November 26, 2020

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, 2020 included on the U.S. Investor Website (the "2020 U.S. Annual Disclosure Document").

References to "$" are to Australian Dollars.

Trading Update for the Quarter Ended September 30, 2020

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.

Unless otherwise noted, all financial results are presented on a "continuing operations" basis, which excludes results from Colonial First State (CFS), the Group's Australia and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life (PTCL) (together, "discontinued operations"), consistent with the financial disclosures in the 2020 U.S. Annual Disclosure Document. For more information on the Group's discontinued operations, see Note 11.3 to the Group's consolidated financial statements for the year ended June 30, 2020, which are available on the U.S. Investor Website.

In addition, unless otherwise noted, all comparisons are to the simple average of the results from the quarter ended March 31, 2020 and the quarter ended June 30, 2020 (the "2H20 Quarterly Average"). All comparisons of the quarter ended September 30, 2020 to the simple average of the results from the quarter ended March 31, 2020 and the quarter ended June 30, 2020, are not comparable to, and should not be taken to be comparable to, comparisons to the quarter ended September 30, 2019. References to "2H20" mean the second fiscal half year ended June 30, 2020. Refer to Annex A for a reconciliation of key financials.

Summary

On November 11, 2020, the Group advised of the following results for the quarter ended September 30, 2020 (the "quarter"):

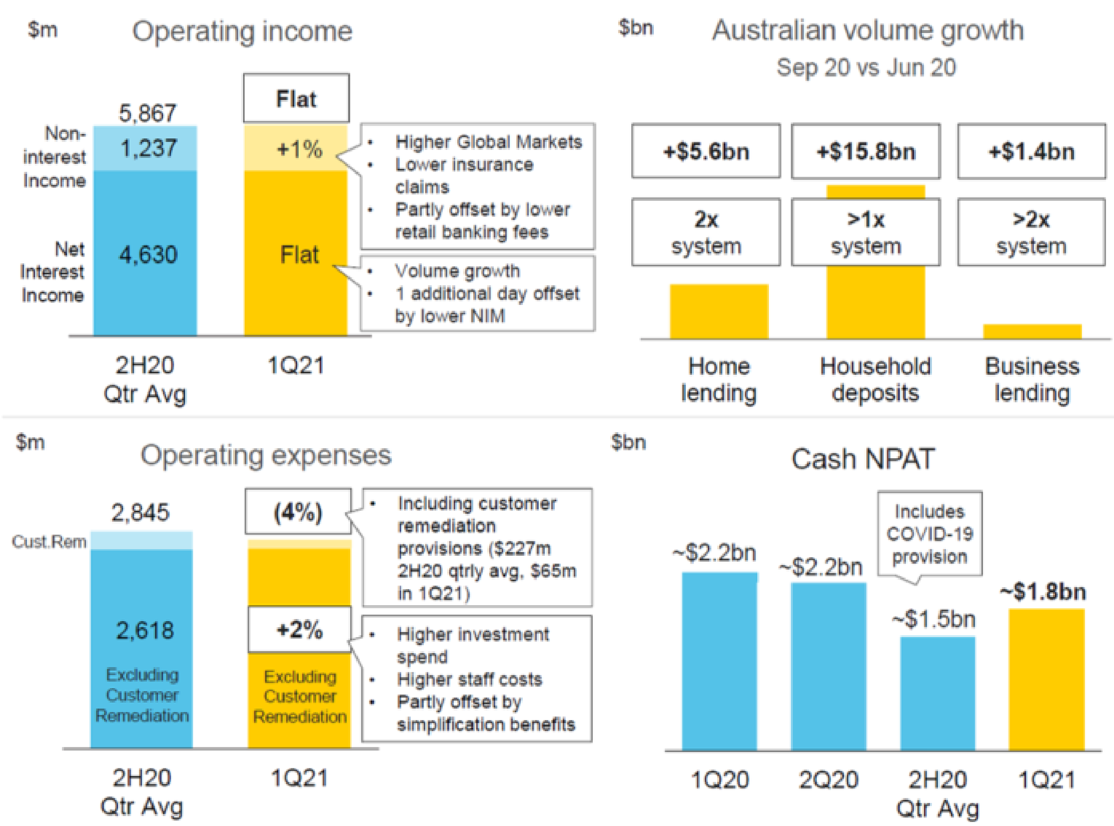
- Unaudited net profit after tax ("statutory basis") including discontinued operations was approximately $1.9 billion;
- Unaudited net profit after tax ("cash basis")[1] was approximately $1.8 billion, a decrease of 16% compared to the quarter ended September 30, 2019;
- Income was stable versus the 2H20 Quarterly Average, with core volume growth in home lending, household deposits and business lending helping to offset lower margins;
- Expenses increased 2% excluding customer remediation (down 4% including customer remediation provisions in 2H20);
- Credit quality indicators insulated by repayment deferrals and government support initiatives – provision coverage strengthened through forward looking adjustments for economic assumptions and expected COVID-19 impacts;
- Balance sheet settings maintained, with deposit funding representing 74% of total Group funding requirements, the Net Stable Funding Ratio ("NSFR") at 125% and the Liquidity Coverage Ratio ("LCR") at 146% ; and
- Common Equity Tier 1 ("CET1") ratio of 11.8%, an increase of 20 basis points since June 30, 2020, taking into account the 2020 final dividend payments.

[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, treasury shares valuation adjustments, and gains or losses on acquisition, disposal, closure and demerger 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 8 of the 2020 U.S. Annual Disclosure Document.

Note regarding Net Promoter Scores: DBM Net Promoter Score ("NPS") refers to customer likelihood to recommend their main financial institution using a scale from 0-10 (where 0 is 'Not at all likely' and 10 is 'Extremely likely'), and NPS is calculated by subtracting the percentage of Detractors (scores 0-6) from the percentage of Promoters (scores 9-10). NPS results are shown as a six-month rolling average. For the major Australian banks, NPS is reported for main brand only. Net Promoter Score is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr. Frederick Reichheld. For details on the customer segments shown, refer to the 2020 U.S. Annual Disclosure Document.

Note regarding Volume Growth: Source: RBA Lending and Credit Aggregates (Home Lending and Business Lending) and APRA Monthly ADI Statistics (Household Deposits). CBA business lending is Business and Private Banking only – excludes Institutional Banking and Markets. Business lending multiple is calculated on total business lending including Institutional Banking and Markets.

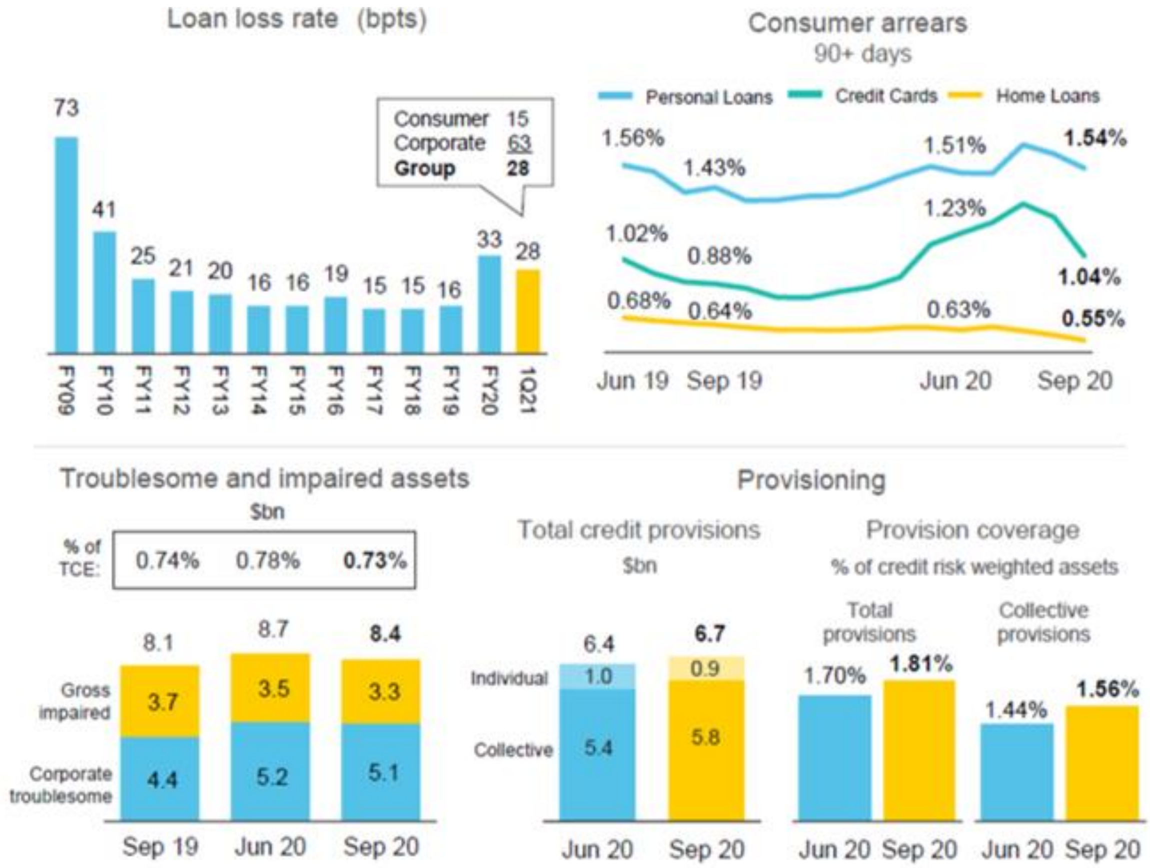
Operating Performance



- The Group's focus on operational execution continued to underpin operating performance in the quarter. Net interest income was stable, with volume growth in core businesses helping to offset the impact of lower interest rates and competition on net interest margin, which was lower in the quarter. The Group's franchise strength was again evident with household deposits growing by almost $16 billion, including significant inflows following the second round of Australian Government stimulus packages. Home loan growth remained above system, benefiting from higher application volumes and continued focus on credit decisioning turnaround times. Domestic business lending growth was above system, with growth across diversified sectors.

- The Group's net interest margin was lower than 2H20 due to reduced earnings on deposits and capital from lower interest rates, unfavorable lending margins (including the mix effects of growth in lower margin fixed rate home lending and a reduction in higher margin consumer finance balances) and higher liquid assets, partly offset by an improved funding mix from growth in at-call deposits and lower wholesale funding costs.
- Non-interest income increased 1%, primarily driven by higher Global Markets trading income and higher insurance income from lower General Insurance claims (due to the impact of COVID-19 lock-downs and non-recurrence of weather events that occurred during the second half of the fiscal year ended June 30, 2020), partly offset by lower retail banking fees.
- Operating expenses were 4% lower primarily due to reduced Wealth and Banking customer remediation provisions. Excluding customer remediation, operating expenses were 2% higher reflecting increased investment spend, and higher staff costs due to continued impacts from COVID-19 including lower annual leave usage and increased staffing levels in customer support areas, and wage inflation, partly offset by ongoing business simplification savings.

Provisions and Credit Quality



Note regarding loan loss rate:	Loan impairment expense as a percentage of average Gross Loans and Acceptances ("GLAA") annualized. FY09 includes Bankwest on a pro forma basis.
Note regarding consumer arrears:	Consumer arrears includes retail portfolios of Retail Banking Services, Business & Private Banking and New Zealand.
Note regarding Home loan arrears:	Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.
Note regarding TCE:	TCE means total committed exposures.

- Loan impairment expense was $550 million in the quarter, or 28 basis points of average GLAA, and continues to be driven by the Group's approach to provisioning for the expected impacts of COVID-19 on retail and non-retail exposures.

- Consumer arrears continued to be insulated by loan repayment deferrals and Australian Government support initiatives through the quarter. The temporary repayment deferral periods on a large number of home loans expired during September and October 2020. As at October 31, 2020, approximately 46,000 home loans[2] remained in deferral (balances $19 billion) down from 125,000 home loans[2] (balances $49 billion) in June 2020. The Group is working with customers as they transition out of repayment deferral arrangements, while supporting those requiring ongoing assistance. Credit Cards arrears improved in the quarter assisted by Australian Government support initiatives and a higher propensity for customers to pay down debt. Personal loans arrears were broadly

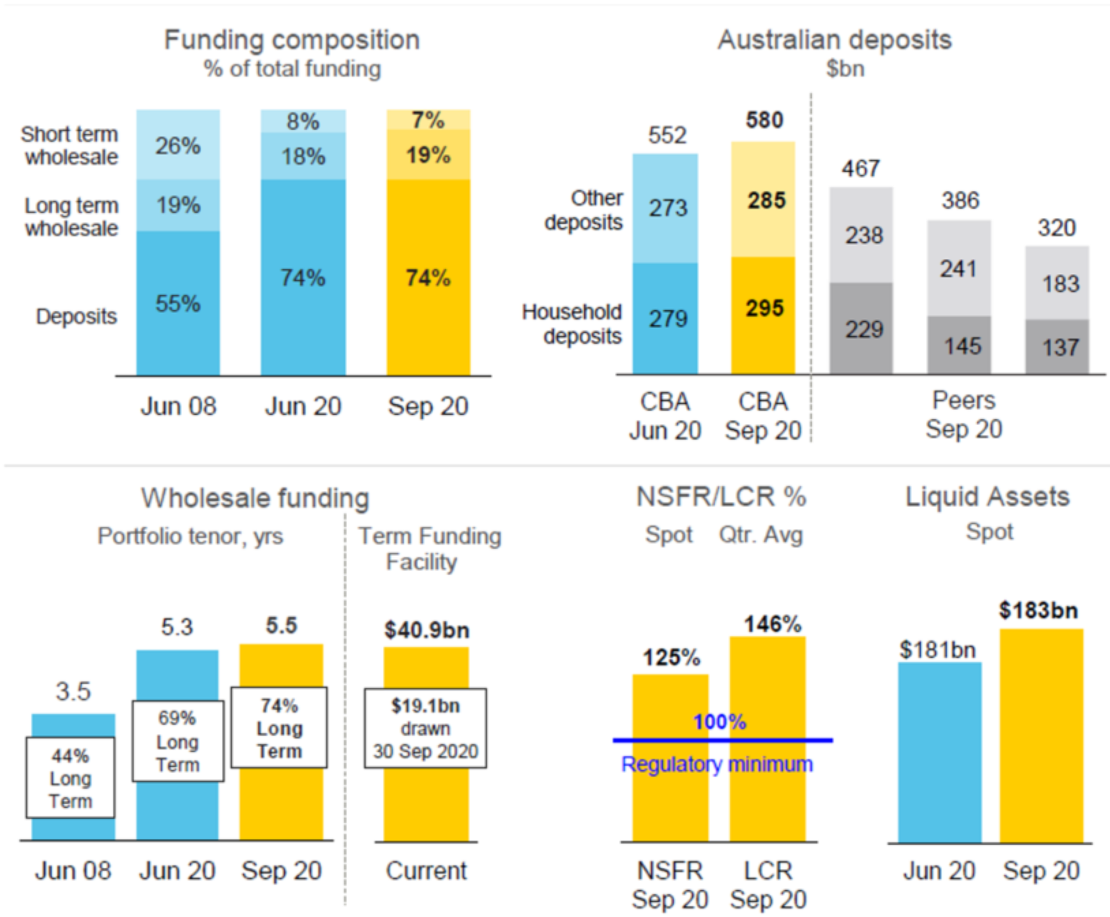
[2] As reported to the Australian Prudential Regulatory Authority ("APRA"), based on the domestic lending book and categorized based on predominant loan purpose.

flat over the quarter.

- Troublesome and Impaired Assets were lower at $8.4 billion. The movement mainly reflects lower home loan impairments due to ongoing COVID-19 support. The Group is closely monitoring those industry sections experiencing signs of stress.

- Total credit provisions increased to $6.7 billion, representing a coverage ratio of 1.81% to total credit risk weighted assets (+ 11 basis points). The Group continues to monitor its lending portfolios closely, with ongoing adjustments to provisions based on the latest economic forecasts as well as forward-looking adjustments for customer and industry stress factors related to COVID-19.

Balance Sheet



Note regarding Australian deposits:	Source: APRA monthly Authorised Deposit Taking Institution Statistics. Total deposits (excluding CDs). As at September 30, 2020.
Note regarding wholesale funding:	Long Term Funding Ratio includes Term Funding Facility ("TFF") drawdowns. Weighted average tenor calculation excludes TFF.
Note regarding Term Funding Facility:	TFF provided by The Reserve Bank of Australia. As at November 2, 2020, the Group's total available TFF allocation was $40.9 billion.

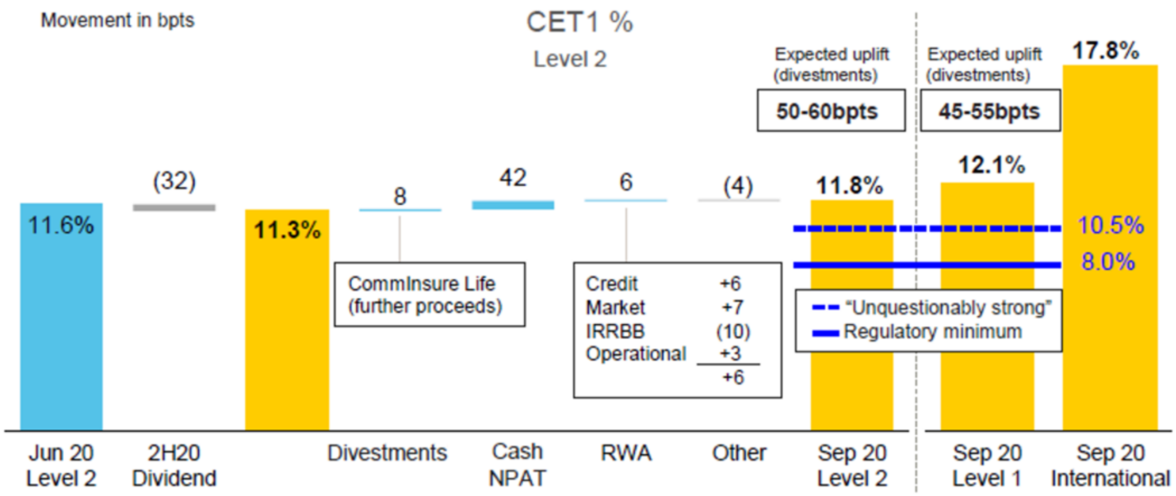
- Management believes the Group remains well placed to manage challenging market conditions, with strong balance sheet settings and a favorable business mix. The Group is 74% deposit funded, underpinned by the Group's franchise strength in stable household deposits (+$15.8 billion in the quarter).

- Management believes the Group is well positioned from a wholesale funding perspective, with 74% of wholesale funding now long term and a weighted average tenor of 5.5 years, each at September 30, 2020.

- The Group's wholesale funding requirements are reducing due to strong deposit growth and utilization of the RBA TFF ($19.1 billion drawn as at September 30, 2020). The Group issued $1.8 billion of Tier 2 long term funding in the quarter, as it continues to progress with APRA's loss-absorbing capacity requirements.

- The Group's NSFR and LCR remain well above regulatory minimums. Spot liquid assets increased $2 billion over the quarter to $183 billion at September 30, 2020.

Capital



Note regarding expected uplift (divestments):	Expected Common Equity Tier 1 ("CET1") uplifts from receipt of remaining proceeds from the sale of CommInsure Life and previously announced divestments: BoCommLife, and the majority sale of Colonial First State. Completion of divestments subject to regulatory approvals.
Note regarding 2H20 dividend:	2020 final dividend: included the issuance of shares in respect of the Group's Dividend Reinvestment Plan.
Note regarding CommInsure Life (further proceeds):	Relates to additional receipt of funds as part of the divestment of CommInsure Life.

- The Group's CET1 (Level 2) ratio of 11.8% as at September 30, 2020 is above APRA's 'unquestionably strong' benchmark of 10.5% and the prudential minimum of 8%.

- After allowing for the impact of the 2H20 dividend (-32 basis points net of share issuance under the Group's Dividend Reinvestment Plan), the CET1 ratio increased by 52 basis points in the quarter. This was driven by capital generated from earnings (+42 basis points) and the receipt of further sale proceeds from the divestment of CommInsure Life (+8 basis points). Total Risk Weighted Assets decreased by $2.3 billion (+6 basis points) due to lower Credit, Market and Operational risk weighted assets, partially offset by higher Interest Rate Risk in the Banking Book risk weighted assets.

- The Group's previously announced divestments are expected to collectively provide an uplift to CET1 (Level 2) ratio of approximately 50-60 basis points. Management believes the capital position ensures the Group is well placed for a range of possible macroeconomic outcomes.

- The Group's CET1 (Level 1) ratio was 12.1% as at September 30, 2020, with an expected further uplift from previously announced divestments of 45-55 basis points.

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2020

On November 11, 2020, the Group released its Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2020. That release is attached as Annex B hereto.

The Group Acknowledges APRA's Review of Progress against Remedial Action Plan

On November 20, 2020, the Group acknowledged the outcome of APRA's review of the progress made against the Prudential Inquiry Remedial Action Plan and its decision in relation to the Group's operational risk capital as part of the Enforceable Undertaking. APRA's validation review found that the Group has made significant progress in implementing the Remedial Action Plan. As a result, the operational risk overlay imposed on the Group was reduced from $1 billion to $500 million with immediate effect. This reduction represents an increase in CET1 capital of 17 basis points. For more information on the Prudential Inquiry, the Enforceable Undertaking and the Remedial Action Plan, see Note 7.1 to the Group's consolidated financial statements for the year ended June 30, 2020, which are available on the U.S. Investor Website.

Annex A

Key financials reconciliation	2H20 $m	2H20 Qtr Avg $m	Movement 1Q21 vs 2H20 Qtr Avg
Operating Income Reported	***11,735***	***5,867***	-
Operating Expense Reported	***5,689***	***2,845***	**(4%)**
Customer remediation	*(454)*	*(227)*	
Operating Expenses ex. Customer Remediation	**5,235**	**2,618**	**2%**
Loan Impairment Expense	**1,869**	**934**	**(41%)**
Reported Cash NPAT	**2,940**	**1,470**	**24%**

Note regarding customer remediation: Customer remediation provisions in 2H20 of $454 million (pre-tax); $318 million (post-tax). Includes Aligned Advice related remediation provisions.

Note regarding loan impairment expense: Loan Impairment Expense in 2H20 included a COVID-19 provision of $1.5 billion (pre-tax); $1.05 billion (post-tax).

Annex B

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2020

Commonwealth Bank

Basel III Pillar 3

Capital Adequacy and Risk Disclosures as at 30 September 2020

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Having been delegated authority by the Board, the release of this announcement was authorised by the Chief Executive Officer, Chief Financial Officer and Chief Risk Officer.

Contents

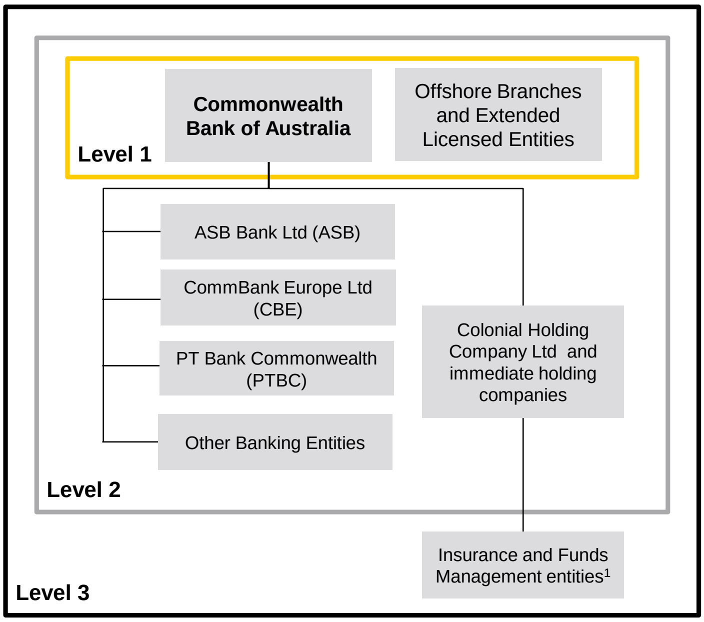
1 Introduction

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 (collectively, the Group) in accordance with Board approved policy and quarterly reporting requirements set out in APRA's prudential standard 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 general insurance and funds management businesses and entities through which securitisation of Group assets is conducted, as illustrated below.



1 The Group divested its life insurance businesses in the previous financial year.

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 supplied to APRA.

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

commbank.com.au/regulatorydisclosures

Group Capital Ratios

As at 30 September 2020, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios as measured on an APRA basis were 11.8%, 14.2% and 18.3% respectively.

After allowing for the impact of the 2020 final dividend, net of shares issued under the Dividend Reinvestment Plan (DRP) (-32 basis points), the CET1 ratio increased by 52 basis points in the quarter. This was primarily driven by capital generated from earnings (+42 basis points) and the receipt of further sale proceeds from the divestment of CommInsure Life (+8 basis points) and a $2.3 billion (+6 basis points) decrease in total RWA. Details on the movements in RWA are provided on page 5.

The Group's Basel III CET1 ratio was 17.8% on an internationally comparable basis as at 30 September 2020.

The CET1 ratio for Level 1 at 30 September 2020 is 12.1%, 30 basis points above Level 2.

Summary Group Capital Adequacy Ratios (Level 2)	**30 Sep 20 %**	**30 Jun 20 %**
Common Equity Tier 1	11.8	11.6
Tier 1	14.2	13.9
Tier 2	4.1	3.6
Total Capital (APRA)	18.3	17.5
Common Equity Tier 1 (Internationally Comparable) [1]	17.8	17.4

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

Introduction (continued)

Capital Initiatives

The following significant capital initiatives were undertaken during the quarter:

Common Equity Tier 1 Capital

- The DRP in respect of the 2020 final dividend was satisfied by the allocation of $264 million of ordinary shares, representing a participation rate of 15.2%.

Tier 2 Capital

- In August 2020, the Group issued an AUD 205 million subordinated note and an AUD 200 million subordinated note that were both Basel III compliant Tier 2 capital.
- In September 2020, the Group issued an AUD 1,400 million subordinated note that was Basel III compliant Tier 2 capital.

APRA's COVID-19 Capital Announcements

APRA made several announcements in response to the economic environment resulting from COVID-19. In March and April 2020, APRA announced temporary changes to its expectations regarding bank capital ratios and issued guidance on capital management. APRA's most recent guidance on capital management was issued on 29 July 2020 in which it:

- confirmed that, as announced in March 2020, provided that banks are able to meet their minimum capital requirements, the capital buffers built up over recent years to meet the unquestionably strong benchmark of 10.5% CET1 capital ratio may be utilised to absorb the impacts of stress if needed; and
- noted that ADIs should continue to take a measured approach to capital distributions to maintain caution in the face of ongoing uncertainty and heightened economic risk. APRA reiterated that ADIs should use stress testing to inform decisions on dividends and other capital actions, as well as to assess their lending capacity under a range of different scenarios. For 2020, APRA expects that ADIs will retain at least half of their earnings, and actively use dividend reinvestment plans and/or other capital management initiatives to at least partially offset the diminution of capital from distributions.

In March 2020, APRA announced its regulatory approach to COVID-19 customer support measures being offered by banks in the current environment. Additional guidance was provided in July and September. This included capital relief in the form of ADIs being able to 'stop the clock' on arrears and relief for restructured loans. Further details are provided on page 6.

The Group has introduced a number of support measures for customers impacted by COVID-19, which include loan repayment deferral arrangements and the origination of loans under the Government's Small and Medium Enterprises (SME) Guarantee Scheme. Further details of these measures are provided on page 6.

Leverage Ratio

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures, was 5.8% at 30 September 2020 on an APRA basis and 6.6% 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 146% in the September 2020 quarter.

On 19 March 2020, the Reserve Bank of Australia announced the establishment of a three-year Term Funding Facility (TFF) offered to eligible ADIs to support lending to Australian businesses. As at 30 September 2020, the Group has drawn its entire $19.1 billion Initial Allowance. As at 2 November 2020, the Group's undrawn allocation was $21.8 billion.

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 "Securitisation" (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 2020 quarter	
	30 Sep 20	30 Jun 20		
Asset Category	$M	$M	$M	%
Credit Risk				
Subject to AIRB approach [1]				
Corporate	70,312	69,577	735	1. 1
SME corporate	30,975	30,890	85	0. 3
SME retail	6,877	6,665	212	3. 2
SME retail secured by residential mortgage	3,219	3,360	(141)	(4. 2)
Sovereign	2,358	1,838	520	28. 3
Bank	6,717	6,667	50	0. 7
Residential mortgage	147,410	148,294	(884)	(0. 6)
Qualifying revolving retail	5,952	6,697	(745)	(11. 1)
Other retail	11,352	12,126	(774)	(6. 4)
Total RWA subject to AIRB approach	285,172	286,114	(942)	(0. 3)
Specialised lending	58,666	58,611	55	0. 1
Subject to standardised approach				
Corporate	808	957	(149)	(15. 6)
SME corporate	744	742	2	0. 3
SME retail	2,553	2,929	(376)	(12. 8)
Sovereign	301	267	34	12. 7
Bank	95	68	27	39. 7
Residential mortgage	6,528	6,635	(107)	(1. 6)
Other retail	1,048	1,132	(84)	(7. 4)
Other assets	9,329	10,281	(952)	(9. 3)
Total RWA subject to standardised approach	21,406	23,011	(1,605)	(7. 0)
Securitisation	2,998	3,015	(17)	(0. 6)
Credit valuation adjustment	3,075	3,057	18	0. 6
Central counterparties	491	386	105	27. 2
Total RWA for credit risk exposures	371,808	374,194	(2,386)	(0. 6)
Traded market risk	9,772	12,457	(2,685)	(21. 6)
Interest rate risk in the banking book	14,900	11,085	3,815	34. 4
Operational risk	56,201	57,212	(1,011)	(1. 8)
Total risk weighted assets	452,681	454,948	(2,267)	(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 (continued)

Risk Weighted Assets

Total RWA decreased by $2.3 billion on the prior quarter driven by decreases in credit risk RWA, traded market risk RWA and operational risk RWA, partly offset by higher IRRBB RWA.

Credit Risk RWA

Credit risk RWA decreased by $2.4 billion on the prior quarter to $371.8 billion, primarily driven by:

- Volume growth across residential mortgages, commercial portfolios, bank and sovereign exposures, partly offset by a reduction in unsecured retail portfolios and exposures subject to standardised treatment (+$4.6 billion); offset by
- Credit quality improvements, primarily across retail portfolios (-$4.4 billion), driven by:
    - improved loan serviceability;
    - growth in offset balances; and
    - higher provision coverage on defaulted assets, reducing RWA;
- Foreign currency movements due to appreciation of the AUD against major currencies (-$1.2 billion); and
- Data and methodology changes (-$1.4 billion).

Traded Market Risk RWA

Traded market risk RWA decreased by $2.7 billion or 22% on the prior quarter to $9.8 billion. This was due to decreases in the Value-at-Risk (VaR) and the Stressed Value-at-Risk (SVaR) components, due to the unwind of market volatility experienced in the June quarter.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by $3.8 billion or 34% on the prior quarter to $14.9 billion. This was due to increased holdings of High Quality Liquid Assets (HQLA) and interest rate risk management positions.

Operational Risk RWA

Operational risk RWA decreased by $1.0 billion or 2% on the prior quarter to $56.2 billion. 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.

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

3 Credit Risk

3.1 COVID-19 Customer Support Measures

The Group has introduced a number of support measures for retail and business customers impacted by the COVID-19 pandemic, including loan repayment deferrals. To support ADIs in providing this assistance to customers, APRA provided temporary capital relief which had the effect that where a borrower was otherwise performing, and their loan was subject to repayment deferrals as part of a COVID-19 support package, the repayment deferrals would not be treated as a period of arrears and the loan would not be regarded as restructured. Additionally, to facilitate ADIs transitioning impacted borrowers to a regular repayment schedule, APRA will temporarily adjust the capital requirements so that a borrower's facilities can be restructured and immediately returned to a performing status provided the restructure occurs before 31 March 2021. The Reserve Bank of New Zealand (RBNZ) have provided similar concessions for repayment deferrals granted in response to COVID-19.

As at 30 September 2020, ~150,000 accounts (30 June 2020: ~240,000) with a total Exposure at Default (EAD) of $45.2 billion (30 June 2020: $73.5 billion) have been granted COVID-19 repayment deferrals. Of these, ~145,000 accounts (30 June 2020: ~234,000) with a total EAD of $43.4 billion (30 June 2020: $71.9 billion) qualify for APRA/RBNZ concessional treatment, shown in the table below.

	30 September 2020		30 June 2020	
	Exposure at Default	Risk Weighted Assets	Exposure at Default	Risk Weighted Assets
Asset Category	$M	$M	$M	$M
Corporate	71	69	813	714
SME corporate	1,292	1,018	8,305	4,799
SME retail	1,270	741	3,400	1,633
SME retail secured by residential mortgage	180	119	2,429	1,484
Residential mortgage	40,404	16,738	54,855	22,683
Qualifying revolving retail	3	3	27	21
Other retail	5	7	113	159
Specialised lending	222	244	1,949	2,080
Total	43,447	18,939	71,891	33,573

The Group has also participated in the Australian Government's SME Guarantee Scheme. APRA has confirmed that the SME Guarantee Scheme will be regarded as an eligible guarantee by the government for risk weighting purposes. ASB has participated in a similar scheme in New Zealand. The Group will continue to provision for these loans under relevant accounting standards.

Credit Risk (continued)

3.2 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 2020						
		Off balance sheet					
	On balance sheet	Non-market related	Market related	Total	Average exposure for Sep 2020 quarter [1]	Change in exposure for Sep 2020 quarter [2]	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to AIRB approach							
Corporate	65,948	47,838	10,697	**124,483**	123,725	1,516	1. 2
SME corporate	42,518	9,657	819	**52,994**	52,425	1,138	2. 2
SME retail	7,503	4,495	–	**11,998**	11,792	413	3. 6
SME retail secured by residential mortgage	3,832	1,631	–	**5,463**	5,500	(74)	(1. 3)
Sovereign	125,728	1,189	2,398	**129,315**	118,719	21,191	19. 6
Bank	18,105	416	6,693	**25,214**	24,694	1,040	4. 3
Residential mortgage	533,437	76,739	–	**610,176**	604,844	10,663	1. 8
Qualifying revolving retail	7,663	17,265	–	**24,928**	25,119	(381)	(1. 5)
Other retail	6,156	3,131	–	**9,287**	9,571	(568)	(5. 8)
Total AIRB approach	810,890	162,361	20,607	**993,858**	976,389	34,938	3. 6
Specialised lending	54,921	9,510	2,467	**66,898**	66,665	465	0. 7
Subject to standardised approach							
Corporate	728	57	23	**808**	883	(149)	(15. 6)
SME corporate	572	162	9	**743**	742	2	0. 3
SME retail	1,918	617	12	**2,547**	2,733	(373)	(12. 8)
Sovereign	641	1	–	**642**	604	77	13. 6
Bank	471	–	–	**471**	398	147	45. 4
Residential mortgage	13,156	1,706	–	**14,862**	14,982	(240)	(1. 6)
Other retail	1,008	28	–	**1,036**	1,078	(84)	(7. 5)
Other assets	21,550	–	–	**21,550**	19,674	3,751	21. 1
Central counterparties	–	–	12,407	**12,407**	11,445	1,924	18. 4
Total standardised approach	40,044	2,571	12,451	**55,066**	52,539	5,055	10. 1
Total credit exposures [3]	905,855	174,442	35,525	**1,115,822**	1,095,593	40,458	3. 8

1 The simple average of exposures as at 30 September 2020 and 30 June 2020.
2 The difference between exposures as at 30 September 2020 and 30 June 2020.
3 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)

	30 June 2020						
		Off balance sheet			Average exposure for Jun 2020 quarter [1]	Change in exposure for Jun 2020 quarter [2]	
	On balance sheet	Non-market related	Market related	Total			
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to AIRB approach							
Corporate	66,476	45,826	10,665	**122,967**	128,014	(10,094)	(7. 6)
SME corporate	42,556	8,556	744	**51,856**	52,170	(629)	(1. 2)
SME retail	7,477	4,108	–	**11,585**	11,105	960	9. 0
SME retail secured by residential mortgage	4,035	1,502	–	**5,537**	5,542	(11)	(0. 2)
Sovereign	104,584	1,119	2,421	**108,124**	114,182	(12,115)	(10. 1)
Bank	16,119	404	7,651	**24,174**	26,597	(4,845)	(16. 7)
Residential mortgage	526,642	72,871	–	**599,513**	598,414	2,199	0. 4
Qualifying revolving retail	8,192	17,117	–	**25,309**	25,757	(896)	(3. 4)
Other retail	6,716	3,139	–	**9,855**	10,203	(696)	(6. 6)
Total AIRB approach	782,797	154,642	21,481	**958,920**	971,984	(26,127)	(2. 7)
Specialised lending	55,065	8,902	2,466	**66,433**	66,898	(931)	(1. 4)
Subject to standardised approach							
Corporate	794	139	24	**957**	1,299	(685)	(41. 7)
SME corporate	555	175	11	**741**	732	19	2. 6
SME retail	2,018	878	24	**2,920**	3,625	(1,411)	(32. 6)
Sovereign	564	1	–	**565**	516	99	21. 2
Bank	324	–	–	**324**	335	(21)	(6. 1)
Residential mortgage	13,433	1,669	–	**15,102**	14,602	1,000	7. 1
Other retail	1,095	25	–	**1,120**	1,175	(111)	(9. 0)
Other assets	17,799	–	–	**17,799**	16,813	1,972	12. 5
Central counterparties	–	–	10,483	**10,483**	10,306	354	3. 5
Total standardised approach	36,582	2,887	10,542	**50,011**	49,403	1,216	2. 5
Total credit exposures [3]	874,444	166,431	34,489	**1,075,364**	1,088,285	(25,842)	(2. 3)

1 The simple average of exposures as at 30 June 2020 and 31 March 2020.
2 The difference between exposures as at 30 June 2020 and 31 March 2020.
3 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Credit Risk (continued)

3.3 Past Due and Impaired Exposures, Provisions and Reserves

All provisions recognised in accordance with accounting standards that have been assessed on an individual basis are classified as specific provisions in accordance with APS 220 “Credit Quality” (APS 220). Most of the collective provisions raised under 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 retail products that are in default.

Total provisions increased to $6.7 billion, primarily driven by updates to forward looking economic scenarios as well as customer and industry stress factors related to the COVID-19 pandemic.

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

	30 September 2020		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	5,204	587	5,791
Individual provisions [2]	–	932	932
Total provisions	5,204	1,519	6,723
Additional GRCL requirement [3]	–	–	–
Total regulatory provisions	5,204	1,519	6,723

1 Provisions classified according to APS 220.
2 Provisions according to the Australian Accounting Standards.
3 Effective 31 December 2019 the Group’s GRCL methodology results in an amount lower than the provision recognised for accounting purposes, resulting in no additional GRCL requirement.

	30 June 2020		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	4,902	494	5,396
Individual provisions [2]	–	967	967
Total provisions	4,902	1,461	6,363
Additional GRCL requirement [3]	–	–	–
Total regulatory provisions	4,902	1,461	6,363

1 Provisions classified according to APS 220.
2 Provisions according to the Australian Accounting Standards.
3 Effective 31 December 2019 the Group’s GRCL methodology results in an amount lower than the provision recognised for accounting purposes, resulting in no additional GRCL requirement.

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 30 September 2020			Quarter ended 30 September 2020	
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	1,499	720	738	27	55
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,543	2,399	498	6	24
Qualifying revolving retail	117	–	117	(1)	58
Other retail	123	21	166	1	57
Total	3,282	3,140	1,519	33	194

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, write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 30 September 2020.

	As at 30 June 2020			Quarter ended 30 June 2020	
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	1,596	606	759	169	167
Sovereign	–	–	–	–	–
Bank	–	–	–	2	–
Residential mortgage	1,673	2,710	424	13	27
Qualifying revolving retail	143	–	114	–	59
Other retail	136	45	164	3	77
Total	3,548	3,361	1,461	187	330

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, write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 30 June 2020.

Credit Risk (continued)

3.4 Securitisation

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

	For the 3 months to 30 September 2020	
Underlying Asset Type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	148	–
Credit cards and other personal loans	–	–
Auto and equipment finance	–	–
Commercial loans	–	–
Other	–	–
Total	148	–

	For the 3 months to 30 June 2020	
Underlying Asset Type	**Total exposures securitised $M**	**Recognised gain or loss on sale $M**
Residential mortgage	285	–
Credit cards and other personal loans	–	–
Auto and equipment finance	–	–
Commercial loans	39	–
Other	–	–
Total	324	–

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

	As at 30 September 2020		
Securitisation Facility Type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total exposures $M**
Liquidity support facilities	–	290	290
Warehouse facilities	6,484	3,527	10,011
Derivative facilities	393	211	604
Holdings of securities	5,575	–	5,575
Other	–	10	10
Total securitisation exposures	12,452	4,038	16,490

	As at 30 June 2020		
Securitisation Facility Type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total exposures $M**
Liquidity support facilities	–	258	258
Warehouse facilities	6,840	2,846	9,686
Derivative facilities	405	216	621
Holdings of securities	6,050	–	6,050
Other	–	10	10
Total securitisation exposures	13,295	3,330	16,625

4 Leverage Ratio

The Group's Leverage Ratio was 5.8% at 30 September 2020 on an APRA basis and 6.6% on an internationally comparable basis.

In November 2018, APRA released draft prudential reporting standards, including changes to the definition of exposures related to derivatives and off Balance Sheet items and advocating a minimum leverage ratio requirement of 3.5% for IRB banks.

On 30 March 2020, APRA announced it was deferring the scheduled implementation of the Basel III reforms in Australia by one year. As a result the new leverage ratio requirements will now be applicable from 1 January 2023.

Summary Group Leverage Ratio	**30 Sep 20**	**30 Jun 20**	**31 Mar 20**	**31 Dec 19**	**30 Sep 19**
Tier 1 Capital ($M)	64,423	63,414	61,142	63,218	57,941
Total Exposures ($M) [1]	1,105,321	1,073,131	1,102,574	1,040,423	1,051,716
Leverage Ratio (APRA) (%)	5. 8	5. 9	5. 5	6. 1	5. 5
Leverage Ratio (Internationally Comparable) (%) [2]	6. 6	6. 7	6. 4	7. 0	6. 4

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 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 September quarter, excess liquid assets averaged $59 billion and the average LCR decreased by 9% from 155% to 146% due to a reduction in total liquid assets as well as higher NCOs.

The Group's mix of liquid assets consists of HQLA, being cash, deposits with central banks, Australian Semi-Government and Commonwealth Government securities. Liquid assets also includes repo eligible securities with the Reserve Bank of Australia under the Committed Liquidity Facility (CLF) and TFF 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 HQLA decreased over the September quarter as surplus liquidity was used to reduce wholesale funding.

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 increased over the quarter due to large deposit inflows and changes in deposit mix.

APS 330 Table 20 - LCR disclosure template

		30 Sep 20		30 Jun 20	
		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)		120,506		128,484
2	Alternative liquid assets (ALA)		63,436		61,797
3	Reserve Bank of New Zealand (RBNZ) securities		2,335		539
Cash outflows					
4	Retail deposits and deposits from small business customers, of which:	**353,983**	**31,938**	**330,098**	**29,822**
5	Stable deposits	188,781	9,439	180,437	9,022
6	Less stable deposits	165,202	22,499	149,661	20,800
7	Unsecured wholesale funding, of which:	**157,327**	**75,731**	**148,162**	**74,524**
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	57,180	14,053	49,270	12,114
9	Non-operational deposits (all counterparties)	88,648	50,179	88,305	51,823
10	Unsecured debt	11,499	11,499	10,587	10,587
11	Secured wholesale funding		1,064		1,282
12	Additional requirements, of which:	**160,799**	**21,828**	**155,650**	**21,262**
13	Outflows related to derivatives exposures and other collateral requirements	5,480	5,480	5,764	5,764
14	Outflows related to loss of funding on debt products	–	–	–	–
15	Credit and liquidity facilities	155,319	16,348	149,886	15,498
16	Other contractual funding obligations	35	–	21	3
17	Other contingent funding obligations	74,290	10,153	77,093	9,601
18	**Total cash outflows**		**140,714**		**136,494**
Cash inflows					
19	Secured lending	7,250	1,292	12,019	1,732
20	Inflows from fully performing exposures	8,938	5,789	8,922	6,050
21	Other cash inflows	6,154	6,154	5,149	5,149
22	**Total cash inflows**	**22,342**	**13,235**	**26,090**	**12,931**
23	**Total liquid assets**		186,277		190,820
24	**Total net cash outflows**		127,479		123,563
25	**Liquidity Coverage Ratio (%)**		146		155
Number of data points used (Business Days)			65		62

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

Glossary

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 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.
External Credit Assessment Institution (ECAI)	For example Moody's Investor Services, S&P Global Ratings or Fitch Ratings.
General Reserve for Credit Losses (GRCL)	APS 220 "Credit Quality" 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 GRCL. An excess of required GRCL over the Group's collective provisions is recognised as a deduction from CET1.
Group	Commonwealth Bank of Australia and its subsidiaries.
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 Standard AASB 9 "Financial Instruments". 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 APS 117 IRRBB regulatory capital requirement is calculated using the net present value approach.
Level 1	The Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licensed Entities (ELE).
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 general insurance and funds management entities and entities through which securitisation of Group's 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 and entities through which securitisation of Group assets is conducted.
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 (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, 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.

Glossary (continued)

Term	Definition
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. For more information, refer to the APRA website.
SA-CCR	The standardised approach for measuring counterparty credit risk exposures under APS 180 "Capital Adequacy: Counterparty Credit Risk".
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.
Securities Financing Transactions (SFT)	APRA defines SFTs 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 Reserve Bank of Australia), international banking agencies and regional development banks.
Specialised lending	Basel asset classes subject to the supervisory slotting approach, including 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).
Standardised Approach	An alternate approach to the assessment of credit, operational and traded market risk whereby an ADI uses external ratings agencies to assist is 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 (SVaR) 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.

Glossary (continued)

Term	Definition
Tier 2 Capital	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.
Total Capital	Comprises CET 1, 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 (VaR) is a measure of potential loss using historically observed market volatility and correlation between different markets.