November 20, 2018

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 https://www.commbank.com.au/about-us/investors/us-investors/supplemental-information.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 U.S. Annual Disclosure Document for the year ended June 30, 2018 included on the U.S. Investor Website (the "2018 U.S. Annual Disclosure Document").

References to "$" are to Australian Dollars.

Trading Update for the Quarter Ended September 30, 2018

The unaudited net profit after tax ("statutory basis") and unaudited net profit after tax ("cash basis") figures presented have been rounded to the nearest $50 million.

Unless otherwise noted, all financial results are presented on a "continuing operations" basis, which excludes results from CommInsureLife, BoCommLife and TymeDigital ("discontinued operations"). For more information on CommInsureLife, BoCommLife and TymeDigital see "Highlights—FY18 Headline Results Snapshot", "Divisional Performance—Wealth Management", "Divisional Performance—International Financial Services" and "Description of Business Environment—Simplify our business" in the 2018 U.S. Annual Disclosure Document. The wealth management and mortgage broking businesses to be demerged ("NewCo"), and Colonial First State Global Asset Management ("CFSGAM") are included in continuing operations, consistent with the financial disclosures in the 2018 U.S. Annual Disclosure Document and the U.S. Financial Report for the year ended June 30, 2018. It is expected that both NewCo and CFSGAM will be included in discontinued operations in the Group's results for the half-year ending December 31, 2018. For more information on NewCo and CFSGAM, see "Divisional Performance—Wealth Management" and "Description of Business Environment—Simplify our business" in the 2018 U.S. Annual Disclosure Document and "—Divestment of Global Asset Management Business" and "—Key Appointments to Lead Demerger" in this Recent Developments document below.

In addition, unless otherwise noted, all comparisons are to the simple average of the results from the quarter ended March 31, 2018 and the quarter ended June 30, 2018. Accordingly, comparisons of the results for the quarter ended September 30, 2018 against the quarter ended September 30, 2017 have not been presented in this Recent Developments release.

Summary

On November 7, 2018, the Group advised of the following results for the quarter ended September 30, 2018 (the "quarter"):

- unaudited net profit after tax ("statutory basis") was $2.45 billion;
- unaudited net profit after tax ("cash basis")[1] was $2.50 billion;
- operating income increased by 1%, with higher other banking income offsetting flat net interest income;
- Net Interest Margin decreased due to higher funding costs (including relating to basis risk, which arises from the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate, and replicating portfolio) and home loan price competition;
- Volume growth included 8.9% quarter annualised[2] growth in household deposits. Home lending growth of 3.1% was below system growth of 3.6% (both quarter annualised basis), while business lending reflected continued portfolio optimization in the institutional book;
- Operating expenses excluding one-off items[3] decreased 1% due to timing of investment spend and software impairments in the comparative period;

[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"). 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 on disposal and acquisition of entities net of transaction costs, are calculated consistently period on period and do not discriminate between positive and negative adjustments.

[2] Quarter annualised figures represent the movement over the quarter ended September 30, 2018 divided by the number of days in that quarter and then multiplied by 365 days to come up with an annualised growth rate. That is, quarter annualised figures assumes the same growth will be recorded over the remainder of the year as occurred in the quarter ended September 30, 2018.

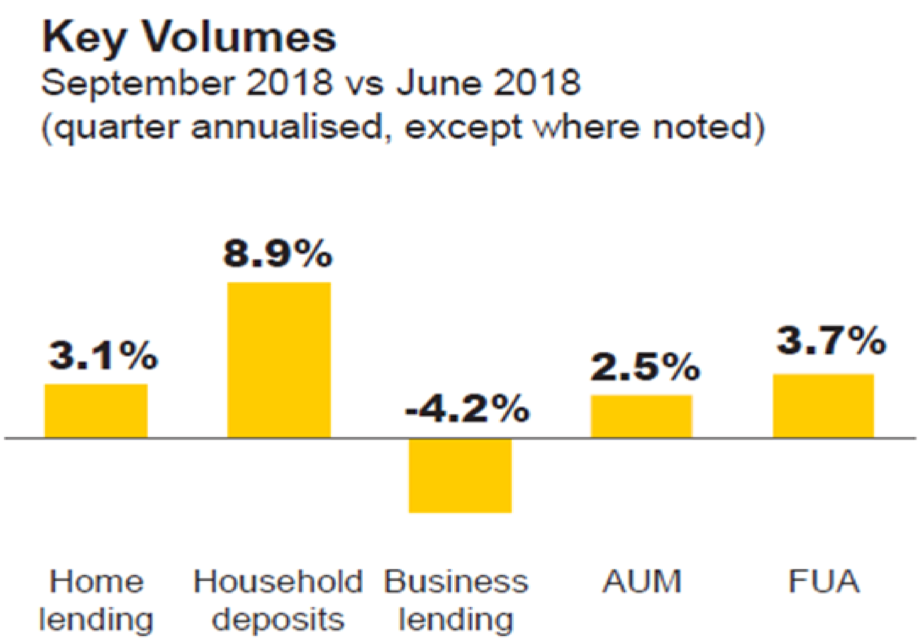
[3] One-off items include the AUSTRAC civil penalty, an increase in income and expense from the consolidation of AHL Holdings Pty Limited ("AHL") and the acquisition of eChoice, and one-off regulatory costs. For more information on the AUSTRAC civil penalty, see "Highlights—FY18 Headline Results Snapshot" and "Description of Business Environment—Legal Proceedings" in the 2018 U.S. Annual Disclosure Document. For more information on AHL and eChoice, see "Highlights—FY18 Headline Results Snapshot", "Divisional Performance—Retail Banking Services" and "Description of Business Environment—Aussie Home Loan Acquisition" in the 2018 U.S. Annual Disclosure Document.

- Loan Impairment Expense ("LIE") was $216 million, which equated to 11 basis points of average Gross Loans and Acceptances ("GLAA")[4]; and

- As at September 30, 2018, the Group's customer deposit funding comprised 68% of the Group's funding, its Net Stable Funding Ratio was 113%, its Liquidity Coverage Ratio was 133% and its Common Equity Tier 1 ("CET1") capital ratio was 10.0% calculated using the methodology accepted by the Australian Prudential Regulatory Authority ("APRA").

Key Financials Approximate	vs 2H18 Quarterly Average	
1Q19	**Reported**	**Ex one-off items**
Operating Income	+1%	+1%
Operating Expense	(7%)	(1%)
Operating Performance	+7%	+2%
LIE	(11%)	(11%)
Cash NPAT	**+11%**	**+3%**

Note: Operating performance is operating income less operating expenses. Refer to Annex A to this Recent Developments for a reconciliation of key financials. Refer also to Footnotes 1 and 2.



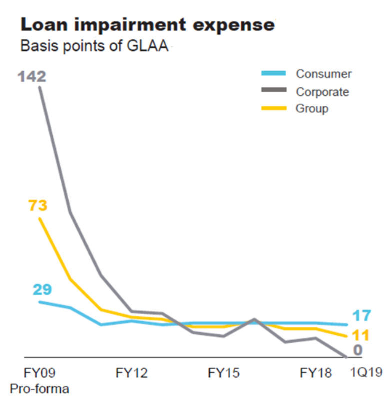
Note: Home lending, household deposits and business lending figures are as reported in APRA Monthly Banking Statistics (Historical series) and included in the RBA Financial Aggregates. Home Lending includes CBA subsidiaries, HomepathP/L, Residential Mortgage Group P/L and Wallaby Trust. Business lending (ex CMPF) represents drawn balances and includes specific "business

[4] Loan impairment expense calculated as a percentage of average GLAA and expressed in basis points.

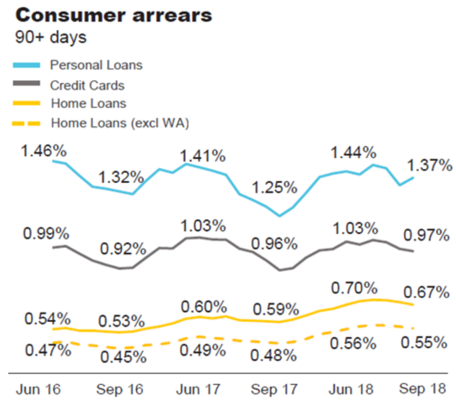
lending" categories in lodged APRA returns –ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills, excluding sub-categories of Banks, ADIs, RFCs and Governments. "AUM" refers to Assets Under Management and "FUA" refers to Funds Under Administration. The AUM and FUA volume growth comparison is to average AUM and FUA for the quarter ended June 30, 2018, and is not annualised.

Credit Quality

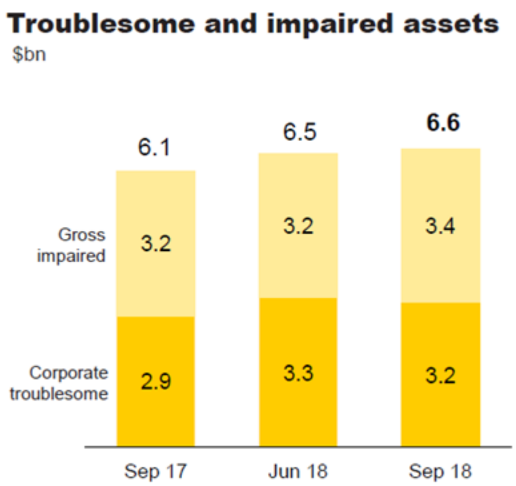
- LIE was $216 million in the quarter, equating to 11 basis points of average GLAA compared to 15 basis points at June 30, 2018. Relatively low corporate LIE reflected some single name improvements, stable portfolio credit quality and continued Institutional Banking & Markets portfolio optimization.
- Consumer arrears were seasonally lower in the quarter. Although there was a moderate improvement in home loan arrears during the quarter, some households continued to experience difficulties with rising essential costs and limited income growth.
- Troublesome and impaired assets increased from $6.5 billion at June 30, 2018 to $6.6 billion during the quarter, driven by an increase in home loan impaired assets and a small number of individual corporate impairments. Troublesome exposures were broadly stable in the quarter.
- The Group adopted AASB 9 from July 1, 2018, which resulted in a $1.06 billion increase in collective provisions and a 28 basis point increase in collective provision coverage to 1.03% (collective provisions to credit risk weighted assets). Total provisions were broadly stable in the quarter.

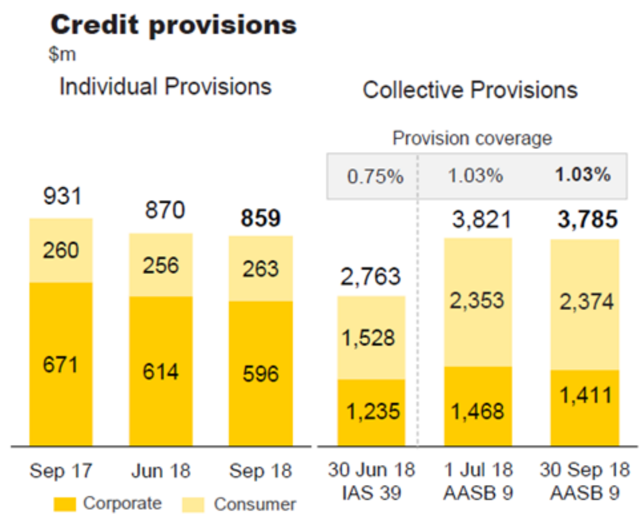


Note: The figures for the year ended June 30, 2009 include Bankwest on a pro forma basis and are based on LIE for the year. Corporate LIE/GLAA annualised was nil for the quarter on a net basis. Refer also to Footnote 3 for an explanation of "Basis points of GLAA".



Note: Consumer arrears includes retail portfolios of Retail Banking Services, Business & Private Banking, Bankwest and New Zealand. Home Loans excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.



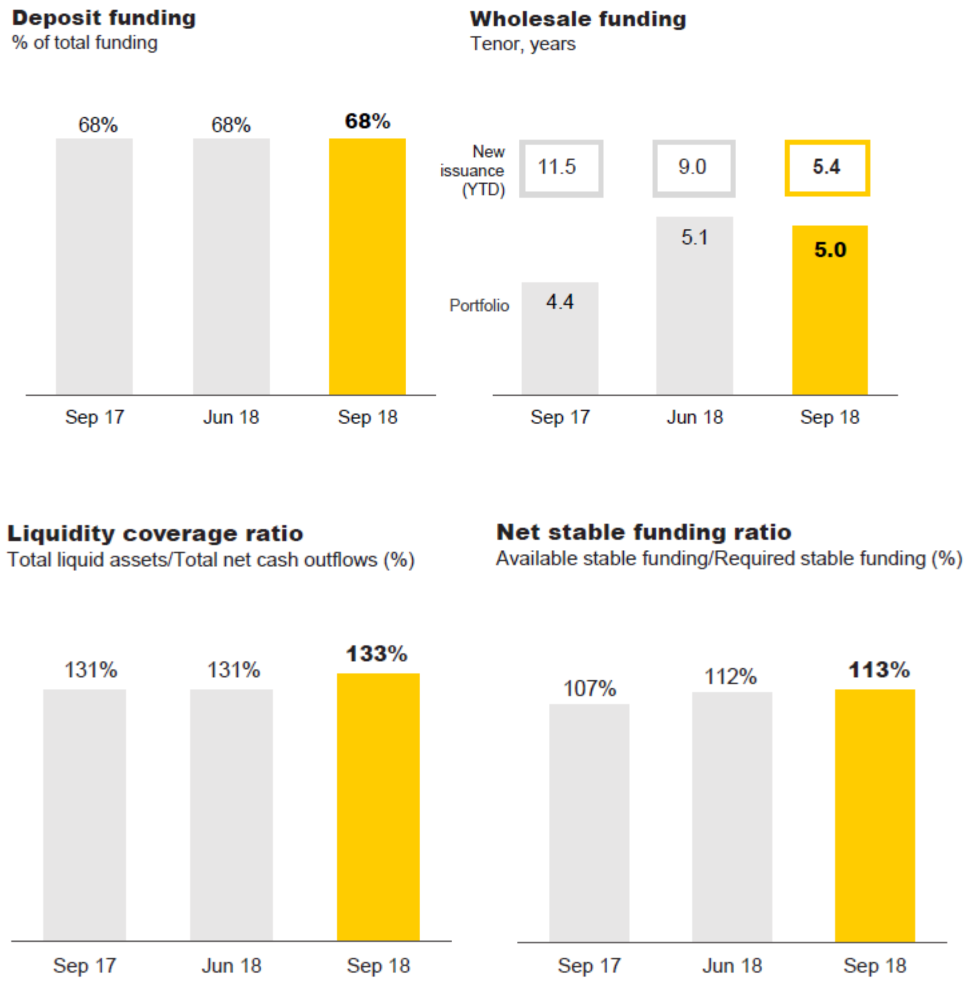


Note: AASB 9 impairment was adopted on July 1, 2018, resulting in a $1,058 million increase in collective provisions.

Balance Sheet

- As at September 30, 2018, deposits comprised 68% of the Group's funding and the average tenor of the long-term wholesale funding portfolio was 5.0 years. The Group issued $8.8 billion of long-term funding in the quarter.
- The Group's Liquidity Coverage Ratio (as defined below) was 133% as at September 30, 2018, up from 131% as at June 30, 2018.
- As at September 30, 2018, the Group's Net Stable Funding Ratio (as defined below) was 113%, up from 112% as at June 30, 2018.

- The Group's Leverage Ratio, which is defined as CET1 capital as a percentage of total exposures, was 5.5% on an APRA basis and 6.2% on an internationally comparable basis[5] as at September 30, 2018.



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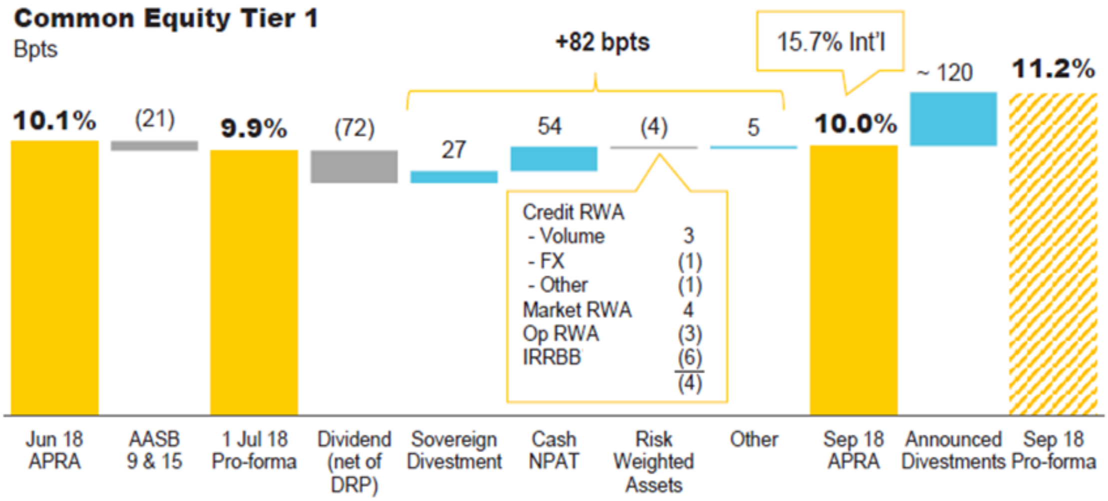
5 "Internationally comparable basis" analysis aligns with the methodology set forth in the APRA study entitled "International capital comparison study" (July 13, 2015).

Capital



Note: IRRBB stands for interest rate risk in the banking book.

- The Group's CET1 ratio, calculated using the methodology accepted by APRA, was 10.0% as at September 30, 2018.
- After allowing for the impact of the implementation of AASB 9 and 15 on July 1, 2018, and the 2018 final dividend (which included the issuance of shares in respect of the Group's Dividend Reinvestment Plan), the Group's CET1 increased 82 basis points in the quarter. This was driven by a combination of capital generated from earnings and the benefit from the sale of the Group's New Zealand life insurance operations.
- The Group previously announced the divestment of a number of businesses as part of its strategy to build a simpler, better bank. These divestments are subject to various conditions, regulatory approvals and timings, and include the sale of the Group's global asset management business, CFSGAM (expected completion in mid-calendar year 2019 and is subject to closing conditions) and the sales of CommInsureLife, its non-controlling investment in BoCommLife and its 80% interest in the Indonesian life insurance business, PT Commonwealth Life (all expected to complete in the first half of calendar year 2019). For more information on CommInsureLife and BoCommLife see "Highlights—FY18 Headline Results Snapshot", "Divisional Performance—Wealth Management", "Divisional Performance—International Financial Services" and "Description of Business Environment—Simplify our business" in the 2018 U.S. Annual Disclosure Document. For more information on the divestment of PT Commonwealth Life, see "—Update on Life Insurance Divestments—Divestment of Indonesian Life Insurance Business" in this Recent Developments document below. Collectively, these divestments are expected to provide an uplift to CET1 of approximately 120 basis points, resulting in a September 30, 2018 pro forma CET1 capital ratio of 11.2%.
- In June 2018, the Group announced its commitment to the demerger of NewCo, which includes Colonial First State, Count Financial, Financial Wisdom, AHL and the Group's minority shareholdings in ASX-listed companies CountPlus and Mortgage Choice. The demerger process is expected to be completed by late calendar year 2019, subject to shareholder, regulatory approvals and other closing conditions. CFSGAM will no longer

form part of NewCo, following the recent announcement of an agreement to sell this business to Mitsubishi UFJ Trust and Banking Corporation. For more information on NewCo and CFSGAM, see "Divisional Performance—Wealth Management" and "Description of Business Environment—Simplify our business" in the 2018 U.S. Annual Disclosure Document and "—Divestment of Global Asset Management Business" and "—Key Appointments to Lead Demerger" in this Recent Developments document below.

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2018

On November 7, 2018, the Group released its Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2018. That release is attached as Annex B hereto.

Joint Acquisition of PEXA

On November 6, 2018, the Group announced that its joint bid with Link Administration Holdings Limited and Morgan Stanley Infrastructure Partners Inc. to acquire Property Exchange Australia Limited ("PEXA") had been accepted by shareholders holding a majority of PEXA's shares (the "PEXA Acquisition"). As part of the PEXA Acquisition, which is subject to a number of conditions precedent, the Group will invest a further $50 million, resulting in an investment by the Group in PEXA of approximately $100 million and an increase in the Group's ownership stake from 13.1% to approximately 16%.

Divestment of Global Asset Management Business

On October 31, 2018, the Group announced that it had entered into an agreement to sell its global asset management business, CFSGAM, also known outside of Australia as First State Investments, to Mitsubishi UFJ Trust and Banking Corporation ("MUTB") for total cash consideration of $4.13 billion[6] (the "CFSGAM Divestment").

The CFSGAM Divestment follows the Group's announcement in June 2018 regarding its intention to demerge its wealth management and mortgage broking businesses. Subsequent to that announcement, MUTB approached the Group in relation to CFSGAM and the CBA Board determined that it would be in the best interests of clients, employees and shareholders to explore a potential sale of CFSGAM.

The estimated total proceeds imply a post-tax gain on sale of approximately $1.5 billion[7],which includes estimated post-tax separation and transaction costs of approximately $100 million.

As a result of the CFSGAM Divestment, CFSGAM will not be included in the previously announced demerger of CBA's wealth management and mortgage broking businesses referred to as NewCo. In addition, the CFSGAM Divestment has led the Group to make certain key

6 Includes an estimated pre-completion dividend of $130 million based on the pro forma surplus capital of CFSGAM as at June 30, 2018, and is subject to customary purchase price adjustments for a transaction of this nature. The Group will also continue to benefit from the earnings of CFSGAM until completion of the CFSGAM Divestment.

7 The final gain on sale will be determined at completion and will be impacted by the final determination of accounting goodwill to be disposed, transaction and separation costs, other balances and final taxation impacts.

executive appointments to NewCo that are described in “Key Appointments to Lead Demerger” below.

Given the global nature of CFSGAM’s business and the licensed entities that it operates, the CFSGAM Divestment is subject to a number of regulatory approvals in various jurisdictions including in Australia, Japan, Hong Kong, Singapore, the United Kingdom and the United States. The CFSGAM Divestment is expected to complete in mid-calendar year 2019 and is subject to closing conditions.

The CET1 capital benefit is principally comprised of the post-tax gain on sale, plus a reduction in CET1 capital deductions from accounting goodwill and investment in net tangible assets. The Group reviews its capital management strategy on an ongoing basis and intends to update investors further following the completion of its announced divestments.

Key Appointments to Lead Demerger

On October 31, 2018, the Group announced that Jason Yetton will be appointed Chief Executive Officer and Andrew Morgan will be appointed Chief Financial Officer of NewCo, the Group’s wealth management and mortgage broking businesses, effective December 1, 2018.

These appointments follow the Group’s commitment in June 2018 to the demerger of NewCo, which includes Colonial First State, Count Financial, Financial Wisdom, Aussie Home Loans and CBA’s minority shareholdings in ASX-listed companies CountPlus and Mortgage Choice.

The demerger of NewCo is subject to shareholder and regulatory approvals under a scheme of arrangement. If approved, the demerger is now expected to complete in late calendar year 2019. Mr. Yetton’s appointment is also subject to regulatory approvals, including any applicable APRA registration requirements.

Update on Life Insurance Divestments

Divestment of Indonesian Life Insurance Business

On October 23, 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (“PTCL”), to FWD Group (“FWD”) (the “PTCL Divestment”). As part of the PTCL Divestment, the Group’s Indonesian banking business, PT Bank Commonwealth (“PTBC”), will enter into a 15-year life insurance distribution partnership with FWD.

The consideration attributable to the Group on completion is expected to be $426 million, with potential additional payments payable over time, subject to the performance of the distribution partnership. Under the terms of the partnership, PTBC will continue to earn income on the distribution of life insurance products.

Upon completion, the PTCL Divestment is expected to result in a post-tax gain on sale of approximately $140 million.

The PTCL Divestment aligns with the Group's strategy to focus on its core banking businesses and to create a simpler and better bank and is expected to complete in the first half of calendar year 2019, subject to regulatory approvals in Indonesia.

Status of Other Life Insurance Divestments

The announcement of the PTCL Divestment follows the completion of the divestment of Sovereign in New Zealand to AIA Group in July 2018.

The announced divestments of CommInsure Life in Australia to AIA Group and CBA's 37.5% interest in BoComm Life in China to Mitsui Sumitomo Insurance are still pending regulatory approvals. These divestments are now expected to complete in the first half of calendar year 2019.

APRA proposal for increasing the loss-absorbing capacity of ADIs

On November 8, 2018 the Group noted the release of the discussion paper by APRA (the "APRA Paper") on the loss-absorbing capacity of Authorised Deposit-taking Institutions ("ADIs").

The APRA Paper outlines APRA's proposed approach for loss-absorbing capacity, consistent with the Financial System Inquiry recommendation to implement a framework sufficient to facilitate the orderly resolution of Australian ADIs. For more information on the Financial System Inquiry, see "Risk Factors— Failure to maintain capital adequacy requirements would adversely affect the Group's financial condition" in the 2018 U.S. Annual Disclosure Document.

The APRA Paper recommends that the Australian regime be established under the existing capital framework, rather than by introducing new forms of loss-absorbing instruments.

For the four Australian major banks, including the Group, APRA proposes an increase in the total capital requirement, incrementally over four years, of between four and five percentage points of risk-weighted assets ("RWA"), with the requirements taking full effect from 2023. APRA further notes that it is anticipated that the banks would satisfy this requirement predominantly with additional Tier 2 capital.

Based on CBA's RWA of $461 billion as at September 30, 2018, and all other things being equal, the additional four to five percentage points represents an incremental increase of approximately $18 billion to $23 billion of the Group's total capital. The Group expects that this requirement would result in a decrease in other forms of funding. The ultimate cost will be determined by market factors (including the future pricing of Tier 2 capital and potential impact of the proposal on other forms of funding) and the final framework issued by APRA.

APRA is seeking submissions on the proposals by February 8, 2019 and the Group will participate in the consultation process.

In addition to the previously outlined proposals, APRA intends to consult on a framework for recovery and resolution in 2019, which will include further details on resolution planning.

Annex A

Key Financials Reconciliation

	2H18	2H18 Qtr Avg	Approximate Movement 1Q19 vs 2H18 Qtr Avg
Operating Income	$m	$m	
Reported	12,790	6,395	+1%
AHL & eChoice	*(143)*	*(71)*	
Operating Income ex. one-offs	**12,647**	**6,324**	**+1%**
Operating Expense			
Reported	5,863	2,932	(7%)
AHL & eChoice	*(126)*	*(63)*	
AUSTRAC	*(325)*	*(163)*	
One-off regulatory costs	*(45)*	*(22)*	
Operating Expenses ex. one-offs	**5,367**	**2,684**	**(1%)**
LIE	**483**	**242**	**(11%)**
Reported Cash NPAT	4,474	2,237	+11%
Cash NPAT ex. one-offs	**4,818**	**2,409**	**+3%**

Note: One-off items include the AUSTRAC civil penalty, an increase in income and expense from the consolidation of AHL Holdings Pty Limited ("AHL") and the acquisition of eChoice, and one-off regulatory costs. For more information on the AUSTRAC civil penalty, see "Highlights—FY18 Headline Results Snapshot" and "Description of Business Environment—Legal Proceedings" in the 2018 U.S. Annual Disclosure Document. For more information on AHL and eChoice, see "Highlights—FY18 Headline Results Snapshot", "Divisional Performance—Retail Banking Services" and "Description of Business Environment—Aussie Home Loan Acquisition" in the 2018 U.S. Annual Disclosure Document.

Annex B

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2018

Basel III
Pillar 3

Capital Adequacy and Risks
Disclosures as at 30 September 2018

Becoming a simpler, better bank

CommonwealthBank

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1. Introduction

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, 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 methodology.

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 and 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 (AIRB) approach 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 external auditor (PwC) performed certain procedures over the Pillar 3 report for the year ended June 2018, including verifiying disclosures are consistent with information contained in the Group's Profit Announcement, returns provided to APRA and source systems. PwC have provided recommendations to enhance the internal controls related to the calculation of RWAs and the Group has an action plan in place to implement these recommendations.

The Group's Pillar 3 documents are available on the Group's corporate website:

www.commbank.com.au/about-us/investors/shareholders

Group Capital Ratios

The Group's Basel III Common Equity Tier 1 (CET1) APRA ratio was 10.0% at 30 September 2018, compared to 10.1% at 30 June 2018.

After allowing for the impact of the implementation of AASB 9 and 15 on 1 July 2018, and the 2018 final dividend (which included the issuance of shares in respect of the Dividend Reinvestment Plan), CET1 increased 82 basis points in the quarter. This was primarily driven by a combination of capital generated from earnings and the benefit from the sale of the Group's New Zealand life insurance operations.

CBA has previously announced the divestment of a number of businesses as part of its strategy to build a better, simpler bank. These divestments are subject to various conditions, regulatory approvals and timings, and include the sale of the global asset management business, Colonial First State Global Asset Management (expected completion mid calendar 2019) and the sales of the bank's Australian life insurance business ("CommInsure Life"), its non-controlling investment in BoComm Life and its 80% interest in the Indonesian life insurance business, PT Commonwealth Life (all expected to complete in the first half of calendar year 2019). Collectively, these divestments will provide an uplift to CET1 of approximately 120 basis points, resulting in a 30 September 2018 pro-forma CET1 ratio of 11.2%.

The Group's Basel III internationally comparable CET1 ratio as at 30 September 2018 was 15.7%, compared to 15.5% at 30 June 2018. The internationally comparable basis aligns with the APRA study entitled "International capital comparison study" (13 July 2015).

Capital Initiatives

During the quarter the DRP in respect of the 2018 final dividend was satisfied by the allocation of approximately $749 million of ordinary shares, representing a participation rate of 18.4%.

Leverage Ratio

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of exposures, was 5.5% at 30 September 2018 (30 June 2018: 5.5%) on an APRA basis and 6.2% (30 June 2018: 6.3%) 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 projected under an APRA-prescribed stress scenario. The Group maintained an average LCR of 131% in the September 2018 quarter (quarter ended 30 June 2018: 133%) and an LCR of 133% as at 30 September 2018 (30 June 2018: 131%).

Summary Group Capital Adequacy Ratios (Level 2)	30 Sep 18 %	30 Jun 18 %
Common Equity Tier 1	**10. 0**	10. 1
Tier 1	**12. 2**	12. 3
Tier 2	**2. 8**	2. 7
Total Capital (APRA)	**15. 0**	15. 0
Common Equity Tier 1 (Internationally Comparable) (1)	**15. 7**	15. 5

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

2. Risk Weighted Assets

Risk weighted assets are calculated using the AIRB approach for the majority of the Group's credit risk exposures.

Internal assessment and supervisory formula approaches are used where relevant for non-rated securitisation exposures and for rated exposures where APS 120 prohibits the Group using the ratings-based approach. The ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI) where APS 120 allows or requires.

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

	Risk Weighted Assets		Change in RWA for September 2018 quarter	
	30 Sep 18	30 Jun 18		
Asset Category	**$M**	**$M**	**$M**	**%**
Credit Risk				
Subject to AIRB approach [(1)]				
Corporate	**68,016**	68,479	(463)	(0. 7)
SME corporate	**32,867**	32,772	95	0. 3
SME retail	**4,782**	4,709	73	1. 6
SME retail secured by residential mortgage	**2,402**	2,458	(56)	(2. 3)
Sovereign	**2,256**	2,509	(253)	(10. 1)
Bank	**10,704**	11,097	(393)	(3. 5)
Residential mortgage	**141,232**	139,203	2,029	1. 5
Qualifying revolving retail	**9,194**	9,592	(398)	(4. 1)
Other retail	**15,619**	15,750	(131)	(0. 8)
Total RWA subject to AIRB approach	**287,072**	286,569	503	0. 2
Specialised lending	**53,923**	55,893	(1,970)	(3. 5)
Subject to standardised approach				
Corporate	**1,230**	1,246	(16)	(1. 3)
SME corporate	**345**	412	(67)	(16. 3)
SME retail	**5,869**	5,856	13	0. 2
Sovereign	**203**	222	(19)	(8. 6)
Bank	**36**	79	(43)	(54. 4)
Residential mortgage	**5,696**	5,627	69	1. 2
Other retail	**1,517**	1,593	(76)	(4. 8)
Other assets	**6,362**	5,241	1,121	21. 4
Total RWA subject to standardised approach	**21,258**	20,276	982	4. 8
Securitisation	**2,962**	2,890	72	2. 5
Credit valuation adjustment	**2,986**	2,882	104	3. 6
Central counterparties	**1,028**	1,018	10	1. 0
Total RWA for credit risk exposures	**369,229**	369,528	(299)	(0. 1)
Traded market risk	**6,581**	8,255	(1,674)	(20. 3)
Interest rate risk in the banking book	**27,189**	24,381	2,808	11. 5
Operational risk	**57,778**	56,448	1,330	2. 4
Total risk weighted assets	**460,777**	458,612	2,165	0. 5

(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

Total Group RWA increased by $2.2 billion or 0.5% on the prior quarter to $460.8 billion driven by higher IRRBB and Operational Risk, partially offset by lower Traded Market Risk.

Credit Risk RWA

Credit RWA decreased by $0.3 billion or 0.1% on the prior quarter to $369.2 billion mainly driven by a reduction of exposure and improved credit quality across corporate portfolios.

These decreases were partly offset by foreign currency movements and a refresh of credit risk estimates on Australian residential mortgages.

Traded Market Risk RWA

Traded Market Risk RWA decreased by $1.7 billion or 20.3% on the prior quarter to $6.6 billion. This was mainly driven by an enhanced model measurement approach for some interest rate exposures.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased $2.8 billion or 11.5% on the prior quarter to $27.2 billion. This was driven by interest rate risk management activity and a decrease in embedded gains.

Operational Risk RWA

Operational Risk RWA increased by $1.3 billion or 2.4% on the prior quarter to $57.8 billion. This was driven by modelling variations and changes in portfolio diversification.

The Operational Risk RWA includes the $12.5 billion add-on required by APRA following the Prudential Inquiry findings dated 30 April 2018. 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

	30 September 2018						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for September 2018 quarter (1) $M	Change in exposure for September 2018 quarter (2) $M	%
Subject to AIRB approach							
Corporate	72,497	43,454	7,684	**123,635**	124,292	(1,313)	(1. 1)
SME corporate	44,312	8,888	310	**53,510**	53,420	180	0. 3
SME retail	7,023	3,217	-	**10,240**	10,216	49	0. 5
SME retail secured by residential mortgage	4,041	1,371	-	**5,412**	5,449	(74)	(1. 3)
Sovereign	83,875	1,426	2,186	**87,487**	86,771	1,432	1. 7
Bank	27,531	1,454	10,035	**39,020**	39,914	(1,788)	(4. 4)
Residential mortgage	489,534	71,740	-	**561,274**	560,150	2,248	0. 4
Qualifying revolving retail	10,530	18,070	-	**28,600**	28,826	(452)	(1. 6)
Other retail	8,140	3,074	-	**11,214**	11,315	(203)	(1. 8)
Total AIRB approach	747,483	152,694	20,215	**920,392**	920,353	79	0. 0
Specialised lending	51,798	9,069	566	**61,433**	62,131	(1,398)	(2. 2)
Subject to standardised approach							
Corporate	999	231	-	**1,230**	1,238	(16)	(1. 3)
SME corporate	179	166	-	**345**	379	(67)	(16. 3)
SME retail	4,827	955	72	**5,854**	5,844	20	0. 3
Sovereign	494	-	-	**494**	494	1	0. 2
Bank	178	1	-	**179**	279	(200)	(52. 8)
Residential mortgage	11,622	1,739	-	**13,361**	13,275	173	1. 3
Other retail	1,439	77	-	**1,516**	1,554	(76)	(4. 8)
Other assets	10,957	-	-	**10,957**	9,929	2,055	23. 1
Central counterparties	-	-	7,115	**7,115**	7,155	(81)	(1. 1)
Total standardised approach	30,695	3,169	7,187	**41,051**	40,147	1,809	4. 6
Total credit exposures (3)	829,976	164,932	27,968	**1,022,876**	1,022,631	490	0. 0

(1) The simple average of exposures as at 30 September 2018 and 30 June 2018.
(2) The difference between exposures as at 30 September 2018 and 30 June 2018.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

3.1 Credit Risk Exposures (continued)

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

	30 June 2018						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for June 2018 quarter [1] $M	Change in exposure for June 2018 quarter [2] $M	%
Subject to AIRB approach							
Corporate	72,930	43,771	8,247	124,948	124,790	316	0. 3
SME corporate	44,508	8,511	311	53,330	55,698	(4,735)	(8. 2)
SME retail	7,076	3,115	-	10,191	10,163	56	0. 6
SME retail secured by residential mortgage	4,132	1,354	-	5,486	5,536	(100)	(1. 8)
Sovereign	82,484	1,334	2,237	86,055	87,645	(3,179)	(3. 6)
Bank	31,034	687	9,087	40,808	41,748	(1,881)	(4. 4)
Residential mortgage	487,335	71,691	-	559,026	557,457	3,137	0. 6
Qualifying revolving retail	10,828	18,224	-	29,052	29,207	(310)	(1. 1)
Other retail	8,314	3,103	-	11,417	11,458	(82)	(0. 7)
Total AIRB approach	748,641	151,790	19,882	920,313	923,702	(6,778)	(0. 7)
Specialised lending	52,517	9,767	547	62,831	63,328	(993)	(1. 6)
Subject to standardised approach							
Corporate	1,030	216	-	1,246	1,399	(306)	(19. 7)
SME corporate	199	212	1	412	355	115	38. 7
SME retail	4,808	969	57	5,834	5,808	51	0. 9
Sovereign	484	9	-	493	478	31	6. 7
Bank	238	1	140	379	290	178	88. 6
Residential mortgage	11,429	1,759	-	13,188	13,056	263	2. 0
Other retail	1,481	111	-	1,592	1,562	60	3. 9
Other assets	8,902	-	-	8,902	10,690	(3,576)	(28. 7)
Central counterparties	-	-	7,196	7,196	7,026	340	5. 0
Total standardised approach	28,571	3,277	7,394	39,242	40,664	(2,844)	(6.8)
Total credit exposures [3]	829,729	164,834	27,823	1,022,386	1,027,694	(10,615)	(1.0)

(1) The simple average of exposures as at 30 June 2018 and 31 March 2018.
(2) The difference between exposures as at 30 June 2018 and 31 March 2018.
(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

All provisions for impairment assessed on an individual basis in accordance with the Australian Accounting Standards are classified as specific provisions in accordance with APS 220 "Credit Quality". Most of the collective provisions raised under the Australian Accounting Standards are included in the General Reserve for Credit Losses (GRCL), however, certain collective provisions not eligible for inclusion in the GRCL are classified as specific provisions. This includes, for example, collective provisions on unsecured retail products 90 days or more past due. On 1 July 2018, the Group adopted AASB9 resulting in $1.06 billion increase to collective provisions. The increase is due to the introduction of forward looking economic factors and holding lifetime expected credit losses on stage 2 loans as prescribed under the standard.

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

	30 September 2018		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	3,399	386	**3,785**
Individual provisions [2]	-	859	**859**
Total provisions	3,399	1,245	**4,644**
Additional GRCL requirement [3]	524	-	**524**
Total regulatory provisions	3,923	1,245	**5,168**

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $524 million in order to maintain the required minimum GRCL.

	30 June 2018		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,484	279	2,763
Individual provisions [2]	-	870	870
Total provisions	2,484	1,149	3,633
Additional GRCL requirement [3]	589	-	589
Total regulatory provisions	3,073	1,149	4,222

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $589 million in order to maintain the required minimum GRCL.

3.2 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 2018			Quarter ended 30 September 2018	
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, specialised lending and central counterparties	1,670	483	597	47	79
Sovereign	-	-	7	-	1
Bank	9	-	-	-	-
Residential mortgage	1,463	2,673	364	28	26
Qualifying revolving retail	147	-	134	-	73
Other retail	135	20	143	-	96
Total	3,424	3,176	1,245	75	275

(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 ended 30 September 2018.

	As at 30 June 2018			Quarter ended 30 June 2018	
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, specialised lending and central counterparties	1,511	420	617	53	174
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Residential mortgage	1,357	2,773	343	38	40
Qualifying revolving retail	149	-	67	-	103
Other retail	153	23	113	1	74
Total	3,179	3,216	1,149	92	391

(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 ended 30 June 2018.

3.3 Securitisation

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

Underlying Asset Type	For the 3 months to 30 September 2018 Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	2,230	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	2,230	-

Underlying Asset Type	For the 3 months to 30 June 2018 Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	1,415	-
Credit cards and other personal loans	1	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	1,416	-

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

	As at 30 September 2018		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	269	269
Warehouse facilities	3,961	3,353	7,314
Derivative facilities	71	28	99
Holdings of securities	7,907	-	7,907
Other	-	-	-
Total securitisation exposures	11,939	3,650	15,589

	As at 30 June 2018		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	240	240
Warehouse facilities	4,632	2,501	7,133
Derivative facilities	60	24	84
Holdings of securities	7,907	-	7,907
Other	-	-	-
Total securitisation exposures	12,599	2,765	15,364

4. Leverage Ratio

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.5% at 30 September 2018 on an APRA basis and 6.2% on an internationally comparable basis.

In December 2017, as part of the final calibration of the leverage ratio, the BCBS announced:

- Confirmation that the leverage ratio will have minimum regulatory requirement of 3%, effective from 1 January 2018; and
- Changes in the definition of exposures related to derivatives and off balance sheet items, effective from 1 January 2022.

In February 2018, APRA released additional refinements to the BCBS guidance including a minimum leverage ratio requirement of 4% for IRB banks. These changes are subject to consultation and are proposed to apply from 1 July 2019.

Summary Group Leverage Ratio	30 Sep 18	30 Jun 18	31 Mar 18	31 Dec 17
Tier 1 Capital ($M)	**56,184**	56,432	53,750	54,465
Total Exposures ($M) (1)	**1,024,903**	1,018,622	1,032,125	1,012,503
Leverage Ratio (APRA) (%)	**5. 5**	5. 5	5. 2	5. 4
Leverage Ratio (Internationally Comparable) (%) (2)	**6. 2**	6. 3	5. 9	6. 1

(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", and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

5. Liquidity Coverage Ratio

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement and the Board's risk appetite. Over the September quarter, excess liquid assets averaged $33 billion and the LCR reduced from 133% to 131%, with a small reduction in liquid assets and broadly stable Net Cash Outflows (NCOs). NCOs represent modelled Net Cash Outflows under an APRA-prescribed 30 day severe liquidity stress scenario.

The Group's mix of liquid assets consists of High Quality Liquid Assets (HQLA), being cash, deposits with central banks and securities issued by governments and highly rated public sector entities. Liquid assets also include securities repo-eligible with the Reserve Bank of Australia under the Committed Liquidity Facility (CLF) and securities classified as liquid assets by the Reserve Bank of New Zealand (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. Liquid assets held in NZD in excess of NZD NCOs of 100% have been excluded from 1 July 2018 onwards, reflecting transferability considerations.

The Group manages its wholesale funding profile and deposit mix taking into consideration NCOs as part of its overall liquidity management strategy. The Group's 30 day modelled NCOs were broadly stable over the September quarter, with reduced NCOs from deposits offset by higher wholesale funding maturity NCOs. HQLA increased over the September quarter, partly offsetting the reduction in RBNZ securities due to the exclusion of surplus NZD liquid assets.

		30 Sep 18 Total unweighted value (average) (1) $M	30 Sep 18 Total weighted value (average) (1) $M	30 Jun 18 Total unweighted value (average) (1) $M	30 Jun 18 Total weighted value (average) (1) $M
Liquid assets, of which:					
1	High-quality liquid assets (HQLA)		90,647		87,424
2	Alternative liquid assets (ALA)		47,943		47,823
3	Reserve Bank of New Zealand (RBNZ) securities		2,070		7,253
Cash outflows					
4	Retail deposits and deposits from small business customers, of which:	282,864	24,762	285,323	25,161
5	Stable deposits	159,092	7,955	158,644	7,932
6	Less stable deposits	123,772	16,807	126,679	17,229
7	Unsecured wholesale funding, of which:	119,796	64,263	121,927	64,422
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	32,367	7,981	32,554	8,028
9	Non-operational deposits (all counterparties)	75,406	44,259	79,441	46,462
10	Unsecured debt	12,023	12,023	9,932	9,932
11	Secured wholesale funding		1,053		1,044
12	Additional requirements, of which:	159,241	22,839	160,605	22,970
13	Outflows related to derivatives exposures and other collateral requirements	7,812	7,812	7,816	7,816
14	Outflows related to loss of funding on debt products	-	-	-	-
15	Credit and liquidity facilities	151,429	15,027	152,789	15,154
16	Other contractual funding obligations	12	7	33	17
17	Other contingent funding obligations	79,240	9,603	79,725	8,838
18	**Total cash outflows**		122,527		122,452
Cash inflows					
19	Secured lending	8,065	1,374	6,188	1,510
20	Inflows from fully performing exposures	10,538	7,521	11,520	8,079
21	Other cash inflows	6,065	6,065	5,933	5,933
22	**Total cash inflows**	24,668	14,960	23,641	15,522
23	**Total liquid assets**		140,660		142,500
24	**Total net cash outflows**		107,567		106,930
25	**Liquidity Coverage Ratio (%)**		131		133
Number of data points used (Business Days)			65		61

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

Term	Definition
Additional Tier 1 Capital	Additional Tier 1 Capital is a Basel III defined concept and consists of high quality capital that essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board.
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 that is 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 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).
BoComm Life	BoComm Life Insurance Company Limited – an association of the Group.
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.
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 under the CLF in a liquidity crisis against qualifying securities pledged to the RBA. The amount of the CLF for each ADI is set by APRA annually.
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.
Credit Valuation Adjustment (CVA) Risk	The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty.

Glossary

Term	Definition
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 Investor Services, S&P Global Ratings or Fitch Ratings.
Extended Licensed 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.
Group	Commonwealth Bank of Australia and its subsidiaries including ASB.
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 achieved 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 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 Licensed 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 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.
Leverage Ratio	Tier 1 Capital divided by Total Exposures, with this ratio expressed as a percentage.
Liquidity Coverage Ratio (LCR)	The LCR 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)	The fraction of EAD that is not expected to be recovered following default.
Net Cash Outflows	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.

Term	Definition
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 secured by residential mortgage property.
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 AIRB 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 – primarily includes claims on Australian and foreign governments, 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).
Stressed 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.
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.