May 16, 2018

Commonwealth Bank of Australia

Recent Developments

The information set forth below is not complete and should be read in conjunction with the information contained on the "US Investors – Supplemental Information" page of the U.S. covered bonds investor website of the Commonwealth Bank of Australia ("CBA" or the "Group") at http://www.commbank.com.au/about-us/shareholders/us-investors/supplemental-information.html *(the "U.S. Investor Website"). This "Recent Developments" release supplements and, to the extent inconsistent with any information previously included on the U.S. Investor Website, amends and supersedes such information.*

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's U.S. Half-Year Disclosure Document for the half-year ended December 31, 2017 included on the U.S. Investor Website (the "2018 U.S. Half-Year Disclosure Document").

References to "$" are to Australian Dollars.

Trading Update for the Quarter Ended March 31, 2018

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

Unless otherwise noted, all financial results are presented on a "continuing operations" basis, which excludes results from the Group's life insurance businesses in Australia and New Zealand ("discontinued operations") that are in the process of being sold to AIA Group Limited (the "Life Insurance Divestment"). For more details on the Life Insurance Divestment, refer to the 2018 U.S. Half-Year Disclosure Document and the Commonwealth Bank of Australia Recent Developments, dated October 4, 2017, each of which is available on the U.S. Investor Website.

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

Summary

On May 9, 2018, the Group advised that its unaudited net profit after tax ("statutory basis") was $2.30 billion for the quarter ended March 31, 2018 (the "quarter"). Unaudited net profit after tax ("cash basis")[1] for the quarter was $2.35 billion. The Group's Common Equity Tier 1 ("CET1") capital ratio was 10.1% calculated using the methodology accepted by the Australian Prudential Regulatory Authority ("APRA"), the Group's primary regulator, as at March 31, 2018, an increase of 37 basis points since December 31, 2017 after allowing for the impact of the 2018 interim dividend.

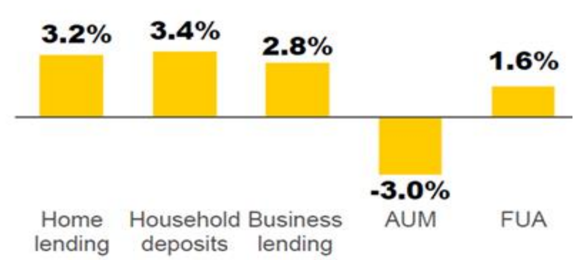
During the quarter, underlying[2] operating income decreased by 4%, driven by two fewer days in the quarter and lower other banking income. Excluding the impact of two fewer days in the quarter (approximately $100 million), net interest income was broadly flat. Volume growth was offset by a slight decline in Group Net Interest Margin compared to the six months ended December 31, 2017**,** due to customers switching from interest only to principal and interest home loans, as well as higher basis risk. The decrease in other banking income was driven by lower treasury and trading performance, and seasonally lower card fee income. Underlying[2] operating expenses increased 3% in the quarter, driven by increased provisions for regulatory and compliance project spend. Refer to Annex A for a reconciliation between reported and underlying operating income and operating expense.

Loan Impairment Expense ("LIE")[3] of $261 million for the quarter equated to 14 basis points of Gross Loans and Acceptances ("GLAA"), compared to 16 basis points for the six months ended December 31, 2017. The Group continued to strengthen its balance sheet during the quarter, with the Group increasing its long-term wholesale funding portfolio tenor to 5.1 years at period end.

Key Financials
Approximate

3Q18	vs 1H18 Quarterly Average Reported	vs 1H18 Quarterly Average Underlying
Operating Income	(4%)	(4%)
Operating Expense	(3%)	+3%
Operating Performance	(4%)	(9%)
LIE	(12%)	(12%)
Net profit after tax ("cash basis")	**(2%)**	**(9%)**

Key Volumes
March 2018 vs December 2017
(quarter annualised, except where noted)

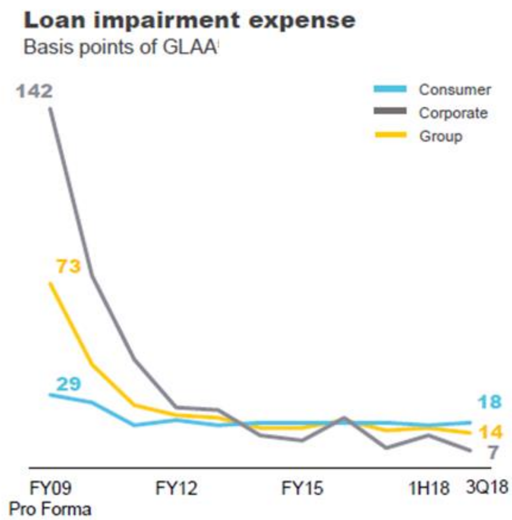


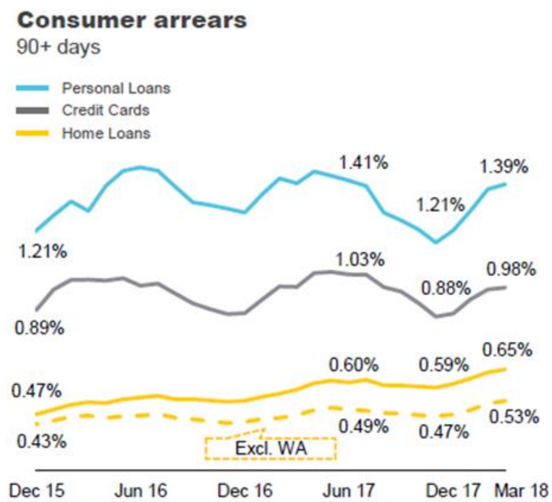
Note: Operating performance is operating income less operating expenses. In order to present an underlying view of the Group's results, the impact of consolidated and equity accounted profits of AHL Holdings Pty Ltd (trading as Aussie Home Loans) has been excluded and results for the six months ended December 31, 2017 have been adjusted to exclude a $375 million expense provision which represents what the Group believes to be a reliable estimate of the level of the civil penalty that the Federal Court of Australia may impose in connection with the AUSTRAC Proceedings. The sources for the Home Lending, Household Deposits and Business Lending figures are the APRA Monthly Banking Statistics (Historical series) and Reserve Bank of Australia Financial Aggregates. Home Lending includes CBA subsidiaries, Homepath P/L, Residential Mortgage Group P/L and Wallaby Trust. Business lending (excluding cash management pooling facilities) represents drawn balances and includes specific "business lending" categories in the following lodged APRA returns: ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills, excluding sub-categories of Banks, Authorised Deposit-taking Institutions, Registered Financial Corporations and Governments. "AUM" stands for Assets Under Management and "FUA" stands for Funds Under Administration. AUM and FUA figures are not annualized. Volume growth comparisons for AUM and FUA are compared to average AUM and FUA for the quarter ended December 31, 2017.

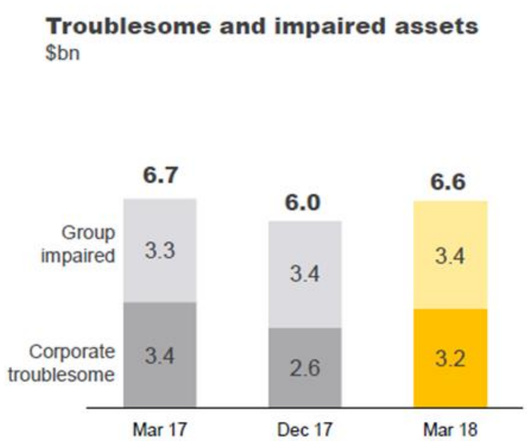
Key outcomes for the quarter are summarized below.

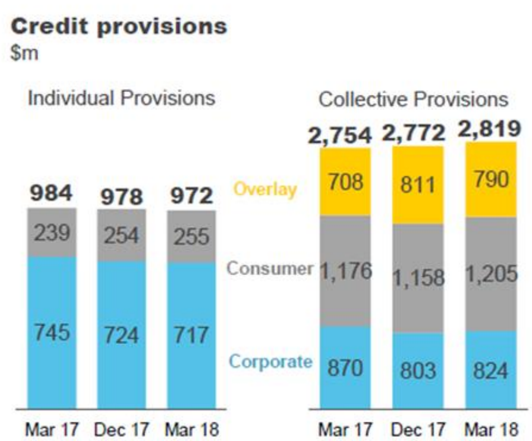
Credit Quality

- Consumer arrears were seasonally higher in the quarter.
- There was an increase in home loan arrears during the quarter, which was driven by a small number of customers experiencing difficulties with rising essential costs and limited income growth.
- Troublesome and impaired assets increased to $6.6 billion during the quarter. A small number of credits drove the increase in troublesome exposures over the quarter, while impaired assets remained stable.
- Total credit provisions were $3.8 billion as at March 31, 2018, broadly in line with total credit provisions of $3.8 billion at December 31, 2017.





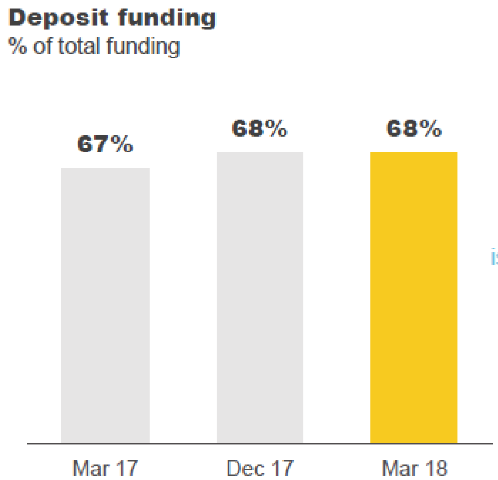


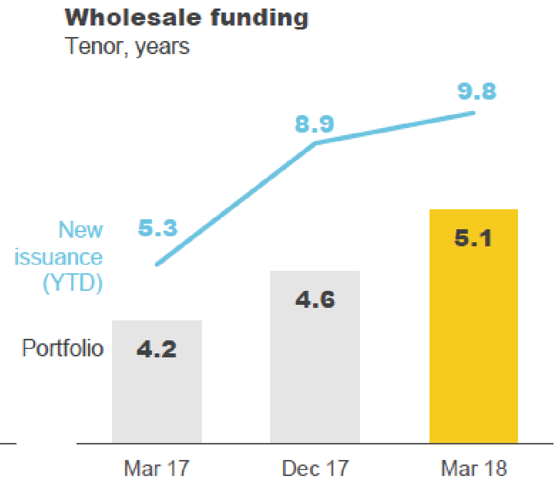


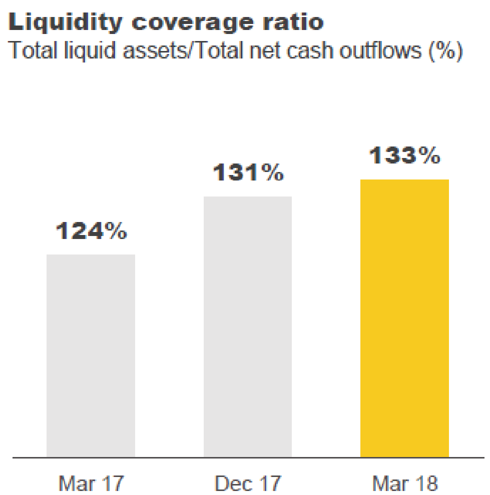
Note: Figures for the fiscal year ended June 30, 2009 in the "Loan impairment expense" chart above include Bankwest on a pro forma basis and are based on LIE for that same year. Statutory LIE for the year ended June 30, 2010 was 48 basis points and statutory LIE for the year ended June 30, 2013 was 21 basis points. Consumer arrears includes retail portfolios of Retail Banking Services, Business and Private Banking, Bankwest and New Zealand. Consumer arrears for home loans are also presented excluding the Western Australia housing portfolio (Excl. WA).

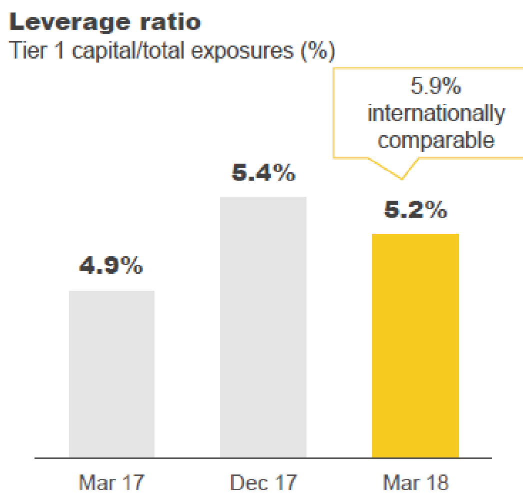
Balance Sheet

- As at March 31, 2018, deposits comprised 68% of the Group's funding and the average tenor of the long-term wholesale funding portfolio was 5.1 years. The Group issued $10.2 billion of long term funding in the quarter.
- As at March 31, 2018, the Net Stable Funding Ratio was 111%, up from 110% at December 31, 2017.
- The Liquidity Coverage Ratio increased to 133% as at March 31, 2018, driven by higher liquid assets, which increased approximately $5 billion in the quarter to $144 billion (spot balance as at March 31, 2018).
- The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures, was 5.2% on an APRA basis as at March 31, 2018, a decrease of 20 basis points compared to December 31, 2017, primarily reflecting the impact of the 2018 interim dividend. The Group's Leverage Ratio as at March 31, 2018 was 5.9% on an internationally comparable basis[4].

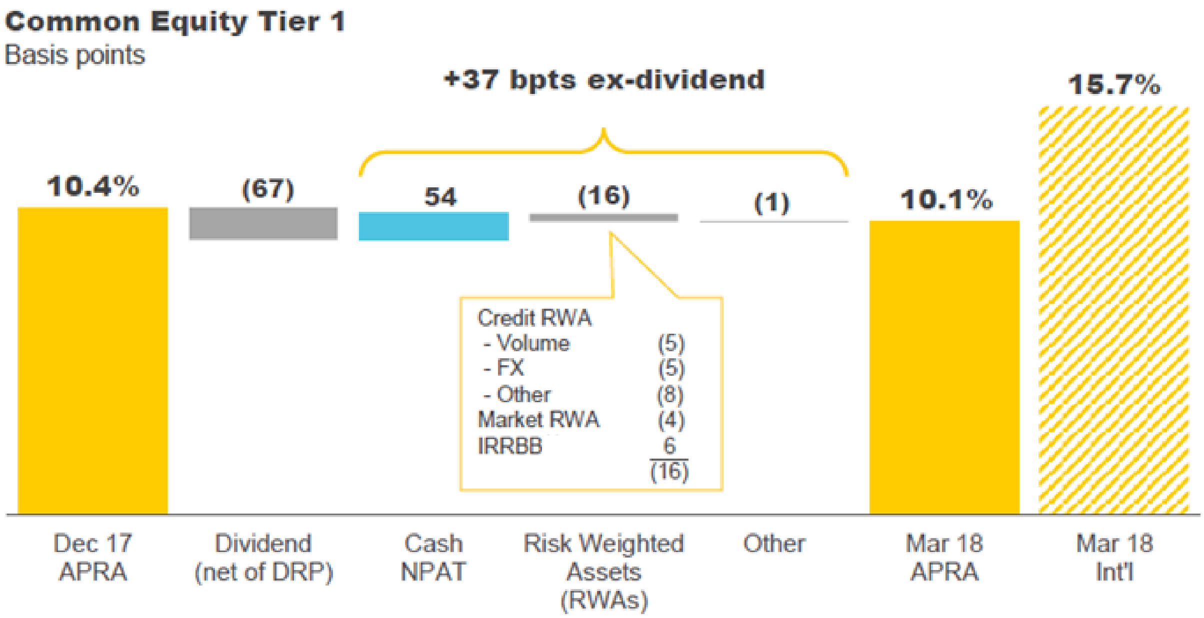








Capital



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

- The Group's CET1 ratio, calculated using the methodology accepted by APRA, was 10.1% as at March 31, 2018. After allowing for the impact of the 2018 interim dividend (which included the issuance of shares in respect of the Group's Dividend Reinvestment Plan), the Group's CET1 ratio increased 37 basis points in the quarter. This increase was driven by capital generated from earnings, partially offset by higher Total Risk Weighted Assets.
- Credit Risk Weighted Assets (RWAs) were higher in the quarter, decreasing the Group's CET1 ratio by 18 basis points, reflecting a combination of volume and foreign exchange movements, credit quality and regulatory changes.
- The final tranche of outstanding Colonial debt ($315 million) is due to mature during the quarter ended June 30, 2018 and the payment is expected to decrease the Group's CET1 ratio by seven basis points.
- The Group expects to adopt AASB 9 on July 1, 2018. The impact of this adoption will be recognized in opening retained earnings. The Group's estimate of the pro forma impact of AASB 9 as at January 1, 2018 is an increase in collective provisions of approximately $1,050 million (before tax) and a reduction in the CET1 ratio of approximately 26 basis points. This reflects the revised treatment of the General Reserve for Credit Losses as advised by APRA. For more details on the implementation of AASB 9, refer to Note 1.1 of the Group's financial statements included in the 2018 U.S. Half-Year Disclosure Document.
- On May 1, 2018, APRA released the findings of its Prudential Inquiry into the Group. APRA requires the Group to increase Operational Risk regulatory capital by $1 billion (representing an increase of Total Risk Weighted Assets of $12.5 billion). This adjustment became effective on April 30, 2018, which was the date the Group entered

into the APRA Enforceable Undertaking (as defined below) with APRA which states that the Group may apply for the removal of the adjustment only on meeting certain conditions. The pro forma impact on the CET1 ratio of APRA's decision as at March 31, 2018 is a decrease of 27 basis points to 9.8%. For more details on the Prudential Inquiry and the APRA Enforceable Undertaking, refer to "CBA to Implement All Recommendations of APRA's Prudential Inquiry and Enters into APRA Enforceable Undertaking" below and the 2018 U.S. Half-Year Disclosure Document.

- The Life Insurance Divestment is expected to be completed in the six months ended December 31, 2018 (subject to regulatory approvals) and is expected to increase the Group's CET1 ratio by approximately 70 basis points.

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2018

On May 9, 2018, the Group released its Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2018. That release is attached as Annex B hereto.

CBA to Implement All Recommendations of APRA's Prudential Inquiry and Enters into APRA Enforceable Undertaking

On May 1, 2018, the Group confirmed it will implement all of the recommendations contained in the Report of the Prudential Inquiry released that day by APRA (the "APRA Report"). An overview of those recommendations is set forth below, with the "APRA Levers of Change" coming directly from the APRA Report.

APRA Prudential Inquiry into CBA: Overview of Recommendations and CBA Change Priorities

APRA Levers of Change	CBA Change Priorities
• More rigorous Board, Executive Committee level governance of non-financial risks. • Development of exacting accountability standards reinforced by remuneration practices. • Undertaking a substantial upgrading of authority and capability of the operational risk management and compliance functions. • Injection into CBA's DNA of the "should we" question in relation to all dealings with and decisions on customers. • Cultural change that moves the dial from reactive and complacent to empowered, challenging, striving for best practice in risk identification and remediation.	• Strengthening the governance and management of non-financial risks at the Board and executive level. • Changes to remuneration policies and practices to ensure greater accountability for risk, compliance and customer outcomes. • Strengthening capability in operational risk and compliance throughout the Group supported by positive, transparent regulatory relationships. • Renewed focus on listening to customers and improved systems and procedures for reporting and resolving customer complaints. • Empowering staff with the tools and processes they need to manage risk better including embedding three lines of accountability as a consistent operating model.

In response to the APRA Report, CBA has also entered into an Enforceable Undertaking with APRA (the "APRA Enforceable Undertaking"). The key terms of the APRA Enforceable Undertaking include:

1. **Remedial Action Plan**

   - Establishing an APRA-agreed remedial action plan within 60 days with clear and measurable responses to each of the APRA Report's recommendations supported by a timeline and executive accountabilities for completing each remedial action.

- Appointing an independent reviewer, approved by APRA, to report to APRA every three months, commencing September 30, 2018, on compliance with the APRA Enforceable Undertaking and on those items in the remedial action plan that CBA considers are nearing completion.

2. Remuneration

- Reporting to APRA by June 30, 2018 on how the findings of the APRA Report have been reflected in remuneration outcomes for current and past executives.
- Ensuring accountability for completing items in the remedial action plan is given significant weight in the performance scorecards of the senior executive team and other staff as relevant.

3. APRA Capital Adjustment

- APRA will apply a capital adjustment to CBA's minimum capital requirement by adding $1 billion to CBA's operational risk capital requirement (the "APRA Capital Adjustment"). The effect of this adjustment equates to 27 basis points of CET1 capital and reduces CBA's pro forma CET1 ratio as at March 31, 2018 from 10.1% to 9.8%. See Annex C for further details regarding the impact of the APRA Capital Adjustment.

- CBA may apply for removal of all or part of the APRA Capital Adjustment when it believes it can demonstrate compliance, to APRA's satisfaction, with the APRA Enforceable Undertaking and commitments in the remedial action plan.

In early July, subject to finalization with APRA, CBA expects to provide a public update on its agreed remediation plan. CBA expects to disclose an estimate of the expected financial cost of this program for the 2019 financial year as part of its U.S. Annual Disclosure Document for the year ended June 30, 2018. In addition, CBA expects to report on its progress in addressing the recommendations of the APRA Report. The form of this public reporting is subject to agreement with APRA.

Fitch Ratings Affirms CBA's Ratings, Revises Outlook

On May 7, 2018 CBA noted that day's announcement by Fitch Ratings ("Fitch") on the credit ratings of CBA. Fitch affirmed CBA's long-term issuer default rating ("IDR") at AA- and revised its outlook of the same from stable to negative. CBA's short-term rating of F1+ remained unchanged.

The affirmation of CBA's ratings reflects Fitch's expectation that CBA will maintain its franchise and financial profile despite the findings of the APRA Prudential Inquiry into CBA.

The long-term IDR outlook was revised to negative to reflect CBA's risks in remediating shortcomings in operational risk controls and governance. Fitch noted that the outlook may be returned to stable if CBA can strengthen its risk framework and controls in line with regulatory requirements and international best practices.

The long-term IDR and outlook for CBA's New Zealand subsidiary, ASB Bank Limited, are aligned with those of CBA.

The credit ratings assigned to CBA by other ratings agencies remain unchanged. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Ratings should be evaluated independently of any other information.

CBA and ASIC Agree In-Principle Settlement over BBSW

On Wednesday, May 9, 2018, CBA announced it has reached an in-principle agreement with the Australian Securities and Investments Commission ("ASIC") to settle the legal proceedings (the "ASIC Legal Proceedings") in relation to claims of manipulation by CBA of the Bank Bill Swap Rate ("BBSW"). For more information on the ASIC Legal Proceedings, refer to the 2018 U.S. Half-Year Disclosure Document.

As part of the in-principle settlement, CBA will acknowledge that, in the course of trading on the BBSW market in Australia on five occasions between February and June 2012, CBA attempted to engage in unconscionable conduct in breach of the Australian Securities and Investments Commission Act 2001. CBA will also acknowledge that it did not have adequate policies and systems in place to monitor the trading and communications of its staff in order to prevent that conduct from occurring.

Subject to approval of the settlement by the Federal Court of Australia, CBA has agreed to pay a $5 million penalty to ASIC, $15 million to a financial consumer protection fund and $5 million towards ASIC's costs of the litigation and its investigation. The impact of this settlement will be reflected in CBA's results for the financial year ended June 30, 2018.

CBA has also agreed to enter into an enforceable undertaking with ASIC, under which an independent expert will be appointed to review controls, policies, training and monitoring in relation to its BBSW business.

CBA and ASIC will make an application to the Federal Court of Australia for approval of the settlement.

Alan Docherty Appointed Acting Chief Financial Officer Following Resignation of Rob Jesudason

On Monday, May 14, 2018, CBA announced the appointment of Alan Docherty as Acting Chief Financial Officer with immediate effect following the resignation of Rob Jesudason.

Mr. Docherty had been the Chief Financial Officer Institutional Banking and Markets. Since joining CBA in 2003, he has held senior finance roles in Group Finance, Group Treasury and the Business and Private Bank. Previously, he worked in PwC's Financial Services practice in the United Kingdom, and with Arthur Andersen and Ernst & Young in Sydney.

Endnotes

1. Except as expressly noted, this update is based on the Group's net profit after tax ("cash basis"), which is prepared on a different basis than Australian equivalents to International Financial Reporting Standards ("IFRS"). Net profit after tax ("cash basis") is used by management of the Group to present a view of the Group's underlying operating results, excluding items that management believes introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility and gains or losses on disposal and acquisition of entities net of transaction costs, are calculated consistently period on period and do not discriminate between positive and negative adjustments. The difference between unaudited net profit after tax ("statutory basis") and unaudited net profit after tax ("cash basis") in the quarter was mainly driven by losses on foreign exchange hedges relating to future New Zealand earnings.

2. In order to present an underlying view of the Group's results, the impact of consolidation and equity accounted profits of AHL Holdings Pty Ltd (trading as Aussie Home Loans) has been excluded and results for the six months ended December 31, 2017 have been adjusted to exclude a $375 million expense provision which represents what the Group believes to be a reliable estimate of the level of the civil penalty that the Federal Court of Australia may impose in connection with the proceedings filed by the Australian Transaction Reports and Analysis Centre in the Federal Court of Australia on August 3, 2017 (the "AUSTRAC Proceedings"). For more details on the AUSTRAC Proceedings, refer to the Commonwealth Bank of Australia Recent Developments, dated April 3, 2018, the 2018 U.S. Half-Year Disclosure Document, the Commonwealth Bank of Australia Recent Developments, dated December 27, 2017, the Commonwealth Bank of Australia Recent Developments, dated November 22, 2017, and the Group's U.S. Annual Disclosure Document for the year ended June 30, 2017, each of which is available on the U.S. Investor Website.

3. Loan impairment expense calculated as a percentage of average Gross Loans and Acceptances ("GLAA") and expressed in basis points.

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

Annex A

Reconciliation between Reported and Underlying Operating Income and Operating Expense

		1H18	1H18 Qtr Avg	Approximate Movement 3Q18 vs 1H18 Qtr Avg
Operating income		$m	$m	
	Reported	13,122	6,561	(4%)
	Visa share sale	-	-	
	AHL	*(94)*	*(47)*	
	Underlying	**13,028**	**6,514**	**(4%)**
Operating expense				
	Reported	5,764	2,882	(3%)
	Accelerated amortisation	-	-	
	AHL	*(71)*	*(35)*	
	AUSTRAC	*(375)*	*(188)*	
	Underlying	**5,318**	**2,659**	**3%**
LIE		**596**	**298**	**(12%)**
Net profit after tax (“cash basis”) (incl AUSTRAC in 1H18)		4,735	2,368	(2%)
Net profit after tax (“cash basis”) (excl AUSTRAC in 1H18)		**5,110**	**2,555**	**(9%)**

Note: Net profit after tax (“cash basis”) is presented both including and excluding the $375 million expense provision which represents what the Group believes to be a reliable estimate of the level of the civil penalty that the Federal Court of Australia may impose in connection with the AUSTRAC Proceedings.

Annex B

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2018

Basel III
Pillar 3

Capital Adequacy and Risks Disclosures as at 31 March 2018

CommonwealthBank

Commonwealth Bank of Australia | ACN 123 123 124 | 9 May 2018

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Table of Contents

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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 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.

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 2017 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 10.1% at 31 March 2018, compared to 10.4% at 31 December 2017.

After allowing for the impact of the 2018 interim dividend (which included the issuance of shares in respect of the Dividend Reinvestment Plan (DRP)), the CET1 (APRA) ratio increased 37 basis points in the quarter. This was primarily driven by capital generated from earnings, partly offset by higher risk weighted assets (RWA).

The Group's Basel III internationally comparable CET1 ratio as at 31 March 2018 was 15.7%, compared to 16.3% at 31 December 2017. 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:

Common Equity Tier 1 Capital

- The DRP in respect of the 2018 interim dividend was satisfied by the allocation of approximately $536 million of ordinary shares, representing a participation rate of 15.3%.

Tier 2 Capital

- In January 2018, the Group issued a USD1.25 billion subordinated note that is Basel III compliant Tier 2 capital.

Subsequent to the period end, in April 2018, the Bank issued $1.365 billion of CommBank PERLS X Capital Notes (PERLS X), a Basel III compliant Additional Tier 1 security. This will add approximately 30 basis points in Additional Tier 1 capital, over and above the 31 March 2018 reported level.

Leverage Ratio

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of exposures, was 5.2% at 31 March 2018 (31 December 2017: 5.4%) on an APRA basis and 5.9% (31 December 2017: 6.1%) on an internationally comparable basis.

APRA's Prudential Inquiry

On 1 May 2018, APRA released the findings of the Prudential Inquiry into CBA. APRA requires CBA to increase Operational Risk regulatory capital by $1 billion (RWA of $12.5 billion). This adjustment is effective 30 April 2018, being the date the Group entered into an Enforceable Undertaking with APRA which states that CBA may apply for the removal of the adjustment only on meeting certain conditions. The pro-forma impact on the CET1 ratio as at 31 March 2018 is a decrease of 27 basis points, to 9.8%.

Summary Group Capital Adequacy Ratios (Level 2)	31 Mar 18 %	31 Dec 17 %
Common Equity Tier 1	**10. 1**	10. 4
Tier 1	**12. 0**	12. 4
Tier 2	**2. 8**	2. 4
Total Capital (APRA)	**14. 8**	14. 8
Common Equity Tier 1 (Internationally Comparable) (1)	**15. 7**	16. 3

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

2. Risk Weighted Assets

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

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

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

	Risk Weighted Assets		Change in RWA for March 2018 quarter	
	31 Mar 18	31 Dec 17		
Asset Category	**$M**	**$M**	**$M**	**%**
Credit Risk				
Subject to AIRB approach [(1)]				
Corporate	**69,209**	69,252	(43)	(0. 1)
SME corporate	**34,606**	33,521	1,085	3. 2
SME retail	**4,620**	4,675	(55)	(1. 2)
SME retail secured by residential mortgage	**2,523**	2,534	(11)	(0. 4)
Sovereign	**2,264**	2,186	78	3. 6
Bank	**11,672**	10,780	892	8. 3
Residential mortgage	**137,603**	136,047	1,556	1. 1
Qualifying revolving retail	**9,786**	8,524	1,262	14. 8
Other retail	**15,763**	15,413	350	2. 3
Total RWA subject to AIRB approach	**288,046**	282,932	5,114	1. 8
Specialised lending	**56,504**	56,183	321	0. 6
Subject to standardised approach				
Corporate	**1,481**	1,250	231	18. 5
SME corporate	**299**	279	20	7. 2
SME retail	**5,799**	5,701	98	1. 7
Sovereign	**211**	189	22	11. 6
Bank	**64**	63	1	1. 6
Residential mortgage	**5,541**	5,404	137	2. 5
Other retail	**1,533**	2,717	(1,184)	(43. 6)
Other assets	**6,719**	5,323	1,396	26. 2
Total RWA subject to standardised approach	**21,647**	20,926	721	3. 4
Securitisation	**2,937**	1,622	1,315	81. 1
Credit valuation adjustment	**4,736**	4,498	238	5. 3
Central counterparties	**975**	824	151	18. 3
Total RWA for credit risk exposures	**374,845**	366,985	7,860	2. 1
Traded market risk	**6,584**	4,829	1,755	36. 3
Interest rate risk in the banking book	**25,312**	27,944	(2,632)	(9. 4)
Operational risk	**41,138**	41,078	60	0. 1
Total risk weighted assets	**447,879**	440,836	7,043	1. 6

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

Risk Weighted Assets

Total RWA increased by $7.0 billion or 1.6% on the prior quarter to $447.9 billion.

Credit Risk RWA

Credit Risk RWA increased $7.9 billion or 2.1% on the prior quarter to $374.8 billion, mainly due to:

- Higher residential mortgages, liquid assets as well as trades settling across the quarter end;
- Foreign currency movements;
- Deterioration in credit quality across some consumer retail portfolios and a small number of large corporate exposures;
- Implementation in January 2018 of revised APRA Securitisation Standard APS 120; and
- Refresh of credit risk estimates across some portfolios.

Traded Market Risk RWA

Traded Market Risk RWA inscreased by $1.8 billion or 36.3%. This was driven by the conservative treatment, under the internal model approach, of some interest rate exposures.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA decreased by $2.6 billion or 9.4%. This was due to an increase in embedded gains as a result of higher domestic short-term and offshore interest rates.

Operational Risk RWA

Operational Risk RWA have remained largely unchanged from the prior quarter.

On 1 May 2018, APRA released the findings of the Prudential Inquiry into CBA. APRA requires CBA to increase Operational Risk regulatory capital by $1 billion (RWA of $12.5 billion). This adjustment is effective 30 April 2018, being the date the Group entered into an Enforceable Undertaking with APRA which states that CBA may apply for the removal of the adjustment only on meeting certain conditions. The pro-forma impact on the CET1 ratio as at 31 March 2018 is a decrease of 27 basis points, to 9.8%.

3. Credit Risk

3.1 Credit Risk Exposures

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

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

	31 March 2018						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for March 2018 quarter (1) $M	Change in exposure for March 2018 quarter (2) $M	%
Subject to AIRB approach							
Corporate	72,349	44,447	7,836	**124,632**	125,221	(1,178)	(0. 9)
SME corporate	47,651	9,646	768	**58,065**	57,275	1,579	2. 8
SME retail	6,980	3,155	-	**10,135**	10,151	(32)	(0. 3)
SME retail secured by residential mortgage	4,158	1,428	-	**5,586**	5,612	(52)	(0. 9)
Sovereign	85,864	1,278	2,092	**89,234**	89,395	(322)	(0. 4)
Bank	31,508	1,339	9,842	**42,689**	40,627	4,124	10. 7
Residential mortgage	483,638	72,251	-	**555,889**	553,717	4,344	0. 8
Qualifying revolving retail	11,044	18,318	-	**29,362**	28,058	2,609	9. 8
Other retail	8,329	3,170	-	**11,499**	11,417	165	1. 5
Total AIRB approach	751,521	155,032	20,538	**927,091**	921,473	11,237	1. 2
Specialised lending	52,712	10,483	629	**63,824**	64,015	(384)	(0. 6)
Subject to standardised approach							
Corporate	1,077	402	73	**1,552**	1,419	267	20. 8
SME corporate	189	87	21	**297**	288	19	6. 8
SME retail	4,801	952	30	**5,783**	5,735	95	1. 7
Sovereign	444	18	-	**462**	431	62	15. 5
Bank	201	-	-	**201**	214	(25)	(11. 1)
Residential mortgage	11,200	1,725	-	**12,925**	12,769	311	2. 5
Other retail	1,441	91	-	**1,532**	2,120	(1,175)	(43. 4)
Other assets	12,478	-	-	**12,478**	11,879	1,198	10. 6
Central counterparties	-	-	6,856	**6,856**	6,199	1,313	23. 7
Total standardised approach	31,831	3,275	6,980	**42,086**	41,054	2,065	5. 2
Total credit exposures (3)	836,064	168,790	28,147	**1,033,001**	1,026,542	12,918	1. 3

(1) The simple average of exposures as at 31 March 2018 and 31 December 2017.
(2) The difference between exposures as at 31 March 2018 and 31 December 2017.
(3) Total credit risk exposures, calculated as Exposure at Default (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 2017						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2017 quarter (1) $M	Change in exposure for December 2017 quarter (2) $M	%
Subject to AIRB approach							
Corporate	72,772	46,163	6,875	125,810	127,411	(3,202)	(2. 5)
SME corporate	46,337	9,551	598	56,486	55,913	1,146	2. 1
SME retail	6,992	3,175	-	10,167	10,182	(30)	(0. 3)
SME retail secured by residential mortgage	4,188	1,450	-	5,638	5,696	(116)	(2. 0)
Sovereign	86,734	1,245	1,577	89,556	86,632	5,847	7. 0
Bank	28,996	1,456	8,113	38,565	40,718	(4,306)	(10. 0)
Residential mortgage	478,121	73,424	-	551,545	550,280	2,529	0. 5
Qualifying revolving retail	9,887	16,866	-	26,753	26,809	(111)	(0. 4)
Other retail	8,260	3,074	-	11,334	11,098	473	4. 4
Total AIRB approach	742,287	156,404	17,163	915,854	914,739	2,230	0. 2
Specialised lending	52,955	10,574	679	64,208	64,366	(315)	(0. 5)
Subject to standardised approach							
Corporate	918	365	2	1,285	1,173	224	21. 1
SME corporate	196	80	2	278	323	(89)	(24. 3)
SME retail	4,687	951	50	5,688	5,822	(269)	(4. 5)
Sovereign	400	-	-	400	446	(92)	(18. 7)
Bank	225	1	-	226	287	(121)	(34. 9)
Residential mortgage	10,865	1,749	-	12,614	12,334	559	4. 6
Other retail	2,618	89	-	2,707	2,799	(183)	(6. 3)
Other assets	11,280	-	-	11,280	10,528	1,504	15. 4
Central counterparties	-	-	5,543	5,543	5,577	(69)	(1. 2)
Total standardised approach	31,189	3,235	5,597	40,021	39,289	1,464	3. 8
Total credit exposures (3)	826,431	170,213	23,439	1,020,083	1,018,394	3,379	0. 3

(1) The simple average of exposures as at 31 December 2017 and 30 September 2017.
(2) The difference between exposures as at 31 December 2017 and 30 September 2017.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

3.2 Past Due and Impaired Exposures, Provisions and Reserves

All provisions for impairment assessed on an individual basis in accordance with the Australian Accounting Standards are classified as specific provisions in accordance with APS 220 "Credit Quality". Most of the collective provisions raised under the Australian Accounting Standards are included in the General Reserve for Credit Losses (GRCL), however, certain collective provisions not eligible for inclusion in the GRCL are classified as specific provisions. This includes, for example, collective provisions on unsecured retail products 90 days or more past due.

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

	31 March 2018		
	General reserve for credit losses (1) $M	Specific provision (1) $M	Total provisions $M
Collective provision (2)	2,549	270	**2,819**
Individual provisions (2)	-	972	**972**
Total provisions	2,549	1,242	**3,791**
Additional GRCL requirement (3)	585	-	**585**
Total regulatory provisions	3,134	1,242	**4,376**

(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 $585 million in order to maintain the required minimum GRCL.

	31 December 2017		
	General reserve for credit losses (1) $M	Specific provision (1) $M	Total provisions $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.

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

Portfolio	As at 31 March 2018 Impaired assets $M	As at 31 March 2018 Past due loans ≥ 90 days $M	As at 31 March 2018 Specific provision balance (1) $M	Quarter ended 31 March 2018 Net charges for individual provisions $M	Quarter ended 31 March 2018 Actual losses (2) $M
Corporate including SME, specialised lending and central counterparties	1,749	430	708	40	77
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Residential mortgage	1,308	2,544	350	20	30
Qualifying revolving retail	127	-	62	-	56
Other retail	165	27	113	-	100
Total	3,358	3,001	1,242	60	263

(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 2018.

Portfolio	As at 31 December 2017 Impaired assets $M	As at 31 December 2017 Past due loans ≥ 90 days $M	As at 31 December 2017 Specific provision balance (1) $M	Quarter ended 31 December 2017 Net charges for individual provisions $M	Quarter ended 31 December 2017 Actual losses (2) $M
Corporate including SME, specialised lending and central counterparties	1,847	388	718	170	140
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Residential mortgage	1,243	2,249	344	18	26
Qualifying revolving retail	116	-	55	-	61
Other retail	152	23	99	-	98
Total	3,367	2,660	1,225	188	325

(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 2017.

3.3 Securitisation

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

Underlying Asset Type	For the 3 months to 31 March 2018	
	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	247	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	247	-

Underlying Asset Type	For the 3 months to 31 December 2017	
	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	3,093	-
Credit cards and other personal loans	-	-
Auto and equipment finance	254	-
Commercial loans	491	-
Other	-	-
Total	3,838	-

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

Securitisation Facility Type	As at 31 March 2018		
	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	226	226
Warehouse facilities	4,355	2,537	6,892
Derivative facilities	97	24	121
Holdings of securities	7,640	-	7,640
Other	-	-	-
Total securitisation exposures	12,092	2,787	14,879

Securitisation Facility Type	As at 31 December 2017		
	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $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

4. Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.2% at 31 March 2018 on an APRA basis and 5.9% on an internationally comparable basis.

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

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

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

Summary Group Leverage Ratio	31 Mar 18	31 Dec 17	30 Sep 17	30 Jun 17
Tier 1 Capital ($M)	**53,750**	54,465	52,592	52,684
Total Exposures ($M) (1)	**1,032,125**	1,012,503	1,011,801	1,027,958
Leverage Ratio (APRA) (%)	**5. 2**	5. 4	5. 2	5. 1
Leverage Ratio (Internationally Comparable) (%) (2)	**5. 9**	6. 1	5. 9	5. 8

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

(2) The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study" 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.
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 Investor Services, S&P Global Ratings or Fitch Ratings.
Extended Licensed Entity (ELE)	APRA may deem an entity of an ADI to be part of the ADI itself for the purposes of measuring the ADI's 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 licenced 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.
Loss Given Default (LGD)	The fraction of EAD that is not expected to be recovered following default.
Other Assets	Basel asset class – primarily includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Other Retail	Basel asset class – primarily includes retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
Past due	Facilities are past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements.
Probability of Default (PD)	The likelihood that a debtor fails to meet an obligation or contractual commitment.
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 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.

Annex C

Impact of APRA Capital Adjustment on CET1 Ratio

Risk Weighted Assets Impact	**$M**
Additional Operational Risk Regulatory Capital (ORRC)	1,000
Risk weighted assets impact[1]	12,500

Impact of APRA Capital Adjustment on Common Equity Tier 1 (APRA)

Common Equity Tier 1 (APRA) as at 31 December 2017	Actual	Pro forma	Pro forma vs actual
	$M	**$M**	**$M**
Common Equity Tier 1	**45,942**	**45,942**	**-**
Risk weighted assets			
Credit risk	366,985	366,985	
Operational Risk	41,078[2]	53,578	12,500
Interest rate risk in the banking book	27,944	27,944	
Traded market risk	4,829	4,829	
Total risk weighted assets	**440,836**	**453,336**	**12,500**
Common equity Tier 1 (%)	**10.4%**	**10.1%**	**29 bps**

1. Risk weighted asset assets impact is the Operational Risk Regulatory Capital impact multiplied by 12.5 in accordance with APRA Prudential Standard APS110.
2. Operational Risk RWA as provided in the Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at December 31, 2018, which is available on the U.S. Investor Website.