November 19, 2019

Commonwealth Bank of Australia

Recent Developments

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

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's U.S. Annual Disclosure Document for the year ended June 30, 2019 included on the U.S. Investor Website (the "2019 U.S. Annual Disclosure Document").

References to "$" are to Australian Dollars.

Trading Update for the Quarter Ended September 30, 2019

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 Australia and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management ("CFSGAM") and PT Commonwealth Life ("PTCL") (together, "discontinued operations"), consistent with the financial disclosures in the 2019 U.S. Annual Disclosure Document. For more information on the Group's discontinued operations, see Note 11.3 to the Group's consolidated financial statements for the year ended June 30, 2019, which are available on the U.S. Investor Website.

In addition, unless otherwise noted, all comparisons are to the simple average of the results from the quarter ended March 31, 2019 and the quarter ended June 30, 2019. Accordingly, comparisons of the results for the quarter ended September 30, 2019 against the quarter ended September 30, 2018 have not been presented in this Recent Developments release.

All comparisons of the quarter ended September 30, 2019 to the simple average of the results from the quarter ended March 31, 2019 and the quarter ended June 30, 2019, are not comparable to, and should not be taken to be comparable to, comparisons to the quarter ended September 30, 2018.

Summary

On November 12, 2019, the Group advised of the following results for the quarter ended September 30, 2019 (the "quarter"):

- Unaudited net profit after tax ("statutory basis") including discontinued operations was approximately $3.8 billion, including a $1.5 billion gain on the sale of CFSGAM[1], an increase from approximately $2.0 billion;

- Unaudited net profit after tax ("cash basis")[2] of approximately $2.3 billion, an increase from approximately $1.9 billion;

- Excluding certain notable items that management believes introduce volatility and/or one-off distortions of the Group's current period performance[3], which are detailed and reconciled in Annex A hereto ("notable items"), unaudited net profit after tax ("cash basis") increased by 5%;

- Operating income increased 3% on a day-weighted basis due to lower basis risk, one-off items and volume growth;

- Operating expenses increased by 2% (excluding notable items), reflecting higher staff costs and IT amortization;

- Loan Impairment Expense was $299 million, which was equal to 16 basis points of the Group's average Gross Loans and Acceptances ("GLAA")[4];

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[1] The divestment of CFSGAM to Mitsubishi UFJ Trust and Banking Corporation completed on August 2, 2019. The final sale proceeds to the Group were $4.2 billion, with a post-tax gain on sale of approximately $1.5 billion, inclusive of separation costs and subject to final tax calculations and completion adjustments.

[2] 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 acquisition, disposal, closure and demerger of businesses are calculated consistently period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, refer to page 8 of the 2019 U.S. Annual Disclosure Document.

[3] Notable items include Mortgage Broking consolidation, customer remediation (including Aligned Advice) and Risk and compliance programs. For more information on notable items, refer to page 9 of the 2019 U.S. Annual Disclosure Document.

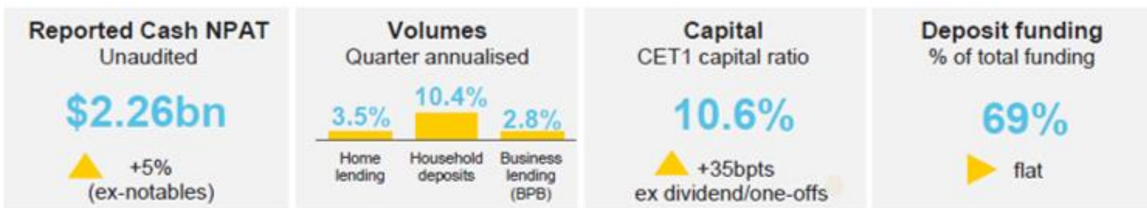
[4] The loan impairment expense as a percentage of GLAA for the quarter is calculated as the loan impairment expense for the quarter ended September 30, 2019 divided by the number of days in the quarter and then multiplied by 366 days, divided by the average GLAA for the quarter ended September 30, 2019.

- Arrears improved across the Group's consumer portfolios;

- Troublesome and Impaired Assets were slightly higher, with pockets of stress similar to those highlighted in the 2019 U.S. Annual Disclosure Document;

- The Group maintained its deposit funding position at 69% of the total funding requirements, and the Net Stable Funding ratio at 112%; and

- Common Equity Tier 1 ("CET1") ratio of 10.6% taking into account the 2019 final dividend payments (which decreased the CET1 ratio by 90 basis points) and organic generation of 35 basis points excluding the 2019 final dividend and certain one-off items[5].



Operating Performance

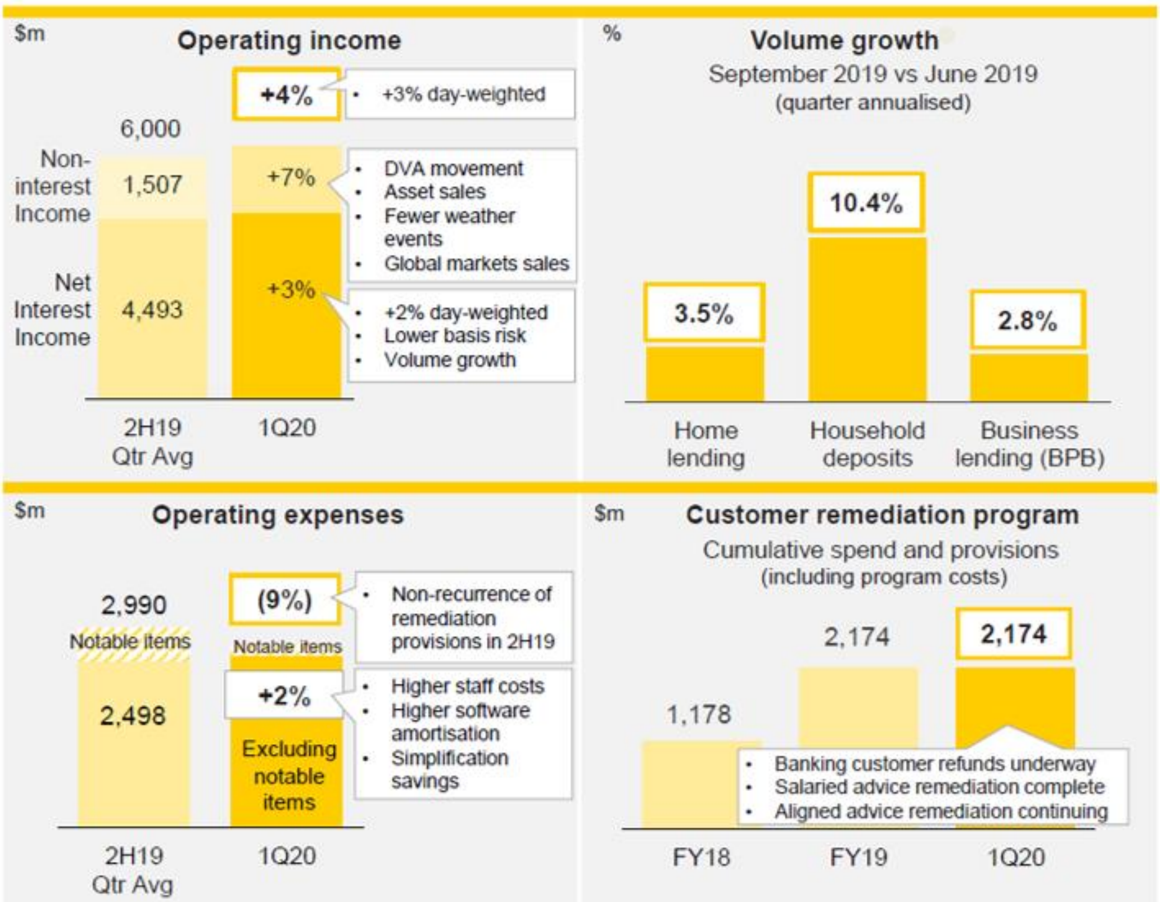
- Net interest income increased 3%, benefitting from 1.5 additional days in the quarter. On a day-weighted basis, net interest income was 2% higher, underpinned by volume growth in the core markets of home lending, business lending and household deposits. Excluding a 4 basis point benefit from lower basis risk, the Group's Net Interest Margin was lower than the six months ended June 30, 2019 due to headwinds associated with a low interest rate environment, which will continue to impact margins in future periods.

- Non-interest income increased 7%, benefitting from timing differences and one-off items including a favorable movement in the derivative valuation adjustment (DVA), asset sales in Structured Asset Finance (SAF), higher insurance income from fewer weather events/claims and higher global markets sales. These were partly offset by lower Funds Management income and the ongoing impact of the Bank's Better Customer Outcomes program, which continues to deliver customer savings equivalent to annualized income forgone of $415 million.

- Operating expenses (excluding notable items) increased 2% due to higher staff costs and IT amortization, partly offset by business simplification savings. Including notable items, expenses were 9% lower due to the non-recurrence of the substantial customer remediation provisions taken in the six months ended June 30, 2019.

[5] Capital generation excluding one-off impacts of the CFSGAM divestment and previously announced regulatory changes (adoption of APS 180 Standardised Approach to measuring counterparty credit risk ("SA-CCR") and Australian Accounting Standards Board ("AASB") 16 – Leases).

- The Group is committed to comprehensively and quickly addressing remediation issues impacting customers of its banking and wealth management businesses. Of the $2.2 billion in total program spend and provisions, $1.2 billion relates to customer refunds, of which approximately $600 million has been paid to banking and wealth management customers to date (excluding Aligned Advice). Salaried adviser ongoing service remediation is now complete and represented a refund rate of 22% (excluding interest). Aligned Advice remediation work relating to ongoing service fees charged between the financial years ended June 30, 2009 and June 30, 2018 is continuing. The Aligned Advice remediation provision recognized in the year ended June 30, 2019 of $534 million included program costs of $160 million, $251 million in customer refunds and $123 million in interest. This assumed a refund rate of 24% (excluding interest) and 36% (including interest).



Note: Home lending and household deposits as reported under the Australian Prudential Regulatory Authority ("APRA") Monthly ADI Statistics. Business lending is limited to Business and Private Banking and excludes Bankwest and Institutional Banking and Markets. "BPB" refers to Business and Private Banking.

Sound Credit Quality

Note: FY09 includes Bankwest on a pro forma basis and is based on the loan impairment expense for the year ended June 30, 2009. Consumer arrears includes retail portfolios of Retail Banking Services, Business & Private Banking and New Zealand. Home Loans excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

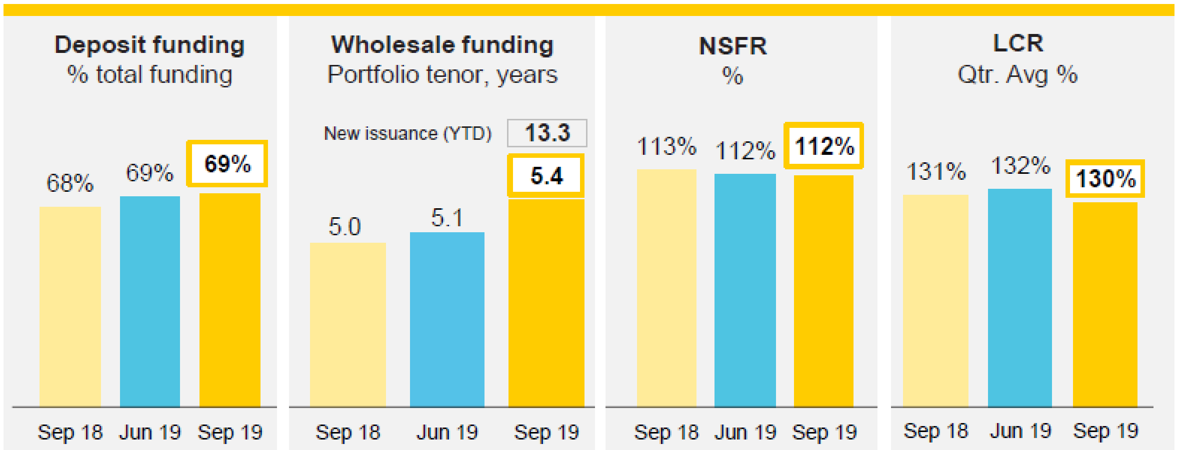
- We believe that the credit quality of the Group's lending portfolios remained sound during the quarter ended September 30, 2019. Loan impairment expense of $299 million in the quarter equated to 16 basis points of GLAA, unchanged compared to the year ended June 30, 2019.

- Consumer arrears improved in the quarter due to seasonality and the benefit of higher tax refunds. Personal Loan arrears rates remained elevated due to lower portfolio growth and continued pockets of stress in Western Sydney and Melbourne.

- Troublesome and impaired assets increased to approximately $8.1 billion. Corporate Troublesome assets continued to reflect weakness in discretionary retail, construction and agriculture, as well as single name exposures.

- The Group maintained what it believes to be prudent levels of credit provisioning during the quarter, with total provisions increasing by $89 million to approximately $4.9 billion.

Balance Sheet and Capital Strength



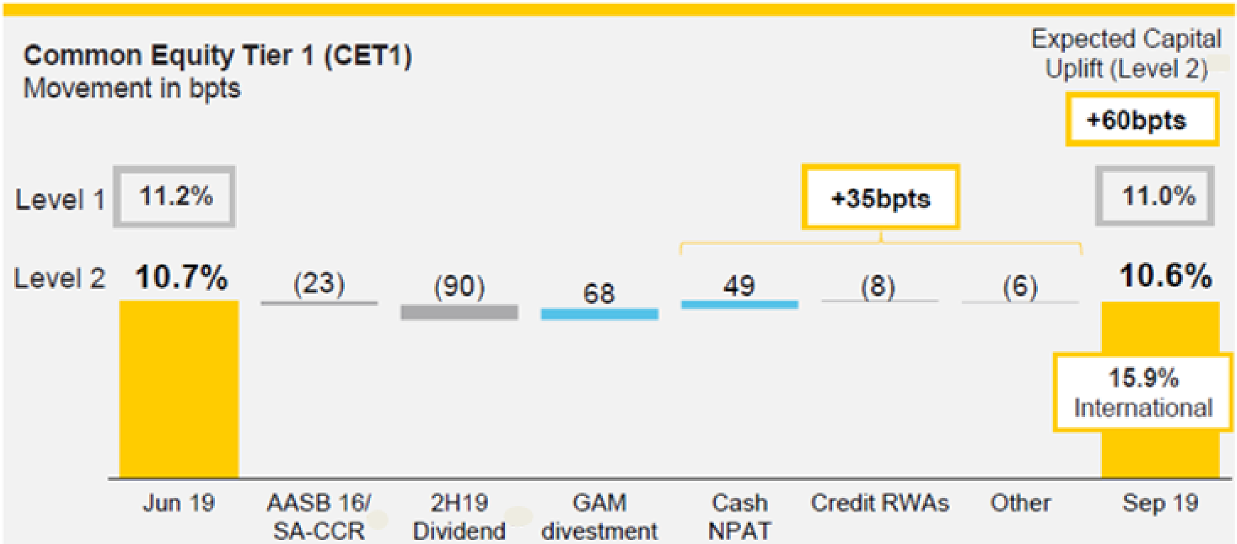
- Management believes funding and liquidity positions remained strong during the quarter, with customer deposit funding at 69% and the average tenor of the long term wholesale funding portfolio at 5.4 years as at September 30, 2019. The Group issued $5.8 billion of long term funding in the quarter, including two long-dated Tier 2 transactions following the release of APRA's loss-absorbing capacity proposal in July 2019, contributing to a weighted average maturity of new issuance in the quarter of 13.3 years.

- Other key metrics were maintained at what management believes to be strong levels over the quarter, with the Net Stable Funding Ratio ("NSFR") at 112%, the Liquidity Coverage Ratio ("LCR") at 130% and the Group's Leverage Ratio at 5.5% on an APRA basis (6.4% on an internationally comparable basis[6]).

- The CET1 APRA ratio was 10.6% as at September 30, 2019. After allowing for the impact of the 2019 final dividend and one-off impacts from regulatory changes (AASB 16 – Leases/SA-CCR) and the CFSGAM divestment, CET1 increased 35 basis points in the quarter. This was driven by capital generated from earnings, partially offset by higher Credit Risk Weighted Assets driven by revised regulatory treatments and lending volume growth. As at September 30, 2019, the Level 1 CET1 was 11.0%, 40 basis points above the Group's Level 2 CET1 Ratio.

- The Group's remaining previously announced divestments (i.e. BoCommLife, CommInsure Life and PTCL) are expected to collectively provide an uplift to Level 2 CET1 of approximately 60 basis points.

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



Note: Expected CET1 uplifts from previously announced divestments, completion of which is subject to regulatory approvals: BoCommLife, CommInsure Life and PTCL. The impact of the implementation of SA-CCR on the Group's CET1 ratio was revised from a 7 basis point decrease to a 12 basis point decrease following model refinement and consultation with APRA. The 2019 final dividend included the on-market purchase of the Group's shares pursuant to the Dividend Reinvestment Plan.

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2019

On November 12, 2019, the Group released its Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2019. That release is attached as Annex B hereto.

Executive Leadership Team Update

On November 13, 2019, the Group announced that Adam Bennett, Group Executive Business and Private Banking, has decided to leave the Group at the end of January 2020. From early February 2020, Mike Vacy-Lyle will join the Group as Group Executive Business and Private Banking, subject to meeting regulatory requirements.

Mr. Vacy-Lyle is currently Chief Executive Officer ("CEO") of FNB Commercial Banking ("FNB"), a division of the FirstRand Banking Group in South Africa. In this role, he has led the largest commercial bank in Africa, overseeing 6,000 staff to provide full service banking to business segments, including government and agriculture, across all transactional banking, international banking, lending, investing, insurance and advisory services.

Mr. Vacy-Lyle joined FNB in 2001 and has held various roles in commercial banking, including finance, pricing, product, capital management, sales and relationship management, until his appointment as CEO in August 2011. He is also a Chartered Accountant.

The Group also announced that Jason Yetton, Chief Executive Officer NewCo, will depart the Group in January 2020.

Mr. Yetton was appointed as CEO of CBA's wealth management and mortgage broking business ("NewCo") in October 2018 to lead the intended demerger of these businesses. In March 2019, the Group announced the suspension of preparations for the demerger to prioritize customer remediation and the implementation of recommendations from the Royal Commission. See pages 7-8 of the 2019 U.S. Annual Disclosure Document for more information. Since then, Mr. Yetton has overseen the divestment of Count Financial Limited, and refunding customers for past issues in the wealth management businesses.

The Group's exit of its Aligned Advice business remains on track for completion by June 2020. The Group remains committed to implementing recommendations from the Royal Commission, refunding customers and remediating past issues in Colonial First State, and exiting the business at an appropriate time.

Annex A

Key Financials Reconciliation

Key financials reconciliation		2H19 $m	2H19 Qtr Avg $m	Movement 1Q20 vs 2H19 Qtr Avg
Operating Income	**Reported**	***11,999***	***6,000***	**4%**
	Mortgage Broking consolidation	*(130)*	*(65)*	
	Operating Income ex. notable items	**11,869**	**5,935**	**4%**
Operating Expense	**Reported**	***5,980***	***2,990***	**(9%)**
	Mortgage Broking consolidation	*(130)*	*(65)*	
	Customer remediation (incl. Aligned Advice)	*(639)*	*(319)*	
	Risk and compliance programs	*(216)*	*(108)*	
	Operating Expenses ex. notable items	**4,995**	**2,498**	**2%**
Loan Impairment Expense (LIE)		**624**	**312**	**(4%)**
Reported Cash NPAT		**3,816**	**1,908**	**18%**
Cash NPAT ex. notable items		**4,415**	**2,207**	**5%**

Note: For more information on notable items, refer to page 9 of the 2019 U.S. Annual Disclosure Document.

Annex B

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at September 30, 2019

Basel III Pillar 3

Capital Adequacy and Risk Disclosures as at 30 September 2019

CommonwealthBank

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1. Introduction

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

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

This document also presents information on the Group's leverage and liquidity ratios in accordance with prescribed methodologies.

The Group is required to report its assessment of capital adequacy on a Level 2 basis. Level 2 is defined as the consolidated banking group excluding the 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 (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 is subject to review by an external auditor and published elsewhere or has been supplied to APRA.

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

commbank.com.au/regulatorydisclosures

Group Capital Ratios

As at 30 September 2019, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios as measured on an APRA basis were 10.6%, 12.5% and 16.1% respectively.

After allowing for the impact of the 2019 final dividend and one-off impacts from regulatory changes (AASB 16 "Leases"/SA-CCR) and the CFSGAM divestment, CET1 increased 35 basis points in the quarter. This was driven by capital generated from earnings, partially offset by higher Credit RWA. The CET1 ratio was consistently well in excess of regulatory minimum capital adequacy requirements at all times throughout the quarter.

The Group's Basel III CET1 ratio was 15.9% on an internationally comparable basis as at 30 September 2019.

Capital Initiatives

The following significant capital initiatives were undertaken during the quarter:

Common Equity Tier 1 Capital

- The dividend reinvestment plan (DRP) in respect of the 2019 final dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 15%.

Tier 2 Capital

- In September 2019 the Group issued two USD 1.25 billion subordinated notes and a AUD 100 million subordinated note that were all Basel III compliant Tier 2 capital.

Leverage Ratio

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures was 5.5% at 30 September 2019 on an APRA basis and 6.4% on an internationally comparable basis.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 130% in the September 2019 quarter.

Summary Group Capital Adequacy Ratios (Level 2)	30 Sep 19 %	30 Jun 19 %
Common Equity Tier 1	**10. 6**	10. 7
Tier 1	**12. 5**	12. 7
Tier 2	**3. 6**	2. 8
Total Capital (APRA)	**16. 1**	15. 5
Common Equity Tier 1 (Internationally Comparable) (1)	**15. 9**	16. 2

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

2. Risk Weighted Assets

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

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

APS 330 Table 3a to 3e – Basel III Capital Requirements (RWA)

	Risk Weighted Assets		Change in RWA for September 2019 quarter	
	30 Sep 19	30 Jun 19		
Asset Category	$M	$M	$M	%
Credit Risk				
Subject to AIRB approach [1]				
Corporate	**68,455**	64,683	3,772	5. 8
SME corporate	**31,454**	30,478	976	3. 2
SME retail	**6,994**	6,896	98	1. 4
SME retail secured by residential mortgage	**3,499**	3,335	164	4. 9
Sovereign	**2,183**	2,456	(273)	(11. 1)
Bank	**10,257**	9,451	806	8. 5
Residential mortgage	**147,529**	147,956	(427)	(0. 3)
Qualifying revolving retail	**8,063**	8,486	(423)	(5. 0)
Other retail	**13,633**	13,990	(357)	(2. 6)
Total RWA subject to AIRB approach	**292,067**	287,731	4,336	1. 5
Specialised lending	**55,486**	53,796	1,690	3. 1
Subject to standardised approach				
Corporate	**1,698**	1,590	108	6. 8
SME corporate	**794**	822	(28)	(3. 4)
SME retail	**4,534**	4,628	(94)	(2. 0)
Sovereign	**223**	233	(10)	(4. 3)
Bank	**73**	66	7	10. 6
Residential mortgage	**6,627**	6,732	(105)	(1. 6)
Other retail	**1,191**	1,256	(65)	(5. 2)
Other assets	**11,565**	8,854	2,711	30. 6
Total RWA subject to standardised approach	**26,705**	24,181	2,524	10. 4
Securitisation	**2,862**	2,905	(43)	(1. 5)
Credit valuation adjustment	**6,017**	2,932	3,085	105. 2
Central counterparties	**613**	1,029	(416)	(40. 4)
Total RWA for credit risk exposures	**383,750**	372,574	11,176	3. 0
Traded market risk	**9,377**	10,485	(1,108)	(10. 6)
Interest rate risk in the banking book	**9,184**	9,898	(714)	(7. 2)
Operational risk	**59,535**	59,805	(270)	(0. 5)
Total risk weighted assets	**461,846**	452,762	9,084	2. 0

(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 $9.1 billion or 2.0% on the prior quarter to $461.8 billion driven by an increase in credit RWA; partly offset by lower traded market risk, interest rate risk in the banking book and operational risk RWA.

Credit Risk RWA

Credit risk RWA increased by $11.2 billion or 3.0% on the prior quarter to $383.8 billion mainly driven by:

- Implementation of SA-CCR and AASB 16 "Leases";
- Change in regulatory treatment of the AIRB non-retail portfolio; and
- Volume growth across residential mortgages and some commercial portfolios.

These increases were partly offset by credit quality improvements across most retail portfolios, data quality improvements and foreign currency movements.

Traded Market Risk RWA

Traded market risk RWA decreased by $1.1 billion or 10.6% on the prior quarter to $9.4 billion. This was mainly due to the impact of the Stressed Value-at-Risk (SVaR) capital charge under the Internal Model Approach.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA decreased $0.7 billion or 7.2% on the prior quarter to $9.2 billion. This was driven by interest rate risk management activity and increased embedded gains due to lower domestic interest rates.

Operational Risk RWA

Operational risk RWA decreased by $0.3 billion or 0.5% on the prior quarter to $59.5 billion. This was driven by variation in model simulation.

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

3. Credit Risk

3.1 Credit Risk Exposures

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

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

	30 September 2019						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for September 2019 quarter (1) $M	Change in exposure for September 2019 quarter (2) $M	%
Subject to AIRB approach							
Corporate	70,309	44,270	11,687	**126,266**	122,555	7,422	6. 2
SME corporate	42,560	8,271	649	**51,480**	51,774	(588)	(1. 1)
SME retail	7,277	3,532	-	**10,809**	10,863	(108)	(1. 0)
SME retail secured by residential mortgage	4,224	1,477	-	**5,701**	5,714	(26)	(0. 5)
Sovereign	86,529	1,195	2,869	**90,593**	90,249	688	0. 8
Bank	23,971	399	11,482	**35,852**	34,746	2,212	6. 6
Residential mortgage	510,427	72,474	-	**582,901**	580,319	5,165	0. 9
Qualifying revolving retail	9,839	17,146	-	**26,985**	27,178	(386)	(1. 4)
Other retail	7,735	3,080	-	**10,815**	10,993	(356)	(3. 2)
Total AIRB approach	762,871	151,844	26,687	**941,402**	934,391	14,023	1. 5
Specialised lending	52,797	8,505	1,983	**63,285**	62,275	2,019	3. 3
Subject to standardised approach							
Corporate	1,322	360	16	**1,698**	1,644	108	6. 8
SME corporate	580	214	-	**794**	808	(28)	(3. 4)
SME retail	3,556	692	283	**4,531**	4,580	(97)	(2. 1)
Sovereign	486	1	-	**487**	491	(8)	(1. 6)
Bank	358	-	1	**359**	337	44	14. 0
Residential mortgage	12,950	1,753	-	**14,703**	14,818	(230)	(1. 5)
Other retail	1,160	30	-	**1,190**	1,220	(59)	(4. 7)
Other assets	19,379	-	-	**19,379**	16,956	4,846	33. 3
Central counterparties	-	-	11,690	**11,690**	9,839	3,701	46. 3
Total standardised approach	39,791	3,050	11,990	**54,831**	50,693	8,277	17. 8
Total credit exposures (3)	855,459	163,399	40,660	**1,059,518**	1,047,359	24,319	2. 3

(1) The simple average of exposures as at 30 September 2019 and 30 June 2019.
(2) The difference between exposures as at 30 September 2019 and 30 June 2019.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

3.1 Credit Risk Exposures (continued)

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

	30 June 2019						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for June 2019 quarter (1) $M	Change in exposure for June 2019 quarter (2) $M	%
Subject to AIRB approach							
Corporate	67,899	44,298	6,647	118,844	118,998	(308)	(0. 3)
SME corporate	43,564	8,097	407	52,068	52,051	34	0. 1
SME retail	7,424	3,493	-	10,917	10,963	(91)	(0. 8)
SME retail secured by residential mortgage	4,305	1,422	-	5,727	5,774	(94)	(1. 6)
Sovereign	86,962	1,087	1,856	89,905	91,948	(4,086)	(4. 3)
Bank	25,029	448	8,163	33,640	35,489	(3,700)	(9. 9)
Residential mortgage	506,757	70,979	-	577,736	574,557	6,356	1. 1
Qualifying revolving retail	10,189	17,182	-	27,371	27,628	(513)	(1. 8)
Other retail	8,055	3,116	-	11,171	11,184	(25)	(0. 2)
Total AIRB approach	760,184	150,122	17,073	927,379	928,592	(2,427)	(0. 3)
Specialised lending	52,235	7,944	1,087	61,266	60,889	754	1. 2
Subject to standardised approach							
Corporate	1,296	175	119	1,590	1,369	443	38. 6
SME corporate	642	177	3	822	820	4	0. 5
SME retail	3,798	747	83	4,628	4,805	(355)	(7. 1)
Sovereign	494	1	-	495	502	(14)	(2. 8)
Bank	315	-	-	315	326	(21)	(6. 3)
Residential mortgage	13,162	1,771	-	14,933	14,814	237	1. 6
Other retail	1,208	41	-	1,249	1,344	(190)	(13. 2)
Other assets	14,533	-	-	14,533	13,729	1,608	12. 4
Central counterparties	-	-	7,989	7,989	7,616	747	10. 3
Total standardised approach	35,448	2,912	8,194	46,554	45,325	2,459	5.6
Total credit exposures (3)	847,867	160,978	26,354	1,035,199	1,034,806	786	0.1

(1) The simple average of exposures as at 30 June 2019 and 31 March 2019.
(2) The difference between exposures as at 30 June 2019 and 31 March 2019.
(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 retail products that are in default.

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

	30 September 2019		
	General reserve for credit losses (1) $M	Specific provision (1) $M	Total provisions $M
Collective provision (2)	3,555	398	**3,953**
Individual provisions (2)	-	935	**935**
Total provisions	3,555	1,333	**4,888**
Additional GRCL requirement (3)	506	-	**506**
Total regulatory provisions	4,061	1,333	**5,394**

(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 $506 million in order to maintain the required minimum GRCL.

	30 June 2019		
	General reserve for credit losses (1) $M	Specific provision (1) $M	Total provisions $M
Collective provision (2)	3,510	394	3,904
Individual provisions (2)	-	895	895
Total provisions	3,510	1,289	4,799
Additional GRCL requirement (3)	515	-	515
Total regulatory provisions	4,025	1,289	5,314

(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 $515 million in order to maintain the required minimum GRCL.

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

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

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

	As at 30 September 2019			Quarter ended 30 September 2019	
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	1,562	621	667	48	46
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Residential mortgage	1,826	2,576	409	31	25
Qualifying revolving retail	117	-	108	-	68
Other retail	144	24	140	1	87
Total	3,658	3,221	1,333	80	226

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some defaulted loans.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 30 September 2019.

	As at 30 June 2019			Quarter ended 30 June 2019	
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	1,506	542	635	67	164
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Residential mortgage	1,807	2,768	375	37	42
Qualifying revolving retail	138	-	125	-	89
Other retail	162	27	145	2	111
Total	3,622	3,337	1,289	106	406

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some defaulted loans.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 30 June 2019.

3.3 Securitisation

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

Underlying Asset Type	For the 3 months to 30 September 2019 Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	53	-
Credit cards and other personal loans	-	-
Auto and equipment finance	7	-
Commercial loans	-	-
Other	-	-
Total	60	-

Underlying Asset Type	For the 3 months to 30 June 2019 Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	1,447	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	1,447	-

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

	As at 30 September 2019		
Securitisation Facility Type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total exposures $M**
Liquidity support facilities	-	244	244
Warehouse facilities	3,507	2,983	6,490
Derivative facilities	248	183	431
Holdings of securities	7,532	-	7,532
Other	-	5	5
Total securitisation exposures	11,287	3,415	14,702

	As at 30 June 2019		
Securitisation Facility Type	**On Balance Sheet $M**	**Off Balance Sheet $M**	**Total exposures $M**
Liquidity support facilities	-	254	254
Warehouse facilities	3,579	3,283	6,862
Derivative facilities	175	19	194
Holdings of securities	8,095	-	8,095
Other	-	5	5
Total securitisation exposures	11,849	3,561	15,410

4. Leverage Ratio

The Group's Leverage Ratio, was 5.5% at 30 September 2019 on an APRA basis and 6.4% on an internationally comparable basis.

In November 2018, APRA released draft prudential reporting standards, including changes to the definition of exposures related to derivatives and off balance sheet items and advocating a minimum leverage ratio requirement of 3.5% for IRB banks, applicable from 1 January 2022.

Summary Group Leverage Ratio	30 Sep 19	30 Jun 19	31 Mar 19	31 Dec 18	30 Sep 18
Tier 1 Capital ($M)	**57,941**	57,355	55,381	57,518	56,055
Total Exposures ($M) (1)	**1,051,716**	1,023,181	1,023,593	1,026,240	1,024,774
Leverage Ratio (APRA) (%)	**5. 5**	5. 6	5. 4	5. 6	5. 5
Leverage Ratio (Internationally Comparable) (%) (2)	**6. 4**	6. 5	6. 2	6. 4	6. 2

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

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

5. Liquidity Risk

Liquidity Coverage Ratio

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement of 100% and the Board's risk appetite. Over the September quarter, excess liquid assets averaged $32 billion and the average LCR decreased by 2% from 132% to 130% due to higher Net Cash Outflows (NCOs).

The Group's mix of liquid assets consists of High Quality Liquid Assets (HQLA), being cash, deposits with central banks, Australian Semi-Government and Commonwealth Government securities. Liquid assets also includes repo eligible securities with the Reserve Bank of Australia under the Committed Liquidity Facility (CLF) and 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.

NCOs are modelled under an APRA prescribed 30 day severe liquidity stress scenario. The Group manages modelled NCOs by maintaining a large base of low LCR outflow customer deposits and actively managing its wholesale funding maturity profile as part of its overall liquidity management strategy. Average NCOs increased over the quarter due to the payment of the full-year dividend.

APS 330 Table 20 - LCR disclosure template

		30 Sep 19 Total unweighted value (average) (1) $M	30 Sep 19 Total weighted value (average) (1) $M	30 Jun 19 Total unweighted value (average) (1) $M	30 Jun 19 Total weighted value (average) (1) $M
Liquid assets, of which:					
1	High-quality liquid assets (HQLA)		**89,481**		88,018
2	Alternative liquid assets (ALA)		**44,885**		45,324
3	Reserve Bank of New Zealand (RBNZ) securities		**3,665**		3,217
Cash outflows					
4	Retail deposits and deposits from small business customers, of which:	**300,739**	**26,274**	290,720	25,427
5	Stable deposits	**168,221**	**8,411**	161,888	8,094
6	Less stable deposits	**132,518**	**17,863**	128,832	17,333
7	Unsecured wholesale funding, of which:	**121,884**	**62,407**	115,493	59,480
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	**37,516**	**9,197**	31,197	7,690
9	Non-operational deposits (all counterparties)	**73,454**	**42,296**	75,053	42,547
10	Unsecured debt	**10,914**	**10,914**	9,243	9,243
11	Secured wholesale funding		**835**		965
12	Additional requirements, of which:	**154,543**	**21,326**	153,354	21,997
13	Outflows related to derivatives exposures and other collateral requirements	**6,514**	**6,514**	7,426	7,426
14	Outflows related to loss of funding on debt products	**-**	**-**	-	-
15	Credit and liquidity facilities	**148,029**	**14,812**	145,928	14,571
16	Other contractual funding obligations	**25**	**3**	35	14
17	Other contingent funding obligations	**77,145**	**9,140**	77,769	7,304
18	**Total cash outflows**		**119,985**		115,187
Cash inflows					
19	Secured lending	**8,315**	**1,701**	7,802	1,005
20	Inflows from fully performing exposures	**9,557**	**6,524**	9,734	6,524
21	Other cash inflows	**5,453**	**5,453**	4,008	4,008
22	**Total cash inflows**	**23,325**	**13,678**	21,544	11,537
23	**Total liquid assets**		**138,031**		136,559
24	**Total net cash outflows**		**106,307**		103,650
25	**Liquidity Coverage Ratio (%)**		**130**		132
Number of data points used (Business Days)			**61**		59

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

Term	Definition
Additional Tier 1 Capital	Additional Tier 1 Capital is a Basel III defined concept and consists of high quality capital that essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
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 Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB).
Australian Prudential Regulation Authority (APRA)	The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
Authorised Deposit-taking Institution (ADI)	Includes banks, building societies and credit unions which are authorised by APRA to take deposits from customers.
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 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.
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 9 "Financial Instruments").
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.
Corporate	Basel asset class – includes commercial credit risk where annual revenues exceed $50 million.

Glossary

Term	Definition
Credit Valuation Adjustment (CVA) Risk	The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty.
Exposure at Default (EAD)	The extent to which a bank may be exposed upon default of an obligor.
Extended Licensed Entity (ELE)	APRA may deem an entity of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities.
External Credit Assessment Institution (ECAI)	For example Moody's Investor Services, S&P Global Ratings or Fitch Ratings.
General Reserve for Credit Losses (GRCL)	APS 220 "Credit Quality" requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the GRCL. An excess of required GRCL over the Group's collective provisions is recognised as a deduction from CET1.
Group	Commonwealth Bank of Australia and its subsidiaries.
Impaired assets	Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments due, will be achieved in a timely manner.
Individual provisions	Provisions made against individual facilities in the credit-rated managed segment where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 9 "Financial Instruments"). Also known as individually assessed provisions or IAP.
Interest rate risk in the banking book (IRRBB)	The risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential and secondly, as the anticipated change to the Net Interest Income earned over 12 months. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
Level 1	The Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licensed Entities (ELE).
Level 2	The Consolidated Banking Group excluding the insurance and funds management businesses and the entities through which securitisation of Group assets is conducted.
Level 3	The conglomerate group including the Group's insurance and funds management businesses (the Group).
Leverage Ratio	Tier 1 Capital divided by Total Exposures, with this ratio expressed as a percentage.
Liquidity Coverage Ratio (LCR)	The LCR is a quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
Loss Given Default (LGD)	The fraction of EAD that is not expected to be recovered following default.
Net Cash Outflows (NCO)	Net cash outflows in the LCR are calculated by applying prescribed run-off factors on liabilities and various Off Balance Sheet exposures that can generate a cash outflow in the next 30 days.
Other assets	Basel asset class – primarily includes Cash, 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.

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.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Residential mortgage	Basel asset class – retail exposures secured by residential mortgage property.
Risk Weighted Assets (RWA)	The value of the Group's on and off balance sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA website.
SA-CCR	The standardised approach for measuring counterparty credit risk exposures under APS 180 "Capital Adequacy: Counterparty Credit Risk".
Scaling Factor	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the risk weighted asset amounts for credit risk under the AIRB approach of 1.06.
Securitisation	Basel asset class – Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME corporate	Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than $50 million and exposures are greater than $1 million.
SME retail	Basel asset class – Small and Medium Enterprise (SME) exposures up to $1 million that are not secured by residential mortgage property.
SME retail secured by residential mortgage	Basel asset class – Small and Medium Enterprise (SME) exposures up to $1 million that are partly or fully secured by residential mortgage property.
Sovereign	Basel asset class – primarily includes claims on Australian and foreign governments, central banks (including Reserve Bank of Australia), international banking agencies and regional development banks.
Specialised lending	Basel asset classes subject to the supervisory slotting approach 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 Value-at-Risk (SVaR)	Stressed Value-at-Risk (SVaR) uses the same methodology as Value at Risk (VaR) except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
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.