-	
44	Additional Tier 1 Capital (AT1)	7,749	Table E
45	Tier 1 Capital (T1=CET1+AT1)	41,147	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	3,268	Table F
47	Directly issued capital instruments subject to phase out from Tier 2	2,257	Table F
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	156	
51	Tier 2 Capital before regulatory adjustments	5,681	

(1) Total regulatory adjustments to CET1 of $17,579 million in row 28 is net of APRA's allowance for treasury shares held by the Group's employee share scheme trusts of $172 million as detailed in row 26a.

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

		30 Jun 15 Basel III $M	Reconciliation Table Reference
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	(15)	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	(5)	
56	National specific regulatory adjustments (rows 56a, 56b, 56c)	-	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	Total regulatory adjustments to Tier 2 Capital	(20)	
58	Tier 2 Capital (T2)	5,661	
59	Total Capital (TC=T1+T2)	46,808	
60	Total risk-weighted assets based on APRA standards	368,721	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	9. 1%	
62	Tier 1 (as a percentage of risk-weighted assets)	11. 2%	
63	Total Capital (as a percentage of risk-weighted assets)	12. 7%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements, expressed as a percentage of risk-weighted assets)	-	
65	of which: capital conservation buffer requirement	-	
66	of which: ADI-specific countercyclical buffer requirements	-	
67	of which: G-SIB buffer requirement (not applicable)	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	-	
National minima			
69	National Common Equity Tier 1 minimum ratio	4. 5%	
70	National Tier 1 minimum ratio	6. 0%	
71	National total capital minimum ratio	8. 0%	
Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial entities	766	Table G
73	Significant investments in the ordinary shares of financial entities	4,042	Table G
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,164	Table D
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	156	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	567	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,643	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	3,672	
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	Table E
84	Current cap on Tier 2 instruments subject to phase out arrangements	2,257	
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	174	Table F

11.2 Regulatory Balance Sheet

The following table provides details on the Commonwealth Bank of Australia Group's Balance Sheet and the Level 2[1] Regulatory Balance Sheet as at 30 June 2015.

	Group Balance Sheet $M	Adjustment [2] $M	Level 2 Regulatory Balance Sheet $M	Template/ Reconciliation Table Reference
Assets				
Cash and liquid assets	**33,116**	(430)	32,686	
Receivables due from other financial institutions	**11,540**	(109)	11,431	
Assets at fair value through Income Statement:				
Trading	**26,424**	(432)	25,992	
Insurance	**14,088**	(14,088)	-	
Other	**1,278**	(289)	989	
Derivative assets	**46,154**	21	46,175	
Available-for-sale investments	**74,684**	(349)	74,335	Table G
Loans, bills discounted and other receivables	**639,262**	(831)	638,431	
Bank acceptances of customers	**1,944**	-	1,944	
Investment in regulatory non consolidated subsidiaries [3]	**-**	1,705	1,705	Table G
Property, plant and equipment	**2,833**	(34)	2,799	
Investment in associates	**2,637**	(266)	2,371	Table G
Intangible assets	**9,970**	-	9,970	Table C
Deferred tax assets	**455**	172	627	Table D
Other assets	**9,061**	(1,725)	7,336	
Total assets	**873,446**	(16,655)	856,791	
Liabilities				
Deposits and other public borrowings	**543,231**	3,078	546,309	
Payables due to other financial institutions	**36,416**	-	36,416	
Liabilities at fair value through Income Statement	**8,493**	-	8,493	
Derivative liabilities	**35,213**	(45)	35,168	
Bank acceptances	**1,944**	-	1,944	
Current tax liabilities	**661**	(53)	608	
Deferred tax liabilities	**351**	(351)	-	Table D
Other provisions	**1,726**	(372)	1,354	
Insurance policy liabilities	**12,911**	(12,911)	-	
Debt issues	**154,429**	(2,749)	151,680	
Managed funds units on issue	**1,149**	(1,149)	-	
Bills payable and other liabilities	**11,105**	(1,561)	9,544	
Loan capital	**12,824**	-	12,824	Table E
Total liabilities	**820,453**	(16,113)	804,340	
Net assets	**52,993**	(542)	52,451	
Shareholders' equity				
Share capital:				
Ordinary share capital	**27,619**	107	27,726	Row 1, Table A
Other equity instruments	**939**	-	939	Table E
Reserves	**2,345**	(93)	2,252	Row 3
Retained profits	**21,528**	(529)	20,999	Row 2
Shareholders' equity attributable to Equity holders of the Bank	**52,431**	(515)	51,916	
Non-controlling interests	**562**	(27)	535	Table B
Total Shareholders' Equity	**52,993**	(542)	52,451	

(1) Level 2 Balance Sheet based on historic definition of Level 2 Group, prior to APRA clarification provided in May 2014.

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

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

11.3 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet

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

Table A	30 Jun 15 $M	Template Reference
Share Capital		
Ordinary Share Capital	27,619	
Add Treasury Shares held by the Group's life insurance operations	107	
Total per Balance Sheet (Ordinary Share Capital Internationally Comparable) (1)	27,726	Row 1
Treasury Shares held by the Group's employee share scheme trusts (APRA specific adjustment)	172	Row 26a
Total Ordinary Share Capital and Treasury Shares (APRA)	27,898	

Table B	30 Jun 15 $M	Template Reference
Non Controlling Interests		
Total per Balance Sheet (1)	535	
Less ASB perpetual Shares transferred to Additional Tier 1 Capital (refer Table E)	(505)	
Less other non controlling interests not included in capital	(30)	
Total per Capital Template (APRA and Internationally Comparable)	-	Row 5

Table C	30 Jun 15 $M	Template Reference
Goodwill & Other Intangibles		
Total per Balance Sheet (1)	9,970	
Less capitalised software and other intangibles separately disclosed in template	(2,371)	
Total per Capital Template - Goodwill (APRA and Internationally Comparable)	7,599	Row 8
Capitalised software	2,089	
Other intangibles	282	
Total per Balance Sheet	2,371	
Capitalised expenses	337	
Deferred fee income	222	
Less DTL associated with other intangibles	(118)	
Total per Capital Template - Other Intangibles (APRA and Internationally Comparable)	2,812	Row 9

Table D	30 Jun 15 $M	Template Reference
Deferred Tax Assets		
Deferred tax asset per Balance Sheet (1)	627	
Less deferred tax liability per Balance Sheet (1)	-	
Net Deferred Tax Assets (2)	627	
Adjustments required in accordance with APRA prudential standards (3)	537	
Deferred tax asset adjustment before applying prescribed thresholds (APRA specific adjustment)	1,164	Row 26e
Less amounts below prescribed threshold - risk weighted (4)	(1,164)	Row 75
Total per Capital Template (Internationally Comparable)	-	Row 10, 21, 25

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

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

Table E	30 Jun 15 $M	Template Reference
Additional Tier 1 Capital		
Total Loan Capital per Balance Sheet (1)	12,824	
Less fair value hedge adjustments (2)	(357)	
Total Loan Capital net of issue costs at their contractual values	12,467	
Less amount related to Tier 2 Capital Instruments	(6,226)	
Total Tier 1 Loan Capital	6,241	
Add ASB perpetual Shares transferred from Non Controlling interest (refer Table B)	505	
Add other equity instruments included in share capital (3)	939	
Add issue costs (4)	64	
Less Basel III transitional relief amortisation for directly issued instruments (5)	-	Row 83
Less Basel III transitional relief amortisation for directly issued instruments issued by subsidiaries	-	Row 83
Total per Capital Template (APRA)	7,749	Row 36, 44
Additional Tier 1 Capital Instruments comprises		
Basel III Complying Instruments		
PERLS VI	2,000	
PERLS VII	3,000	
	5,000	Row 32
Basel III Non Complying Instruments		
PERLS III	1,166	
TPS 06 (3) (4)	948	
Other Instruments	130	
Less Basel III transitional relief amortisation for directly issued instruments (5)	-	Row 83
	2,244	Row 33
Basel III Non Complying Instruments - issued by subsidiaries		
ASB preference shares	505	Row 35
Less Basel III transitional relief amortisation for instruments issued by subsidiaries (5)	-	Row 83
	505	
Total Basel III Non Complying Instruments	2,749	
Total Additional Tier 1 Capital Instruments (APRA)	7,749	Row 44

Table F	30 Jun 15 $M	Template Reference
Tier 2 Capital Instruments		
Total included in Balance Sheet	6,226	
Less amount of Tier 2 debt issued by subsidiary ineligible for inclusion in the Group's Capital (6)	(114)	
Add issue costs (4)	23	
Less amortisation of instruments (7)	(436)	
Less Basel III transitional relief amortisation for directly issued instruments (5)	(174)	Row 85
Total per Capital Template (APRA and Internationally Comparable)	5,525	Row 46, 47

(1) Represents the balance per Level 2 Regulatory Balance Sheet.
(2) For regulatory capital purposes, APRA requires these instruments to be included as if they were unhedged.
(3) Represents Trust Preferred Securities 2006 issued on 15 March 2006.
(4) Unamortised issue costs relating to capital instruments are netted off against each instrument in the Balance Sheet. For regulatory capital purposes, these capital instruments are shown at face value. The unamortised issue costs are deducted from CET1 as part of capitalised expenses in Row 26f in the Capital template.
(5) Basel III transitional arrangements apply to directly issued capital instruments and instruments issued by subsidiaries not compliant with the new Basel III requirements.
(6) In April 2014 the Group issued NZD400 million ASB Subordinated Notes through ASB, its New Zealand subsidiary. The notes are Basel III compliant Tier 2 securities and fully contribute towards ASB capital ratios. The amount of these notes that contributes to ASB capital in excess of its minimum regulatory requirements is not eligible for inclusion in the Group's capital (30 June 2015 ineligible amount AUD114 million).
(7) APRA requires these instruments to be amortised by 20% of the original amount during each of the last five years to maturity. This is in addition to Basel III transitional arrangements.

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

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

Table G	30 Jun 15 $M	Template Reference
Equity Investments		
Investment in commercial entities	**76**	Row 26g
Investments in significant financial entities	**2,337**	Row 26d, 73
Investments in non-significant financial entities	**766**	Row 26d, 72
	3,179	
Equity investment in non consolidated subsidiaries	**1,705**	Row 26d, 73
Total Equity Investments before applying prescribed thresholds APRA specific adjustment (1)	**4,884**	
Less amounts risk weighted under Internationally Comparable (2)	**(4,884)**	
Total per Capital Template (Internationally Comparable)	**-**	Row 18, 19, 23

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

(2) The aggregate of investments in significant financial entities of $2,337 million, investments in non-significant financial entities of $766 million and equity investment in non-consolidated subsidiaries of $1,705 million is a total of $4,808 million and is included in row 26d in the Capital template. The BCBS allows for equity investments to be concessionally risk weighted provided they are below prescribed thresholds. APRA requires such items to be deducted 100% from CET1 capital. The remaining balance of $76 million related to Investments in commercial entities are, risk weighted under internationally comparable methodology, with no prescribed threshold limits.

11.4 Entities excluded from Level 2 Regulatory Consolidated Group

The legal entities included within the accounting scope of consolidation, but excluded from the Level 2[(1)] regulatory consolidated Group are detailed below.

The total assets and liabilities should not be aggregated as some of the entities listed are holding companies for other entities included in the table below.

Entity name	Total Assets $M	Total Liabilities $M
(a) Securitisation		
Medallion Trust Series 2007-1G	977	977
Swan Trust Series 2007-1E	365	365
Swan Trust Series 2010-1	154	154

Entity name	Total Assets $M	Total Liabilities $M
(b) Insurance and Funds Management		
Advice Essentials Pty Limited	-	-
ASB Group (Life) Limited	729	-
Avanteos Investments Limited	49	9
Avanteos Pty Ltd	4	-
BW Financial Advice Limited	15	-
BW Securitisation Management Pty Ltd	8	-
Capital 121 Pty Limited	1,565	-
Colonial First State Managed Infrastructure Limited	13	2
CFSPAI Europe Co Limited	-	-
CFSPAI Europe Holdco Limited	-	-
CISL (Hazelwood) Pty. Limited	-	-
CMG Asia Life Holdings Limited	25	-
CMG Asia Pty Ltd	17	1
Colonial (UK) Trustees Limited	-	-
Colonial Finance Pty Limited	-	-
Colonial First State Asset Management (Australia) Limited	48	30
Colonial First State Group Limited	279	7
Colonial First State Investment Managers (UK) Limited	4	-
Colonial First State Investments (NZ) Limited	-	-
Colonial First State Investments Limited	519	222
Colonial First State Infrastructure Holdings Limited	33	10
Colonial First State Infrastructure Managers (Australia) Pty Limited	-	-
CFS Seeding Trust	71	71
Colonial Holding Company Limited	8,056	2,005
Colonial Mutual Superannuation Pty Ltd	17	-
Colonial Services Pty Limited	-	-
Commonwealth Custodial Services Pty Ltd	-	-
Commonwealth Financial Planning Limited	83	68
Commonwealth Insurance Holdings Limited	7,259	-
Commonwealth Insurance Limited	951	705
Commonwealth Investment Services Pty Limited	-	-
Commonwealth International Holdings Pty Ltd	62	-
Count Finance Pty Limited	1	-
Count Financial Limited	43	16
Emerald Holding Company Limited	-	-
Financial Wisdom Limited	26	18
Finconnect (Australia) Pty Ltd	50	6
First State European Diversified Infrastructure Sarl	1	1
First State Infrastructure Managers (International) Limited	1	1
First State Investment Management (UK) Limited	156	41
First State Investment Managers (Asia) Limited	46	-
First State Investment Services (UK) Limited	175	149

(1) The Level 2 Regulatory Consolidated group is based on the historic definition of the Level 2 Group, prior to APRA clarification provided in May 2014.

11.4 Entities excluded from Level 2 Regulatory Consolidated Group (continued)

Entity name	Total Assets $M	Total Liabilities $M
First State Investments (Hong Kong) Limited	201	99
First State Investments (NZ) Limited	1	-
First State Investments (Singapore)	127	48
First State Investments (UK Holdings) Limited	139	24
First State Investments (UK) Limited	363	344
First State Investments (US) LLC	9	2
First State Investments Fund Management Sarl	22	21
First State Investments GIP Management Sarl	2	1
First State Investments Holdings (Singapore) Limited	18	-
First State Investments International Inc	-	-
First State Investments International Limited	95	20
First State Nominees (Hong Kong) Limited	-	-
FSIB Limited	21	-
FSIC Limited	-	-
Jacques Martin Administration and Consulting Pty Ltd	6	1
Jacques Martin Pty. Ltd.	3	-
KIP NZ Limited	1	-
KPM NZ Limited	1	-
Premium Alternative Investments Pty Limited	-	-
Premium Plantations Pty Limited	-	-
Premium Plantations Services Pty Limited	-	-
PT Commonwealth Life	679	528
PT First State Investments Indonesia	9	6
Realindex Investments Pty Limited	8	6
Securitisation Advisory Services Pty. Limited	22	11
SI Holdings Limited	72	-
Sovereign Assurance Company Limited	1,828	1,457
Sovereign Services Limited	55	22
Sovereign Superannuation Funds Limited	8	-
Sovereign Superannuation Trustees Limited	-	-
St Andrew's Australia Pty Ltd	-	-
The Colonial First State Global Asset Management Seeding Trust	375	375
The Colonial Mutual Life Assurance Society Limited	13,332	11,886
Total Keen Investment Limited	-	-
Westside Properties Limited	22	1
Whittaker Macnaught Pty. Ltd.	-	-

11.5 List of APRA APS 330 Tables

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

11.5 List of APRA APS 330 Tables (continued)

11.6 List of Supplemental Tables and Diagrams

11.7 Glossary

Term	Definition
Additional Tier 1 Capital	Additional Tier 1 Capital is a Basel III defined concept and consists of high quality capital that essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board.
Authorised Deposit-taking Institution (ADI)	Includes banks, building societies and credit unions which are authorised by APRA to take deposits from customers.
Advanced Internal Ratings Based (AIRB) Approach	Used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital.
Advanced Measurement Approach (AMA)	Used to measure operational risk in accordance with the Group's Basel III accreditation that allows the Group to use its own internal model for the purposes of calculating regulatory capital.
Australian Prudential Regulation Authority (APRA)	The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
ADI Prudential Standards (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	Basel asset class – includes claims on ADIs and overseas banks.
Basel II	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
Basel 2.5	Refers to the Basel II framework revised (2009) to include additional requirements such as the Incremental Risk Charge (IRC), Stressed VaR (SVaR), the treatment of securitisation exposures and the Comprehensive Risk Measure (CRM) for certain correlation trading activities.
Basel III	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012).
CBA	Commonwealth Bank of Australia – the head entity of the Group.
Central counterparty (CCP)	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
Common Equity Tier 1 (CET1) Capital	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement").
Corporate	Basel asset class – includes commercial credit risk where annual revenues exceed $50 million.

11.7 Glossary (continued)

Term	Definition
Credit Valuation Adjustment (CVA) Risk	The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty.
Exposure at Default (EAD)	The extent to which a bank may be exposed upon default of an obligor.
External Credit Assessment Institution (ECAI)	For example Moody's, Standard & Poor's or Fitch.
Extended Licenced Entity (ELE)	APRA may deem an entity of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities.
General Reserve for Credit Losses (GRCL)	APS 220 requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the General Reserve for Credit Losses. An excess of required General Reserve for Credit Losses over the Group's collective provisions is recognised as a deduction from CET1.
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 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.
Interest Rate Risk in the Banking Book (IRRBB)	The risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives; firstly by quantifying the change in the net present value of the balance sheet's future earnings potential and secondly, as the anticipated change to the Net Interest Income earned over 12 months. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
Level 1	Represents the ADI and each entity of the ADI that has been approved as an extended licence entity by APRA.
Level 2	The level at which the Group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI and all of its subsidiary entities other than the insurance and funds management entities through which securitisation of Group assets is conducted. 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.
Loss Given Default (LGD)	The fraction of EAD that is not expected to be recovered following default.
Other Assets	Basel asset class – primarily includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Other Retail	Basel asset class – primarily includes retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
Prudential Capital Requirement (PCR)	Represents the minimum capital requirement set by APRA that an ADI must maintain across CET1, Tier 1 Capital and Total Capital.
Probability of Default (PD)	The likelihood that a debtor fails to meet an obligation or contractual commitment.
Qualifying Revolving Retail (QRR)	Basel 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	Basel asset class – retail exposures that are secured by residential mortgage property.

11.7 Glossary (continued)

Term	Definition
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Risk Weighted Assets (RWA)	The value of the Group's on and off-balance sheet assets are adjusted by 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 of 1.06.
Securitisation	Basel asset class – Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	Basel asset class – 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	Basel asset class – Small and Medium Enterprise (SME) exposures up to $1 million that are not secured by residential mortgage property.
SME Retail Secured by Residential Mortgage	Small and Medium Enterprise (SME) exposures up to $1 million that are partly or fully secured by residential mortgage property.
Sovereign	Basel asset class – claims on Australian and foreign governments, also includes claims on central banks (including Reserve Bank of Australia), international banking agencies and regional development banks.
Specialised Lending	Basel asset classes subject to the supervisory slotting approach and which include Income Producing Real Estate (IPRE), object finance, project finance and commodity finance.
Specific Provisions	APS 220 requires ADIs to report as specific provisions all provisions for impairment assessed by an ADI on an individual basis in accordance with the Australian Accounting Standards and that portion of provisions assessed on a collective basis which are deemed ineligible to be included in the General Reserve for Credit Losses (which are primarily collective provisions on some defaulted assets).
Stress VAR	Stressed Value at Risk uses the same methodology as Value at Risk (VaR) except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
Tier 1 Capital	Comprises CET1 and Additional Tier 1 Capital.
Tier 2 Capital	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.