



Commonwealth
Bank

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Basel III Pillar 3

Capital Adequacy and Risk Disclosures
as at 31 December 2020

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The release of this announcement was authorised by Kristy Huxtable, Company Secretary.

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Introduction

1 Introduction

The Commonwealth Bank of Australia (CBA) 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 for CBA and its subsidiaries (the Group) in accordance with a Board approved policy and APRA Prudential Standard APS 330 "Public Disclosure" (APS 330). It presents information on the Group's capital adequacy and Risk Weighted Assets (RWA) calculations for credit risk including securitisation, traded market risk, Interest Rate Risk in the Banking Book (IRRBB) and operational risk.

This document also presents information on the Group's leverage and liquidity ratios and countercyclical capital buffer (CCyB) in accordance with prescribed methodologies.

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 general insurance and funds management businesses and entities through which securitisation of Group assets is conducted.

The Group is predominantly accredited to use the Advanced Internal Ratings-based (AIRB) approach for credit risk and the 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 supplied to APRA. PwC have provided recommendations to enhance the internal controls related to the calculation of RWA and the Group has an action plan in place to implement these recommendations.

This Pillar 3 document is available on the Group's corporate website: Commbank.com.au/regulatorydisclosures.

The Group in Review

	31 Dec 20	30 Jun 20	31 Dec 19
	%	%	%
Summary Group Capital Adequacy Ratios (Level 2)			
Common Equity Tier 1	12.6	11.6	11.7
Tier 1	15.0	13.9	14.1
Tier 2	3.9	3.6	3.3
Total Capital (APRA)	18.9	17.5	17.4
Common Equity Tier 1 (Internationally Comparable) ¹	18.7	17.4	17.5

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

Group Capital Ratios

As at 31 December 2020, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios as measured on an APRA basis were 12.6%, 15.0% and 18.9% respectively. The Basel III CET1 ratio was 18.7% on an internationally comparable basis as at 31 December 2020.

Leverage Ratio

The Group's leverage ratio, which is defined as Tier 1 Capital as a percentage of total exposures, was 6.0% at 31 December 2020 on an APRA basis and 6.8% on an internationally comparable basis.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires Australian ADIs to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCOs) projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 143% in the December 2020 quarter.

On 19 March 2020, the Reserve Bank of Australia (RBA) announced the establishment of a three year Term Funding Facility (TFF) offered to eligible ADIs to support lending to Australian businesses. As at 31 December 2020, the Group had a total TFF allocation of \$41.0 billion, with its Initial Allowance of \$19.1 billion fully drawn, and its Supplementary Allowance of \$13.0 billion and Additional Allowance of \$8.9 billion undrawn. As at 1 February 2021, the Group's total available TFF allocation was \$40.9 billion.

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is the ratio of the amount of Available Stable Funding (ASF) to the amount of Required Stable Funding (RSF). Factors prescribed by APRA are used to determine the stable funding requirement of assets and the stability of alternative sources of funding. The Group's NSFR was 123% at 31 December 2020.

COVID-19 Impacts

The Group has introduced a number of measures to support customers impacted by COVID-19. Further details of these measures are provided on page 12.

APRA made several announcements in response to the economic environment resulting from COVID-19. Further details of the temporary regulatory measures are provided on page 5.

Policy Framework

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 and strengthen its risk culture. The Group has a formal Risk Management Approach (RMA) that creates clear obligations and transparency over risk management and strategy decisions. A risk accountability model (Three Lines of Accountability) requires business management to operate responsibly by taking well understood and managed risks that are appropriately and adequately priced.

Introduction (continued)

Policy Framework (continued)

The application is reflected in the Group's overall asset quality and capital position. In particular, the Group remains in a small group of banking institutions with an AA-/Aa3 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 levels and stress testing. These views then cascade into consideration of the target capital level. The Group's management of its capital adequacy is supported by robust capital management processes applied in each Business Unit (BU). The results are integrated into the Group's risk-adjusted performance and pricing processes.

2 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 (CBA) and offshore branches (the Bank) and APRA approved Extended Licensed Entities (ELE);
- **Level 2:** the Consolidated Banking Group excluding the insurance and funds management businesses and the entities through which securitisation of Group assets is conducted; and
- **Level 3:** the conglomerate group including the Group's insurance and funds management businesses¹ (the Group).

The Group is required to report its assessment of capital adequacy on a Level 2 basis. The head of the Level 2 Group is the Parent Bank. 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 7).

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.

In December 2020, the Group:

- Established a new banking entity in Amsterdam, CBA Europe N.V.; and
- Completed the divestment of its 37.5% equity interest in BoCommLife Insurance Company (BoCommLife).

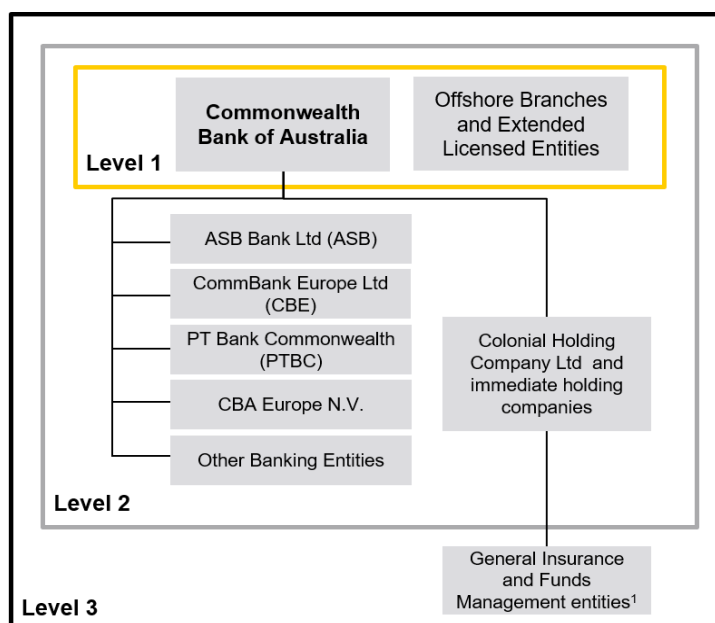
CBA Europe N.V., CommBank Europe Ltd (CBE) and PT Bank Commonwealth (PTBC) apply the Standardised Basel III methodology in calculating regulatory capital requirements.

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. With the exception of RBNZ imposed restrictions on the payment of dividends (refer to page 6), 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.

APS 330 reporting structure



¹ A detailed list of non-consolidated entities is provided in Appendix 11.5.

Capital

3 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.

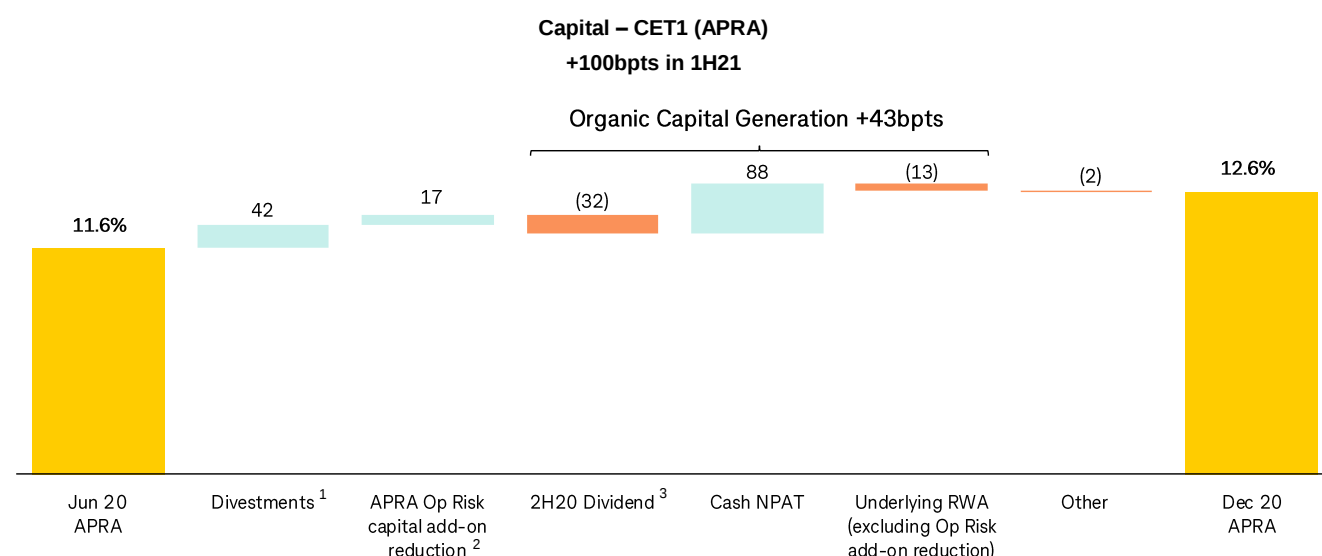
APRA advises the Group of its Prudential Capital Ratio (PCR), which represents the regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times. In order to ensure there is no breach of these minimum levels, APRA expects the Group to maintain a prudent 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 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 Leadership Team of the Group and at regular intervals throughout the year to the Board Risk and Compliance Committee. Capital forecasts are updated on a continuous basis and a detailed capital plan is presented to the Board annually.

Capital Position



- 1 Relates to additional receipt of funds as part of the divestment of CommInsure Life, the completion of the divestment of BoCommLife, and benefit from the revised calculation of non-cash gains and losses on disposal of previously announced divestments.
- 2 The benefit from a 50% reduction in APRA's operational risk regulatory capital add-on from \$1 billion to \$500 million (reduction of \$6.25 billion RWA).
- 3 The 2020 final dividend included the issuance of \$264 million of shares (CET1 impact of 6 basis points) in respect of the DRP.

The Group has a strong capital position, with the 31 December 2020 CET1 ratio (APRA) of 12.6%, above APRA's 'unquestionably strong' benchmark of 10.5% and well above the prudential minimum of 8%. The CET1 ratio was consistently well in excess of regulatory minimum capital adequacy requirements at all times throughout the half year ended 31 December 2020.

After allowing for the impact of the 2020 final dividend, net of shares issued under the DRP (-32 basis points), the CET1 ratio increased by 132 basis points in the half year ended 31 December 2020. This was driven by capital generated from earnings (+88 basis points), benefit from divestments (+42 basis points), and a 50% reduction in APRA's operational risk capital add-on (+17 basis points). This was partially offset by higher underlying RWA (-13 basis points) and other items (-2 basis points).

Further details on the movements in RWA are provided on page 10.

Capital Initiatives

The following significant capital initiatives were undertaken during the half year ended 31 December 2020:

Common Equity Tier 1 Capital

- The DRP in respect of the 2020 final dividend was satisfied by the issuance of \$264 million of ordinary shares, representing a participation rate of 15.2%.

Tier 2 Capital

- In August 2020, the Bank issued an AUD205 million subordinated note and an AUD200 million subordinated note that are both Basel III compliant Tier 2 capital;
- In September 2020, the Bank issued an AUD1,400 million subordinated note that is Basel III compliant Tier 2 capital; and
- In December 2020, the Bank issued an AUD270 million subordinated note that is Basel III compliant Tier 2 capital.

Capital (continued)

Basel Regulatory Framework

APRA has implemented a set of capital, liquidity and funding reforms based on the Basel Committee on Banking Supervision (BCBS) "Basel III" framework. The objectives of the 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 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 (D-SIB) requirement of 1% and a CCyB¹ of 0% (effective from 1 January 2016), brings the minimum CET1 ratio requirement to 8%.

Unquestionably Strong Capital Ratios

In July 2017, APRA released an information paper establishing the quantum of additional capital required for the Australian banking sector to have capital ratios that are unquestionably strong.

APRA's expectation is that the Australian major banks will operate for the majority of the year with a CET1 ratio of 10.5% or more. As at 31 December 2020, the Group's CET1 ratio was 12.6%, and was above the 10.5% benchmark for the entire 2020 calendar year.

Subsequently, APRA issued proposed revisions to the overall design of the capital framework and further detail of the proposed reforms is provided in 'Regulatory Reforms' below.

APRA's COVID-19 Capital Announcements

On 19 March 2020, APRA announced temporary changes to its expectations regarding bank capital ratios and advised that, provided banks are able to meet their minimum capital requirements, the capital buffers built up over recent years to meet the 10.5% unquestionably strong benchmark CET1 capital ratio can be utilised to facilitate ongoing lending to the economy during the period of disruption caused by COVID-19.

On 23 March 2020, APRA announced its regulatory approach to COVID-19 customer support measures being offered by banks in the current environment. Additional guidance was provided in July 2020 and September 2020. This included capital relief in the form of ADIs being able to 'stop the clock' on arrears and relief for restructured loans. Further details are provided on page 12.

The Group has introduced a number of support measures for customers impacted by COVID-19, which include loan repayment deferral arrangements and the origination of loans under the Government's Small and Medium Enterprises (SME) Guarantee Scheme. Further details of these measures are provided on page 12.

On 15 December 2020, APRA announced that its guidance issued in July 2020 requiring banks to preserve capital through retaining at least half of their earnings during the period of disruption caused by COVID-19 will no longer apply from calendar year 2021. Nevertheless, in determining the appropriate level of dividends, APRA expects banks to moderate dividend payout ratios to ensure they are sustainable, taking into account the outlook for profitability, capital and the broader environment.

Regulatory Reforms

APRA

In February 2018, APRA commenced consultation on a number of proposed changes to the ADI capital framework, commonly known as "Basel III". Following an initial round of consultation and industry responses, in December 2020, APRA released a further consultation package titled "Discussion paper – A more flexible and resilient capital framework for ADIs". The objectives of the proposed changes are to increase the risk sensitivity within the capital

framework, to enhance the ability to respond flexibly to future stress events, and to improve the comparability of the Australian framework with international standards. The package sets out APRA's key proposals based on feedback received in earlier consultations. APRA's proposals include:

- Higher regulatory capital buffers, with the CCyB set at 100 basis points for all ADIs and the capital conservation buffer increasing from 250 basis points to 400 basis points for Internal Ratings-based (IRB) ADIs such as CBA;
- Implementing more risk sensitive risk weights, particularly for residential mortgage lending, by targeting higher risk segments, such as interest only and investor mortgages;
- For non-retail credit portfolios, closer alignment of risk estimates relative to overseas peers and allowing internal models to be used for commercial property exposures. The expected decrease in RWAs due to this proposal will be tempered through higher scaling factors;
- RWA for New Zealand subsidiaries to be determined under RBNZ rules at the consolidated group level; and
- Implementing a 72.5% output floor to limit the capital benefit for IRB ADIs relative to standardised ADIs.

These proposals will result in changes to the calculation of RWA and will, therefore, impact the presentation of bank capital ratios. APRA expects that capital ratios will increase, as the amount of RWA will likely fall. APRA further reiterated that it is targeting a capital outcome in dollar terms that remains consistent with the "unquestionably strong" capital benchmark.

APRA intends to implement the Basel III changes on 1 January 2023.

In January 2019, the Basel Committee on Banking Supervision released "Minimum capital requirements for market risk" which finalised changes to the identification and measurement of market risk under both the standardised approach and the internal model approach. APRA is yet to commence consultation on APS 116 "Capital Adequacy: Market Risk" and implementation is not expected until 2024.

In October 2019, APRA released a consultation paper on APS 111 "Capital Adequacy: Measurement of Capital" (APS 111). The consultation paper outlines APRA's proposal to change its existing approach on equity exposures to banking and insurance subsidiaries of ADIs. APRA has proposed that each individual equity exposure will be risk-weighted at 250% up to 10% of the ADI's Level 1 CET1 capital, with any excess above that threshold to be deducted from Level 1 CET1 capital. In November 2020, APRA advised that the 10% threshold will apply to new or additional investments into banking and insurance subsidiaries until APS 111 is finalised and implemented.

On 9 July 2019, APRA confirmed that the Australian loss-absorbing capacity regime will be established under the existing capital framework. For D-SIBs, including CBA, APRA will require an additional Total Capital requirement of 3% of RWA based on the existing capital framework, effective 1 January 2024. APRA is evaluating whether any consequential adjustment to the required amount of loss absorbing capacity is necessary, taking into account proposed changes to the capital framework announced in December 2020 as outlined above.

In August 2019, APRA released the final APS 222 "Associations with Related Entities". The revised standard is intended to strengthen the ability of ADIs to monitor, limit and control risk arising from transactions and other associations with related entities. These new requirements will be in place from 1 January 2022.

1 In December 2020, APRA announced that the CCyB for Australian exposures will remain at 0%. The Bank has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

Capital (continued)

Reserve Bank of New Zealand (RBNZ)

In December 2019, the RBNZ confirmed that the RWA of IRB banks, such as ASB, will increase to approximately 90% of that required under a standardised approach. In addition, for those banks deemed systemically important, including ASB, the Tier 1 capital requirement will increase to 16% of RWA, of which 13.5% must be in the form of CET1 capital. Tier 2 capital will remain in the framework, and can contribute up to 2% of the 18% minimum Total Capital ratio. Existing Additional Tier 1 and Tier 2 contingent instruments issued by New Zealand banks will no longer be eligible under RBNZ's new capital criteria and will be phased out.

The RBNZ announced that these reforms will commence from 1 July 2022 with a 6 year implementation period until 1 July 2028.

Revisions to Additional Tier 1 and Tier 2 eligibility will commence on 1 July 2021.

On 2 April 2020, the RBNZ announced a freeze on the distribution of dividends by banks in New Zealand due to COVID-19. This restriction will remain in place until 31 March 2021, or later if required. Dividends from the Bank's New Zealand subsidiary, ASB, only affect the Group's Level 1 CET1 capital ratio. As at 31 December 2020, the Group's Level 1 CET1 capital ratio was 12.8%, well above APRA's unquestionably strong benchmark, and as such, the Group is well placed to absorb the suspension of dividends.

The RBNZ has provided concessions similar to those provided by APRA for loan deferrals granted in response to COVID-19.

Group Regulatory Capital Position

	31 Dec 20	30 Jun 20	31 Dec 19
Summary Group Capital Adequacy Ratios (Level 2)	%	%	%
Common Equity Tier 1	12.6	11.6	11.7
Tier 1	15.0	13.9	14.1
Tier 2	3.9	3.6	3.3
Total Capital (APRA)	18.9	17.5	17.4
Common Equity Tier 1 (Internationally Comparable) ¹	18.7	17.4	17.5

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

	APRA 31 Dec 20	APRA 30 Jun 20	APRA 31 Dec 19
Group Regulatory Capital Position	\$M	\$M	\$M
Ordinary share capital and treasury shares ¹	38,432	38,182	38,180
Reserves	2,287	2,668	1,903
Retained earnings	33,915	30,886	30,808
Non-controlling interests	—	—	—
Common Equity Tier 1 Capital before regulatory adjustments	74,634	71,736	70,891
Common Equity Tier 1 regulatory adjustments	(17,539)	(19,163)	(18,511)
Common Equity Tier 1 Capital	57,095	52,573	52,380
Additional Tier 1 Capital	10,825	10,841	10,838
Tier 1 Capital	67,920	63,414	63,218
Tier 2 Capital	17,822	16,429	14,735
Total Capital	85,742	79,843	77,953
Risk Weighted Assets	453,616	454,948	449,154

¹ Inclusive of treasury shares of \$15 million (30 June 2020: \$51 million, 31 December 2019: \$54 million) held by the Group's eligible employee share scheme trusts.

Further details on the composition of the Group's capital are detailed in Appendix 11.1.

Capital (continued)

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

	31 Dec 20	30 Jun 20	31 Dec 19
	%	%	%
Significant Group ADIs			
CBA Level 1 CET1 Capital ratio	12. 8	11. 9	12. 1
CBA Level 1 Tier 1 Capital ratio	15. 3	14. 4	14. 6
CBA Level 1 Total Capital ratio	19. 3	18. 1	18. 0
ASB CET1 Capital ratio	12. 2	11. 5	11. 7
ASB Tier 1 Capital ratio	13. 9	13. 3	13. 5
ASB Total Capital ratio	14. 6	14. 0	14. 2

	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
CBA Level 1			
Common Equity Tier 1 Capital	55,312	52,283	52,629
Tier 1 Capital	66,137	63,124	63,467
Tier 2 Capital	17,488	16,084	14,507
Total Capital	83,625	79,208	77,974
Risk Weighted Assets	433,568	438,345	433,275

	31 Dec 20	30 Jun 20	31 Dec 19
	NZ\$M	NZ\$M	NZ\$M
ASB Banking Group			
Common Equity Tier 1 Capital	7,119	6,496	6,651
Tier 1 Capital	8,119	7,496	7,651
Tier 2 Capital	433	433	429
Total Capital	8,552	7,929	8,080
Risk Weighted Assets	58,377	56,542	56,784

Capital (continued)

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 31 December 2020, the Group's internationally comparable CET1, Tier 1 and Total Capital ratios were 18.7%, 21.8% and 26.9% respectively. The basis of this analysis aligns with the APRA study. The following table provides details on the differences, as at 31 December 2020, between the APRA Basel III capital requirements and the internationally comparable capital ratios.

Item	APRA Study Reference	Description of Adjustment	CET1 %	Tier 1 %	Total Capital %
Basel III (APRA)			12. 6	15. 0	18. 9
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.	0. 7	0. 6	0. 5
Capitalised expenses	Appendix 1 Item 5	Balances are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0. 1	0. 1	0. 1
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. 5	0. 4	0. 3
IRRBB RWA	3.3.2	APRA requires capital to be held for IRRBB. The BCBS does not have any capital requirement.	0. 4	0. 5	0. 6
Residential mortgages	3.3.1	Loss Given Default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements and adjustments for higher correlation factor applied by APRA for Australian residential	2. 4	2. 8	3. 5
Other retail standardised exposures	3.3.6	Risk weighting of 75%, rather than 100% under APRA's requirements.	–	–	0. 1
Unsecured non-retail exposures	3.3.3	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements.	0. 4	0. 5	0. 6
Non-retail undrawn commitments	3.3.4	Credit conversion factor of 75%, compared to 100% under APRA's requirements.	0. 4	0. 5	0. 6
Specialised lending	3.3.5	Use of AIRB Probability of Default (PDs) 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.	1. 1	1. 3	1. 6
Currency conversion	3.3.7	Increase in the A\$ equivalent concessional threshold level for small business retail and SME corporate exposures.	0. 1	0. 1	0. 2
Subtotal ¹			18. 7	21. 8	27. 0
Basel III non-compliant instruments		Removal of Basel III non-compliant Tier 1 and Tier 2 instruments that are currently subject to transitional rules.	–	–	(0. 1)
Basel III (Internationally Comparable - aligns with APRA study)			18. 7	21. 8	26. 9

¹ Represents ratios prior to adjustments made for non-compliant Basel III Tier 1 and Tier 2 Capital Instruments. This value is used in determining leverage ratio (internationally comparable) as determined on page 9.

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 the existing Basel III requirements 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.

The Group's internationally comparable CET1 ratio quoted above does not take into consideration the concessional treatment advocated by the BCBS in its 3 April 2020 report "Measures to reflect the impact of COVID-19". Applying the transitional arrangements for expected credit loss accounting under AASB 9 *Financial Instruments* (AASB 9) could result in an uplift to the Group's 31 December 2020 internationally comparable CET1 ratio of up to 30 basis points.

Leverage Ratio

4 Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 6.0% at 31 December 2020 on an APRA basis and 6.8% on an internationally comparable basis. The ratio increased 10 basis points on an APRA basis from 30 June 2020 driven by higher Tier 1 Capital, partly offset by growth in exposures.

In November 2018, APRA released draft prudential and reporting standards, including changes to the definition of exposures related to derivatives and off Balance Sheet items and advocating a minimum leverage ratio requirement of 3.5% for IRB banks, applicable from 1 January 2023.

Summary Group Leverage Ratio ¹	31 Dec 20	30 Sep 20	30 Jun 20	31 Mar 20	31 Dec 19
Tier 1 Capital (\$M)	67,920	64,423	63,414	61,142	63,218
Total Exposures (\$M) ²	1,125,048	1,105,321	1,073,131	1,102,574	1,040,423
Leverage Ratio (APRA) (%)	6.0	5.8	5.9	5.5	6.1
Leverage Ratio (Internationally Comparable) (%) ³	6.8	6.6	6.7	6.4	7.0

1 Refer to Appendix 11.2 for further details on the composition of the leverage ratio.

2 Total Exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 "Capital Adequacy" (APS 110). Refer to Appendix 11.2 for the calculation of the 31 December 2020 exposures.

3 The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the APRA study and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

Risk Weighted Assets

5 Risk Weighted Assets

RWA are calculated using 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 for rated exposures where APS 120 "Securitisation" (APS 120) prohibits the Group using the ratings-based approach. The ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI) where APS 120 allows or requires.

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

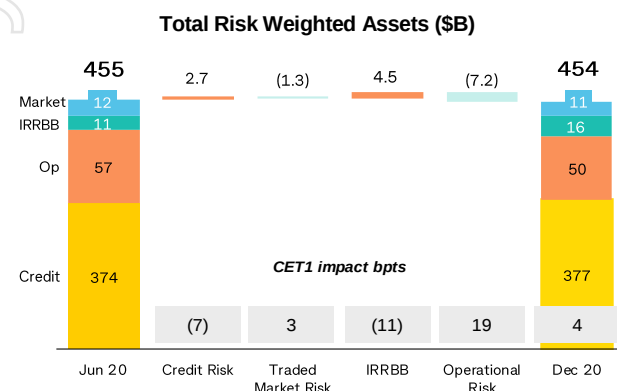
Asset Category	Risk Weighted Assets			Change in RWA for	
	31 Dec 20	30 Jun 20	31 Dec 19	December 2020 half	
	\$M	\$M	\$M	\$M	%
Credit Risk					
Subject to AIRB approach ¹					
Corporate	69,157	69,577	67,236	(420)	(0. 6)
SME corporate	30,662	30,890	31,560	(228)	(0. 7)
SME retail	6,583	6,665	5,976	(82)	(1. 2)
SME retail secured by residential mortgage	3,087	3,360	3,314	(273)	(8. 1)
Sovereign	2,668	1,838	1,682	830	45. 2
Bank	6,424	6,667	7,964	(243)	(3. 6)
Residential mortgage	151,950	148,294	147,865	3,656	2. 5
Qualifying revolving retail	5,816	6,697	7,802	(881)	(13. 2)
Other retail	11,511	12,126	13,490	(615)	(5. 1)
Total RWA subject to AIRB approach	287,858	286,114	286,889	1,744	0. 6
Specialised lending	60,136	58,611	56,024	1,525	2. 6
Subject to standardised approach					
Corporate	1,194	957	1,309	237	24. 8
SME corporate	752	742	756	10	1. 3
SME retail	2,660	2,929	4,586	(269)	(9. 2)
Sovereign	286	267	218	19	7. 1
Bank	150	68	66	82	large
Residential mortgage	6,466	6,635	6,478	(169)	(2. 5)
Other retail	1,017	1,132	1,225	(115)	(10. 2)
Other assets	8,504	10,281	9,752	(1,777)	(17. 3)
Total RWA subject to standardised approach	21,029	23,011	24,390	(1,982)	(8. 6)
Securitisation	2,981	3,015	3,191	(34)	(1. 1)
Credit valuation adjustment	4,446	3,057	4,358	1,389	45. 4
Central counterparties	450	386	365	64	16. 6
Total RWA for credit risk exposures	376,900	374,194	375,217	2,706	0. 7
Traded market risk	11,161	12,457	5,428	(1,296)	(10. 4)
Interest rate risk in the banking book	15,561	11,085	8,998	4,476	40. 4
Operational risk	49,994	57,212	59,511	(7,218)	(12. 6)
Total risk weighted assets	453,616	454,948	449,154	(1,332)	(0. 3)

¹ Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.

Risk Weighted Assets (continued)

Risk Weighted Assets

Total RWA decreased by \$1.3 billion on the prior half to \$453.6 billion driven by decreases in operational risk RWA and traded market risk RWA, partly offset by higher credit risk RWA and IRRBB RWA.



Credit Risk RWA

Credit risk RWA increased by \$2.7 billion on the prior half to \$376.9 billion, primarily driven by:

- Volume growth across commercial portfolios, residential mortgages and bank and sovereign exposures, partly offset by a reduction in unsecured retail portfolios and in exposures subject to standardised treatment (+\$10.4 billion); partly offset by
- Credit quality improvement (-\$3.9 billion), primarily across retail portfolios, driven by:
 - improved loan serviceability;
 - growth in mortgage offset balances;
 - higher provision coverage on defaulted assets, reducing RWA;
- Foreign currency movements due to appreciation of the AUD against major currencies (-\$2.5 billion); and
- Data and methodology, credit risk estimates and other changes (-\$1.3 billion).

Explanation of Change in Credit RWA

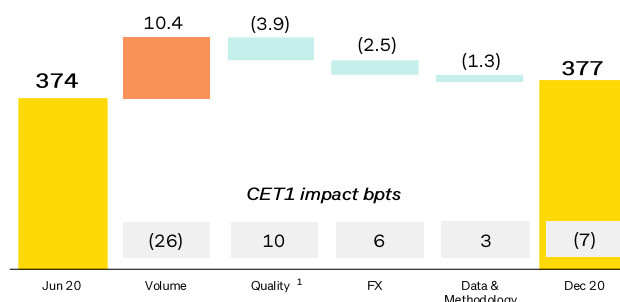
The composition of the movement in credit RWA over the half is shown below.

Asset Category	Credit RWA movement drivers					
	Change in RWA for Dec 20 half \$M	Volume changes \$M	FX changes \$M	Credit risk estimates changes and regulatory treatments \$M	Data and methodology changes \$M	Change in credit quality ¹ \$M
AIRB corporate including SME and specialised lending	522	6,181	(2,007)	(2,100)	(527)	(1,025)
AIRB bank	(243)	383	(190)	39	—	(475)
AIRB sovereign	830	569	(38)	277	—	22
AIRB consumer retail	2,160	4,758	70	1,273	263	(4,204)
Standardised ²	(529)	(1,396)	(375)	(124)	(351)	1,717
Securitisation exposures	(34)	(115)	—	—	—	81
Total credit RWA movement	2,706	10,380	(2,540)	(635)	(615)	(3,884)

¹ Credit quality includes portfolio mix.

² Including other assets, Central Counterparty (CCP) and Credit Valuation Adjustment (CVA).

Credit Risk Weighted Assets (\$B)



¹ Credit quality includes portfolio mix.

Traded Market Risk RWA

Traded market risk RWA decreased by \$1.3 billion or 10% on the prior half. This was mainly due to the implementation of an enhanced model measurement approach for certain interest rate option exposures.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by \$4.5 billion or 40% on the prior half. This was due to changes in interest rate risk management positions and increased size of the replicating portfolio due to growth in deposits.

Operational Risk RWA

Operational risk RWA decreased by \$7.2 billion or 13% on the prior half. The decrease is mainly due to a 50% reduction in APRA's operational risk add-on from \$12.5 billion to \$6.25 billion.

The Group regularly reviews and updates its operational risk RWA to reflect material changes in its operational risk profile in accordance with the Operational Risk Management Framework and governance processes.

Credit Risk

6 Credit Risk

6.1 COVID-19 Customer Support Measures

The Group has introduced a number of support measures for customers impacted by the COVID-19 pandemic, including loan repayment deferrals. To support ADIs in providing this assistance to customers, APRA provided temporary capital relief which had the effect that where a borrower was otherwise performing, and their loan was subject to repayment deferrals as part of a COVID-19 support package, the repayment deferrals would not be treated as a period of arrears and the loan would not be regarded as restructured. Additionally, to facilitate ADIs transitioning impacted borrowers to a regular repayment schedule, APRA will temporarily adjust the capital requirements so that a borrower's facilities can be restructured and immediately returned to a performing status provided the restructure occurs before 31 March 2021. The RBNZ has provided similar concessions for repayment deferrals granted in response to COVID-19.

As at 31 December 2020, ~38,000 accounts (30 June 2020: ~240,000 accounts) with a total Exposure at Default (EAD) of \$14.0 billion (30 June 2020: ~\$73.5 billion) have been granted COVID-19 repayment deferrals. Of these ~37,000 accounts (30 June 2020: ~234,000 accounts) with a total EAD of \$13.6 billion (30 June 2020: ~\$71.9 billion) qualify for APRA/RBNZ concessional treatment, shown in the table below.

Loan Deferrals by Asset Category

Asset Category	31 December 2020		30 June 2020	
	Exposure at Default	Risk Weighted Assets	Exposure at Default	Risk Weighted Assets
	\$M	\$M	\$M	\$M
Corporate	10	11	813	714
SME corporate	279	205	8,305	4,799
SME retail	142	86	3,400	1,633
SME retail secured by residential mortgage	108	78	2,429	1,484
Residential mortgage	13,026	5,768	54,855	22,683
Qualifying revolving retail	–	–	27	21
Other retail	5	5	113	159
Specialised lending	48	55	1,949	2,080
Total	13,618	6,208	71,891	33,573

The Group has also participated in the Australian Government's SME Guarantee Scheme. APRA has confirmed that the SME Guarantee Scheme will be regarded as an eligible guarantee by the government for risk weighting purposes. ASB has participated in a similar scheme in New Zealand. The Group will continue to provision for these loans under relevant accounting standards.

Credit Risk (continued)

6.2 Credit Risk Exposure – excluding Equities and Securitisation

The following tables detail credit risk exposures subject to AIRB and standardised approaches.

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

Portfolio Type	31 December 2020				Average exposure for December 2020 half ¹	Change in exposure for December 2020 half ²	
	On Balance Sheet	Off Balance Sheet	Non-market related	Market related			
	\$M	\$M	\$M	\$M	\$M	\$M	%
Subject to AIRB approach							
Corporate	65,063	48,518	10,112	123,693	123,330	726	0.6
SME corporate	43,057	10,566	789	54,412	53,134	2,556	4.9
SME retail	7,082	4,508	11	11,601	11,593	16	0.1
SME retail secured by residential mortgage	3,649	1,655	–	5,304	5,421	(233)	(4.2)
Sovereign	135,955	1,151	2,366	139,472	123,798	31,348	29.0
Bank	17,057	404	7,255	24,716	24,445	542	2.2
Residential mortgage	543,741	80,069	–	623,810	611,662	24,297	4.1
Qualifying revolving retail	8,124	16,502	–	24,626	24,968	(683)	(2.7)
Other retail	6,662	3,022	–	9,684	9,770	(171)	(1.7)
Total AIRB approach	830,390	166,395	20,533	1,017,318	988,121	58,398	6.1
Specialised lending	56,649	9,844	2,204	68,697	67,565	2,264	3.4
Subject to standardised approach							
Corporate	1,026	153	15	1,194	1,076	237	24.8
SME corporate	604	141	7	752	747	11	1.5
SME retail	1,872	774	8	2,654	2,787	(266)	(9.1)
Sovereign	594	1	–	595	580	30	5.3
Bank	666	–	–	666	495	342	large
Residential mortgage	13,090	1,681	–	14,771	14,936	(331)	(2.2)
Other retail	968	36	–	1,004	1,062	(116)	(10.4)
Other assets	23,408	–	–	23,408	20,604	5,609	31.5
Central counterparties	–	–	10,641	10,641	10,562	158	1.5
Total standardised approach	42,228	2,786	10,671	55,685	52,849	5,674	11.3
Total Credit Exposures ³	929,267	179,025	33,408	1,141,700	1,108,535	66,336	6.2

¹ The simple average of balances as at 31 December 2020 and 30 June 2020.

² The difference between exposures as at 31 December 2020 and 30 June 2020.

³ 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	Regulatory Exposure Driver
	\$M	
AIRB corporate (including SME corporate and SME retail) and specialised lending	5,329	Volume growth across most portfolios, partly offset by foreign exchange rate (FX) movements
AIRB sovereign	31,348	Increase in liquid assets held with central banks
AIRB bank	542	Increase in liquid assets
AIRB consumer retail	23,443	Volume growth in residential mortgages, partly offset by reductions in other consumer retail portfolios
Total advanced and specialised lending	60,662	
Standardised (including other assets and central counterparties)	5,674	Higher volumes of other assets, partly offset by FX movements
Total (excluding securitisation and equity exposures)	66,336	

Credit Risk (continued)

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

Portfolio Type	30 June 2020				Average exposure for June 2020 half ¹	Change in exposure for June 2020 half ²	
	On Balance Sheet	Off Balance Sheet	Non-market related	Market related			
	\$M	\$M	\$M	\$M	\$M	\$M	%
Subject to AIRB approach							
Corporate	66,476	45,826	10,665	122,967	122,262	1,410	1.2
SME corporate	42,556	8,556	744	51,856	51,840	32	0.1
SME retail	7,477	4,108	–	11,585	11,096	978	9.2
SME retail secured by residential mortgage	4,035	1,502	–	5,537	5,571	(67)	(1.2)
Sovereign	104,584	1,119	2,421	108,124	99,416	17,416	19.2
Bank	16,119	404	7,651	24,174	25,491	(2,635)	(9.8)
Residential mortgage	526,642	72,871	–	599,513	595,266	8,495	1.4
Qualifying revolving retail	8,192	17,117	–	25,309	25,994	(1,370)	(5.1)
Other retail	6,716	3,139	–	9,855	10,269	(827)	(7.7)
Total AIRB approach	782,797	154,642	21,481	958,920	947,205	23,432	2.5
Specialised lending	55,065	8,902	2,466	66,433	65,332	2,203	3.4
Subject to standardised approach							
Corporate	794	139	24	957	1,133	(352)	(26.9)
SME corporate	555	175	11	741	749	(15)	(2.0)
SME retail	2,018	878	24	2,920	3,751	(1,662)	(36.3)
Sovereign	564	1	–	565	520	90	18.9
Bank	324	–	–	324	322	5	1.6
Residential mortgage	13,433	1,669	–	15,102	14,759	686	4.8
Other retail	1,095	25	–	1,120	1,172	(104)	(8.5)
Other assets	17,799	–	–	17,799	17,239	1,121	6.7
Central counterparties	–	–	10,483	10,483	9,749	1,469	16.3
Total standardised approach	36,582	2,887	10,542	50,011	49,394	1,238	2.5
Total credit exposures ³	874,444	166,431	34,489	1,075,364	1,061,931	26,873	2.6

¹ The simple average of balances as at 30 June 2020 and 31 December 2019.

² The difference between exposures as at 30 June 2020 and 31 December 2019.

³ Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Credit Risk (continued)

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

Portfolio Type	31 December 2019				Average exposure for December 2019 half ¹	Change in exposure for December 2019 half ²	
	On Balance Sheet	Off Balance Sheet		Total		SM	%
		Non-market related	Market related				
Subject to AIRB approach							
Corporate	67,614	44,267	9,676	121,557	120,201	2,713	2.3
SME corporate	42,818	8,398	608	51,824	51,946	(244)	(0.5)
SME retail	6,970	3,637	–	10,607	10,762	(310)	(2.8)
SME retail secured by residential mortgage	4,112	1,492	–	5,604	5,666	(123)	(2.1)
Sovereign	87,248	1,225	2,235	90,708	90,307	803	0.9
Bank	19,206	377	7,226	26,809	30,225	(6,831)	(20.3)
Residential mortgage	518,096	72,922	–	591,018	584,377	13,282	2.3
Qualifying revolving retail	9,977	16,702	–	26,679	27,024	(692)	(2.5)
Other retail	7,610	3,072	–	10,682	10,926	(489)	(4.4)
Total AIRB approach	763,651	152,092	19,745	935,488	931,434	8,109	0.9
Specialised lending	53,751	8,821	1,658	64,230	62,747	2,964	4.8
Subject to standardised approach							
Corporate	1,155	150	4	1,309	1,450	(281)	(17.7)
SME corporate	596	160	–	756	789	(66)	(8.0)
SME retail	3,664	719	199	4,582	4,605	(46)	(1.0)
Sovereign	474	1	–	475	484	(20)	(4.0)
Bank	319	–	–	319	317	4	1.3
Residential mortgage	12,693	1,723	–	14,416	14,675	(517)	(3.5)
Other retail	1,196	28	–	1,224	1,236	(25)	(2.0)
Other assets	16,678	–	–	16,678	15,606	2,145	14.8
Central counterparties	–	–	9,014	9,014	8,502	1,025	12.8
Total standardised approach	36,775	2,781	9,217	48,773	47,664	2,219	4.8
Total credit exposures ³	854,177	163,694	30,620	1,048,491	1,041,845	13,292	1.3

¹ The simple average of balances as at 31 December 2019 and 30 June 2019.

² The difference between exposures as at 31 December 2019 and 30 June 2019.

³ Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Credit Risk (continued)

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

Portfolio Type	As at 31 Dec 20 \$M	Half year average ¹ \$M
Corporate	124,887	124,406
SME corporate	55,164	53,881
SME retail	14,255	14,380
SME retail secured by residential mortgage	5,304	5,421
Sovereign	140,067	124,378
Bank	25,382	24,940
Residential mortgage	638,581	626,598
Qualifying revolving retail	24,626	24,968
Other retail	10,688	10,832
Specialised lending	68,697	67,565
Other assets	23,408	20,604
Central counterparties	10,641	10,562
Total credit exposures ²	1,141,700	1,108,535

1 The simple average of closing balances of each half year.

2 Total credit risk exposures do not include equities or securitisation exposures.

Portfolio Type	As at 30 Jun 20 \$M	Half year average ¹ \$M
Corporate	123,924	123,395
SME corporate	52,597	52,589
SME retail	14,505	14,847
SME retail secured by residential mortgage	5,537	5,571
Sovereign	108,689	99,936
Bank	24,498	25,813
Residential mortgage	614,615	610,025
Qualifying revolving retail	25,309	25,994
Other retail	10,975	11,441
Specialised lending	66,433	65,332
Other assets	17,799	17,239
Central counterparties	10,483	9,749
Total credit exposures ²	1,075,364	1,061,931

1 The simple average of closing balances of each half year.

2 Total credit risk exposures do not include equities or securitisation exposures.

Portfolio Type	As at 31 Dec 19 \$M	Half year average ¹ \$M
Corporate	122,866	121,651
SME corporate	52,580	52,735
SME retail	15,189	15,367
SME retail secured by residential mortgage	5,604	5,666
Sovereign	91,183	90,791
Bank	27,128	30,542
Residential mortgage	605,434	599,052
Qualifying revolving retail	26,679	27,024
Other retail	11,906	12,162
Specialised lending	64,230	62,747
Other assets	16,678	15,606
Central counterparties	9,014	8,502
Total credit exposures ²	1,048,491	1,041,845

1 The simple average of closing balances of each half year.

2 Total credit risk exposures do not include equities or securitisation exposures.

Credit Risk (continued)

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

Portfolio Type	31 December 2020 ¹			
	Australia \$M	New Zealand \$M	Other \$M	Total \$M
Corporate	81,651	12,600	30,636	124,887
SME corporate	39,541	15,137	486	55,164
SME retail ²	17,568	1,864	127	19,559
Sovereign	85,914	7,421	46,732	140,067
Bank	10,945	1,730	12,707	25,382
Residential mortgage	568,076	69,267	1,238	638,581
Qualifying revolving retail	24,624	–	2	24,626
Other retail	6,903	3,454	331	10,688
Specialised lending	56,574	8,889	3,234	68,697
Other assets	21,616	897	895	23,408
Central counterparties	332	–	10,309	10,641
Total credit exposures ³	913,744	121,259	106,697	1,141,700

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.

Portfolio Type	30 June 2020 ¹			
	Australia \$M	New Zealand \$M	Other \$M	Total \$M
Corporate	77,090	11,963	34,871	123,924
SME corporate	37,109	14,812	676	52,597
SME retail ²	18,022	1,859	161	20,042
Sovereign	64,862	7,240	36,587	108,689
Bank	10,928	1,399	12,171	24,498
Residential mortgage	548,608	64,615	1,392	614,615
Qualifying revolving retail	25,307	–	2	25,309
Other retail	7,050	3,538	387	10,975
Specialised lending	53,884	8,511	4,038	66,433
Other assets	15,907	887	1,005	17,799
Central counterparties	371	–	10,112	10,483
Total credit exposures ³	859,138	114,824	101,402	1,075,364

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.

Portfolio Type	31 December 2019 ¹			
	Australia \$M	New Zealand \$M	Other \$M	Total \$M
Corporate	73,582	12,311	36,973	122,866
SME corporate	36,759	15,195	626	52,580
SME retail ²	17,348	3,233	212	20,793
Sovereign	53,485	4,121	33,577	91,183
Bank	11,152	1,887	14,089	27,128
Residential mortgage	540,242	63,601	1,591	605,434
Qualifying revolving retail	26,677	–	2	26,679
Other retail	7,759	3,746	401	11,906
Specialised lending	51,738	8,473	4,019	64,230
Other assets	14,544	1,038	1,096	16,678
Central counterparties	381	–	8,633	9,014
Total credit exposures ³	833,667	113,605	101,219	1,048,491

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.

Credit Risk (continued)

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

Portfolio Type	31 December 2020							
	Industry Sector							
	Residential mortgage \$M	Other personal \$M	Asset finance \$M	Sovereign \$M	Bank \$M	Other finance \$M	Agriculture \$M	Mining \$M
Corporate	–	–	3,753	–	–	24,063	3,333	6,113
SME corporate	–	–	3,397	–	–	1,912	18,045	174
SME retail ¹	–	–	2,915	–	–	344	1,622	67
Sovereign	–	–	–	140,067	–	–	–	–
Bank	–	–	–	–	25,382	–	–	–
Residential mortgage	638,581	–	–	–	–	–	–	–
Qualifying revolving retail	–	24,626	–	–	–	–	–	–
Other retail	–	10,406	282	–	–	–	–	–
Specialised lending	–	–	28	–	–	275	–	1,115
Other assets	–	2,156	–	–	–	–	–	–
Central counterparties	–	–	–	–	1,154	9,487	–	–
Total credit exposures ²	638,581	37,188	10,375	140,067	26,536	36,081	23,000	7,469

	Industry Sector (continued)							
				Retail/ wholesale trade	Transport and storage	Property ³	Other	Total
Portfolio Type	Manufacturing \$M	Energy \$M	Construction \$M	\$M	\$M	\$M	\$M	\$M
Corporate	10,205	6,911	2,915	10,291	16,875	11,796	28,632	124,887
SME corporate	2,959	72	2,763	7,880	1,603	147	16,212	55,164
SME retail ¹	794	18	1,606	2,408	445	1,770	7,570	19,559
Sovereign	—	—	—	—	—	—	—	140,067
Bank	—	—	—	—	—	—	—	25,382
Residential mortgage	—	—	—	—	—	—	—	638,581
Qualifying revolving retail	—	—	—	—	—	—	—	24,626
Other retail	—	—	—	—	—	—	—	10,688
Specialised lending	53	2,378	—	275	1,766	61,343	1,464	68,697
Other assets	—	—	—	—	—	—	21,252	23,408
Central counterparties	—	—	—	—	—	—	—	10,641
Total credit exposures ²	14,011	9,379	7,284	20,854	20,689	75,056	75,130	1,141,700

¹ SME retail business lending secured by residential property has been allocated by industry.

² Total credit risk exposures do not include equities or securitisation exposures.

³ Property includes Real Estate Investment Trusts (REIT) and excludes Business Services.

Credit Risk (continued)

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

Portfolio Type	30 June 2020							
	Industry Sector							
	Residential mortgage \$M	Other personal \$M	Asset finance \$M	Sovereign \$M	Bank \$M	Other finance \$M	Agriculture \$M	Mining \$M
Corporate	–	–	3,623	–	–	25,135	2,986	7,926
SME corporate	–	–	3,228	–	–	1,976	17,339	159
SME retail ¹	–	–	3,293	–	–	351	1,667	69
Sovereign	–	–	–	108,689	–	–	–	–
Bank	–	–	–	–	24,498	–	–	–
Residential mortgage	614,615	–	–	–	–	–	–	–
Qualifying revolving retail	–	25,309	–	–	–	–	–	–
Other retail	–	10,631	344	–	–	–	–	–
Specialised lending	–	–	22	–	–	–	–	1,464
Other assets	–	2,150	–	–	–	–	–	–
Central counterparties	–	–	–	–	884	9,599	–	–
Total credit exposures ²	614,615	38,090	10,510	108,689	25,382	37,061	21,992	9,618

Portfolio Type	Industry Sector (continued)							
	Retail/wholesale trade and storage							
	Manufacturing \$M	Energy \$M	Construction \$M	Retail/wholesale trade \$M	Transport and storage \$M	Property ³ \$M	Other \$M	Total \$M
Corporate	9,909	6,353	3,319	9,508	16,875	12,010	26,280	123,924
SME corporate	2,906	93	2,672	7,230	1,480	157	15,357	52,597
SME retail ¹	836	18	1,588	2,376	457	1,832	7,555	20,042
Sovereign	–	–	–	–	–	–	–	108,689
Bank	–	–	–	–	–	–	–	24,498
Residential mortgage	–	–	–	–	–	–	–	614,615
Qualifying revolving retail	–	–	–	–	–	–	–	25,309
Other retail	–	–	–	–	–	–	–	10,975
Specialised lending	62	2,297	–	218	3,186	57,443	1,741	66,433
Other assets	–	–	–	–	–	–	15,649	17,799
Central counterparties	–	–	–	–	–	–	–	10,483
Total credit exposures ²	13,713	8,761	7,579	19,332	21,998	71,442	66,582	1,075,364

¹ SME retail business lending secured by residential property has been allocated by industry.

² Total credit risk exposures do not include equities or securitisation exposures.

³ Property includes REITs and excludes Business Services.

Credit Risk (continued)

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

Portfolio Type	31 December 2019							
	Industry Sector							
	Residential mortgage \$M	Other personal \$M	Asset finance \$M	Sovereign \$M	Bank \$M	Other finance \$M	Agriculture \$M	Mining \$M
Corporate	–	–	3,624	–	–	26,270	2,970	8,801
SME corporate	–	–	3,101	–	–	1,666	17,438	143
SME retail ¹	–	–	3,290	–	–	357	1,787	116
Sovereign	–	–	–	91,183	–	–	–	–
Bank	–	–	–	–	27,128	–	–	–
Residential mortgage	605,434	–	–	–	–	–	–	–
Qualifying revolving retail	–	26,679	–	–	–	–	–	–
Other retail	–	11,552	354	–	–	–	–	–
Specialised lending	–	–	13	–	–	–	1	1,244
Other assets	–	2,570	–	–	–	–	–	–
Central counterparties	–	–	–	–	978	8,036	–	–
Total credit exposures ²	605,434	40,801	10,382	91,183	28,106	36,329	22,196	10,304

Portfolio Type	Industry Sector (continued)							
	Manufacturing \$M	Energy \$M	Construction \$M	Retail/wholesale trade \$M	Transport and storage \$M	Property ³ \$M	Other \$M	Total \$M
Corporate	9,976	6,439	2,931	9,427	15,994	11,144	25,290	122,866
SME corporate	2,965	174	2,626	7,679	1,462	244	15,082	52,580
SME retail ¹	846	17	1,629	2,513	458	2,339	7,441	20,793
Sovereign	–	–	–	–	–	–	–	91,183
Bank	–	–	–	–	–	–	–	27,128
Residential mortgage	–	–	–	–	–	–	–	605,434
Qualifying revolving retail	–	–	–	–	–	–	–	26,679
Other retail	–	–	–	–	–	–	–	11,906
Specialised lending	63	2,312	–	261	2,354	55,966	2,016	64,230
Other assets	–	–	–	–	–	–	14,108	16,678
Central counterparties	–	–	–	–	–	–	–	9,014
Total credit exposures ²	13,850	8,942	7,186	19,880	20,268	69,693	63,937	1,048,491

1 SME retail business lending secured by residential property has been allocated by industry.

2 Total credit risk exposures do not include equities or securitisation exposures.

3 Property includes REITs and excludes Business Services.

Credit Risk (continued)

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

Portfolio Type	31 December 2020				
	≤ 12mths \$M	1 ≤ 5yrs \$M	> 5 years \$M	No specified maturity \$M	Total \$M
Corporate	45,912	71,929	7,046	–	124,887
SME corporate	20,605	31,171	3,388	–	55,164
SME retail ¹	6,991	7,829	4,739	–	19,559
Sovereign	57,635	39,780	42,652	–	140,067
Bank	10,868	14,169	345	–	25,382
Residential mortgage	23,496	85,323	496,818	32,944	638,581
Qualifying revolving retail	–	–	–	24,626	24,626
Other retail	271	4,568	1,851	3,998	10,688
Specialised lending	21,884	41,799	5,014	–	68,697
Other assets	12,591	187	273	10,357	23,408
Central counterparties	5,055	4,146	1,440	–	10,641
Total credit exposures ²	205,308	300,901	563,566	71,925	1,141,700

1 Including SME retail secured by residential property.

2 Total credit risk exposures do not include equities or securitisation exposures.

Portfolio Type	30 June 2020				
	≤ 12mths \$M	1 ≤ 5yrs \$M	> 5 years \$M	No specified maturity \$M	Total \$M
Corporate	41,685	72,492	9,747	–	123,924
SME corporate	20,217	28,909	3,471	–	52,597
SME retail ¹	7,228	8,009	4,805	–	20,042
Sovereign	39,371	34,964	34,354	–	108,689
Bank	8,839	13,822	1,837	–	24,498
Residential mortgage	22,436	81,781	476,327	34,071	614,615
Qualifying revolving retail	–	–	–	25,309	25,309
Other retail	185	4,577	2,174	4,039	10,975
Specialised lending	19,948	40,390	6,095	–	66,433
Other assets	5,643	325	470	11,361	17,799
Central counterparties	4,231	3,479	2,773	–	10,483
Total credit exposures ²	169,783	288,748	542,053	74,780	1,075,364

1 Including SME retail secured by residential property.

2 Total credit risk exposures do not include equities or securitisation exposures.

Portfolio Type	31 December 2019				
	≤ 12mths \$M	1 ≤ 5yrs \$M	> 5 years \$M	No specified maturity \$M	Total \$M
Corporate	41,511	69,508	11,847	–	122,866
SME corporate	20,812	28,031	3,737	–	52,580
SME retail ¹	7,308	7,623	5,862	–	20,793
Sovereign	25,440	33,310	32,433	–	91,183
Bank	11,539	14,012	1,577	–	27,128
Residential mortgage	17,966	63,184	487,644	36,640	605,434
Qualifying revolving retail	–	–	–	26,679	26,679
Other retail	202	4,840	2,636	4,228	11,906
Specialised lending	20,060	38,741	5,429	–	64,230
Other assets	4,916	364	511	10,887	16,678
Central counterparties	3,477	4,284	1,253	–	9,014
Total credit exposures ²	153,231	263,897	552,929	78,434	1,048,491

1 Including SME retail secured by residential property.

2 Total credit risk exposures do not include equities or securitisation exposures.

Credit Risk (continued)

6.3 Past Due and Impaired Exposures, Provisions and Reserves

All provisions recognised in accordance with accounting standards that have been assessed on an individual basis are classified as specific provisions in accordance with APS 220 "Credit Quality" (APS 220). Most of the collective provisions raised under 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 retail products that are in default. Effective 31 December 2019, the Group's GRCL methodology results in an amount lower than the provision recognised for accounting purposes, resulting in no additional GRCL requirement.

Reconciliation of Australian Accounting Standards and APS 220 based credit provisions and APS 330 Table 7j – General reserve for credit losses

	31 December 2020		
	General reserve for credit losses ¹	Specific provision ¹	Total provisions
	\$M	\$M	\$M
Collective provision ²	5,274	669	5,943
Individual provisions ²	–	872	872
Total regulatory provisions	5,274	1,541	6,815

1 Provisions classified according to APS 220.

2 Provisions according to Australian Accounting Standards.

	30 June 2020		
	General reserve for credit losses ¹	Specific provision ¹	Total provisions
	\$M	\$M	\$M
Collective provision ²	4,902	494	5,396
Individual provisions ²	–	967	967
Total regulatory provisions	4,902	1,461	6,363

1 Provisions classified according to APS 220.

2 Provisions according to Australian Accounting Standards.

	31 December 2019		
	General reserve for credit losses ¹	Specific provision ¹	Total provisions
	\$M	\$M	\$M
Collective provision ²	3,663	404	4,067
Individual provisions ²	–	959	959
Total regulatory provisions	3,663	1,363	5,026

1 Provisions classified according to APS 220.

2 Provisions according to the Australian Accounting Standards.

Credit Risk (continued)

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

Industry Sector	31 December 2020				
	Impaired assets \$M	Past due loans ≥ 90 days ¹ \$M	Specific provision balance ² \$M	Net half year charges for individual provisions \$M	Half year actual losses ³ \$M
Home loans	1,451	2,504	581	9	36
Other personal	212	18	263	(1)	225
Asset finance	141	3	39	2	8
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Other finance	4	6	5	–	3
Agriculture	235	76	63	(5)	7
Mining	121	2	35	(5)	–
Manufacturing	253	36	147	52	70
Energy	–	–	–	–	–
Construction	61	30	31	(9)	5
Wholesale/retail trade	141	82	88	48	21
Transport and storage	90	24	70	18	12
Property	74	120	64	3	4
Other	317	221	155	2	42
Total	3,100	3,122	1,541	114	433

1 Represents loans ≥ 90 days past due but not impaired.

2 Specific provision balance includes certain Australian Accounting Standards collective provisions on some defaulted loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2020.

Credit Risk (continued)

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

Industry Sector	30 June 2020				
	Impaired assets \$M	Past due loans ≥ 90 days ¹ \$M	Specific provision balance ² \$M	Net half year charges for individual provisions \$M	Half year actual losses ³ \$M
Home loans	1,673	2,710	424	27	61
Other personal	279	45	278	5	270
Asset finance	121	4	45	2	6
Sovereign	–	–	–	–	–
Bank	–	–	–	2	–
Other finance	6	8	5	1	2
Agriculture	249	85	73	4	5
Mining	164	4	38	7	1
Manufacturing	261	48	183	58	10
Energy	–	–	–	–	–
Construction	63	39	41	(8)	33
Wholesale/retail trade	143	86	69	38	59
Transport and storage	184	17	63	49	21
Property	78	128	63	5	4
Other	327	187	179	82	82
Total	3,548	3,361	1,461	272	554

1 Represents loans ≥ 90 days past due but not impaired.

2 Specific provision balance includes certain Australian Accounting Standards collective provisions on some defaulted loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 30 June 2020.

Credit Risk (continued)

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

Industry Sector	31 December 2019				
	Impaired assets \$M	Past due loans ≥ 90 days ¹ \$M	Specific provision balance ² \$M	Net half year charges for individual provisions \$M	Half year actual losses ³ \$M
Home loans	1,854	2,479	420	55	55
Other personal	243	28	238	1	282
Asset finance	73	1	22	15	11
Sovereign	–	–	–	–	–
Bank	–	–	–	(9)	–
Other finance	6	6	4	1	3
Agriculture	325	79	78	–	28
Mining	108	2	29	–	13
Manufacturing	208	35	150	87	4
Energy	–	–	–	–	–
Construction	93	34	82	6	3
Wholesale/retail trade	121	111	90	42	19
Transport and storage	65	20	28	2	1
Property	69	169	59	–	5
Other	218	190	163	3	44
Total	3,383	3,154	1,363	203	468

1 Represents loans ≥ 90 days past due but not impaired.

2 Specific provision balance includes certain Australian Accounting Standards collective provisions on some defaulted loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2019.

Factors impacting the loss experience

The overall quality of the portfolio was relatively stable during the half year ended 31 December 2020. Gross impaired assets as a proportion of gross loans and advances (GLAAs) decreased by 7 basis points during the financial half year ended 31 December 2020. Total provisions as a proportion of GLAAs increased by 4 basis points to 0.86%, mainly driven by increases in forward looking adjustments predominantly due to COVID-19. Group actual losses decreased by \$121 million on the prior half led by a reduction in losses for the retail portfolios.

Credit Risk (continued)

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

31 December 2020					
Portfolio	Impaired assets \$M	Past due loans ≥ 90 days ¹ \$M	Specific provision balance ² \$M	Net half year charges for individual provisions \$M	Half year actual losses ³ \$M
Corporate including SME, specialised lending and central counterparties	1,437	600	697	106	172
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,451	2,504	581	9	36
Qualifying revolving retail	87	–	86	(3)	111
Other retail	125	18	177	2	114
Total	3,100	3,122	1,541	114	433

1 Represents loans ≥ 90 days past due but not impaired.

2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the half year ended 31 December 2020.

30 June 2020					
Portfolio	Impaired assets \$M	Past due loans ≥ 90 days ¹ \$M	Specific provision balance ² \$M	Net half year charges for individual provisions \$M	Half year actual losses ³ \$M
Corporate including SME, specialised lending and central counterparties	1,596	606	759	238	223
Sovereign	–	–	–	–	–
Bank	–	–	–	2	–
Residential mortgage	1,673	2,710	424	27	61
Qualifying revolving retail	143	–	114	1	107
Other retail	136	45	164	4	163
Total	3,548	3,361	1,461	272	554

1 Represents loans ≥ 90 days past due but not impaired.

2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the half year ended 30 June 2020.

31 December 2019					
Portfolio	Impaired assets \$M	Past due loans ≥ 90 days ¹ \$M	Specific provision balance ² \$M	Net half year charges for individual provisions \$M	Half year actual losses ³ \$M
Corporate including SME, specialised lending and central counterparties	1,286	647	705	156	131
Sovereign	–	–	–	–	–
Bank	–	–	–	(9)	–
Residential mortgage	1,854	2,479	420	55	55
Qualifying revolving retail	108	–	93	(1)	118
Other retail	135	28	145	2	164
Total	3,383	3,154	1,363	203	468

1 Represents loans ≥ 90 days past due but not impaired.

2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the half year ended 31 December 2019.

Credit Risk (continued)

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

Geographic Region ¹	31 December 2020		
	Impaired assets	Past due loans ≥ 90 days ²	Specific provision balance
	\$M	\$M	\$M
Australia	2,199	2,927	1,244
New Zealand	524	190	145
Other	377	5	152
Total	3,100	3,122	1,541

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

2 Represents loans ≥ 90 days past due but not impaired.

Geographic Region ¹	30 June 2020		
	Impaired assets	Past due loans ≥ 90 days ²	Specific provision balance
	\$M	\$M	\$M
Australia	2,416	3,061	1,078
New Zealand	681	223	196
Other	451	77	187
Total	3,548	3,361	1,461

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

2 Represents loans ≥ 90 days past due but not impaired.

Geographic Region ¹	31 December 2019		
	Impaired assets	Past due loans ≥ 90 days ²	Specific provision balance
	\$M	\$M	\$M
Australia	2,523	2,994	1,146
New Zealand	573	103	80
Other	287	57	137
Total	3,383	3,154	1,363

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

2 Represents loans ≥ 90 days past due but not impaired.

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

APS 330 Table 7g (ii) – GRCL by geographic region

Geographic Region	31 Dec 20 \$M	30 Jun 20 \$M	31 Dec 19 \$M
Australia	4,524	4,160	3,164
New Zealand	464	417	294
Other	286	325	205
Total GRCL	5,274	4,902	3,663

Credit Risk (continued)

APS 330 Table 7h (i) – Movement in collective provisions and general reserve for credit losses

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Movement in Collective Provisions			
Opening balance	5,396	4,067	3,904
Net charge against profit and loss	768	1,598	446
Recoveries	69	84	101
Other	10	4	22
Write-offs	(300)	(357)	(406)
Total collective provisions	5,943	5,396	4,067
Less collective provisions transferred to specific provisions	(669)	(494)	(404)
General reserve for credit losses	5,274	4,902	3,663

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

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Movement in Individual Provisions			
Opening balance for the period	967	959	895
Net new and increased provisioning	236	371	287
Net write back of provisions no longer required	(122)	(99)	(84)
Discount unwind to interest income	(7)	(5)	(11)
Other	–	22	35
Write-offs	(202)	(281)	(163)
Total individual provisions	872	967	959
Add collective provisions transferred to specific provisions	669	494	404
Specific provisions	1,541	1,461	1,363

6.4 Portfolios Subject to Standardised and Supervisory Risk Weights

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:

CBA:

- Some retail SMEs (overdrawn accounts);
- Non-rated corporate exposures;
- Some residential mortgages (including purchased portfolios and reverse mortgages);
- Margin lending;
- Non-recourse purchased receivables; and
- Central counterparties.

Bankwest:

- Some residential mortgages (equity lines of credit); and

- Some unsecured consumer retail (personal cheque accounts).

ASB:

- Personal loans and Retail SME.

All exposures in the following entities:

- CBE;
- PTBC; and
- CBA Europe N.V.

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

	Exposure after credit risk mitigation ¹		
	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Standardised Approach Exposures			
Risk Weight			
0%	12,544	5,115	4,400
20%	3,610	3,385	3,537
35%	9,887	10,156	9,249
50%	3,971	3,808	3,833
75%	790	846	864
100%	14,202	16,176	17,866
150%	39	42	10
> 150%	1	–	–
Capital deductions	–	–	–
Total	45,044	39,528	39,759

1 Exposure after credit risk mitigation does not include central counterparties, equity or securitisation exposures.

Credit Risk (continued)

Other Assets risk weights

	31 December 2020		
	Exposure	Risk weight	RWA
Other Assets ¹	\$M	%	\$M
Cash ²	12,544	—	—
Cash items in course of collection	945	20	189
Margin lending ³	2,263	29	653
Fixed and forward purchase assets	4,477	100	4,477
Other	3,179	≥100	3,185
Total	23,408	36	8,504

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

2 Includes cash and allocated gold bullion.

3 Margin lending against listed instruments is risk weighted at 20%, and against other unlisted instruments is risk weighted at 100%.

	30 June 2020		
	Exposure	Risk weight	RWA
Other Assets ¹	\$M	%	\$M
Cash ²	5,109	—	—
Cash items in course of collection	976	20	195
Margin lending ³	2,309	29	681
Fixed and forward purchase assets	4,429	100	4,429
Other	4,976	≥100	4,976
Total	17,799	58	10,281

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

2 Includes cash and allocated gold bullion.

3 Margin lending against listed instruments is risk weighted at 20%, and against other unlisted instruments is risk weighted at 100%.

	31 December 2019		
	Exposure	Risk weight	RWA
Other Assets ¹	\$M	%	\$M
Cash ²	4,394	—	—
Cash items in course of collection	897	20	179
Margin lending ³	2,570	29	755
Fixed and forward purchase assets	3,836	100	3,836
Other	4,981	≥100	4,982
Total	16,678	58	9,752

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

2 Includes cash and allocated gold bullion.

3 Margin lending against listed instruments is risk weighted at 20%, and against other unlisted instruments is risk weighted at 100%.

	31 Dec 20	30 Jun 20	31 Dec 19
Specialised Lending Exposures Subject to Supervisory Slotting ¹	\$M	\$M	\$M
Risk Weight			
0%	473	313	367
70%	20,266	18,873	18,942
90%	41,293	39,804	39,391
115%	5,835	6,690	4,824
250%	830	753	706
Total exposures	68,697	66,433	64,230

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.

Credit Risk (continued)

6.5 Portfolios Subject to Internal Ratings-based Approaches

The Group's mapping of internal rating scales for risk-rated exposure to external rating agencies is detailed in APS 330 table 9b below.

APS 330 Table 9b – Internal ratings structure for credit risk exposures and mapping to external ratings

Description	Internal Rating	Probability of Default	S&P Rating	Moody's Rating
Exceptional	A0 to A3	0% - 0.035%	AAA to AA-	Aaa to Aa3
Strong	B1 to C3	>0.035% - 0.446%	A+ to BBB-	A1 to Baa3
Pass	D1 to E3	>0.446% - 6.656%	BB+ to B-	Ba1 to B3
Weak/Doubtful	F1 to G3	>6.656%	CCC to C	Caa to Ca
Restructured	R	30.998%	-	-
Defaulted	H	100%	D	C

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.
SME corporate exposures	PD Rating Tool and expert judgement assigned risk rating.
SME retail exposures < \$1m	SME behaviour score assigned PD pools.
Consumer retail exposures (including residential mortgages, qualifying revolving credit and other retail)	Depending on the product, PD pools are assigned using product specific application scorecards, behavioural scorecards, payment status or a combination thereof.

Credit Risk (continued)

Credit Risk Exposure Subject to the AIRB Approach

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

	31 December 2020							Total \$M
	0 < 0.03% \$M	0.03% < 0.15% \$M	0.15% < 0.5% \$M	0.5% < 3% \$M	3% < 10% \$M	10% < 100% \$M	Default \$M	
Non-retail ¹								
Total credit risk exposures								
Corporate	–	40,615	43,430	36,754	809	1,211	874	123,693
SME corporate	–	762	3,994	43,963	2,668	1,965	1,060	54,412
SME retail ²	–	–	1,576	11,089	3,436	518	286	16,905
Sovereign	111,366	27,562	543	1	–	–	–	139,472
Bank	–	23,449	1,233	34	–	–	–	24,716
Total	111,366	92,388	50,776	91,841	6,913	3,694	2,220	359,198
Undrawn commitments ³								
Corporate	–	17,075	18,156	12,576	329	213	169	48,518
SME corporate	–	207	1,057	8,656	413	172	61	10,566
SME retail ²	–	–	1,420	3,850	787	85	21	6,163
Sovereign	893	214	43	1	–	–	–	1,151
Bank	–	307	96	1	–	–	–	404
Total	893	17,803	20,772	25,084	1,529	470	251	66,802
Exposure - weighted average EAD (\$M)								
Corporate	–	2.905	1.795	0.944	0.506	1.025	1.608	1.538
SME corporate	–	0.471	0.492	0.497	0.448	0.438	0.491	0.491
SME retail ²	–	–	0.100	0.065	0.053	0.099	0.128	0.066
Sovereign	7.941	36.750	1.394	0.043	–	–	–	9.172
Bank	–	1.985	0.588	0.178	–	–	–	1.750
Exposure - weighted average LGD (%)								
Corporate	–	55.4	45.7	41.1	43.7	43.1	53.4	47.5
SME corporate	–	52.9	30.8	28.0	30.3	31.8	33.8	28.9
SME retail ²	–	–	41.3	32.5	42.1	32.8	32.7	35.3
Sovereign	5.6	9.9	42.8	25.4	–	–	–	6.6
Bank	–	59.2	60.0	60.0	–	–	–	59.3
Exposure - weighted average risk weight (%) ⁴								
Corporate	–	27.2	52.1	82.3	161.7	223.0	141.3	55.9
SME corporate	–	20.4	30.3	50.8	84.3	147.0	173.1	56.4
SME retail ²	–	–	28.1	44.7	88.2	113.1	227.3	57.2
Sovereign	1.6	2.7	34.7	46.2	–	–	–	1.9
Bank	–	24.2	58.4	114.8	–	–	–	26.0

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.

⁴ Includes 1.06 scaling factor.

Credit Risk (continued)

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

	30 June 2020							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Non-retail ¹								
Total credit risk exposures								
Corporate	–	42,063	45,158	32,828	671	1,297	950	122,967
SME corporate	–	753	4,078	41,581	2,234	1,996	1,214	51,856
SME retail ²	–	–	1,205	11,846	3,187	569	315	17,122
Sovereign	95,304	12,597	218	5	–	–	–	108,124
Bank	–	22,506	1,648	20	–	–	–	24,174
Total	95,304	77,919	52,307	86,280	6,092	3,862	2,479	324,243
Undrawn commitments ³								
Corporate	–	18,558	16,964	9,664	244	261	135	45,826
SME corporate	–	135	937	6,995	264	157	68	8,556
SME retail ²	–	–	1,038	3,805	677	73	17	5,610
Sovereign	856	225	36	2	–	–	–	1,119
Bank	–	308	95	1	–	–	–	404
Total	856	19,226	19,070	20,467	1,185	491	220	61,515
Exposure - weighted average EAD (\$M)								
Corporate	–	3.038	1.936	0.866	0.425	0.887	1.923	1.564
SME corporate	–	0.563	0.498	0.480	0.395	0.413	0.490	0.475
SME retail ²	–	–	0.077	0.056	0.067	0.079	0.088	0.060
Sovereign	7.108	18.283	0.697	0.123	–	–	–	7.475
Bank	–	1.909	0.724	0.077	–	–	–	1.687
Exposure - weighted average LGD (%)								
Corporate	–	55.5	47.2	42.1	40.9	48.8	51.2	48.7
SME corporate	–	56.9	31.3	28.7	30.4	31.3	32.9	29.6
SME retail ²	–	–	40.5	32.7	40.0	29.5	33.3	34.5
Sovereign	5.7	12.6	44.4	48.4	–	–	–	6.6
Bank	–	59.5	60.0	60.0	–	–	–	59.5
Exposure - weighted average risk weight (%) ^{4,5}								
Corporate	–	27.6	53.3	86.8	152.7	263.0	103.2	56.6
SME corporate	–	24.5	31.1	53.3	88.4	146.2	197.5	59.6
SME retail ²	–	–	27.8	45.8	87.1	110.7	272.9	58.6
Sovereign	1.5	2.5	33.3	131.2	–	–	–	1.7
Bank	–	25.2	58.5	125.6	–	–	–	27.6

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.

⁴ Includes 1.06 scaling factor.

⁵ In June 2020, AASB 9 collective provisions were included in the calculation of credit RWA for defaulted non-retail exposures. This change in methodology was approved by APRA.

Credit Risk (continued)

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

	31 December 2019							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Non-retail ¹								
Total credit risk exposures								
Corporate	–	44,764	44,898	29,891	620	797	587	121,557
SME corporate	–	619	4,019	41,597	2,232	2,009	1,348	51,824
SME retail ²	–	–	1,023	11,610	2,940	439	199	16,211
Sovereign	80,550	9,924	222	12	–	–	–	90,708
Bank	–	24,853	1,953	3	–	–	–	26,809
Total	80,550	80,160	52,115	83,113	5,792	3,245	2,134	307,109
Undrawn commitments ³								
Corporate	–	17,583	17,914	8,376	205	153	36	44,267
SME corporate	–	88	942	6,876	246	159	87	8,398
SME retail ²	–	–	911	3,664	480	63	11	5,129
Sovereign	806	388	29	2	–	–	–	1,225
Bank	–	291	86	–	–	–	–	377
Total	806	18,350	19,882	18,918	931	375	134	59,396
Exposure - weighted average EAD (\$M)								
Corporate	–	2. 920	1. 973	0. 796	0. 454	0. 633	2. 198	1. 548
SME corporate	–	0. 465	0. 538	0. 478	0. 410	0. 375	0. 466	0. 473
SME retail ²	–	–	0. 072	0. 055	0. 077	0. 066	0. 071	0. 060
Sovereign	6. 876	9. 506	0. 519	0. 090	–	–	–	6. 810
Bank	–	1. 946	0. 678	0. 043	–	–	–	1. 705
Exposure - weighted average LGD (%)								
Corporate	–	54. 9	46. 9	41. 4	37. 9	45. 3	57. 3	48. 5
SME corporate	–	58. 1	30. 4	28. 7	30. 6	31. 5	33. 0	29. 5
SME retail ²	–	–	37. 2	31. 6	36. 7	31. 0	38. 0	33. 0
Sovereign	5. 7	12. 4	52. 8	49. 4	–	–	–	6. 6
Bank	–	59. 6	60. 0	60. 0	–	–	–	59. 7
Exposure - weighted average risk weight (%) ⁴								
Corporate	–	29. 8	54. 6	85. 1	139. 6	244. 6	195. 8	55. 3
SME corporate	–	28. 0	30. 6	52. 7	88. 8	146. 1	246. 8	60. 9
SME retail ²	–	–	26. 0	45. 3	84. 7	107. 5	405. 4	57. 3
Sovereign	1. 6	2. 9	33. 0	106. 6	–	–	–	1. 9
Bank	–	27. 4	59. 3	99. 1	–	–	–	29. 7

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.

4 Includes 1.06 scaling factor.

Credit Risk (continued)

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

	31 December 2020							
	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	198,208	122,221	71,882	208,809	11,290	6,924	4,476	623,810
Qualifying revolving retail	–	15,132	3,436	4,218	1,558	222	60	24,626
Other retail	50	56	48	5,773	3,111	522	124	9,684
Total	198,258	137,409	75,366	218,800	15,959	7,668	4,660	658,120
Undrawn commitments ¹								
Residential mortgage	44,717	14,620	8,504	11,977	176	60	15	80,069
Qualifying revolving retail	–	11,905	2,567	1,755	242	32	1	16,502
Other retail	45	10	34	2,580	260	89	4	3,022
Total	44,762	26,535	11,105	16,312	678	181	20	99,593
Exposure - weighted average EAD (\$M)								
Residential mortgage	0.278	0.295	0.273	0.279	0.274	0.228	0.278	0.280
Qualifying revolving retail	–	0.009	0.007	0.008	0.008	0.007	0.007	0.008
Other retail	0.004	0.373	0.005	0.007	0.010	0.002	0.005	0.006
Exposure - weighted average LGD (%)								
Residential mortgage	20.0	19.7	19.4	20.4	21.2	19.8	20.3	20.0
Qualifying revolving retail	–	84.8	84.2	84.5	84.2	83.9	84.6	84.6
Other retail	107.8	99.6	106.2	88.3	83.3	90.5	86.6	87.0
Exposure - weighted average risk weight (%) ²								
Residential mortgage	4.4	12.8	20.6	41.2	101.7	134.6	135.2	24.4
Qualifying revolving retail	–	5.6	13.9	44.2	128.5	211.6	267.9	23.6
Other retail	26.7	43.3	70.5	105.9	129.3	194.1	235.5	118.9

¹ The credit exposure value of undrawn commitments included in total credit risk exposures above.

² Includes 1.06 scaling factor.

Credit Risk (continued)

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

	30 June 2020							
	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	189,231	118,352	68,379	199,934	11,866	6,972	4,779	599,513
Qualifying revolving retail	—	14,548	3,652	4,758	1,904	335	112	25,309
Other retail	52	42	47	5,499	3,459	624	132	9,855
Total	189,283	132,942	72,078	210,191	17,229	7,931	5,023	634,677
Undrawn commitments ¹								
Residential mortgage	41,773	13,894	6,864	10,102	162	59	17	72,871
Qualifying revolving retail	—	12,022	2,801	1,954	302	37	1	17,117
Other retail	47	3	35	2,692	273	85	4	3,139
Total	41,820	25,919	9,700	14,748	737	181	22	93,127
Exposure - weighted average EAD (\$M)								
Residential mortgage	0.280	0.293	0.269	0.271	0.272	0.226	0.266	0.277
Qualifying revolving retail	—	0.009	0.007	0.008	0.008	0.008	0.009	0.008
Other retail	0.004	0.349	0.005	0.006	0.010	0.002	0.004	0.006
Exposure - weighted average LGD (%)								
Residential mortgage	20.0	19.7	19.4	20.3	21.1	19.8	20.3	20.0
Qualifying revolving retail	—	84.8	84.3	84.5	84.2	84.1	84.5	84.6
Other retail	107.8	99.5	106.5	92.0	85.3	89.3	88.0	89.6
Exposure - weighted average risk weight (%) ^{2,3}								
Residential mortgage	4.4	12.6	20.4	41.4	101.0	133.9	149.8	24.7
Qualifying revolving retail	—	5.5	13.9	44.9	128.1	207.6	102.3	26.6
Other retail	26.6	45.0	70.4	110.5	132.8	192.6	145.1	123.0

¹ The credit exposure value of undrawn commitments included in total credit risk exposures above.

² Includes 1.06 scaling factor.

³ In June 2020, all components of AASB 9 collective provisions were included in the calculation of credit RWA for defaulted retail exposures. This change in methodology was approved by APRA.

Credit Risk (continued)

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

	31 December 2019							
	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	185,385	112,505	73,264	184,634	24,883	5,708	4,639	591,018
Qualifying revolving retail	195	14,781	3,661	5,445	2,099	405	93	26,679
Other retail	51	37	53	5,819	3,987	602	133	10,682
Total	185,631	127,323	76,978	195,898	30,969	6,715	4,865	628,379
Undrawn commitments ¹								
Residential mortgage	40,378	14,529	5,990	11,674	275	59	17	72,922
Qualifying revolving retail	162	11,548	2,661	1,996	291	44	–	16,702
Other retail	46	5	36	2,622	263	97	3	3,072
Total	40,586	26,082	8,687	16,292	829	200	20	92,696
Exposure - weighted average EAD (\$M)								
Residential mortgage	0.278	0.291	0.273	0.268	0.284	0.214	0.263	0.276
Qualifying revolving retail	0.004	0.009	0.008	0.009	0.008	0.008	0.008	0.009
Other retail	0.004	0.381	0.005	0.006	0.010	0.001	0.004	0.006
Exposure - weighted average LGD (%)								
Residential mortgage	20.0	19.7	19.4	20.3	20.5	19.8	20.3	20.0
Qualifying revolving retail	81.0	84.9	84.2	84.3	84.7	84.0	84.6	84.6
Other retail	108.1	99.4	105.8	91.9	85.4	90.7	88.0	89.5
Exposure - weighted average risk weight (%) ²								
Residential mortgage	4.4	13.1	20.2	39.0	89.7	133.7	173.5	25.0
Qualifying revolving retail	3.2	5.5	13.7	45.8	135.9	213.8	298.5	29.3
Other retail	27.2	45.0	70.0	111.0	133.0	194.1	370.7	126.3

¹ The credit exposure value of undrawn commitments included in total credit risk exposures above.

² Includes 1.06 scaling factor.

Credit Risk (continued)

Analysis of Losses

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

APS 330 Table 9e – Actual losses by portfolio type

Portfolio Type	31 December 2020		
	Half year losses in reporting period		Actual losses
	Gross write-offs	Recoveries	
	\$M	\$M	\$M
Corporate	82	–	82
SME corporate	41	(1)	40
SME retail (including SME retail secured by residential mortgages)	21	(1)	20
Specialised lending	2	–	2
Total corporate including SME and specialised lending	146	(2)	144
Sovereign	–	–	–
Bank	–	–	–
Residential mortgage (excluding SME retail secured by residential mortgages)	39	(3)	36
Qualifying revolving retail	141	(30)	111
Other retail	130	(29)	101
Total AIRB and specialised lending portfolios	456	(64)	392

Portfolio Type	30 June 2020		
	Full year losses in reporting period		Actual losses
	Gross write-offs	Recoveries	
	\$M	\$M	\$M
Corporate	134	–	134
SME corporate	121	(9)	112
SME retail (including SME retail secured by residential mortgages)	64	(6)	58
Specialised lending	9	–	9
Total corporate including SME and specialised lending	328	(15)	313
Sovereign	–	–	–
Bank	–	–	–
Residential mortgage (excluding SME retail secured by residential mortgages)	121	(5)	116
Qualifying revolving retail	305	(80)	225
Other retail	367	(76)	291
Total AIRB and specialised lending portfolios	1,121	(176)	945

Portfolio Type	31 December 2019		
	Half year losses in reporting period		Actual losses
	Gross write-offs	Recoveries	
	\$M	\$M	\$M
Corporate	22	–	22
SME corporate	58	(4)	54
SME retail (including SME retail secured by residential mortgages)	33	(2)	31
Specialised lending	7	–	7
Total corporate including SME and specialised lending	120	(6)	114
Sovereign	–	–	–
Bank	–	–	–
Residential mortgage (excluding SME retail secured by residential mortgages)	57	(3)	54
Qualifying revolving retail	170	(45)	125
Other retail	185	(42)	143
Total AIRB and specialised lending portfolios	532	(96)	436

Credit Risk (continued)

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

Portfolio Type	31 December 2020	
	Half year	Regulatory
	actual loss	expected loss
	\$M	\$M
Corporate	82	931
SME corporate	40	661
SME retail (including SME retail secured by residential mortgages)	20	215
Specialised lending	2	878
Total corporate including SME and specialised lending	144	2,685
Sovereign	–	3
Bank	–	7
Residential mortgage (excluding SME retail secured by residential mortgages)	36	1,574
Qualifying revolving retail	111	269
Other retail	101	415
Total AIRB and specialised lending portfolios	392	4,953

Portfolio Type	30 June 2020	
	Full year	Regulatory
	actual loss	expected loss
	\$M	\$M
Corporate	134	972
SME corporate	112	672
SME retail (including SME retail secured by residential mortgages)	58	208
Specialised lending	9	798
Total corporate including SME and specialised lending	313	2,650
Sovereign	–	2
Bank	–	7
Residential mortgage (excluding SME retail secured by residential mortgages)	116	1,395
Qualifying revolving retail	225	376
Other retail	291	480
Total AIRB and specialised lending portfolios	945	4,910

Portfolio Type	31 December 2019	
	Half year	Regulatory
	actual loss	expected loss
	\$M	\$M
Corporate	22	669
SME corporate	54	679
SME retail (including SME retail secured by residential mortgages)	31	158
Specialised lending	7	766
Total corporate including SME and specialised lending	114	2,272
Sovereign	–	2
Bank	–	9
Residential mortgage (excluding SME retail secured by residential mortgages)	54	1,283
Qualifying revolving retail	125	393
Other retail	143	481
Total AIRB and specialised lending portfolios	436	4,440

Actual losses may differ from modelled regulatory EL for a number of reasons.

Actual losses (whether from standardised or AIRB portfolios) are historical and are based on the quality of impaired assets in prior periods, full or partial write-offs, and more recent economic conditions. Actual losses are expected to be below the regulatory EL estimate in most years.

Regulatory EL measures economic loss at a point in time and includes costs (such as internal costs) not included in actual losses. Regulatory EL is calculated on non-defaulted and defaulted AIRB exposures using long-run PDs and downturn LGDs for non-defaulted exposures, and the Best Estimate of Expected Loss (BEEL) for defaulted exposures.

Credit Risk (continued)

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 12.5 financial years to 31 December 2020.

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

Portfolio Type	31 December 2020	
	Average estimated PD	Average actual PD
	%	%
Corporate	1.30	0.89
SME corporate	2.27	1.99
SME retail (including SME retail secured by residential mortgages) ¹	1.89	1.61
Specialised lending ²	n/a	1.53
Sovereign ³	0.54	0.02
Bank ³	0.27	0.20
Residential mortgage (excluding SME retail secured by residential mortgages)	0.86	0.72
Qualifying revolving retail	1.86	1.91
Other retail	5.09	4.83

1 The average actual PD represents a 6.5 year observation period for part of the portfolio.

2 Average estimated PD not relevant for specialised lending under the Supervisory Slotting approach.

3 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 2018 financial years. LGDs for retail portfolios are based on accounts that defaulted in 2009 to 2019 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

Portfolio Type	31 December 2020		
	Average estimated downturn LGD	Average actual LGD	Ratio of estimated EAD to actual EAD
	%	%	
Corporate	54.8	39.7	1.2
SME corporate	31.7	21.1	1.1
SME retail (including SME retail secured by residential mortgages)	31.9	21.8	1.1
Specialised lending ¹	n/a	29.6	1.2
Sovereign ²	61.3	1.3	1.8
Bank ²	65.4	109.9	1.8
Residential mortgage (excluding SME retail secured by residential mortgages) ³	20.6	5.5	1.0
Qualifying revolving retail	87.2	70.1	1.1
Other retail	97.5	76.7	1.0

1 Average estimated LGD is not relevant for specialised lending under Supervisory Slotting approach.

2 Actual LGDs based on a low volume of defaults observed.

3 Estimated downturn LGD based on minimum regulatory floor requirements imposed by APRA and RBNZ.

Credit Risk (continued)

6.6 Credit Risk Mitigation

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

	31 December 2020				
	Total exposure ¹	Eligible financial collateral	Exposures covered by guarantees	Exposures covered by credit derivatives	Coverage
	\$M	\$M	\$M	\$M	%
Advanced approach²					
Corporate	123,693	–	15	–	–
SME corporate	54,412	–	–	–	–
SME retail ³	16,905	–	–	–	–
Sovereign	139,472	–	–	–	–
Bank	24,716	–	214	11	0.9
Residential mortgage	623,810	–	–	–	–
Qualifying revolving retail	24,626	–	–	–	–
Other retail	9,684	–	–	–	–
Total advanced approach	1,017,318	–	229	11	–
Specialised lending	68,697	–	–	–	–
Standardised approach					
Corporate	1,194	–	–	–	–
SME corporate	752	–	–	–	–
SME retail	2,654	–	–	–	–
Sovereign	595	–	–	–	–
Bank	666	–	–	–	–
Residential mortgage	14,771	–	–	–	–
Other retail	1,004	–	–	–	–
Other assets	23,408	–	–	–	–
Central clearing counterparties	10,641	–	–	112	1.1
Total standardised approach	55,685	–	–	112	0.2
Total exposures	1,141,700	–	229	123	–

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 and guarantees is after netting and financial collateral.

3 Including SME retail secured by residential property.

Credit Risk (continued)

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

	30 June 2020				
	Total exposure ¹	Eligible financial collateral	Exposures covered by guarantees	Exposures covered by credit derivatives	Coverage
	\$M	\$M	\$M	\$M	%
Advanced approach²					
Corporate	122,967	–	89	–	0.1
SME corporate	51,856	–	–	–	–
SME retail ³	17,122	–	–	–	–
Sovereign	108,124	–	–	–	–
Bank	24,174	–	281	33	1.3
Residential mortgage	599,513	–	–	–	–
Qualifying revolving retail	25,309	–	–	–	–
Other retail	9,855	–	–	–	–
Total advanced approach	958,920	–	370	33	–
Specialised lending	66,433	–	–	–	–
Standardised approach					
Corporate	957	–	–	–	–
SME corporate	741	–	–	–	–
SME retail	2,920	–	–	–	–
Sovereign	565	–	–	–	–
Bank	324	–	–	–	–
Residential mortgage	15,102	–	–	–	–
Other retail	1,120	–	–	–	–
Other assets	17,799	–	–	–	–
Central clearing counterparties	10,483	–	–	236	2.3
Total standardised approach	50,011	–	–	236	0.5
Total exposures	1,075,364	–	370	269	0.1

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 and guarantees is after netting and financial collateral.

3 Including SME retail secured by residential property.

Credit Risk (continued)

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

	31 December 2019				
	Total exposure ¹	Eligible financial collateral	Exposures covered by guarantees	Exposures covered by credit derivatives	Coverage
	\$M	\$M	\$M	\$M	%
Advanced approach²					
Corporate	121,557	–	45	–	–
SME corporate	51,824	–	–	–	–
SME retail ³	16,211	–	–	–	–
Sovereign	90,708	–	–	–	–
Bank	26,809	–	341	32	1.4
Residential mortgage	591,018	–	–	–	–
Qualifying revolving retail	26,679	–	–	–	–
Other retail	10,682	–	–	–	–
Total advanced approach	935,488	–	386	32	–
Specialised lending	64,230	–	–	–	–
Standardised approach					
Corporate	1,309	–	–	–	–
SME corporate	756	–	–	–	–
SME retail	4,582	–	–	–	–
Sovereign	475	–	–	–	–
Bank	319	–	–	–	–
Residential mortgage	14,416	–	–	–	–
Other retail	1,224	–	–	–	–
Other assets	16,678	–	–	–	–
Central clearing counterparties	9,014	–	–	88	1.0
Total standardised approach	48,773	–	–	88	0.2
Total exposures	1,048,491	–	386	120	–

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 and guarantees is after netting and financial collateral.

3 Including SME retail secured by residential property.

6.7 Counterparty Credit Risk

APS 330 Table 11b (i) – Counterparty credit risk derivative exposure under the SA-CCR method

	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Gross positive fair value	33,594	29,759	24,422
Netting and collateral benefits	(25,809)	(21,503)	(18,348)
Including collateral held of which:			
Cash	(2,906)	(3,122)	(3,395)
Replacement cost	7,785	8,256	6,074
Potential future exposure	8,551	9,008	9,421
Impact of scaling factor of 1.4 and incurred CVA	6,431	6,742	6,111
Exposure at Default	22,767	24,006	21,606

APS 330 Table 11b (ii) – Counterparty credit risk derivative exposure¹

Exposure type	Current Credit Exposure		
	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Interest rate contracts	9,131	9,714	7,431
Foreign currency contracts	24,120	19,288	16,686
Equity contracts	–	–	68
Credit derivatives	9	7	8
Commodities and other	334	750	229
Total	33,594	29,759	24,422

1 Excluding exposures to CCP's.

Credit Risk (continued)

APS 330 Table 11c – Counterparty credit risk derivative transactions

Notional value by product type as at 31 December 2020 ^{1, 2}	Own Credit Portfolio		Intermediation Activity	
	Protection buyer	Protection seller	Protection buyer	Protection seller
	\$M	\$M	\$M	\$M
Credit default swaps	2,233	–	–	450
Total return swaps	–	–	–	–
Credit options	–	–	–	–
Other	–	–	–	–
Total	2,233	–	–	450

1 Excluding exposures to CCP's.

2 Notional values are presented for credit derivatives with positive fair values and include credit derivative hedges.

Notional value by product type as at 30 June 2020 ^{1, 2}	Own Credit Portfolio		Intermediation Activity	
	Protection buyer	Protection seller	Protection buyer	Protection seller
	\$M	\$M	\$M	\$M
Credit default swaps	2,723	–	17	967
Total return swaps	–	–	–	–
Credit options	–	–	–	–
Other	–	–	–	–
Total	2,723	–	17	967

1 Excluding exposures to CCP's.

2 Notional values are presented for credit derivatives with positive fair values and include credit derivative hedges.

Notional value by product type as at 31 December 2019 ^{1, 2}	Own Credit Portfolio		Intermediation Activity	
	Protection buyer	Protection seller	Protection buyer	Protection seller
	\$M	\$M	\$M	\$M
Credit default swaps	1,471	–	46	964
Total return swaps	–	–	–	–
Credit options	–	–	–	–
Other	–	–	–	–
Total	1,471	–	46	964

1 Excluding exposures to CCP's.

2 Notional values are presented for credit derivatives with positive fair values and include credit derivative hedges.

Credit Risk (continued)

6.8 Securitisation

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

31 December 2020				
Underlying Asset	Group originated assets - capital relief ¹ \$M	Group originated assets - non capital relief ² \$M	Group originated assets - internal RMBS ³ \$M	Third party originated assets ⁴ \$M
Residential mortgage	5,152	6,234	107,554	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	5,152	6,234	107,554	–

1 Group originated assets - capital relief comprise CBA Medallion Trust subject to capital treatment under APS 120.

2 Group originated assets - non capital relief comprise CBA Medallion Trust subject to capital treatment under APS 113.

3 Group originated assets - internal RMBS comprise CBA Medallion and ASB Medallion Trusts held for contingent liquidity purposes.

4 Third party originated assets comprise assets managed and sponsored by the Group.

30 June 2020				
Underlying Asset	Group originated assets - capital relief ¹ \$M	Group originated assets - non capital relief ² \$M	Group originated assets - internal RMBS ³ \$M	Third party originated assets ⁴ \$M
Residential mortgage	5,605	6,909	136,482	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	5,605	6,909	136,482	–

1 Group originated assets - capital relief comprise CBA Medallion Trust subject to capital treatment under APS 120.

2 Group originated assets - non capital relief comprise CBA Medallion Trust subject to capital treatment under APS 113.

3 Group originated assets - internal RMBS comprise CBA Medallion and ASB Medallion Trusts held for contingent liquidity purposes.

4 Third party originated assets comprise assets managed and sponsored by the Group.

31 December 2019				
Underlying Asset	Group originated assets - capital relief ¹ \$M	Group originated assets - non capital relief ² \$M	Group originated assets - internal RMBS ³ \$M	Third party originated assets ⁴ \$M
Residential mortgage	6,103	7,685	60,612	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	6,103	7,685	60,612	–

1 Group originated assets - capital relief comprise CBA Medallion Trust, and Bankwest Swan Trust, subject to capital treatment under APS 120.

2 Group originated assets - non capital relief comprise CBA Medallion Trust, and Bankwest Swan Trust, subject to capital treatment under APS 113.

3 Group originated assets - internal RMBS comprise CBA Medallion and ASB Medallion Trusts, and Bankwest Swan Trust, held for contingent liquidity purposes.

4 Third party originated assets comprise assets managed and sponsored by the Group.

Provision of implicit support to securitisation pool

The Bank repurchased \$86 million securitised loans that had been granted payment relief between April and June 2020. APRA has assessed this action and determined it constituted implicit support of CBA's external RMBS program and was inconsistent with the intent of APS 120. In addition to this disclosure APRA requires CBA to obtain an external review of its securitisation programs prior to issuing any further RMBS, using an independent assessor and with a review scope agreed with APRA. APRA expects this review to be completed by the end of the 2021 calendar year.

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.

Credit Risk (continued)

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

Underlying Asset	31 December 2020			
	Group originated assets securitised			Losses recognised
	Outstanding exposure	Impaired assets	Past due ¹	
	\$M	\$M	\$M	\$M
Residential mortgage	118,940	22	278	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	118,940	22	278	–

¹ Represents loans ≥ 90 days past due but not impaired.

Underlying Asset	30 June 2020			
	Group originated assets securitised			Losses recognised
	Outstanding exposure	Impaired assets	Past due ¹	
	\$M	\$M	\$M	\$M
Residential mortgage	148,996	19	298	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	148,996	19	298	–

¹ Represents loans ≥ 90 days past due but not impaired.

Underlying Asset	31 December 2019			
	Group originated assets securitised			Losses recognised
	Outstanding exposure	Impaired assets	Past due ¹	
	\$M	\$M	\$M	\$M
Residential mortgage	74,400	16	309	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	74,400	16	309	–

¹ Represents loans ≥ 90 days past due but not impaired.

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 31 December 2020.

Credit Risk (continued)

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

The Group's new securitisation activity in the banking book during the half year ended 31 December 2020, was \$416 million.

Underlying Asset	Half year ended 31 December 2020	
	Total exposures securitised	Recognised gain or loss on sale
	\$M	\$M
Residential mortgages	414	–
Credit cards and other personal loans	2	–
Auto and equipment finance	–	–
Commercial loans	–	–
Other	–	–
Total	416	–

Underlying Asset	Full year ended 30 June 2020	
	Total exposures securitised	Recognised gain or loss on sale
	\$M	\$M
Residential mortgages	4,681	–
Credit cards and other personal loans	–	–
Auto and equipment finance	657	–
Commercial loans	49	–
Other	–	–
Total	5,387	–

Underlying Asset	Half year ended 31 December 2019	
	Total exposures securitised	Recognised gain or loss on sale
	\$M	\$M
Residential mortgages	4,396	–
Credit cards and other personal loans	–	–
Auto and equipment finance	–	–
Commercial loans	10	–
Other	–	–
Total	4,406	–

Credit Risk (continued)

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

31 December 2020			
Securitisation Facility Type	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	–	293	293
Warehouse facilities	5,009	4,814	9,823
Derivative facilities	315	160	475
Holdings of securities	5,300	–	5,300
Other	–	10	10
Total securitisation exposures in the banking book	10,624	5,277	15,901

30 June 2020			
Securitisation Facility Type	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	–	258	258
Warehouse facilities	6,840	2,846	9,686
Derivative facilities	367	172	539
Holdings of securities	6,039	–	6,039
Other	–	10	10
Total securitisation exposures in the banking book	13,246	3,286	16,532

31 December 2019			
Securitisation Facility Type	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	–	257	257
Warehouse facilities	5,042	4,082	9,124
Derivative facilities	401	192	593
Holdings of securities	6,989	–	6,989
Other	–	10	10
Total securitisation exposures in the banking book	12,432	4,541	16,973

Credit Risk (continued)

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

Total securitisation exposures in the banking book decreased by \$631 million or 3.8% during the half year ended 31 December 2020. The corresponding RWA decreased by \$34 million or 1.1%, mainly due to the overall decreases of investment exposure, partly offset by upward revision of warehouse risk weights.

Risk Weight Band	31 December 2020					
	Exposures		Total exposures	Risk Weighted Assets		Total RWA
	Securitisation	Resecuritisation		Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	15,355	–	15,355	2,794	–	2,794
> 25% ≤ 35%	435	–	435	118	–	118
> 35% ≤ 50%	67	–	67	28	–	28
> 50% ≤ 75%	41	–	41	23	–	23
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	15,898	–	15,898	2,963	–	2,963

Risk Weight Band	30 June 2020					
	Exposures		Total exposures	Risk Weighted Assets		Total RWA
	Securitisation	Resecuritisation		Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	15,963	–	15,963	2,828	–	2,828
> 25% ≤ 35%	470	–	470	126	–	126
> 35% ≤ 50%	68	–	68	28	–	28
> 50% ≤ 75%	28	–	28	15	–	15
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	16,529	–	16,529	2,997	–	2,997

Risk Weight Band	31 December 2019					
	Exposures		Total exposures	Risk Weighted Assets		Total RWA
	Securitisation	Resecuritisation		Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	16,736	–	16,736	3,054	–	3,054
> 25% ≤ 35%	–	–	–	–	–	–
> 35% ≤ 50%	150	–	150	64	–	64
> 50% ≤ 75%	84	–	84	59	–	59
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	16,970	–	16,970	3,177	–	3,177

Credit Risk (continued)

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

Underlying Asset	Common Equity Tier 1 Capital		
	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Residential mortgage	3	3	3
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Commercial loans	–	–	–
Other	–	–	–
Total	3	3	3

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 31 December 2020, banking book resecuritisation exposures without credit risk mitigation was nil (30 June 2020: nil, 31 December 2019: nil).

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 31 December 2020.

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

The Group participated in third party securitisation in the trading book during the half year ended 31 December 2020, relating to \$35 million residential mortgages (30 June 2020: \$28 million, 31 December 2019: \$28 million), nil auto and equipment finance (30 June 2020: \$7 million, 31 December 2019: \$7 million), and \$4 million personal finance (30 June 2020: \$22 million, 31 December 2019: \$2 million) exposures.

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

The aggregate amount of exposures securitised by the Group and subject to APS 116 was \$93 million as at 31 December 2020 (30 June 2020: \$93 million, 31 December 2019: \$69 million), all of which are traditional securitisations. This consists of:

- Securities held in the trading book subject to the Standard Method of \$36 million (30 June 2020: \$11 million, 31 December 2019: \$2 million); and
- Derivatives held in the trading book subject to the Internal Models Approach (IMA) of \$57 million (30 June 2020: \$82 million, 31 December 2019: \$67 million).

Credit Risk (continued)

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

Securitisation Facility Type	31 December 2020		
	On Balance Sheet	Off Balance Sheet	Total exposures
	\$M	\$M	\$M
Liquidity support facilities	–	–	–
Warehouse facilities	–	–	–
Derivative facilities	21	36	57
Holdings of securities	36	–	36
Other	–	–	–
Total securitisation exposures in the trading book	57	36	93

Securitisation Facility Type	30 June 2020		
	On Balance Sheet	Off Balance Sheet	Total exposures
	\$M	\$M	\$M
Liquidity support facilities	–	–	–
Warehouse facilities	–	–	–
Derivative facilities	38	44	82
Holdings of securities	11	–	11
Other	–	–	–
Total securitisation exposures in the trading book	49	44	93

Securitisation Facility Type	31 December 2019		
	On Balance Sheet	Off Balance Sheet	Total exposures
	\$M	\$M	\$M
Liquidity support facilities	–	–	–
Warehouse facilities	–	–	–
Derivative facilities	26	41	67
Holdings of securities	2	–	2
Other	–	–	–
Total securitisation exposures in the trading book	28	41	69

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

The Group has \$57 million of derivatives exposures held in the trading book subject to IMA (default risk) under APS 116 as at 31 December 2020 (30 June 2020: \$82 million, 31 December 2019: \$67 million).

Credit Risk (continued)

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

Risk Weight Band	31 December 2020		Total exposures
	ERBA Approach \$M	SFA Approach \$M	\$M
≤ 25%	71	14	85
> 25% ≤ 35%	–	8	8
> 35% ≤ 50%	–	–	–
> 50% ≤ 75%	–	–	–
> 75% ≤ 100%	–	–	–
> 100% ≤ 650%	–	–	–
> 650% ≤ 1250%	–	–	–
Total	71	22	93

Risk Weight Band	30 June 2020		Total exposures
	ERBA Approach \$M	SFA Approach \$M	\$M
≤ 25%	63	21	84
> 25% ≤ 35%	–	9	9
> 35% ≤ 50%	–	–	–
> 50% ≤ 75%	–	–	–
> 75% ≤ 100%	–	–	–
> 100% ≤ 650%	–	–	–
> 650% ≤ 1250%	–	–	–
Total	63	30	93

Risk Weight Band	31 December 2019		Total exposures
	ERBA Approach \$M	SFA Approach \$M	\$M
≤ 25%	50	18	68
> 25% ≤ 35%	–	–	–
> 35% ≤ 50%	–	1	1
> 50% ≤ 75%	–	–	–
> 75% ≤ 100%	–	–	–
> 100% ≤ 650%	–	–	–
> 650% ≤ 1250%	–	–	–
Total	50	19	69

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

The Group has \$142 million of RWA held in the trading book subject to IMA (default risk) under APS 116 as at 31 December 2020 (30 June 2020: \$166 million, 31 December 2019: \$205 million).

Credit Risk (continued)

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

31 December 2020									
Risk Weight Band	ERBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements		
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
≤ 25%	14	–	2	–	–	–	16	–	
> 25% ≤ 35%	–	–	2	–	–	–	2	–	
> 35% ≤ 50%	–	–	–	–	–	–	–	–	
> 50% ≤ 75%	–	–	–	–	–	–	–	–	
> 75% ≤ 100%	–	–	–	–	–	–	–	–	
> 100% ≤ 650%	–	–	–	–	–	–	–	–	
> 650% ≤ 1250%	–	–	–	–	–	–	–	–	
Total	14	–	4	–	–	–	18	–	
30 June 2020									
Risk Weight Band	ERBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements		
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
≤ 25%	13	–	3	–	–	–	16	–	
> 25% ≤ 35%	–	–	2	–	–	–	2	–	
> 35% ≤ 50%	–	–	–	–	–	–	–	–	
> 50% ≤ 75%	–	–	–	–	–	–	–	–	
> 75% ≤ 100%	–	–	–	–	–	–	–	–	
> 100% ≤ 650%	–	–	–	–	–	–	–	–	
> 650% ≤ 1250%	–	–	–	–	–	–	–	–	
Total	13	–	5	–	–	–	18	–	
31 December 2019									
Risk Weight Band	ERBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements		
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
≤ 25%	10	–	3	–	–	–	13	–	
> 25% ≤ 35%	–	–	–	–	–	–	–	–	
> 35% ≤ 50%	–	–	1	–	–	–	1	–	
> 50% ≤ 75%	–	–	–	–	–	–	–	–	
> 75% ≤ 100%	–	–	–	–	–	–	–	–	
> 100% ≤ 650%	–	–	–	–	–	–	–	–	
> 650% ≤ 1250%	–	–	–	–	–	–	–	–	
Total	10	–	4	–	–	–	14	–	

Credit Risk (continued)

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

The Group has no trading book exposures that are deducted entirely from CET1 capital as at 31 December 2020 (30 June 2020: nil, 31 December 2019: 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 31 December 2020 (30 June 2020: nil, 31 December 2019: 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 gain or loss recognised 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 half year to 31 December 2020 was \$455 million (31 December 2019: \$4,443 million). The total exposures securitised in the full year to 30 June 2020 was \$5,444 million.

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

Securitisation Facility Type	As at 31 December 2020		
	On Balance	Off Balance	Total
	Sheet	Sheet	exposures
	\$M	\$M	\$M
Liquidity support facilities	–	293	293
Warehouse facilities	5,009	4,814	9,823
Derivative facilities	336	196	532
Holdings of securities	5,336	–	5,336
Other	–	10	10
Total securitisation exposures	10,681	5,313	15,994

Securitisation Facility Type	As at 30 June 2020		
	On Balance	Off Balance	Total
	Sheet	Sheet	exposures
	\$M	\$M	\$M
Liquidity support facilities	–	258	258
Warehouse facilities	6,840	2,846	9,686
Derivative facilities	405	216	621
Holdings of securities	6,050	–	6,050
Other	–	10	10
Total securitisation exposures	13,295	3,330	16,625

Securitisation Facility Type	As at 31 December 2019		
	On Balance	Off Balance	Total
	Sheet	Sheet	exposures
	\$M	\$M	\$M
Liquidity support facilities	–	257	257
Warehouse facilities	5,042	4,082	9,124
Derivative facilities	427	233	660
Holdings of securities	6,991	–	6,991
Other	–	10	10
Total securitisation exposures	12,460	4,582	17,042

Equity Risk

7 Equity Risk

APS 330 Table 16b to 16f – Equity investment exposures¹

	31 December 2020	
	Balance	Fair
	Sheet value	value
	\$M	\$M
Equity Investments		
Value of listed (publicly traded) equities	1,853	2,814
Value of unlisted (privately held) equities	1,930	2,149
Total	3,783	4,963

	30 June 2020	
	Balance	Fair
	Sheet value	value
	\$M	\$M
Equity Investments		
Value of listed (publicly traded) equities	1,855	1,749
Value of unlisted (privately held) equities	1,763	1,657
Total	3,618	3,406

	31 December 2019	
	Balance	Fair
	Sheet value	value
	\$M	\$M
Equity Investments		
Value of listed (publicly traded) equities	1,879	1,801
Value of unlisted (privately held) equities	1,699	1,698
Total	3,578	3,499

	Half year ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Gains on Equity Investments			
Cumulative realised gains in reporting period	8	–	–
Total unrealised gains	269	53	38

¹ Equity investment exposures including non-traded equity investments as well as investments in associates that are treated as capital deductions and are not risk weighted at Level 2.

Market Risk

8 Market Risk

8.1 Traded Market Risk

Capital Calculation Methods

The breakdown of RWA for traded market risk by modelling method is summarised in the table below.

	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Traded Market Risk RWA by Modelling Approach ¹			
Internal Model Approach	10,376	11,455	4,672
Standard Method	785	1,002	756
Total Traded Market Risk RWA	11,161	12,457	5,428

¹ Refer to page 11 for commentary.

The capital requirement for traded market risk under the standard method is disclosed in APS 330 Table 13b.

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

	31 Dec 20	30 Jun 20	31 Dec 19
	\$M	\$M	\$M
Exposure Type			
Interest rate risk	62.8	80.2	60.4
Equity risk	–	–	0.1
Foreign exchange risk	–	–	–
Commodity risk	–	–	–
Total	62.8	80.2	60.5
Risk Weighted Asset equivalent ¹	785	1,002	756

¹ Risk Weighted Assets equivalent is the capital requirements multiplied by 12.5 in accordance with APS 110.

Traded Market Risk Internal Model

The VaR and SVaR results calculated under the internal model approach are summarised in APS 330 Table 14f (i).

APS 330 Table 14f (i) – Value-at-Risk and Stressed Value-at-Risk for Trading Portfolios under the Internal Model Approach

	Aggregate VaR Over the Reporting Period			As at balance date
	Mean value	Maximum value	Minimum value	
	\$M	\$M	\$M	\$M
Average VaR ¹				
Over the 6 months to 31 December 2020	156	219	69	153
Over the 6 months to 30 June 2020	109	272	20	124
Over the 6 months to 31 December 2019	31	49	21	36

¹ 10 day, 99% confidence interval over the reporting period.

	Aggregate SVaR Over the Reporting Period			As at balance date
	Mean value	Maximum value	Minimum value	
	\$M	\$M	\$M	\$M
Stressed VaR ¹				
Over the 6 months to 31 December 2020	92	196	37	68
Over the 6 months to 30 June 2020	128	325	34	41
Over the 6 months to 31 December 2019	146	267	33	39

¹ 10 day, 99% confidence interval over the reporting period.

Internal Model Approach – Back-test results

The internal model is subject to back-testing against hypothetical profit and loss. In the 6 months to 31 December 2020 there were no back-test outliers. In accordance with guidelines from APRA, in specific circumstances an ADI may disregard back-test outliers that occurred in March and April 2020 in determining a plus factor for an ADI under paragraph 85-86 of APS 116. The back-test results are summarised in APS 330 Table 14f (ii) and details of these are provided in APS 330 Table 14f (iii). A comparison of VaR with actual gains or losses during the 6 months to 31 December 2020 is illustrated in APS 330 Table 14f (iv).

APS 330 Table 14f (ii) – Summary Table of the Number of Back-Testing Outliers ¹

Over the 6 months to 31 December 2020	–
Over the 6 months to 30 June 2020	1
Over the 6 months to 31 December 2019	1

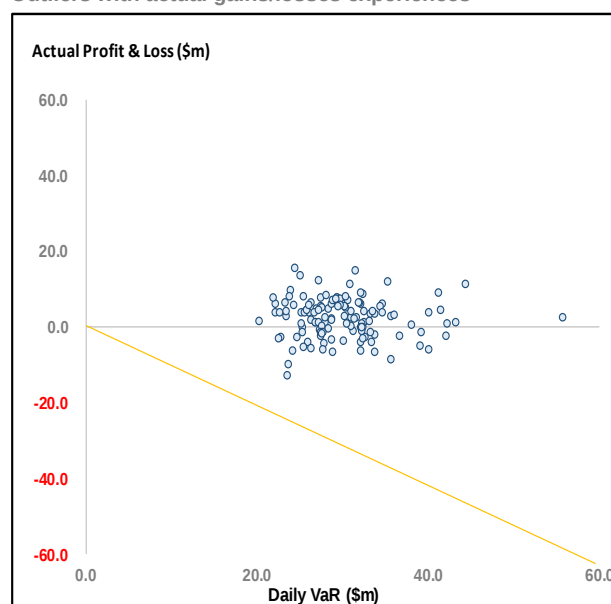
¹ 1 day, 99% confidence interval over the reporting period

Market Risk (continued)

APS 330 Table 14f (iii) – Details of Back-Test

Over the Reporting Period 1 July 2020 to 31 December 2020		
Date	Hypothetical loss \$M	VaR 99% \$M
	–	–
Over the Reporting Period 1 January 2020 to 30 June 2020		
Date	Hypothetical loss \$M	VaR 99% \$M
28 February 2020	27	12
Over the Reporting Period 1 July 2019 to 31 December 2019		
Date	Hypothetical loss \$M	VaR 99% \$M
05 August 2019	18	9

APS 330 Table 14f (iv) – Comparison of VaR estimates
Outliers with actual gains/losses experiences



8.2 Non-Traded Market Risk

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

Stress Testing: Interest Rate Shock Applied	Change in Economic Value		
	31 Dec 20 \$M	30 Jun 20 \$M	31 Dec 19 \$M
AUD			
200 basis point parallel increase	(1,388)	(808)	(411)
200 basis point parallel decrease	1,472	870	476
NZD			
200 basis point parallel increase	(394)	(348)	(370)
200 basis point parallel decrease	418	370	393
USD			
200 basis point parallel increase	(167)	(131)	(148)
200 basis point parallel decrease	(31)	144	159
Other			
200 basis point parallel increase	48	36	(7)
200 basis point parallel decrease	(48)	(37)	8

Regulatory RWA ¹	31 Dec 20 \$M	30 Jun 20 \$M	31 Dec 19 \$M
Interest rate risk in the banking book	15,561	11,085	8,998

¹ Refer to page 11 for commentary.

9 Operational Risk

On 20 November 2020, APRA reduced the capital add-on by \$500 million or \$6.25 billion RWA, reflecting the progress made against the Prudential Inquiry Remedial Action Plan.

APS 330 Table 6e – Capital requirements for operational risk

	31 Dec 20 \$M	30 Jun 20 \$M	31 Dec 19 \$M
Total operational risk RWA ¹	49,994	57,212	59,511

¹ Refer to page 11 for commentary.

Liquidity Risk

10 Liquidity Risk

10.1 Liquidity Coverage Ratio

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement of 100% and the Board's risk appetite. Over the December 2020 quarter, excess liquid assets averaged \$55 billion and the average LCR decreased by 3% from 146% to 143%.

The Group's mix of liquid assets consists of HQLA, such as cash, deposits with central banks, Australian Semi-Government and Commonwealth Government securities. Liquid assets also include repo-eligible securities with the RBA under the Committed Liquidity Facility (CLF) and TFF, and securities classified as liquid assets by the RBNZ. Liquid assets are distributed across the Group to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. Average Liquid Assets decreased over the quarter as the size of the Group's CLF decreased from \$45.8 billion to \$30.0 billion on 1 December 2020.

NCOs are modelled under an APRA prescribed 30 day severe liquidity stress scenario. The Group manages modelled NCOs by maintaining a large base of low LCR outflow customer deposits and actively managing its wholesale funding maturity profile as part of its overall liquidity management strategy. Average NCOs increased slightly over the quarter driven by strong growth in at-call deposits.

APS 330 Table 20 – LCR Disclosure Template

	31 Dec 20	31 Dec 20	30 Sep 20	30 Sep 20
	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
	(average) ¹	(average) ¹	(average) ¹	(average) ¹
	\$M	\$M	\$M	\$M
Liquid assets, of which:				
1 High quality liquid assets (HQLA)		122,514		120,506
2 Alternative liquid assets (ALA)		57,065		63,436
3 Reserve Bank of New Zealand (RBNZ) securities		3,576		2,335
Cash outflows				
4 Retail deposits and deposits from small business customers, of which:	369,448	33,200	353,983	31,938
5 Stable deposits	199,391	9,970	188,781	9,439
6 Less stable deposits	170,057	23,230	165,202	22,499
7 Unsecured wholesale funding, of which:	161,523	74,639	157,327	75,731
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	64,463	15,824	57,180	14,053
9 Non-operational deposits (all counterparties)	87,000	48,755	88,648	50,179
10 Unsecured debt	10,060	10,060	11,499	11,499
11 Secured wholesale funding		774		1,064
12 Additional requirements, of which:	167,831	23,583	160,799	21,828
13 Outflows related to derivatives exposures and other collateral requirements	5,650	5,650	5,480	5,480
14 Outflows related to loss of funding on debt products	–	–	–	–
15 Credit and liquidity facilities	162,181	17,933	155,319	16,348
16 Other contractual funding obligations	14	–	35	–
17 Other contingent funding obligations	71,080	8,593	74,290	10,153
18 Total cash outflows		140,789		140,714
Cash inflows				
19 Secured lending	7,251	1,392	7,250	1,292
20 Inflows from fully performing exposures	9,420	6,353	8,938	5,789
21 Other cash inflows	4,711	4,711	6,154	6,154
22 Total cash inflows	21,382	12,456	22,342	13,235
23 Total liquid assets		183,155		186,277
24 Total net cash outflows		128,333		127,479
25 Liquidity Coverage Ratio (%)		143		146
Number of data points used (Business Days)		64		65

¹ The averages presented are calculated as simple averages of daily observations over the previous quarter.

Liquidity Risk (continued)

10.2 Net Stable Funding Ratio

The NSFR requires Australian ADIs to have sufficient ASF to meet their RSF over a one year horizon. The Group calculates its NSFR position daily, ensuring a buffer is maintained over the regulatory requirement of 100% and the Board's risk appetite. The ASF and RSF are calculated by applying factors prescribed by APRA, to liabilities, assets and off Balance Sheet commitments.

The Group's main sources of ASF are deposits from retail and SME customers, wholesale funding and capital. The main contributors to RSF are residential mortgages and loans to business and corporate customers.

The Group's NSFR decreased by 2% over the quarter, from 125% at 30 September 2020 to 123% at 31 December 2020. The decrease was driven by an increase in RSF, primarily due to the reduction in the Group's CLF and strong mortgage growth. This was partly offset by an increase in ASF due to strong deposit inflows from retail and SME customers.

APS 330 Table 21 – NSFR disclosure template

As at 31 December 2020					
Unweighted value by residual maturity					Weighted value
No Maturity	0 - 6 months	7 - 12 months	> 12 months		
\$M	\$M	\$M	\$M		\$M
Available Stable Funding (ASF) Item					
1 Capital	74,634	–	–	28,647	103,281
2 Regulatory Capital	74,634	–	–	28,647	103,281
3 Other Capital Instruments	–	–	–	–	–
4 Retail deposits and deposits from small business customers	356,348	100,613	16	186	423,891
5 Stable deposits ¹	205,217	43,276	13	21	236,102
6 Less stable deposits ²	151,131	57,337	3	165	187,789
7 Wholesale funding	141,238	143,549	34,905	94,654	188,194
8 Operational deposits	64,436	–	–	–	32,218
9 Other wholesale funding	76,802	143,549	34,905	94,654	155,976
10 Liabilities with matching interdependent assets	–	–	–	–	–
11 Other liabilities	–	16,726	202	2,817	2,918
12 NSFR derivative liabilities	–	8,113	–	–	–
13 All other liabilities and equity not included in the above categories	–	8,613	202	2,817	2,918
14 Total ASF					718,284
Required Stable Funding (RSF) Item					
15 a) Total NSFR HQLA	–	139,592	–	–	4,911
15 b) ALA	–	70,958	–	–	7,096
15 c) RBNZ Securities	–	4,336	–	–	439
16 Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17 Performing loans and securities	845	68,475	40,832	632,562	519,656
18 Performing loans to financial institutions secured by Level 1 HQLA	432	10,175	–	–	1,061
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	413	13,657	5,805	17,047	22,061
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs)	–	32,489	26,846	130,694	140,661
21 of which: with a risk weight of less than or equal to 35% under APS 112	–	43	48	485	360
22 Performing residential mortgages	–	8,135	7,653	480,006	349,295
23 of which: with a risk weight equal to 35% under APS 112	–	6,935	6,523	387,824	269,535
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	4,019	528	4,815	6,578
25 Assets with matching interdependent liabilities	–	–	–	–	–
26 Other assets:	10,279	29,886	896	24,489	41,950
27 Physical traded commodities, including gold	10,279	–	–	–	8,738
28 Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	–	1,822	–	–	1,549
29 NSFR derivative assets	–	10,687	–	–	2,575
30 NSFR derivative liabilities before deduction of variation margin posted	–	14,561	–	–	2,912
31 All other assets not included in the above categories	–	2,816	896	24,489	26,176
32 Off Balance Sheet items	–	189,371	–	–	8,653
33 Total RSF					582,705
34 Net Stable Funding Ratio (%)					123

1 Stable deposits are the portion of deposits that are protected under the Financial Claims Scheme where depositors have an established relationship with the Bank or the deposits are in transactional accounts.

2 Less stable deposits are the portion of deposits that do not meet the requirements of stable deposits.

Liquidity Risk (continued)

10.2 Net Stable Funding Ratio (continued)

As at 30 September 2020					
Unweighted value by residual maturity					
	No Maturity	0 - 6 months	7 - 12 months	> 12 months	Weighted value
	\$M	\$M	\$M	\$M	\$M
Available Stable Funding (ASF) Item					
1 Capital	71,818	–	–	29,141	100,960
2 Regulatory Capital	71,818	–	–	29,141	100,960
3 Other Capital Instruments	–	–	–	–	–
4 Retail deposits and deposits from small business customers	339,543	105,616	25	193	412,287
5 Stable deposits ¹	183,374	45,171	17	18	217,152
6 Less stable deposits ²	156,169	60,445	8	175	195,135
7 Wholesale funding	140,941	135,052	29,531	104,011	194,227
8 Operational deposits	61,870	–	–	–	30,927
9 Other wholesale funding	79,071	135,052	29,531	104,011	163,300
10 Liabilities with matching interdependent assets	–	–	–	–	–
11 Other liabilities	–	18,022	248	2,764	2,888
12 NSFR derivative liabilities	–	9,298	–	–	–
13 All other liabilities and equity not included in the above categories	–	8,724	248	2,764	2,888
14 Total ASF					710,362
Required Stable Funding (RSF) Item					
15 a) Total NSFR HQLA		132,419			5,370
15 b) ALA		78,214			7,821
15 c) RBNZ Securities		4,664			466
16 Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17 Performing loans and securities	1,210	66,883	39,981	618,316	509,041
18 Performing loans to financial institutions secured by Level 1 HQLA	827	11,328	–	–	1,215
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	383	13,119	6,925	14,960	20,448
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs)	–	31,351	25,126	134,535	142,497
21 of which: with a risk weight of less than or equal to 35% under APS 112	–	35	36	480	348
22 Performing residential mortgages	–	7,227	7,202	463,272	337,589
23 of which: with a risk weight equal to 35% under APS 112	–	6,188	6,165	374,016	260,392
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	3,858	728	5,549	7,292
25 Assets with matching interdependent liabilities	–	–	–	–	–
26 Other assets:	8,130	27,838	712	25,192	37,075
27 Physical traded commodities, including gold	8,130	–	–	–	6,910
28 Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	–	1,839	–	–	1,563
29 NSFR derivative assets	–	8,354	–	–	–
30 NSFR derivative liabilities before deduction of variation margin posted	–	13,613	–	–	2,723
31 All other assets not included in the above categories	–	4,032	712	25,192	25,879
32 Off Balance Sheet items	–	181,139	–	–	8,225
33 Total RSF					567,998
34 Net Stable Funding Ratio (%)					125

1 Stable deposits are the portion of deposits that are protected under the Financial Claims Scheme where depositors have an established relationship with the Bank or the deposits are in transactional accounts.

2 Less stable deposits are the portion of deposits that do not meet the requirements of stable deposits.

Appendices

11 Appendices

11.1 Detailed Capital Disclosures Template (APS 330 Attachment A)

The Group is applying the Basel III regulatory adjustments in full, as implemented by APRA. These tables should be read in conjunction with Appendix 11.3 Regulatory Balance Sheet and Appendix 11.4 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet.

	31 Dec 20 Basel III APRA	31 Dec 20 Basel III Internationally Comparable
Summary Group Capital Adequacy Ratios (Level 2)	%	%
CET1	12.6	18.7
Tier 1	15.0	21.8
Total Capital	18.9	26.9

	31 Dec 20 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	38,417	Table A
2 Retained earnings	33,915	
3 Accumulated other comprehensive income (and other reserves)	2,287	
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	74,619	
Common Equity Tier 1 Capital: regulatory adjustments		
7 Prudential valuation adjustments	(9)	
8 Goodwill (net of related tax liability)	(5,997)	Table C
9 Other intangibles other than mortgage servicing rights (net of related tax liability)	(1,642)	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	(994)	
12 Shortfall of provisions to expected losses ¹	–	
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	–	
15 Defined benefit superannuation fund net assets ²	(180)	
16 Investments in own shares (if not already netted off paid-in capital on reported Balance Sheet)	–	
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)	65,797	

1 As at 31 December 2020, there is no shortfall with eligible credit provisions in excess of regulatory expected loss (pre-tax) using stressed LGD assumptions associated with the loan portfolio included in row 50. The Group's GRCL methodology results in an amount lower than the provision recognised for accounting purposes, resulting in no additional GRCL requirement.

2 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 CET1.

Appendices (continued)

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

		31 Dec 20 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	15	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	(4,432)	Table G
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	(3,041)	Table D
26f	of which: capitalised expenses	(833)	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	(162)	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	(249)	
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 Common Equity Tier 1 ¹	(17,524)	
29	Common Equity Tier 1 Capital (APRA)	57,095	
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	10,695	Table E
33	Directly issued capital instruments subject to phase out from Additional Tier 1	130	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	–	
36	Additional Tier 1 Capital before regulatory adjustments	10,825	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)	10,825	
45	Tier 1 Capital (T1=CET1+AT1)	67,920	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	15,533	Table F
47	Directly issued capital instruments subject to phase out from Tier 2	277	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	2,061	
51	Tier 2 Capital before regulatory adjustments	17,871	

1 Total regulatory adjustments to CET1 of \$17,524 million in row 28 is net of APRA's allowance for treasury shares held by the Group's eligible employee share scheme trusts of \$15 million as detailed in row 26a.

Appendices (continued)

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

		31 Dec 20 Basel III \$M	Reconciliation Table Reference
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	(30)	
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)	(19)	
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	–	
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	(49)	
58	Tier 2 Capital (T2)	17,822	
59	Total Capital (TC=T1+T2)	85,742	
60	Total risk weighted assets based on APRA standards	453,616	
Capital ratios and buffers			
61	CET1 (as a percentage of risk weighted assets)	12.6%	
62	Tier 1 (as a percentage of risk weighted assets)	15.0%	
63	Total Capital (as a percentage of risk weighted assets)	18.9%	
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)	8.0%	
65	of which: capital conservation buffer requirement	3.5%	
66	of which: ADI-specific countercyclical buffer requirements	–	Table H
67	of which: G-SIB buffer requirement (not applicable)	n/a	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	12.6%	
National minima			
69	National Common Equity Tier 1 minimum ratio	–	
70	National Tier 1 minimum ratio	–	
71	National Total Capital minimum ratio	–	
Amount below thresholds for deductions (not risk weighted)			
72	Non-significant investments in the capital of other financial entities	862	Table G
73	Significant investments in the ordinary shares of financial entities	3,570	Table G
74	Mortgage servicing rights (net of related tax liability)	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	3,041	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)	252	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	226	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	1,835	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	2,153	
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	1,049	
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	645	
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	–	Table F

Appendices (continued)

11.2 Detailed Leverage Disclosures Template (APS 330 Attachment E)

APS 330 Table 19 – Summary comparison of accounting assets vs leverage ratio exposure measure

	31 Dec 20 Basel III APRA \$M
1 Total consolidated assets as per published financial statements	1,057,734
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(5,613)
3 Adjustment for assets held on the Balance Sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure	–
4 Adjustments for derivative financial instruments	(5,915)
5 Adjustment for SFTs (i.e. repos and similar secured lending)	131
6 Adjustment for off Balance Sheet exposures (i.e. conversion to credit equivalent amounts of off Balance Sheet exposures)	96,029
7 Other adjustments	(17,318)
8 Leverage ratio exposure	1,125,048

APS 330 Table 18 – leverage ratio disclosure template

	31 Dec 20 Basel III APRA \$M
On Balance Sheet exposures	
1 On Balance Sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	998,672
2 Asset amounts deducted in determining Tier 1 capital	(17,318)
3 Total On Balance Sheet exposures (excluding derivatives and SFTs)	981,354
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	9,700
5 Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	16,109
6 Gross-up for derivatives collateral provided where deducted from the Balance Sheet assets pursuant to the Australian Accounting Standards	–
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–
8 (Exempted central counterparty (CCP) leg of client-cleared trade exposures)	–
9 Adjusted effective notional amount of written credit derivatives	726
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(52)
11 Total derivative exposures	26,483
SFT exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	21,051
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14 CCR exposure for SFT assets	131
15 Agent transaction exposures	–
16 Total SFT exposures	21,182
Other Off Balance Sheet exposures	
17 Off Balance Sheet exposure at gross notional amount	197,100
18 (Adjustments for conversion to credit equivalent amounts)	(101,071)
19 Other Off Balance Sheet exposures	96,029
Capital and total exposures	
20 Tier 1 Capital	67,920
21 Total exposures	1,125,048
Leverage ratio	
22 Leverage ratio (%)	6.0

Appendices (continued)

11.3 Regulatory Balance Sheet

The following table provides details on the Group's Balance Sheet and the Level 2 Regulatory Balance Sheet as at 31 December 2020.

	Group Balance Sheet \$M	Adjustment ¹ \$M	Level 2 Regulatory Balance Sheet \$M	Template/ Reconciliation Table Reference
Assets				
Cash and liquid assets	63,019	(71)	62,948	
Receivables due from other financial institutions	7,280	–	7,280	
Assets at fair value through Income Statement	50,702	(285)	50,417	Table G
Derivative assets	32,398	–	32,398	
Investment securities:				Table G
At amortised cost	4,391	–	4,391	
At fair value through Other Comprehensive Income	89,672	–	89,672	
Loans, bills discounted and other receivables	785,429	(5,152)	780,277	
Investment in regulatory non-consolidated subsidiaries	–	670	670	Table G
Property, plant and equipment	5,468	–	5,468	
Investment in associates and joint ventures	2,865	–	2,865	Table G
Intangible assets	6,943	761	7,704	Table C
Deferred tax assets	2,522	(260)	2,262	Table D
Other assets	5,428	(187)	5,241	
Assets held for sale	1,617	(1,089)	528	Table G
Total assets	1,057,734	(5,613)	1,052,121	
Liabilities				
Deposits and other public borrowings	746,466	976	747,442	
Payables due to other financial institutions	31,010	–	31,010	
Liabilities at fair value through Income Statement	7,255	–	7,255	
Derivative liabilities	33,482	–	33,482	
Current tax liabilities	105	1	106	
Deferred tax liabilities	224	–	224	Table D
Provisions	3,552	(297)	3,255	
Debt issues	122,548	(5,263)	117,285	
Bills payable and other liabilities	9,826	(348)	9,478	
Loan capital	27,608	–	27,608	Table E
Liabilities held for sale	655	(302)	353	
Total liabilities	982,731	(5,233)	977,498	
Net assets	75,003	(380)	74,623	
Shareholders' Equity				
Ordinary Share capital	38,417	–	38,417	Row 1, Table A
Reserves	2,287	–	2,287	Row 3
Retained profits	34,294	(379)	33,915	Row 2
Shareholders' Equity attributable to Equity holders of the Bank	74,998	(379)	74,619	
Non-controlling interests	5	(1)	4	Table B
Total Shareholders' Equity	75,003	(380)	74,623	

¹ 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.

Appendices (continued)

11.4 Reconciliation between Detailed Capital Disclosures Template and Regulatory Balance Sheet

The following tables provide additional information on the differences between the detailed capital disclosures template (Appendix 11.1) and the Regulatory Balance Sheet (Appendix 11.3).

Table A	31 Dec 20 \$M	Template Reference
Share Capital		
Ordinary Share Capital	38,417	
Total per Balance Sheet (Ordinary Share Capital Internationally Comparable) ¹	38,417	Row 1
Treasury Shares held by the Group's employee share scheme trusts (APRA specific adjustment)	15	Row 26a
Total Ordinary Share Capital and Treasury Shares (APRA)	38,432	
	31 Dec 20 \$M	Template Reference
Table B		
Non-Controlling Interests		
Total per Balance Sheet ¹	4	
Less other non controlling interests not included in capital	(4)	
Total per Capital Template (APRA and Internationally Comparable)	–	Row 5
	31 Dec 20 \$M	Template Reference
Table C		
Goodwill and Other Intangibles		
Total per Balance Sheet ¹	7,704	
Less capitalised software and other intangibles separately disclosed in template	(1,707)	
Total per Capital Template - Goodwill (APRA and Internationally Comparable)	5,997	Row 8
Other intangibles (including capitalised software) per Balance Sheet	1,707	
Less deferred tax liability associated with other intangibles	(65)	
Total per Capital Template - Other Intangibles (APRA and Internationally Comparable)	1,642	Row 9
	31 Dec 20 \$M	Template Reference
Table D		
Deferred Tax Assets		
Deferred tax assets per Balance Sheet ¹	2,262	
Less deferred tax liabilities per Balance Sheet ¹	(224)	
Net Deferred Tax Assets ²	2,038	
Adjustments required in accordance with APRA prudential standards ³	1,003	
Deferred tax asset adjustment before applying prescribed thresholds (APRA specific adjustment)	3,041	Row 26e
Less amounts below prescribed threshold - risk weighted ⁴	(3,041)	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 assets net of deferred tax liabilities per Level 2 Regulatory Balance Sheet.

3 Represents the deferred tax balances associated with reserves ineligible for inclusion in regulatory capital, 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 CET1.

Appendices (continued)

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

Table E	31 Dec 20 \$M	Template Reference
Additional Tier 1 Capital		
Total Loan Capital per Balance Sheet ¹	27,608	
Less fair value hedge adjustments ²	(973)	
Total Loan Capital net of issue costs at their contractual values	26,635	
Less amount related to Tier 2 Capital Instruments	(15,860)	
Total Tier 1 Loan Capital	10,775	
Add issue costs ³	50	
Less Basel III transitional relief amortisation for directly issued instruments ⁴	–	Row 83
Less Basel III transitional relief amortisation for instruments issued by subsidiaries ⁴	–	Row 83
Total per Capital Template (APRA)	10,825	Row 36

Additional Tier 1 Capital Instruments comprises

Basel III Complying Instruments

PERLS VII	3,000	
PERLS VIII	1,450	
PERLS IX	1,640	
PERLS X	1,365	
PERLS XI	1,590	
PERLS XII	1,650	
	10,695	Row 32

Basel III Non-Complying Instruments

Other Instruments	130	
Less Basel III transitional relief amortisation for directly issued instruments ⁴	–	Row 83
	130	Row 33
Total Basel III Non Complying Instruments	130	
Total Additional Tier 1 Capital Instruments (APRA)	10,825	Row 36

Table F	31 Dec 20 \$M	Template Reference
Tier 2 Capital Instruments		
Total included in Balance Sheet	15,860	
Less amount of Tier 2 debt issued by subsidiary ineligible for inclusion in the Group's Capital ⁵	(80)	
Add issue costs ³	30	
Less amortisation of instruments ⁶	–	
Less Basel III transitional relief amortisation for directly issued instruments ⁴	–	Row 85
Total per Capital Template (APRA and Internationally Comparable)	15,810	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 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 Detailed Capital Disclosures Template.

4 Basel III transitional arrangements apply to directly issued capital instruments and instruments issued by subsidiaries not compliant with the new Basel III requirements.

5 Represents notes issued by the Group through ASB, its New Zealand subsidiary. 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.

6 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 Commbank.com.au/regulatorydisclosures

Appendices (continued)

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

Table G	31 Dec 20	Template
	\$M	Reference
Equity Investments		
Investment in commercial entities	162	Row 26g
Investments in significant financial entities	2,900	Row 26d, 73
Investments in non-significant financial entities	862	Row 26d, 72
	3,924	
Equity investment in non-consolidated subsidiaries	670	Row 26d, 73
Total equity investments before applying prescribed thresholds APRA specific adjustment ¹	4,594	
Less amounts risk weighted under Internationally Comparable ²	(4,594)	
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, Investment Securities, Assets at Fair Value through Income Statement and Investment in non-consolidated subsidiaries. In addition, 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 \$2,900 million, investments in non-significant financial entities of \$862 million and equity investment in non-consolidated subsidiaries of \$670 million is a total of \$4,432 million and is included in row 26d in the Detailed Capital Disclosures 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. The remaining balance of \$162 million related to investments in commercial entities are risk weighted under Internationally Comparable methodology, with no prescribed threshold limits.

Countercyclical Capital Buffer

The CCyB, which is effective for Australian ADIs from 1 January 2016, represents an extension to the capital conservation buffer and may require an ADI to hold additional CET1 of up to 2.5%. The CCyB is calculated as the sum of the specific buffer set by APRA with respect to Australian private sector exposures and the weighted average for offshore private sector exposures where the CCyB has been enacted.

Table H	RWA ²	Jurisdictional Buffer	ADI Specific Buffer ³	Template
	\$M	%	%	Reference
Country ¹				
Hong Kong	680	1.000%	0.001857%	
Norway	719	1.000%	0.001963%	
Luxembourg	140	0.500%	0.000191%	
Others	364,482	0.000%	0.000000%	
Total	366,021		0.004011%	Row 66

1 Represents country of ultimate risk as at 31 December 2020.

2 Represents total private sector (excludes Banks and Sovereigns) credit and specific market risk RWA.

3 Calculated as each country's share of total private sector credit and specific market RWA multiplied by the CCyB applicable in each country.

Appendices (continued)

11.5 Entities excluded from Level 2 Regulatory Consolidated Group

The legal entities included within the accounting scope of consolidation, but excluded from the Level 2 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 2017-1	1,109	1,111
Medallion Trust Series 2017-2	1,377	1,379
Medallion Trust Series 2018-1	1,635	1,638
Medallion Trust Series 2019-1	1,157	1,159

Entity name	Total Assets \$M	Total Liabilities \$M
(b) Insurance and Funds Management		
Avanteos Investments Limited	87	24
Avanteos Pty Ltd	–	–
CBA Captive Insurance Pte Limited	94	24
Colonial Mutual Superannuation Pty Ltd	–	–
Colonial Services Pty Limited	–	–
Commonwealth Custodial Services Pty Ltd	1	1
Commonwealth Insurance Limited	1,131	860
Colonial First State Investments Limited	1,011	465
Emerald Holding Company Pty Limited	–	–
Premium Alternative Investments Pty Limited	–	–
Premium Plantations Pty Limited	–	–
Premium Plantations Services Pty Ltd	–	–
St Andrew's Australia Pty Ltd	–	–

Appendices (continued)

11.6 List of APRA APS 330 Tables

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1 Details can be found at CommBank.com.au/regulatorydisclosures.

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1 Details can be found at CommBank.com.au/regulatorydisclosures.

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11.8 Glossary

Term	Definition
Additional Tier 1 Capital (AT1)	Additional Tier 1 Capital is a concept defined by APRA and consists of high quality capital that essentially provides 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.
Authorised Deposit-taking Institution (ADI)	Authorised Deposit-taking Institutions are financial institutions that are authorised under the Banking Act 1959 to carry on banking business in Australia, including accepting deposits from the public.
Advanced Internal Ratings-based (AIRB) Approach	This approach is 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)	This approach is 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.
Alternative Liquid Assets (ALA)	Assets that qualify for inclusion in the numerator of the LCR in jurisdictions where there is insufficient supply of HQLA.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the RBNZ.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB).
Australian Prudential Regulation Authority (APRA)	The Australian Prudential Regulation Authority is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian parliament.
Banking Book	The banking book is a term for assets on a bank's Balance Sheet that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers. The banking book can also include those derivatives that are used to hedge exposures arising from the banking book activity, including interest rate risk.
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 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.
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 reported in the Group's financial statements in accordance with Australian Accounting Standards (AASB 9 <i>Financial Instruments</i>).
Committed Liquidity Facility (CLF)	The RBA provides the Committed Liquidity Facility to participating ADIs under the LCR, as a shortfall in Commonwealth government and semi-government securities exists in Australia. ADIs can draw on the CLF in a liquidity crisis against qualifying securities pledged to the RBA. The amount of the CLF for each ADI is set by APRA annually.

Appendices (continued)

11.8 Glossary (continued)

Term	Definition
Common Equity Tier 1 Capital (CET1)	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.
Corporate	Basel asset class - includes commercial credit risk where annual revenues are \$50 million or more.
Countercyclical capital buffer (CCyB)	The countercyclical capital buffer is an additional amount of capital that APRA can require ADIs to hold at certain points in the economic and financial cycle. The primary purpose of the countercyclical capital buffer is to increase the resilience of the ADI sector during periods of heightened systemic risk.
Counterparty Credit Risk (CCR)	The risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
Credit Equivalent Amount	The credit equivalent amount is a measure, prescribed by the regulator, to quantify credit risk for off Balance Sheet instruments, such as interest rate derivatives. The credit equivalent amount of a market related off Balance Sheet transaction calculated using the current exposure method is the sum of current credit exposure and potential future credit exposure of these contracts.
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.
Extended Licenced Entity (ELE)	An Extended Licensed Entity is comprised of an ADI and each subsidiary of an ADI as specified in any approval granted by APRA in accordance with Prudential Standard APS 222 "Associations with Related Entities."
External Credit Assessment Institution (ECAI)	For example: Moody's Investor Services, S&P Global Ratings or Fitch Ratings.
General Reserve for Credit Losses (GRCL)	APS 220 "Credit Quality" 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 GRCL. An excess of required GRCL over the Group's collective provisions is recognised as a deduction from CET1.
Group	Commonwealth Bank of Australia and its subsidiaries.
High Quality Liquid Assets (HQLA)	Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.
Impaired Assets	Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments due, will be received in a timely manner.
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 9 <i>Financial Instruments</i>). Also known as individually assessed provisions or IAP.
Interest Rate Risk in the Banking Book (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 Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group's 30 June 2020 Basel III Pillar 3 report.

Appendices (continued)

11.8 Glossary (continued)

Term	Definition
Level 1	The Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licensed Entities.
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 the report has been produced.
Level 3	The conglomerate group including the Group's insurance and funds management businesses (the Group).
Leverage Ratio	Tier 1 Capital divided by total exposures, with this ratio expressed as a percentage.
Liquidity Coverage Ratio (LCR)	The liquidity coverage ratio is a quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
Loss Given Default (LGD)	An estimate of the expected severity of loss for a credit exposure following a default event. Loss Given Default represents the fraction of EAD that is not expected to be recovered following default.
Net Cash Outflows (NCO)	Net cash outflows in the LCR are calculated by applying prescribed run-off factors on liabilities and various off Balance Sheet exposures that can generate a cash outflow in the next 30 days.
Net Stable Funding Ratio (NSFR)	The net stable funding ratio more closely aligns the behaviour term of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.
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.
Past Due	Facilities are past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements.
Probability of Default (PD)	The likelihood that a debtor fails to meet its debt obligations or contractual commitments.
Prudential Capital Ratio (PCR)	The regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times.
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.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.

Appendices (continued)

11.8 Glossary (continued)

Term	Definition
Residential Mortgage	Basel asset class – retail exposures secured by residential mortgage property.
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.
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 RWA amounts for credit risk under the IRB approach of 1.06.
Securities Financing Transactions (SFT)	APRA defines securities financing transactions as transactions such as repurchase agreements, reverse repurchase agreements, and security lending and borrowing, and margin lending transactions, where the value of the transactions depends on the market valuation of securities and the transactions are typically subject to margin agreements.
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 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 exposures up to \$1 million that are not secured by residential mortgage property.
SME Retail Secured by Residential Mortgage	Basel asset class – Small and Medium Enterprise exposures up to \$1 million that are partly or fully secured by residential mortgage property.
Sovereign	Basel asset class – primarily includes claims on Australian and foreign governments, central banks (including the RBA), 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, object finance, project finance and commodity finance.
Specific Provisions	APS 220 "Credit Quality" 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 GRCL (which are primarily collective provisions on some defaulted assets).
Standardised Approach	An alternate approach to the assessment of credit, operational and traded market risk whereby an ADI uses external ratings agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Stressed Value-at-Risk (SVaR)	Stressed Value-at-Risk uses the same methodology as 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.
Term Funding Facility (TFF)	A facility provided by the RBA to certain ADIs to support lending to Australian businesses.
Tier 1 Capital	Comprises CET1 and AT1.
Tier 2 Capital	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.

Appendices (continued)

11.8 Glossary (continued)

Term	Definition
Total Capital	Comprises CET1, AT1 and Tier 2 Capital.
Total Exposures (as used in the leverage ratio)	The sum of on Balance Sheet items, derivatives, SFTs and off Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items, as outlined in APS 110 “Capital Adequacy” Attachment D.
Trading Book	Exposures, including derivative products and other off Balance Sheet instruments, that are held either with a trading intent or to hedge other elements of the trading book.
Value-at-Risk (VaR)	Value-at-Risk is a measure of potential loss using historically observed market volatility and correlation between different markets.