Commonwealth Bank

Basel III Pillar 3

Capital Adequacy and Risk Disclosures
as at 31 March 2021

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Having been delegated authority by the Board, the release of this announcement was authorised by the Chief Executive Officer, Chief Financial Officer and Chief Risk Officer.

Contents

1 Introduction

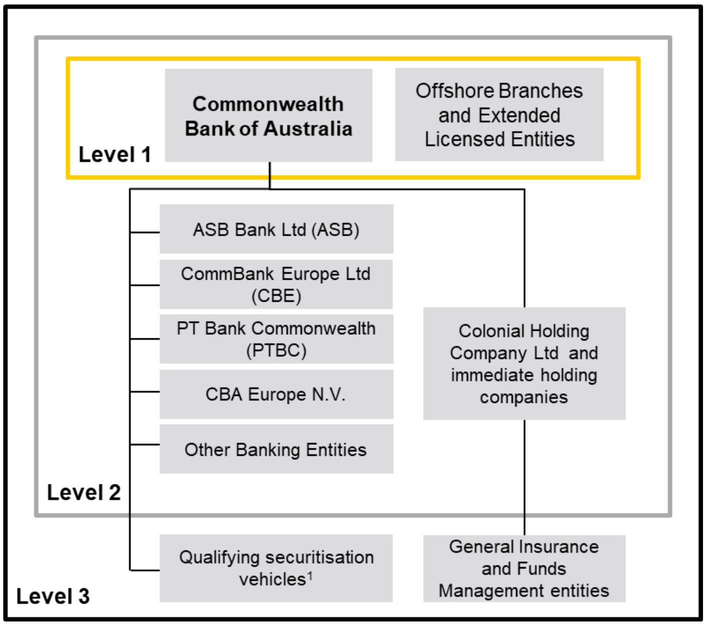
The Commonwealth Bank of Australia (CBA) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959.

This document is prepared for CBA and its subsidiaries (the Group) in accordance with a Board approved policy and quarterly reporting requirements set out in APRA's Prudential Standard (APS) APS 330 *Public Disclosure* (APS 330). It presents information on the Group's capital adequacy and Risk Weighted Assets (RWA) calculations for credit risk including securitisation, traded 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 general insurance and funds management businesses and entities through which securitisation of Group assets is conducted, as illustrated below.

APS 330 reporting structure



1 Securitisation that meets APRA's operational requirements for regulatory capital relief under APS 120 *Securitisation* (APS 120).

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 supplied to APRA.

The Group's Pillar 3 documents are available on the Group's corporate website: commbank.com.au/regulatorydisclosures

Capital Position

As at 31 March 2021, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios as measured on an APRA basis were 12.7%, 15.1% and 19.4% respectively.

After allowing for the impact of the 2021 interim dividend (-59 basis points), the CET1 ratio increased by 69 basis points in the quarter. This was primarily driven by capital generated from earnings (+54 basis points) and a $7.0 billion (+20 basis points) decrease in total RWA. Details on the movements in RWA are provided on page 4.

On 1 April 2021 the Group completed the divestment of its Australian life insurance business, CommInsure Life, contributing an additional 2 basis points to the Group's CET1 ratio in the quarter ended 30 June 2021.

The Group's Basel III CET1 ratio was 18.9% on an internationally comparable basis as at 31 March 2021.

Summary Group Capital Adequacy Ratios (Level 2)	31 Mar 21 %	31 Dec 20 %
Common Equity Tier 1	**12.7**	12.6
Additional Tier 1	**2.4**	2.4
Tier 1	**15.1**	15.0
Tier 2	**4.3**	3.9
Total Capital (APRA)	**19.4**	18.9
Common Equity Tier 1 (Internationally Comparable) [1]	**18.9**	18.7

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

Introduction (continued)

Capital Initiatives

The following significant capital initiatives were undertaken during the quarter ended 31 March 2021:

Common Equity Tier 1 Capital

- The Dividend Reinvestment Plan (DRP) in respect of the 2021 interim dividend was satisfied in full by the on market purchase of shares. The participation rate for the DRP was 15.7%.

Tier 2 Capital

In March 2021, the Group completed the following Tier 2 initiatives:

- Issuance of an USD1,250 million subordinated note and an USD1,500 million subordinated note that are both Basel III compliant Tier 2 capital; and
- Partial redemption of EUR660 million and USD653 million respectively from the existing EUR1,250 million subordinated note and USD1,250 subordinated note, both Basel III compliant Tier 2 capital.

The following significant capital initiative was announced during the quarter ended 31 March 2021 but was completed subsequent to the reporting period:

Additional Tier 1 Capital

- In April 2021, the Group issued $1.18 billion of CommBank PERLS XIII Capital Notes (PERLS XIII) that are Basel III compliant Additional Tier 1 capital.

APRA's COVID-19 Announcements

Capital Announcements

On 19 March 2020, APRA announced temporary changes to its expectations regarding bank capital ratios and advised that, provided banks are able to meet their minimum capital requirements, the capital buffers built up over recent years to meet the 10.5% unquestionably strong benchmark CET1 capital ratio can be utilised to facilitate ongoing lending to the economy during the period of disruption caused by COVID-19.

On 15 December 2020, APRA announced that its guidance issued in July 2020 requiring banks to preserve capital through retaining at least half of their earnings during the period of disruption caused by COVID-19 will no longer apply from calendar year 2021. Nevertheless, in determining the appropriate level of dividends, APRA expects banks to moderate dividend payout ratios to ensure they are sustainable, taking into account the outlook for profitability, capital and the broader environment.

COVID-19 Customer Support Measures

The Group introduced a number of support measures for customers impacted by COVID-19, which included loan repayment deferral arrangements and the origination of loans under the Government's Small and Medium Enterprises (SME) Guarantee Scheme and SME Recovery Loan Scheme.

On 23 March 2020, APRA announced its regulatory approach to COVID-19 customer support measures being offered by banks in the current environment. Additional guidance was provided in July 2020 and September 2020.

To support ADIs in providing this assistance to customers, APRA provided temporary capital relief which had the effect that where a borrower was otherwise performing, and their loan was subject to a repayment deferral as part of a COVID-19 support package the ADI could 'stop the clock' on arrears. The repayment deferrals would not be treated as a period of arrears and the loan would not be regarded as restructured. Additionally, to facilitate ADIs transitioning impacted borrowers to a regular repayment schedule, APRA allowed temporary adjustments to the capital requirements so that a borrower's facilities could be restructured and immediately returned to a performing status provided the restructure occured before 31 March 2021. The Reserve Bank of New Zealand (RBNZ) provided similar concessions for repayment deferrals granted in response to COVID-19 up to 31 March 2021. The Group's temporary loan repayment program concluded in March 2021, with the vast majority of customers now returned to making regular repayments on their loans.

The Group has also participated in the Australian Government's SME Guarantee Scheme and SME Loan Recovery Scheme. The SME Loan Recovery Scheme is an extension of the SME Guarantee Scheme, designed to support economic recovery and provide continued assistance to businesses, including those that have been impacted by recent floods in NSW and QLD. APRA confirmed that the SME Guarantee Scheme and SME Loan Recovery Scheme are regarded as eligible guarantees by the government for risk weighting purposes. ASB has participated in a similar scheme in New Zealand. The Group will continue to provision for these loans under relevant accounting standards.

Leverage Ratio

The Group's leverage ratio, which is defined as Tier 1 Capital as a percentage of total exposures, was 6.0% at 31 March 2021 on an APRA basis and 6.8% 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 (NCOs) projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 125% in the March 2021 quarter.

On 19 March 2020, the Reserve Bank of Australia (RBA) announced the establishment of a three year Term Funding Facility (TFF) offered to eligible ADIs to support lending to Australian businesses. As at 31 March 2021, the Group had a total TFF allocation of $42.2 billion, with its Initial Allowance of $19.1 billion fully drawn, and its Supplementary Allowance of $13.0 billion and Additional Allowance of $10.1 billion undrawn. The Group's current total available TFF allocation is $47.8 billion.

2 Risk Weighted Assets

Risk weighted assets (RWA) 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 2021 quarter	
	31 Mar 21	31 Dec 20		
Asset Category	$M	$M	$M	%
Credit Risk				
Subject to AIRB approach [1]				
Corporate	**66,652**	69,157	(2,505)	(3. 6)
SME corporate	**29,501**	30,662	(1,161)	(3. 8)
SME retail	**6,177**	6,583	(406)	(6. 2)
SME retail secured by residential mortgage	**3,003**	3,087	(84)	(2. 7)
Sovereign	**2,477**	2,668	(191)	(7. 2)
Bank	**5,788**	6,424	(636)	(9. 9)
Residential mortgage	**153,828**	151,950	1,878	1. 2
Qualifying revolving retail	**5,712**	5,816	(104)	(1. 8)
Other retail	**11,296**	11,511	(215)	(1. 9)
Total RWA subject to AIRB approach	**284,434**	287,858	(3,424)	(1. 2)
Specialised lending	**62,899**	60,136	2,763	4. 6
Subject to standardised approach				
Corporate	**936**	1,194	(258)	(21. 6)
SME corporate	**722**	752	(30)	(4. 0)
SME retail	**2,433**	2,660	(227)	(8. 5)
Sovereign	**252**	286	(34)	(11. 9)
Bank	**86**	150	(64)	(42. 7)
Residential mortgage	**6,468**	6,466	2	0. 0
Other retail	**938**	1,017	(79)	(7. 8)
Other assets	**8,497**	8,504	(7)	(0. 1)
Total RWA subject to standardised approach	**20,332**	21,029	(697)	(3. 3)
Securitisation	**2,939**	2,981	(42)	(1. 4)
Credit valuation adjustment	**3,824**	4,446	(622)	(14. 0)
Central counterparties	**427**	450	(23)	(5. 1)
Total RWA for credit risk exposures	**374,855**	376,900	(2,045)	(0. 5)
Traded market risk	**8,028**	11,161	(3,133)	(28. 1)
Interest rate risk in the banking book	**13,737**	15,561	(1,824)	(11. 7)
Operational risk	**50,037**	49,994	43	0. 1
Total risk weighted assets	**446,657**	453,616	(6,959)	(1. 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 (continued)

Risk Weighted Assets

Total RWA decreased by $7.0 billion or 1.5% on the prior quarter to $446.7 billion driven by decreases in credit risk RWA, IRRBB RWA and traded market risk RWA.

Credit Risk RWA

Credit risk RWA decreased by $2.0 billion or 1% on the prior quarter to $374.9 billion. Key movements include:

- Volume growth across residential mortgage and commercial portfolios; partly offset by a reduction in bank and sovereign exposures, unsecured retail portfolios, derivatives and exposures subject to standardised treatment (+$3.1 billion); offset by
- Credit quality improvement (-$2.7 billion), primarily across commercial portfolios;
- Foreign currency movements primarily due to appreciation of the AUD against NZD (-$0.8 billion); and
- Data and methodology changes (-$1.6 billion).

Traded Market Risk RWA

Traded market risk RWA decreased by $3.1 billion or 28% on the prior quarter to $8.0 billion. This was due to decreases in the Value-at-Risk (VaR) and the Stressed Value-at-Risk (SVaR) components, due to reduced exposure to changes in Funding Valuation Adjustments.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA decreased by $1.8 billion or 12% on the prior quarter to $13.7 billion primarily driven by changes in interest rate risk management positions and model refinements; partly offset by a reduction in embedded gains due to higher interest rates over the period.

Operational Risk RWA

Operational risk RWA was flat on the prior quarter at $50.0 billion.

The Group regularly reviews and updates its operational risk RWA to reflect material changes in its operational risk profile in accordance with the Operational Risk Management Framework and governance processes.

The operational risk RWA includes the $6.25 billion add-on required by APRA.

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 2021						
		Off Balance Sheet					
Portfolio Type	On Balance Sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for March 2021 quarter [1] $M	Change in exposure for March 2021 quarter [2] $M	%
Subject to AIRB approach							
Corporate	65,174	46,063	9,226	120,463	122,078	(3,230)	(2. 6)
SME corporate	43,781	10,357	732	54,870	54,641	458	0. 8
SME retail	7,101	4,408	6	11,515	11,558	(86)	(0. 7)
SME retail secured by residential mortgage	3,620	1,619	–	5,239	5,272	(65)	(1. 2)
Sovereign	132,747	1,101	2,150	135,998	137,735	(3,474)	(2. 5)
Bank	16,442	378	6,662	23,482	24,099	(1,234)	(5. 0)
Residential mortgage	550,701	82,212	–	632,913	628,361	9,103	1. 5
Qualifying revolving retail	7,994	16,315	–	24,309	24,468	(317)	(1. 3)
Other retail	6,526	2,942	–	9,468	9,576	(216)	(2. 2)
Total AIRB approach	834,086	165,395	18,776	1,018,257	1,017,788	939	0. 1
Specialised lending	58,850	11,738	1,771	72,359	70,528	3,662	5. 3
Subject to standardised approach							
Corporate	682	243	10	935	1,064	(259)	(21. 7)
SME corporate	542	174	6	722	737	(30)	(4. 0)
SME retail	1,802	618	5	2,425	2,539	(229)	(8. 6)
Sovereign	534	–	–	534	565	(61)	(10. 3)
Bank	361	–	–	361	514	(305)	(45. 8)
Residential mortgage	12,995	1,901	–	14,896	14,833	125	0. 8
Other retail	890	39	–	929	966	(75)	(7. 5)
Other assets	20,047	–	–	20,047	21,728	(3,361)	(14. 4)
Central counterparties	–	–	10,760	10,760	10,701	119	1. 1
Total standardised approach	37,853	2,975	10,781	51,609	53,647	(4,076)	(7. 3)
Total Credit exposures [3]	930,789	180,108	31,328	1,142,225	1,141,963	525	–

1 The simple average of balances as at 31 March 2021 and 31 December 2020.
2 The difference between exposures as at 31 March 2021 and 31 December 2020.
3 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Credit Risk (continued)

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

	31 December 2020						
		Off Balance Sheet					
	On Balance Sheet	Non-market related	Market related	Total	Average exposure for December 2020 quarter [1]	Change in exposure for December 2020 quarter [2]	
Portfolio Type	$M	$M	$M	$M	$M	$M	%
Subject to AIRB approach							
Corporate	65,063	48,518	10,112	123,693	124,088	(790)	(0. 6)
SME corporate	43,057	10,566	789	54,412	53,703	1,418	2. 7
SME retail	7,082	4,508	11	11,601	11,800	(397)	(3. 3)
SME retail secured by residential mortgage	3,649	1,655	–	5,304	5,383	(159)	(2. 9)
Sovereign	135,955	1,151	2,366	139,472	134,393	10,157	7. 9
Bank	17,057	404	7,255	24,716	24,965	(498)	(2. 0)
Residential mortgage	543,741	80,069	–	623,810	616,993	13,634	2. 2
Qualifying revolving retail	8,124	16,502	–	24,626	24,777	(302)	(1. 2)
Other retail	6,662	3,022	–	9,684	9,486	397	4. 3
Total AIRB approach	830,390	166,395	20,533	1,017,318	1,005,588	23,460	2. 4
Specialised lending	56,649	9,844	2,204	68,697	67,797	1,799	2. 7
Subject to standardised approach							
Corporate	1,026	153	15	1,194	1,001	386	47. 8
SME corporate	604	141	7	752	748	9	1. 2
SME retail	1,872	774	8	2,654	2,601	107	4. 2
Sovereign	594	1	–	595	618	(47)	(7. 3)
Bank	666	–	–	666	569	195	41. 4
Residential mortgage	13,090	1,681	–	14,771	14,816	(91)	(0. 6)
Other retail	968	36	–	1,004	1,020	(32)	(3. 1)
Other assets	23,408	–	–	23,408	22,479	1,858	8. 6
Central counterparties	–	–	10,641	10,641	11,524	(1,766)	(14. 2)
Total standardised approach	42,228	2,786	10,671	55,685	55,376	619	1. 1
Total credit exposures [3]	929,267	179,025	33,408	1,141,700	1,128,761	25,878	2. 3

1 The simple average of balances as at 31 December 2020 and 30 September 2020.
2 The difference between exposures as at 31 December 2020 and 30 September 2020.
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 recognised in accordance with accounting standards that have been assessed on an individual basis are classified as specific provisions in accordance with APS 220 Credit Quality (APS 220). Most of the collective provisions raised under 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.

Effective 31 December 2019 the Group's GRCL methodology results in an amount lower than the provision recognised for accounting purposes, resulting in no additional GRCL requirement.

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

	31 March 2021		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	4,911	758	**5,669**
Individual provisions [2]	–	836	**836**
Total regulatory provisions	4,911	1,594	**6,505**

1 Provisions classified according to APS 220.
2 Provisions according to the Australian Accounting Standards.

	31 December 2020		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	5,274	669	5,943
Individual provisions [2]	–	872	872
Total regulatory provisions	5,274	1,541	6,815

1 Provisions classified according to APS 220.
2 Provisions according to the Australian Accounting Standards.

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 2021			Quarter ended 31 March 2021	
Portfolio	Impaired assets $M	Past due loans ≥ 90 days [1] $M	Specific provision balance [2] $M	Net charges for individual provisions $M	Actual losses [3] $M
Corporate including SME, specialised lending and central counterparties	1,380	789	672	48	74
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,532	2,835	691	–	15
Qualifying revolving retail	84	–	74	–	28
Other retail	106	14	157	1	59
Total	3,102	3,638	1,594	49	176

1 Represents loans ≥ 90 days past due but not impaired.
2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.
3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 31 March 2021.

	As at 31 December 2020			Quarter ended 31 December 2020	
Portfolio	Impaired assets $M	Past due loans ≥ 90 days [1] $M	Specific provision balance [2] $M	Net charges for individual provisions $M	Actual losses [3] $M
Corporate including SME, specialised lending and central counterparties	1,437	600	697	79	117
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,451	2,504	581	3	12
Qualifying revolving retail	87	–	86	(2)	53
Other retail	125	18	177	1	57
Total	3,100	3,122	1,541	81	239

1 Represents loans ≥ 90 days past due but not impaired.
2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.
3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 31 December 2020.

Credit Risk (continued)

3.3 Securitisation

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

	Quarter ended 31 March 2021	
Underlying Asset	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	686	–
Credit cards and other personal loans	–	–
Auto and equipment finance	19	–
Commercial loans	–	–
Other	–	–
Total	705	–

	Quarter ended 31 December 2020	
Underlying Asset	Total exposures securitised $M	Recognised gain or loss on sale $M
Residential mortgage	301	–
Credit cards and other personal loans	6	–
Auto and equipment finance	–	–
Commercial loans	–	–
Other	–	–
Total	307	–

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

	As at 31 March 2021		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	–	283	283
Warehouse facilities	5,541	4,773	10,314
Derivative facilities	–	491	491
Holdings of securities	4,989	–	4,989
Other	–	10	10
Total securitisation exposures	10,530	5,557	16,087

	As at 31 December 2020 [1]		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	–	293	293
Warehouse facilities	5,009	4,814	9,823
Derivative facilities	–	532	532
Holdings of securities	5,336	–	5,336
Other	–	10	10
Total securitisation exposures	10,345	5,649	15,994

1 Comparative information has been restated to conform to presentation in the current period

4 Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 6.0% at 31 March 2021 on an APRA basis and 6.8% on an internationally comparable basis.

In November 2018, APRA released draft prudential and 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 2023.

Summary Group Leverage Ratio	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 20	31 Mar 20
Tier 1 Capital ($M)	**67,500**	67,920	64,423	63,414	61,142
Total Exposures ($M) [1]	**1,116,990**	1,125,048	1,105,321	1,073,131	1,102,574
Leverage Ratio (APRA) (%)	**6. 0**	6. 0	5. 8	5. 9	5. 5
Leverage Ratio (Internationally Comparable) (%) [2]	**6. 8**	6. 8	6. 6	6. 7	6. 4

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 APRA 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 March 2021 quarter, excess liquid assets averaged $34.0 billion and the average LCR decreased by 18% from 143% to 125% due to a reduction in total liquid assets as well as higher NCOs.

The Group's mix of liquid assets consists of HQLA, being cash, deposits with central banks, Australian Semi-Government and Commonwealth Government securities. Liquid assets also includes repo-eligible securities with the RBA under the Committed Liquidity Facility (CLF) and TFF, and securities classified as liquid assets by the RBNZ. Liquid assets are distributed across the Group to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. Average liquid assets decreased over the quarter as the size of the Group's CLF decreased from $45.8 billion to $30.0 billion on 1 December 2020.

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 deposit inflows and increased wholesale funding maturities.

APS 330 Table 20 – LCR disclosure template

		31 Mar 21		31 Dec 20	
		Total unweighted value (average) [1] $M	Total weighted value (average) [1] $M	Total unweighted value (average) [1] $M	Total weighted value (average) [1] $M
Liquid assets, of which:					
1	High-quality liquid assets (HQLA)		122,931		122,514
2	Alternative liquid assets (ALA)		45,260		57,065
3	Reserve Bank of New Zealand (RBNZ) securities		3,169		3,576
Cash outflows					
4	Retail deposits and deposits from small business customers, of which:	**377,602**	**33,475**	**369,448**	**33,200**
5	Stable deposits	212,500	10,625	199,391	9,970
6	Less stable deposits	165,102	22,850	170,057	23,230
7	Unsecured wholesale funding, of which:	**172,161**	**81,845**	**161,523**	**74,639**
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	66,472	16,232	64,463	15,824
9	Non-operational deposits (all counterparties)	91,024	50,948	87,000	48,755
10	Unsecured debt	14,665	14,665	10,060	10,060
11	Secured wholesale funding		**1,106**		**774**
12	Additional requirements, of which:	**171,436**	**25,233**	**167,831**	**23,583**
13	Outflows related to derivatives exposures and other collateral requirements	5,756	5,756	5,650	5,650
14	Outflows related to loss of funding on debt products	–	–	–	–
15	Credit and liquidity facilities	165,680	19,477	162,181	17,933
16	Other contractual funding obligations	8	**–**	14	**–**
17	Other contingent funding obligations	71,225	**9,461**	71,080	**8,593**
18	**Total cash outflows**		**151,120**		**140,789**
Cash inflows					
19	Secured lending	6,204	1,708	7,251	1,392
20	Inflows from fully performing exposures	9,828	6,354	9,420	6,353
21	Other cash inflows	5,649	5,649	4,711	4,711
22	**Total cash inflows**	**21,681**	**13,711**	**21,382**	**12,456**
23	**Total liquid assets**		171,360		183,155
24	**Total net cash outflows**		137,409		128,333
25	**Liquidity Coverage Ratio (%)**		125		143
Number of data points used (Business Days)			55		64

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

Glossary

Term	Definition
Additional Tier 1 Capital (AT1)	Additional Tier 1 Capital is a concept defined by APRA and consists of high quality capital that essentially provides a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Authorised Deposit-taking Institution (ADI)	Authorised Deposit-taking Institutions are financial institutions that are authorised under the Banking Act 1959 to carry on banking business in Australia, including accepting deposits from the public.
Advanced Internal Ratings-based (AIRB) Approach	This approach is 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)	This approach is 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.
Alternative Liquid Assets (ALA)	Assets that qualify for inclusion in the numerator of the LCR in jurisdictions where there is insufficient supply of HQLA.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the RBNZ.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB).
Australian Prudential Regulation Authority (APRA)	The Australian Prudential Regulation Authority is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian parliament.
Banking Book	The banking book is a term for assets on a bank's Balance Sheet that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers. The banking book can also include those derivatives that are used to hedge exposures arising from the banking book activity, including interest rate risk.
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 reported in the Group's financial statements in accordance with Australian Accounting Standards (AASB 9 *Financial Instruments*).
Committed Liquidity Facility (CLF)	The RBA provides the Committed Liquidity Facility to participating ADIs under the LCR, as a shortfall in Commonwealth government and semi-government securities exists in Australia. ADIs can draw on 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 Capital (CET1)	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 are $50 million or more.

Glossary (continued)

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 Licenced Entity (ELE)	An Extended Licensed Entity is comprised of an ADI and each subsidiary of an ADI as specified in any approval granted by APRA in accordance with Prudential Standard APS 222 *Associations with 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* (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.
High Quality Liquid Assets (HQLA)	Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.
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 received 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)	Interest rate risk in the banking book is 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 Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group's 30 June 2020 Basel III Pillar 3 report.
Level 1	The Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licensed Entities.
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 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 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 liquidity coverage ratio 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)	An estimate of the expected severity of loss for a credit exposure following a default event. Loss Given Default represents 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.

Glossary (continued)

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 commitments.
Prudential Capital Ratio (PCR)	The regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times.
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 RWA amounts for credit risk under the AIRB approach of 1.06.
Securities Financing Transactions (SFT)	APRA defines securities financing transactions as transactions such as repurchase agreements, reverse repurchase agreements, and security lending and borrowing, and margin lending transactions, where the value of the transactions depends on the market valuation of securities and the transactions are typically subject to margin agreements.
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 the RBA), 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, 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 GRCL (which are primarily collective provisions on some defaulted assets).
Standardised Approach	An alternate approach to the assessment of credit, operational and traded market risk whereby an ADI uses external ratings agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.

Glossary (continued)

Term	Definition
Stressed Value-at-Risk (SVaR)	Stressed Value-at-Risk uses the same methodology as 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.
Term Funding Facility (TFF)	A facility provided by the RBA to certain ADIs to support lending to Australian businesses.
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 Capital	Comprises CET1, Additional Tier 1 Capital and Tier 2 Capital.
Total Exposures (as used in the leverage ratio)	The sum of on Balance Sheet items, derivatives, 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* Attachment D.
Trading Book	Exposures, including derivative products and other off Balance Sheet instruments that are held either with a trading intent or to hedge other elements of the trading book.
Value-at-Risk (VaR)	Value-at-Risk is a measure of potential loss using historically observed market volatility and correlation between different markets.