November 14, 2013

Commonwealth Bank of Australia
Recent Developments

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

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's Annual U.S. Disclosure Report for the year ended June 30, 2013 (the "2013 Annual Disclosure Report") included on the U.S. Investor Website.

References to "$" are to Australian Dollars.

Trading Update for the Quarter ended September 30, 2013

On November 6, 2013, the Group advised that its unaudited cash earnings[1] for the three months ended September 30, 2013 ("the quarter") were approximately $2.1 billion. Statutory net profit on an unaudited basis for the same period was also approximately $2.1 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 6 of the 2013 Annual Disclosure Report.

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

- Group Net Interest Margin was marginally lower in the quarter than for the half year ended June 30, 2013, reflecting deposit margin compression in a lower interest rate environment;

- Trading income in the quarter remained at relatively strong levels;

- System mortgage credit growth was modest in the quarter, with the Group growing slightly ahead of system. While lower interest rates have supported strong growth in new business activity compared to the year ended June 30, 2013, this has been balanced by higher levels of loan repayments;

- Commercial lending growth reflected low system credit growth in the quarter;

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

- Strong investment performance in rising equity markets contributed to Funds under Administration and Assets under Management growing by 4 per cent in the quarter, with FirstChoice and Custom Solutions achieving combined net flows of $0.9 billion. Insurance inforce premiums increased by 2 per cent in the quarter with General Insurance and Direct Life benefiting from continued sales momentum in Retail Bank channels;

- Credit quality remained sound in the quarter, with arrears rates lower in home lending and stable in unsecured consumer lending. Impaired assets were marginally lower at $4.28 billion. Strong provisioning levels and coverage ratios were maintained, with the economic overlay unchanged. Total impairment expense was $228 million in the quarter;

- Strong liquidity and funding positions were maintained in the quarter, with liquid assets standing at $137 billion, customer deposit funding at 64 per cent and the average tenor of the wholesale funding portfolio unchanged from June 30, 2013 at 3.8 years;

- The Group's Internationally Harmonized Common Equity Tier 1 ("CET1") ratio was 10.7 per cent at September 30, 2013, compared to 11.0 per cent at June 30, 2013. Continued strong organic capital generation in the quarter was offset by the declaration of the 2013 final dividend, which had a negative impact of 109 basis points in the quarter; and

- The New Zealand economy continued to show signs of improvement in the quarter, with a stronger household sector underpinning a broad-based expansion in activity. ASB recorded solid growth in both customer advances and deposits in the quarter. While retail deposit margins improved, lending margins remained under pressure in a competitive market.

Basel III Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at September 30, 2013

On November 6, 2013, the Group released its Basel III Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at September 30, 2013. That release is attached as Annex A hereto.

ANNEX A

Basel III Pillar 3

CommonwealthBank

Capital adequacy and risk disclosures
Quarterly Update as at 30 September 2013

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Basel III Pillar 3 – Capital Adequacy and Risk Disclosures

Quarterly update as at 30 September 2013

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 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 CET1, Tier One and Total Capital ratios under APRA's Basel III prudential standards as at 30 September 2013 were 7.8%, 9.8% and 10.7% respectively.

The decrease in capital ratios during the quarter primarily reflects the impact of the declaration of the 2013 final dividend, which included the on market purchase of shares in respect of the dividend reinvestment plan, more than offsetting the capital generated from earnings.

The Group's CET1 internationally harmonised ratio as at 30 September 2013 was 10.7%, well in excess of the Board approved target of greater than 9%.

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 residential mortgages which is higher than regulatory requirements elsewhere.

Capital Initiatives

The following significant capital initiatives have been undertaken since 30 June 2013.

- The Dividend Reinvestment Plan (DRP) for the 2013 final dividend was satisfied in full by the on market purchase of shares. The participation ratio for the DRP was 22.4%.
- Redemption of $500 million subordinated tier two debt issue.

APS 330 Table 3f – Capital ratios

Summary Group Capital Adequacy Ratios (Level 2)	30 Sep 13 %	30 Jun 13 %
Common Equity Tier 1	**7.8**	8.2
Tier 1	**9.8**	10.2
Tier 2	**0.9**	1.0
Total Capital	**10.7**	11.2
Common Equity Tier 1 (Internationally Harmonised)	**10.7**	11.0

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)

Asset Category	Risk Weighted Assets 30 Sep 13 $M	Risk Weighted Assets 30 Jun 13 $M	Change in RWA for Sep 2013 quarter $M	Change in RWA for Sep 2013 quarter %
Credit Risk				
Subject to advanced IRB approach				
Corporate	**48,247**	53,468	(5,221)	(9.8)
SME corporate	**28,064**	30,835	(2,771)	(9.0)
SME retail	**5,249**	4,203	1,046	24.9
Sovereign	**3,766**	3,684	82	2.2
Bank	**10,221**	10,328	(107)	(1.0)
Residential mortgage	**69,112**	66,741	2,371	3.6
Qualifying revolving retail	**6,447**	6,683	(236)	(3.5)
Other retail	**11,429**	11,093	336	3.0
Impact of the regulatory scaling factor (1)	**10,952**	11,222	(270)	(2.4)
Total RWA subject to advanced IRB approach	**193,487**	198,257	(4,770)	(2.4)
Specialised lending	**53,065**	50,392	2,673	5.3
Subject to standardised approach				
Corporate	**3,409**	3,684	(275)	(7.5)
SME corporate	**554**	525	29	5.5
SME retail	**4,789**	4,572	217	4.7
Sovereign	**95**	249	(154)	(61.8)
Bank	**175**	176	(1)	(0.6)
Residential mortgage	**2,480**	2,432	48	2.0
Other retail	**2,277**	2,224	53	2.4
Other assets	**5,263**	4,395	868	19.7
Total RWA subject to standardised approach	**19,042**	18,257	785	4.3
Securitisation	**5,316**	5,373	(57)	(1.1)
Credit valuation adjustment	**6,504**	7,395	(891)	(12.0)
Central counterparties (2)	**104**	-	104	large
Total RWA for credit risk exposures	**277,518**	279,674	(2,156)	(0.8)
Traded market risk	**6,085**	5,151	934	18.1
Interest rate risk in the banking book	**22,102**	16,289	5,813	35.7
Operational risk	**28,386**	28,044	342	1.2
Total risk weighted assets	**334,091**	329,158	4,933	1.5

(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.
(2) Under Basel III capital reforms, trade exposures cleared through Central Counterparties (CCP) are subject to revised interim capital requirements.

Risk Weighted Assets

Total RWA increased by $4.9 billion or 1.5% on the prior quarter to $334.1 billion.

Credit Risk Exposure and RWA

Credit risk RWA decreased $2.2 billion or 0.8% to $277.5 billion, mostly due to:

- Improving credit quality;
- The net result of data and methodology changes; and
- Lower non-retail volumes.

These decreases in RWA were partly offset by:

- RBNZ changes to New Zealand Residential Mortgage correlation factors; and
- Growth in retail exposures.

Traded Market Risk RWA

Traded market risk RWA increased by $0.9 billion or 18% to $6.1 billion. This was driven mainly by an increase in customer flow in Commodities.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by $5.8 billion during the quarter as a result of treasury risk management activities increasing exposure to long term interest rates.

Operational Risk RWA

Operational Risk RWA increased a modest $0.3 billion over the quarter which is consistent with a stable operational risk profile across the Group.

4 Credit Risk Exposure

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

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

	30 September 2013						
		Off balance sheet					
	On balance sheet	Non-market related	Market related	Total	Average exposure for September 2013 quarter [1]	Change in exposure for September 2013 quarter [2]	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	44,657	33,540	4,488	**82,685**	85,612	(5,854)	(6.6)
SME corporate	37,805	6,151	694	**44,650**	46,154	(3,007)	(6.3)
SME retail	8,008	2,148	17	**10,173**	9,130	2,087	25.8
Sovereign	51,936	2,908	1,593	**56,437**	56,699	(523)	(0.9)
Bank	27,508	4,571	10,689	**42,768**	42,765	7	0.0
Residential mortgage	377,132	68,172	-	**445,304**	440,467	9,669	2.2
Qualifying revolving retail	9,335	13,313	-	**22,648**	22,576	144	0.6
Other retail	7,046	2,433	-	**9,479**	9,308	343	3.8
Total advanced IRB approach	563,427	133,236	17,481	**714,144**	712,711	2,866	0.4
Specialised lending	49,315	10,226	1,755	**61,296**	59,158	4,276	7.5
Subject to standardised approach							
Corporate	2,545	948	11	**3,504**	3,691	(374)	(9.6)
SME corporate	346	182	-	**528**	535	(14)	(2.6)
SME retail	4,344	422	1	**4,767**	5,133	(732)	(13.3)
Sovereign	223	-	-	**223**	377	(307)	(57.9)
Bank	523	41	-	**564**	496	136	31.8
Residential mortgage	4,560	720	-	**5,280**	5,259	42	0.8
Other retail	2,243	31	-	**2,274**	2,286	(23)	(1.0)
Other assets	10,862	-	-	**10,862**	10,103	1,516	16.2
Central counterparties	-	-	416	**416**	208	416	large
Total standardised approach	25,646	2,344	428	**28,418**	28,088	660	2.4
Total credit exposures [3]	638,388	145,806	19,664	**803,858**	799,957	7,802	1.0

(1) The simple average of exposures as at 30 September 2013 and 30 June 2013.
(2) The difference between credit exposures as at 30 September 2013 and 30 June 2013.
(3) Total credit risk exposures (calculated as Exposure At Default (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)

	30 June 2013						
		Off balance sheet					
	On balance sheet	Non-market related	Market related	Total	Average exposure for June 2013 quarter (1)	Change in exposure for June 2013 quarter (2)	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	46,700	35,371	6,468	88,539	86,781	3,517	4.1
SME corporate	40,375	6,605	677	47,657	47,213	888	1.9
SME retail	6,551	1,509	26	8,086	8,286	(399)	(4.7)
Sovereign	52,309	2,940	1,711	56,960	53,436	7,048	14.1
Bank	26,250	3,925	12,586	42,761	43,092	(661)	(1.5)
Residential mortgage	369,224	66,411	-	435,635	430,279	10,713	2.5
Qualifying revolving retail	9,463	13,041	-	22,504	22,415	179	0.8
Other retail	6,923	2,213	-	9,136	8,958	357	4.1
Total advanced IRB approach	557,795	132,015	21,468	711,278	700,460	21,642	3.1
Specialised lending	46,207	9,482	1,331	57,020	55,390	3,260	6.1
Subject to standardised approach							
Corporate	2,730	1,131	17	3,878	3,683	391	11.2
SME corporate	351	190	1	542	410	265	95.7
SME retail	4,200	1,298	1	5,499	5,358	282	5.4
Sovereign	530	-	-	530	426	208	64.6
Bank	390	38	-	428	468	(80)	(15.7)
Residential mortgage	4,540	698	-	5,238	5,173	130	2.5
Other retail	2,208	89	-	2,297	2,282	30	1.3
Other assets	9,346	-	-	9,346	9,247	199	2.2
Central counterparties	-	-	-	-	-	-	n/a
Total standardised approach	24,295	3,444	19	27,758	27,047	1,425	5.4
Total credit exposures (3)	628,297	144,941	22,818	796,056	782,897	26,327	3.4

(1) The simple average of exposures as at 30 June 2013 and 31 March 2013.
(2) The difference between credit exposures as at 30 June 2013 and 31 March 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)

	30 September 2013		
	General reserve for credit losses (1)	Specific provision (1)	Total provisions
	$M	$M	$M
Collective provision (2)	2,672	154	**2,826**
Individual provisions (2)	-	1,648	**1,648**
Total provisions	2,672	1,802	**4,474**
Additional GRCL requirement (3)	291	-	**291**
Total regulatory provisions	2,963	1,802	**4,765**

(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 $204 million in order to maintain the required minimum GRCL.

	30 June 2013		
	General reserve for credit losses (1)	Specific provision (1)	Total provisions
	$M	$M	$M
Collective provision (2)	2,699	159	2,858
Individual provisions (2)	-	1,628	1,628
Total provisions	2,699	1,787	4,486
Additional GRCL requirement (3)	297	-	297
Total regulatory provisions	2,996	1,787	4,783

(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 $208 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 30 September 2013			Quarter ended 30 September 2013	
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	2,912	597	1,418	109	130
Sovereign	-	-	-	-	-
Bank	25	-	23	-	-
Residential mortgage	1,092	1,640	221	21	29
Qualifying revolving retail	104	-	53	-	70
Other retail	149	30	87	(1)	79
Total	4,282	2,267	1,802	129	308

(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 30 June 2013			Quarter ended 30 June 2013	
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	2,924	430	1,394	73	330
Sovereign	-	-	-	-	-
Bank	25	-	23	(10)	10
Residential mortgage	1,117	1,760	225	37	74
Qualifying revolving retail	110	-	56	-	65
Other retail	154	25	89	4	73
Total	4,330	2,215	1,787	104	552

(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 30 September 2013 Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	3,191	-
Credit cards and other personal loans	-	-
Auto and equipment finance	1	-
Commercial loans	-	-
Other	-	-
Total	3,192	-

Underlying Asset Type	For the 3 months to 30 June 2013 Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	427	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	108	-
Other	-	-
Total	535	-

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

	As at 30 September 2013		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	100	100
Warehouse facilities	2,189	1,351	3,540
Derivative facilities	523	-	523
Holdings of securities	4,669	-	4,669
Other	-	-	-
Total securitisation exposures in the banking book	7,381	1,451	8,832

	As at 30 June 2013		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	142	142
Warehouse facilities	2,540	1,559	4,099
Derivative facilities	575	-	575
Holdings of securities	4,738	-	4,738
Other	-	-	-
Total securitisation exposures in the banking book	7,853	1,701	9,554

7 Glossary

Term	Definition
Additional Tier One Capital	Additional Tier One 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 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 One 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 the insurance and funds management 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.
LGD	Loss Given Default – the fraction of EAD that is not expected to be recovered following default.
Other Assets	APS asset class – includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Other Retail	APS asset class – includes all retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
PD	Probability of Default - the likelihood that a debtor fails to meet an obligation or contractual commitment.
Qualifying Revolving Retail	APS asset class - represents revolving exposures to individuals less than $0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class.
Residential Mortgage	APS asset class - includes retail and small and medium enterprise exposures up to $1 million that are secured by residential mortgage property.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
RWA	Risk Weighted Assets – the value of the Group's on and off-balance sheet assets are adjusted 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. 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.

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 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 One Capital	Comprises CET1 and Additional Tier One Capital.
Tier Two Capital	Capital items that fall short of the necessary conditions to qualify as Tier One Capital.

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