May 15, 2015

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 "US Investors – Supplemental Information" page of the U.S. covered bonds investor website of the Commonwealth Bank of Australia (the "Group") at http://www.commbank.com.au/about-us/shareholders/us-investors/supplemental-information.htm (the "U.S. Investor Website"). This "Recent Developments" release supplements and, to the extent inconsistent with any information previously included on the U.S. Investor Website, amends and supersedes such information.

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's U.S. Half-Year Disclosure Document for the half year ended December 31, 2014 (the "2015 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, 2015

On May 6, 2015, the Group advised that its unaudited cash earnings[1] for the three months ended March 31, 2015 (the "quarter") were approximately $2.2 billion. Statutory net profit on an unaudited basis for the same period was also approximately $2.2 billion, with non-cash items treated on a consistent basis to prior periods.

Key outcomes for the quarter are summarized below:

- Revenue growth in the quarter was similar to that experienced during the six months ended December 31, 2014. Group Net Interest Margin continued to be impacted by competitive pressures. Trading income remained strong;

- Expense growth in the quarter was higher than in the six months ended December 31, 2014, impacted by growing regulatory, compliance and remediation costs, including

[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 items that management believes introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, 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 pages 10-11 and Appendix 11 of the Group's 2015 Half Year Disclosure Report.

those associated with a number of legislative reforms[2], provisioning for the advice review and ongoing regulatory engagement;

- Across key markets:

    - Home lending volume growth continued to track slightly below system in the quarter, consistent with the Group's underweight position in the higher growth investment and broker segments;

    - Core business lending growth in the quarter remained at mid-single digit levels on an annualized basis;

    - Household deposits growth was particularly strong in the quarter, with balances growing over 10 percent on an annualized basis;

    - In Wealth Management, Funds under Administration and Assets under Management grew 7 and 8 percent, respectively, in the quarter, reflecting strong investment performance, net inflows and foreign exchange gains;

    - Insurance inforce premiums in the quarter increased 3 percent compared to the quarter ended December 31, 2014; and

    - ASB business and rural lending growth in the quarter remained above system and home loan growth in the quarter was stronger compared to the quarter ended December 31, 2014;

- Credit quality remained sound in the quarter. In the retail portfolios, home loan and credit card arrears were broadly flat, although seasonal factors contributed to higher personal loan arrears. Troublesome and impaired assets were lower at $6.4 billion as at March 31, 2015, compared to $6.5 billion at December 31, 2014. Total loan impairment expense was $256 million in the quarter, with strong provisioning levels maintained and the economic overlay unchanged;

- The Group's Basel III Common Equity Tier 1 (CET1) APRA ratio was 8.7 percent as at March 31, 2015, an increase of 20 basis points from December 31, 2014 after excluding the impact of the 2015 interim dividend (which included the issuance of shares in respect of the Dividend Reinvestment Plan);

- Funding and liquidity provisions remained strong, with customer deposit funding at 64 percent and the average tenor of the wholesale funding portfolio at 3.9 years, each as at March 31, 2015. Liquid assets totaled $144 billion with the Liquidity Coverage Ratio (LCR) standing at 122 percent, each as at March 31, 2015. The Group completed $8.5 billion of new term issuance in the quarter.

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2 Examples of these legislative reforms include the Foreign Account Tax Compliance Act (FATCA) passed by the United States and the Future of Financial Advice (FoFA) reforms, Stronger Super reforms and Life and General Insurance Capital (LAGIC) standards introduced by the Commonwealth of Australia.

Basel III Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at March 31, 2015

On May 15, 2015, the Group released its U.S. Investor Basel III Capital Adequacy and Risk Disclosures as at March 31, 2015. That release is attached as Annex A hereto.

Annex A

Commonwealth Bank of Australia

US Investor Basel III Capital Disclosure

Capital Adequacy and Risk Disclosures as at March 31, 2015

Commonwealth Bank of Australia | ACN 123 123 124
May 2015

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

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

The Group's capital adequacy and risk disclosures for the year ended 30 June 2014 are available on the Group's corporate website www.commbank.com.au/shareholders.

2 Group Capital Ratios

The Group's Basel III Common Equity Tier 1 (CET1) APRA ratio was 8.7% as at 31 March 2015, an increase of 20 basis points on December 2014 after excluding the impact of the 2015 interim dividend (which included the issuance of shares in respect of the Dividend Reinvestment Plan).

Capital Initiatives

The following significant capital initiatives were undertaken during the March 2015 quarter:

- The DRP in respect of the 2015 interim dividend was satisfied by the allocation of approximately $574 million of ordinary shares, representing a participation rate of 17.9%; and
- In March 2015 the Group issued 1 billion Chinese Renminbi (AUD 0.2 billion) subordinated notes that are Basel III compliant Tier 2 capital.

In April 2015 the Group issued 1.25 billion euro (AUD 1.7 billion) subordinated notes that are Basel III compliant Tier 2 Capital.

APS 330 Table 3f – Capital ratios

Summary Group Capital Adequacy Ratios (Level 2)	31 Mar 15 %	31 Dec 14 %	31 Mar 14 %
Common Equity Tier 1	**8. 7**	9. 2	8. 5
Tier 1	**11. 0**	11. 6	10. 3
Tier 2	**1. 1**	1. 1	0. 8
Total Capital (APRA)	**12. 1**	12. 7	11. 1

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	
	31 Mar 15	31 Dec 14	for Mar 2015 quarter	
Asset Category	$M	$M	$M	%
Credit Risk				
Subject to advanced IRB approach				
Corporate	**58,503**	56,612	1,891	3.3
SME corporate	**25,023**	23,913	1,110	4.6
SME retail	**4,964**	4,963	1	0.0
SME retail secured by residential mortgage	**3,214**	3,285	(71)	(2.2)
Sovereign	**5,189**	5,432	(243)	(4.5)
Bank	**11,415**	10,983	432	3.9
Residential mortgage	**74,009**	72,278	1,731	2.4
Qualifying revolving retail	**8,765**	8,533	232	2.7
Other retail	**13,978**	13,620	358	2.6
Impact of the regulatory scaling factor (1)	**12,304**	11,977	327	2.7
Total RWA subject to advanced IRB approach	**217,364**	211,596	5,768	2.7
Specialised lending	**49,579**	48,774	805	1.7
Subject to standardised approach				
Corporate	**9,965**	11,358	(1,393)	(12.3)
SME corporate	**5,489**	5,470	19	0.3
SME retail	**5,743**	5,571	172	3.1
Sovereign	**412**	169	243	large
Bank	**238**	204	34	16.7
Residential mortgage	**6,461**	6,416	45	0.7
Other retail	**2,726**	2,946	(220)	(7.5)
Other assets	**4,681**	4,924	(243)	(4.9)
Total RWA subject to standardised approach	**35,715**	37,058	(1,343)	(3.6)
Securitisation	**5,099**	5,016	83	1.7
Credit valuation adjustment	**9,360**	8,126	1,234	15.2
Central counterparties	**843**	954	(111)	(11.6)
Total RWA for credit risk exposures	**317,960**	311,524	6,436	2.1
Traded market risk	**6,592**	6,466	126	1.9
Interest rate risk in the banking book	**9,249**	4,846	4,403	90.9
Operational risk	**31,772**	30,212	1,560	5.2
Total risk weighted assets	**365,573**	353,048	12,525	3.5

(1) APRA requires RWA amounts 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 $12.5 billion or 3.5% on the prior quarter to $365.6 billion.

Credit Risk Exposure and RWA

Credit risk RWA increased by $6.4 billion or 2.1% to $318.0 billion. Growth (mostly in retail, sovereign, corporate and specialised lending exposures) was partly offset by net improvement in overall portfolio credit quality.

Traded Market Risk RWA

Traded market risk RWA increased by $0.1 billion or 1.9% to $6.6 billion.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by $4.4 billion to $9.2 billion during the quarter as a result of balance sheet growth, treasury risk management activities and higher modelled volatility of interest rates.

Operational Risk RWA

Operational Risk RWA increased by $1.6 billion or 5.2% to $31.7 billion. The increase reflects the continued growth of the Group and changes to the business environment.

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 2015						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for March 2015 quarter (1) $M	Change in exposure for March 2015 quarter (2) $M	%
Subject to advanced IRB approach							
Corporate	55,746	42,148	7,789	**105,683**	103,223	4,920	4. 9
SME corporate	34,540	6,790	741	**42,071**	41,450	1,243	3. 0
SME retail	7,208	2,849	20	**10,077**	10,071	13	0. 1
SME retail secured by residential mortgage	5,692	1,365	-	**7,057**	7,124	(133)	(1. 8)
Sovereign	73,216	1,346	3,065	**77,627**	75,035	5,185	7. 2
Bank	29,727	2,658	13,231	**45,616**	45,347	539	1. 2
Residential mortgage	408,901	73,334	-	**482,235**	478,882	6,706	1. 4
Qualifying revolving retail	10,036	16,953	-	**26,989**	26,913	153	0. 6
Other retail	7,899	3,026	-	**10,925**	10,822	207	1. 9
Total advanced IRB approach	632,965	150,469	24,846	**808,280**	798,864	18,833	2. 4
Specialised lending	46,843	10,156	2,164	**59,163**	58,784	758	1. 3
Subject to standardised approach							
Corporate	8,318	1,581	117	**10,016**	10,750	(1,467)	(12. 8)
SME corporate	4,741	631	34	**5,406**	5,396	20	0. 4
SME retail	5,458	258	20	**5,736**	5,649	174	3. 1
Sovereign	564	1	-	**565**	439	253	81. 1
Bank	696	1	-	**697**	621	152	27. 9
Residential mortgage	9,518	1,811	25	**11,354**	11,171	367	3. 3
Other retail	2,676	32	1	**2,709**	2,820	(221)	(7. 5)
Other assets	10,100	-	-	**10,100**	10,311	(421)	(4. 0)
Central counterparties (3)	-	-	3,549	**3,549**	5,829	(4,560)	(56. 2)
Total standardised approach	42,071	4,315	3,746	**50,132**	52,984	(5,703)	(10. 2)
Total credit exposures (4)	721,879	164,940	30,756	**917,575**	910,631	13,888	1. 5

(1) The simple average of exposures as at 31 March 2015 and 31 December 2014.
(2) The difference between credit exposures as at 31 March 2015 and 31 December 2014.
(3) EAD reduction in March 2015 due to implementation of certain netting agreements.
(4) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

4 Credit Risk Exposure (continued)

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

Portfolio Type	31 December 2014 On balance sheet $M	31 December 2014 Off balance sheet Non-market related $M	31 December 2014 Off balance sheet Market related $M	31 December 2014 Total $M	Average exposure for December 2014 quarter [(1)] $M	Change in exposure for December 2014 quarter [(2)] $M	Change in exposure for December 2014 quarter [(2)] %
Subject to advanced IRB approach							
Corporate	53,498	41,140	6,125	100,763	96,723	8,080	8. 7
SME corporate	33,516	6,725	587	40,828	39,922	1,813	4. 6
SME retail	7,163	2,845	56	10,064	10,246	(364)	(3. 5)
SME retail secured by residential mortgage	5,768	1,422	-	7,190	7,223	(65)	(0. 9)
Sovereign	68,504	1,371	2,567	72,442	72,303	279	0. 4
Bank	30,315	3,382	11,380	45,077	45,949	(1,743)	(3. 7)
Residential mortgage	403,297	72,232	-	475,529	470,761	9,536	2. 0
Qualifying revolving retail	10,028	16,808	-	26,836	26,722	228	0. 9
Other retail	7,764	2,954	-	10,718	10,546	345	3. 3
Total advanced IRB approach	619,853	148,879	20,715	789,447	780,395	18,109	2. 3
Specialised lending	44,682	11,696	2,027	58,405	57,965	880	1. 5
Subject to standardised approach							
Corporate	9,110	2,295	78	11,483	11,226	514	4. 7
SME corporate	4,539	815	32	5,386	5,063	646	13. 6
SME retail	5,225	337	-	5,562	5,719	(313)	(5. 3)
Sovereign	310	2	-	312	301	22	7. 6
Bank	544	1	-	545	592	(93)	(14. 6)
Residential mortgage	9,203	1,762	22	10,987	10,422	1,130	11. 5
Other retail	2,896	33	1	2,930	2,860	141	5. 1
Other assets	10,521	-	-	10,521	10,425	193	1. 9
Central counterparties	-	-	8,109	8,109	5,371	5,477	large
Total standardised approach	42,348	5,245	8,242	55,835	51,979	7,717	16. 0
Total credit exposures [(3)]	706,883	165,820	30,984	903,687	890,339	26,706	3. 0

(1) The simple average of exposures as at 31 December 2014 and 30 September 2014.
(2) The difference between credit exposures as at 31 December 2014 and 30 September 2014.
(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, APS 220 based credit provisions and APS 330 Table 4c – General Reserve for Credit Losses (GRCL)

	31 March 2015		
	General reserve for credit losses (1) $M	Specific provision (1) $M	Total provisions $M
Collective provision (2)	2,638	160	**2,798**
Individual provisions (2)	-	1,112	**1,112**
Total provisions	2,638	1,272	**3,910**
Additional GRCL requirement (3)	313	-	**313**
Total regulatory provisions	2,951	1,272	**4,223**

(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 $219 million in order to maintain the required minimum GRCL.

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

(1) Provisions classified according to APS 220 “Credit Quality”.
(2) Provisions as reported in financial reports, according to the Australian Accounting Standards.
(3) The Group has recognised an after tax deduction from CET1 of $225 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 2015			Quarter ended 31 March 2015	
Portfolio	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net charges for individual provisions $M	Actual losses (2) $M
Corporate including SME, and specialised lending and central counterparties	2,088	589	937	68	83
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Residential mortgage	909	1,720	177	15	19
Qualifying revolving retail	105	-	53	-	66
Other retail	157	29	95	(2)	80
Total	3,269	2,338	1,272	81	248

(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 2014			Quarter ended 31 December 2014	
Portfolio	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net charges for individual provisions $M	Actual losses (2) $M
Corporate including SME, and specialised lending and central counterparties	2,191	540	942	128	75
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Residential mortgage	905	1,583	176	13	16
Qualifying revolving retail	105	-	53	-	63
Other retail	149	28	85	-	87
Total	3,360	2,151	1,266	141	241

(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

Underlying Asset Type	For the 3 months to 31 March 2015 Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	3,267	-
Credit cards and other personal loans	806	-
Auto and equipment finance	195	-
Commercial loans	-	-
Other	-	-
Total	4,268	-

Underlying Asset Type	For the 3 months to 31 December 2014 Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	1,985	-
Credit cards and other personal loans	-	-
Auto and equipment finance	196	-
Commercial loans	-	-
Other	-	-
Total	2,181	-

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

	As at 31 March 2015		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	110	110
Warehouse facilities	2,581	2,297	4,878
Derivative facilities	76	11	87
Holdings of securities	8,236	-	8,236
Other	-	-	-
Total securitisation exposures	10,893	2,418	13,311

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

7 Glossary

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

7 Glossary (continued)

Term	Definition
Credit Valuation Adjustment (CVA) Risk	The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty.
Exposure at Default (EAD)	The extent to which a bank may be exposed upon default of an obligor.
External Credit Assessment Institution (ECAI)	For example Moody's, Standard & Poor's or Fitch.
Extended Licenced Entity (ELE)	APRA may deem an entity of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities.
General Reserve for Credit Losses (GRCL)	APS 220 requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the General Reserve for Credit Losses. An excess of required General Reserve for Credit Losses over the Group's collective provisions is recognised as a deduction from CET1 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 as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement"). Also known as individually assessed provisions or IAP.
Interest Rate Risk in the Banking Book (IRRBB)	The risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives; firstly by quantifying the change in the net present value of the balance sheet's future earnings potential and secondly, as the anticipated change to the Net Interest Income earned over 12 months. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
Level 1	Represents the ADI and each entity of the ADI that has been approved as an extended licence entity by APRA.
Level 2	The level at which the Group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI and all of its subsidiary entities other than the insurance and funds management entities and those entities through which securitisation of Group assets is conducted. This is the basis on which this report has been produced.
Level 3	The conglomerate group including the Group's insurance and wealth management business.
Loss Given Default (LGD)	The fraction of EAD that is not expected to be recovered following default.
Other Assets	Basel asset class – primarily includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Other Retail	Basel asset class – primarily includes retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
Prudential Capital Requirement (PCR)	Represents the minimum capital requirement set by APRA that an ADI must maintain across CET1, Tier 1 Capital and Total Capital.
Probability of Default (PD)	The likelihood that a debtor fails to meet an obligation or contractual commitment.
Qualifying Revolving Retail (QRR)	Basel asset class – represents revolving exposures to individuals less than $0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class.
Residential Mortgage	Basel asset class – retail exposures that are secured by residential mortgage property.

7 Glossary (continued)

Term	Definition
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Risk Weighted Assets (RWA)	The value of the Group's on and off-balance sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA web site.
Scaling Factor	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the risk-weighted asset amounts for credit risk under the IRB approach of 1.06.
Securitisation	Basel asset class – Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than $50 million and exposures are greater than $1 million.
SME Retail	Basel asset class – Small and Medium Enterprise (SME) exposures up to $1 million that are not secured by residential mortgage property.
SME Retail Secured by Residential Mortgage	Small and Medium Enterprise (SME) exposures up to $1 million that are partly or fully secured by residential mortgage property.
Sovereign	Basel asset class – claims on Australian and foreign governments, also includes claims on central banks (including Reserve Bank of Australia), international banking agencies and regional development banks.
Specialised Lending	Basel asset classes subject to the supervisory slotting approach and which include Income Producing Real Estate (IPRE), object finance, project finance and commodity finance.
Specific Provisions	APS 220 requires ADIs to report as specific provisions all provisions for impairment assessed by an ADI on an individual basis in accordance with the Australian Accounting Standards and that portion of provisions assessed on a collective basis which are deemed ineligible to be included in the General Reserve for Credit Losses (which are primarily collective provisions on some defaulted assets).
Stress VAR	Stressed Value at Risk uses the same methodology as Value at Risk (VaR) except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
Tier 1 Capital	Comprises CET1 and Additional Tier 1 Capital.
Tier 2 Capital	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.

For further information contact:

Investor Relations

Melanie Kirk
Phone: 02 9118 7166
Email: melanie.kirk@cba.com.au