June 1, 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/about-us/shareholders/us-investors/supplemental-information.htm (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 Profit Announcement (U.S. Version) for the half year ended December 31, 2011 (the "2012 Half Year Announcement") included on the U.S. Investor Website.

References to "$" are to Australian dollars.

Trading Update for the Quarter ended March 31, 2012

The Group advised that its unaudited cash earnings[1] for the three months ended 31 March 2012 ("the quarter") were approximately $1.75 billion. Statutory net profit on an unaudited basis for the same period was approximately $1.7 billion, with non-cash items treated on a consistent basis to prior periods.

Commenting on the quarter performance, the Group CEO Ian Narev said, "Consistent with the uncertain outlook that we indicated at the Group's half year results in February, we have retained our conservative business settings, including tight expense control, a conservative funding profile and strong provisioning levels."

Key outcomes for the March quarter are outlined below:

- The combination of conservative business settings, subdued credit demand and elevated funding costs continued to impact on revenue growth through 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 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 3 of the 2012 Half Year Announcement.

- Higher funding costs had a further negative impact on Group Net Interest Margin in the period;

- Trading income was broadly in line with the 1H12 run-rate;

- Expenses continued to be well managed, notwithstanding continuing strategic investment in the business;

- Credit quality trends were consistent with those reported at the half year, with stable outcomes in most key indicators, including impaired assets and consumer arrears;

- Total impairment expense was lower at 18 basis points of total average loans, or $232 million in the quarter;

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

- Group liquids were very strong at $132 billion;

- Asset growth remained largely deposit funded. New wholesale funding issuance in the quarter had an average tenor of 4.6 years;

- The Group's Tier 1 capital ratio as at 31 March 2012 was 9.75% (or 12.9% on a UK FSA basis), largely unchanged from the position in December after allowing for the impact of Basel 2.5 requirements that came into effect in January. The Group believes it remains well positioned for transition to Basel III capital requirements.

Business Commentary

Australia – Retail

Conditions in Retail Banking remained challenging, highlighted by elevated wholesale funding costs, competitive deposit pricing and subdued credit demand. Net interest margin declined during the quarter. Continued focus on process efficiency and cost management resulted in a good expense outcome. Bankwest continued to perform well, with good growth in customer numbers and above system growth in home lending.

Australia – Commercial

Whilst system business credit growth remained subdued, Group business lending grew slightly ahead of system in the quarter, with relatively stronger growth in Institutional Banking and Markets ("IB&M"). Margins continued to be prudently managed in both IB&M and Business and Private Banking, with good cost discipline continuing in both businesses.

Wealth Management and Insurance

Improved investment markets and sound investment performance saw Funds under Administration grow by 6.2% in the quarter, with $626m of netflows into FirstChoice and Custom Solutions. Insurance premiums grew by 4.9% in the quarter. Focus remains on profitable growth, productivity and preparing for regulatory and legislative change.

New Zealand

The New Zealand economy continued to show signs of improvement. ASB maintained strong operating income in an environment of increased funding costs, supported by a continuing focus on cost management and productivity improvement. Margins were steady over the period in a competitive environment.

Conclusion

In summarising the March quarter result, Group CEO Ian Narev said: “The financial strength of the Group continues to enable us to take a long term view of the business, with focus on enhancing our core capabilities of technology, a customer-focused culture and balance sheet strength, to drive customer satisfaction and good returns to our shareholders.”

Basel II Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at March 31, 2012

On May 17, 2012, the Group released its Basel II Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at March 31, 2012. That release is attached as Annex A hereto.

ANNEX A

100 YEARS OF BANKING ON AUSTRALIA'S FUTURE

Basel II Pillar 3

CAPITAL ADEQUACY AND RISK DISCLOSURES
QUARTERLY UPDATE AS AT 31 MARCH 2012

CommonwealthBank

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Commonwealth Bank of Australia

ACN 123 123 124

Basel II Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly update as at 31 March 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 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 IRRBB requirement under Pillar One.

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

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

The Group's detailed qualitative and quantitative capital adequacy and risk disclosure for the year ended 30 June 2011 is available on the Group's corporate website www.commbank.com.au.

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

2 Group Capital Ratios

The Group's Common Equity, Tier One and Total Capital ratios as at 31 March 2012 are 7.61%, 9.75% and 10.86% respectively.

As expected, capital ratios during the March 2012 quarter were modestly reduced by the adoption of Basel II enhancements related to securitisation and market risk ("Basel 2.5"). Underlying capital levels were relatively stable across the quarter with capital generated from earnings offset by increases in RWA.

Comparable Common Equity, Tier One and Total Capital ratios as at 31 March 2012 under the UK Financial Services Authority method of calculating regulatory capital were 10.4%, 12.9% and 13.6% respectively.

Capital Initiatives

The following significant capital initiatives have been undertaken since 31 December 2011.

- Participation in the Dividend Reinvestment Plan in respect of the interim dividend for 2011/2012 was 24.5%. This was satisfied by the allocation of approximately $531 million of ordinary shares.

There were no tier two capital initiatives undertaken during the quarter.

APS 330 Table 16f – Capital ratios

Summary Group Capital Adequacy Ratios (Level 2)	31/03/12 %	31/12/11 %
Common Equity	**7. 61**	7. 67
Tier One	**9. 75**	9. 90
Tier Two	**1. 11**	1. 21
Total Capital	**10. 86**	11. 11

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 – Capital adequacy (risk weighted assets)

	Risk Weighted Assets		Change in RWA for March 2012 quarter [2]	
	31/03/12	31/12/11		
Asset Category	$M	$M	$M	%
Credit Risk				
Subject to advanced IRB approach				
Corporate	**45,393**	45,983	(590)	(1.3)
SME corporate	**22,157**	22,155	2	0.0
SME retail	**4,313**	4,486	(173)	(3.9)
Sovereign	**3,137**	3,201	(64)	(2.0)
Bank	**9,583**	7,925	1,658	20.9
Residential mortgage	**54,274**	53,844	430	0.8
Qualifying revolving retail	**6,702**	6,491	211	3.3
Other retail	**8,165**	8,116	49	0.6
Impact of the regulatory scaling factor [1]	**9,223**	9,132	91	1.0
Total RWA subject to advanced IRB approach	**162,947**	161,333	1,614	1.0
Specialised lending	**38,103**	36,915	1,188	3.2
Subject to standardised approach				
Corporate	**10,385**	9,950	435	4.4
SME corporate	**6,521**	6,803	(282)	(4.1)
SME retail	**4,577**	4,230	347	8.2
Sovereign	**145**	308	(163)	(52.9)
Bank	**1,305**	1,303	2	0.2
Residential mortgage	**25,198**	24,660	538	2.2
Other retail	**2,578**	2,627	(49)	(1.9)
Other assets	**5,499**	5,215	284	5.4
Total RWA subject to standardised approach	**56,208**	55,096	1,112	2.0
Securitisation	**2,856**	2,695	161	6.0
Equity exposures	**2,511**	2,407	104	4.3
Total RWA for credit risk exposures	**262,625**	258,446	4,179	1.6
Traded market risk	**4,717**	3,105	1,612	51.9
Interest rate risk in the banking book	**14,411**	11,525	2,886	25.0
Operational risk	**26,846**	24,629	2,217	9.0
Total risk weighted assets	**308,599**	297,705	10,894	3.7

(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 31 March 2012 and 31 December 2011.

Total RWA increased by $10.9 billion or 3.7% on the prior quarter to $309 billion.

Credit Risk RWA

Credit Risk RWA increased over the quarter by $4.2 billion or 1.6% to $263 billion. The increase was primarily due to:

- The Group holding more liquid assets in the Bank portfolio;
- Re-grading of credit ratings for some Bank counterparts; and
- Growth in Specialised Lending and Residential Mortagage exposures.

The increases were partially offset by a reduction in exposures to Sovereign, Corporate and SME Retail.

Traded Market Risk, IRRBB and Operational Risk RWA

Traded Market Risk RWA increased by $1.6 billion or 51.9% to $4.7 billion. The increase was due to the introduction of Stressed Value-at-Risk under Basel 2.5.

IRRBB RWA increased by $2.9 billion or 25.0% to $14.4 billion during the quarter. The IRRBB capital requirement increased in March 2012 due to changes in the repricing term of loans and deposits, and lower embedded gains from higher interest rates as compared to December 2011.

Operational Risk RWA increased $2.2 billion or 9.0% to $26.8 billion over the quarter, reflecting a more conservative assessment of the operational risk profile of the Group, including the impact of the external environment.

4 Credit Risk Exposure

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

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

	31 March 2012						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for March 2012 quarter (2) $M	Change in exposure for March 2012 quarter (3) $M	%
Subject to advanced IRB approach							
Corporate	39,788	30,682	4,912	**75,382**	76,081	(1,398)	(1. 8)
SME corporate	30,954	5,493	503	**36,950**	36,829	242	0. 7
SME retail	6,768	1,990	19	**8,777**	9,140	(726)	(7. 6)
Sovereign	35,927	1,823	1,206	**38,956**	40,155	(2,398)	(5. 8)
Bank	27,075	2,037	11,912	**41,024**	40,021	2,006	5. 1
Residential mortgage	297,082	53,730	-	**350,812**	349,455	2,714	0. 8
Qualifying revolving retail	9,231	12,030	-	**21,261**	21,105	313	1. 5
Other retail	5,924	1,434	-	**7,358**	7,221	274	3. 9
Total advanced IRB approach	452,749	109,219	18,552	**580,520**	580,007	1,027	0. 2
Specialised lending	34,451	8,916	1,081	**44,448**	43,474	1,947	4. 6
Subject to standardised approach							
Corporate	8,533	1,780	67	**10,380**	10,166	428	4. 3
SME corporate	5,724	902	28	**6,654**	6,789	(270)	(3. 9)
SME retail	3,948	1,659	-	**5,607**	5,458	297	5. 6
Sovereign	2,572	5	-	**2,577**	2,666	(177)	(6. 4)
Bank	6,473	72	21	**6,566**	6,547	38	0. 6
Residential mortgage	55,360	890	18	**56,268**	55,688	1,160	2. 1
Other retail	2,487	92	2	**2,581**	2,607	(52)	(2. 0)
Other assets	11,960	-	-	**11,960**	12,184	(447)	(3. 6)
Total standardised approach	97,057	5,400	136	**102,593**	102,104	977	1. 0
Total credit exposures (1)	584,257	123,535	19,769	**727,561**	725,585	3,952	0. 5

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

(2) The simple average of exposures as at 31 March 2012 and 31 December 2011.

(3) The difference between exposures as at 31 March 2012 and 31 December 2011.

4 **Credit Risk Exposure** (continued)

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

	31 December 2011						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2011 quarter [2] $M	Change in exposure for December 2011 quarter [3] $M	%
Subject to advanced IRB approach							
Corporate	39,276	32,367	5,137	76,780	74,091	5,378	7. 5
SME corporate	30,693	5,534	481	36,708	37,105	(793)	(2. 1)
SME retail	7,393	2,084	26	9,503	9,349	309	3. 4
Sovereign	38,232	1,774	1,348	41,354	42,708	(2,708)	(6. 1)
Bank	25,948	2,292	10,778	39,018	40,682	(3,327)	(7. 9)
Residential mortgage	293,726	54,372	-	348,098	346,988	2,220	0. 6
Qualifying revolving retail	9,087	11,861	-	20,948	20,163	1,571	8. 1
Other retail	5,732	1,352	-	7,084	6,979	211	3. 1
Total advanced IRB approach	450,087	111,636	17,770	579,493	578,065	2,861	0. 5
Specialised lending	33,373	8,038	1,090	42,501	42,003	996	2. 4
Subject to standardised approach							
Corporate	8,105	1,765	82	9,952	9,630	645	6. 9
SME corporate	6,003	884	37	6,924	6,881	86	1. 3
SME retail	3,691	1,619	-	5,310	5,282	56	1. 1
Sovereign	2,751	3	-	2,754	2,769	(30)	(1. 1)
Bank	6,412	71	45	6,528	6,434	189	3. 0
Residential mortgage	54,112	975	21	55,108	54,131	1,954	3. 7
Other retail	2,534	97	2	2,633	2,598	70	2. 7
Other assets	12,407	-	-	12,407	12,489	(164)	(1. 3)
Total standardised approach	96,015	5,414	187	101,616	100,214	2,806	2. 8
Total credit exposures [1]	579,475	125,088	19,047	723,610	720,282	6,663	0. 9

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

(2) The simple average of exposures as at 31 December 2011 and 31 September 2012.

(3) The difference between exposures as at 31 December 2011 and 31 September 2012.

5 Past Due and Impaired Exposures, Provisions and Reserves

Reconciliation of the Australian Accounting Standards and APS220 based credit provisions.

	31 March 2012		
	General reserve for credit losses [2]	Specific provision [2]	Total provisions
	$M	$M	$M
Collective provision [1]	2,780	116	**2,896**
Individual provisions [1]	-	2,045	**2,045**
Total provisions	2,780	2,161	**4,941**
Additional GRCL requirement [3]	304	-	**304**
Total regulatory provisions	3,084	2,161	**5,245**

(1) Provisions according to the Australian Accounting Standards.

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

(3) The Group has recognised an after tax deduction from Tier One Capital of $213 million, in order to maintain the required minimum GRCL.

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

(1) Provisions as reported in financial statements according to the 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 $183 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 31 March 2012			Quarter ended 31 March 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	3,509	314	1,700	132	281
Sovereign	-	-	-	-	-
Bank	58	-	53	19	-
Residential mortgage	1,002	2,658	290	29	27
Qualifying revolving retail	-	98	56	-	69
Other retail	13	137	62	1	66
Total	4,582	3,207	2,161	181	443

(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 31 March 2012.

	As at 31 December 2011			Quarter ended 31 December 2011	
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	3,661	373	1,778	192	285
Sovereign	-	-	-	-	-
Bank	57	-	34	1	-
Residential mortgage	961	2,525	281	41	12
Qualifying revolving retail	-	102	58	-	67
Other retail	13	137	62	2	58
Total	4,692	3,137	2,213	236	422

(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 31 December 2011.

(3) Certain comparative period information has been restated to conform to presentation in the current period.

6 Securitisation

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

	For the 3 months to 31 March 2012	
Underlying asset type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage (1)	30,890	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial Loans	-	-
Other	-	-
Total	30,890	-

(1) During the March quarter a further $30,890 million of residential mortgages was transferred into the internal securitisation vehicle to increase the size of the Internal RMBS which can be used for repurchase agreements with the Reserve Bank of Australia (RBA) to generate additional liquidity for the Group.

	For the 3 months to 31 December 2011	
Underlying asset type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	496	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial Loans	-	-
Other	-	-
Total	496	-

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

	As at 31 March 2012		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	21	320	341
Warehouse facilities	3,792	1,113	4,905
Derivative facilities	1,164	13	1,177
Holdings of securities	3,821	-	3,821
Other	-	10	10
Total securitisation exposures	8,798	1,456	10,254

	As at 31 December 2011		
Securitisation facility type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total Exposures $M**
Liquidity support facilities	24	325	349
Warehouse facilities	3,824	1,195	5,019
Derivative facilities	1,242	14	1,256
Holdings of securities	4,118	-	4,118
Other	-	4	4
Total securitisation exposures	9,208	1,538	10,746

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.
Basel 2.5	Refers to the July 2009 BCBS enhancements to the Basel II framework for securitisation and market risk
CBA	Commonwealth Bank of Australia - the chief entity for the Group.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement").
Corporate	APS asset class – includes commercial credit risk where annual revenues exceed $50 million, SME Corporate and SME Retail.
EAD	Exposure at Default – the extent to which a bank may be exposed to a counterparty in the event of default.
ECAI	External Credit Assessment Institution.
ELE	Extended Licensed Entity – APRA may deem a subsidiary of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities.
GRCL	General Reserve for Credit Losses - APS 220 requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the General Reserve for Credit Losses. An excess of required General Reserve for Credit Losses over the Group's collective provisions is recognised as a deduction from Tier One Capital on an after tax basis.
Individual Provisions	Provisions made against individual facilities in the credit-rated managed segment, where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. These provisions are established based primarily on estimates of realisable value of collateral taken. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement"). Also known as individually assessed provisions or IAP.
IRRBB	Interest Rate Risk in the Banking Book - is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives; firstly by quantifying the change in the net present value of the balance sheet's future earnings potential and secondly, as the anticipated change to the Net Interest Income which is reported in the Bank's Income Statement. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.

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

For further information contact:

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