May 16, 2022

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" or the "Bank") at https://www.commbank.com.au/about-us/investors/us-investors.html (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 Half-Year U.S. Disclosure Document for the half-year ended December 31, 2021 included on the U.S. Investor Website (the "2022 Half-Year U.S. Disclosure Document").

References to "$" are to Australian Dollars.

Trading Update for the Quarter Ended March 31, 2022

Unless otherwise noted, all financial results are presented on a "continuing operations" basis, which excludes results from Colonial First State, CommInsure Life, BoCommLife and Colonial First State Global Asset Management (together, "discontinued operations"), consistent with the financial disclosures in the 2022 Half-Year U.S. Disclosure Document. For more information on the Group's discontinued operations, see Note 7.3 to the Group's consolidated financial statements for the half-year ended December 31, 2021, which are included in the 2022 Half-Year U.S. Disclosure Document.

In addition, unless otherwise noted, all comparisons against the results for the quarter ended March 31, 2022 (the "quarter," "3Q22" or "Mar 22") are to the simple average of the results from the quarter ended September 30, 2021 and the quarter ended December 31, 2021 ("Dec 21") (the "1H22 Quarterly Average"). All comparisons of the quarter to the 1H22 Quarterly Average are not comparable to, and should not be taken to be comparable to, comparisons to the quarter ended March 31, 2021 ("Mar 21" or "3Q21"). References to "1H22" mean the first fiscal half year ended December 31, 2021 and "FY22" mean the fiscal year ending June 30, 2022. Refer to Annex A for a reconciliation of key financials.

The unaudited net profit after tax ("statutory basis") and unaudited net profit after tax ("cash basis") figures presented have been rounded to the nearest $100 million.

There were two fewer working days in the quarter compared to the 1H22 Quarterly Average, which impacts comparative movements. "Day weighted" figures presented have been adjusted for this difference in the number of working days between periods.

The sources for the volume growth statistics presented are the Reserve Bank of Australia's ("RBA") Lending and Credit Aggregates (Home and Business Lending) and the Australian Prudential Regulatory Authority's ("APRA") Monthly Authorised Deposit Taking Institution ("ADI") Statistics (Household and Business Deposits). The related CBA business lending system multiple estimate is based on the Group's Business Banking growth rate (excluding Institutional Banking and Markets) over published APRA and RBA Total Business Lending data (excluding estimated Institutional Lending balances).

Summary

On May 12, 2022, the Group advised of the following results for the quarter:

- Unaudited net profit after tax ("statutory basis") including discontinued operations was approximately $2.3 billion.
- Unaudited net profit after tax ("cash basis")[1] was approximately $2.4 billion.
- Income decreased 1% (up 1% on a day weighted basis), with 3% volume growth in core markets and higher non-interest income helping to offset continued margin pressure from elevated swap rates, portfolio mix effects and competition.
- Expenses decreased 2% on a headline basis (1% excluding remediation costs), with the benefit from higher annual leave usage and two fewer working days in the quarter compared to the 1H22 Quarterly Average partly offset by increased full-time equivalent ("FTE") staffing levels.
- Operating performance was flat (up 2% day weighted), and increased 2% compared to the quarter ended March 31, 2021.
- Loan impairment expense remained low in the quarter, a benefit of $48 million or -2 basis points of average Gross Loans and Acceptances ("GLAA").
- Credit provisions reflected continued sound portfolio credit quality and a cautious approach to managing potential risks.
- Balance sheet settings maintained, with a customer deposit funding ratio of 74%, Net Stable Funding Ratio ("NSFR") of 131% and Liquidity Coverage Ratio ("LCR") of 131%.
- Common Equity Tier 1 ("CET1") ratio of 11.1% as at March 31, 2022, taking into account the $3.0 billion 1H22 interim dividend payments to over 870,000 shareholders in the quarter.

Cash NPAT
unaudited

~$2.4bn

Flat vs 1H22 qtr. avg

Volume Growth

	Mar 22 vs Dec 21	Mar 22 vs Mar 21	
	Bal Growth ($bn)	Growth Rate	System Multiple
Household deposits	8.5	13.5%	1.1x
Home lending	6.9	8.5%	1.0x
Business lending	3.0	12.6%	1.5x
Business deposits	2.2	13.5%	1.4x

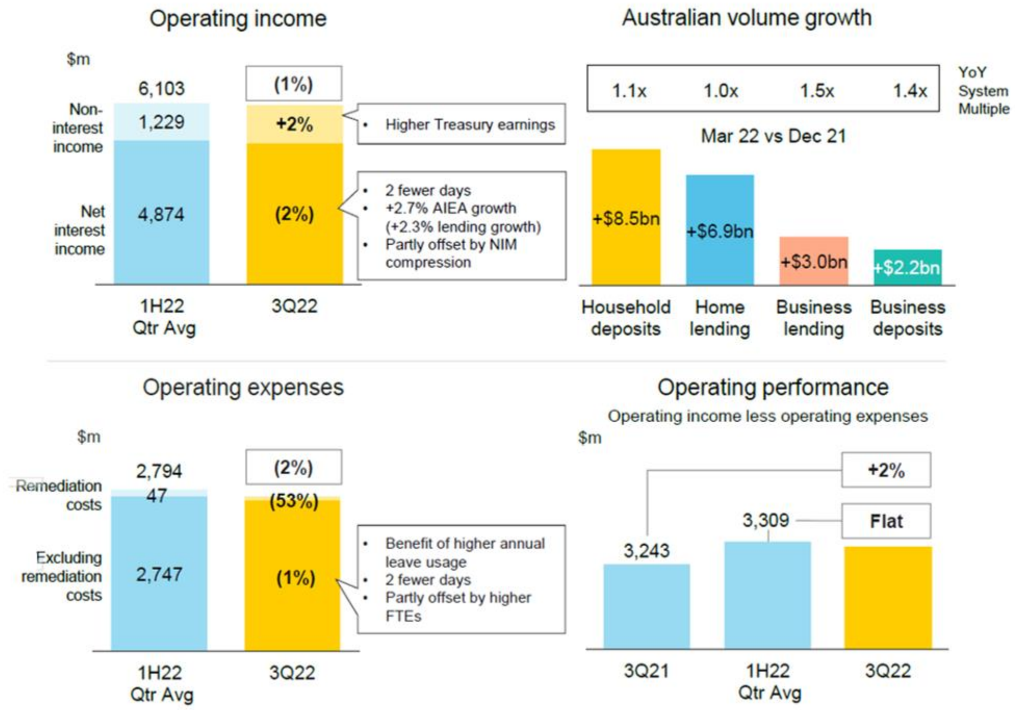
CET1 Ratio
Level 2

11.1%

▼ 9bpts vs Dec 21 ex-dividend

[1] Except as expressly noted, this update is based on the Group's net profit after tax ("cash basis"), which is prepared on a different basis than Australian equivalents to International Financial Reporting Standards ("IFRS"). It is not a measure based on cash accounting or cash flows. Net profit after tax ("cash basis") 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, and gains or losses, including post-completion adjustments, associated with the disposal and deconsolidation of businesses, are calculated consistently period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, refer to page 11 of the 2022 Half-Year U.S. Disclosure Document.

Operating Performance



Note: “AIEA” refers to average interest-earning assets and “NIM” refers to net interest margin.

- Operating income was 1% lower in the quarter (or 1% higher on a day weighted basis), with net interest income down 2% (flat day weighted), partly offset by higher non-interest income.

- Volume growth in core markets continued. In home lending, the Bank recorded balance growth of $6.9 billion, with proprietary channels accounting for 60% of all new fundings in the quarter (Retail Banking Services, excluding Bankwest). The Bank’s decision to lead the market on fixed home loan interest rate increases (in response to rising swap rates) had the expected softening impact on new home lending volumes, with fixed rate loans as a proportion of new fundings declining from 47% in 1H22 to 27% in the month of March 2022. Domestic business lending grew by almost 13% over the 12 months ended March 31, 2022, with continued above-system, diversified growth across multiple sectors on stable margins. Deposits growth continued, with household and business deposits increasing by $8.5 billion and $2.2 billion, respectively, in the quarter.

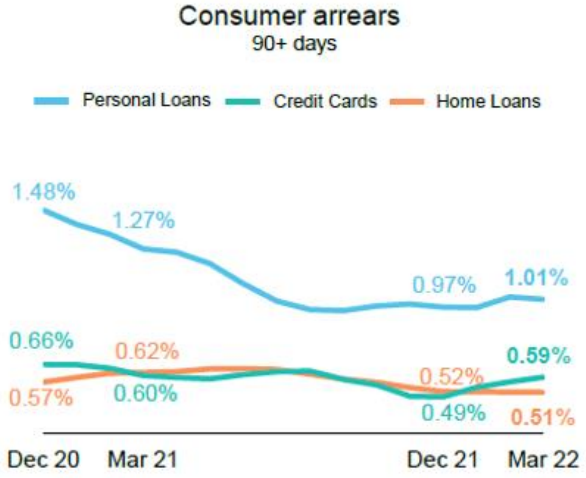
- Net interest income was 2% lower (flat day weighted), with the benefit from volume growth offset by a lower net interest margin, which continued to be influenced by those factors called out in the 2022 Half-Year U.S. Disclosure Document, including home loan margin compression from higher swap rates, portfolio mix effects and price competition.

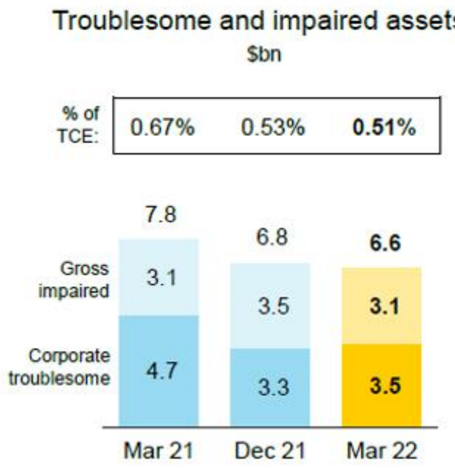
- Non-interest income was 2% higher, primarily driven by increased Treasury earnings, partly offset by lower trading income.

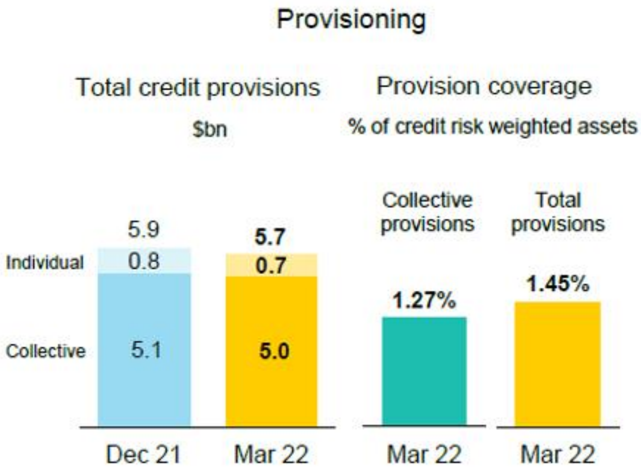
- Operating expenses excluding remediation costs reduced by 1%, with higher staffing levels to deliver additional volumes and execute on strategic priorities more than offset by the benefit of higher annual leave usage and two fewer working days in the quarter.

- Operating performance was flat (+2% day weighted), and 2% higher than the quarter ended March 31, 2021.

Provisions and Credit Quality







Note regarding loan loss rate:	Loan impairment expense as a percentage of average GLAA annualized.
Note regarding consumer arrears:	Consumer arrears includes retail portfolios of Retail Banking Services, Business Banking and New Zealand.
Note regarding home loan arrears:	Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

- Improvements in economic conditions and sound portfolio credit quality resulted in a positive outcome for loan impairment expense in the quarter (a benefit of $48 million or -2 basis points of average GLAA). Total credit provisions were slightly lower at $5.7 billion, with the Group continuing to maintain a cautious approach to managing potential risks, including higher interest rates, inflationary pressures and supply chain disruptions.

- Home loan arrears remained low, influenced by origination quality, low interest rates, a sound property market and balance growth. Credit card and personal loan arrears began to normalize in the quarter in line with seasonal trends.

- Troublesome and Impaired Assets were lower at $6.6 billion or 0.51% of Total Committed Exposures ("TCE"), with movements driven by larger single name exposures across sectors.

Funding and Liquidity

Note regarding Australian deposits: Source: APRA monthly ADI Statistics for peer information. Total deposits (excluding CDs). As at March 31, 2022.

Note regarding wholesale funding: Long Term Funding ratio includes Term Funding Facility ("TFF") drawdowns, which is low cost three-year funding provided by the RBA to ADIs on a secured basis in response to the COVID-19 pandemic. Weighted average tenor calculation is presented both including and excluding TFF.

Note regarding LCR excluding CLF: LCR numerator excludes the size of the Bank's available Committed Liquidity Facility ("CLF"), which is access to contingent liquidity provided by the RBA to ADIs on a secured basis in a period of liquidity stress.

Note regarding NSFR excluding CLF and TFF: NSFR numerator (Available Stable Funding) excludes the size of the Bank's TFF drawdowns. NSFR denominator (Required Stable Funding) increases weighting for mortgages used as collateral for the CLF and TFF by 55%, such that it receives the 65% Required Stable Funding weighting applicable to unencumbered residential mortgages.

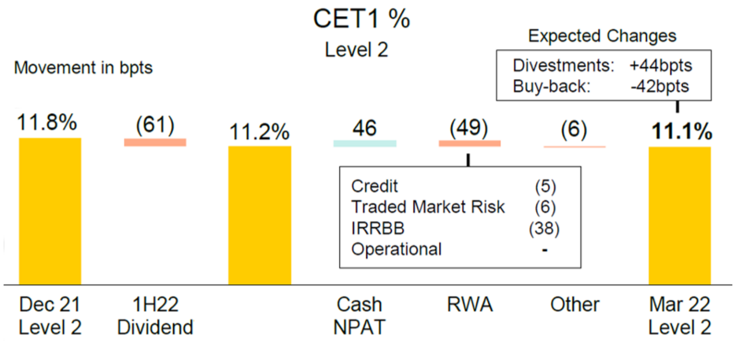
- Balance sheet settings remained strong in the quarter, highlighted by customer deposit funding increasing to 74%, underpinned by the Bank's franchise strength in stable household deposits (+$8.5 billion this quarter).

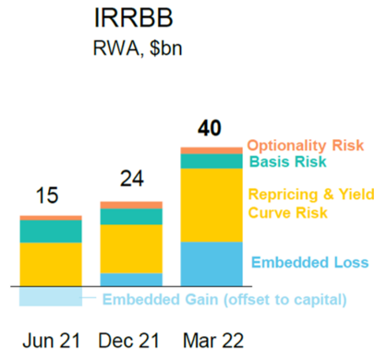
- The Bank believes it remains well positioned from a wholesale funding perspective, with 70% of wholesale funding long term and a weighted average tenor of 4.9 years. Progress has been made on FY22 funding requirements, with A$32 billion of long term wholesale funding issued as at March 31, 2022 across multiple markets and products.

- The Bank's NSFR and LCR remained well above regulatory minimums.

- During the quarter, the Bank commenced the phased reduction in usage of the CLF to zero by the end of 2022, in line with APRA's requirement.

Capital





Note regarding Credit:	Excludes impact of foreign exchange movements, which is included in ‘Other’.
Note regarding 1H22 Dividend:	1H22 interim dividend included the on market purchase of shares in respect of the Group’s Dividend Reinvestment Plan.
Note regarding Cash NPAT:	Excludes equity accounted profits from investments which are neutral from a regulatory capital perspective due to the offsetting increase in capital deductions.
Note regarding Other:	Includes the impact of intangibles, additional equity investments, foreign exchange impact on Credit Risk Weighted Assets (“RWA”) and movements in reserves.

- The Group retains what it believes to be a strong capital position, with a Level 2 CET1 ratio of 11.1% as at March 31, 2022, a decrease of 9 basis points in the quarter after allowing for the impact of the 1H22 interim dividend (-61 basis points). The decrease in the quarter was driven by a combination of higher RWA (-49 basis points) and other adjustments (-6 basis points), partly offset by capital generated from earnings (+46 basis points).

- The majority of the increase in RWA was due to Interest Rate Risk in the Banking Book (“IRRBB”), which increased by $15.7 billion (-38 basis points) driven by higher swap rates (see below). Credit RWA (excluding foreign exchange movements) increased by $2.0 billion (-5 basis points) driven by volume growth in mortgages and non-retail exposures, partly offset by data and methodology changes. Traded Market Risk increased by $2.3 billion (-6 basis points) from higher commodity prices, interest rates and the foreign exchange portfolio.

- In order to avoid significant earnings volatility through a rate cycle, the Group’s equity is invested over a three year investment term. Due to increased market rate volatility, in particular the significant increase in two and three year swap rates in recent months, the amount of IRRBB capital required by APRA has increased, mainly reflecting the valuation differences to equity invested over a one year term.

- On March 1, 2022, the Group announced it had entered into a binding sale agreement to sell a shareholding of 10% in Bank of Hangzhou Co., Ltd (“HZB”) to Hangzhou Urban Construction & Investment Group Co., Ltd and Hangzhou Communications Investment Group Co., Ltd, which are entities majority-owned by the Hangzhou Municipal Government (the “HZB Sale”). Total gross proceeds expected to be received by the Group following completion of the HZB Sale are approximately $1.8 billion, which is estimated to result in a Level 2 CET1 benefit of approximately 35 basis points. As part of the HZB Sale, the Group agreed with HZB to retain its remaining shareholding in HZB of approximately 5.57% until at least February 28, 2025. Completion of the HZB Sale is expected to occur around the middle of calendar year 2022, following the recent approval from the China Banking and Insurance Regulatory Commission for the transaction. Completion remains subject to further regulatory approvals.

- The HZB Sale (+35 basis points) and the Group's previously announced divestment of CommInsure General Insurance (+9 basis points) are expected to collectively provide an uplift to the Level 2 CET1 ratio of approximately 44 basis points. The divestment of CommInsure General Insurance is expected to be completed in the second half of calendar year 2022, subject to Australian regulatory approvals and other conditions. The uplift from divestments is expected to be offset by the on-market share buy-back of up to $2 billion (-42 basis points) as disclosed in the 2022 Half-Year U.S. Disclosure Document. The buy-back will be conducted across calendar year 2022 subject to market conditions, available trading windows and other considerations. Post the buy-back, the Bank expects to remain well placed to accommodate changes under APRA's new capital framework as announced and to be effective January 1, 2023, which are discussed further in the 2022 Half-Year U.S. Disclosure Document.

- The Bank's Level 2 Tier 1 and Total Capital ratios were 13.2% and 17.1%, respectively, as at March 31, 2022. The Bank's Level 1 CET1 ratio as at March 31, 2022 was 11.5%, 40 basis points above Level 2.

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2022

On May 12, 2022, the Group released its Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2022. That release is attached as Annex B hereto.

Group Announces Retirement of Catherine Livingstone AO as Chairman and Appointment of Paul O'Malley as Successor

On April 27, 2022, the Group's Board (the "Board") announced that Catherine Livingstone AO has decided to retire from the Board in August 2022 after the finalization of the Group's financial statements and accounts for the year ending June 30, 2022.

The Board also announced it has elected current Non-Executive Director Paul O'Malley as Ms. Livingstone's successor as Chairman. Mr. O'Malley will assume his new position on August 10, 2022.

Ms. Livingstone joined the Board on March 1, 2016 as an independent Non-Executive Director and became Chair on January 1, 2017. She is the Chair of the Board's Nominations Committee and a member of the Audit, Risk & Compliance and People & Remuneration Committees.

Mr. O'Malley is currently Chair of the Board Remuneration Committee and a member of the Risk & Compliance Committee. He has been a Board member since January 2019. For more information on Mr. O'Malley's background, refer to page 4 of the Group's Annual Financial Report for the year ended June 30, 2021 on the U.S. Investor Website.

Group Issues A$1.1 billion of Subordinated Tier 2 Capital

On April 14, 2022, the Group issued A$1.1 billion of Tier 2 subordinated notes due 2032 (the "Notes") under its A$ debt program. The Notes are Basel III compliant Tier 2 capital of the Group.

Annex A

Key financials reconciliation	1H22 $m	1H22 Qtr Avg $m	Movement 3Q22 vs 3Q21	Movement 3Q22 vs 1H22 Qtr Avg
Operating income	12,205	6,103	(1%)	(1%)
Operating expenses ex. remediation costs and other	5,495	2,747	2%	(1%)
Remediation costs and other	*93*	*47*		
Total operating expenses	5,588	2,794	(3%)	(2%)
Operating performance	6,617	3,309	2%	Flat
Loan impairment benefit/(expense)	75	38	Unfavourable	Favourable
Reported cash NPAT from continuing operations	4,746	2,373	(2%)	Flat

Note regarding remediation costs and other: Remediation costs and other in 1H22 of $93 million (pre-tax) includes $50 million for Banking, other wealth and employee related remediation and litigation costs, and $43 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs.

Note regarding reconciliation of 1H22 net profit after tax “cash basis” from continuing operations and net profit after tax “statutory basis”: Net profit after tax (“cash basis”) from continuing operations in 1H22 did not include a $5 million net loss from hedging and IFRS volatility, derecognition and closure of Commonwealth Financial Planning and transaction and separation costs associated with the disposal of AUSIEX, Aussie Home Loans, CommInsure General Insurance and other businesses. In addition, net profit after tax (“cash basis”) did not include a $1,129 million net gain from discontinued operations, including from the deconsolidation of CommInsure Life and transaction costs, separation costs and post-completion adjustments (such as purchase price adjustments and finalization of accounting adjustments for goodwill and foreign currency translation reserve recycling) associated with the disposal of the discontinued operations and other businesses. Net profit after tax (“statutory basis”) in 1H22 was $5,870 million, or $1,124 million higher than net profit after tax (“cash basis”) from continuing operations.

Annex B

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2022

Commonwealth Bank

Basel III Pillar 3

Capital Adequacy and Risk

Disclosures as at 31 March 2022

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The release of this announcement was authorised by the Continuous Disclosure Committee.

Contents

1 Introduction

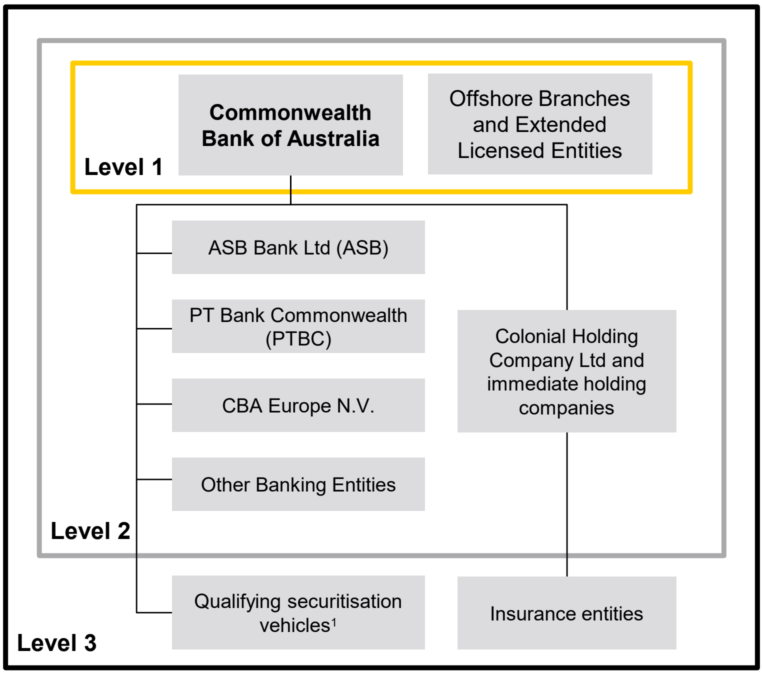
The Commonwealth Bank of Australia (CBA) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959.

This document is prepared for CBA and its subsidiaries (the Group) in accordance with a Board approved policy and quarterly reporting requirements set out in APRA Prudential Standard (APS) APS 330 *Public Disclosure* (APS 330). It presents information on the Group's capital adequacy and Risk Weighted Assets (RWA) calculations for credit risk including securitisation, traded market risk, Interest Rate Risk in the Banking Book (IRRBB) and operational risk.

This document also presents information on the Group's leverage and liquidity ratios in accordance with prescribed methodologies.

The Group is required to report its assessment of capital adequacy on a Level 2 basis. Level 2 is defined as the Consolidated Banking Group excluding the insurance businesses and certain entities through which securitisation of Group assets is conducted, as illustrated below.

APS 330 reporting structure



1 Securitisation that meets APRA's operational requirements for regulatory capital relief under APS 120 *Securitisation* (APS 120).

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

This document is unaudited, however, it has been prepared consistent with information that has been supplied to APRA.

The Group's Pillar 3 documents are available on the Group's corporate website: commbank.com.au/regulatorydisclosures

Introduction (continued)

Capital Position

As at 31 March 2022, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios as measured on an APRA basis were 11.1%, 13.2% and 17.1% respectively.

The Group's CET1 ratio decreased by 9 basis points in the quarter after allowing for the impact of the 2022 interim dividend (-61 basis points). This was primarily driven by higher RWA (-49 basis points) and other regulatory adjustments (-6 basis points), partially offset by capital generated from earnings (+46 basis points). Further details on the movements in RWA are provided on pages 4-5.

The Group's Basel III CET1 ratio was 18.0% on an internationally comparable basis as at 31 March 2022.

The CET1 ratio for Level 1 at 31 March 2022 was 11.5%, 40 basis points above Level 2. The revised APS 111 *Capital Adequacy: Measurement of Capital* effective from 1 January 2022 resulted in an uplift to the Group's Level 1 CET1 ratio by 20 basis points. There was no impact to the Group's Level 2 CET1 capital ratio.

Summary Group Capital Adequacy Ratios (Level 2)	**31 Mar 22 %**	**31 Dec 21 %**
Common Equity Tier 1	**11. 1**	11. 8
Additional Tier 1	**2. 1**	2. 2
Tier 1	**13. 2**	14. 0
Tier 2	**3. 9**	4. 0
Total Capital (APRA)	**17. 1**	18. 0
Common Equity Tier 1 (Internationally Comparable) [1]	**18. 0**	18. 4

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

Capital Initiatives

The following significant capital initiatives were undertaken during the quarter ended 31 March 2022:

Common Equity Tier 1 Capital

The Dividend Reinvestment Plan (DRP) in respect of the 2022 interim dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 16.75%.

Additional Tier 1 Capital

In March 2022, the Group issued AUD1,750 million CommBank PERLS XIV Capital Notes and concurrently redeemed AUD1,640 million CommBank PERLS IX Capital Notes, both Basel III compliant Additional Tier 1 Capital instruments.

Tier 2 Capital

In March 2022, the Group issued a USD1,250 million subordinated note and redeemed a JPY13.3 billion subordinated note and a HKD608 million subordinated note which were all Basel III compliant Tier 2 instruments.

Subsequent to the current reporting period, in April 2022, the Group issued two subordinated notes totalling AUD1,100 million and redeemed a EUR590 million subordinated note which were all Basel III compliant Tier 2 instruments.

Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.2% at 31 March 2022 on an APRA basis and 6.0% on an internationally comparable basis.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires Australian ADIs to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCOs) projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 131% in the March 2022 quarter.

On 1 January 2022, the Group's Committed Liquidity Facility (CLF) was reduced by $7.5 billion to $22.5 billion. This is part of APRA's sector-wide phased reduction in CLF usage to zero by the end of 2022.

2 Risk Weighted Assets

Risk weighted assets (RWA) are calculated using the AIRB approach for the majority of the Group's credit risk exposures. The Group must use the External Ratings-based Approach where a securitisation exposure is externally rated by an External Credit Assessment Institution (ECAI) or for which an inferred rating is available. Where the Group cannot use the External Ratings-based Approach, the Group must use the Supervisory Formula Approach.

APS 330 Table 3a to 3e – Basel III Capital Requirements (RWA)

	Risk Weighted Assets		Change in RWA for	
	31 Mar 22	31 Dec 21	March 2022 quarter	
Asset Category	**$M**	**$M**	**$M**	**%**
Credit Risk				
Subject to AIRB approach [1]				
Corporate	**69,472**	68,406	1,066	1. 6
SME corporate	**30,011**	30,141	(130)	(0. 4)
SME retail	**5,744**	5,730	14	0. 2
SME retail secured by residential mortgage	**2,759**	2,789	(30)	(1. 1)
Sovereign	**2,230**	2,463	(233)	(9. 5)
Bank	**4,096**	4,359	(263)	(6. 0)
Residential mortgage	**170,139**	167,999	2,140	1. 3
Qualifying revolving retail	**5,117**	5,031	86	1. 7
Other retail	**10,655**	10,804	(149)	(1. 4)
Total RWA subject to AIRB approach	**300,223**	297,722	2,501	0. 8
Specialised lending	**65,239**	65,825	(586)	(0. 9)
Subject to standardised approach				
Corporate	**337**	1,289	(952)	(73. 9)
SME corporate	**521**	641	(120)	(18. 7)
SME retail	**2,188**	2,291	(103)	(4. 5)
Sovereign	**334**	348	(14)	(4. 0)
Bank	**61**	48	13	27. 1
Residential mortgage	**6,435**	6,380	55	0. 9
Other retail	**1,032**	971	61	6. 3
Other assets	**7,874**	8,028	(154)	(1. 9)
Total RWA subject to standardised approach	**18,782**	19,996	(1,214)	(6. 1)
Securitisation	**3,539**	3,486	53	1. 5
Credit valuation adjustment	**2,858**	3,110	(252)	(8. 1)
Central counterparties	**684**	548	136	24. 8
Total RWA for credit risk exposures	**391,325**	390,687	638	0. 2
Traded market risk	**13,116**	10,803	2,313	21. 4
Interest rate risk in the banking book	**40,062**	24,356	15,706	64. 5
Operational risk	**46,061**	46,081	(20)	(0. 0)
Total risk weighted assets	**490,564**	471,927	18,637	3. 9

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

Risk Weighted Assets (continued)

Risk Weighted Assets

Total RWA increased by $18.6 billion or 3.9% on the prior quarter to $490.6 billion driven by increases in credit risk RWA, traded market risk RWA and IRRBB RWA, partly offset by lower operational risk RWA.

Credit Risk RWA

Credit risk RWA increased by $0.6 billion or 0.2% on the prior quarter to $391.3 billion. Key drivers include:

- Volume growth (increase of $2.3 billion) across residential mortgages and corporate portfolios; partly offset by a reduction in specialised lending, derivatives, bank and sovereign exposures, unsecured retail portfolios and exposures subject to standardised treatment;
- Credit quality movement (increase of $0.4 billion), driven by an increase in non-defaulted residential mortgage risk weights; partly offset by non-retail portfolios;
- Foreign currency movements (decrease of $1.4 billion); and
- Data and methodology, credit risk estimates and other changes (decrease of $0.7 billion).

Traded Market Risk RWA

Traded market risk RWA increased by $2.3 billion or 21.4% on the prior quarter to $13.1 billion. This was impacted by the rising interest rate environment and the Risks-Not-In-VaR (RNIV) overlay.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by $15.7 billion or 64.5% on the prior quarter to $40.1 billion. This was driven by changes in interest rate risk management positions and increased embedded losses due to higher interest rates in Australia and New Zealand.

In order to avoid significant earnings volatility through a rate cycle, the Group's equity is invested over a three year investment term. Due to increased market rate volatility, in particular the significant increase in two and three year market swap rates in recent months, the amount of IRRBB capital required by APRA has increased, mainly reflecting the spot valuation differences to equity invested over a one year term.

Operational Risk RWA

Operational risk RWA decreased by $20 million or 0.04% on the prior quarter to $46.1 billion.

The operational risk RWA includes a $6.25 billion add-on required by APRA.

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

3 Credit Risk

3.1 Credit Risk Exposures

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

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

	31 March 2022						
		Off Balance Sheet					
Portfolio Type	On Balance Sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for March 2022 quarter [1] $M	Change in exposure for March 2022 quarter [2] $M	Change in exposure for March 2022 quarter [2] %
Subject to AIRB approach							
Corporate [3]	79,097	44,747	8,159	132,003	131,191	1,625	1. 2
SME corporate	47,964	11,329	559	59,852	59,551	603	1. 0
SME retail	7,139	3,613	7	10,759	10,759	1	–
SME retail secured by residential mortgage	3,483	1,515	–	4,998	5,045	(94)	(1. 8)
Sovereign [3]	192,005	1,961	2,551	196,517	198,192	(3,350)	(1. 7)
Bank	11,919	430	6,999	19,348	19,685	(676)	(3. 4)
Residential mortgage	598,070	85,028	–	683,098	679,758	6,678	1. 0
Qualifying revolving retail	7,660	15,720	–	23,380	23,467	(173)	(0. 7)
Other retail	6,109	3,336	–	9,445	9,498	(106)	(1. 1)
Total AIRB approach	953,446	167,679	18,275	1,139,400	1,137,146	4,508	0. 4
Specialised lending [3]	62,982	11,463	713	75,158	75,615	(914)	(1. 2)
Subject to standardised approach							
Corporate [3]	193	131	13	337	813	(952)	(73. 9)
SME corporate	358	157	5	520	580	(120)	(18. 8)
SME retail	1,596	573	11	2,180	2,232	(103)	(4. 5)
Sovereign [3]	666	1	–	667	3,159	(4,984)	(88. 2)
Bank	245	–	–	245	237	14	6. 1
Residential mortgage	13,280	1,936	–	15,216	15,097	239	1. 6
Other retail	888	134	–	1,022	991	61	6. 3
Other assets	19,566	–	–	19,566	19,657	(182)	(0. 9)
Central counterparties	–	–	10,627	10,627	10,239	777	7. 9
Total standardised approach	36,792	2,932	10,656	50,380	53,005	(5,250)	(9. 4)
Total Credit exposures [4]	1,053,220	182,074	29,644	1,264,938	1,265,766	(1,656)	(0. 1)

1 The simple average of balances as at 31 March 2022 and 31 December 2021.
2 The difference between exposures as at 31 March 2022 and 31 December 2021.
3 APRA accredited the use of the AIRB approach for CBA Europe N.V. from March 2022.
4 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Credit Risk (continued)

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

	31 December 2021						
		Off Balance Sheet					
	On Balance Sheet	Non-market related	Market related	Total	Average exposure for December 2021 quarter [1]	Change in exposure for December 2021 quarter [2]	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to AIRB approach							
Corporate	74,275	47,576	8,527	130,378	129,543	1,671	1. 3
SME corporate	47,000	11,513	736	59,249	58,685	1,128	1. 9
SME retail	7,087	3,667	4	10,758	10,746	25	0. 2
SME retail secured by residential mortgage	3,509	1,583	–	5,092	5,129	(74)	(1. 4)
Sovereign	195,792	1,278	2,797	199,867	200,141	(547)	(0. 3)
Bank	13,264	419	6,341	20,024	21,303	(2,560)	(11. 3)
Residential mortgage	590,651	85,769	–	676,420	669,798	13,243	2. 0
Qualifying revolving retail	7,843	15,710	–	23,553	23,574	(42)	(0. 2)
Other retail	6,180	3,371	–	9,551	9,636	(169)	(1. 7)
Total AIRB approach	945,601	170,886	18,405	1,134,892	1,128,555	12,675	1. 1
Specialised lending	62,328	12,539	1,205	76,072	75,394	1,356	1. 8
Subject to standardised approach							
Corporate	997	289	3	1,289	1,362	(146)	(10. 2)
SME corporate	457	183	–	640	660	(40)	(5. 9)
SME retail	1,663	613	7	2,283	2,385	(203)	(8. 2)
Sovereign	5,650	1	–	5,651	3,311	4,680	482. 0
Bank	231	–	–	231	245	(30)	(11. 5)
Residential mortgage	13,062	1,915	–	14,977	14,973	9	0. 1
Other retail	847	114	–	961	943	35	3. 8
Other assets	19,748	–	–	19,748	19,936	(375)	(1. 9)
Central counterparties	–	–	9,850	9,850	10,375	(1,049)	(9. 6)
Total standardised approach	42,655	3,115	9,860	55,630	54,190	2,881	5. 5
Total credit exposures [3]	1,050,584	186,540	29,470	1,266,594	1,258,139	16,912	1. 4

1 The simple average of balances as at 31 December 2021 and 30 September 2021.
2 The difference between exposures as at 31 December 2021 and 30 September 2021.
3 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

3.2 Past Due and Impaired Exposures, Provisions and Reserves

From 1 January 2022 the Group has adopted APRA's revised APS 220 *Credit Risk Management*. The revised standard no longer includes requirements in relation to impaired assets, specific provisions or the General Reserve for Credit Losses (GRCL). The Group will continue to disclose these items until such time as the requirements of APS 330 are changed to retire the former standard's disclosure requirements relating to impaired assets, specific provisions and the GRCL.

All provisions recognised in accordance with accounting standards that have been assessed on an individual basis are classified as specific provisions. Most of the collective provisions raised under accounting standards are included in the GRCL; however, certain collective provisions not eligible for inclusion in the GRCL are classified as specific provisions. This includes, for example, collective provisions on retail products that are in default. The Group's GRCL methodology results in an amount lower than the provision recognised for accounting purposes, resulting in no additional GRCL requirement.

Reconciliation of Australian Accounting Standards, former APS 220 *Credit Quality* based credit provisions and APS 330 Table 4c – General reserve for credit losses

	31 March 2022		
	General reserve for credit losses $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	4,485	486	**4,971**
Individual provisions [2]	–	720	**720**
Total regulatory provisions	4,485	1,206	**5,691**

1 Specific provision balance includes certain accounting collective provisions on some defaulted loans.
2 Provisions according to the Australian Accounting Standards.

	31 December 2021		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	4,567	495	5,062
Individual provisions [2]	–	792	792
Total regulatory provisions	4,567	1,287	5,854

1 Provisions classified according to former APS 220 *Credit Quality*.
2 Provisions according to the Australian Accounting Standards.

Credit Risk (continued)

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

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

	As at 31 March 2022			Quarter ended 31 March 2022	
Portfolio	**Impaired assets $M**	**Past due loans ≥ 90 days [1] $M**	**Specific provision balance [2] $M**	**Net charges for individual provisions $M**	**Actual losses [3] $M**
Corporate including SME, specialised lending and central counterparties	1,159	758	603	(9)	53
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,823	2,630	439	(7)	5
Credit cards	73	–	73	–	17
Other retail	93	–	91	4	32
Total	3,148	3,388	1,206	(12)	107

1 Represents loans ≥ 90 days past due but not impaired.
2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.
3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 31 March 2022.

	As at 31 December 2021			Quarter ended 31 December 2021	
Portfolio	**Impaired assets $M**	**Past due loans ≥ 90 days [1] $M**	**Specific provision balance [2] $M**	**Net charges for individual provisions $M**	**Actual losses [3] $M**
Corporate including SME, specialised lending and central counterparties	1,421	741	666	70	119
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,902	2,603	477	(8)	12
Credit cards	66	–	58	–	20
Other retail	93	–	86	1	37
Total	3,482	3,344	1,287	63	188

1 Represents loans ≥ 90 days past due but not impaired.
2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.
3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 31 December 2021.

3.3 Securitisation

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

	Quarter ended 31 March 2022	
Underlying Asset	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	70	–
Credit cards and other personal loans	32	–
Auto and equipment finance	–	–
Commercial loans	–	–
Other	–	–
Total	102	–

	Quarter ended 31 December 2021	
Underlying Asset	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	1,448	–
Credit cards and other personal loans	105	–
Auto and equipment finance	388	–
Commercial loans	58	–
Other	–	–
Total	1,999	–

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

	As at 31 March 2022		
Securitisation Facility Type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total exposures $M**
Liquidity support facilities	–	242	**242**
Warehouse facilities	9,763	5,604	**15,367**
Derivative facilities	–	330	**330**
Holdings of securities	4,494	–	**4,494**
Other	–	15	**15**
Total securitisation exposures	14,257	6,191	**20,448**

	As at 31 December 2021		
Securitisation Facility Type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total exposures $M**
Liquidity support facilities	–	242	**242**
Warehouse facilities	8,279	6,103	**14,382**
Derivative facilities	–	389	**389**
Holdings of securities	4,876	–	**4,876**
Other	–	15	**15**
Total securitisation exposures	13,155	6,749	**19,904**

4 Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.2% at 31 March 2022 on an APRA basis and 6.0% on an internationally comparable basis.

In November 2021, APRA released final prudential standards, which included changes to the definition of exposures related to derivatives and off Balance Sheet items and a minimum leverage ratio requirement of 3.5% for IRB banks, applicable from 1 January 2023.

Summary Group Leverage Ratio	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21
Tier 1 Capital ($M)	**64,764**	66,027	69,594	70,874	67,511
Total Exposures ($M) [1]	**1,247,225**	1,240,349	1,216,213	1,178,061	1,118,109
Leverage Ratio (APRA) (%)	**5. 2**	5. 3	5. 7	6. 0	6. 0
Leverage Ratio (Internationally Comparable) (%) [2]	**6. 0**	6. 2	6. 6	6. 9	6. 8

1 Total Exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 *Capital Adequacy*.

2 The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study".

5 Liquidity Risk

Liquidity Coverage Ratio

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement of 100% and the Board's risk appetite. Over the March 2022 quarter, excess liquid assets averaged $45 billion and the average LCR decreased from 134% to 131%.

The Group's mix of liquid assets consists of HQLA, such as cash, deposits with central banks, Australian semi-government and Commonwealth government securities. Liquid assets also include repo-eligible securities with the RBA under the CLF and securities classified as liquid assets by the RBNZ. Liquid assets are distributed across the Group to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. Average liquid assets decreased over the quarter due to a $7.5 billion reduction in the Group's CLF to $22.5 billion from 1 January 2022.

NCOs are modelled under an APRA prescribed 30 day severe liquidity stress scenario. The Group manages modelled NCOs by maintaining a large base of low LCR outflow customer deposits and actively managing its wholesale funding maturity profile as part of its overall liquidity management strategy. Average NCOs decreased over the quarter due to a shift from non-operational to operational deposits over the quarter.

APS 330 Table 20 – LCR disclosure template

		31 Mar 22		31 Dec 21	
		Total unweighted value (average) [1] $M	Total weighted value (average) [1] $M	Total unweighted value (average) [1] $M	Total weighted value (average) [1] $M
Liquid assets, of which:					
1	High-quality liquid assets (HQLA)		166,635		166,821
2	Alternative liquid assets (ALA)		21,461		29,929
3	Reserve Bank of New Zealand (RBNZ) securities		3,900		3,000
Cash outflows					
4	Retail deposits and deposits from small business customers, of which:	**434,793**	**38,517**	**424,385**	**37,288**
5	Stable deposits	238,596	11,930	235,250	11,763
6	Less stable deposits	196,197	26,587	189,135	25,525
7	Unsecured wholesale funding, of which:	**195,702**	**82,889**	**197,598**	**86,170**
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	101,061	24,839	96,548	23,712
9	Non-operational deposits (all counterparties)	82,791	46,200	88,239	49,647
10	Unsecured debt	11,850	11,850	12,811	12,811
11	Secured wholesale funding		**4,415**		**3,702**
12	Additional requirements, of which:	**177,250**	**26,051**	**180,778**	**26,987**
13	Outflows related to derivatives exposures and other collateral requirements	5,047	5,047	5,908	5,908
14	Outflows related to loss of funding on debt products	–	–	–	–
15	Credit and liquidity facilities	172,203	21,004	174,870	21,079
16	Other contractual funding obligations	2	**–**	3	**–**
17	Other contingent funding obligations	70,803	**9,590**	69,278	**8,959**
18	**Total cash outflows**		**161,462**		**163,106**
Cash inflows					
19	Secured lending	12,481	1,667	6,233	831
20	Inflows from fully performing exposures	10,205	6,509	10,605	7,033
21	Other cash inflows	6,702	6,702	5,597	5,597
22	**Total cash inflows**	**29,388**	**14,878**	**22,435**	**13,461**
23	**Total liquid assets**		191,996		199,750
24	**Total net cash outflows**		146,584		149,645
25	**Liquidity Coverage Ratio (%)**		131		134
Number of data points used (Business Days)			58		61

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

Glossary

Term	Definition
Additional Tier 1 Capital (AT1)	Additional Tier 1 Capital is a concept defined by APRA and consists of high quality capital that essentially provides a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Advanced Internal Ratings-based (AIRB) Approach	This approach is used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital.
Advanced Measurement Approach (AMA)	Used to measure operational risk in accordance with the Group's Basel III accreditation that allows the Group to use its own internal model for the purposes of calculating regulatory capital.
Alternative Liquid Assets (ALA)	Assets that qualify for inclusion in the numerator of the LCR in jurisdictions where there is insufficient supply of HQLA.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the RBNZ.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB).
Australian Prudential Regulation Authority (APRA)	The Australian Prudential Regulation Authority is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian parliament. The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
Authorised Deposit-taking Institution (ADI)	ADIs are corporations that are authorised under the Banking Act 1959 to carry on banking business in Australia.
Banking Book	The banking book is a term for assets on a bank's Balance Sheet that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers. The banking book can also include those derivatives that are used to hedge exposures arising from the banking book activity, including interest rate risk.
Basel II	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
Basel III	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012).
CBA	Commonwealth Bank of Australia – the head entity of the Group.
Central Counterparty	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are reported in the Group's Financial Statements in accordance with Australian Accounting Standards (AASB 9 *Financial Instruments*).
Committed Liquidity Facility (CLF)	The Reserve Bank of Australia (RBA) provides the CLF to participating ADIs under the LCR, as a shortfall in Commonwealth government and semi-government securities exists in Australia. ADIs can draw on the CLF in a liquidity crisis against qualifying securities pledged to the RBA. In September 2021, APRA announced a sector-wide phased reduction in usage of the CLF to zero by the end of 2022.
Common Equity Tier 1 Capital (CET1)	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Corporate	Basel asset class - includes commercial credit risk where annual revenues are $50 million or more.

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.
Extended Licenced Entity (ELE)	An Extended Licensed Entity is comprised of an ADI and each subsidiary of an ADI as specified in any approval granted by APRA in accordance with Prudential Standard APS 222 *Associations with Related Entities.*
External Credit Assessment Institution (ECAI)	For example: Moody's Investor Services, S&P Global Ratings or Fitch Ratings.
General Reserve for Credit Losses (GRCL)	From 1 January 2022 the Group adopted the revised APS 220 *Credit Risk Management* standard which no longer includes requirements in relation to the GRCL. The Group will continue to disclose the GRCL until APS 330 is amended to retire this disclosure referencing the former APS 220 *Credit Quality* standard's requirements, which required the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the GRCL. An excess of required GRCL over the Group's collective provisions is recognised as a deduction from CET1 under the former standard.
Group	Commonwealth Bank of Australia and its subsidiaries.
High Quality Liquid Assets (HQLA)	Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.
Impaired Assets	Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments due, will be received in a timely manner.
Individual provisions	Provisions made against individual facilities in the credit-rated managed segment where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 9 *Financial Instruments*). Also known as individually assessed provisions or IAP.
Interest Rate Risk in the Banking Book (IRRBB)	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential, and secondly as the anticipated change to Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group's 30 June 2021 Basel III Pillar 3 report.
Level 1	The Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licensed Entities.
Level 2	The level at which the Group reports its capital adequacy to APRA, being the Consolidated Banking Group comprising the ADI and all of its subsidiary entities other than the insurance and funds management businesses and certain 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 funds management businesses (the Group).
Leverage Ratio	Tier 1 Capital divided by total exposures, with this ratio expressed as a percentage.
Liquidity Coverage Ratio (LCR)	The liquidity coverage ratio is a quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
Loss Given Default (LGD)	An estimate of the expected severity of loss for a credit exposure following a default event. Loss Given Default represents the fraction of EAD that is not expected to be recovered following default.

Glossary (continued)

Term	Definition
Net Cash Outflows (NCO)	Net cash outflows in the LCR are calculated by applying prescribed run-off factors on liabilities and various off Balance Sheet exposures that can generate a cash outflow in the next 30 days.
Other Assets	Basel asset class – primarily includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Other Retail	Basel asset class – primarily includes retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
Past Due	Facilities are past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements.
Probability of Default (PD)	The likelihood that a debtor fails to meet an obligation or contractual commitment.
Prudential Capital Ratio (PCR)	The regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times.
Qualifying Revolving Retail (QRR)	Basel asset class – represents revolving exposures to individuals less than $0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Residential Mortgage	Basel asset class – retail exposures secured by residential mortgage property.
Risk Weighted Assets (RWA)	The value of the Group's on and off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards.
Scaling Factor	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the RWA amounts for credit risk under the AIRB approach of 1.06.
Securities Financing Transactions (SFT)	APRA defines securities financing transactions as transactions such as repurchase agreements, reverse repurchase agreements, and security lending and borrowing, and margin lending transactions, where the value of the transactions depends on the market valuation of securities and the transactions are typically subject to margin agreements.
Securitisation	Basel asset class – Group originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	Basel asset class – Small and Medium Enterprise (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	Basel asset class – Small and Medium Enterprise (SME) exposures up to $1 million that are partly or fully secured by residential mortgage property.
Sovereign	Basel asset class – primarily includes claims on Australian and foreign governments, central banks (including the RBA), international banking agencies and regional development banks.
Specialised Lending	Basel asset classes subject to the supervisory slotting approach, and which include Income Producing Real Estate, object finance, project finance and commodity finance.

Glossary (continued)

Term	Definition
Specific Provisions	From 1 January 2022 the Group adopted the revised APS 220 *Credit Risk Management* standard which no longer includes requirements in relation to Specific Provisions. The Group will continue to disclose Specific Provisions until APS 330 is amended to retire this disclosure referencing the former APS 220 *Credit Quality* standard's requirements, which required ADIs to report as Specific Provisions all provisions for impairment assessed by an ADI on an individual basis in accordance with the Australian Accounting Standards and that portion of provisions assessed on a collective basis which are deemed ineligible to be included in the GRCL (which are primarily collective provisions on some defaulted assets).
Standardised Approach	An alternate approach to the assessment of credit, operational and traded market risk whereby an ADI uses external ratings agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Stressed Value-at-Risk (SVaR)	Stressed Value-at-Risk uses the same methodology as VaR except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
Term Funding Facility (TFF)	A facility provided by the RBA to certain ADIs to support lending to Australian businesses.
Tier 1 Capital	Comprises CET1 and Additional Tier 1 Capital.
Tier 2 Capital	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.
Total Capital	Comprises CET1, Additional Tier 1 Capital and Tier 2 Capital.
Total Exposures (as used in the leverage ratio)	The sum of on Balance Sheet items, derivatives, securities financing transactions (SFTs), and off Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items, as outlined in APS 110 *Capital Adequacy* (APS 110) Attachment D.
Trading Book	Exposures, including derivative products and other off Balance Sheet instruments that are held either with a trading intent or to hedge other elements of the trading book.
Value-at-Risk (VaR)	Value-at-Risk is a measure of potential loss using historically observed market volatility and correlation between different markets.