



Basel III Pillar 3

**Capital Adequacy and Risks
Disclosures as at 31 December 2017**



CommonwealthBank

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For further information contact:

Investor Relations

Melanie Kirk

Phone: 02 9118 7113

Email: CBAInvestorRelations@cba.com.au

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 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 and countercyclical capital buffer (CCyB) 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 is conducted.

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

The external auditor has performed certain agreed upon procedures over the Pillar 3 report, including verifying disclosures are consistent with information contained in the Group's Profit Announcement, returns provided to APRA and source systems.

This document is available on the Group's corporate website www.commbank.com.au/about-us/investors/shareholders.

The Group in Review

The Group continued to strengthen its capital position during the half year.

As at 31 December 2017, the Basel III Common Equity Tier 1 (CET1) ratio was 16.3% on an internationally comparable basis. The Group's Basel III CET1, Tier 1 and Total Capital ratios as measured on an APRA basis were 10.4%, 12.4% and 14.8% respectively.

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 135% in the December 2017 quarter and a LCR of 131% as at 31 December 2017.

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures was 5.4% at 31 December 2017 (30 June 2017: 5.1%) on an APRA basis and 6.1% (30 June 2017: 5.8%) on an internationally comparable basis.

The Group regularly benchmarks and aligns its policy framework against existing prudential and regulatory standards. Potential developments in Australian and international standards, and global best practice are also considered.

The Group continues to monitor and take actions to enhance its strengthening risk culture. This includes a risk appetite framework and a risk accountability (Three Lines of Defence) model. The Group has a formal Risk Appetite Framework that creates clear obligations and transparency over risk management and strategy decisions. The Three Lines of Defence model requires business management to operate responsibly by taking well understood and managed risks that are appropriately and adequately priced.

The application of the Group's risk management framework has been reflected in the Group's overall asset quality and capital position. In particular, the Group remains in a select group of banking institutions with a AA-/Aa3 credit rating. To maintain this strength, the Group continues to invest in its risk systems and management processes.

The Group's capital forecasting process and capital plans are in place to ensure a sufficient capital buffer above minimum levels is maintained at all times. The Group manages its capital by regularly and simultaneously considering regulatory capital requirements, rating agency views on the capital required to maintain the Group's credit rating, the market response to capital levels, stress testing and the Group's bottom up view of economic capital. These views then cascade into considerations on what capital level is targeted.

The Group's management of its capital adequacy is supported by robust capital management processes applied in each Business Unit. The results are integrated into the Group's consolidated regulatory and economic capital requirements, and risk-adjusted performance and pricing processes.

Summary Group Capital Adequacy Ratios (Level 2)

	31 Dec 17	30 Jun 17	31 Dec 16
	%	%	%
Common Equity Tier 1	10.4	10.1	9.9
Tier 1	12.4	12.1	11.5
Tier 2	2.4	2.1	2.2
Total Capital (APRA)	14.8	14.2	13.7
Common Equity Tier 1 (Internationally Comparable) ⁽¹⁾	16.3	15.6	15.4

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

2 Scope of Application

This document has been prepared in accordance with Board approved policy and reporting requirements set out in APS 330.

APRA adopts a tiered approach to the measurement of an ADI's capital adequacy:

- **Level 1:** the Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licensed Entities (ELE);
- **Level 2:** the Consolidated Banking Group excluding the insurance and funds management businesses and the entities through which securitisation of Group assets is conducted; and
- **Level 3:** the conglomerate group including the Group's insurance and funds management businesses (the Group).

The Group is required to report its assessment of capital adequacy on a Level 2 basis. The head of the Level 2 Group is the Parent Bank (Commonwealth Bank of Australia). Additional disclosure of capital ratios relating to material ADIs within the Group together with CBA's own Level 1 capital ratios are included under APS 330 Table 6g of this report (page 5).

ASB Bank Limited (ASB) operates under advanced Basel III status and is subject to regulation by the Reserve Bank of New Zealand (RBNZ). The RBNZ applies a similar

methodology to APRA in calculating regulatory capital requirements.

Commonwealth Bank of South Africa Ltd (CBSA) started operating under a banking license granted by the South African Reserve Bank (SARB) from November 2017.

CommBank Europe Ltd (CBE), PT Bank Commonwealth (PTBC) and CBSA use Standardised Basel III methodology.

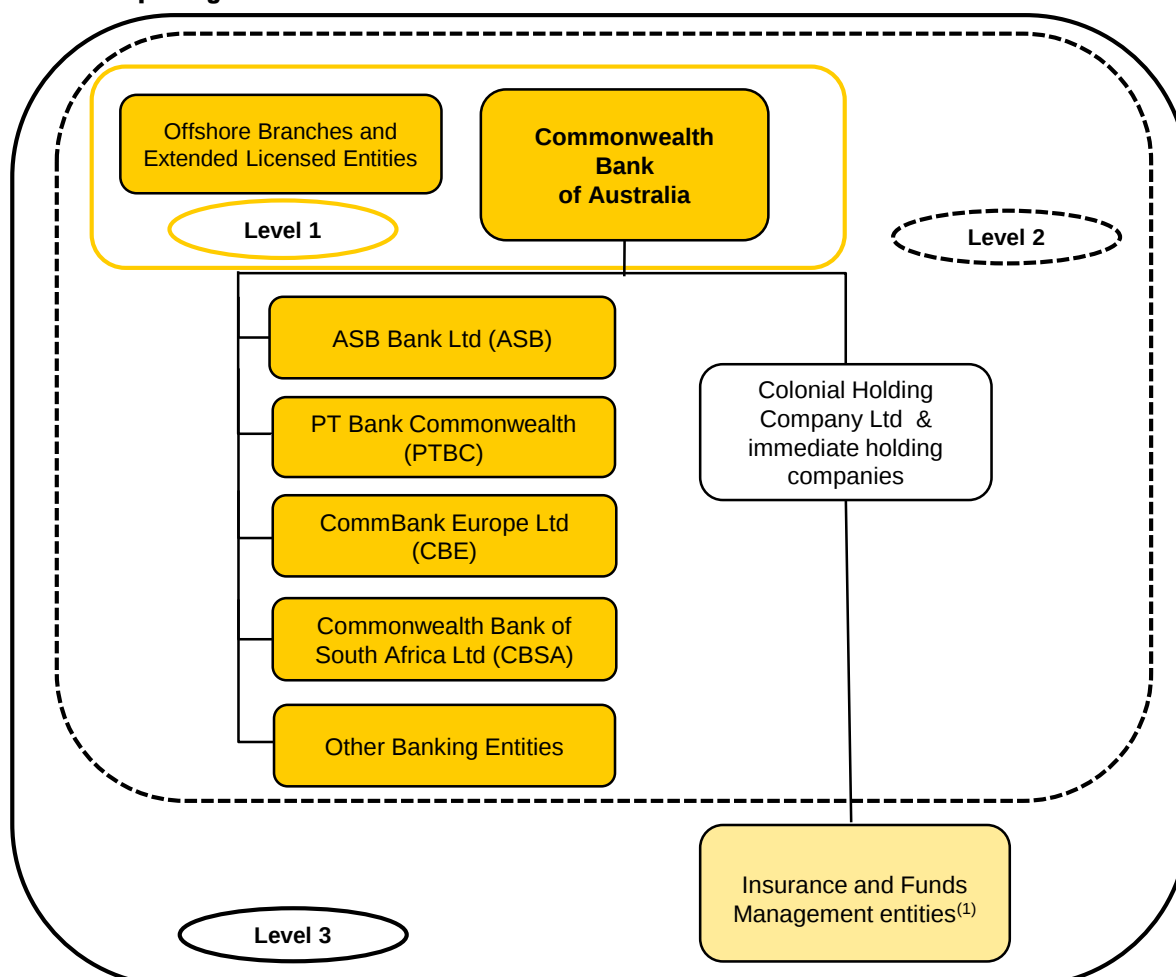
In December 2017 ownership of China County Banks were transferred to Qilu Bank Co Ltd. in which Commonwealth Bank of Australia owns a non-controlling interest.

Restrictions on transfer of funds or regulatory capital within the Group

The transfer of regulatory capital and funding within the Group is subject to restrictions imposed by local regulatory requirements. In particular, APS 222 "Associations with Related Entities" establishes prudential limits on the level of exposure that the Bank may have to a related entity.

The Bank and all of the subsidiaries of the Group are adequately capitalised. There are no restrictions or other major impediments on the transfer of funds within the Group. There are no capital deficiencies in non-consolidated (regulatory) subsidiaries in the Group.

APS 330 reporting structure



(1) Insurance and funds management operating subsidiaries. A detailed list of non-consolidated entities is provided in Appendix 11.5.

3 Capital

Capital Adequacy

The Basel Committee on Banking Supervision (BCBS) has implemented a set of capital, liquidity and funding reforms known as "Basel III". The objectives of the reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are being implemented on a phased approach to 1 January 2019.

The capital reforms were implemented in Australia from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation.

The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a Domestic Systemically Important Bank (DSIB) requirement of 1% and a countercyclical capital buffer (CCyB)⁽¹⁾ of 0%, was effective from 1 January 2016, bringing the CET1 requirement to at least 8%.

The Group has a range of instruments and methodologies available to effectively manage capital. These include share issues and buybacks, dividend and Dividend Reinvestment Plan (DRP) policies, hybrid capital raising and dated and undated subordinated debt issues. All major capital related initiatives require approval by the Board.

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Committee of the Group and at regular intervals throughout the year to the Risk Committee. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategic plan is presented to the Board annually.

Capital Management

The Group's CET1 ratio as measured on an APRA basis is 10.4% at 31 December 2017, compared with 10.1% at 30 June 2017 and 9.9% at 31 December 2016. The capital ratios were maintained well in excess of regulatory minimum capital adequacy requirements at all times throughout the period.

The Group's CET1 (APRA) ratio increased 30 basis points for the half year ended 31 December 2017. This primarily reflected capital generated from earnings, partially offset by the June 2017 final dividend, which included the issuance of shares at a 1.5% discount under the Dividend Reinvestment Plan (DRP), an overall net increase in Risk Weighted Assets (RWA), and the maturity of a further \$350 million of Colonial debt. The final tranche of the Colonial debt still subject to transitional relief is due to mature in the half year to June 2018 (\$315 million, a decrease of approximately 7 basis points in CET1).

As detailed on page 8, total RWA increased in the half year with higher Operational Risk and IRRBB RWA partially offset by a reduction in Credit Risk RWA.

On 21 September 2017 the Group announced the sale of its Australian and New Zealand life insurance operations to AIA

(1) In December 2017 APRA announced that the CCyB for Australian exposures will remain at 0%. The Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

Group Limited. The transaction, which is expected to be completed in the calendar year 2018, is expected to result in an uplift to CET1 (APRA) of approximately 70 basis points.

The Group's CET1 ratio as measured on an internationally comparable basis is 16.3% as at 31 December 2017, compared with 15.6% at 30 June 2017 and 15.4% at 31 December 2016.

Details on the major differences between the Basel III APRA and the Basel III internationally comparable ratios are provided on page 6.

Capital Initiatives

The following capital initiatives were undertaken during the half year:

Common Equity Tier 1 Capital

- The DRP in respect of the 2017 final dividend, which included a 1.5% discount, was satisfied by the allocation of \$1,573 million of ordinary shares, representing a participation rate of 39.5%.

Tier 2 Capital

- In October 2017 the Group issued a EUR1 billion subordinated note that is Basel III compliant Tier 2 capital.

In January 2018, the Group issued a USD1.25 billion subordinated note that is Basel III compliant Tier 2 capital. This will add approximately 35 basis points in Tier 2 capital over and above the 31 December 2017 reported level.

Other Regulatory Changes

Unquestionably strong capital ratios

In July 2017 APRA released an information paper in relation to establishing the quantum of additional capital required for the Australian banking sector to have capital ratios that are unquestionably strong.

APRA's expectation in relation to the concept of unquestionably strong is that the Australian major banks will operate with a CET1 ratio average benchmark of 10.5% or more by 1 January 2020.

Following the finalisation of the reforms announced by the BCBS in December 2017, as detailed below, APRA have advised that these reforms have been accommodated within the targets set by APRA in July 2017.

APRA is expected to commence consultation in early 2018 covering:

- The proposed revisions required to achieve unquestionably strong capital ratios;
- Domestic application of the BCBS reforms;
- Additional measures to address Australian ADI's structural concentration to residential mortgages; and
- Improving transparency and international comparability of capital ratios.

Basel Committee on Banking Supervision (BCBS)

In December 2017, the BCBS released "Basel III: Finalising post-crisis reforms", (commonly referred to as "Basel IV").

These reforms include:

- Revisions to the Internal Ratings Based (IRB) approach to credit risk including removal of the 1.06 scaling factor, constraints on the use of IRB for certain asset classes

Other Regulatory Changes (continued)

(large corporates, banks and financial institutions), and application of minimum input parameters to the remaining IRB credit exposures;

- Improved granularity and risk sensitivity for the standardised approach for credit risk;
- Removal of the operational risk Advanced Measurement Approach and existing Standardised Measurement Approach, which will be replaced by a single risk sensitive standardised approach to be used by all banks; and
- Introduction of an aggregate output floor based on the revised Basel III Standardised Approach RWA. The floor will be phased over a 5 year period starting at 50% from 1 January 2022, increasing to 72.5% from 1 January 2027.

All of the above reforms are scheduled to be implemented from 1 January 2022.

In addition the BCBS confirmed that the implementation date for revised markets risk framework has been deferred to 1 January 2022 in order to align to the implementation date for the changes detailed above.

Conglomerate Groups

APRA is extending its prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. In March 2016 APRA advised that it was deferring finalisation of the capital requirements with respect to conglomerates until after the completion of other domestic and international policy initiatives. Non-capital related requirements, which include such items as governance, risk exposures and intra group exposures, are effective 1 July 2017 and have no impact on the Group's capital.

	31 Dec 17	30 Jun 17	31 Dec 16
	%	%	%
Summary Group Capital Adequacy Ratios (Level 2)			
Common Equity Tier 1	10.4	10.1	9.9
Tier 1	12.4	12.1	11.5
Tier 2	2.4	2.1	2.2
Total Capital (APRA)	14.8	14.2	13.7
Common Equity Tier 1 (Internationally Comparable) ⁽¹⁾	16.3	15.6	15.4

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

	APRA 31 Dec 17	APRA 30 Jun 17	APRA 31 Dec 16
	\$M	\$M	\$M
Ordinary Share Capital and Treasury Shares ⁽¹⁾	37,002	35,266	34,709
Reserves	1,423	1,788	1,992
Retained earnings ⁽²⁾	26,856	25,737	24,101
Non-controlling interests	-	-	-
Common Equity Tier 1 Capital before regulatory adjustments	65,281	62,791	60,802
Common Equity Tier 1 regulatory adjustments ⁽²⁾	(19,339)	(18,632)	(17,477)
Common Equity Tier 1 Capital	45,942	44,159	43,325
Additional Tier 1 Capital	8,523	8,525	6,893
Tier 1 Capital	54,465	52,684	50,218
Tier 2 Capital	10,622	9,392	9,373
Total Capital	65,087	62,076	59,591

(1) Inclusive of Treasury shares held by the Group's life insurance operations and employee share scheme trusts.

(2) Comparatives restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group.

Further details on the composition of the Group's capital is detailed in Appendix 11.1.

APS 330 Table 6g – Capital Ratios – Level 1 and Major Subsidiaries

	31 Dec 17	30 Jun 17	31 Dec 16
	%	%	%
Significant Group ADIs			
CBA Level 1 CET1 Capital ratio	11.1	10.7	10.3
CBA Level 1 Tier 1 Capital ratio	12.8	12.4	11.6
CBA Level 1 Total Capital ratio	15.2	14.5	13.7
ASB CET1 Capital ratio ⁽¹⁾	10.6	10.2	9.7
ASB Tier 1 Capital ratio ⁽¹⁾	12.6	12.3	12.0
ASB Total Capital ratio ⁽¹⁾	14.1	13.8	13.5

(1) Prior period comparative ratios for ASB were restated due to the incorrect application of the RBNZ definition of CET1. The restatements had no impact on the Group's prior period ratios as the Group's capital calculation is performed independently from its subsidiaries.

Capital

Regulatory Capital Framework Comparison

The APRA Basel III capital requirements are more conservative than those of the BCBS, leading to lower reported capital ratios.

In July 2015, APRA published a study on the calculation of internationally comparable capital by Australian banks entitled "International capital comparison study" (APRA study). As at 31 December 2017, the Group's internationally comparable CET1, Tier 1 and Total Capital ratios were 16.3%, 18.7% and 21.5% respectively. The basis of this analysis aligns with the APRA study.

The following table provides details on the differences, as at 31 December 2017, between the APRA Basel III capital requirements and the internationally comparable capital ratios.

Item	APRA Study Reference	Description of adjustment	CET1 %	Tier 1 %	Total Capital %
Basel III (APRA)			10.4	12.4	14.8
Equity investments	Appendix 1 Items 1, 2, 4	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	1.0	0.9	0.8
Capitalised expenses	Appendix 1 Item 5	Balances are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.1	0.1	0.1
Deferred tax assets	Appendix 1 Item 3	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.3	0.2	0.2
IRRBB RWA	3.3.2	APRA requires capital to be held for IRRBB. The BCBS does not have any capital requirement.	0.7	0.9	1.0
Residential mortgages	3.3.1	LGD of 15%, compared to the 20% LGD floor under APRA's requirements and adjustments for higher correlation factor applied by APRA for Australian residential mortgages.	1.9	2.2	2.6
Other retail standardised exposures	3.3.6	Risk weighting of 75%, rather than 100% under APRA's requirements.	0.1	0.1	0.1
Unsecured non-retail exposures	3.3.3	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements.	0.5	0.6	0.7
Non-retail undrawn commitments	3.3.4	Credit conversion factor of 75%, compared to 100% under APRA's requirements.	0.4	0.4	0.5
Specialised lending	3.3.5	Use of IRB PDs and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factor.	0.8	1.0	1.2
Currency conversion	3.3.7	Increase in the A\$ equivalent concessional threshold level for small business retail and small/medium enterprise corporate exposures.	0.1	0.1	0.1
Subtotal ⁽¹⁾			16.3	18.9	22.1
Basel III non-compliant instruments		Removal of Basel III non compliant Tier 1 and Tier 2 instruments that are currently subject to transitional rules.	-	(0.2)	(0.6)
Basel III (Internationally Comparable - aligns with APRA study)			16.3	18.7	21.5

(1) Represents ratios prior to adjustments made for non-compliant Basel III Tier 1 and Tier 2 Capital Instruments. This value is used in determining Leverage Ratio (Internationally Comparable) as determined on page 7.

The above calculations do not include the impact of a Basel I capital floor, which was introduced as a transitional measure as part of the implementation of Basel II. The Australian banks have now fully implemented the existing Basel III requirements and, therefore, it is difficult to

calculate the impact of such a floor. APRA concluded in the APRA study that it is difficult to make adjustments for the floor in internationally comparable calculations at this time but the inclusion of a floor could reduce internationally comparable ratios by a material amount.

4 Leverage Ratio

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.4% at 31 December 2017 on an APRA basis and 6.1% 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.

Summary Group Leverage Ratio ⁽¹⁾	31 Dec 17	30 Sep 17	30 Jun 17	31 Mar 17	31 Dec 16
Tier 1 Capital (\$M)	54,465	52,592	52,684	50,008	50,218
Total Exposures (\$M) ⁽²⁾	1,012,503	1,011,801	1,027,958	1,012,495	1,018,931
Leverage Ratio (APRA) (%)	5.4	5.2	5.1	4.9	4.9
Leverage Ratio (Internationally Comparable) (%) ⁽³⁾	6.1	5.9	5.8	5.6	5.5

(1) Refer to Appendix 11.2 for further details on the composition of the leverage ratio.

(2) 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".

(3) 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.

Risk Weighted Assets

5 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 6b to 6f – Basel III Capital Requirements (RWA)

Asset Category	Risk Weighted Assets			Change in RWA for	
	31 Dec 17	30 Jun 17	31 Dec 16	December 2017 half	
	\$M	\$M	\$M	\$M	%
Credit Risk					
Subject to AIRB approach ⁽¹⁾					
Corporate	69,252	74,663	79,392	(5,411)	(7. 2)
SME corporate	33,521	33,067	35,239	454	1. 4
SME retail	4,675	4,838	4,747	(163)	(3. 4)
SME retail secured by residential mortgage	2,534	2,766	2,812	(232)	(8. 4)
Sovereign	2,186	2,154	6,742	32	1. 5
Bank	10,780	12,598	13,481	(1,818)	(14. 4)
Residential mortgage ⁽²⁾	136,047	134,969	115,647	1,078	0. 8
Qualifying revolving retail	8,524	9,414	9,413	(890)	(9. 5)
Other retail	15,413	15,101	14,970	312	2. 1
Total RWA subject to AIRB approach	282,932	289,570	282,443	(6,638)	(2. 3)
Specialised lending	56,183	58,752	60,504	(2,569)	(4. 4)
Subject to standardised approach					
Corporate	1,250	1,202	1,128	48	4. 0
SME corporate	279	510	596	(231)	(45. 3)
SME retail	5,701	6,172	6,089	(471)	(7. 6)
Sovereign	189	271	242	(82)	(30. 3)
Bank	63	136	192	(73)	(53. 7)
Residential mortgage	5,404	5,017	4,788	387	7. 7
Other retail	2,717	2,925	2,776	(208)	(7. 1)
Other assets	5,323	5,291	5,385	32	0. 6
Total RWA subject to standardised approach	20,926	21,524	21,196	(598)	(2. 8)
Securitisation	1,622	1,584	1,572	38	2. 4
Credit valuation adjustment	4,498	4,958	6,332	(460)	(9. 3)
Central counterparties	824	871	1,479	(47)	(5. 4)
Total RWA for credit risk exposures	366,985	377,259	373,526	(10,274)	(2. 7)
Traded market risk	4,829	4,650	5,707	179	3. 8
Interest rate risk in the banking book	27,944	21,404	23,498	6,540	30. 6
Operational risk	41,078	33,750	33,750	7,328	21. 7
Total risk weighted assets	440,836	437,063	436,481	3,773	0. 9

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

(2) Includes APRA requirements to increase the average risk weight applied to Australian residential mortgages using the AIRB approach (30 June 2017: \$15.0 billion).

Risk Weighted Assets

Total RWA increased 1% to \$441 billion on the prior half, driven by higher Operational Risk and IRRBB RWA, partly offset by lower Credit Risk RWA.

Credit Risk RWA

Credit Risk RWA decreased \$10.3 billion or 3%, due to:

- Reduction of exposure across non-retail portfolios;
- Improved credit quality across most portfolios;
- Foreign currency movements; and
- Refresh of credit risk estimates across some portfolios.

These decreases were partly offset by an increase in residential mortgages due to growth in exposures.

Traded Market Risk RWA

Traded Market Risk RWA increased by \$0.2 billion or 4%.

This was predominantly driven by the Stressed VaR component.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by \$6.5 billion or 31% due to interest rate risk management activity and the higher level of rates, partially offset by model enhancements.

Operational Risk RWA

Operational Risk RWA increased \$7.3 billion or 22% on prior half to \$41.1 billion. This reflects the regular assessment of the Group's operational risk profile in the context of the evolving risk and regulatory environment.

The Group will continue to review and update its Operational Risk RWA to reflect material changes in its risk profile in accordance with the Group's Operational Risk Management Framework and governance processes.

Explanation of change in Credit Risk RWA

The composition of the movement in Credit Risk RWA over the prior half is shown below.

Asset Category	Credit Risk RWA movement drivers					
	Change in RWA for Dec 17 half	Volume changes	FX changes	Credit risk estimates changes and regulatory treatments	Data and methodology changes	Change in credit quality
	\$M	\$M	\$M	\$M	\$M	\$M
AIRB corporate including SME and specialised lending	(7,921)	(3,011)	(1,171)	(1,004)	(229)	(2,506)
AIRB bank	(1,818)	(1,347)	(39)	-	(131)	(301)
AIRB sovereign	32	121	(25)	(42)	(13)	(9)
AIRB consumer retail	500	1,502	(704)	186	-	(484)
Standardised (including other assets, CCP and CVA)	(1,105)	(470)	(165)	(734)	(190)	454
Securitisation exposures	38	55	(3)	-	-	(14)
Total credit RWA movement	(10,274)	(3,150)	(2,107)	(1,594)	(563)	(2,860)

Credit Risk

6 Credit Risk

6.1 Credit Risk Exposure – Excluding Equities and Securitisation

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

APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach

Portfolio Type	31 December 2017				Average exposure for December 2017 half ⁽¹⁾	Change in exposure for December 2017 half ⁽²⁾	
	Off Balance Sheet			Total			
	On	Non-	Market related				
	Balance Sheet	market related					
	\$M	\$M	\$M	\$M	\$M	\$M	%
Subject to AIRB approach							
Corporate	72,772	46,163	6,875	125,810	128,176	(4,732)	(3. 6)
SME corporate	46,337	9,551	598	56,486	55,719	1,534	2. 8
SME retail	6,992	3,175	-	10,167	10,228	(122)	(1. 2)
SME retail secured by residential mortgage	4,188	1,450	-	5,638	5,746	(216)	(3. 7)
Sovereign	86,734	1,245	1,577	89,556	90,984	(2,856)	(3. 1)
Bank	28,996	1,456	8,113	38,565	40,824	(4,519)	(10. 5)
Residential mortgage	478,121	73,424	-	551,545	548,956	5,178	0. 9
Qualifying revolving retail	9,887	16,866	-	26,753	26,935	(363)	(1. 3)
Other retail	8,260	3,074	-	11,334	11,180	309	2. 8
Total AIRB approach	742,287	156,404	17,163	915,854	918,748	(5,787)	(0. 6)
Specialised lending	52,955	10,574	679	64,208	65,626	(2,837)	(4. 2)
Subject to standardised approach							
Corporate	918	365	2	1,285	1,476	(382)	(22. 9)
SME corporate	196	80	2	278	394	(232)	(45. 5)
SME retail	4,687	951	50	5,688	5,924	(471)	(7. 6)
Sovereign	400	-	-	400	463	(125)	(23. 8)
Bank	225	1	-	226	337	(222)	(49. 6)
Residential mortgage	10,865	1,749	-	12,614	12,134	960	8. 2
Other retail	2,618	89	-	2,707	2,814	(214)	(7. 3)
Other assets	11,280	-	-	11,280	10,387	1,786	18. 8
Central counterparties	-	-	5,543	5,543	5,614	(143)	(2. 5)
Total standardised approach	31,189	3,235	5,597	40,021	39,543	957	2. 4
Total credit exposures ⁽³⁾	826,431	170,213	23,439	1,020,083	1,023,917	(7,667)	(0. 7)

(1) The simple average of balances as at 31 December 2017 and 30 June 2017.

(2) The difference between exposures as at 31 December 2017 and 30 June 2017.

(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Explanation of change in credit risk exposure

Details of credit risk exposure movements over the prior half are as follows:

Asset Category	Total exposure change \$M	Regulatory Exposure Driver
AIRB corporate (including SME) and specialised lending	(6,373)	Primarily reflects refresh of some credit risk estimates, reduction in exposure across commercial portfolios, and FX movements.
AIRB sovereign	(2,856)	Primarily reflects a net reduction and change of exposure type, as well as FX movements.
AIRB bank	(4,519)	Primarily reflects reduction of exposure and FX movements.
AIRB consumer retail	5,124	Primarily reflects volume growth and AIRB accreditation of Bankwest personal loan portfolio, partly offset by FX movements and securitisation of residential mortgages.
Total advanced and specialised lending	(8,624)	
Standardised including other assets and central counterparties	957	Primarily reflects increases in residential mortgages and CBA's acquisition of Aussie Home Loans, partly offset in part by AIRB accreditation of Bankwest personal loan portfolio.
Total excluding securitisation and equity exposures	(7,667)	

APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach (continued)

Portfolio Type	30 June 2017				Average exposure for June 2017 half ⁽¹⁾	Change in exposure for June 2017 half ⁽²⁾	
	Off Balance Sheet			Total			
	On	Non-	Market related				
	Balance Sheet	market related					
	\$M	\$M	\$M	\$M	\$M	\$M	%
Subject to AIRB approach							
Corporate	72,930	50,677	6,935	130,542	131,220	(1,356)	(1.0)
SME corporate	45,380	8,991	581	54,952	54,805	293	0.5
SME retail	7,136	3,153	-	10,289	10,226	126	1.2
SME retail secured by residential mortgage	4,453	1,401	-	5,854	5,931	(154)	(2.6)
Sovereign	88,977	1,171	2,264	92,412	89,672	5,480	6.3
Bank	32,537	2,519	8,028	43,084	43,839	(1,509)	(3.4)
Residential mortgage	474,059	72,308	-	546,367	542,033	8,668	1.6
Qualifying revolving retail	9,906	17,210	-	27,116	27,207	(182)	(0.7)
Other retail	7,867	3,158	-	11,025	11,053	(55)	(0.5)
Total AIRB approach	743,245	160,588	17,808	921,641	915,986	11,311	1.2
Specialised lending	54,236	12,093	716	67,045	67,919	(1,749)	(2.5)
Subject to standardised approach							
Corporate	1,005	223	439	1,667	1,413	509	44.0
SME corporate	397	112	1	510	553	(85)	(14.3)
SME retail	5,143	951	65	6,159	6,117	83	1.4
Sovereign	499	26	-	525	514	22	4.4
Bank	448	-	-	448	506	(117)	(20.7)
Residential mortgage	10,015	1,639	-	11,654	11,382	543	4.9
Other retail	2,821	100	-	2,921	2,847	148	5.3
Other assets	9,494	-	-	9,494	9,908	(827)	(8.0)
Central counterparties	-	-	5,686	5,686	5,386	600	11.8
Total standardised approach	29,822	3,051	6,191	39,064	38,626	876	2.3
Total credit exposures ⁽³⁾	827,303	175,732	24,715	1,027,750	1,022,531	10,438	1.0

(1) The simple average of balances as at 30 June 2017 and 31 December 2016.

(2) The difference between exposures as at 30 June 2017 and 31 December 2016.

(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Credit Risk

APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach (continued)

Portfolio Type	31 December 2016				Average exposure for December 2016 half ⁽¹⁾	Change in exposure for December 2016 half ⁽²⁾	
	Off Balance Sheet						
	On	Non-	Market related				
	Balance Sheet	market related					
	\$M	\$M	\$M	Total \$M		\$M	%
Subject to AIRB approach							
Corporate ⁽³⁾⁽⁴⁾	72,154	50,176	9,568	131,898	123,846	16,103	13. 9
SME corporate ⁽³⁾	44,044	9,726	889	54,659	50,776	7,767	16. 6
SME retail	6,977	3,186	-	10,163	10,274	(222)	(2. 1)
SME retail secured by residential mortgage	4,566	1,442	-	6,008	5,868	280	4. 9
Sovereign	83,209	1,173	2,550	86,932	83,307	7,250	9. 1
Bank	30,455	2,584	11,554	44,593	43,104	2,978	7. 2
Residential mortgage	463,471	74,228	-	537,699	529,015	17,367	3. 3
Qualifying revolving retail	10,025	17,273	-	27,298	27,312	(27)	(0. 1)
Other retail	7,938	3,142	-	11,080	11,095	(30)	(0. 3)
Total AIRB approach	722,839	162,930	24,561	910,330	884,597	51,466	6. 0
Specialised lending ⁽³⁾⁽⁴⁾	55,736	12,354	704	68,794	68,046	1,496	2. 2
Subject to standardised approach							
Corporate ⁽³⁾	913	236	9	1,158	6,100	(9,883)	(89. 5)
SME corporate ⁽³⁾	419	170	6	595	2,350	(3,510)	(85. 5)
SME retail	5,155	866	55	6,076	6,096	(41)	(0. 7)
Sovereign	503	-	-	503	519	(33)	(6. 2)
Bank	565	-	-	565	623	(115)	(16. 9)
Residential mortgage ⁽³⁾	9,359	1,752	-	11,111	12,416	(2,610)	(19. 0)
Other retail	2,659	114	-	2,773	2,755	35	1. 3
Other assets	10,321	-	-	10,321	10,627	(612)	(5. 6)
Central counterparties	-	-	5,086	5,086	5,955	(1,737)	(25. 5)
Total standardised approach	29,894	3,138	5,156	38,188	47,441	(18,506)	(32. 6)
Total credit exposures ⁽⁵⁾	808,469	178,422	30,421	1,017,312	1,000,084	34,456	3. 5

(1) The simple average of balances as at 31 December 2016 and 30 June 2016.

(2) The difference between exposures as at 31 December 2016 and 30 June 2016.

(3) APRA has re-accredited the use of the AIRB approach for the Bankwest non-retail portfolio, effective 30 September 2016. This increased AIRB Corporate (\$1.9 billion), AIRB SME Corporate (\$5.8 billion), and Specialised Lending (\$9.8 billion) which was offset by a reduction in standardised exposures.

(4) Specialised Lending includes an increase of \$9.8 billion from re-accreditation of Bankwest non-retail portfolios, offset by a reclassification of exposures to AIRB Corporate of \$9.5 billion.

(5) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

APS 330 Table 7b – Credit risk exposure by portfolio type

Portfolio Type	As at 31 Dec 17 \$M	Half year average ⁽¹⁾ \$M
Corporate	127,095	129,652
SME corporate	56,764	56,113
SME retail	15,855	16,152
SME retail secured by residential mortgage	5,638	5,746
Sovereign	89,956	91,447
Bank	38,791	41,161
Residential mortgage	564,159	561,090
Qualifying revolving retail	26,753	26,935
Other retail	14,041	13,994
Specialised lending	64,208	65,626
Other assets	11,280	10,387
Central counterparties	5,543	5,614
Total credit exposures ⁽²⁾	1,020,083	1,023,917

Portfolio Type	As at 30 Jun 17 \$M	Half year average ⁽¹⁾ \$M
Corporate	132,209	132,633
SME corporate	55,462	55,358
SME retail	16,448	16,343
SME retail secured by residential mortgage	5,854	5,931
Sovereign	92,937	90,186
Bank	43,532	44,345
Residential mortgage	558,021	553,415
Qualifying revolving retail	27,116	27,207
Other retail	13,946	13,900
Specialised lending	67,045	67,919
Other assets	9,494	9,908
Central counterparties	5,686	5,386
Total credit exposures ⁽²⁾	1,027,750	1,022,531

Portfolio Type	As at 31 Dec 16 \$M	Half year average ⁽¹⁾ \$M
Corporate	133,056	129,946
SME corporate	55,254	53,126
SME retail	16,239	16,370
SME retail secured by residential mortgage	6,008	5,868
Sovereign	87,435	83,826
Bank	45,158	43,727
Residential mortgage	548,810	541,431
Qualifying revolving retail	27,298	27,312
Other retail	13,853	13,850
Specialised lending	68,794	68,046
Other assets	10,321	10,627
Central counterparties	5,086	5,955
Total credit exposures ⁽²⁾	1,017,312	1,000,084

(1) The simple average of the closing balance and the previous half year.

(2) Total credit risk exposures do not include equities or securitisation exposures.

Credit Risk

APS 330 Table 7c – Credit risk exposure by portfolio type and geographic distribution

Portfolio Type	31 December 2017 ⁽¹⁾			
	New			Total
	Australia \$M	Zealand \$M	Other \$M	
Corporate	72,785	10,162	44,148	127,095
SME corporate	39,668	15,146	1,950	56,764
SME retail ⁽²⁾	18,022	2,895	576	21,493
Sovereign	49,625	5,106	35,225	89,956
Bank	17,959	1,907	18,925	38,791
Residential mortgage	508,476	55,226	457	564,159
Qualifying revolving retail	26,753	-	-	26,753
Other retail	10,927	2,765	349	14,041
Specialised lending	53,215	6,692	4,301	64,208
Other assets	9,723	430	1,127	11,280
Central counterparties	536	-	5,007	5,543
Total credit exposures ⁽³⁾	807,689	100,329	112,065	1,020,083

Portfolio Type	30 June 2017 ⁽¹⁾			
	New			Total
	Australia \$M	Zealand \$M	Other \$M	
Corporate	75,293	9,103	47,813	132,209
SME corporate	39,497	15,049	916	55,462
SME retail ⁽²⁾	18,429	3,058	815	22,302
Sovereign	54,284	3,830	34,823	92,937
Bank	20,726	1,761	21,045	43,532
Residential mortgage	501,252	56,278	491	558,021
Qualifying revolving retail	27,116	-	-	27,116
Other retail	10,771	2,826	349	13,946
Specialised lending	54,773	7,099	5,173	67,045
Other assets	7,767	735	992	9,494
Central counterparties	560	-	5,126	5,686
Total credit exposures ⁽³⁾	810,468	99,739	117,543	1,027,750

Portfolio Type	31 December 2016 ⁽¹⁾			
	New			Total
	Australia \$M	Zealand \$M	Other \$M	
Corporate	76,248	9,450	47,358	133,056
SME corporate	39,388	14,781	1,085	55,254
SME retail ⁽²⁾	18,414	3,003	830	22,247
Sovereign	49,955	3,572	33,908	87,435
Bank	19,662	2,316	23,180	45,158
Residential mortgage	492,186	56,128	496	548,810
Qualifying revolving retail	27,298	-	-	27,298
Other retail	10,795	2,810	248	13,853
Specialised lending	55,447	7,060	6,287	68,794
Other assets	8,367	603	1,351	10,321
Central counterparties	448	-	4,638	5,086
Total credit exposures ⁽³⁾	798,208	99,723	119,381	1,017,312

(1) Balances are reported based on the risk domicile of the borrowers.

(2) Including SME retail secured by residential property.

(3) Total credit risk exposures do not include equities or securitisation exposures.

APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector

Portfolio Type	31 December 2017							
	Industry Sector							
	Residential mortgage	Other personal	Asset finance	Sovereign	Bank	Other finance	Agriculture	Mining
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate	-	-	3,032	-	-	27,220	2,362	9,844
SME corporate	-	-	2,830	-	-	3,232	17,048	232
SME retail ⁽¹⁾	-	-	3,770	-	-	381	1,777	57
Sovereign	-	-	-	89,956	-	-	-	-
Bank	-	-	-	-	38,791	-	-	-
Residential mortgage	564,159	-	-	-	-	-	-	-
Qualifying revolving retail	-	26,753	-	-	-	-	-	-
Other retail	-	13,694	347	-	-	-	-	-
Specialised lending	-	-	17	-	-	76	76	1,982
Other assets	-	2,782	-	-	-	-	-	-
Central counterparties	-	-	-	-	-	5,543	-	-
Total credit exposures ⁽²⁾	564,159	43,229	9,996	89,956	38,791	36,452	21,263	12,115

Portfolio Type	Industry Sector							
	Manufacturing	Energy	Construction	Retail/ wholesale trade	Transport and storage	Property ⁽³⁾	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate	10,969	7,832	2,838	12,820	16,615	8,085	25,478	127,095
SME corporate	3,091	371	2,883	7,428	1,959	684	17,006	56,764
SME retail ⁽¹⁾	825	22	1,461	2,492	472	1,986	8,250	21,493
Sovereign	-	-	-	-	-	-	-	89,956
Bank	-	-	-	-	-	-	-	38,791
Residential mortgage	-	-	-	-	-	-	-	564,159
Qualifying revolving retail	-	-	-	-	-	-	-	26,753
Other retail	-	-	-	-	-	-	-	14,041
Specialised lending	16	2,147	70	270	2,445	54,863	2,246	64,208
Other assets	-	-	-	-	-	-	8,498	11,280
Central counterparties	-	-	-	-	-	-	-	5,543
Total credit exposures ⁽²⁾	14,901	10,372	7,252	23,010	21,491	65,618	61,478	1,020,083

(1) SME retail business lending secured by residential property has been allocated by industry.

(2) Total credit risk exposures do not include equities or securitisation exposures.

(3) Property includes Real Estate Investment Trusts (REIT) and excludes Business Services.

Credit Risk

APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector (continued)

Portfolio Type	30 June 2017							
	Industry Sector							
	Residential mortgage	Other personal	Asset finance	Sovereign	Bank	Other finance	Agriculture	Mining
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate	-	-	2,252	-	-	25,693	2,247	11,430
SME corporate	-	-	2,814	-	-	2,448	17,278	214
SME retail ⁽¹⁾	-	-	3,872	-	-	430	1,845	73
Sovereign	-	-	-	92,937	-	-	-	-
Bank	-	-	-	-	43,532	-	-	-
Residential mortgage	558,021	-	-	-	-	-	-	-
Qualifying revolving retail	-	27,116	-	-	-	-	-	-
Other retail	-	13,606	-	-	-	-	-	-
Specialised lending	-	-	4	-	-	-	77	1,903
Other assets	-	2,938	-	-	-	-	-	-
Central counterparties	-	-	-	-	-	5,686	-	-
Total credit exposures ⁽²⁾	558,021	43,660	8,942	92,937	43,532	34,257	21,447	13,620

Portfolio Type	Industry Sector							
	Retail/							
	Manufacturing	Energy	Construction	wholesale trade	Transport and storage	Property ⁽³⁾	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate	12,804	8,894	3,200	13,093	17,645	8,038	26,913	132,209
SME corporate	3,277	230	2,774	7,174	1,833	779	16,641	55,462
SME retail ⁽¹⁾	1,003	25	1,571	2,771	512	2,532	7,668	22,302
Sovereign	-	-	-	-	-	-	-	92,937
Bank	-	-	-	-	-	-	-	43,532
Residential mortgage	-	-	-	-	-	-	-	558,021
Qualifying revolving retail	-	-	-	-	-	-	-	27,116
Other retail	-	-	-	340	-	-	-	13,946
Specialised lending ⁽⁴⁾	-	1,975	71	167	3,029	57,209	2,610	67,045
Other assets	-	-	-	-	-	-	6,556	9,494
Central counterparties	-	-	-	-	-	-	-	5,686
Total credit exposures ⁽²⁾	17,084	11,124	7,616	23,545	23,019	68,558	60,388	1,027,750

(1) SME retail business lending secured by residential property has been allocated by industry.

(2) Total credit risk exposures do not include equities or securitisation exposures.

(3) Property includes REITs and excludes Business Services.

(4) Comparative information has been restated to conform to presentation in the current period.

APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector (continued)

Portfolio Type	31 December 2016							
	Industry Sector							
	Residential mortgage	Other personal	Asset finance	Sovereign	Bank	Other finance	Agriculture	Mining
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate	-	-	2,198	-	-	26,795	2,412	11,059
SME corporate	-	-	2,914	-	-	2,532	16,832	217
SME retail ⁽¹⁾	-	-	3,799	-	-	481	1,806	66
Sovereign	-	-	-	87,435	-	-	-	-
Bank	-	-	-	-	45,158	-	-	-
Residential mortgage	548,810	-	-	-	-	-	-	-
Qualifying revolving retail	-	27,298	-	-	-	-	-	-
Other retail	-	13,618	-	-	-	-	-	-
Specialised lending	-	-	4	-	-	-	82	2,279
Other assets	-	2,977	-	-	-	-	-	-
Central counterparties	-	-	-	-	-	5,086	-	-
Total credit exposures ⁽²⁾	548,810	43,893	8,915	87,435	45,158	34,894	21,132	13,621

Portfolio Type	Industry Sector							
	Retail/							
	Manufacturing	Energy	Construction	wholesale trade	Transport and storage	Property ⁽³⁾	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate	12,287	9,255	3,552	15,161	17,859	7,878	24,600	133,056
SME corporate	3,269	580	2,710	7,129	1,857	603	16,611	55,254
SME retail ⁽¹⁾	1,002	31	1,514	2,762	493	1,994	8,299	22,247
Sovereign	-	-	-	-	-	-	-	87,435
Bank	-	-	-	-	-	-	-	45,158
Residential mortgage	-	-	-	-	-	-	-	548,810
Qualifying revolving retail	-	-	-	-	-	-	-	27,298
Other retail	-	-	-	235	-	-	-	13,853
Specialised lending ⁽⁴⁾	-	1,721	71	243	2,146	58,826	3,422	68,794
Other assets	-	-	-	-	-	-	7,344	10,321
Central counterparties	-	-	-	-	-	-	-	5,086
Total credit exposures ⁽²⁾	16,558	11,587	7,847	25,530	22,355	69,301	60,276	1,017,312

(1) SME retail business lending secured by residential property has been allocated by industry.

(2) Total credit risk exposures do not include equities or securitisation exposures.

(3) Property includes REITs and excludes Business Services.

(4) Comparative information has been restated to conform to presentation in the current period.

Credit Risk

APS 330 Table 7e – Credit risk exposure by portfolio type and residual contractual maturity

Portfolio Type	31 December 2017				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
				\$M	
Corporate	22,579	96,551	7,600	365	127,095
SME corporate	12,172	39,000	5,592	-	56,764
SME retail ⁽¹⁾	4,467	13,008	4,018	-	21,493
Sovereign	26,018	39,677	24,261	-	89,956
Bank	18,061	20,622	108	-	38,791
Residential mortgage	16,228	38,248	460,666	49,017	564,159
Qualifying revolving retail	-	-	-	26,753	26,753
Other retail	163	5,764	3,098	5,016	14,041
Specialised lending	14,427	47,040	2,741	-	64,208
Other assets	2,872	469	340	7,599	11,280
Central counterparties	736	4,807	-	-	5,543
Total credit exposures ⁽²⁾	117,723	305,186	508,424	88,750	1,020,083

Portfolio Type	30 June 2017				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
				\$M	
Corporate	22,331	101,758	7,861	259	132,209
SME corporate	12,397	36,813	6,252	-	55,462
SME retail ⁽¹⁾	4,656	13,487	4,159	-	22,302
Sovereign	25,985	43,698	23,254	-	92,937
Bank	19,573	23,661	298	-	43,532
Residential mortgage	18,067	35,492	453,577	50,885	558,021
Qualifying revolving retail	-	-	-	27,116	27,116
Other retail	214	5,658	3,088	4,986	13,946
Specialised lending	16,168	47,148	3,729	-	67,045
Other assets	2,997	579	391	5,527	9,494
Central counterparties	1,120	4,566	-	-	5,686
Total credit exposures ⁽²⁾	123,508	312,860	502,609	88,773	1,027,750

Portfolio Type	31 December 2016				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
				\$M	
Corporate	23,726	100,197	8,819	314	133,056
SME corporate	14,254	33,787	7,213	-	55,254
SME retail ⁽¹⁾	4,449	13,354	4,444	-	22,247
Sovereign	23,897	38,830	24,708	-	87,435
Bank	21,586	23,478	94	-	45,158
Residential mortgage	20,287	26,917	446,993	54,613	548,810
Qualifying revolving retail	-	-	-	27,298	27,298
Other retail	146	5,505	3,149	5,053	13,853
Specialised lending	17,210	47,897	3,687	-	68,794
Other assets	3,050	719	349	6,203	10,321
Central counterparties	874	4,209	3	-	5,086
Total credit exposures ⁽²⁾	129,479	294,893	499,459	93,481	1,017,312

(1) Including SME retail secured by residential property.

(2) Total credit risk exposures do not include equities or securitisation exposures.

6.2 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.

Reconciliation of Australian Accounting Standards, APS 220 based credit provisions and APS 330 Table 7j – General reserve for credit losses

31 December 2017			
	General reserve for credit losses ⁽¹⁾	Specific provision ⁽¹⁾	Total provisions
	\$M	\$M	\$M
Collective provision ⁽²⁾	2,525	247	2,772
Individual provisions ⁽²⁾	-	978	978
Total provisions	2,525	1,225	3,750
Additional GRCL requirement ⁽³⁾	554	-	554
Total regulatory provisions	3,079	1,225	4,304

(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 \$554 million in order to maintain the required minimum GRCL.

30 June 2017			
	General reserve for credit losses ⁽¹⁾	Specific provision ⁽¹⁾	Total provisions
	\$M	\$M	\$M
Collective provision ⁽²⁾	2,486	261	2,747
Individual provisions ⁽²⁾	-	980	980
Total provisions	2,486	1,241	3,727
Additional GRCL requirement ⁽³⁾	589	-	589
Total regulatory provisions	3,075	1,241	4,316

(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.

31 December 2016			
	General reserve for credit losses ⁽¹⁾	Specific provision ⁽¹⁾	Total provisions
	\$M	\$M	\$M
Collective provision ⁽²⁾	2,561	246	2,807
Individual provisions ⁽²⁾	-	1,017	1,017
Total provisions	2,561	1,263	3,824
Additional GRCL requirement ⁽³⁾	532	-	532
Total regulatory provisions	3,093	1,263	4,356

(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 \$532 million in order to maintain the required minimum GRCL.

Credit Risk

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

APS 330 Table 7f (i) – Impaired, past due, specific provisions and write-offs charged by industry sector

Industry Sector	31 December 2017				
	Impaired assets \$M	Past due loans ≥ 90 days \$M	Specific provision balance ⁽¹⁾ \$M	Net half year	Half year actual losses ⁽²⁾ \$M
				charges for individual provisions \$M	
Home loans	1,243	2,249	344	45	55
Other personal	268	23	154	1	321
Asset finance	71	2	20	9	7
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Other finance	21	1	14	1	5
Agriculture	510	53	86	14	8
Mining	379	13	51	(17)	3
Manufacturing	74	37	61	(25)	72
Energy	6	-	3	-	-
Construction	32	19	14	(1)	10
Wholesale/retail trade	96	65	58	(2)	28
Transport and storage	129	10	48	2	10
Property	90	74	69	(1)	16
Other	439	114	294	185	29
Total	3,367	2,660	1,225	211	564

(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 half year ended 31 December 2017.

Industry Sector	30 June 2017				
	Impaired assets \$M	Past due loans ≥ 90 days \$M	Specific provision balance ⁽¹⁾ \$M	Net half year	Half year actual losses ⁽²⁾ \$M
				charges for individual provisions \$M	
Home loans	1,204	2,243	343	73	61
Other personal	297	25	178	2	344
Asset finance	77	2	30	25	12
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Other finance	25	3	18	2	-
Agriculture	389	52	72	4	6
Mining	252	13	67	3	15
Manufacturing	197	52	142	14	-
Energy	7	-	3	6	7
Construction	55	27	26	4	2
Wholesale/retail trade	175	67	84	25	20
Transport and storage	135	12	48	18	36
Property	111	79	80	14	22
Other	254	94	141	13	70
Total	3,187	2,669	1,241	203	595

(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 half year ended 30 June 2017.

APS 330 Table 7f (i) – Impaired, past due, specific provisions and write-offs charged by industry sector
(continued)

Industry Sector	31 December 2016				
	Impaired assets \$M	Past due loans ≥ 90 days \$M	Specific provision balance ⁽¹⁾ \$M	Net half year	Half year actual losses ⁽²⁾ \$M
				charges for individual provisions \$M	
Home loans	1,102	1,883	308	71	54
Other personal	239	25	173	-	327
Asset finance	68	5	27	5	22
Sovereign	-	-	-	-	-
Bank	9	-	9	(1)	-
Other finance	19	6	18	-	5
Agriculture	458	54	64	17	26
Mining	236	7	72	-	6
Manufacturing	336	36	138	5	14
Energy	12	-	13	9	12
Construction	41	37	20	4	20
Wholesale/retail trade	251	66	81	72	13
Transport and storage	199	18	68	52	1
Property	167	102	92	(2)	7
Other	238	101	180	43	36
Total	3,375	2,340	1,263	275	543

(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 half year ended 31 December 2016.

Credit Risk

APS 330 Table 7f (ii) – Impaired, past due, specific provisions and write-offs charged by portfolio

Portfolio	31 December 2017				
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance ⁽¹⁾	Net half year	Half year actual losses ⁽²⁾
				charges for individual provisions	
	\$M	\$M	\$M	\$M	\$M
Corporate including SME, specialised lending and central counterparties	1,847	388	718	165	188
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Residential mortgage	1,243	2,249	344	45	55
Qualifying revolving retail	116	-	55	-	124
Other retail	152	23	99	1	197
Total	3,367	2,660	1,225	211	564

- (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 half year ended 31 December 2017.

Portfolio	30 June 2017				
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance ⁽¹⁾	Net half year	Half year actual losses ⁽²⁾
				charges for individual provisions	
	\$M	\$M	\$M	\$M	\$M
Corporate including SME, specialised lending and central counterparties	1,677	401	711	128	190
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Residential mortgage	1,204	2,243	343	73	61
Qualifying revolving retail	131	-	65	-	132
Other retail	166	25	113	2	212
Total	3,187	2,669	1,241	203	595

- (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 half year ended 30 June 2017.

Portfolio	31 December 2016				
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance ⁽¹⁾	Net half year	Half year actual losses ⁽²⁾
				charges for individual provisions	
	\$M	\$M	\$M	\$M	\$M
Corporate including SME, specialised lending and central counterparties	2,025	432	773	205	162
Sovereign	-	-	-	-	-
Bank	9	-	9	(1)	-
Residential mortgage	1,102	1,883	308	71	54
Qualifying revolving retail	96	-	58	-	123
Other retail	143	25	115	-	204
Total	3,375	2,340	1,263	275	543

- (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 half year ended 31 December 2016.

Factors impacting the loss experience

The overall quality of the portfolio was stable during the half year ended 31 December 2017. Gross impaired assets as a proportion of gross loans and acceptances (GLAA) increased by 2 basis points and total provisions as a proportion of GLAAs remained at the same level. Group actual losses reduced by \$31 million on the prior half led by a reduction in retail portfolio losses.

APS 330 Table 7g (i) – Impaired, past due and specific provisions by geographic region

Geographic Region ⁽¹⁾	31 December 2017		
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance
	\$M	\$M	\$M
Australia	2,175	2,535	903
New Zealand	540	83	66
Other	652	42	256
Total	3,367	2,660	1,225

Geographic Region ⁽¹⁾	30 June 2017		
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance
	\$M	\$M	\$M
Australia	2,387	2,518	1,051
New Zealand	443	93	77
Other	357	58	113
Total	3,187	2,669	1,241

Geographic Region ⁽¹⁾	31 December 2016		
	Impaired assets	Past due loans ≥ 90 days	Specific provision balance
	\$M	\$M	\$M
Australia	2,468	2,218	1,053
New Zealand	550	75	76
Other	357	47	134
Total	3,375	2,340	1,263

(1) Balances are reported based on the risk domicile of the borrower. The Group's financial statements disclose balances based on the domicile of the lending entity.

The Group's GRCL (before tax) by geographic region is distributed as follows:

APS 330 Table 7g (ii) – GRCL by geographic region

Geographic Region	31 Dec 17 \$M	30 Jun 17 \$M	31 Dec 16 \$M
Australia	2,709	2,646	2,650
New Zealand	215	238	251
Other	155	191	192
Total GRCL	3,079	3,075	3,093

Credit Risk

APS 330 Table 7h (i) – Movement in collective provisions and general reserve for credit losses

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
	\$M	\$M	\$M
Movement in Collective Provisions			
Opening balance	2,747	2,807	2,818
Net charge against profit and loss	385	293	324
Recoveries	104	103	107
Other	(31)	(5)	1
Write-offs	(433)	(451)	(443)
Total collective provisions	2,772	2,747	2,807
Less collective provisions transferred to specific provisions	(247)	(261)	(246)
Additional GRCL requirement ⁽¹⁾	554	589	532
General reserve for credit losses	3,079	3,075	3,093

(1) The Group recognised these amounts as a deduction from CET1 in order to maintain the required minimum GRCL.

APS 330 Table 7h (ii) – Movement in individual provisions and specific provisions

	Half Year Ended		
	31 Dec 17	30 Jun 17	31 Dec 16
	\$M	\$M	\$M
Movement in Individual Provisions			
Opening balance for the period	980	1,017	944
Net new and increased provisioning	370	300	370
Net write back of provisions no longer required	(159)	(97)	(95)
Discount unwind to interest income	(14)	(15)	(16)
Other	36	22	21
Write-offs	(235)	(247)	(207)
Total individual provisions	978	980	1,017
Add collective provisions transferred to specific provisions	247	261	246
Specific provisions	1,225	1,241	1,263

6.3 Portfolios Subject to Standardised and Supervisory Risk-Weights

Portfolios that use the Standardised approach include:

Commonwealth Bank of Australia:

- Some retail SMEs (overdrawn accounts);
- Non-rated Corporate exposures;
- Some residential mortgages (purchased portfolios);
- Reverse mortgages;
- Margin lending;
- Non-recourse purchased receivables;
- Some branches; and
- Central counterparties.

Bankwest Division:

- Some residential mortgages (equity lines of credit); and
- Unsecured consumer retail (credit cards and personal cheque accounts).

ASB Bank Limited:

- Personal loans and Retail SME.

All exposures in the following entities:

- CommBank Europe Ltd;
- PT Bank Commonwealth (Indonesia); and
- Commonwealth Bank of South Africa Ltd.

APS 330 Table 8b – Exposures subject to standardised and supervisory risk weights

	Exposure After Credit Risk Mitigation ⁽¹⁾		
	31 Dec 17	30 Jun 17 ⁽²⁾	31 Dec 16 ⁽²⁾
	\$M	\$M	\$M
Standardised Approach Exposures			
Risk Weight			
0%	4,026	2,203	2,742
20%	2,677	3,360	3,091
35%	8,400	7,617	7,190
50%	3,567	3,741	3,808
75%	796	635	518
100%	14,964	15,783	15,714
150%	45	39	39
> 150%	3	-	-
Capital deductions	-	-	-
Total	34,478	33,378	33,102

(1) Exposure after credit risk mitigation does not include central counterparties, equity or securitisation exposures.

(2) Includes impact of re-accreditation of Bankwest non-retail portfolios.

APS 330 Table 8b – Exposures subject to standardised and supervisory risk weights (continued)

31 December 2017			
	Exposure	Risk weight	RWA
	\$M	%	\$M
Other Assets ⁽¹⁾			
Cash	4,025	-	-
Cash items in course of collection	114	20	23
Margin lending ⁽²⁾	2,782	32	904
Fixed and forward purchase assets	1,525	100	1,525
Other	2,834	≥100	2,871
Total	11,280	47	5,323

30 June 2017			
	Exposure	Risk weight	RWA
	\$M	%	\$M
Other Assets ⁽¹⁾			
Cash	1,739	-	-
Cash items in course of collection	607	20	121
Margin lending ⁽²⁾	2,938	33	960
Fixed and forward purchase assets	1,567	100	1,567
Other	2,643	≥100	2,643
Total	9,494	56	5,291

31 December 2016			
	Exposure	Risk weight	RWA
	\$M	%	\$M
Other Assets ⁽¹⁾			
Cash	2,713	-	-
Cash items in course of collection	291	20	58
Margin lending ⁽²⁾	2,977	33	987
Fixed and forward purchase assets	1,511	100	1,511
Other	2,829	≥100	2,829
Total	10,321	52	5,385

(1) Other Assets are included in Standardised Approach Exposures table above.

(2) Margin lending against listed instruments are risk weighted at 20%. Other unlisted instruments are risk weighted at 100%.

	31 Dec 17	30 Jun 17 ⁽²⁾	31 Dec 16 ⁽²⁾
	\$M	\$M	\$M
Specialised Lending Exposures Subject to Supervisory Slotting ⁽¹⁾			
Risk Weight			
0%	372	492	508
70%	17,389	19,555	18,781
90%	41,049	40,528	42,524
115%	4,762	5,621	6,198
250%	636	849	783
Total exposures	64,208	67,045	68,794

(1) APRA requires certain specialised lending exposures including Income Producing Real Estate, Object and Project Finance to be assigned specific risk weights according to "slotting" criteria defined by the Regulator.

(2) Includes impact of re-accreditation of Bankwest non-retail portfolios.

Credit Risk

6.4 Portfolios Subject to Internal Ratings Based Approaches

The Group's mapping of internal rating scales for risk-rated exposures to external rating agencies is detailed in APS 330 Table 9b.

APS 330 Table 9b – Internal ratings structure for credit risk exposures and mapping to external ratings

Description	Internal Rating	Probability of Default	S&P Rating	Moody's Rating
Exceptional	A0 to A3	0% - 0.040%	AAA to AA-	Aaa to Aa3
Strong	B1 to C3	>0.040% - 0.453%	A+ to BBB-	A1 to Baa3
Pass	D1 to E3	>0.453% - 6.096%	BB+ to B-	Ba1 to B3
Weak/doubtful	F1 to G3	>6.096%	CCC to C	Caa to Ca
Restructured	R	22.22%	-	-
Defaulted	H	100%	D	C

APS 330 Table 9c – PD rating methodology by portfolio segment

Portfolio Segment	PD Rating Methodology
Bank and sovereign exposures	Expert judgement assigned risk rating, informed but not driven by rating agency views.
Large corporate exposures	Combination of Expert Judgement and PD Rating Tool assigned risk ratings depending on the industry sector.
Middle market and local business banking exposures	PD Rating Tools and Expert Judgement assigned risk rating.
SME retail exposures ≤ \$1m	SME Behaviour Score assigned PD pools.
Consumer retail exposures (including residential mortgages, qualifying revolving credit and other retail)	Depending on the product, PD pools are assigned using product specific Application Scorecards, Behavioural Scorecards, payment status or a combination of these.

Credit Risk Exposure Subject to the Advanced IRB Approach

APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band

	31 December 2017							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Non Retail ⁽¹⁾								
Total credit risk exposures								
Corporate	-	42,717	52,840	28,710	369	482	692	125,810
SME corporate	-	1,581	5,085	44,363	2,570	1,511	1,376	56,486
SME retail ⁽²⁾	-	-	3,266	9,310	2,797	303	129	15,805
Sovereign	82,436	6,945	143	32	-	-	-	89,556
Bank	-	36,085	2,271	85	-	-	124	38,565
Total	82,436	87,328	63,605	82,500	5,736	2,296	2,321	326,222
Undrawn commitments ⁽³⁾								
Corporate	-	15,485	21,002	9,242	158	145	131	46,163
SME corporate	-	199	1,331	7,562	217	123	119	9,551
SME retail ⁽²⁾	-	-	1,593	2,578	422	27	5	4,625
Sovereign	979	221	35	10	-	-	-	1,245
Bank	-	1,229	184	43	-	-	-	1,456
Total	979	17,134	24,145	19,435	797	295	255	63,040
Exposure - weighted average EAD (\$M)								
Corporate	-	2. 768	2. 456	0. 746	0. 337	0. 816	1. 912	2. 156
SME corporate	-	1. 062	0. 315	0. 270	0. 232	0. 232	0. 291	0. 294
SME retail ⁽²⁾	-	-	0. 044	0. 043	0. 055	0. 031	0. 079	0. 045
Sovereign	5. 890	7. 227	0. 269	0. 054	-	-	-	5. 983
Bank	-	9. 171	3. 509	0. 591	-	-	41. 245	8. 921
Exposure - weighted average LGD (%)								
Corporate	-	55. 0	49. 7	43. 8	41. 1	52. 9	53. 2	50. 2
SME corporate	-	43. 4	34. 4	29. 9	29. 6	34. 3	35. 9	30. 9
SME retail ⁽²⁾	-	-	31. 7	34. 0	31. 0	39. 1	39. 2	33. 1
Sovereign	5. 6	57. 9	50. 4	56. 2	-	-	-	9. 7
Bank	-	59. 5	60. 0	58. 2	-	-	60. 0	59. 5
Exposure - weighted average risk weight (%) ⁽⁴⁾								
Corporate	-	31. 0	56. 8	82. 0	146. 1	282. 0	99. 4	55. 1
SME corporate	-	21. 0	36. 7	52. 8	79. 7	148. 3	264. 5	59. 4
SME retail ⁽²⁾	-	-	17. 9	43. 1	66. 5	108. 2	321. 0	45. 6
Sovereign	1. 5	12. 8	40. 9	122. 0	-	-	-	2. 4
Bank	-	26. 1	56. 6	100. 0	-	-	-	28. 0

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.

(2) Including SME retail secured by residential property.

(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

(4) Includes 1.06 scaling factor.

Credit Risk

APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band (continued)

	30 June 2017							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Non Retail ⁽¹⁾								
Total credit risk exposures								
Corporate	-	43,775	55,337	29,688	479	526	737	130,542
SME corporate	-	1,165	4,494	43,375	3,023	1,719	1,176	54,952
SME retail ⁽²⁾	-	-	3,150	9,469	3,096	260	168	16,143
Sovereign	85,909	6,283	195	25	-	-	-	92,412
Bank	-	39,561	3,150	249	-	-	124	43,084
Total	85,909	90,784	66,326	82,806	6,598	2,505	2,205	337,133
Undrawn commitments ⁽³⁾								
Corporate	-	16,109	23,599	10,503	147	193	126	50,677
SME corporate	-	150	1,183	7,204	239	124	91	8,991
SME retail ⁽²⁾	-	-	1,484	2,591	442	27	10	4,554
Sovereign	961	160	42	8	-	-	-	1,171
Bank	-	1,985	453	81	-	-	-	2,519
Total	961	18,404	26,761	20,387	828	344	227	67,912
Exposure - weighted average EAD (\$M)								
Corporate	-	3.163	2.671	0.786	0.481	0.604	1.448	2.384
SME corporate	-	0.695	0.299	0.281	0.262	0.214	0.301	0.288
SME retail ⁽²⁾	-	-	0.042	0.043	0.054	0.030	0.085	0.045
Sovereign	6.577	5.894	0.388	0.056	-	-	-	6.516
Bank	-	9.524	3.667	1.083	-	-	41.244	9.138
Exposure - weighted average LGD (%)								
Corporate	-	55.2	51.1	45.4	43.4	50.1	51.2	51.2
SME corporate	-	59.4	32.4	30.1	30.8	34.5	35.0	31.2
SME retail ⁽²⁾	-	-	31.4	34.0	31.5	41.0	37.1	33.1
Sovereign	5.6	57.2	52.5	56.1	-	-	-	9.2
Bank	-	59.4	60.0	59.3	-	-	60.0	59.5
Exposure - weighted average risk weight (%) ⁽⁴⁾								
Corporate	-	31.6	58.8	85.4	161.5	260.9	106.6	57.2
SME corporate	-	25.2	32.3	54.1	84.5	148.0	235.0	60.2
SME retail ⁽²⁾	-	-	17.7	43.1	67.9	115.8	328.3	47.1
Sovereign	1.4	13.1	45.1	117.8	-	-	-	2.3
Bank	-	26.3	63.2	91.7	-	-	-	29.3

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.

(2) Including SME retail secured by residential property.

(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

(4) Includes 1.06 scaling factor. Comparatives have been restated to conform to presentation in the current period.

APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band (continued)

	31 December 2016							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Non Retail ⁽¹⁾								
Total credit risk exposures								
Corporate	-	45,509	55,922	28,379	410	643	1,035	131,898
SME corporate	-	1,101	4,137	42,711	3,415	2,085	1,210	54,659
SME retail ⁽²⁾	-	-	3,178	9,544	3,017	271	161	16,171
Sovereign	79,975	6,694	116	147	-	-	-	86,932
Bank	-	39,810	4,426	233	-	-	124	44,593
Total	79,975	93,114	67,779	81,014	6,842	2,999	2,530	334,253
Undrawn commitments ⁽³⁾								
Corporate	-	17,377	22,797	9,435	155	217	195	50,176
SME corporate	-	84	1,233	7,877	306	181	45	9,726
SME retail ⁽²⁾	-	-	1,525	2,634	439	18	12	4,628
Sovereign	941	183	42	7	-	-	-	1,173
Bank	-	2,003	509	72	-	-	-	2,584
Total	941	19,647	26,106	20,025	900	416	252	68,287
Exposure - weighted average EAD (\$M)								
Corporate	-	3. 194	2. 536	0. 754	0. 348	0. 840	1. 437	2. 357
SME corporate	-	0. 530	0. 308	0. 282	0. 251	0. 219	0. 265	0. 284
SME retail ⁽²⁾	-	-	0. 040	0. 042	0. 054	0. 044	0. 081	0. 044
Sovereign	8. 618	6. 648	0. 212	0. 325	-	-	-	8. 441
Bank	-	8. 701	4. 298	1. 221	-	-	41. 244	8. 315
Exposure - weighted average LGD (%)								
Corporate	-	57. 2	53. 4	45. 7	45. 4	48. 0	52. 8	53. 0
SME corporate	-	60. 6	34. 5	30. 6	32. 3	34. 9	35. 7	31. 9
SME retail ⁽²⁾	-	-	31. 8	33. 8	31. 1	40. 1	37. 8	33. 0
Sovereign	26. 3	59. 2	50. 7	58. 3	-	-	-	28. 9
Bank	-	60. 9	59. 3	60. 5	-	-	61. 3	60. 7
Exposure - weighted average risk weight (%) ⁽⁴⁾								
Corporate	-	33. 2	62. 6	86. 8	164. 2	262. 8	219. 6	60. 2
SME corporate	-	30. 6	38. 2	56. 1	90. 2	151. 1	258. 2	64. 4
SME retail ⁽²⁾	-	-	18. 0	43. 0	67. 8	113. 5	327. 8	46. 7
Sovereign	7. 0	14. 1	45. 7	128. 6	-	-	-	7. 7
Bank	-	26. 8	58. 6	92. 4	-	-	-	30. 2

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.

(2) Including SME retail secured by residential property.

(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

(4) Includes 1.06 scaling factor. Comparatives have been restated to conform to presentation in the current period.

Credit Risk

APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band

	31 December 2017							
	PD Band							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Retail	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Total credit risk exposures								
Residential mortgage	151,496	161,838	94,808	123,005	7,049	9,485	3,864	551,545
Qualifying revolving retail	-	14,917	3,409	5,342	2,516	438	131	26,753
Other retail	53	-	325	8,456	1,783	585	132	11,334
Total	151,549	176,755	98,542	136,803	11,348	10,508	4,127	589,632
Undrawn commitments ⁽¹⁾								
Residential mortgage	55,679	6,081	4,036	7,362	156	101	9	73,424
Qualifying revolving retail	-	11,705	2,475	2,202	426	56	2	16,866
Other retail	51	-	284	2,407	236	93	3	3,074
Total	55,730	17,786	6,795	11,971	818	250	14	93,364
Exposure - weighted average EAD (\$M)								
Residential mortgage	0.249	0.302	0.269	0.220	0.234	0.227	0.258	0.257
Qualifying revolving retail	-	0.010	0.009	0.009	0.008	0.008	0.008	0.009
Other retail	0.004	-	0.002	0.009	0.007	0.001	0.004	0.006
Exposure - weighted average LGD (%)								
Residential mortgage	20.0	19.8	19.7	20.4	21.3	20.0	20.1	20.0
Qualifying revolving retail	-	85.0	85.0	85.0	85.0	85.0	85.0	85.0
Other retail	108.6	-	108.6	97.2	98.1	101.3	98.8	97.9
Exposure - weighted average risk weight (%) ⁽²⁾								
Residential mortgage	6.6	17.7	25.9	37.6	98.7	136.1	174.3	24.7
Qualifying revolving retail	-	5.4	13.7	46.3	135.3	221.2	306.4	31.9
Other retail	27.9	-	79.8	125.2	156.5	217.5	369.2	136.0

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

(2) Includes 1.06 scaling factor.

APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band (continued)

	30 June 2017							
	PD Band							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Retail	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Total credit risk exposures								
Residential mortgage	150,230	158,031	93,258	124,827	7,117	9,030	3,874	546,367
Qualifying revolving retail	-	14,745	3,528	5,521	2,681	480	161	27,116
Other retail	54	-	332	8,252	1,732	518	137	11,025
Total	150,284	172,776	97,118	138,600	11,530	10,028	4,172	584,508
Undrawn commitments ⁽¹⁾								
Residential mortgage	54,395	6,057	4,007	7,583	161	90	15	72,308
Qualifying revolving retail	-	11,770	2,605	2,320	455	58	2	17,210
Other retail	52	-	291	2,476	304	32	3	3,158
Total	54,447	17,827	6,903	12,379	920	180	20	92,676
Exposure - weighted average EAD (\$M)								
Residential mortgage	0.246	0.297	0.267	0.220	0.235	0.227	0.255	0.255
Qualifying revolving retail	-	0.010	0.009	0.009	0.009	0.008	0.008	0.009
Other retail	0.004	-	0.002	0.009	0.003	0.005	0.005	0.006
Exposure - weighted average LGD (%)								
Residential mortgage	20.0	19.8	19.7	20.5	21.3	20.1	20.2	20.1
Qualifying revolving retail	-	88.0	88.0	88.0	88.0	88.0	88.0	88.0
Other retail	108.6	-	108.6	97.8	98.9	99.7	99.0	98.4
Exposure - weighted average risk weight (%) ⁽²⁾								
Residential mortgage	6.6	17.7	25.8	37.8	98.3	135.0	172.0	24.7
Qualifying revolving retail	-	5.6	14.2	48.1	140.3	229.2	350.8	34.8
Other retail	27.9	-	79.8	125.9	158.4	215.6	417.0	137.0

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

(2) Includes 1.06 scaling factor. Comparatives have been restated to conform to presentation in the current period.

Credit Risk

APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band (continued)

Retail	31 December 2016							Total \$M
	PD Band						Default \$M	
	0 < 0.1% \$M	0.1% < 0.3% \$M	0.3% < 0.5% \$M	0.5% < 3% \$M	3% < 10% \$M	10% < 100% \$M		
Total credit risk exposures								
Residential mortgage	151,213	155,926	97,628	116,713	5,326	7,524	3,369	537,699
Qualifying revolving retail	-	14,803	3,587	5,586	2,694	487	141	27,298
Other retail	56	-	342	8,307	1,705	546	124	11,080
Total	151,269	170,729	101,557	130,606	9,725	8,557	3,634	576,077
Undrawn commitments ⁽¹⁾								
Residential mortgage	55,780	8,472	4,353	5,494	57	55	17	74,228
Qualifying revolving retail	-	11,652	2,643	2,447	465	64	2	17,273
Other retail	54	-	301	2,456	297	32	2	3,142
Total	55,834	20,124	7,297	10,397	819	151	21	94,643
Exposure - weighted average EAD (\$M)								
Residential mortgage	0.243	0.284	0.251	0.227	0.239	0.242	0.257	0.251
Qualifying revolving retail	-	0.010	0.009	0.009	0.008	0.008	0.009	0.009
Other retail	0.004	-	0.002	0.009	0.003	0.005	0.005	0.006
Exposure - weighted average LGD (%)								
Residential mortgage	20.0	20.2	20.6	21.1	20.4	20.2	20.3	20.4
Qualifying revolving retail	-	88.0	88.0	88.0	88.0	88.0	88.0	88.0
Other retail	108.6	-	108.6	97.8	99.0	99.6	99.1	98.5
Exposure - weighted average risk weight (%) ⁽²⁾								
Residential mortgage	5.3	14.9	22.8	35.0	99.4	133.2	175.2	21.5
Qualifying revolving retail	-	5.6	14.2	47.7	140.7	232.5	344.7	34.5
Other retail	27.9	-	79.8	125.7	158.5	214.1	299.1	135.2

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

(2) Includes 1.06 scaling factor. Comparatives have been restated to conform to presentation in the current period.

Analysis of Losses

The following tables provide a summary of financial losses by AIRB portfolio (APS 330 Table 9e) and a comparison of financial losses to regulatory EL estimates (APS 330 Table 9f (i)).

APS 330 Table 9e – Actual losses by portfolio type

Portfolio Type	31 December 2017		
	Half year losses in reporting period		
	Gross write-offs \$M	Recoveries \$M	Actual losses \$M
Corporate	78	(1)	77
SME corporate	45	(3)	42
SME retail (including SME retail secured by residential mortgages)	20	(5)	15
Specialised lending	17	-	17
Total corporate including SME and specialised lending	160	(9)	151
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	56	(1)	55
Qualifying revolving retail	165	(41)	124
Other retail	207	(43)	164
Total advanced IRB and specialised lending portfolios	588	(94)	494

Portfolio Type	30 June 2017		
	Full year losses in reporting period		
	Gross write-offs \$M	Recoveries \$M	Actual losses \$M
Corporate	113	(1)	112
SME corporate	107	(9)	98
SME retail (including SME retail secured by residential mortgages)	52	(14)	38
Specialised lending	45	-	45
Total corporate including SME and specialised lending	317	(24)	293
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	119	(4)	115
Qualifying revolving retail	333	(78)	255
Other retail	430	(84)	346
Total advanced IRB and specialised lending portfolios	1,199	(190)	1,009

Portfolio Type	31 December 2016		
	Half year losses in reporting period		
	Gross write-offs \$M	Recoveries \$M	Actual losses \$M
Corporate	20	(1)	19
SME corporate	54	(5)	49
SME retail (including SME retail secured by residential mortgages)	24	(6)	18
Specialised lending	24	-	24
Total corporate including SME and specialised lending	122	(12)	110
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	56	(2)	54
Qualifying revolving retail	163	(40)	123
Other retail	213	(43)	170
Total advanced IRB and specialised lending portfolios	554	(97)	457

APS 330 Table 9f (i) – Historical loss analysis by portfolio type

Portfolio Type	31 December 2017	
	Half year	Regulatory
	actual loss	one year
	\$M	expected loss estimate
	\$M	\$M
Corporate	77	765
SME corporate	42	715
SME retail (including SME retail secured by residential mortgages)	15	124
Specialised lending	17	768
Total corporate including SME and specialised lending	151	2,372
Sovereign	-	4
Bank	-	137
Residential mortgage (excluding SME retail secured by residential mortgages)	55	1,089
Qualifying revolving retail	124	465
Other retail	164	525
Total advanced IRB and specialised lending portfolios	494	4,592

Portfolio Type	30 June 2017	
	Full year	Regulatory
	actual loss	one year
	\$M	expected loss estimate
	\$M	\$M
Corporate	112	726
SME corporate	98	732
SME retail (including SME retail secured by residential mortgages)	38	128
Specialised lending	45	874
Total corporate including SME and specialised lending	293	2,460
Sovereign	-	4
Bank	-	140
Residential mortgage (excluding SME retail secured by residential mortgages)	115	1,101
Qualifying revolving retail	255	522
Other retail	346	509
Total advanced IRB and specialised lending portfolios	1,009	4,736

Portfolio Type	31 December 2016	
	Half year	Regulatory
	actual loss	one year
	\$M	expected loss estimate
	\$M	\$M
Corporate	19	729
SME corporate	49	761
SME retail (including SME retail secured by residential mortgages)	18	128
Specialised lending	24	905
Total corporate including SME and specialised lending	110	2,523
Sovereign	-	8
Bank	-	143
Residential mortgage (excluding SME retail secured by residential mortgages)	54	1,003
Qualifying revolving retail	123	509
Other retail	170	512
Total advanced IRB and specialised lending portfolios	457	4,698

Actual losses may differ from modelled regulatory EL for a number of reasons.

Actual losses (whether from standardised or AIRB portfolios) are historical and are based on the quality of impaired assets in prior periods, full or partial write-offs, and more recent economic conditions. Actual losses are expected to be below the regulatory EL estimate in most years.

Regulatory EL measures economic loss at a point in time and includes costs (such as internal costs) not included in actual losses. Regulatory EL is calculated on non-defaulted and defaulted AIRB exposures using long-run PDs and downturn LGDs for non-defaulted exposures, and the Best Estimate of Expected Loss (BEEL) for defaulted exposures.

Accuracy of Risk Estimates

The following tables compare IRB credit risk estimates used in calculating regulatory capital, to realised outcomes.

Probability of Default

APS 330 Table 9f (ii) compares estimates of long-run PD to actual default rates averaged over 9.5 financial years to 31 December 2017, where results for the half year to December 2017 have been annualised without adjustment for seasonality. Average estimated PD is based on the average of long-run PD's for obligors that are not in default at the beginning of each financial year in the observation period. Actual PD is based on the number of defaulted obligors during the year compared to the non-defaulted obligors measured at the beginning of each financial year.

APS 330 Table 9f (ii) – Accuracy of risk estimates – PD

Portfolio Type	As at 31 December 2017	
	Average estimated PD	Average actual PD
	%	%
Corporate	1.30	0.83
SME corporate	2.24	1.93
SME retail (including SME retail secured by residential mortgages)	1.79	0.85
Specialised lending ⁽¹⁾	n/a	1.54
Sovereign ⁽²⁾	0.61	0.02
Bank ⁽²⁾	0.29	0.24
Residential mortgage (excluding SME retail secured by residential mortgages)	0.86	0.75
Qualifying revolving retail	1.94	2.02
Other retail	4.86	4.68

(1) Average estimated PD not relevant for specialised lending under the Supervisory Slotting approach.

(2) Actual PDs based on a low volume of defaults observed.

Loss Given Default and Exposure at Default

LGDs for non-retail portfolios are based on accounts that defaulted in 2009 to 2015 financial years. LGDs for retail portfolios are based on accounts that defaulted in 2009 to 2016 financial years. Defaults occurring in the most recent years have been excluded from the analysis, to allow sufficient time for workout of impaired assets, booking of losses and more meaningful disclosures.

The EAD ratio compares estimates of EAD prior to default to realised EAD for obligors that defaulted.

APS 330 Table 9f (iii) – Accuracy of risk estimates – LGD and EAD

Portfolio Type	As at 31 December 2017		
	Average estimated downturn LGD	Average actual LGD	Ratio of estimated EAD to actual EAD
	%	%	
Corporate	55.0	39.9	1.1
SME corporate	33.1	21.1	1.1
SME retail (including SME retail secured by residential mortgages)	31.6	20.9	1.2
Specialised lending ⁽¹⁾	n/a	33.5	1.1
Sovereign	61.3	1.3	1.8
Bank ⁽²⁾	65.4	109.9	1.8
Residential mortgage (excluding SME retail secured by residential mortgages) ⁽³⁾	20.8	6.3	1.0
Qualifying revolving retail	87.2	69.7	1.1
Other retail	96.6	77.3	1.0

(1) Average estimated LGD is not relevant for specialised lending under Supervisory Slotting approach.

(2) Actual LGDs based on a low volume of defaults observed.

(3) Estimated downturn LGD based on minimum regulatory floor requirements imposed by APRA and RBNZ.

Credit Risk

6.5 Credit Risk Mitigation

APS 330 Table 10b and 10c – Credit risk mitigation

31 December 2017					
	Total exposure ⁽¹⁾	Eligible financial collateral	Exposures covered by guarantees	Exposures covered by credit derivatives	Coverage
	\$M	\$M	\$M	\$M	%
Advanced approach⁽²⁾					
Corporate	125,810	-	1,509	171	1.3
SME corporate	56,486	-	-	-	-
SME retail ⁽³⁾	15,805	-	-	-	-
Sovereign	89,556	-	-	-	-
Bank	38,565	-	728	284	2.6
Residential mortgage	551,545	-	-	-	-
Qualifying revolving retail	26,753	-	-	-	-
Other retail	11,334	-	-	-	-
Total advanced approach	915,854	-	2,237	455	0.3
Specialised lending	64,208	-	-	-	-
Standardised approach					
Corporate	1,285	-	-	-	-
SME corporate	278	32	-	-	11.5
SME retail	5,688	6	-	-	0.1
Sovereign	400	-	-	-	-
Bank	226	-	-	-	-
Residential mortgage	12,614	-	-	-	-
Other retail	2,707	-	-	-	-
Other assets	11,280	-	-	-	-
Central clearing counterparties	5,543	-	-	-	-
Total standardised approach	40,021	38	-	-	0.1
Total exposures	1,020,083	38	2,237	455	0.3
30 June 2017					
	Total exposure ⁽¹⁾	Eligible financial collateral	Exposures covered by guarantees	Exposures covered by credit derivatives	Coverage
	\$M	\$M	\$M	\$M	%
Advanced approach⁽²⁾					
Corporate	130,542	-	1,374	117	1.1
SME corporate	54,952	-	-	-	-
SME retail ⁽³⁾	16,143	-	-	-	-
Sovereign	92,412	-	-	-	-
Bank	43,084	-	561	340	2.1
Residential mortgage	546,367	-	-	-	-
Qualifying revolving retail	27,116	-	-	-	-
Other retail	11,025	-	-	-	-
Total advanced approach	921,641	-	1,935	457	0.3
Specialised lending	67,045	-	-	-	-
Standardised approach					
Corporate	1,667	-	-	-	-
SME corporate	510	26	-	-	5.1
SME retail	6,159	6	-	-	0.1
Sovereign	525	-	-	-	-
Bank	448	-	-	-	-
Residential mortgage	11,654	-	-	-	-
Other retail	2,921	-	-	-	-
Other assets	9,494	-	-	-	-
Central clearing counterparties	5,686	-	-	-	-
Total standardised approach	39,064	32	-	-	0.1
Total exposures	1,027,750	32	1,935	457	0.2

(1) Credit derivatives that are treated as part of synthetic securitisation structures are excluded from credit risk mitigation disclosures and included within those relating to securitisation.

(2) Advanced approach: Exposure for derivatives and guarantees is after netting and financial collateral.

(3) Including SME retail secured by residential property.

APS 330 Table 10b and 10c – Credit risk mitigation (continued)

31 December 2016

	Total exposure⁽¹⁾ \$M	Eligible financial collateral \$M	Exposures covered by guarantees \$M	Exposures covered by credit derivatives \$M	Coverage %
Advanced approach⁽²⁾					
Corporate	131,898	-	1,728	6	1.3
SME corporate	54,659	-	-	-	-
SME retail ⁽³⁾	16,171	-	-	-	-
Sovereign	86,932	-	-	-	-
Bank	44,593	-	754	425	2.6
Residential mortgage	537,699	-	-	-	-
Qualifying revolving retail	27,298	-	-	-	-
Other retail	11,080	-	-	-	-
Total advanced approach	910,330	-	2,482	431	0.3
Specialised lending	68,794	-	-	-	-
Standardised approach					
Corporate	1,158	-	-	-	-
SME corporate	595	1	-	-	0.2
SME retail	6,076	5	-	-	0.1
Sovereign	503	-	-	-	-
Bank	565	-	-	-	-
Residential mortgage	11,111	-	-	-	-
Other retail	2,773	-	-	-	-
Other assets	10,321	-	-	-	-
Central clearing counterparties	5,086	-	-	-	-
Total standardised approach	38,188	6	-	-	-
Total exposures	1,017,312	6	2,482	431	0.3

(1) Credit derivatives that are treated as part of synthetic securitisation structures are excluded from credit risk mitigation disclosures and included within those relating to securitisation.

(2) Advanced approach: Exposure for derivatives and guarantees is after netting and financial collateral.

(3) Including SME retail secured by residential property.

Credit Risk

6.6 Counterparty Credit Risk

APS 330 Table 11b (i) Counterparty credit risk derivative exposure under the current exposure method ⁽¹⁾

	31 Dec 17	30 Jun 17	31 Dec 16
	\$M	\$M	\$M
Gross positive fair value	24,360	29,779	45,579
Netting benefits	(14,406)	(18,110)	(25,708)
Netted current credit exposure	9,954	11,669	19,871
Collateral held, of which:			
Cash	(5,144)	(6,649)	(10,241)
Net derivatives credit exposure	4,810	5,020	9,630
Potential Future Exposure under the Current Exposure Method	13,086	14,009	15,705
Exposure at Default	17,896	19,029	25,335

(1) Excluding exposures to CCPs.

APS 330 Table 11b (ii) Counterparty credit risk derivative exposure ⁽¹⁾

	Current Credit Exposure	Current Credit Exposure	Current Credit Exposure
	31 Dec 17	30 Jun 17	31 Dec 16
Exposure type	\$M	\$M	\$M
Interest rate contracts	7,155	8,444	10,110
Foreign currency contracts	16,734	20,540	34,741
Equity contracts	4	6	6
Credit derivatives	51	48	46
Commodities and other	416	741	676
Total	24,360	29,779	45,579

(1) Excluding exposures to CCPs.

APS 330 Table 11c Counterparty credit risk derivative transactions

	Own Credit Portfolio as		Intermediation Activity as	
	Protection buyer	Protection seller	Protection buyer	Protection seller
Notional Value by Product type as at 31 December 17 ^{(1) (2)}	\$M	\$M	\$M	\$M
Credit default swaps	919	-	41	3,158
Total return swaps	-	-	-	-
Credit options	-	-	-	-
Other	-	-	-	-
Total	919	-	41	3,158

	Own Credit Portfolio as		Intermediation Activity as	
	Protection buyer	Protection seller	Protection buyer	Protection seller
Notional Value by Product type as at 30 June 17 ^{(1) (2)}	\$M	\$M	\$M	\$M
Credit default swaps	893	-	102	3,616
Total return swaps	-	-	-	-
Credit options	-	-	-	-
Other	-	-	-	-
Total	893	-	102	3,616

	Own Credit Portfolio as		Intermediation Activity as	
	Protection buyer	Protection seller	Protection buyer	Protection seller
Notional Value by Product type as at 31 December 16 ^{(1) (2)}	\$M	\$M	\$M	\$M
Credit default swaps	872	-	624	4,336
Total return swaps	-	-	-	-
Credit options	-	-	-	-
Other	-	-	-	-
Total	872	-	624	4,336

(1) Excluding exposures to CCPs.

(2) Notional values are presented for credit derivatives with positive fair values and include credit derivative hedges.

6.7 Securitisation

APS 330 Table 12g (i) – Banking book exposures securitised – traditional securitisation

31 December 2017				
Underlying Asset	Group originated assets capital relief ⁽¹⁾	Group originated assets - non capital relief ⁽²⁾	Group originated assets - internal RMBS ⁽³⁾	Third party originated assets ⁽⁴⁾
	\$M	\$M	\$M	\$M
Residential mortgage	4,732	11,219	59,824	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	4,732	11,219	59,824	-

30 June 2017				
Underlying Asset	Group originated assets capital relief ⁽¹⁾	Group originated assets - non capital relief ⁽²⁾	Group originated assets - internal RMBS ⁽³⁾	Third party originated assets ⁽⁴⁾
	\$M	\$M	\$M	\$M
Residential mortgage	2,443	12,666	49,080	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	2,443	12,666	49,080	-

31 December 2016				
Underlying Asset	Group originated assets capital relief ⁽¹⁾	Group originated assets - non capital relief ⁽²⁾	Group originated assets - internal RMBS ⁽³⁾	Third party originated assets ⁽⁴⁾
	\$M	\$M	\$M	\$M
Residential mortgage	104	11,411	65,044	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	104	11,411	65,044	-

- (1) Group originated assets (capital relief) comprise CBA Medallion and Bankwest Swan Trusts subject to capital treatment under APS 120.
(2) Group originated assets (non-capital relief) comprise CBA Medallion and Bankwest Swan Trusts subject to capital treatment under APS 113.
(3) Group originated assets (internal RMBS) comprise CBA Medallion, Bankwest Swan and ASB Medallion Trusts held for contingent liquidity purposes.
(4) Third party originated assets comprise assets managed and sponsored by the Group.

APS 330 Table 12g (ii) – Banking book exposures securitised – synthetic securitisation

APS 120 provides specific regulatory treatment for synthetic securitisations where credit risk is transferred to a third party, however, legal ownership of the underlying assets remains with the originator.

The Group has not undertaken any synthetic securitisation in the banking book.

APS 330 Table 12g (iii) – Total banking book exposures securitised

APS 330 Table 12g (i) discloses the total banking book exposures securitised by the Group.

Credit Risk

APS 330 Table 12h – Past due and impaired banking book exposures by asset type

Underlying Asset	31 December 2017			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
	\$M	\$M	\$M	\$M
Residential mortgage	75,775	3	116	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	75,775	3	116	-

Underlying Asset	30 June 2017			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
	\$M	\$M	\$M	\$M
Residential mortgage	64,189	26	61	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	64,189	26	61	-

Underlying Asset	31 December 2016			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
	\$M	\$M	\$M	\$M
Residential mortgage	76,559	21	458	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	76,559	21	458	-

APS 330 Table 12i – Banking book exposures intended to be securitised

The Group does not have any outstanding banking book exposures that are intended to be securitised at 31 December 2017.

APS 330 Table 12j (i) – Banking book activity for the reporting period

The Group securitised \$4,859 million new exposures in the banking book during the half year ended 31 December 2017.

	Half year ended 31 December 2017	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset	\$M	\$M
Residential mortgages	3,819	-
Credit cards and other personal loans	200	-
Auto and equipment finance	349	-
Commercial loans	491	-
Other	-	-
Total	4,859	-

	Full year ended 30 June 2017	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset	\$M	\$M
Residential mortgages	6,887	-
Credit cards and other personal loans	-	-
Auto and equipment finance	1,138	-
Commercial loans	64	-
Other	-	-
Total	8,089	-

	Half year ended 31 December 2016	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset	\$M	\$M
Residential mortgages	750	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	64	-
Other	-	-
Total	814	-

Credit Risk

APS330 Table 12k – Banking book securitisation exposures retained or purchased

Securitisation Facility Type	31 December 2017		Total exposures
	On Balance Sheet	Off Balance Sheet	
	\$M	\$M	\$M
Liquidity support facilities	-	205	205
Warehouse facilities	3,519	2,206	5,725
Derivative facilities	116	12	128
Holdings of securities	8,013	-	8,013
Other	-	-	-
Total securitisation exposures in the banking book	11,648	2,423	14,071

Securitisation Facility Type	30 June 2017		Total exposures
	On Balance Sheet	Off Balance Sheet	
	\$M	\$M	\$M
Liquidity support facilities	-	122	122
Warehouse facilities	4,161	2,904	7,065
Derivative facilities	59	7	66
Holdings of securities	7,525	-	7,525
Other	-	-	-
Total securitisation exposures in the banking book	11,745	3,033	14,778

Securitisation Facility Type	31 December 2016		Total exposures
	On Balance Sheet	Off Balance Sheet	
	\$M	\$M	\$M
Liquidity support facilities	-	108	108
Warehouse facilities	3,861	2,471	6,332
Derivative facilities	2	-	2
Holdings of securities	7,759	-	7,759
Other	-	-	-
Total securitisation exposures in the banking book	11,622	2,579	14,201

APS 330 Table 12I (i) – Banking book exposure by risk weighting

Total securitisation exposures in the banking book decreased by \$707 million or 4.8% during the half year ended 31 December 2017. However, the corresponding RWA increased by \$38 million or 2.4%. This was mainly due to changes in risk profile for securitisation exposures.

31 December 2017						
Risk Weight Band	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	exposures	Securitisation	Resecuritisation	RWA
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	14,028	-	14,028	1,421	-	1,421
> 25% ≤ 35%	25	-	25	9	-	9
> 35% ≤ 50%	-	-	-	-	-	-
> 50% ≤ 75%	-	-	-	-	-	-
> 75% ≤ 100%	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-
> 650% ≤ 1250%	18	-	18	190	-	190
Total	14,071	-	14,071	1,620	-	1,620

30 June 2017						
Risk Weight Band	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	exposures	Securitisation	Resecuritisation	RWA
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	14,605	-	14,605	1,506	-	1,506
> 25% ≤ 35%	29	-	29	10	-	10
> 35% ≤ 50%	125	-	125	63	-	63
> 50% ≤ 75%	-	-	-	-	-	-
> 75% ≤ 100%	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-
> 650% ≤ 1250%	19	-	19	3	-	3
Total	14,778	-	14,778	1,582	-	1,582

31 December 2016						
Risk Weight Band	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	exposures	Securitisation	Resecuritisation	RWA
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	14,024	-	14,024	1,465	-	1,465
> 25% ≤ 35%	30	-	30	11	-	11
> 35% ≤ 50%	125	-	125	62	-	62
> 50% ≤ 75%	-	-	-	-	-	-
> 75% ≤ 100%	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-
> 650% ≤ 1250%	5	17	22	4	29	33
Total	14,184	17	14,201	1,542	29	1,571

APS 330 Table 12l (ii) – Banking book exposure deducted entirely from capital

Underlying Asset	Common Equity Tier 1 Capital		
	31 Dec 17	30 Jun 17	31 Dec 16
	\$M	\$M	\$M
Residential mortgage	3	19	19
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Commercial loans	-	-	-
Other	-	-	-
Total	3	19	19

APS 330 Table 12m – Banking book exposures subject to early amortisation

The Group has not undertaken any securitisation subject to early amortisation treatment.

APS 330 Table 12n – Banking book resecuritisation exposures

As at 31 December 2017, banking book resecuritisation exposures without credit risk mitigation is nil (30 June 2017: \$nil; 31 December 2016: \$17 million).

The Group did not have any resecuritisation exposures subject to credit risk mitigation.

The Group did not have any exposure to third party guarantors providing guarantees for securitised assets.

APS 330 Table 12o (i) – Trading book exposures securitised – traditional securitisation

The Group has not undertaken any traditional securitisations of exposures in the trading book.

APS 330 Table 12o (ii) – Trading book exposures securitised – synthetic securitisation

The Group has not undertaken any synthetic securitisations of exposures in the trading book.

APS 330 Table 12o (iii) – Total trading book exposures securitised

The Group has not securitised any exposures from the trading book.

APS 330 Table 12p – Trading book exposures intended to be securitised

The Group does not have any outstanding trading book exposures that are intended to be securitised at 31 December 2017.

APS 330 Table 12q – Trading book activity for the reporting period

The Group participated in third-party securitisation in the trading book during the half year ended 31 December 2017, relating to \$4 million residential mortgages (30 June 2017: \$21 million, 31 December 2016: \$1 million), \$1 million auto and equipment finance (30 June 2017: \$2 million, 31 December 2016: \$2 million), and nil personal finance (30 June 2017: \$1 million, 31 December 2016: \$nil) exposures.

APS 330 Table 12r – Trading book exposures subject to APS 116

The aggregate amount of exposures securitised by the Group and subject to Prudential Standard APS 116 “Capital Adequacy: Market Risk” was \$13 million as at 31 December 2017 (30 June 2017: \$20 million; 31 December 2016: \$11 million). This consists of:

- Securities held in the trading book subject to the Standard Method of nil (30 June 2017: \$10 million; 31 December 2016: \$nil); and
- Derivatives held in the trading book subject to the Internal Models Approach (IMA) of \$13 million (30 June 2017: \$10 million; 31 December 2016: \$11 million).

APS 330 Table 12s – Trading book exposures retained or purchased subject to APS 120

31 December 2017			
Securitisation Facility Type	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	3	10	13
Holdings of securities	-	-	-
Other	-	-	-
Total securitisation exposures in the trading book	3	10	13

30 June 2017			
Securitisation Facility Type	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	3	7	10
Holdings of securities	10	-	10
Other	-	-	-
Total securitisation exposures in the trading book	13	7	20

31 December 2016			
Securitisation Facility Type	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	3	8	11
Holdings of securities	-	-	-
Other	-	-	-
Total securitisation exposures in the trading book	3	8	11

APS 330 Table 12t (i) – Trading book exposures retained/purchased subject to IMA

The Group has \$13 million of derivatives exposures held in the trading book subject to IMA (default risk) under APS 116 as at 31 December 2017 (30 June 2017: \$10 million; 31 December 2016: \$11 million).

Credit Risk

APS 330 Table 12t (ii) – Trading book exposures subject to APS 120 by risk weighting

Total securitisation exposures in the trading book decreased by \$7 million during the half year ended 31 December 2017 mainly reflecting run off of derivatives exposures.

31 December 2017				
Risk Weight Band	IAA Approach	RBA Approach	SFA Approach	Total exposures
	\$M	\$M	\$M	\$M
≤ 25%	-	-	13	13
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 1250%	-	-	-	-
Total	-	-	13	13

30 June 2017				
Risk Weight Band	IAA Approach	RBA Approach	SFA Approach	Total exposures
	\$M	\$M	\$M	\$M
≤ 25%	-	10	10	20
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 1250%	-	-	-	-
Total	-	10	10	20

31 December 2016				
Risk Weight Band	IAA Approach	RBA Approach	SFA Approach	Total exposures
	\$M	\$M	\$M	\$M
≤ 25%	-	-	11	11
> 25% ≤ 35%	-	-	-	-
> 35% ≤ 50%	-	-	-	-
> 50% ≤ 75%	-	-	-	-
> 75% ≤ 100%	-	-	-	-
> 100% ≤ 650%	-	-	-	-
> 650% ≤ 1250%	-	-	-	-
Total	-	-	11	11

APS 330 Table 12u (i) – RWA of trading book exposures retained/purchased subject to IMA

The Group has \$241 million of RWA held in the trading book subject to IMA (default risk) under APS 116 as at 31 December 2017 (30 June 2017: \$212 million; 31 December 2016: \$194 million).

APS330 Table 12u (ii) – Capital requirements (RWA) of trading book exposures subject to APS 120 by risk weighting

31 December 2017										
Risk Weight Band	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	-	-	-	-	2	-	-	-	2	-
> 25% ≤ 35%	-	-	-	-	-	-	-	-	-	-
> 35% ≤ 50%	-	-	-	-	-	-	-	-	-	-
> 50% ≤ 75%	-	-	-	-	-	-	-	-	-	-
> 75% ≤ 100%	-	-	-	-	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-	-	-	-	-
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	2	-	-	-	2	-

30 June 2017										
Risk Weight Band	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	-	-	1	-	1	-	-	-	2	-
> 25% ≤ 35%	-	-	-	-	-	-	-	-	-	-
> 35% ≤ 50%	-	-	-	-	-	-	-	-	-	-
> 50% ≤ 75%	-	-	-	-	-	-	-	-	-	-
> 75% ≤ 100%	-	-	-	-	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-	-	-	-	-
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	-	-
Total	-	-	1	-	1	-	-	-	2	-

31 December 2016										
Risk Weight Band	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	-	-	-	-	1	-	-	-	1	-
> 25% ≤ 35%	-	-	-	-	-	-	-	-	-	-
> 35% ≤ 50%	-	-	-	-	-	-	-	-	-	-
> 50% ≤ 75%	-	-	-	-	-	-	-	-	-	-
> 75% ≤ 100%	-	-	-	-	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-	-	-	-	-
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	1	-	-	-	1	-

Credit Risk

APS 330 Table 12u (iii) – Trading book exposures entirely deducted from capital

The Group has no trading book exposures that are deducted entirely from Common Equity Tier 1 capital as at 31 December 2017 (30 June 2017: \$nil; 31 December 2016: \$nil).

The Group does not have any trading book exposures that are credit enhancements deducted from total capital or any other exposures deducted from total capital.

APS 330 Table 12v – Trading book exposures subject to early amortisation

The Group has not undertaken any securitisation subject to early amortisation treatment.

APS 330 Table 12w – Trading book resecuritisation exposures

The Group did not have any trading book resecuritisation exposures without credit risk mitigation as at 31 December 2017 (30 June 2017: \$nil; 31 December 2016: \$nil).

The Group did not have any resecuritisation exposures subject to credit risk mitigation.

The Group did not have any third party guarantors providing guarantees for securitised assets.

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

The Group disclosed the summary of the current period's securitisation activity including the total amount of exposures securitised and recognised gain or loss on sale by exposure type in APS 330 Table 12j (banking book) and APS 330 Table 12q (trading book).

The total exposures securitised in the half year to 31 December 2017 was \$4.864 million (30 June 2017: \$7,296 million; 31 December 2016: \$817 million).

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

Securitisation Facility Type	As at 31 December 2017		
	On Balance Sheet	Off Balance Sheet	Total exposures
	\$M	\$M	\$M
Liquidity support facilities	-	205	205
Warehouse facilities	3,519	2,206	5,725
Derivative facilities	119	22	141
Holdings of securities	8,013	-	8,013
Other	-	-	-
Total securitisation exposures	11,651	2,433	14,084

Securitisation Facility Type	As at 30 June 2017		
	On Balance Sheet	Off Balance Sheet	Total exposures
	\$M	\$M	\$M
Liquidity support facilities	-	122	122
Warehouse facilities	4,161	2,904	7,065
Derivative facilities	62	14	76
Holdings of securities	7,535	-	7,535
Other	-	-	-
Total securitisation exposures	11,758	3,040	14,798

Securitisation Facility Type	As at 31 December 2016		
	On Balance Sheet	Off Balance Sheet	Total exposures
	\$M	\$M	\$M
Liquidity support facilities	-	108	108
Warehouse facilities	3,861	2,471	6,332
Derivative facilities	5	8	13
Holdings of securities	7,759	-	7,759
Other	-	-	-
Total securitisation exposures	11,625	2,587	14,212

7 Equity Risk

APS 330 Table 16b to 16f – Equity investment exposures

	31 December 2017	
	Balance	Fair
	Sheet value	value
	\$M	\$M
Equity Investments		
Value of listed (publicly traded) equities	1,579	1,548
Value of unlisted (privately held) equities	1,083	1,121
Total	2,662	2,669

	30 June 2017	
	Balance	Fair
	Sheet value	value
	\$M	\$M
Equity Investments		
Value of listed (publicly traded) equities	1,412	1,882
Value of unlisted (privately held) equities	1,213	1,459
Total	2,625	3,341

	31 December 2016	
	Balance	Fair
	Sheet value	value
	\$M	\$M
Equity Investments		
Value of listed (publicly traded) equities	1,442	1,968
Value of unlisted (privately held) equities	1,295	1,620
Total	2,737	3,588

	Half year ended		
	31 Dec 17	30 Jun 17	31 Dec 16
	\$M	\$M	\$M
Gain/(Losses) on Equity Investments			
Cumulative realised gains in reporting period	-	20	427
Total unrealised gains/(losses)	192	(46)	58

Market Risk

8 Market Risk

8.1 Traded Market Risk

Capital Calculation Methods

The breakdown of RWA for Traded market risk by modelling method is summarised in the table below.

	31 Dec 17	30 Jun 17	31 Dec 16
Traded Market Risk RWA by Modelling Approach ⁽¹⁾	\$M	\$M	\$M
Internal Model Approach	3,951	3,727	4,863
Standard Method	878	923	844
Total Traded Market Risk RWA	4,829	4,650	5,707

(1) Refer to page 9 for commentary.

The capital requirement for Traded market risk under the Standard Method is disclosed in APS 330 Table 13b.

APS 330 Table 13b – Traded Market Risk under the Standard Method

Exposure Type	31 Dec 17	30 Jun 17	31 Dec 16
	\$M	\$M	\$M
Interest rate risk	69.9	72.8	66.9
Equity risk	0.2	0.3	0.5
Foreign exchange risk	0.1	0.7	0.1
Commodity risk	-	-	-
Total	70.2	73.8	67.5
Risk Weighted Asset equivalent ⁽¹⁾	878	923	844

(1) Risk Weighted Asset equivalent is the capital requirements multiplied by 12.5 in accordance with APRA Prudential Standard APS 110.

Traded Market Risk Internal Model

The VaR and Stressed VaR results calculated under the Internal Model Approach are summarised in APS 330 Table 14f (i).

APS 330 Table 14f (i) – Value-at-Risk and Stressed Value-at-Risk for trading portfolios under the Internal Model Approach

	Aggregate Value-at-Risk Over the Reporting Period			
	Mean value	Maximum value	Minimum value	As at balance date
Average VaR ⁽¹⁾	\$M	\$M	\$M	\$M
Over the 6 months to 31 December 2017	28	37	19	30
Over the 6 months to 30 June 2017	27	36	19	33
Over the 6 months to 31 December 2016	66	135	25	29

	Aggregate SVaR Over the Reporting Period			
	Mean value	Maximum value	Minimum value	As at balance date
Stressed VaR ⁽¹⁾	\$M	\$M	\$M	\$M
Over the 6 months to 31 December 2017	79	104	56	67
Over the 6 months to 30 June 2017	69	104	43	74
Over the 6 months to 31 December 2016	113	172	67	95

(1) 10 day, 99% confidence interval over the reporting period.

Internal Model Approach – Back-test results

The Internal Model is subject to back-testing against hypothetical profit and loss. In the 6 months to 31 December 2017 there was no back-test outlier. The back-test results are summarised in APS 330 Table 14f (ii) and details of these are provided in APS 330 Table 14f (iii). A comparison of VaR with actual gains or losses during the 6 months to 31 December 2017 is illustrated in APS 330 Table 14f (iv).

APS 330 Table 14f(ii) - Summary Table of the Number of Back-Testing Outliers ⁽¹⁾

Over the 6 months to 31 December 2017	-
Over the 6 months to 30 June 2017	-
Over the 6 months to 31 December 2016	-

(1) 1 day, 99% confidence interval over the reporting period.

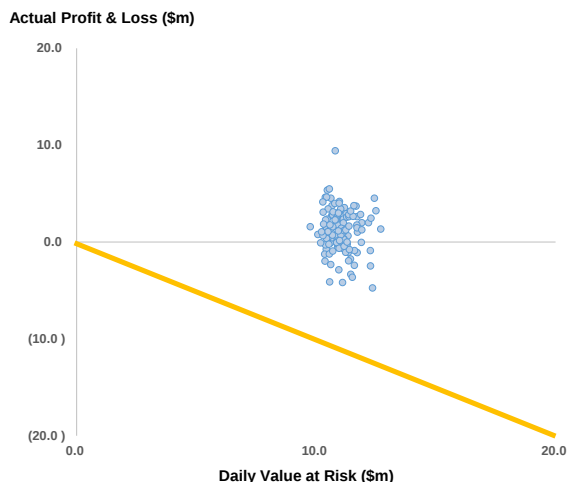
Market Risk and Operational Risk

APS 330 Table 14f (iii): Details of Back-Test Outliers

Over the Reporting Period 1 July 2017 to 31 December 2017		
Date	Hypothetical loss \$M	VaR 99% \$M
-	-	-
Over the Reporting Period 1 January 2017 to 30 June 2017		
Date	Hypothetical loss \$M	VaR 99% \$M
-	-	-
Over the Reporting Period 1 July 2016 to 31 December 2016		
Date	Hypothetical loss \$M	VaR 99% \$M
-	-	-

APS 330 Table 14f (iv): Comparison of VaR estimates with actual gains/losses experienced

1 July 2017 to 31 December 2017



8.2 Non-Traded Market Risk

APS 330 Table 17b – Interest Rate Risk in the Banking Book

Stress Testing: Interest Rate Shock Applied	Change in Economic Value		
	31 Dec 17 \$M	30 Jun 17 \$M	31 Dec 16 \$M
AUD			
200 basis point parallel increase	(1,597)	(1,140)	(1,171)
200 basis point parallel decrease	1,736	1,192	1,147
NZD			
200 basis point parallel increase	(295)	(251)	(283)
200 basis point parallel decrease	312	267	301
USD			
200 basis point parallel increase	(66)	(89)	-
200 basis point parallel decrease	71	96	-
Other			
200 basis point parallel increase	16	(18)	(18)
200 basis point parallel decrease	(19)	18	18
Regulatory RWA ^{(1) (2)}	\$M	\$M	\$M
Interest rate risk in the banking book	27,944	21,404	23,498

(1) The methodology for determining the Regulatory RWA for IRRBB is outlined in the 30 June 2017 Basel III Pillar 3 report of the Group and is in accordance with APRA's Prudential Standard APS 110 "Capital Adequacy".

(2) Refer to page 9 for commentary.

9 Operational Risk

APS 330 Table 6e – Capital requirements for operational risk

	31 Dec 17 \$M	30 Jun 17 \$M	31 Dec 16 \$M
Total operational risk RWA ⁽¹⁾	41,078	33,750	33,750

(1) Refer to page 9 for commentary.

For further detail on the operational risk policies, frameworks and capital calculations, refer to pages 73-74 of the June 2017 Pillar 3 documents.

10 Liquidity Risk

10.1 Liquidity Coverage Ratio Disclosure

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement and the Group's risk appetite. Excess liquid assets averaged \$35 billion over the December 2017 quarter.

The Group's mix of liquid assets consists of High Quality Liquid Assets (HQLA), being cash, deposit with central banks, Australian Commonwealth Government and Semi-Government securities. Liquid assets also include securities that are eligible for repo with the Reserve Bank of Australia under the \$48.3 billion Committed Liquidity Facility (CLF) and securities classified as liquid assets by the Reserve Bank of New Zealand. Liquid assets are distributed across the Group to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. The Group's average HQLA decreased by \$3 billion over the most recent quarter, along with the Group's 30 day modelled average Net Cash Outflows (NCOs) decreasing by \$8 billion over the same period.

The Group's spot LCR as at 31 December 2017 was 131% (135% as at 31 December 2016), well above the regulatory minimum. Lower average NCOs over the quarter saw an increase in the quarterly average LCR from 127% to 135%.

The Group manages its funding profile and deposit mix taking into consideration modelled NCOs as part of its overall liquidity management strategy. The average modelled NCO reduction over the quarter was underpinned by lower average wholesale funding maturities, a reduction in modelled collateral outflows due to market valuation changes on derivative transactions and the dividend no longer being captured in other contingent funding obligations. Modelled NCOs associated with the Group's large stable funding base of retail and SME customers were relatively stable.

APS 330 Table 20 - LCR disclosure template

	31 Dec 17	31 Dec 17	30 Sept 17	30 Sept 17
	Total	Total	Total	Total
	unweighted	weighted	unweighted	weighted
	value	value	value	value
	(average) ⁽¹⁾	(average) ⁽¹⁾	(average) ⁽¹⁾	(average) ⁽¹⁾
	\$M	\$M	\$M	\$M
Liquid assets, of which:				
1 High-quality liquid assets (HQLA)		86,344		89,316
2 Alternative liquid assets (ALA)		42,924		42,807
3 Reserve Bank of New Zealand (RBNZ) securities		6,647		6,476
Cash outflows				
4 Retail deposits and deposits from small business customers, of which:	277,113	24,303	277,064	24,082
5 Stable deposits	157,257	7,863	158,728	7,936
6 Less stable deposits	119,856	16,440	118,336	16,146
7 Unsecured wholesale funding, of which:	120,828	63,826	125,822	69,678
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	32,887	8,112	29,454	7,255
9 Non-operational deposits (all counterparties)	79,725	47,498	83,578	49,633
10 Unsecured debt	8,216	8,216	12,790	12,790
11 Secured wholesale funding		1,317		1,238
12 Additional requirements, of which:	160,359	19,595	162,714	21,120
13 Outflows related to derivatives exposures and other collateral requirements	4,563	4,563	6,018	6,015
14 Outflows related to loss of funding on debt products	-	-	-	-
15 Credit and liquidity facilities	155,796	15,032	156,696	15,105
16 Other contractual funding obligations	14	5	1,546	28
17 Other contingent funding obligations	81,620	8,577	84,278	10,445
18 Total cash outflows		117,623		126,591
Cash inflows				
19 Secured lending	8,656	1,867	14,195	3,313
20 Inflows from fully performing exposures	12,190	8,901	10,142	7,208
21 Other cash inflows	6,206	6,214	7,179	7,179
22 Total cash inflows	27,052	16,982	31,516	17,700
23 Total liquid assets		135,915		138,599
24 Total net cash outflows		100,641		108,891
25 Liquidity Coverage Ratio (%)		135		127
Number of data points used (Business Days)		62		63

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

11 Appendices

11.1 Detailed Capital Disclosures Template (APS 330 Attachment A)

The capital disclosures detailed in the template below represents the post 1 January 2018 Basel III common disclosure requirements. The Group is applying the Basel III regulatory adjustments in full as implemented by APRA. These tables should be read in conjunction with section 11.3 Regulatory Balance Sheet and section 11.4 Reconciliation between detailed capital disclosures template and the Regulatory Balance Sheet.

	31 Dec 17 Basel III APRA	31 Dec 17 Basel III Internationally Comparable
Summary Group Capital Adequacy Ratios (Level 2)	%	%
CET1	10.4	16.3
Tier 1	12.4	18.7
Total Capital	14.8	21.5

	31 Dec 17 Basel III \$M	Reconciliation Table Reference
Common Equity Tier 1 Capital: instruments and reserves		
1 Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	36,868	Table A
2 Retained earnings	26,856	
3 Accumulated other comprehensive income (and other reserves)	1,423	
4 Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	
5 Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	Table B
6 Common Equity Tier 1 Capital before regulatory adjustments	65,147	
Common Equity Tier 1 Capital: regulatory adjustments		
7 Prudential valuation adjustments	-	
8 Goodwill (net of related tax liability)	(8,051)	Table C
9 Other intangibles other than mortgage servicing rights (net of related tax liability)	(2,212)	Table C
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	Table D
11 Cash-flow hedge reserve	151	
12 Shortfall of provisions to expected losses ⁽¹⁾	(487)	
13 Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	(96)	
15 Defined benefit superannuation fund net assets ⁽²⁾	(305)	
16 Investments in own shares (if not already netted off paid-in capital on reported Balance Sheet)	-	
17 Reciprocal cross-holdings in common equity	-	
18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the	-	Table G
19 Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	Table G
20 Mortgage service rights (amount above 10% threshold)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	Table D
22 Amount exceeding the 15% threshold	-	
23 of which: significant investments in the ordinary shares of financial entities	-	Table G
24 of which: mortgage servicing rights	-	
25 of which: deferred tax assets arising from temporary differences	-	Table D
CET1 (Internationally Comparable)	54,147	

(1) Represents the sum of regulatory expected loss and general reserve for credit losses.

(2) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.

Appendices

11.1 Detailed Capital Disclosures Template (APS 330 Attachment A) (continued)

		31 Dec 17 Reconciliation	
		Basel III	Table
		\$M	Reference
APRA Specific Regulatory Adjustments			
26	National specific regulatory adjustments (rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j)		
26a	of which: treasury shares	134	Table A
26b	of which: offset to dividends declared due to a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-	
26c	of which: deferred fee income	-	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	(5,563)	Table G
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	(1,604)	Table D
26f	of which: capitalised expenses	(652)	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	(119)	Table G
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	(401)	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to CET1 ⁽¹⁾	(19,205)	
29	CET1 (APRA)	45,942	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments		
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	8,090	Table E
33	Directly issued capital instruments subject to phase out from Additional Tier 1	128	Table E
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	505	Table E
36	Additional Tier 1 Capital before regulatory adjustments	8,723	Table E
Additional Tier 1 Capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	(200)	
41	National specific regulatory adjustments (rows 41a, 41b, 41c)	-	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 Capital	(200)	
44	Additional Tier 1 Capital (AT1)	8,523	
45	Tier 1 Capital (T1=CET1+AT1)	54,465	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	9,255	Table F
47	Directly issued capital instruments subject to phase out from Tier 2	1,213	Table F
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	185	
51	Tier 2 Capital before regulatory adjustments	10,653	

(1) Total regulatory adjustments to CET1 of \$19,205 million in row 28 is net of APRA's allowance for treasury shares held by the Group's employee share scheme trusts of \$134 million as detailed in row 26a.

11.1 Detailed Capital Disclosures Template (APS 330 Attachment A) (continued)

		31 Dec 17 Reconciliation	
		Basel III	Table
		\$M	Reference
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	(15)	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	(16)	
55	Significant investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (rows 56a, 56b, 56c)	-	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	Total regulatory adjustments to Tier 2 Capital	(31)	
58	Tier 2 Capital (T2)	10,622	
59	Total Capital (TC=T1+T2)	65,087	
60	Total risk weighted assets based on APRA standards	440,836	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.4%	
62	Tier 1 (as a percentage of risk weighted assets)	12.4%	
63	Total Capital (as a percentage of risk weighted assets)	14.8%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	8.0%	
65	of which: capital conservation buffer requirement	3.5%	
66	of which: ADI-specific countercyclical buffer requirements	-	Table H
67	of which: G-SIB buffer requirement (not applicable)	n/a	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) ⁽¹⁾	10.4%	
National minima			
69	National Common Equity Tier 1 minimum ratio	-	
70	National Tier 1 minimum ratio	-	
71	National Total Capital minimum ratio	-	
Amount below thresholds for deductions (not risk weighted)			
72	Non-significant investments in the capital of other financial entities	165	Table G
73	Significant investments in the ordinary shares of financial entities	5,398	Table G
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,604	Table D
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	185	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	328	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	2,044	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	2,623	
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	Table E
84	Current cap on Tier 2 instruments subject to phase out arrangements	1,612	
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	-	Table F

(1) Represents the amount of CET1 over and above the CET1 minimum of 4.5%.

Appendices

11.2 Detailed Leverage Disclosures Template (APS 330 Attachment E)

APS 330 Table 19 – Summary comparison of accounting assets vs leverage ratio exposure measure

	31 Dec 17
	Basel III
	APRA
	\$M
1 Total consolidated assets as per published financial statements	961,930
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(17,954)
3 Adjustment for assets held on the Balance Sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure	-
4 Adjustments for derivative financial instruments	2,823
5 Adjustment for SFTs (i.e. repos and similar secured lending)	1,065
6 Adjustment for Off Balance Sheet exposures (i.e. conversion to credit equivalent amounts of Off Balance Sheet exposures)	84,255
7 Other adjustments	(19,616)
8 Leverage ratio exposure	1,012,503

APS 330 Table 18 – Leverage ratio disclosure template

	31 Dec 17
	Basel III
	APRA
	\$M
On Balance Sheet exposures	
1 On Balance Sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	901,705
2 Asset amounts deducted in determining Tier 1 capital	(19,616)
3 Total On Balance Sheet exposures (excluding derivatives and SFTs)	882,089
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10,817
5 Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	15,962
6 Gross-up for derivatives collateral provided where deducted from the Balance Sheet assets pursuant to the Australian Accounting Standards	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8 (Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-
9 Adjusted effective notional amount of written credit derivatives	3,158
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(1,886)
11 Total derivative exposures	28,051
SFT exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	17,043
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14 CCR exposure for SFT assets	1,065
15 Agent transaction exposures	-
16 Total SFT exposures	18,108
Other Off Balance Sheet exposures	
17 Off Balance Sheet exposure at gross notional amount	181,470
18 (Adjustments for conversion to credit equivalent amounts)	(97,215)
19 Other Off Balance Sheet exposures	84,255
Capital and total exposures	
20 Tier 1 Capital	54,465
21 Total exposures	1,012,503
Leverage ratio	
22 Leverage ratio (%)	5.4

11.3 Regulatory Balance Sheet

The following table provides details on the Commonwealth Bank of Australia Group's Balance Sheet and the Level 2 Regulatory Balance Sheet as at 31 December 2017.

	Group Balance Sheet	Adjustment ⁽¹⁾	Level 2 Regulatory Balance Sheet	Template/ Reconciliation Table Reference
	\$M	\$M	\$M	
Assets				
Cash and liquid assets	37,322	(250)	37,072	
Receivables due from other financial institutions	6,955	(9)	6,946	
Assets at fair value through Income Statement:				
Trading	34,696	(256)	34,440	
Insurance	382	(382)	-	
Other	1,038	(274)	764	
Derivative assets	25,228	-	25,228	
Available-for-sale investments	83,913	(474)	83,439	Table G
Loans, bills discounted and other receivables	736,316	(4,769)	731,547	
Bank acceptances of customers	222	-	222	
Investment in regulatory non-consolidated subsidiaries	-	3,314	3,314	Table G
Property, plant and equipment	2,635	(18)	2,617	
Investment in associates and joint ventures	2,750	(169)	2,581	Table G
Intangible assets ⁽²⁾	9,038	1,232	10,270	Table C
Deferred tax assets	1,291	(63)	1,228	Table D
Other assets	5,249	(941)	4,308	
Assets held for sale	14,895	(14,895)	-	
Total assets	961,930	(17,954)	943,976	
Liabilities				
Deposits and other public borrowings	624,897	3,408	628,305	
Payables due to other financial institutions	24,466	2	24,468	
Liabilities at fair value through Income Statement	9,350	-	9,350	
Derivative liabilities	23,563	5	23,568	
Bank acceptances	222	-	222	
Current tax liabilities	642	(27)	615	
Deferred tax liabilities	-	-	-	Table D
Other provisions	2,120	(252)	1,868	
Insurance policy liabilities	481	(481)	-	
Debt issues	166,510	(4,862)	161,648	
Managed funds units on issue	-	-	-	
Bills payable and other liabilities	8,861	(769)	8,092	
Loan capital	20,184	-	20,184	Table E
Liabilities held for sale	14,543	(14,543)	-	
Total liabilities	895,839	(17,519)	878,320	
Net assets	66,091	(435)	65,656	
Shareholders' Equity				
Share capital:				
Ordinary share capital	36,776	92	36,868	Row 1, Table A
Reserves	1,494	(71)	1,423	Row 3
Retained profits	27,267	(411)	26,856	Row 2
Shareholders' Equity attributable to Equity holders of the Bank	65,537	(390)	65,147	
Non-controlling interests	554	(45)	509	Table B
Total Shareholders' Equity	66,091	(435)	65,656	

(1) Reflects the deconsolidation of the Insurance and funds management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.

(2) Level 2 Intangible assets also includes Intangible assets from discontinued operations included under Assets held for sale on the Group Balance sheet.

Appendices

11.4 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet

The following tables provide additional information on the differences between the detailed capital disclosures (section 11.1) and the Regulatory Balance Sheet (section 11.3).

Table A	31 Dec 17	Template
	\$M	Reference
Share Capital		
Ordinary Share Capital	36,776	
Add Treasury Shares held by the Group's life insurance operations	92	
Total per Balance Sheet (Ordinary Share Capital Internationally Comparable) ⁽¹⁾	36,868	Row 1
Treasury Shares held by the Group's employee share scheme trusts (APRA specific adjustment)	134	Row 26a
Total Ordinary Share Capital and Treasury Shares (APRA)	37,002	

Table B	31 Dec 17	Template
	\$M	Reference
Non Controlling Interests		
Total per Balance Sheet ⁽¹⁾	509	
Less ASB perpetual Shares transferred to Additional Tier 1 Capital (refer Table E)	(505)	
Less other non controlling interests not included in capital	(4)	
Total per Capital Template (APRA and Internationally Comparable)	-	Row 5

Table C	31 Dec 17	Template
	\$M	Reference
Goodwill & Other Intangibles		
Total per Balance Sheet ⁽¹⁾	10,270	
Less capitalised software and other intangibles separately disclosed in template	(2,219)	
Total per Capital Template - Goodwill (APRA and Internationally Comparable)	8,051	Row 8
Other intangibles (including capitalised software) per Balance Sheet	2,219	
Less DTL associated with other intangibles	(7)	
Total per Capital Template - Other Intangibles (APRA and Internationally Comparable)	2,212	Row 9

Table D	31 Dec 17	Template
	\$M	Reference
Deferred Tax Assets		
Deferred tax asset per Balance Sheet ⁽¹⁾	1,228	
Less deferred tax liability per Balance Sheet ⁽¹⁾	-	
Net Deferred Tax Assets ⁽²⁾	1,228	
Adjustments required in accordance with APRA prudential standards ⁽³⁾	376	
Deferred tax asset adjustment before applying prescribed thresholds (APRA specific adjustment)	1,604	Row 26e
Less amounts below prescribed threshold - risk weighted ⁽⁴⁾	(1,604)	Row 75
Total per Capital Template (Internationally Comparable)	-	Row 10, 21, 25

(1) Represents the balance per Level 2 Regulatory Balance Sheet.

(2) Represents the balance of deferred tax asset net of deferred tax liability per Level 2 Regulatory Balance Sheet.

(3) Represents the deferred tax balances associated with reserves ineligible for inclusion in regulatory capital, the general reserve for credit losses, intangibles and the impact of limitations of netting of balances within the same geographic tax authority.

(4) The BCBS allows these items to be risk weighted at 250% if the balance falls below prescribed threshold levels. APRA require these to be deducted from CET1 Capital.

11.4 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet (continued)

Table E	31 Dec 17 \$M	Template Reference
Additional Tier 1 Capital		
Total Loan Capital per Balance Sheet ⁽¹⁾	20,184	
Less fair value hedge adjustments ⁽²⁾	(171)	
Total Loan Capital net of issue costs at their contractual values	20,013	
Less amount related to Tier 2 Capital Instruments	(11,848)	
Total Tier 1 Loan Capital	8,165	
Add ASB perpetual Shares transferred from Non Controlling interest (refer Table B)	505	
Add issue costs ⁽³⁾	53	
Less Basel III transitional relief amortisation for directly issued instruments ⁽⁴⁾	-	Row 83
Less Basel III transitional relief amortisation for instruments issued by subsidiaries ⁽⁴⁾	-	Row 83
Total per Capital Template (APRA)	8,723	Row 36
Additional Tier 1 Capital Instruments comprises		
Basel III Complying Instruments		
PERLS VI	2,000	
PERLS VII	3,000	
PERLS VIII	1,450	
PERLS IX	1,640	
	8,090	Row 32
Basel III Non Complying Instruments		
Other Instruments	128	
Less Basel III transitional relief amortisation for directly issued instruments ⁽⁴⁾	-	Row 83
	128	Row 33
Basel III Non Complying Instruments - issued by subsidiaries		
ASB preference shares	505	
Less Basel III transitional relief amortisation for instruments issued by subsidiaries ⁽⁴⁾	-	Row 33
	505	Row 35
Total Basel III Non Complying Instruments	633	
Total Additional Tier 1 Capital Instruments (APRA)	8,723	Row 36

Table F	31 Dec 17 \$M	Template Reference
Tier 2 Capital Instruments		
Total included in Balance Sheet	11,848	
Less amount of Tier 2 debt issued by subsidiary ineligible for inclusion in the Group's Capital ⁽⁵⁾	(136)	
Add issue costs ⁽³⁾	33	
Less amortisation of instruments ⁽⁶⁾	(1,277)	
Less Basel III transitional relief amortisation for directly issued instruments ⁽⁴⁾	-	Row 85
Total per Capital Template (APRA and Internationally Comparable)	10,468	Row 46, 47

(1) Represents the balance per Level 2 Regulatory Balance Sheet.

(2) For regulatory capital purposes, APRA requires these instruments to be included as if they were unhedged.

(3) Unamortised issue costs relating to capital instruments are netted off against each instrument in the Balance Sheet. For regulatory capital purposes, these capital instruments are shown at face value. The unamortised issue costs are deducted from CET1 as part of capitalised expenses in Row 26f in the Capital template.

(4) Basel III transitional arrangements apply to directly issued capital instruments and instruments issued by subsidiaries not compliant with the new Basel III requirements.

(5) Represents notes issued by the Group through ASB, its New Zealand subsidiary. The amount of these notes that contributes to ASB capital in excess of its minimum regulatory requirements is not eligible for inclusion in the Group's capital.

(6) APRA requires these instruments to be amortised by 20% of the original amount during each of the last five years to maturity. This is in addition to Basel III transitional arrangements.

Details on the main features of Capital instruments included in the Group's Regulatory Capital, (Ordinary Share Capital, Additional Tier 1 Capital and Tier 2 Capital) as required by APS 330 Attachment B can be found at www.commbank.com.au/about-us/investors/shareholders.

Appendices

11.4 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet (continued)

Table G

	31 Dec 17 \$M	Template Reference
Equity Investments		
Investment in commercial entities	119	Row 26g
Investments in significant financial entities	2,399	Row 26d, 73
Investments in non-significant financial entities	165	Row 26d, 72
	2,683	
Equity investment in non-consolidated subsidiaries	3,314	Row 26d, 73
Less transitional arrangements granted in respected Colonial debt ⁽¹⁾	(315)	Row 26d, 73
Total Equity Investments before applying prescribed thresholds APRA specific adjustment ⁽²⁾	5,682	
Less amounts risk weighted under Internationally Comparable ⁽³⁾	(5,682)	
Total per Capital Template (Internationally Comparable)	-	Row 18, 19, 23

- (1) The capital benefit arising from the debt issued by the Colonial debt is being phased out, with APRA granting transitional arrangements in line with the maturity profile of the debt.
- (2) Equity Investments are classified in the Level 2 Regulatory Balance Sheet across Investments in Associates, Assets held for Sale, Available-for-Sale Securities and Investment in non-consolidated subsidiaries. In addition, the Group has undrawn commitments (Off-Balance Sheet) which are deemed in the nature of equity for Regulatory Capital purposes.
- (3) The aggregate of investments in significant financial entities of \$2,399 million, investments in non-significant financial entities of \$165 million and equity investment in non-consolidated subsidiaries of \$2,999 million (net of Colonial debt transitional arrangements) is a total of \$5,563 million and is included in row 26d in the Capital template. The BCBS allows for equity investments to be concessionally risk weighted provided they are below prescribed thresholds. APRA requires such items to be deducted 100% from CET1 capital. The remaining balance of \$119 million related to Investments in commercial entities are risk weighted under Internationally Comparable methodology, with no prescribed threshold limits.

Countercyclical Capital Buffer

The countercyclical capital buffer (CCyB), which was effective for Australian ADI's from 1 January 2016, represents an extension to the capital conservation buffer and may require an ADI to hold additional CET1 of up to 2.5%. The CCyB is calculated as the sum of the specific buffer set by APRA with respect to Australian private sector exposures and the weighted average for offshore private sector exposures where the CCyB has been enacted.

Table H

Country ⁽¹⁾	RWA ⁽²⁾ \$M	Jurisdictional Buffer %	ADI Specific Buffer ⁽³⁾ %	Template Reference
Hong Kong	796	1.250%	0.003%	
Norway	809	2.000%	0.005%	
Sweden	82	2.000%	0.000%	
Others	350,337	0.000%	0.000%	
Total	352,024		0.008%	Row 66

- (1) Represents country of ultimate risk as at 31 December 2017.
- (2) Represents total private sector (excludes Banks and Sovereigns) credit and specific market risk RWA.
- (3) Calculated as each country share of total private sector credit and specific market RWA multiplied by the CCyB applicable in each country.

11.5 Entities excluded from Level 2 Regulatory Consolidated Group

The legal entities included within the accounting scope of consolidation, but excluded from the Level 2 Regulatory Consolidated Group are detailed below.

The total assets and liabilities should not be aggregated as some of the entities listed are subsidiaries of other entities included in the table below.

Entity name	Total Assets \$M	Total Liabilities \$M
(a) Securitisation		
Medallion Trust Series 2017-1	2,138	2,138
Medallion Trust Series 2017-2	2,658	2,658
Swan Trust Series 2010-1	84	84

Entity name	Total Assets \$M	Total Liabilities \$M
(b) Insurance and Funds Management		
Avanteos Investments Limited	59	18
Avanteos Pty Ltd	-	-
BW Financial Advice Limited	7	1
CFS Seeding Trust	24	24
CFSPAI Europe Co Limited	2	-
CFSPAI Europe Holdco Limited	-	-
CISL (NO. 1) Pty Limited	-	-
Colonial (UK) Trustees Limited	1	1
Colonial First State Asset Management (Australia) Limited	84	55
Colonial First State Investments Limited	658	311
Colonial First State Infrastructure Holdings Limited	29	19
Colonial First State Infrastructure Managers (Australia) Pty Limited	2	2
Colonial First State Managed Infrastructure Limited	19	8
Colonial Mutual Superannuation Pty Ltd	13	1
Colonial Services Pty Limited	-	-
Commonwealth Custodial Services Pty Ltd	-	-
Commonwealth Financial Planning Limited	76	34
Commonwealth Insurance Limited	1,014	738
Count Financial Limited	40	9
EDIF II GP Sarl	3	1
Emerald Holding Company Pty Limited	-	-
Financial Wisdom Limited	23	16
First Gas Consolidated Group	1,447	1,082
First State European Diversified Infrastructure Sarl	3	2
First State Infrastructure Managers (International) Limited	3	3
First State Investments Fund Management Sarl	43	43
First State Investment Management (UK) Limited	66	1
First State Investment Services (UK) Limited	140	114
First State Investments (Hong Kong) Limited	137	78
First State Investments (Japan) Limited	-	-
First State Investments (NZ) Limited	2	1
First State Investments (Singapore)	93	38
First State Investments (UK) Limited	145	124
First State Investments (US) LLC	15	8
First State Investments GIP Management Sarl	1	-
First State Investments International Inc	-	-
First State Investments International Limited	79	10
First State Nominees (Hong Kong) Limited	-	-
FSIC Limited	-	-
Jacques Martin Administration and Consulting Pty Ltd	4	2

Appendices

11.5 Entities excluded from Level 2 Regulatory Consolidated Group (continued)

Entity name	Total Assets \$M	Total Liabilities \$M
Premium Alternative Investments Pty Limited	-	-
Premium Plantations Pty Limited	-	-
Premium Plantations Services Pty Ltd	-	-
PT Commonwealth Life	702	535
PT First State Investments Indonesia	7	4
Realindex Investments Pty Limited	11	8
Sovereign Assurance Company Limited	1,912	1,302
Sovereign Services Limited	65	19
Sovereign Superannuation Funds Limited	6	-
Sovereign Superannuation Trustees Limited	-	-
St Andrew's Australia Pty Ltd	-	-
The Colonial First State Global Asset Management Seeding Trust	247	247
The Colonial Mutual Life Assurance Society Limited	12,646	11,016
Total Keen Investment Limited	-	-
Water Utilities Group	49	11
Westside Properties Limited	23	1

11.6 List of APRA APS 330 Tables

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(1) Details can be found at www.commbank.com.au/about-us/investors/shareholders.

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(1) Details can be found at www.commbank.com.au/about-us/investors/shareholders.

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11.8 Glossary

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 website.
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 2.5	Refers to the Basel II framework revised (2009) to include additional requirements such as the Incremental Risk Charge (IRC), Stressed VaR (SVaR), the treatment of securitisation exposures and the Comprehensive Risk Measure (CRM) for certain correlation trading activities.
Basel III	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012).
CBA	Commonwealth Bank of Australia – the head entity of the Group.
Central counterparty (CCP)	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
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").

11.8 Glossary (continued)

Term	Definition
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.
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 Licenced Entity (ELE)	APRA may deem an entity of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities.
General Reserve for Credit Losses (GRCL)	APS 220 requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the General Reserve for Credit Losses. An excess of required General Reserve for Credit Losses over the Group's collective provisions is recognised as a deduction from CET1.
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 licence entity by APRA.
Level 2	The level at which the Group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI and all of its subsidiary entities other than the insurance and funds management entities and 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.

Appendices

11.8 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.
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 IRB approach of 1.06.
Securitisation	Basel asset class – Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than \$50 million and exposures are greater than \$1 million.
SME Retail	Basel asset class – Small and Medium Enterprise (SME) exposures up to \$1 million that are not secured by residential mortgage property.
SME Retail Secured by Residential Mortgage	Small and Medium Enterprise (SME) exposures up to \$1 million that are partly or fully secured by residential mortgage property.
Sovereign	Basel asset class – 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.