May 23, 2014

Commonwealth Bank of Australia
Recent Developments

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

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's U.S. Half-Year Disclosure Document for the half year ended December 31, 2013 (the "2014 Half Year Disclosure Report") included on the U.S. Investor Website.

References to "$" are to Australian Dollars.

Trading Update for the Quarter ended March 31, 2014

On May 14, 2014, the Group advised that its unaudited cash earnings[1] for the three months ended March 31, 2014 (the "quarter") were approximately $2.2 billion. Statutory net profit on an unaudited basis for the same period was approximately $2.3 billion, with non-cash items treated on a consistent basis to prior periods.

Key outcomes for the quarter are summarized below:

- A combination of solid revenue growth and cost discipline resulted in a positive "Jaws ratio"[2] for the quarter;

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1 Except as expressly noted, this update is based on the Group's cash earnings, which are prepared on a different basis than Australian equivalents to International Financial Reporting Standards ("IFRS"). The difference between cash and statutory earnings for the period is predominantly made up of hedging and IFRS volatility. Cash earnings is used by management of the Group to present a view of the Group's underlying operating results, excluding a number of items that management believes introduce volatility and/or one-off distortions of the Group's current period performance. These items are calculated consistently period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, please refer to page 4 of the Group's 2014 Half Year Disclosure Report.

2 "Jaws ratio" is defined as the difference between the percentage growth in income and the percentage growth in expenses.

- The business momentum experienced during the six months ended December 31, 2013 was maintained in the quarter, but with increased focus on managing the trade off between volume growth and margins as competitive pressures, particularly in lending, intensified;

- Trading income in the quarter returned to historical levels;

- System mortgage credit growth was moderate in the quarter. Although lower interest rates supported strong growth in new business activity compared to the year ended June 30, 2013, this was balanced by higher levels of loan repayments;

- Household deposit growth remained strong in the quarter and in line with system;

- Commercial lending growth remained subdued in the quarter and in line with system;

- The Group's productivity initiatives delivered benefits at a run rate in the quarter which was consistent with the six months ended December 31, 2013;

- Group Net Interest Margin was marginally lower in the quarter primarily because of an increase in liquids;

- Credit quality was stable in the quarter, with impaired assets unchanged at $3.9 billion. Provisioning levels and coverage ratios consistent with those for the six months ended December 31, 2013 were maintained, with the economic overlay unchanged. Total loan impairment expense was $204 million in the quarter;

- The Group completed its previously announced transaction whereby Commonwealth Managed Investments Limited, as the responsible entity of CFS Retail Property Trust Group ("CFX"), internalized the management of CFX, and CFX acquired the integrated retail property asset management business and wholesale property funds management rights previously owned by the Group. This transaction reduced the Group's Funds under Administration ("FUA") by $11 billion. During the quarter ending June 30, 2014, DEXUS and Canada Pension Plan Investment Board's takeover offer for 100% of the Commonwealth Property Office Fund (CPA) is expected to be completed. If completed, this transaction is expected to reduce FUA by a further $4 billion. FUA was $249 billion, benefitting from combined platform net flows of $1 billion. Investment performance remained strong with 89 per cent of assets outperforming benchmark over a three year period. Insurance Inforce Premiums increased 1 per cent and lapse rates continued to improve in response to retention initiatives;

- Liquidity and funding positions consistent with those for the six months ended December 31, 2013 were maintained in the quarter, with liquid assets standing at $144 billion, customer deposit funding at 63 per cent and the average tenor of the wholesale funding portfolio at 3.9 years. The Group has completed $29 billion of new term issuance since June 30, 2013, largely meeting the Group's funding target for the financial year ending June 30, 2014;

- At March 31, 2014, the Group's Australian Prudential Regulation Authority Common Equity Tier 1 ("CET1") ratio was 8.5 per cent and its Internationally Harmonised CET1 was 11.6 per cent, compared to 8.5 and 11.4 per cent, respectively, at December 31, 2013. The CET1 ratios were driven by strong organic capital growth and the realization of 19 basis points of benefits associated with the sale of the Group's property business, and offset by the impact of the declaration of 2014 interim dividend (net of shares issued under the Dividend Reinvestment Plan) and modest growth in Risk Weighted Assets;

- Bankwest's performance benefitted from above system home lending, solid growth in deposit volumes and effective cost discipline; and

- The New Zealand economy continued to gain momentum in the quarter as strong demand for commodity exports and construction growth drove improved activity across a broad range of sectors. ASB lending growth for the quarter was modest, with margins remaining under competitive pressure and a continued customer preference for fixed rate lending. Retail deposits continued to grow above system.

Basel III Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at March 31, 2014

On May 14, 2014, the Group released its Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at March 31, 2014. That release is attached as Annex A hereto.

ANNEX A

CommonwealthBank

Basel III Pillar 3

CAPITAL ADEQUACY AND RISK DISCLOSURES AS AT 31 MARCH 2014

COMMONWEALTH BANK OF AUSTRALIA | ACN 123 123 124 | 14 MAY 2014

Commonwealth Bank of Australia

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Basel III Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly update as at 31 March 2014

1 Scope of Application

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

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

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

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

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

The Group's capital adequacy and risk disclosures for the year ended 30 June 2013 is available on the Group's corporate website www.commbank.com.au/shareholders.

2 Group Capital Ratios

The Group's Basel III internationally harmonised Common Equity Tier 1 (CET1) ratio as at 31 March 2014 was 11.6%.

The increase in capital during the quarter primarily reflects the capital generated from earnings and the realisation of the benefits associated with the sale of the Group's property business, more than offsetting the impact of the declaration of 2014 interim dividend (net of shares issued under the Dividend Reinvestment Plan (DRP)).

The Group's Basel III CET1 ratio as measured on an APRA basis was 8.5% at 31 March 2014, and was additionally impacted by an increase in IRRBB risk weighted assets (RWA) during the quarter.

The major differences in the Basel III APRA and the Basel III internationally harmonised CET1 ratios are:

- APRA requires a full deduction to be taken against CET1 for equity investments and deferred tax assets. Whilst on an internationally harmonised basis, such items are concessionally risk weighted if they fall below prescribed thresholds;
- APRA requires capital to be held for IRRBB with no similar requirement on an internationally harmonised basis; and
- APRA requires a minimum Loss Given Default (LGD) floor of 20% to be applied to retail residential mortgages which is higher than regulatory requirements elsewhere.

Capital Initiatives

The following significant capital initiatives have been undertaken since 31 December 2013:

- The DRP in respect of the 2014 interim dividend was satisfied by the allocation of approximately $707 million of ordinary shares, representing a participation rate of 24%; and
- In April 2014 the Group issued NZD400 million ASB Subordinated Notes through ASB, its New Zealand subsidiary. ASB Subordinated Notes are Basel III compliant Tier 2 securities under both Australian and New Zealand capital standards, and will contribute to the regulatory capital of both ASB and Group (Level 2) capital ratios.

APS 330 Table 3f – Capital ratios

Summary Group Capital Adequacy Ratios (Level 2)	31 Mar 14 %	31 Dec 13 %
Common Equity Tier 1	**8.5**	8.5
Tier 1	**10.3**	10.6
Tier 2	**0.8**	0.8
Total Capital (APRA)	**11.1**	11.4
Common Equity Tier 1 (Internationally Harmonised)	**11.6**	11.4

3 Risk Weighted Assets

RWA are calculated in accordance with the AIRB approach for the majority of the Group's credit risk exposures. Internal assessment and supervisory formula approaches are used where relevant for non-rated securitisation exposures and the ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI).

APS 330 Table 3a to 3e – Basel III capital requirements (RWA)

	Risk Weighted Assets		Change in RWA for Mar 2014 quarter	
	31 Mar 14	31 Dec 13		
Asset Category	$M	$M	$M	%
Credit Risk				
Subject to advanced IRB approach				
Corporate	**48,137**	48,331	(194)	(0.4)
SME corporate	**22,004**	22,548	(544)	(2.4)
SME retail	**4,767**	4,711	56	1.2
Sovereign	**4,739**	3,985	754	18.9
Bank	**10,279**	10,073	206	2.0
Residential mortgage	**68,493**	67,797	696	1.0
Qualifying revolving retail	**6,805**	6,553	252	3.8
Other retail	**12,247**	11,827	420	3.6
Impact of the regulatory scaling factor (1)	**10,648**	10,550	98	0.9
Total RWA subject to advanced IRB approach	**188,119**	186,375	1,744	0.9
Specialised lending	**48,514**	48,514	-	-
Subject to standardised approach				
Corporate	**11,054**	11,087	(33)	(0.3)
SME corporate	**5,011**	5,382	(371)	(6.9)
SME retail	**4,920**	4,615	305	6.6
Sovereign	**114**	106	8	7.5
Bank	**289**	247	42	17.0
Residential mortgage	**6,025**	6,182	(157)	(2.5)
Other retail	**2,628**	2,571	57	2.2
Other assets	**4,709**	4,586	123	2.7
Total RWA subject to standardised approach	**34,750**	34,776	(26)	(0.1)
Securitisation	**5,943**	5,722	221	3.9
Credit valuation adjustment	**6,447**	6,381	66	1.0
Central counterparties	**470**	436	34	7.8
Total RWA for credit risk exposures	**284,243**	282,204	2,039	0.8
Traded market risk	**5,635**	5,970	(335)	(5.6)
Interest rate risk in the banking book	**23,820**	17,543	6,277	35.8
Operational risk	**28,545**	28,480	65	0.2
Total risk weighted assets	**342,243**	334,197	8,046	2.4

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

Risk Weighted Assets

Total RWA increased by $8.0 billion or 2.4% on the prior quarter to $342.2 billion.

Credit Risk Exposure and RWA

Credit risk RWA increased by $2.0 billion or 0.8% to $284.2 billion. Growth, mostly in retail, bank and sovereign exposures, was partly offset by net improvement in overall portfolio credit quality.

Traded Market Risk RWA

Traded market risk RWA decreased by $0.3 billion or 5.6% to $5.6 billion. This was driven mainly by lower foreign exchange and volatility risk.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by $6.3 billion or 35.8% to $23.8 billion during the quarter as a result of balance sheet growth, a small increase in IRRBB exposure and higher modelled volatility of interest rates.

Operational Risk RWA

Operational risk RWA remained at $28.5 billion which is consistent with a stable operational risk profile across the Group.

4 Credit Risk Exposure

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

APS 330 Table 4a – Credit risk exposures by portfolio type and modelling approach

	31 March 2014						
		Off balance sheet					
	On balance sheet	Non-market related	Market related	Total	Average exposure for March 2014 quarter (1)	Change in exposure for March 2014 quarter (2)	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	46,383	34,088	4,096	**84,567**	84,262	610	0.7
SME corporate	31,181	5,353	470	**37,004**	36,906	197	0.5
SME retail	7,203	1,844	11	**9,058**	9,045	25	0.3
Sovereign	64,082	3,218	1,308	**68,608**	67,867	1,483	2.2
Bank	29,593	5,762	9,762	**45,117**	43,928	2,378	5.6
Residential mortgage	391,368	70,618	-	**461,986**	458,306	7,360	1.6
Qualifying revolving retail	9,700	13,541	-	**23,241**	23,097	287	1.3
Other retail	7,444	2,684	-	**10,128**	9,960	336	3.4
Total advanced IRB approach	586,954	137,108	15,647	**739,709**	733,371	12,676	1.7
Specialised lending	45,087	10,219	1,630	**56,936**	56,820	231	0.4
Subject to standardised approach							
Corporate	9,142	1,968	52	**11,162**	11,211	(97)	(0.9)
SME corporate	4,234	647	27	**4,908**	5,098	(381)	(7.2)
SME retail	4,517	394	-	**4,911**	4,757	308	6.7
Sovereign	255	1	-	**256**	248	16	6.7
Bank	641	49	10	**700**	672	55	8.5
Residential mortgage	8,495	872	16	**9,383**	9,438	(110)	(1.2)
Other retail	2,576	33	1	**2,610**	2,583	55	2.2
Other assets	9,644	-	-	**9,644**	9,962	(635)	(6.2)
Central counterparties	-	-	1,432	**1,432**	1,498	(132)	(8.4)
Total standardised approach	39,504	3,964	1,538	**45,006**	45,467	(921)	(2.0)
Total credit exposures (3)	671,545	151,291	18,815	**841,651**	835,658	11,986	1.4

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

APS 330 Table 4a – Credit risk exposures by portfolio type and modelling approach (continued)

	31 December 2013						
		Off balance sheet			Average exposure for Dec 2013 quarter [1]	Change in exposure for Dec 2013 quarter [2]	
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	$M	$M	%
Subject to advanced IRB approach							
Corporate	45,503	34,099	4,355	83,957	83,321	1,272	1.5
SME corporate	30,847	5,314	646	36,807	40,729	(7,843)	(17.6)
SME retail	7,201	1,817	15	9,033	9,603	(1,140)	(11.2)
Sovereign	62,451	2,988	1,686	67,125	61,781	10,688	18.9
Bank	26,625	5,431	10,683	42,739	42,754	(29)	(0.1)
Residential mortgage	385,146	69,480	-	454,626	449,965	9,322	2.1
Qualifying revolving retail	9,661	13,293	-	22,954	22,801	306	1.4
Other retail	7,246	2,546	-	9,792	9,636	313	3.3
Total advanced IRB approach	574,680	134,968	17,385	727,033	720,590	12,889	1.8
Specialised lending	44,935	10,016	1,754	56,705	59,001	(4,591)	(7.5)
Subject to standardised approach							
Corporate	9,253	1,949	57	11,259	7,382	7,755	large
SME corporate	4,744	516	29	5,289	2,909	4,761	large
SME retail	4,313	290	-	4,603	4,685	(164)	(3.4)
Sovereign	239	1	-	240	232	17	7.6
Bank	588	44	13	645	605	81	14.4
Residential mortgage	8,575	900	18	9,493	7,387	4,213	79.8
Other retail	2,521	33	1	2,555	2,415	281	12.4
Other assets	10,279	-	-	10,279	10,571	(583)	(5.4)
Central counterparties	-	-	1,564	1,564	990	1,148	large
Total standardised approach	40,512	3,733	1,682	45,927	37,176	17,509	61.6
Total credit exposures [3]	660,127	148,717	20,821	829,665	816,767	25,807	3.2

(1) The simple average of exposures as at 31 December 2013 and 30 September 2013.
(2) The difference between credit exposures as at 31 December 2013 and 30 September 2013.
(3) Total Credit Risk Exposures (calculated as EAD) do not include equities or securitisation exposures.

5 Past Due and Impaired Exposures, Provisions and Reserves

Reconciliation of Australian Accounting Standards and APS 220 based credit provisions and APS 330 Table 4c – General Reserve for Credit Losses (GRCL)

	31 March 2014		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,707	159	**2,866**
Individual provisions [2]	-	1,379	**1,379**
Total provisions	2,707	1,538	**4,245**
Additional GRCL requirement [3]	284	-	**284**
Total regulatory provisions	2,991	1,538	**4,529**

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions according to the Australian Accounting Standards.
(3) The Group has recognised an after tax deduction from CET1 of $199 million in order to maintain the required minimum GRCL.

	31 December 2013		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,722	148	2,870
Individual provisions [2]	-	1,416	1,416
Total provisions	2,722	1,564	4,286
Additional GRCL requirement [3]	283	-	283
Total regulatory provisions	3,005	1,564	4,569

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions as reported in financial reports, according to the Australian Accounting Standards.
(3) The Group has recognised an after tax deduction from CET1 of $198 million in order to maintain the required minimum GRCL.

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

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

APS 330 Table 4b – Impaired, past due, specific provisions and write-offs charged by portfolio

	As at 31 March 2014			Quarter ended 31 March 2014	
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance (1)	Net charges for individual provisions	Actual losses (2)
Portfolio	$M	$M	$M	$M	$M
Corporate including SME and specialised lending and central counterparties	2,635	819	1,196	54	80
Sovereign	-	-	-	-	-
Bank	10	-	10	(2)	1
Residential mortgage	966	1,572	185	14	35
Qualifying revolving retail	110	-	56	-	66
Other retail	158	17	91	(1)	83
Total	3,879	2,408	1,538	65	265

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

	As at 31 December 2013			Quarter ended 31 December 2013	
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance (1)	Net charges for individual provisions	Actual losses (2)
Portfolio	$M	$M	$M	$M	$M
Corporate including SME and specialised lending and central counterparties	2,614	973	1,201	29	266
Sovereign	-	-	-	-	-
Bank	15	-	13	-	10
Residential mortgage	1,065	1,608	213	20	28
Qualifying revolving retail	100	-	51	-	68
Other retail	145	31	86	1	77
Total	3,939	2,612	1,564	50	449

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

6 Securitisation

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

	For the 3 months to 31 March 2014	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset Type	$M	$M
Residential mortgage	2,486	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	2,486	-

	For the 3 months to 31 December 2013	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset Type	$M	$M
Residential mortgage	1,606	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	1,606	-

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

	As at 31 March 2014		
	On Balance Sheet	Off Balance Sheet	Total exposures
Securitisation Facility Type	$M	$M	$M
Liquidity support facilities	-	98	98
Warehouse facilities	2,176	1,108	3,284
Derivative facilities	336	-	336
Holdings of securities	5,370	7	5,377
Other	-	-	-
Total securitisation exposures	7,882	1,213	9,095

	As at 31 December 2013		
	On Balance Sheet	Off Balance Sheet	Total exposures
Securitisation Facility Type	$M	$M	$M
Liquidity support facilities	-	102	102
Warehouse facilities	1,913	1,417	3,330
Derivative facilities	389	-	389
Holdings of securities	5,686	-	5,686
Other	-	-	-
Total securitisation exposures	7,988	1,519	9,507

7 Glossary

Term	Definition
Additional Tier 1 Capital	Additional Tier 1 Capital is a Basel III defined concept and consists of high quality capital that essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board.
ADI	Authorised Deposit-taking Institution - includes banks, building societies and credit unions which are authorised by APRA to take deposits from customers.
AIRB	Advanced Internal Ratings Based approach - used to measure credit risk in accordance with the Group's Basel III accreditation approval that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital.
AMA	Advanced Measurement Approach - used to measure operational risk in accordance with the Group's approval that allows the Group to use its own internal model for the purposes of calculating regulatory capital.
APRA	Australian Prudential Regulation Authority - the regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
APS	APRA's ADI Prudential Standards. For more information, refer to the APRA web site.
ASB	ASB Bank Limited - a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the Reserve Bank of New Zealand.
Bank	APS asset class - includes claims on central banks, international banking agencies, regional development banks, ADI and overseas banks.
Basel II	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
Basel 2.5	Refers to the Basel II framework revised (2009) to include additional requirements such as the Incremental Risk Charge (IRC), Stressed VaR (SVaR), the treatment of securitisation exposures, and the Comprehensive Risk Measure (CRM) for certain correlation trading activities.
Basel III	Refers to the Basel Committee on Banking Supervision's Basel III: A global regulatory framework for the 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.
CET1	Common Equity Tier 1 Capital is the highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement").
Corporate	APS asset class - includes commercial credit risk where annual revenues exceed $50 million.
Credit Valuation Adjustment (CVA)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk arising from bilateral OTC derivative contracts. CVA is the amount of counterparty credit risk net of the mark-to-market calculated for CBA.
EAD	Exposure at Default - the extent to which a bank may be exposed upon default of an obligor.
ECAI	External Credit Assessment Institution, for example Moody's.
ELE	Extended Licenced Entity - APRA may deem an entity of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities.

Term	Definition
General Reserve for Credit Losses	APS 220 requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the General Reserve for Credit Losses. An excess of required General Reserve for Credit Losses over the Group's collective provisions is recognised as a deduction from CET1 on an after tax basis.
Individual Provisions	Provisions made against individual facilities in the credit-rated managed segment where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. These provisions are established based primarily on estimates of realisable value of collateral taken. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement"). Also known as individually assessed provisions or IAP.
IRRBB	Interest Rate Risk in the Banking Book - is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives; firstly by quantifying the change in the net present value of the balance sheet's future earnings potential and secondly, as the anticipated change to the Net Interest Income earned over the period. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
Level 1	Represents the ADI and each entity of the ADI that has been approved as an extended licence entity by APRA.
Level 2	The level at which the Group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI and all of its subsidiary entities other than non-consolidated subsidiaries. This is the basis on which this report has been produced.
Level 3	The conglomerate group including the Group's insurance and wealth management business.
LGD	Loss Given Default - the fraction of EAD that is not expected to be recovered following default.
Other Assets	APS asset class - includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Other Retail	APS asset class - includes all retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
PCR	Prudential Capital Requirement - represents the minimum capital requirement set by APRA that an ADI must maintain across CET1, Tier 1 Capital and Total Capital.
PD	Probability of Default - the likelihood that a debtor fails to meet an obligation or contractual commitment.
Qualifying Revolving Retail	APS asset class - represents revolving exposures to individuals less than $0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class.
Residential Mortgage	APS asset class - includes retail and small and medium enterprise exposures up to $1 million that are secured by residential mortgage property.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
RWA	Risk Weighted Assets - the value of the Group's on and off balance sheet assets are adjusted according to risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA web site.
Scaling Factor	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the risk-weighted asset amounts for credit risk under the IRB approach. The current scaling factor is 1.06.
Securitisation	APS asset class - includes Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	APS asset class - includes small and medium enterprise (SME) commercial credit risk where annual revenues are less than $50 million and exposures are greater than $1 million.
SME Retail	APS asset class - includes small and medium enterprise (SME) exposures up to $1 million that are not secured by residential mortgage property.

7 Glossary continued

Term	Definition
Sovereign	APS asset class - includes claims on the Reserve Bank of Australia and on Australian and foreign governments.
Specialised Lending	APS asset classes subject to the supervisory slotting approach and which include Income Producing Real Estate (IPRE), object finance and project finance assets.
Specific Provisions	APS 220 requires ADIs to report as specific provisions all provisions for impairment assessed by an ADI on an individual basis in accordance with the Australian Accounting Standards and that portion of provisions assessed on a collective basis which are deemed ineligible to be included in the General Reserve for Credit Losses (which are primarily collective provisions on some defaulted assets).
Stress VAR	Stressed Value at Risk using the same methodology as Value at Risk (VaR) except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
Tier 1 Capital	Comprises CET1 and Additional Tier 1 Capital.
Tier 2 Capital	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.

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