November 13, 2012

Commonwealth Bank of Australia
Recent Developments

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

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's Annual U.S. Disclosure Document for the year ended June 30, 2012 (the "2012 Annual Disclosure Document") included on the U.S. Investor Website.

References to "$" are to Australian dollars.

Trading Update for the Quarter ended September 30, 2012

The Group advised that its unaudited cash earnings[1] for the three months ended 30 September 2012 ("the quarter") were approximately $1.85 billion. Statutory net profit on an unaudited basis for the same period was approximately $1.8 billion, with non-cash items treated on a consistent basis to prior periods.

Key outcomes for the quarter are outlined below:

- Revenue growth continued to reflect a combination of conservative business settings, relatively slower system credit growth and elevated funding costs;

- Group Net Interest Margin was broadly in line with 2H12, with asset re-pricing impacts largely offset by continued deposit pricing pressure;

- Trading income improved in the quarter to a level consistent with the long term average run-rate, assisted by a slightly positive Credit Valuation Adjustment;

- Expenses continued to be well managed, with good cost discipline leading to positive "jaws" in the quarter;

---

[1] Except as expressly noted, this update is based on the Group's cash earnings, which are prepared on a different basis than Australian equivalents to International Financial Reporting Standards. The difference between cash and statutory earnings for the period is predominantly made up of hedging and IFRS volatility. Cash earnings is used by management of the Group to present a clear view of the Group's underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group's current-period performance. These items are calculated consistently period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, please refer to page 4 of the 2012 Annual Disclosure Document.

- Group liquids remained very strong at $131 billion;

- Total impairment expense was broadly stable at 21 basis points of total average loans, or $291 million in the quarter;

- Asset growth remained largely deposit funded, with deposits now accounting for 63 per cent of total funding. New wholesale funding issuance in the quarter had an average tenor of 5.4 years, with the funding portfolio average tenor extending further to stand at 3.8 years;

- The Group's Basel II Tier 1 capital ratio as at 30 September 2012 was 10.2 per cent (or 13.3 per cent on a UK FSA basis), up from 10.0 per cent at June, reflecting further good organic capital generation in the quarter. The Group's fully harmonised Basel III CET1 Ratio was 9.7 per cent as at September, an improvement on the position in June after adjusting for the timing of the declaration of the 2012 final dividend;

- The Group's quarter Pillar 3 disclosures released on November 7, 2012 show that credit quality remained generally sound, with lower arrears rates across key consumer portfolios. A slight deterioration in corporate credit quality in the quarter reflected the continuing difficult operating environment in certain sectors of the economy; and

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

Business Commentary

Australia – Retail

Retail Banking performed reasonably well during the quarter, highlighted by improved lending margins, solid growth in deposits and good cost discipline. Credit quality trends remained positive, with stable to lower arrears rates across key consumer portfolios. Bankwest continued to experience good growth in customer numbers through the quarter.

Australia – Commercial

System business credit growth remained subdued, with Group business lending continuing to trend ahead of system. Elevated funding costs and a competitive environment continued to impact margins. Good cost discipline is being maintained. Within the Markets business of IB&M, sales and trading were trending at a similar run-rate to 2H12.

Wealth Management and Insurance

Improved investment markets contributed to solid volume growth in the quarter, with Funds under Administration and Funds under Management growing by 6 per cent and 4 per cent, respectively. FirstChoice and Custom Solutions recorded combined net flows of $729 million. Insurance premiums grew by 3 per cent, with improved penetration of the Retail Bank customer base for Direct Life and General Insurance products.

New Zealand

The New Zealand economy continues to show signs of improvement, driven in part by the Christchurch rebuild. ASB experienced good growth in customer advances and deposits through the quarter, with business and commercial lending growing above system. Operating income remained solid, with increased pressure on new business margins as competition intensifies.

Basel II Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at September 30, 2012

On November 7, 2012, the Group released its Basel II Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at September 30, 2012. That release is attached as Annex A hereto.

ANNEX A

Basel II Pillar 3

Capital adequacy and risk disclosures quarterly update as at 30 September 2012

CommonwealthBank

COMMONWEALTH BANK OF AUSTRALIA
ACN 123 123 124

Basel II Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly update as at 30 September 2012

1 Scope of Application

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

This document has been prepared in accordance with Board approved policy and quarterly reporting requirements set out in APRA's prudential standard APS 330 'Capital Adequacy: Public Disclosures of Prudential Information' (APS 330). It presents information on the Group's capital adequacy and risk weighted assets (RWA) calculations for credit risk including securitisation and equity exposures, traded market risk, interest rate risk in the banking book (IRRBB) and operational risk.

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

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

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

As before, these Level 2 disclosures also include the Bank of Western Australia Limited (Bankwest), CommBank Europe Limited and PT Bank Commonwealth, which use the Standardised Basel II methodology.

Bankwest relinquished its ADI license on 1 October 2012 in line with prudential regulations requiring Australian subsidiaries of major banks to operate under the same license as their parent. This event will have no material impact on the Group's capital levels. Bankwest operated as a stand-alone bank up to 30 September 2012 and was subject to separate regulation by APRA.

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

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

There is a separate programme to extend the Group's AIRB accreditation to include the assets of Bankwest and it is expected, upon completion, that risk weighted assets will decline (capital ratios improve).

2 Group Capital Ratios

The Group's Common Equity Tier One (CET1), Tier One and Total Capital ratios as at 30 September 2012 were 8.06%, 10.24% and 11.22% respectively.

Capital ratios reflected an increase during the quarter, with capital generated from earnings partially offset by a modest increase in risk weighted assets.

Comparable CET1, Tier One and Total Capital ratios as at 30 September 2012 under the UK Financial Services Authority method of calculating regulatory capital were 10.8%, 13.3% and 13.9% respectively.

Capital Initiatives

The following significant capital initiatives have been undertaken since 30 June 2012.

Tier One Capital

- In October 2012 the Group issued $2 billion Perpetual Exchangeable Resaleable Listed Securities (PERLS VI), a Basel III compliant, additional Tier One security. The proceeds of this issue were used, to the extent necessary, to refinance the maturing PERLS IV and otherwise to fund the Group's business; and
- The allocation of approximately $929 million of ordinary shares in order to satisfy the Dividend Reinvestment Plan in respect of the final dividend for the 2011/12 financial year, representing a participation rate of 29.6%.

There were no Tier Two Capital initiatives undertaken during the September 2012 quarter.

APS 330 Table 16f – Capital ratios

Summary Group Capital Adequacy Ratios (Level 2)	30/09/12 %	30/06/12 %
Common Equity	**8. 06**	7. 82
Tier One	**10. 24**	10. 01
Tier Two	**0. 98**	0. 97
Total Capital	**11. 22**	10. 98

3 Risk Weighted Assets

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

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

	Risk Weighted Assets		Change in RWA for September 2012 quarter (2)	
	30/09/12	30/06/12		
Asset Category	**$M**	**$M**	**$M**	**%**
Credit Risk				
Subject to advanced IRB approach				
Corporate	**49,729**	49,331	398	0.8
SME corporate	**21,994**	22,319	(325)	(1.5)
SME retail	**4,059**	4,071	(12)	(0.3)
Sovereign	**3,834**	3,003	831	27.7
Bank	**8,521**	7,619	902	11.8
Residential mortgage	**54,774**	54,545	229	0.4
Qualifying revolving retail	**6,422**	6,703	(281)	(4.2)
Other retail	**8,566**	8,462	104	1.2
Impact of the regulatory scaling factor (1)	**9,474**	9,363	111	1.2
Total RWA subject to advanced IRB approach	**167,373**	165,416	1,957	1.2
Specialised lending	**37,177**	36,141	1,036	2.9
Subject to standardised approach				
Corporate	**10,722**	10,430	292	2.8
SME corporate	**6,585**	6,580	5	0.1
SME retail	**4,937**	4,836	101	2.1
Sovereign	**223**	107	116	large
Bank	**156**	1,243	(1,087)	(87.4)
Residential mortgage	**25,701**	25,705	(4)	(0.0)
Other retail	**2,457**	2,559	(102)	(4.0)
Other assets	**3,622**	3,240	382	11.8
Total RWA subject to standardised approach	**54,403**	54,700	(297)	(0.5)
Securitisation	**2,493**	2,833	(340)	(12.0)
Equity exposures	**2,308**	2,339	(31)	(1.3)
Total RWA for credit risk exposures	**263,754**	261,429	2,325	0.9
Traded market risk	**4,602**	4,842	(240)	(5.0)
Interest rate risk in the banking book	**9,857**	9,765	92	0.9
Operational risk	**26,581**	26,751	(170)	(0.6)
Total risk weighted assets	**304,794**	302,787	2,007	0.7

(1) APRA requires RWA that are derived from the IRB risk-weighted functions to be multiplied by a scaling factor of 1.06 (refer glossary).
(2) The difference between RWA as at 30 September 2012 and 30 June 2012.

Total RWA increased by $2.0 billion or 0.7% on the prior quarter to $304.8 billion.

Credit Risk RWA

Credit Risk RWA increased over the quarter by $2.3 billion or 1% to $263.8 billion. The increase was primarily due to:

- Growth in Specialised Lending exposures; and
- The Group holding more liquid assets in the Sovereign portfolio.

During the quarter there was a transition of liquid assets (primarily within the Bank portfolio) from the standardised approach to the advanced IRB approach in preparation for Bankwest relinquishing it's ADI license on 1 October 2012.

Traded Market Risk, IRRBB and Operational Risk RWA

Traded Market Risk RWA decreased by $0.2 billion or 5% to $4.6 billion. The decrease in September 2012 was due to a change in the regulatory treatment applied to the Traded Market Risk RWA component for ASB.

Interest Rate Risk in the Banking Book (IRRBB) RWA increased by $0.1 billion or 1% to $9.9 billion during the quarter. The small increase was due to the marginally higher risk from changes in the repricing term of loans and deposits offset by higher embedded gains from lower interest rates.

Operational Risk RWA decreased $0.2 billion or 0.6% to $26.6 billion over the quarter which is consistent with a stable operational risk profile across the Group.

4 Credit Risk Exposure

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

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

	30 September 2012						
		Off balance sheet					
	On balance sheet	Non-market related	Market related	Total	Average exposure for September 2012 quarter [2]	Change in exposure for September 2012 quarter [3]	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	43,920	32,588	6,079	**82,587**	82,626	(78)	(0. 1)
SME corporate	31,089	5,201	345	**36,635**	36,936	(601)	(1. 6)
SME retail	6,642	1,717	15	**8,374**	8,378	(8)	(0. 1)
Sovereign	45,611	3,026	1,532	**50,169**	48,389	3,560	7. 6
Bank	27,110	2,384	8,858	**38,352**	36,839	3,026	8. 6
Residential mortgage	302,541	56,266	-	**358,807**	356,208	5,197	1. 5
Qualifying revolving retail	9,085	12,632	-	**21,717**	21,636	162	0. 8
Other retail	6,197	1,627	-	**7,824**	7,711	227	3. 0
Total advanced IRB approach	472,195	115,441	16,829	**604,465**	598,723	11,485	1. 9
Specialised lending	34,427	6,777	1,251	**42,455**	42,016	877	2. 1
Subject to standardised approach							
Corporate	8,818	1,709	111	**10,638**	10,499	279	2. 7
SME corporate	5,730	690	45	**6,465**	6,453	24	0. 4
SME retail	4,046	1,250	-	**5,296**	5,216	161	3. 1
Sovereign	840	6	-	**846**	1,619	(1,546)	(64. 6)
Bank	413	24	47	**484**	3,483	(5,997)	(92. 5)
Residential mortgage	57,211	811	28	**58,050**	57,839	420	0. 7
Other retail	2,392	96	3	**2,491**	2,543	(103)	(4. 0)
Other assets	9,524	-	-	**9,524**	9,561	(73)	(0. 8)
Total standardised approach	88,974	4,586	234	**93,794**	97,213	(6,835)	(6. 8)
Total credit exposures [1]	595,596	126,804	18,314	**740,714**	737,952	5,527	0. 8

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

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

	30 June 2012						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for June 2012 quarter [2] $M	Change in exposure for June 2012 quarter [3] $M	%
Subject to advanced IRB approach							
Corporate	44,509	32,218	5,938	82,665	79,024	7,283	9. 7
SME corporate	31,366	5,368	502	37,236	37,093	286	0. 8
SME retail	6,702	1,667	13	8,382	8,580	(395)	(4. 5)
Sovereign	42,170	2,926	1,513	46,609	42,783	7,653	19. 6
Bank	24,832	2,344	8,150	35,326	38,175	(5,698)	(13. 9)
Residential mortgage	299,331	54,279	-	353,610	352,208	2,798	0. 8
Qualifying revolving retail	9,256	12,299	-	21,555	21,408	294	1. 4
Other retail	6,066	1,531	-	7,597	7,478	239	3. 2
Total advanced IRB approach	464,232	112,632	16,116	592,980	586,749	12,460	2. 1
Specialised lending	33,656	6,733	1,189	41,578	43,013	(2,870)	(6. 5)
Subject to standardised approach							
Corporate	8,494	1,756	109	10,359	10,370	(21)	(0. 2)
SME corporate	5,795	610	36	6,441	6,548	(213)	(3. 2)
SME retail	3,967	1,168	-	5,135	5,371	(472)	(8. 4)
Sovereign	2,391	1	-	2,392	2,485	(185)	(7. 2)
Bank	6,419	17	45	6,481	6,524	(85)	(1. 3)
Residential mortgage	56,694	909	27	57,630	56,949	1,362	2. 4
Other retail	2,501	90	3	2,594	2,588	13	0. 5
Other assets	9,597	-	-	9,597	10,777	(2,363)	(19. 8)
Total standardised approach	95,858	4,551	220	100,629	101,612	(1,964)	(1. 9)
Total credit exposures [1]	593,746	123,916	17,525	735,187	731,374	7,626	1. 0

(1) Total Credit Risk Exposures (calculated as EAD) do not include equities or securitisation exposures.

(2) The simple average of balances as at 30 June 2012 and 31 March 2012.

(3) The difference between credit exposures as at 30 June 2012 and 31 March 2012.

5 Past Due and Impaired Exposures, Provisions and Reserves

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

	30 September 2012		
	General reserve for credit losses [2] $M	Specific provision [2] $M	Total provisions $M
Collective provision [1]	2,640	144	**2,784**
Individual provisions [1]	-	1,987	**1,987**
Total provisions	2,640	2,131	**4,771**
Additional GRCL requirement [3]	297	-	**297**
Total regulatory provisions	2,937	2,131	**5,068**

(1) Provisions according to Australian Accounting Standards.

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

(3) The Group has recognised an after tax deduction from Tier One Capital of $208 million in order to maintain the required minimum GRCL.

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

(1) Provisions as reported in financial statements according to Australian Accounting Standards.

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

(3) The Group recognised an after tax deduction from Tier One Capital of $209 million in order to maintain the required minimum GRCL.

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

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

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

	As at 30 September 2012			Quarter ended 30 September 2012	
Portfolio	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance (1) $M**	**Net charges for individual provisions $M**	**Actual losses (2) $M**
Corporate including SME and specialised lending	3,629	438	1,638	175	245
Sovereign	-	-	-	-	-
Bank	59	-	55	-	-
Residential mortgage	1,051	2,168	311	37	41
Qualifying revolving retail	-	92	51	-	67
Other retail	33	108	76	(1)	76
Total	4,772	2,806	2,131	211	429

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.

(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 30 September 2012.

	As at 30 June 2012			Quarter ended 30 June 2012	
Portfolio	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance (1) $M**	**Net charges for individual provisions $M**	**Actual losses (2) $M**
Corporate including SME and specialised lending	3,325	319	1,660	216	298
Sovereign	-	-	-	-	-
Bank	58	-	54	-	-
Residential mortgage(3)	1,082	2,546	315	35	41
Qualifying revolving retail	-	103	56	-	53
Other retail	34	112	78	1	72
Total	4,499	3,080	2,163	252	464

(1) Specific Provision Balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.

(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 30 June 2012.

(3) Certain comparative period information has been restated to conform to current period disclosures.

6 Securitisation

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

	For the 3 months to 30 September 2012	
Underlying asset type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	1,025	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial Loans	-	-
Other	-	-
Total	1,025	-

	For the 3 months to 30 June 2012	
Underlying asset type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	251	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial Loans	-	-
Other	-	-
Total	251	-

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

	As at 30 September 2012		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	19	110	129
Warehouse facilities	2,851	1,527	4,378
Derivative facilities	1,061	5	1,066
Holdings of securities	4,845	-	4,845
Other	-	12	12
Total securitisation exposures	8,776	1,654	10,430

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

7 Glossary

Term	Definition
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board.
ADI	Authorised Deposit-taking Institution – includes banks, building societies and credit unions which are authorised by APRA to take deposits from customers.
AIRB	Advanced Internal Ratings Based approach – used to measure credit risk in accordance with the Group's Basel II accreditation approval provided by APRA 10 December 2007 that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital.
AMA	Advanced Measurement Approach – used to measure operational risk in accordance with the Group's Basel II accreditation approval provided by APRA 10 December 2007 that allows the Group to use internal estimates and operational model for the purposes of calculating regulatory capital.
APRA	Australian Prudential Regulation Authority – the regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
APS	APRA's ADI Prudential Standards. For more information, refer to the APRA web site.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the Reserve Bank of New Zealand.
Bank	APS asset class – includes claims on central banks, international banking agencies, regional development banks, ADI and overseas banks.
Basel II	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
CBA	Commonwealth Bank of Australia – the chief entity for the Group.
CET1	Common Equity Tier 1 Capital is the highest quality of capital available to the Group and reflects the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises fundamental capital (share capital, retained earnings and reserves) less prescribed deductions.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement").
Corporate	APS asset class – includes commercial credit risk where annual revenues exceed $50 million, SME Corporate and SME Retail.
EAD	Exposure at Default – the gross exposure under a facility (i.e. the amount that is legally owed to the Group) upon default of an obligor.
ECAI	External Credit Assessment Institution.
ELE	Extended Licensed Entity – APRA may deem a subsidiary of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities.
General Reserve for Credit Losses	APS 220 requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the General Reserve for Credit Losses. An excess of required General Reserve for Credit Losses over the Group's collective provisions is recognised as a deduction from Tier One Capital on an after tax basis.
Individual Provisions	Provisions made against individual facilities in the credit-rated managed segment where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. These provisions are established based primarily on estimates of realisable value of collateral taken. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement"). Also known as individually assessed provisions or IAP.
IRRBB	Interest Rate Risk in the Banking Book - the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives; firstly by quantifying the change in the net present value of the balance sheet's future earnings potential and secondly, as the anticipated change to the Net Interest Income which is reported in the Bank's Income Statement. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.

7 Glossary (continued)

Term	Definition
Level 1	Represents the ADI and each subsidiary of the ADI that has been approved as an extended licence entity by APRA.
Level 2	The level at which the Group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI and all of it's subsidiary entities other than non-consolidated subsidiaries. This is the basis of which this report has been produced.
Level 3	The conglomerate group including the Group's insurance and wealth management business.
LGD	Loss Given Default – the fraction of EAD that is not expected to be recovered following default.
Other Assets	APS asset class – includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Other Retail	APS asset class – includes all retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
PD	Probability of Default - the likelihood that a debtor fails to meet an obligation or contractual commitment.
Qualifying Revolving Retail	APS asset class - represents revolving exposures to individuals less than $0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class.
Residential Mortgage	APS asset class - includes retail and small and medium enterprise exposures up to $1 million that are secured by residential mortgage property.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
RWA	Risk Weighted Assets – the value of the Group's on and off-balance sheet assets are adjusted according to risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA web site.
Scaling Factor	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the risk-weighted asset amounts for credit risk under the IRB approach. The current scaling factor is 1.06.
Securitisation	APS asset class - includes Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	APS asset class - includes small and medium enterprise (SME) commercial credit risk where annual revenues are less than $50 million and exposures are greater than $1 million.
SME Retail	APS asset class - includes small and medium enterprise (SME) exposures up to $1 million that are not secured by residential mortgage property.
Sovereign	APS asset class - includes claims on the Reserve Bank of Australia and on Australian and foreign governments.
Specialised Lending	APS asset classes subject to the supervisory slotting approach and which include Income Producing Real Estate (IPRE) and Project Finance assets.
Specific Provisions	APS 220 requires ADIs to report as specific provisions all provisions for impairment assessed by an ADI on an individual basis in accordance with the Australian Accounting Standards and that portion of provisions assessed on a collective basis which are deemed ineligible to be included in the General Reserve for Credit Losses (which are primarily collective provisions on some defaulted assets).
Tier One Capital	Tier One Capital is the highest quality of capital available to the Group and reflects the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises: • Fundamental Capital (share capital, retained earnings and reserves); • Residual Capital (innovative and non innovative); and • Prescribed Regulatory deductions.
Tier Two Capital	Tier Two Capital represents those capital items that fall short of the necessary conditions to qualify as Tier One Capital. There are two main classes, upper and lower Tier Two.

For further information contact:

Investor Relations

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