May 21, 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. Half-Year Disclosure Document for the half-year ended December 31, 2018 included on the U.S. Investor Website (the "2019 U.S. Half-Year Disclosure Document").

References to "$" are to Australian Dollars.

Trading Update for the Quarter Ended March 31, 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), BoComm Life, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life ("discontinued operations"), consistent with the financial disclosures in the 2019 U.S. Half-Year Disclosure Document. For more information on the Group's discontinued operations, see Note 7.3 to the Group's consolidated financial statements for the half-year ended December 31, 2018 included in the 2019 U.S. Half-Year Disclosure Document.

The Group's results for the quarter ended March 31, 2019 include $714 million in pre-tax customer remediation provisions. Of the provisions, $704 million were recognized in operating expenses (continuing operations) and $10 million were recognized in discontinued operations.

Refer to "—Operating Expenses—Customer Remediation Program and Regulatory Update" below for an update on the Group's customer remediation program.

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

Summary

On May 13, 2019, the Group advised of the following results for the quarter ended March 31, 2019 (the "quarter"):

- The Group sustained volume growth in home lending, household deposits and business lending (Business and Private Banking), with annualized home loan growth in line with system;

- The Group maintained its capital and balance sheet strength, with the Common Equity Tier 1 ("CET1") ratio of 10.3% as at March 31, 2019, an increase of 30 basis points excluding the impact of the 2019 interim dividend;

- Net profit was impacted by the $714 million in pre-tax additional customer remediation provisions ($500 million post tax). Unaudited net profit after tax ("statutory basis") was approximately $1.75 billion, with unaudited net profit after tax ("cash basis")[1] from continuing operations of approximately $1.70 billion, a decrease from approximately $2.30 billion and approximately $2.35 billion compared to the simple average of the quarters ended September 30, 2018 and December 31, 2018, respectively. Excluding certain notable items that management believes introduce volatility and/or one-off distortions of the Group's current period performance[2], which are detailed and reconciled in Annex A hereto ("notable items"), unaudited net profit after tax ("cash basis") decreased by 9%;

[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 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 4 of the 2019 U.S. Half-Year Disclosure Document

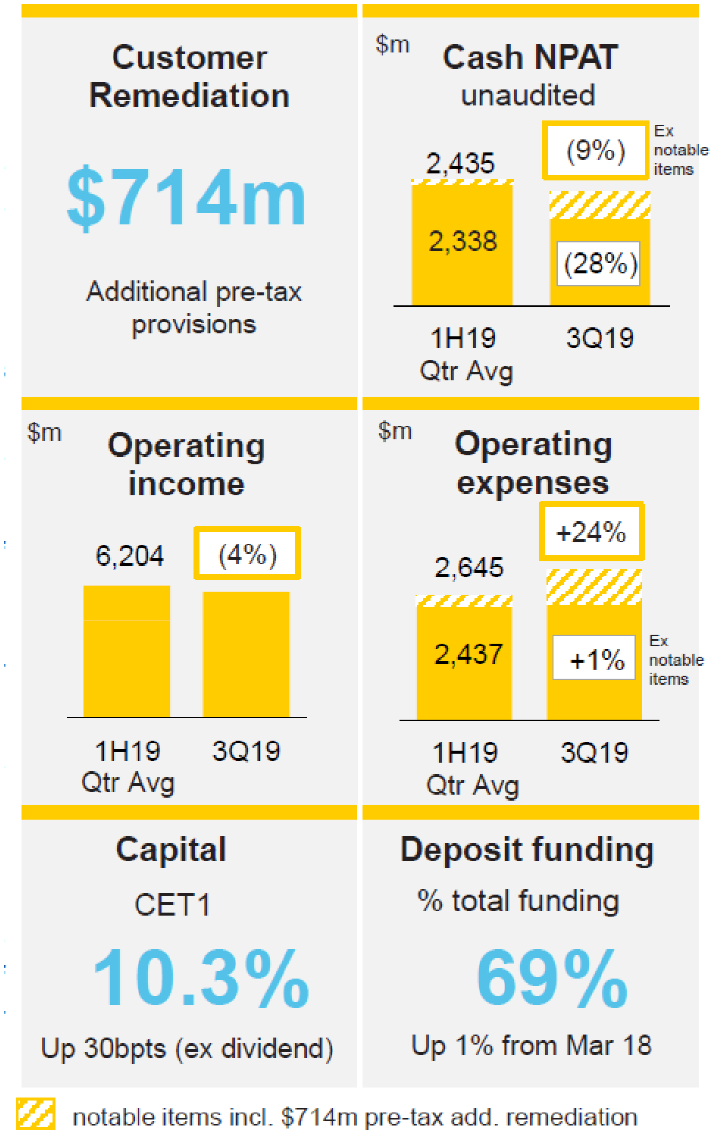
[2] Notable items include $714 million in pre-tax additional customer remediation provisions. For more information on notable items, refer to page 21 of the 2019 U.S. Half-Year Disclosure Document.

- Operating income decreased by 4%, reflecting a combination of seasonal impacts, temporary headwinds (including an unfavorable derivative valuation adjustment and weather events) and changes in fee income driven by the Group's Better Customer Outcomes program, which is discussed further under "—Better Customer Outcomes" below;

- Operating expenses increased 1% excluding notable items, or 24% including notable items (including additional customer remediation provisions); and

- Loan impairment expense ("LIE") was $314 million, equating to 17 basis points of gross loans and acceptances ("GLAA") [3]. Some pockets of stress remain apparent, with higher levels of consumer arrears and corporate troublesome and impaired assets in the quarter.

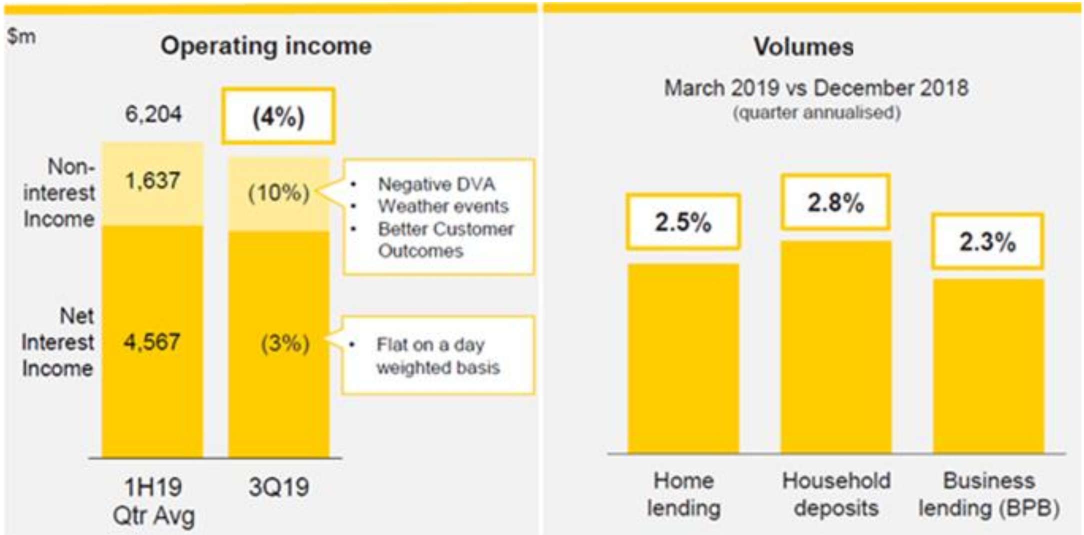
[3] The loan impairment expense as a percentage of GLAA for the quarter is calculated as the loan impairment expense for the quarter ended March 31, 2019 divided by the number of days in the quarter and then multiplied by 365 days, divided by the average GLAA for the quarter ended March 31, 2019.



Operating Income

- Net interest income declined 3% during the quarter ended March 31, 2019 due to the impact of having two fewer days in the quarter compared to the simple average of the quarters ended September 30, 2018 and December 31, 2018. On a day-weighted basis, net interest income was flat during the quarter ended March 31, 2019 compared to the simple average of the quarters ended September 30, 2018 and December 31, 2018, with volume growth in home lending, household deposits and business lending (Business and Private Banking) muted by a continued reduction in institutional lending balances and a slight reduction in the Group's net interest margin.

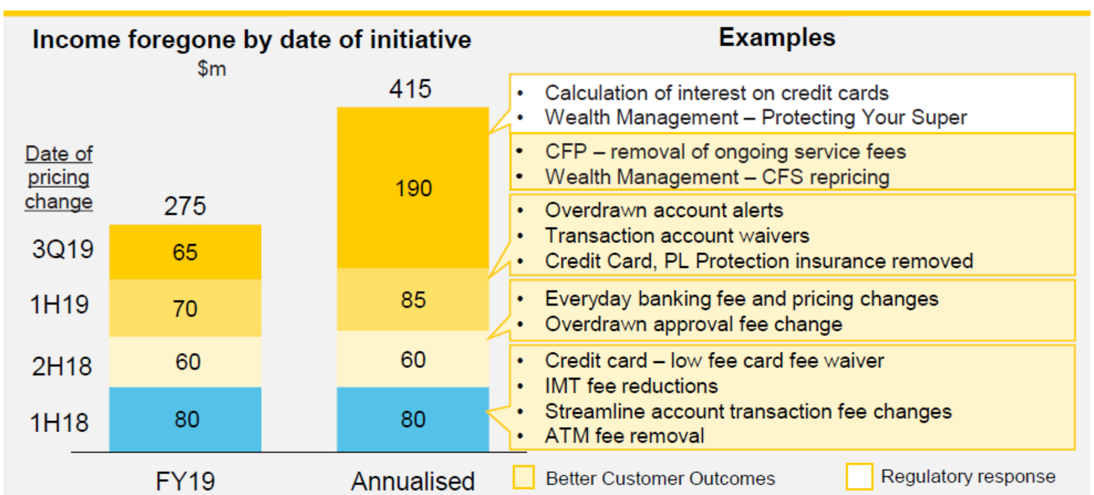
- Non-interest income was 10% lower, impacted by a combination of what we believe to be temporary headwinds, including a negative derivative valuation adjustment ("DVA") and higher insurance claims from weather events, as well as changes in fee income driven by the Group's Better Customer Outcomes program, which is discussed further under "—Better Customer Outcomes" below.



Note: Home lending includes CBA subsidiaries, Homepath P/L, Residential Mortgage Group P/L and Wallaby Trust. Household deposits as reported under the Australian Prudential Regulation Authority's ("APRA") monthly Banking 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.

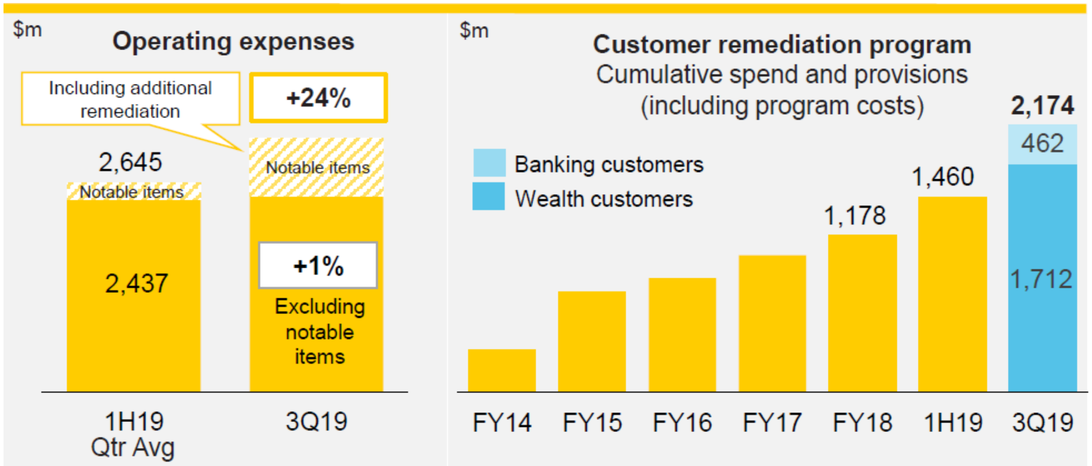
Better Customer Outcomes

- Over recent years, the Group has introduced a range of new customer initiatives, including fee removals, fee reductions and pre-emptive fee alerts, for the benefit of the Group's customers.



Note: "IMT" refers to international money transfers.

Operating Expenses



Customer Remediation Program and Regulatory Update

$m	Remediation program - details	1H19	3Q19	YTD to 3Q19	Total to-date
Aligned Advice remediation	A provision for an estimate of Aligned Advice remediation issues and program costs, including ongoing service fees charged where no service was provided.	200	334	534	534
Wealth customer refunds	Includes an estimate of refunds and interest to customers relating to advice quality, fees where no service was provided in the Commonwealth Financial Planning business, Credit Card Plus, CommInsure Life Insurance and Loan Protection Insurance.	46	72	118	459
Banking customer refunds	Includes an estimate of refunds and interest to customers relating to business banking products including bank guarantees, cash deposit accounts, merchants and NCCP-eligibility.	30	152	182	375
Other program costs	Estimate of program costs relating to the above issues and regulatory response costs including the implementation of Royal Commission recommendations.	6	156	162	806
Total		**282**	**714**	**996**	**2,174**

Note: "NCCP-eligibility" refers to the licensing and authorization requirements under the *National Consumer Credit Protection Act 2009*, ("NCCP Act"). The NCCP Act is regulated and enforced by the Australian Securities and Investments Commission in accordance with the Australian National Credit Code ("NCC").

- The Group is committed to comprehensively and efficiently addressing the full range of remediation issues impacting customers of its banking and wealth management businesses. Significant resources have been committed to a comprehensive program of work, to ensure all issues are identified and addressed.

- In the quarter ended March 31, 2019, the Group recognized additional pre-tax customer remediation provisions of $714 million, including an additional $334 million relating to

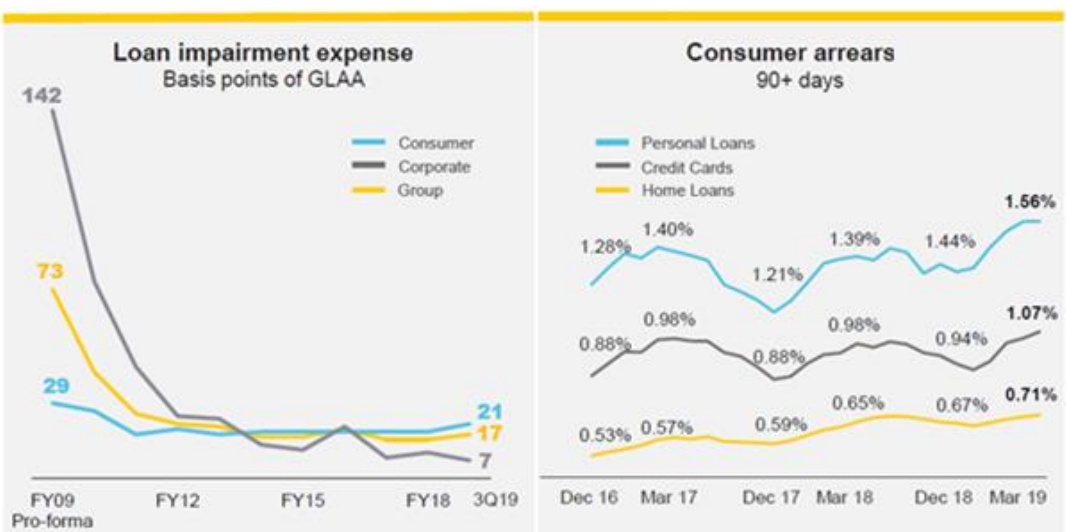
Aligned Advice[4] remediation. Of the $714 million, $704 million was recognized in operating expenses and $10 million in discontinued operations.

- The total Aligned Advice remediation provision recognized is $534 million, which includes $374 million in customer refunds (including $123 million of interest) and $160 million in program costs. The provision assumes a refund rate of 24% (excluding interest) of the ongoing service fees collected between July 1, 2008 and June 30, 2018.

- While these additional provisions are estimates that may change, the Group believes it has adequately provided for currently known banking and wealth customer remediation. The Group will continue to monitor the adequacy of these provisions.

- More broadly, the Group and its operations are subject to heightened regulatory scrutiny and requirements. Regulatory actions (including potential enforcement actions) or policy changes may negatively impact the Group's financial position or standing. There are a range of matters where the outcome and any associated costs cannot be reliably estimated, therefore these matters are treated as contingent liabilities. Further disclosure regarding the Group's contingent liabilities will be provided in the U.S. Disclosure Document for the year ended June 30, 2019.

Sound Credit Quality, Some Pockets of Stress



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 March 31, 2019. Loan impairment expense of $314 million in

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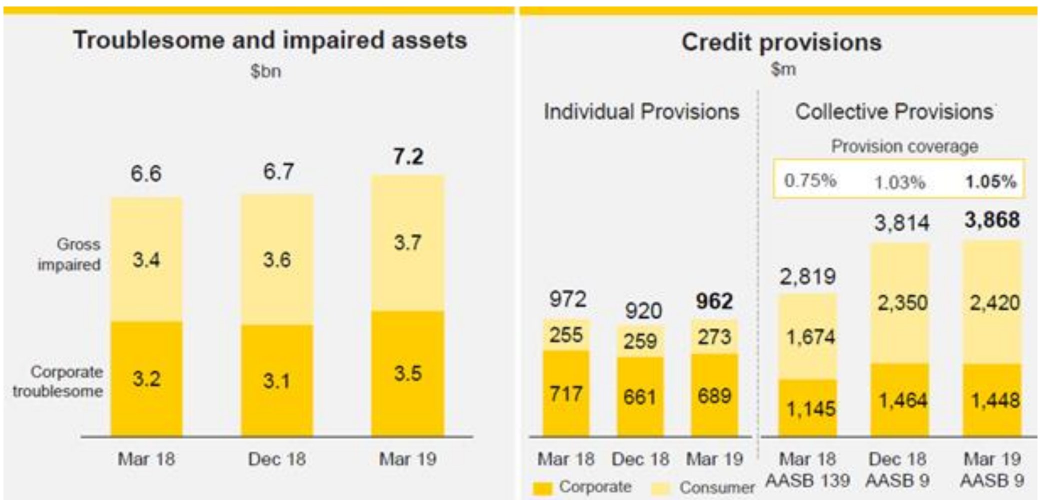
[4] Aligned Advisers are advisers who are not employed by the Group, but who are authorized to provide financial advice under the Financial Wisdom, Count Financial or CFP Pathways licenses.

the quarter equated to 17 basis points of GLAA, compared to 15 basis points in the six months ended December 31, 2018.

- Consumer arrears were impacted by seasonal factors in the quarter and continued to trend higher from a low base, influenced by subdued levels of income growth and cost of living challenges, most pronounced in outer metropolitan areas of Perth, Melbourne and Sydney.

- Accounts in negative equity represent just over 3% of total accounts, based on valuations as at March 31, 2019. Approximately three quarters of the negative equity relates to Western Australia and Queensland.

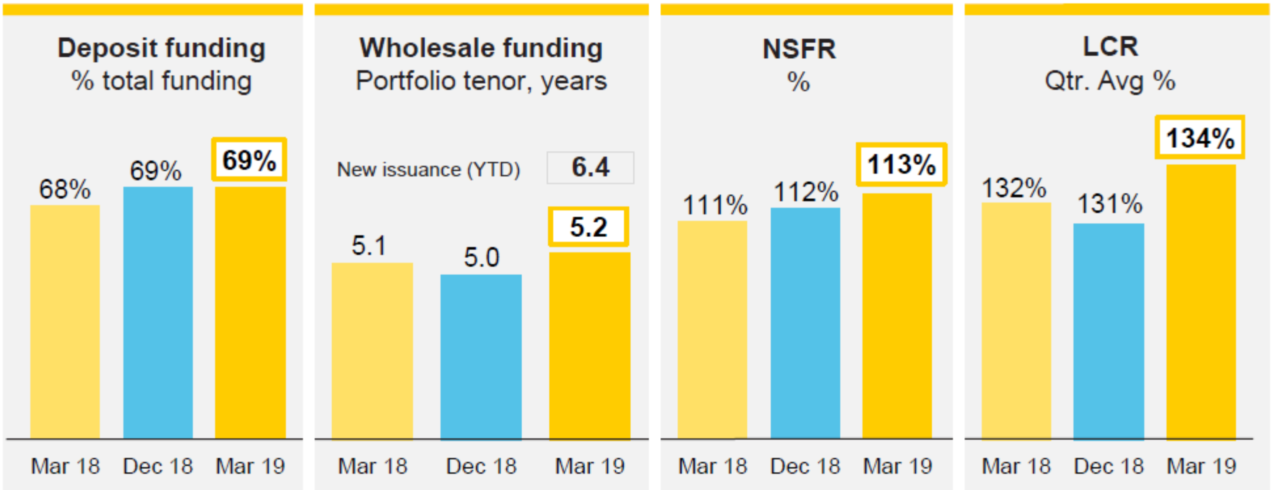


Note: AASB 9 impairment requirements were adopted on July 1, 2018, resulting in a $1,058 million increase in collective provisions. See Note 1.1 to the Group's consolidated financial statements included in the 2019 U.S. Half-Year Disclosure Document for more information on the implementation of AASB 9.

- Troublesome and impaired assets increased to $7.2 billion during the quarter ended March 31, 2019. Emerging signs of weakness in discretionary retail and drought-affected farmers and communities, and single name exposures drove the increase in corporate troublesome assets, whilst impaired assets continued to be influenced by home loan customers experiencing hardship.

- The Group maintained what it believes to be prudent levels of credit provisioning during the quarter ended March 31, 2019, with total provisions increasing by $96 million to approximately $4.8 billion and collective provision coverage further strengthened.

Balance Sheet Further Strengthened



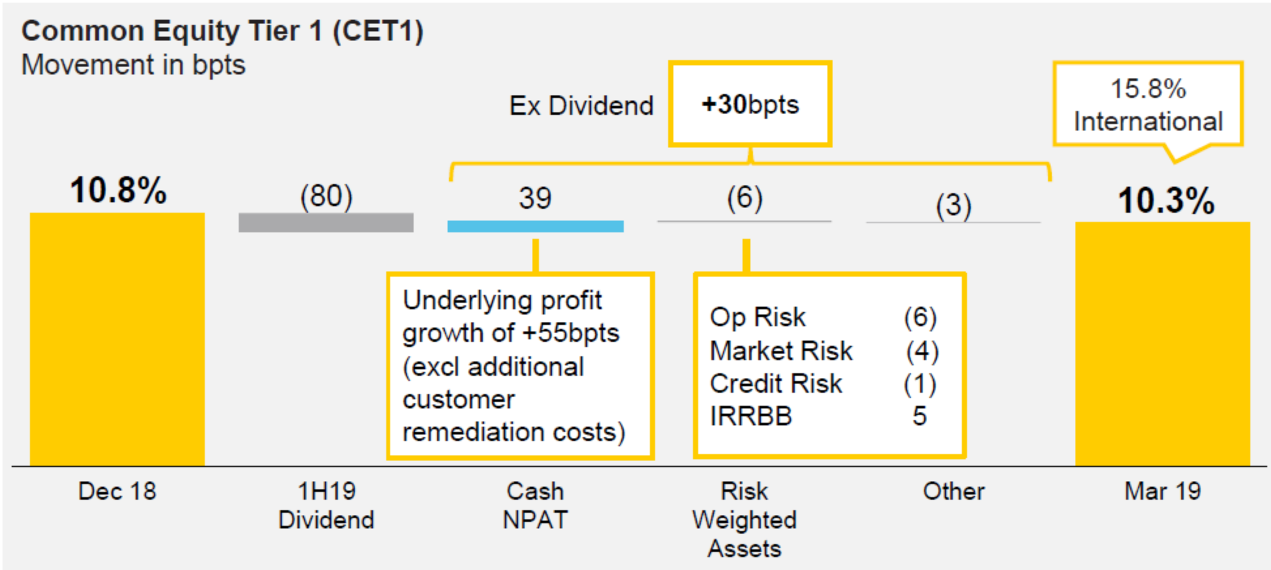
- Funding and liquidity positions remained strong during the quarter ended March 31, 2019, with customer deposit funding at 69% and the average tenor of the long term wholesale funding portfolio at 5.2 years as at March 31, 2019. The Group issued $9.4 billion of long term funding in the quarter.

- The Net Stable Funding Ratio ("NSFR") increased to 113% as at March 31, 2019, supported by growth in retail deposits during the quarter.

- The Liquidity Coverage Ratio ("LCR") was higher at 134% over the quarter ended March 31, 2019, due to an improved customer deposit mix during the quarter.

- As at March 31, 2019, the Group's Leverage Ratio was 5.4% on an APRA basis and 6.2% on an internationally comparable basis[5].

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



Note: "IRRBB" refers to interest rate risk in the banking book.

- The CET1 APRA ratio was 10.3% as at March 31, 2019. After allowing for the impact of the 2019 interim dividend (which included the on the market purchase of shares in respect of the Group's Dividend Reinvestment Plan), CET1 increased 30 basis points in the quarter. This was driven by capital generated from earnings, partially offset by higher risk weighted assets.

- The Group has announced the divestment of a number of businesses as part of its strategy to build a simpler, better bank. As previously advised, the sale of BoComm Life is subject to regulatory approvals and is the final condition precedent for the sale of CommInsure Life ("CMLA"). The Group now expects the divestment of CMLA to complete in the second half of the 2019 calendar year, subject to the timing of the necessary Chinese regulatory approvals. Collectively, the announced divestments are expected to provide an uplift to CET1 of approximately 120 basis points, subject to regulatory approvals.

- Current Reserve Bank of New Zealand capital proposals would result in an additional Tier 1 capital requirement for ASB Bank Limited of approximately NZ$3 billion, assuming current balance sheet size and composition.

<u>Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2019</u>

On May 13, 2019, the Group released its Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2019. That release is attached as Annex B hereto.

Changes to the Group's Board of Directors

On May 13, 2019, the Board of the Commonwealth Bank of Australia announced that Sir David Higgins will retire as a non-executive director on December 31, 2019. Sir David has been a Director of the Group's Board of Directors since September 2014 and has been the Remuneration Committee Chairman and a Risk Committee member.

Annex A

Key Financials Reconciliation

Key financials reconciliation		1H19 $m	1H19 Qtr Avg $m	Movement 3Q19 vs 1H19 Qtr Avg
Operating Income	**Reported**	***12,408***	***6,204***	**(4%)**
	Mortgage Broking consolidation	*(145)*	*(73)*	
	Operating Income ex. notable items	**12,263**	**6,131**	**(4%)**
Operating Expense	**Reported**	***5,289***	***2,645***	**24%**
	Insurance recovery	*145*	*73*	
	Mortgage Broking consolidation	*(139)*	*(70)*	
	Wealth Management indemnity provision	*(200)*	*(100)*	
	Risk and compliance uplifts and customer remediation	*(221)*	*(111)*	
	Operating Expenses ex. notable items	**4,874**	**2,437**	**1%**
Loan Impairment Expense (LIE)		**577**	**289**	**9%**
Reported Cash NPAT		**4,676**	**2,338**	**(28%)**
Cash NPAT ex. notable items		**4,869**	**2,435**	**(9%)**

Note: For more information on notable items, refer to page 21 of the 2019 U.S. Half-Year Disclosure Document.

Annex B

Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at March 31, 2019

Basel III
Pillar 3

Capital Adequacy and Risk Disclosures as at 31 March 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 are conducted.

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

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

The external auditor (PwC) performed certain procedures over the Pillar 3 report for the half year ended December 2018, including verifying disclosures are consistent with information contained in the Group's Profit Announcement, returns provided to APRA and source systems. PwC have provided recommendations to enhance the internal controls related to the calculation of RWA and the Group has an action plan in place to implement these recommendations.

Group Capital Ratios

As at 31 March 2019, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios, as measured on an APRA basis, were 10.3%, 12.4% and 15.3% respectively.

The Group's Basel III internationally comparable CET1 ratio as at 31 March 2019 was 15.8%, compared to 16.5% at 31 December 2018.

After allowing for the 80 basis points impact of the 2019 interim dividend (which included the on-market purchase of shares in respect of the dividend reinvestment plan (DRP)), CET1 increased 30 basis points in the quarter with capital generated from earnings partially offset by higher total RWA. Full details on the movement in RWA are provided on page 3.

Capital Initiatives

During the quarter the DRP in respect of the 2019 interim dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 16.7%.

Leverage Ratio

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures was 5.4% at 31 March 2019 on an APRA basis and 6.2% 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 134% in the March 2019 quarter.

	31 Mar 19	31 Dec 18
Summary Group Capital Adequacy Ratios (Level 2)	%	%
Common Equity Tier 1	**10. 3**	10. 8
Tier 1	**12. 4**	12. 9
Tier 2	**2. 9**	2. 9
Total Capital (APRA)	**15. 3**	15. 8
Common Equity Tier 1 (Internationally Comparable) (1)	**15. 8**	16. 5

(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 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 2019 quarter	
	31 Mar 19	31 Dec 18		
Asset Category	$M	$M	$M	%
Credit Risk				
Subject to AIRB approach (1)				
Corporate	**65,438**	68,915	(3,477)	(5. 0)
SME corporate	**30,806**	30,121	685	2. 3
SME retail	**5,394**	5,400	(6)	(0. 1)
SME retail secured by residential mortgage	**3,360**	3,415	(55)	(1. 6)
Sovereign	**2,432**	2,330	102	4. 4
Bank	**10,629**	9,741	888	9. 1
Residential mortgage	**145,049**	143,017	2,032	1. 4
Qualifying revolving retail	**8,748**	8,942	(194)	(2. 2)
Other retail	**15,688**	15,729	(41)	(0. 3)
Total RWA subject to AIRB approach	**287,544**	287,610	(66)	(0. 0)
Specialised lending	**52,972**	53,453	(481)	(0. 9)
Subject to standardised approach				
Corporate	**1,150**	1,406	(256)	(18. 2)
SME corporate	**819**	1,034	(215)	(20. 8)
SME retail	**4,993**	5,010	(17)	(0. 3)
Sovereign	**233**	222	11	5. 0
Bank	**77**	53	24	45. 3
Residential mortgage	**6,715**	6,632	83	1. 3
Other retail	**1,439**	1,493	(54)	(3. 6)
Other assets	**6,735**	5,674	1,061	18. 7
Total RWA subject to standardised approach	**22,161**	21,524	637	3. 0
Securitisation	**2,966**	3,049	(83)	(2. 7)
Credit valuation adjustment	**2,954**	2,729	225	8. 2
Central counterparties	**991**	991	-	-
Total RWA for credit risk exposures	**369,588**	369,356	232	0. 1
Traded market risk	**6,818**	5,263	1,555	29. 5
Interest rate risk in the banking book	**11,660**	13,872	(2,212)	(15. 9)
Operational risk	**59,123**	56,653	2,470	4. 4
Total risk weighted assets	**447,189**	445,144	2,045	0. 5

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

Risk Weighted Assets

Total Group RWA increased by $2.0 billion or 0.5% on the prior quarter to $447.2 billion driven by higher Operational Risk, Traded Market Risk and Credit RWA, partially offset by lower Interest Rate Risk in the Banking Book RWA.

Credit Risk RWA

Credit RWA increased by $0.2 billion or 0.1% on the prior quarter to $369.6 billion mainly driven by growth in residential mortgages and liquid assets, data and methodology changes, reduction in credit quality across most retail portfolios and foreign currency movements partly offset by lower exposures across corporate and some consumer retail portfolios.

Traded Market Risk RWA

Traded Market Risk RWA increased by $1.6 billion or 29.5% on the prior quarter to $6.8 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 $2.2 billion or 15.9% on the prior quarter to $11.7 billion. This was driven by model enhancements, interest rate risk management activity and increased embedded gains due to lower domestic and offshore interest rates.

Operational Risk RWA

Operational Risk RWA increased by $2.5 billion or 4.4% on the prior quarter to $59.1 billion. This reflects changes in the Group's operational risk profile relating to the changing regulatory environment and modelling variations including changes in portfolio diversification.

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

	31 March 2019						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for March 2019 quarter [1] $M	Change in exposure for March 2019 quarter [2] $M	%
Subject to AIRB approach							
Corporate	69,620	42,914	6,618	**119,152**	122,026	(5,749)	(4. 6)
SME corporate	43,128	8,558	348	**52,034**	51,715	639	1. 2
SME retail	7,468	3,540	-	**11,008**	11,124	(233)	(2. 1)
SME retail secured by residential mortgage	4,339	1,482	-	**5,821**	5,866	(89)	(1. 5)
Sovereign	90,745	1,080	2,166	**93,991**	92,398	3,184	3. 5
Bank	26,932	1,398	9,010	**37,340**	35,750	3,181	9. 3
Residential mortgage	500,020	71,360	-	**571,380**	569,367	4,026	0. 7
Qualifying revolving retail	10,404	17,480	-	**27,884**	28,092	(415)	(1. 5)
Other retail	8,094	3,102	-	**11,196**	11,228	(64)	(0. 6)
Total AIRB approach	760,750	150,914	18,142	**929,806**	927,566	4,480	0. 5
Specialised lending	51,778	8,014	720	**60,512**	60,726	(429)	(0. 7)
Subject to standardised approach							
Corporate	961	147	39	**1,147**	1,285	(276)	(19. 4)
SME corporate	650	168	-	**818**	926	(216)	(20. 9)
SME retail	4,272	674	37	**4,983**	4,992	(17)	(0. 3)
Sovereign	498	11	-	**509**	500	18	3. 7
Bank	333	2	1	**336**	295	82	32. 3
Residential mortgage	12,688	2,008	-	**14,696**	14,608	175	1. 2
Other retail	1,339	100	-	**1,439**	1,466	(53)	(3. 6)
Other assets	12,925	-	-	**12,925**	12,151	1,547	13. 6
Central counterparties	-	-	7,242	**7,242**	7,255	(25)	(0. 3)
Total standardised approach	33,666	3,110	7,319	**44,095**	43,478	1,235	2. 9
Total credit exposures [3]	846,194	162,038	26,181	**1,034,413**	1,031,770	5,286	0. 5

(1) The simple average of exposures as at 31 March 2019 and 31 December 2018.
(2) The difference between exposures as at 31 March 2019 and 31 December 2018.
(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)

	31 December 2018						
		Off balance sheet					
Portfolio Type	On balance sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2018 quarter [1] $M	Change in exposure for December 2018 quarter [2] $M	%
Subject to AIRB approach							
Corporate	73,335	44,040	7,526	124,901	124,268	1,266	1. 0
SME corporate	42,768	8,382	245	51,395	52,453	(2,115)	(4. 0)
SME retail	7,669	3,572	-	11,241	10,741	1,001	9. 8
SME retail secured by residential mortgage	4,390	1,520	-	5,910	5,661	498	9. 2
Sovereign	87,303	1,324	2,180	90,807	89,147	3,320	3. 8
Bank	23,909	1,413	8,837	34,159	36,589	(4,861)	(12. 5)
Residential mortgage	496,270	71,084	-	567,354	564,313	6,080	1. 1
Qualifying revolving retail	10,533	17,766	-	28,299	28,450	(301)	(1. 1)
Other retail	8,152	3,108	-	11,260	11,237	46	0. 4
Total AIRB approach	754,329	152,209	18,788	925,326	922,859	4,934	0. 5
Specialised lending	51,743	8,597	601	60,941	61,187	(492)	(0. 8)
Subject to standardised approach							
Corporate	1,073	308	42	1,423	1,327	193	15. 7
SME corporate	756	278	-	1,034	690	689	199. 7
SME retail	4,223	742	35	5,000	5,426	(854)	(14. 6)
Sovereign	491	-	-	491	493	(3)	(0. 6)
Bank	251	2	1	254	217	75	41. 9
Residential mortgage	12,453	2,068	-	14,521	13,940	1,160	8. 7
Other retail	1,388	104	-	1,492	1,504	(24)	(1. 6)
Other assets	11,378	-	-	11,378	11,168	421	3. 8
Central counterparties	-	-	7,267	7,267	7,191	152	2. 1
Total standardised approach	32,013	3,502	7,345	42,860	41,956	1,809	4.4
Total credit exposures [3]	838,085	164,308	26,734	1,029,127	1,026,002	6,251	0.6

(1) The simple average of exposures as at 31 December 2018 and 30 September 2018.
(2) The difference between exposures as at 31 December 2018 and 30 September 2018.
(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

	31 March 2019		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	3,468	400	**3,868**
Individual provisions [2]	-	962	**962**
Total provisions	3,468	1,362	**4,830**
Additional GRCL requirement [3]	518	-	**518**
Total regulatory provisions	3,986	1,362	**5,348**

(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 $518 million in order to maintain the required minimum GRCL.

	31 December 2018		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	3,453	361	3,814
Individual provisions [2]	-	920	920
Total provisions	3,453	1,281	4,734
Additional GRCL requirement [3]	539	-	539
Total regulatory provisions	3,992	1,281	5,273

(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 $539 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 31 March 2019			Quarter ended 31 March 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	1,743	554	701	70	24
Sovereign	-	-	-	-	-
Bank	9	-	9	-	-
Residential mortgage	1,644	2,855	374	34	29
Qualifying revolving retail	149	-	127	-	63
Other retail	156	31	151	2	96
Total	3,701	3,440	1,362	106	212

(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 31 March 2019.

	As at 31 December 2018			Quarter ended 31 December 2018	
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	1,720	500	671	159	120
Sovereign	-	-	-	-	(1)
Bank	9	-	9	-	-
Residential mortgage	1,547	2,689	345	28	34
Qualifying revolving retail	137	-	116	-	67
Other retail	147	26	140	3	82
Total	3,560	3,215	1,281	190	302

(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 31 December 2018.

3.3 Securitisation

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

	For the 3 months to 31 March 2019	
Underlying Asset Type	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	131	-
Credit cards and other personal loans	18	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	149	-

	For the 3 months to 31 December 2018	
Underlying Asset Type	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	340	-
Credit cards and other personal loans	-	-
Auto and equipment finance	150	-
Commercial loans	9	-
Other	-	-
Total	499	-

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

	As at 31 March 2019		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	248	248
Warehouse facilities	4,523	3,098	7,621
Derivative facilities	116	22	138
Holdings of securities	7,543	-	7,543
Other	-	5	5
Total securitisation exposures	12,182	3,373	15,555

	As at 31 December 2018		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	260	260
Warehouse facilities	4,253	3,425	7,678
Derivative facilities	84	24	108
Holdings of securities	7,853	-	7,853
Other	-	5	5
Total securitisation exposures	12,190	3,714	15,904

4. Leverage Ratio

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.4% at 31 March 2019 on an APRA basis and 6.2% 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 a 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 November 2018, APRA released draft prudential reporting standards that are broadly in line with BCBS guidance including a minimum leverage ratio requirement of 3.5% for IRB banks. These changes are subject to consultation and are proposed to apply from 1 January 2022.

Summary Group Leverage Ratio	31 Mar 19	31 Dec 18	30 Sep 18	30 Jun 18
Tier 1 Capital ($M)	**55,381**	57,518	56,055	56,365
Total Exposures ($M) (1)	**1,023,593**	1,026,240	1,024,774	1,018,555
Leverage Ratio (APRA) (%)	**5. 4**	5. 6	5. 5	5. 5
Leverage Ratio (Internationally Comparable) (%) (2)	**6. 2**	6. 4	6. 2	6. 3

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

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

5. Liquidity Risk

Liquidity Coverage Ratio Disclosure

The Group calculates its LCR position daily, ensuring a buffer is maintained over the minimum regulatory requirement of 100% and the Board's risk appetite. Over the March quarter, excess liquid assets averaged $36 billion and the average LCR increased by 3% from 131% to 134% due to higher liquid assets.

The Group's mix of liquid assets consists of High Quality Liquid Assets (HQLA), being cash, deposits with central banks and securities issued by governments and highly rated public sector entities. Liquid assets also include securities repo-eligible 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. The increase in HQLA over the March quarter offset the reduction in the Group's CLF allocation, which decreased from $53.3 billion to $50.7 billion effective 1 January 2019.

Net Cash Outflows (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 were stable over the quarter.

		31 Mar 19	31 Mar 19	31 Dec 18	31 Dec 18
		Total unweighted value (average) (1)	Total weighted value (average) (1)	Total unweighted value (average) (1)	Total weighted value (average) (1)
		$M	$M	$M	$M
Liquid assets, of which:					
1	High-quality liquid assets (HQLA)		**94,197**		88,865
2	Alternative liquid assets (ALA)		**45,267**		47,930
3	Reserve Bank of New Zealand (RBNZ) securities		**3,202**		2,714
Cash outflows					
4	Retail deposits and deposits from small business customers, of which:	**286,448**	**24,947**	283,867	24,744
5	Stable deposits	**160,442**	**8,022**	159,898	7,995
6	Less stable deposits	**126,006**	**16,925**	123,969	16,749
7	Unsecured wholesale funding, of which:	**119,340**	**63,361**	118,279	62,170
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	**30,615**	**7,546**	31,661	7,807
9	Non-operational deposits (all counterparties)	**76,520**	**43,610**	75,683	43,428
10	Unsecured debt	**12,205**	**12,205**	10,935	10,935
11	Secured wholesale funding		**1,533**		2,165
12	Additional requirements, of which:	**152,415**	**21,979**	154,671	22,222
13	Outflows related to derivatives exposures and other collateral requirements	**7,578**	**7,578**	7,734	7,734
14	Outflows related to loss of funding on debt products	**-**	**-**	-	-
15	Credit and liquidity facilities	**144,837**	**14,401**	146,937	14,488
16	Other contractual funding obligations	**77**	**8**	34	12
17	Other contingent funding obligations	**80,263**	**9,448**	76,892	7,613
18	**Total cash outflows**		**121,276**		118,926
Cash inflows					
19	Secured lending	**8,650**	**1,765**	8,526	1,295
20	Inflows from fully performing exposures	**9,451**	**6,506**	10,172	6,943
21	Other cash inflows	**6,193**	**6,193**	4,403	4,403
22	**Total cash inflows**	**24,294**	**14,464**	23,101	12,641
23	**Total liquid assets**		**142,666**		139,509
24	**Total net cash outflows**		**106,812**		106,285
25	**Liquidity Coverage Ratio (%)**		**134**		131
Number of data points used (Business Days)			**61**		64

(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) which was adopted by the Group on 1 July 2018.
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 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 including ASB.
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) which was adopted by the Group on 1 July 2018. 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 ELE by APRA.
Level 2	The level at which the Group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI and all of its subsidiary entities other than the insurance and funds management entities and entities through which securitisation of Group assets is conducted. This is the basis on which this report has been produced.
Level 3	The conglomerate group including the Group's insurance and wealth management business.
Leverage Ratio	Tier 1 Capital divided by Total Exposures, with this ratio expressed as a percentage.
Liquidity Coverage Ratio (LCR)	The LCR is a quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
Loss Given Default (LGD)	The fraction of EAD that is not expected to be recovered following default.
Net Cash Outflows	Net cash outflows in the LCR are calculated by applying prescribed run-off factors on liabilities and various Off Balance Sheet exposures that can generate a cash outflow in the next 30 days.
Net Stable Funding Ratio (NSFR)	The NSFR is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities.

Term	Definition
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.
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.
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 VaR (SVaR)	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.