May 10, 2016

Commonwealth Bank of Australia
Recent Developments

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

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's U.S. Half-Year Disclosure Document for the half year ended December 31, 2015 (the "2016 Half-Year Disclosure Report") included on the U.S. Investor Website.

References to "$" are to Australian Dollars.

Trading Update for the Quarter ended March 31, 2016

On May 9, 2016, the Group advised that its unaudited cash earnings[1] for the three months ended March 31, 2016 (the "quarter") were approximately $2.3 billion. Statutory net profit on an unaudited basis for the same period was approximately $2.4 billion, with non-cash items treated on a consistent basis to prior periods.

Key outcomes for the quarter are summarized below:

Business Performance

- The operating income growth rate for the quarter compared to the quarter ended March 31, 2015 was similar to the operating income growth rate experienced during the six months ended December 31, 2015. Trading income increased slightly in the quarter compared to the quarter ended March 31, 2015. Funds management income continued to be impacted by falling investment markets. Group Net Interest Margin

1 Except as expressly noted, this update is based on the Group's cash earnings, which are prepared on a different basis than Australian equivalents to International Financial Reporting Standards ("IFRS"). Cash earnings is used by management of the Group to present a view of the Group's underlying operating results, excluding items that management believes introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently period on period and do not discriminate between positive and negative adjustments. A reconciliation of the Group's net profit after tax from "statutory basis" to "cash basis" is set out on page 12 and Appendix 11 of the Group's 2016 Half-Year Disclosure Report.

for the quarter ended March 31, 2016 was largely unchanged compared to the six months ended December 31, 2015.

- Operating expense growth continued, driven by business growth and investment, as well as ongoing regulatory and compliance costs.

- Across key markets:

    - home lending volume growth during the quarter was consistent with recent trends;
    - domestic business lending growth experienced in the 12 months ended March 31, 2016 remained at mid-single digit levels;
    - household deposits continued to grow above system during the quarter;
    - in Wealth Management, Assets under Management and Funds under Administration at March 31, 2016 declined by 1% and 2%, respectively, compared to their December 31, 2015 levels, reflecting falling investment markets, subdued net flows and exchange rate movements; and
    - ASB customer advances grew above system during the quarter.

Economic Overview and Credit Quality

- The Australian economy continued to perform relatively well during the quarter as it continued its steady transition from a mining-dependent to a more broad-based economy evident in GDP and unemployment trends, and was supported by low interest rates and the decline in the Australian Dollar over the 18 months to March 31, 2016.

- Reflecting this transition, we believe the credit quality of the Group's lending portfolios remained sound in the quarter. However, as indicated in the 2016 Half-Year Disclosure Report, pockets of weakness remain and warrant caution, particularly as global volatility continues.

- Loan Impairment Expense was higher in the quarter at $427 million compared to the quarters ended December 31, 2015 and March 31, 2015. This equates to 25 basis points of Gross Loans and Acceptances for the quarter, as compared to 23 basis points over the six months ended March 31, 2016. The increase is largely due to a small number of exposures in the Group's institutional lending portfolio which became impaired or exhibited heightened signs of stress, including a single relatively large domestic exposure with a syndicate of lenders including other Australian major banks. As a result, Group Troublesome and Impaired Assets as at March 31, 2016, which were $6.3 billion, increased slightly compared to the position as at December 31, 2015.

- On the consumer side, portfolio home loan arrears remained low, notwithstanding areas of Western Australia and Queensland that continued to be impacted by the mining downturn. Personal loan arrears remained elevated in the quarter, with seasonal factors also evident.

- The Group continued to maintain what management believes to be prudent levels of provisioning, with Total Provisions higher at $3.9 billion as at March 31, 2016 compared to December 31, 2015.

Capital, Funding and Liquidity

- The Group's Basel III Common Equity Tier 1 (CET1) Australian Prudential Regulation Authority ("APRA") ratio was 10.0 per cent as at March 31, 2016. This represented an increase of more than 50 basis points from December 31, 2015 after excluding the impact of the 2016 interim dividend (which included the issuance of shares in respect of the Group's Dividend Reinvestment Plan), primarily driven by capital generated from earnings. The Group's Basel III Internationally Comparable CET1 ratio as at March 31, 2016 was 13.9 per cent. The Group's Leverage Ratio was 4.9 per cent on an APRA basis and 5.5 per cent on an internationally comparable basis as at March 31, 2016.

- We believe funding and liquidity positions remained strong, with customer deposit funding at 64 per cent and the average tenor of the wholesale funding portfolio at 4.2 years as at March 31, 2016. As at March 31, 2016, liquid assets totaled $141 billion with the Liquidity Coverage Ratio (LCR) at 130 per cent. The Group issued $13 billion of long term funding in the quarter.

Basel III Pillar 3 Capital Adequacy and Risk Disclosures – Quarterly Update as at March 31, 2016

On May 9, 2016, the Group released its Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at March 31, 2016. That release is attached as Annex A hereto.

Annex A

CommonwealthBank

BASEL III PILLAR 3

CAPITAL ADEQUACY AND RISKS DISCLOSURES
AS AT 31 MARCH 2016

COMMONWEALTH BANK OF AUSTRALIA | ACN 123 123 124 | 9 MAY 2016

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1. Introduction

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

This document is prepared in accordance with Board approved policy and quarterly reporting requirements set out in APRA's prudential standard APS 330 "Public Disclosure". It presents information on the Group's capital adequacy and Risk Weighted Asset (RWA) calculations for credit risk including securitisation, market risk, Interest Rate Risk in the Banking Book (IRRBB) and operational risk.

This document also presents information on the Group's leverage ratio 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, funds management businesses and entities through which securitisation of Group assets are conducted.

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

This document is unaudited, however, it has been prepared consistent with information that has been subject to review by an external auditor and published elsewhere or has been supplied to APRA.

The Group's capital adequacy and risk disclosures for the year ended 30 June 2015 are available on the Group's corporate website:

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

Group Capital Ratios

The Group's Basel III Common Equity Tier 1 (CET1) APRA ratio was 10.0% at 31 March 2016, compared to 10.2% at 31 December 2015.

Excluding the impact of 2016 interim dividend (which included the issuance of shares in respect of the Dividend Reinvestment Plan (DRP)); the CET1 (APRA) ratio increased by more than 50 bps in the quarter. This increase was primarily driven by capital generated from earnings.

The Group's Basel III internationally comparable CET1 ratio as at 31 March 2016 was 13.9%, compared to 14.3% at 31 December 2015. The internationally comparable basis aligns with the APRA study entitled "International capital comparison study" (13 July 2015).

Capital Initiatives

The following significant capital initiatives were undertaken during the quarter:

- The DRP in respect of the 2016 interim dividend was satisfied by the allocation of approximately $552 million of ordinary shares, representing a participation rate of 16.3%;
- In March 2016, the Bank issued $1.45 billion of CommBank PERLS VIII Capital Notes (PERLS VIII), a Basel III compliant Additional Tier 1 security. The proceeds were used to fund the Group's business and the buy-back of PERLS III ($1.17 billion), which was completed in April 2016; and
- In March 2016 the Bank redeemed $0.95 billion in Trust Preferred Securities 2006 (TPS06).

Leverage Ratio

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of exposures, was 4.9% at 31 March 2016 on an APRA basis and 5.5% on an internationally comparable basis.

Summary Group Capital Adequacy Ratios (Level 2)	31 Mar 16 %	31 Dec 15 %
Common Equity Tier 1	**10. 0**	10. 2
Tier 1	**11. 9**	12. 2
Tier 2	**1. 8**	1. 9
Total Capital (APRA)	**13. 7**	14. 1
Common Equity Tier 1 (Internationally Comparable) (1)	**13. 9**	14. 3

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

2. Risk Weighted Assets

RWA are calculated in accordance with the AIRB approach for the majority of the Group's credit risk exposures.

Internal assessment and supervisory formula approaches are used where relevant for non-rated securitisation exposures and the ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI).

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

	Risk Weighted Assets		Change in RWA for March 2016 quarter	
	31 Mar 16	31 Dec 15		
Asset Category	$M	$M	$M	%
Credit Risk				
Subject to advanced IRB approach				
Corporate	**68,517**	69,392	(875)	(1. 3)
SME corporate	**25,668**	25,066	602	2. 4
SME retail	**4,954**	5,328	(374)	(7. 0)
SME retail secured by residential mortgage	**2,500**	2,670	(170)	(6. 4)
Sovereign	**6,456**	6,147	309	5. 0
Bank	**11,655**	12,581	(926)	(7. 4)
Residential mortgage	**76,295**	75,010	1,285	1. 7
Qualifying revolving retail	**9,609**	9,306	303	3. 3
Other retail	**14,193**	14,249	(56)	(0. 4)
Impact of the regulatory scaling factor (1)	**13,191**	13,185	6	0. 0
Total RWA subject to advanced IRB approach	**233,038**	232,934	104	0. 0
Specialised lending	**56,280**	54,885	1,395	2. 5
Subject to standardised approach				
Corporate	**11,064**	10,284	780	7. 6
SME corporate	**4,187**	4,571	(384)	(8. 4)
SME retail	**6,148**	6,093	55	0. 9
Sovereign	**198**	206	(8)	(3. 9)
Bank	**236**	236	-	-
Residential mortgage	**7,145**	7,044	101	1. 4
Other retail	**2,725**	2,744	(19)	(0. 7)
Other assets	**5,237**	5,811	(574)	(9. 9)
Total RWA subject to standardised approach	**36,940**	36,989	(49)	(0. 1)
Securitisation	**1,507**	1,567	(60)	(3. 8)
Credit valuation adjustment	**7,378**	7,686	(308)	(4. 0)
Central counterparties	**1,329**	896	433	48. 3
Total RWA for credit risk exposures	**336,472**	334,957	1,515	0. 5
Traded market risk	**9,165**	7,451	1,714	23. 0
Interest rate risk in the banking book	**15,619**	17,511	(1,892)	(10. 8)
Operational risk	**33,750**	32,743	1,007	3. 1
Total risk weighted assets	**395,006**	392,662	2,344	0. 6

(1) APRA requires RWA amounts derived from IRB risk weight functions to be multiplied by a scaling factor of 1.06.

Risk Weighted Assets

Total RWA increased by $2.3 billion or 0.6% on the prior quarter to $395.0 billion.

Credit Risk Exposure and RWA

Credit risk RWA increased $1.5 billion or 0.5% on the prior quarter to $336.5 billion, mainly due to:

- Growth in Retail, Specialised Lending, Central Counterparty and Sovereign exposures;
- Refresh of retail residential mortgage credit risk estimates; and
- Modest deterioration in credit quality across Retail and a small number of Corporate exposures.

This increase was partly offset by an appreciation of the Australian dollar.

Traded Market Risk RWA

Traded market risk RWA increased by $1.7 billion or 23.0%. This was driven by internal model measured interest rate exposures.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA decreased by $1.9 billion or 10.8%. This is the result of lower interest rate volatility and the increased offset from embedded gains due to lower long term interest rates.

Operational Risk RWA

Operational Risk RWA increased by $1.0 billion or 3.1% during the quarter as a result of changes in the regulatory minimum threshold.

3. Credit Risk

3.1 Credit Risk Exposures

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

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

	31 March 2016						
		Off balance sheet			Average		
	On balance sheet	Non-market related	Market related	Total	exposure for March 2016 quarter [1]	Change in exposure for March 2016 quarter [2]	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	64,120	45,064	7,133	**116,317**	119,058	(5,482)	(4. 5)
SME corporate	35,077	7,320	709	**43,106**	41,579	3,054	7. 6
SME retail	7,244	3,303	208	**10,755**	10,849	(188)	(1. 7)
SME retail secured by residential mortgage	4,424	1,122	-	**5,546**	5,675	(258)	(4. 4)
Sovereign	85,210	1,301	2,705	**89,216**	83,639	11,154	14. 3
Bank	28,113	2,238	10,078	**40,429**	41,236	(1,613)	(3. 8)
Residential mortgage	433,162	71,998	-	**505,160**	503,048	4,224	0. 8
Qualifying revolving retail	9,992	17,243	-	**27,235**	27,232	6	0. 0
Other retail	7,894	3,022	-	**10,916**	10,956	(80)	(0. 7)
Total advanced IRB approach	675,236	152,611	20,833	**848,680**	843,272	10,817	1. 3
Specialised lending	50,608	13,750	1,828	**66,186**	65,634	1,102	1. 7
Subject to standardised approach							
Corporate	9,097	1,926	67	**11,090**	10,734	713	6. 9
SME corporate	3,776	356	19	**4,151**	4,343	(384)	(8. 5)
SME retail	5,288	833	26	**6,147**	6,119	56	0. 9
Sovereign	401	7	-	**408**	418	(20)	(4. 7)
Bank	723	3	-	**726**	743	(33)	(4. 3)
Residential mortgage	11,151	1,933	20	**13,104**	12,923	361	2. 8
Other retail	2,633	80	-	**2,713**	2,723	(19)	(0. 7)
Other assets	10,277	-	-	**10,277**	10,790	(1,027)	(9. 1)
Central counterparties	-	-	4,926	**4,926**	4,714	424	9. 4
Total standardised approach	43,346	5,138	5,058	**53,542**	53,507	71	0. 1
Total credit exposures [3]	769,190	171,499	27,719	**968,408**	962,413	11,990	1. 3

(1) The simple average of exposures as at 31 March 2016 and 31 December 2015.
(2) The difference between exposures as at 31 March 2016 and 31 December 2015.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Credit Risk Exposures (continued)

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

	31 December 2015						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2015 quarter [1] $M	Change in exposure for December 2015 quarter [2] $M	%
Subject to advanced IRB approach							
Corporate	66,654	48,033	7,112	121,799	120,107	3,384	2. 9
SME corporate	33,208	6,565	279	40,052	40,578	(1,051)	(2. 6)
SME retail	7,400	3,305	238	10,943	10,785	315	3. 0
SME retail secured by residential mortgage	4,537	1,267	-	5,804	5,910	(212)	(3. 5)
Sovereign	74,277	1,124	2,661	78,062	78,411	(698)	(0. 9)
Bank	27,691	2,444	11,907	42,042	47,130	(10,176)	(19. 5)
Residential mortgage	429,051	71,885	-	500,936	497,116	7,640	1. 5
Qualifying revolving retail	9,945	17,284	-	27,229	27,171	116	0. 4
Other retail	7,937	3,059	-	10,996	10,916	160	1. 5
Total advanced IRB approach	660,700	154,966	22,197	837,863	838,124	(522)	(0. 1)
Specialised lending	49,399	14,036	1,649	65,084	64,530	1,109	1. 7
Subject to standardised approach							
Corporate	8,646	1,651	80	10,377	10,431	(108)	(1. 0)
SME corporate	4,129	385	21	4,535	4,890	(710)	(13. 5)
SME retail	5,289	774	28	6,091	6,067	48	0. 8
Sovereign	421	7	-	428	438	(19)	(4. 3)
Bank	758	1	-	759	693	133	21. 2
Residential mortgage	10,835	1,890	18	12,743	12,544	398	3. 2
Other retail	2,643	88	1	2,732	2,709	45	1. 7
Other assets	11,304	-	-	11,304	11,393	(178)	(1. 6)
Central counterparties	-	-	4,502	4,502	4,152	700	18. 4
Total standardised approach	44,025	4,796	4,650	53,471	53,317	309	0.6
Total credit exposures [3]	754,124	173,798	28,496	956,418	955,971	896	0.1

(1) The simple average of exposures as at 31 December 2015 and 30 September 2015.
(2) The difference between exposures as at 31 December 2015 and 30 September 2015.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

3.2 Past Due and Impaired Exposures, Provisions and Reserves

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

	31 March 2016		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,696	164	**2,860**
Individual provisions [2]	-	1,013	**1,013**
Total provisions	2,696	1,177	**3,873**
Additional GRCL requirement [3]	372	-	**372**
Total regulatory provisions	3,068	1,177	**4,245**

(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 $372 million in order to maintain the required minimum GRCL.

	31 December 2015		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,656	145	2,801
Individual provisions [2]	-	909	909
Total provisions	2,656	1,054	3,710
Additional GRCL requirement [3]	386	-	386
Total regulatory provisions	3,042	1,054	4,096

(1) Provisions classified according to APS 220 “Credit Quality”.
(2) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $386 million in order to maintain the required minimum GRCL.

Past Due and Impaired Exposures, Provisions and Reserves (continued)

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

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

	As at 31 March 2016			Quarter ended 31 March 2016	
Portfolio	Impaired assets $M	Past due loans **≥ 90 days** $M	Specific provision balance (1) $M	Net charges for individual provisions $M	Actual losses (2) $M
Corporate including SME, specialised lending and central counterparties	1,734	459	815	161	100
Sovereign	-	-	-	-	-
Bank	10	-	13	4	-
Residential mortgage	1,003	1,779	201	31	17
Qualifying revolving retail	109	-	68	-	62
Other retail	151	28	80	-	95
Total	3,007	2,266	1,177	196	274

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.

(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 31 March 2016.

	As at 31 December 2015			Quarter ended 31 December 2015	
Portfolio	Impaired assets $M	Past due loans **≥ 90 days** $M	Specific provision balance (1) $M	Net charges for individual provisions $M	Actual losses (2) $M
Corporate including SME, specialised lending and central counterparties	1,541	431	731	142	56
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Residential mortgage	984	1,587	180	23	34
Qualifying revolving retail	103	-	59	-	64
Other retail	150	27	74	-	91
Total	2,788	2,045	1,054	165	245

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.

(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 31 December 2015.

3.3 Securitisation

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

Underlying Asset Type	For the 3 months to 31 March 2016 Total exposures securitised $M	 Recognised gain or loss on sale $M
Residential mortgage	1,694	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	1,694	-

Underlying Asset Type	For the 3 months to 31 December 2015 Total exposures securitised $M	 Recognised gain or loss on sale $M
Residential mortgage	204	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	204	-

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

Securitisation Facility Type	As at 31 March 2016 On Balance Sheet $M	 Off Balance Sheet $M	 Total exposures $M
Liquidity support facilities	-	112	112
Warehouse facilities	3,703	1,768	5,471
Derivative facilities	29	13	42
Holdings of securities	8,017	-	8,017
Other	-	-	-
Total securitisation exposures	11,749	1,893	13,642

Securitisation Facility Type	As at 31 December 2015 On Balance Sheet $M	 Off Balance Sheet $M	 Total exposures $M
Liquidity support facilities	-	119	119
Warehouse facilities	4,018	1,456	5,474
Derivative facilities	26	10	36
Holdings of securities	8,607	-	8,607
Other	-	-	-
Total securitisation exposures	12,651	1,585	14,236

4. Leverage Ratio

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures, was 4.9% at 31 March 2016 on an APRA basis and 5.5% on an internationally comparable basis. The decrease in the ratios in the March 2016 quarter reflected the impact of the increase in total exposures and the 2016 interim dividend (net of DRP), partially offset by capital generated from earnings.

The Basel Committee on Banking Supervision (BCBS) has initially advised that the leverage ratio will migrate to a Pillar 1 minimum capital requirement from 1 January 2018. The BCBS will confirm the final calibration in 2017.

Summary Group Leverage Ratio	31 Mar 16	31 Dec 15	30 Sept 15
Tier 1 Capital ($M)	**46,991**	47,972	45,341
Total Exposures ($M) (1)	**959,856**	952,969	959,272
Leverage Ratio (APRA) (%)	**4.9**	5. 0	4. 7
Leverage Ratio (Internationally Comparable) (%) (2)	**5.5**	5. 6	5. 3

(1) Total exposures is the sum of on Balance Sheet exposures, derivatives, securities financing transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 "Capital Adequacy".

(2) The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study" and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

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 web site.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the Reserve Bank of New Zealand.
Bank	Basel asset class – includes claims on ADIs and overseas banks.
Basel II	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
Basel III	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012).
CBA	Commonwealth Bank of Australia – the head entity of the Group.
Central counterparty (CCP)	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
Committed Liquidity Facility (CLF)	The Reserve Bank of Australia (RBA) provides the CLF to participating ADIs under the LCR, as a shortfall in Commonwealth government and Semi-government securities exists in Australia. ADIs can draw under the CLF in a liquidity crisis against qualifying securities pledged to the RBA. The amount of the CLF for each ADI is set by APRA annually.
Common Equity Tier 1 (CET1) Capital	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement").
Corporate	Basel asset class – includes commercial credit risk where annual revenues exceed $50 million.
Credit Valuation Adjustment (CVA) Risk	The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty.

Term	Definition
Exposure at Default (EAD)	The extent to which a bank may be exposed upon default of an obligor.
External Credit Assessment Institution (ECAI)	For example Moody's, Standard & Poor's or Fitch.
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.
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.
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.

Glossary

Term	Definition
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).
Stress VAR	Stressed Value at Risk uses the same methodology as Value at Risk (VaR) except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
Tier 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.