# Basel III Pillar 3

## Capital Adequacy and Risks Disclosures as at 31 December 2017

CommonwealthBank

**Images**

## Table of Contents



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# 1 Introduction

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

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

This document also presents information on the Group's leverage and liquidity ratios and countercyclical capital buffer (CCyB) in accordance with prescribed methodology.

The Group is required to report its assessment of capital adequacy on a Level 2 basis. Level 2 is defined as the consolidated banking group excluding the insurance and funds management businesses and entities through which securitisation of Group assets is conducted.

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

The external auditor has performed certain agreed upon procedures over the Pillar 3 report, including verifying disclosures are consistent with information contained in the Group's Profit Announcement, returns provided to APRA and source systems.

This document is available on the Group's corporate website www.commbank.com.au/about-us/investors/shareholders.

### The Group in Review

The Group continued to strengthen its capital position during the half year.

As at 31 December 2017, the Basel III Common Equity Tier 1 (CET1) ratio was 16.3% on an internationally comparable basis. The Group's Basel III CET1, Tier 1 and Total Capital ratios as measured on an APRA basis were 10.4%, 12.4% and 14.8% respectively.

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 135% in the December 2017 quarter and a LCR of 131% as at 31 December 2017.

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures was 5.4% at 31 December 2017 (30 June 2017: 5.1%) on an APRA basis and 6.1% (30 June 2017: 5.8%) on an internationally comparable basis.

The Group regularly benchmarks and aligns its policy framework against existing prudential and regulatory standards. Potential developments in Australian and international standards, and global best practice are also considered.

The Group continues to monitor and take actions to enhance its strengthening risk culture. This includes a risk appetite framework and a risk accountability (Three Lines of Defence) model. The Group has a formal Risk Appetite Framework that creates clear obligations and transparency over risk management and strategy decisions. The Three Lines of Defence model requires business management to operate responsibly by taking well understood and managed risks that are appropriately and adequately priced.

The application of the Group's risk management framework has been reflected in the Group's overall asset quality and capital position. In particular, the Group remains in a select group of banking institutions with a AA-/Aa3 credit rating. To maintain this strength, the Group continues to invest in its risk systems and management processes.

The Group's capital forecasting process and capital plans are in place to ensure a sufficient capital buffer above minimum levels is maintained at all times. The Group manages its capital by regularly and simultaneously considering regulatory capital requirements, rating agency views on the capital required to maintain the Group's credit rating, the market response to capital levels, stress testing and the Group's bottom up view of economic capital. These views then cascade into considerations on what capital level is targeted.

The Group's management of its capital adequacy is supported by robust capital management processes applied in each Business Unit. The results are integrated into the Group's consolidated regulatory and economic capital requirements, and risk-adjusted performance and pricing processes.

| Summary Group Capital Adequacy Ratios (Level 2) | 31 Dec 17 % | 30 Jun 17 % | 31 Dec 16 % |
|---|---|---|---|
| Common Equity Tier 1 | **10. 4** | 10. 1 | 9. 9 |
| Tier 1 | **12. 4** | 12. 1 | 11. 5 |
| Tier 2 | **2. 4** | 2. 1 | 2. 2 |
| **Total Capital (APRA)** | **14. 8** | 14. 2 | 13. 7 |
| **Common Equity Tier 1 (Internationally Comparable)** (1) | **16. 3** | 15. 6 | 15. 4 |

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

## 2 Scope of Application

This document has been prepared in accordance with Board approved policy and reporting requirements set out in APS 330.

APRA adopts a tiered approach to the measurement of an ADI's capital adequacy:

- **Level 1:** the Parent Bank (Commonwealth Bank of Australia) and offshore branches (the Bank) and APRA approved Extended Licensed Entities (ELE);
- **Level 2:** the Consolidated Banking Group excluding the insurance and funds management businesses and the entities through which securitisation of Group assets is conducted; and
- **Level 3:** the conglomerate group including the Group's insurance and funds management businesses (the Group).

The Group is required to report its assessment of capital adequacy on a Level 2 basis. The head of the Level 2 Group is the Parent Bank (Commonwealth Bank of Australia). Additional disclosure of capital ratios relating to material ADIs within the Group together with CBA's own Level 1 capital ratios are included under APS 330 Table 6g of this report (page 5).

ASB Bank Limited (ASB) operates under advanced Basel III status and is subject to regulation by the Reserve Bank of New Zealand (RBNZ). The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements.

Commonwealth Bank of South Africa Ltd (CBSA) started operating under a banking license granted by the South African Reserve Bank (SARB) from November 2017.

CommBank Europe Ltd (CBE), PT Bank Commonwealth (PTBC) and CBSA use Standardised Basel III methodology.

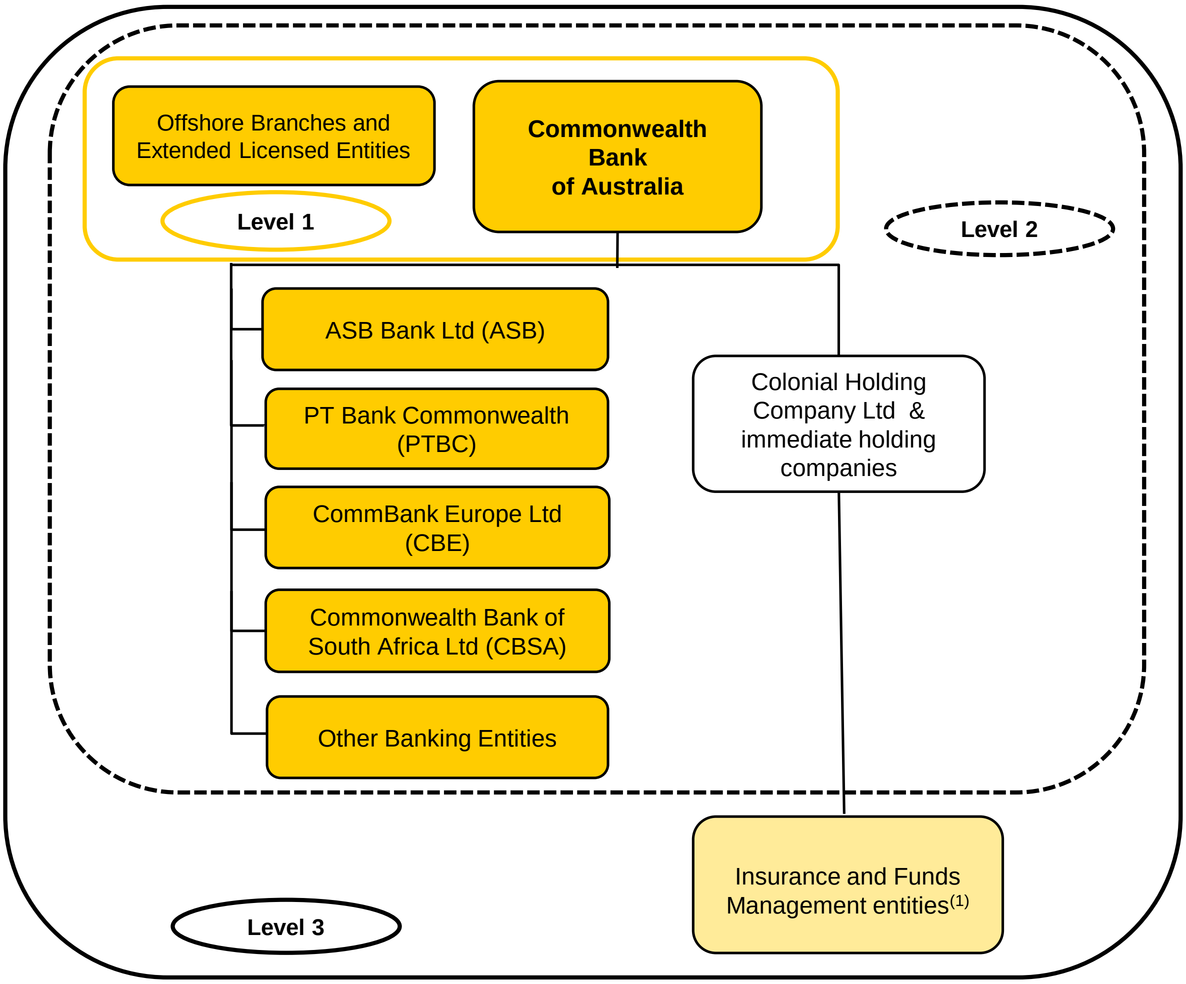
In December 2017 ownership of China County Banks were transferred to Qilu Bank Co Ltd. in which Commonwealth Bank of Australia owns a non-controlling interest.

### Restrictions on transfer of funds or regulatory capital within the Group

The transfer of regulatory capital and funding within the Group is subject to restrictions imposed by local regulatory requirements. In particular, APS 222 "Associations with Related Entities" establishes prudential limits on the level of exposure that the Bank may have to a related entity.

The Bank and all of the subsidiaries of the Group are adequately capitalised. There are no restrictions or other major impediments on the transfer of funds within the Group. There are no capital deficiencies in non-consolidated (regulatory) subsidiaries in the Group.

**APS 330 reporting structure**




(1) Insurance and funds management operating subsidiaries. A detailed list of non-consolidated entities is provided in Appendix 11.5.

# 3 Capital

## Capital Adequacy

The Basel Committee on Banking Supervision (BCBS) has implemented a set of capital, liquidity and funding reforms known as "Basel III". The objectives of the reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are being implemented on a phased approach to 1 January 2019.

The capital reforms were implemented in Australia from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation.

The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a Domestic Systemically Important Bank (DSIB) requirement of 1% and a countercyclical capital buffer (CCyB)(1) of 0%, was effective from 1 January 2016, bringing the CET1 requirement to at least 8%.

The Group has a range of instruments and methodologies available to effectively manage capital. These include share issues and buybacks, dividend and Dividend Reinvestment Plan (DRP) policies, hybrid capital raising and dated and undated subordinated debt issues. All major capital related initiatives require approval by the Board.

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Committee of the Group and at regular intervals throughout the year to the Risk Committee. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategic plan is presented to the Board annually.

## Capital Management

The Group's CET1 ratio as measured on an APRA basis is 10.4% at 31 December 2017, compared with 10.1% at 30 June 2017 and 9.9% at 31 December 2016. The capital ratios were maintained well in excess of regulatory minimum capital adequacy requirements at all times throughout the period.

The Group's CET1 (APRA) ratio increased 30 basis points for the half year ended 31 December 2017. This primarily reflected capital generated from earnings, partially offset by the June 2017 final dividend, which included the issuance of shares at a 1.5% discount under the Dividend Reinvestment Plan (DRP), an overall net increase in Risk Weighted Assets (RWA), and the maturity of a further $350 million of Colonial debt. The final tranche of the Colonial debt still subject to transitional relief is due to mature in the half year to June 2018 ($315 million, a decrease of approximately 7 basis points in CET1).

As detailed on page 8, total RWA increased in the half year with higher Operational Risk and IRRBB RWA partially offset by a reduction in Credit Risk RWA.

On 21 September 2017 the Group announced the sale of its Australian and New Zealand life insurance operations to AIA Group Limited. The transaction, which is expected to be completed in the calendar year 2018, is expected to result in an uplift to CET1 (APRA) of approximately 70 basis points.

The Group's CET1 ratio as measured on an internationally comparable basis is 16.3% as at 31 December 2017, compared with 15.6% at 30 June 2017 and 15.4% at 31 December 2016.

Details on the major differences between the Basel III APRA and the Basel III internationally comparable ratios are provided on page 6.

## Capital Initiatives

The following capital initiatives were undertaken during the half year:

### Common Equity Tier 1 Capital

- The DRP in respect of the 2017 final dividend, which included a 1.5% discount, was satisfied by the allocation of $1,573 million of ordinary shares, representing a participation rate of 39.5%.

### Tier 2 Capital

- In October 2017 the Group issued a EUR1 billion subordinated note that is Basel III compliant Tier 2 capital.

In January 2018, the Group issued a USD1.25 billion subordinated note that is Basel III compliant Tier 2 capital. This will add approximately 35 basis points in Tier 2 capital over and above the 31 December 2017 reported level.

## Other Regulatory Changes

*Unquestionably strong capital ratios*

In July 2017 APRA released an information paper in relation to establishing the quantum of additional capital required for the Australian banking sector to have capital ratios that are unquestionably strong.

APRA's expectation in relation to the concept of unquestionably strong is that the Australian major banks will operate with a CET1 ratio average benchmark of 10.5% or more by 1 January 2020.

Following the finalisation of the reforms announced by the BCBS in December 2017, as detailed below, APRA have advised that these reforms have been accommodated within the targets set by APRA in July 2017.

APRA is expected to commence consultation in early 2018 covering:

- The proposed revisions required to achieve unquestionably strong capital ratios;
- Domestic application of the BCBS reforms;
- Additional measures to address Australian ADI's structural concentration to residential mortgages; and
- Improving transparency and international comparability of capital ratios.

*Basel Committee on Banking Supervision (BCBS)*

In December 2017, the BCBS released "Basel III: Finalising post-crisis reforms", (commonly referred to as "Basel IV").

These reforms include:

- Revisions to the Internal Ratings Based (IRB) approach to credit risk including removal of the 1.06 scaling factor, constraints on the use of IRB for certain asset classes

(1) In December 2017 APRA announced that the CCyB for Australian exposures will remain at 0%. The Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

### Other Regulatory Changes (continued)

(large corporates, banks and financial institutions), and application of minimum input parameters to the remaining IRB credit exposures;

- Improved granularity and risk sensitivity for the standardised approach for credit risk;
- Removal of the operational risk Advanced Measurement Approach and existing Standardised Measurement Approach, which will be replaced by a single risk sensitive standardised approach to be used by all banks; and
- Introduction of an aggregate output floor based on the revised Basel III Standardised Approach RWA. The floor will be phased over a 5 year period starting at 50% from 1 January 2022, increasing to 72.5% from 1 January 2027.

All of the above reforms are scheduled to be implemented from 1 January 2022.

In addition the BCBS confirmed that the implementation date for revised markets risk framework has been deferred to 1 January 2022 in order to align to the implementation date for the changes detailed above.

*Conglomerate Groups*

APRA is extending its prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. In March 2016 APRA advised that it was deferring finalisation of the capital requirements with respect to conglomerates until after the completion of other domestic and international policy initiatives. Non-capital related requirements, which include such items as governance, risk exposures and intra group exposures, are effective 1 July 2017 and have no impact on the Group's capital.

| Summary Group Capital Adequacy Ratios (Level 2) | 31 Dec 17 % | 30 Jun 17 % | 31 Dec 16 % |
|---|---|---|---|
| Common Equity Tier 1 | **10. 4** | 10. 1 | 9. 9 |
| Tier 1 | **12. 4** | 12. 1 | 11. 5 |
| Tier 2 | **2. 4** | 2. 1 | 2. 2 |
| **Total Capital (APRA)** | **14. 8** | 14. 2 | 13. 7 |
| **Common Equity Tier 1 (Internationally Comparable)** (1) | **16. 3** | 15. 6 | 15. 4 |

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

| | APRA 31 Dec 17 $M | APRA 30 Jun 17 $M | APRA 31 Dec 16 $M |
|---|---|---|---|
| Ordinary Share Capital and Treasury Shares (1) | **37,002** | 35,266 | 34,709 |
| Reserves | **1,423** | 1,788 | 1,992 |
| Retained earnings (2) | **26,856** | 25,737 | 24,101 |
| Non-controlling interests | **-** | - | - |
| Common Equity Tier 1 Capital before regulatory adjustments | **65,281** | 62,791 | 60,802 |
| Common Equity Tier 1 regulatory adjustments (2) | **(19,339)** | (18,632) | (17,477) |
| Common Equity Tier 1 Capital | **45,942** | 44,159 | 43,325 |
| Additional Tier 1 Capital | **8,523** | 8,525 | 6,893 |
| Tier 1 Capital | **54,465** | 52,684 | 50,218 |
| Tier 2 Capital | **10,622** | 9,392 | 9,373 |
| **Total Capital** | **65,087** | 62,076 | 59,591 |

(1) Inclusive of Treasury shares held by the Group's life insurance operations and employee share scheme trusts.
(2) Comparatives restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group.

Further details on the composition of the Group's capital is detailed in Appendix 11.1.

### APS 330 Table 6g – Capital Ratios – Level 1 and Major Subsidiaries

| Significant Group ADIs | 31 Dec 17 % | 30 Jun 17 % | 31 Dec 16 % |
|---|---|---|---|
| CBA Level 1 CET1 Capital ratio | **11. 1** | 10. 7 | 10. 3 |
| CBA Level 1 Tier 1 Capital ratio | **12. 8** | 12. 4 | 11. 6 |
| CBA Level 1 Total Capital ratio | **15. 2** | 14. 5 | 13. 7 |
| ASB CET1 Capital ratio (1) | **10. 6** | 10. 2 | 9. 7 |
| ASB Tier 1 Capital ratio (1) | **12. 6** | 12. 3 | 12. 0 |
| ASB Total Capital ratio (1) | **14. 1** | 13. 8 | 13. 5 |

(1) Prior period comparative ratios for ASB were restated due to the incorrect application of the RBNZ definition of CET1. The restatements had no impact on the Group's prior period ratios as the Group's capital calculation is performed independently from its subsidiaries.

## Regulatory Capital Framework Comparison

The APRA Basel III capital requirements are more conservative than those of the BCBS, leading to lower reported capital ratios.

In July 2015, APRA published a study on the calculation of internationally comparable capital by Australian banks entitled "International capital comparison study" (APRA study). As at 31 December 2017, the Group's internationally comparable CET1, Tier 1 and Total Capital ratios were 16.3%, 18.7% and 21.5% respectively. The basis of this analysis aligns with the APRA study.

The following table provides details on the differences, as at 31 December 2017, between the APRA Basel III capital requirements and the internationally comparable capital ratios.

| Item | APRA Study Reference | Description of adjustment | CET1 % | Tier 1 % | Total Capital % |
|---|---|---|---|---|---|
| **Basel III (APRA)** | | | **10. 4** | **12. 4** | **14. 8** |
| Equity investments | Appendix 1 Items 1, 2, 4 | Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements. | 1. 0 | 0. 9 | 0. 8 |
| Capitalised expenses | Appendix 1 Item 5 | Balances are risk weighted, compared to a 100% CET1 deduction under APRA's requirements. | 0. 1 | 0. 1 | 0. 1 |
| Deferred tax assets | Appendix 1 Item 3 | Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements. | 0. 3 | 0. 2 | 0. 2 |
| IRRBB RWA | 3.3.2 | APRA requires capital to be held for IRRBB. The BCBS does not have any capital requirement. | 0. 7 | 0. 9 | 1. 0 |
| Residential mortgages | 3.3.1 | LGD of 15%, compared to the 20% LGD floor under APRA's requirements and adjustments for higher correlation factor applied by APRA for Australian residential mortgages. | 1. 9 | 2. 2 | 2. 6 |
| Other retail standardised exposures | 3.3.6 | Risk weighting of 75%, rather than 100% under APRA's requirements. | 0. 1 | 0. 1 | 0. 1 |
| Unsecured non-retail exposures | 3.3.3 | LGD of 45%, compared to the 60% or higher LGD under APRA's requirements. | 0. 5 | 0. 6 | 0. 7 |
| Non-retail undrawn commitments | 3.3.4 | Credit conversion factor of 75%, compared to 100% under APRA's requirements. | 0. 4 | 0. 4 | 0. 5 |
| Specialised lending | 3.3.5 | Use of IRB PDs and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factor. | 0. 8 | 1. 0 | 1. 2 |
| Currency conversion | 3.3.7 | Increase in the A$ equivalent concessional threshold level for small business retail and small/medium enterprise corporate exposures. | 0. 1 | 0. 1 | 0. 1 |
| **Subtotal** (1) | | | **16. 3** | **18. 9** | **22. 1** |
| Basel III non-compliant instruments | | Removal of Basel III non compliant Tier 1 and Tier 2 instruments that are currently subject to transitional rules. | - | (0. 2) | (0. 6) |
| **Basel III (Internationally Comparable - aligns with APRA study)** | | | **16. 3** | **18. 7** | **21. 5** |

(1) Represents ratios prior to adjustments made for non-compliant Basel III Tier 1 and Tier 2 Capital Instruments. This value is used in determining Leverage Ratio (Internationally Comparable) as determined on page 7.

The above calculations do not include the impact of a Basel I capital floor, which was introduced as a transitional measure as part of the implementation of Basel II. The Australian banks have now fully implemented the existing Basel III requirements and, therefore, it is difficult to calculate the impact of such a floor. APRA concluded in the APRA study that it is difficult to make adjustments for the floor in internationally comparable calculations at this time but the inclusion of a floor could reduce internationally comparable ratios by a material amount.

## 4 Leverage Ratio

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.4% at 31 December 2017 on an APRA basis and 6.1% on an internationally comparable basis.

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

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

| Summary Group Leverage Ratio (1) | 31 Dec 17 | 30 Sep 17 | 30 Jun 17 | 31 Mar 17 | 31 Dec 16 |
|---|---|---|---|---|---|
| Tier 1 Capital ($M) | **54,465** | 52,592 | 52,684 | 50,008 | 50,218 |
| Total Exposures ($M) (2) | **1,012,503** | 1,011,801 | 1,027,958 | 1,012,495 | 1,018,931 |
| **Leverage Ratio (APRA) (%)** | **5.4** | 5. 2 | 5. 1 | 4. 9 | 4. 9 |
| **Leverage Ratio (Internationally Comparable) (%)** (3) | **6.1** | 5. 9 | 5. 8 | 5. 6 | 5. 5 |

(1) Refer to Appendix 11.2 for further details on the composition of the leverage ratio.

(2) 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".

(3) 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 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 6b to 6f – Basel III Capital Requirements (RWA)**

| | Risk Weighted Assets | | | Change in RWA for December 2017 half | |
|---|---|---|---|---|---|
| | 31 Dec 17 | 30 Jun 17 | 31 Dec 16 | | |
| **Asset Category** | **$M** | **$M** | **$M** | **$M** | **%** |
| **Credit Risk** | | | | | |
| **Subject to AIRB approach** [1] | | | | | |
| Corporate | **69,252** | 74,663 | 79,392 | (5,411) | (7. 2) |
| SME corporate | **33,521** | 33,067 | 35,239 | 454 | 1. 4 |
| SME retail | **4,675** | 4,838 | 4,747 | (163) | (3. 4) |
| SME retail secured by residential mortgage | **2,534** | 2,766 | 2,812 | (232) | (8. 4) |
| Sovereign | **2,186** | 2,154 | 6,742 | 32 | 1. 5 |
| Bank | **10,780** | 12,598 | 13,481 | (1,818) | (14. 4) |
| Residential mortgage [2] | **136,047** | 134,969 | 115,647 | 1,078 | 0. 8 |
| Qualifying revolving retail | **8,524** | 9,414 | 9,413 | (890) | (9. 5) |
| Other retail | **15,413** | 15,101 | 14,970 | 312 | 2. 1 |
| **Total RWA subject to AIRB approach** | **282,932** | 289,570 | 282,443 | (6,638) | (2. 3) |
| **Specialised lending** | **56,183** | 58,752 | 60,504 | (2,569) | (4. 4) |
| **Subject to standardised approach** | | | | | |
| Corporate | **1,250** | 1,202 | 1,128 | 48 | 4. 0 |
| SME corporate | **279** | 510 | 596 | (231) | (45. 3) |
| SME retail | **5,701** | 6,172 | 6,089 | (471) | (7. 6) |
| Sovereign | **189** | 271 | 242 | (82) | (30. 3) |
| Bank | **63** | 136 | 192 | (73) | (53. 7) |
| Residential mortgage | **5,404** | 5,017 | 4,788 | 387 | 7. 7 |
| Other retail | **2,717** | 2,925 | 2,776 | (208) | (7. 1) |
| Other assets | **5,323** | 5,291 | 5,385 | 32 | 0. 6 |
| **Total RWA subject to standardised approach** | **20,926** | 21,524 | 21,196 | (598) | (2. 8) |
| Securitisation | **1,622** | 1,584 | 1,572 | 38 | 2. 4 |
| Credit valuation adjustment | **4,498** | 4,958 | 6,332 | (460) | (9. 3) |
| Central counterparties | **824** | 871 | 1,479 | (47) | (5. 4) |
| **Total RWA for credit risk exposures** | **366,985** | 377,259 | 373,526 | (10,274) | (2. 7) |
| Traded market risk | **4,829** | 4,650 | 5,707 | 179 | 3. 8 |
| Interest rate risk in the banking book | **27,944** | 21,404 | 23,498 | 6,540 | 30. 6 |
| Operational risk | **41,078** | 33,750 | 33,750 | 7,328 | 21. 7 |
| **Total risk weighted assets** | **440,836** | 437,063 | 436,481 | 3,773 | 0. 9 |

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

(2) Includes APRA requirements to increase the average risk weight applied to Australian residential mortgages using the AIRB approach (30 June 2017: $15.0 billion).

### Risk Weighted Assets

Total RWA increased 1% to $441 billion on the prior half, driven by higher Operational Risk and IRRBB RWA, partly offset by lower Credit Risk RWA.

### Credit Risk RWA

Credit Risk RWA decreased $10.3 billion or 3%, due to:

- Reduction of exposure across non-retail portfolios;
- Improved credit quality across most portfolios;
- Foreign currency movements; and
- Refresh of credit risk estimates across some portfolios.

These decreases were partly offset by an increase in residential mortgages due to growth in exposures.

### Traded Market Risk RWA

Traded Market Risk RWA increased by $0.2 billion or 4%. This was predominantly driven by the Stressed VaR component.

### Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by $6.5 billion or 31% due to interest rate risk management activity and the higher level of rates, partially offset by model enhancements.

### Operational Risk RWA

Operational Risk RWA increased $7.3 billion or 22% on prior half to $41.1 billion. This reflects the regular assessment of the Group's operational risk profile in the context of the evolving risk and regulatory environment.

The Group will continue to review and update its Operational Risk RWA to reflect material changes in its risk profile in accordance with the Group's Operational Risk Management Framework and governance processes.

### Explanation of change in Credit Risk RWA

The composition of the movement in Credit Risk RWA over the prior half is shown below.

| | | Credit Risk RWA movement drivers | | | | |
|---|---|---|---|---|---|---|
| | Change in RWA for Dec 17 half | Volume changes | FX changes | Credit risk estimates changes and regulatory treatments | Data and methodology changes | Change in credit quality |
| **Asset Category** | **$M** | **$M** | **$M** | **$M** | **$M** | **$M** |
| AIRB corporate including SME and specialised lending | **(7,921)** | (3,011) | (1,171) | (1,004) | (229) | (2,506) |
| AIRB bank | **(1,818)** | (1,347) | (39) | - | (131) | (301) |
| AIRB sovereign | **32** | 121 | (25) | (42) | (13) | (9) |
| AIRB consumer retail | **500** | 1,502 | (704) | 186 | - | (484) |
| Standardised (including other assets, CCP and CVA) | **(1,105)** | (470) | (165) | (734) | (190) | 454 |
| Securitisation exposures | **38** | 55 | (3) | - | - | (14) |
| **Total credit RWA movement** | **(10,274)** | **(3,150)** | **(2,107)** | **(1,594)** | **(563)** | **(2,860)** |

# 6 Credit Risk

## 6.1 Credit Risk Exposure – Excluding Equities and Securitisation

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

### APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach

| | 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Off Balance Sheet | | | | | |
| Portfolio Type | On Balance Sheet $M | Non-market related $M | Market related $M | Total $M | Average exposure for December 2017 half (1) $M | Change in exposure for December 2017 half (2) $M | % |
| **Subject to AIRB approach** | | | | | | | |
| Corporate | 72,772 | 46,163 | 6,875 | **125,810** | 128,176 | (4,732) | (3. 6) |
| SME corporate | 46,337 | 9,551 | 598 | **56,486** | 55,719 | 1,534 | 2. 8 |
| SME retail | 6,992 | 3,175 | - | **10,167** | 10,228 | (122) | (1. 2) |
| SME retail secured by residential mortgage | 4,188 | 1,450 | - | **5,638** | 5,746 | (216) | (3. 7) |
| Sovereign | 86,734 | 1,245 | 1,577 | **89,556** | 90,984 | (2,856) | (3. 1) |
| Bank | 28,996 | 1,456 | 8,113 | **38,565** | 40,824 | (4,519) | (10. 5) |
| Residential mortgage | 478,121 | 73,424 | - | **551,545** | 548,956 | 5,178 | 0. 9 |
| Qualifying revolving retail | 9,887 | 16,866 | - | **26,753** | 26,935 | (363) | (1. 3) |
| Other retail | 8,260 | 3,074 | - | **11,334** | 11,180 | 309 | 2. 8 |
| **Total AIRB approach** | 742,287 | 156,404 | 17,163 | **915,854** | 918,748 | (5,787) | (0. 6) |
| **Specialised lending** | 52,955 | 10,574 | 679 | **64,208** | 65,626 | (2,837) | (4. 2) |
| **Subject to standardised approach** | | | | | | | |
| Corporate | 918 | 365 | 2 | **1,285** | 1,476 | (382) | (22. 9) |
| SME corporate | 196 | 80 | 2 | **278** | 394 | (232) | (45. 5) |
| SME retail | 4,687 | 951 | 50 | **5,688** | 5,924 | (471) | (7. 6) |
| Sovereign | 400 | - | - | **400** | 463 | (125) | (23. 8) |
| Bank | 225 | 1 | - | **226** | 337 | (222) | (49. 6) |
| Residential mortgage | 10,865 | 1,749 | - | **12,614** | 12,134 | 960 | 8. 2 |
| Other retail | 2,618 | 89 | - | **2,707** | 2,814 | (214) | (7. 3) |
| Other assets | 11,280 | - | - | **11,280** | 10,387 | 1,786 | 18. 8 |
| Central counterparties | - | - | 5,543 | **5,543** | 5,614 | (143) | (2. 5) |
| **Total standardised approach** | 31,189 | 3,235 | 5,597 | **40,021** | 39,543 | 957 | 2. 4 |
| **Total credit exposures (3)** | 826,431 | 170,213 | 23,439 | **1,020,083** | 1,023,917 | (7,667) | (0. 7) |

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

### Explanation of change in credit risk exposure

Details of credit risk exposure movements over the prior half are as follows:

| Asset Category | Total exposure change $M | Regulatory Exposure Driver |
|---|---|---|
| AIRB corporate (including SME) and specialised lending | **(6,373)** | Primarily reflects refresh of some credit risk estimates, reduction in exposure across commercial portfolios, and FX movements. |
| AIRB sovereign | **(2,856)** | Primarily reflects a net reduction and change of exposure type, as well as FX movements. |
| AIRB bank | **(4,519)** | Primarily reflects reduction of exposure and FX movements. |
| AIRB consumer retail | **5,124** | Primarily reflects volume growth and AIRB accreditation of Bankwest personal loan portfolio, partly offset by FX movements and securitisation of residential mortgages. |
| Total advanced and specialised lending | **(8,624)** | |
| Standardised including other assets and central counterparties | **957** | Primarily reflects increases in residential mortgages and CBA's acquisition of Aussie Home Loans, partly offset in part by AIRB accreditation of Bankwest personal loan portfolio. |
| **Total excluding securitisation and equity exposures** | **(7,667)** | |

**APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach** (continued)

| | 30 June 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Off Balance Sheet | | | | | |
| | On Balance Sheet | Non-market related | Market related | Total | Average exposure for June 2017 half [1] | Change in exposure for June 2017 half [2] | |
| **Portfolio Type** | $M | $M | $M | $M | $M | $M | % |
| **Subject to AIRB approach** | | | | | | | |
| Corporate | 72,930 | 50,677 | 6,935 | 130,542 | 131,220 | (1,356) | (1. 0) |
| SME corporate | 45,380 | 8,991 | 581 | 54,952 | 54,805 | 293 | 0. 5 |
| SME retail | 7,136 | 3,153 | - | 10,289 | 10,226 | 126 | 1. 2 |
| SME retail secured by residential mortgage | 4,453 | 1,401 | - | 5,854 | 5,931 | (154) | (2. 6) |
| Sovereign | 88,977 | 1,171 | 2,264 | 92,412 | 89,672 | 5,480 | 6. 3 |
| Bank | 32,537 | 2,519 | 8,028 | 43,084 | 43,839 | (1,509) | (3. 4) |
| Residential mortgage | 474,059 | 72,308 | - | 546,367 | 542,033 | 8,668 | 1. 6 |
| Qualifying revolving retail | 9,906 | 17,210 | - | 27,116 | 27,207 | (182) | (0. 7) |
| Other retail | 7,867 | 3,158 | - | 11,025 | 11,053 | (55) | (0. 5) |
| **Total AIRB approach** | 743,245 | 160,588 | 17,808 | 921,641 | 915,986 | 11,311 | 1. 2 |
| **Specialised lending** | 54,236 | 12,093 | 716 | 67,045 | 67,919 | (1,749) | (2. 5) |
| **Subject to standardised approach** | | | | | | | |
| Corporate | 1,005 | 223 | 439 | 1,667 | 1,413 | 509 | 44. 0 |
| SME corporate | 397 | 112 | 1 | 510 | 553 | (85) | (14. 3) |
| SME retail | 5,143 | 951 | 65 | 6,159 | 6,117 | 83 | 1. 4 |
| Sovereign | 499 | 26 | - | 525 | 514 | 22 | 4. 4 |
| Bank | 448 | - | - | 448 | 506 | (117) | (20. 7) |
| Residential mortgage | 10,015 | 1,639 | - | 11,654 | 11,382 | 543 | 4. 9 |
| Other retail | 2,821 | 100 | - | 2,921 | 2,847 | 148 | 5. 3 |
| Other assets | 9,494 | - | - | 9,494 | 9,908 | (827) | (8. 0) |
| Central counterparties | - | - | 5,686 | 5,686 | 5,386 | 600 | 11. 8 |
| **Total standardised approach** | 29,822 | 3,051 | 6,191 | 39,064 | 38,626 | 876 | 2. 3 |
| **Total credit exposures** [3] | 827,303 | 175,732 | 24,715 | 1,027,750 | 1,022,531 | 10,438 | 1. 0 |

(1) The simple average of balances as at 30 June 2017 and 31 December 2016.
(2) The difference between exposures as at 30 June 2017 and 31 December 2016.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

### APS 330 Table 7i – Credit risk exposures by portfolio type and modelling approach (continued)

| | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Off Balance Sheet | | | | | |
| | On Balance Sheet | Non-market related | Market related | Total | Average exposure for December 2016 half [1] | Change in exposure for December 2016 half [2] | |
| **Portfolio Type** | $M | $M | $M | $M | $M | $M | % |
| **Subject to AIRB approach** | | | | | | | |
| Corporate [3][4] | 72,154 | 50,176 | 9,568 | 131,898 | 123,846 | 16,103 | 13. 9 |
| SME corporate [3] | 44,044 | 9,726 | 889 | 54,659 | 50,776 | 7,767 | 16. 6 |
| SME retail | 6,977 | 3,186 | - | 10,163 | 10,274 | (222) | (2. 1) |
| SME retail secured by residential mortgage | 4,566 | 1,442 | - | 6,008 | 5,868 | 280 | 4. 9 |
| Sovereign | 83,209 | 1,173 | 2,550 | 86,932 | 83,307 | 7,250 | 9. 1 |
| Bank | 30,455 | 2,584 | 11,554 | 44,593 | 43,104 | 2,978 | 7. 2 |
| Residential mortgage | 463,471 | 74,228 | - | 537,699 | 529,015 | 17,367 | 3. 3 |
| Qualifying revolving retail | 10,025 | 17,273 | - | 27,298 | 27,312 | (27) | (0. 1) |
| Other retail | 7,938 | 3,142 | - | 11,080 | 11,095 | (30) | (0. 3) |
| **Total AIRB approach** | 722,839 | 162,930 | 24,561 | 910,330 | 884,597 | 51,466 | 6. 0 |
| **Specialised lending** [3][4] | 55,736 | 12,354 | 704 | 68,794 | 68,046 | 1,496 | 2. 2 |
| **Subject to standardised approach** | | | | | | | |
| Corporate [3] | 913 | 236 | 9 | 1,158 | 6,100 | (9,883) | (89. 5) |
| SME corporate [3] | 419 | 170 | 6 | 595 | 2,350 | (3,510) | (85. 5) |
| SME retail | 5,155 | 866 | 55 | 6,076 | 6,096 | (41) | (0. 7) |
| Sovereign | 503 | - | - | 503 | 519 | (33) | (6. 2) |
| Bank | 565 | - | - | 565 | 623 | (115) | (16. 9) |
| Residential mortgage [3] | 9,359 | 1,752 | - | 11,111 | 12,416 | (2,610) | (19. 0) |
| Other retail | 2,659 | 114 | - | 2,773 | 2,755 | 35 | 1. 3 |
| Other assets | 10,321 | - | - | 10,321 | 10,627 | (612) | (5. 6) |
| Central counterparties | - | - | 5,086 | 5,086 | 5,955 | (1,737) | (25. 5) |
| **Total standardised approach** | 29,894 | 3,138 | 5,156 | 38,188 | 47,441 | (18,506) | (32. 6) |
| **Total credit exposures** [5] | 808,469 | 178,422 | 30,421 | 1,017,312 | 1,000,084 | 34,456 | 3. 5 |

(1) The simple average of balances as at 31 December 2016 and 30 June 2016.
(2) The difference between exposures as at 31 December 2016 and 30 June 2016.
(3) APRA has re-accredited the use of the AIRB approach for the Bankwest non-retail portfolio, effective 30 September 2016. This increased AIRB Corporate ($1.9 billion), AIRB SME Corporate ($5.8 billion), and Specialised Lending ($9.8 billion) which was offset by a reduction in standardised exposures.
(4) Specialised Lending includes an increase of $9.8 billion from re-accreditation of Bankwest non-retail portfolios, offset by a reclassification of exposures to AIRB Corporate of $9.5 billion.
(5) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

**APS 330 Table 7b – Credit risk exposure by portfolio type**

| Portfolio Type | As at 31 Dec 17 $M | Half year average (1) $M |
|---|---|---|
| Corporate | **127,095** | 129,652 |
| SME corporate | **56,764** | 56,113 |
| SME retail | **15,855** | 16,152 |
| SME retail secured by residential mortgage | **5,638** | 5,746 |
| Sovereign | **89,956** | 91,447 |
| Bank | **38,791** | 41,161 |
| Residential mortgage | **564,159** | 561,090 |
| Qualifying revolving retail | **26,753** | 26,935 |
| Other retail | **14,041** | 13,994 |
| Specialised lending | **64,208** | 65,626 |
| Other assets | **11,280** | 10,387 |
| Central counterparties | **5,543** | 5,614 |
| **Total credit exposures (2)** | **1,020,083** | 1,023,917 |

| Portfolio Type | As at 30 Jun 17 $M | Half year average (1) $M |
|---|---|---|
| Corporate | 132,209 | 132,633 |
| SME corporate | 55,462 | 55,358 |
| SME retail | 16,448 | 16,343 |
| SME retail secured by residential mortgage | 5,854 | 5,931 |
| Sovereign | 92,937 | 90,186 |
| Bank | 43,532 | 44,345 |
| Residential mortgage | 558,021 | 553,415 |
| Qualifying revolving retail | 27,116 | 27,207 |
| Other retail | 13,946 | 13,900 |
| Specialised lending | 67,045 | 67,919 |
| Other assets | 9,494 | 9,908 |
| Central counterparties | 5,686 | 5,386 |
| **Total credit exposures (2)** | 1,027,750 | 1,022,531 |

| Portfolio Type | As at 31 Dec 16 $M | Half year average (1) $M |
|---|---|---|
| Corporate | 133,056 | 129,946 |
| SME corporate | 55,254 | 53,126 |
| SME retail | 16,239 | 16,370 |
| SME retail secured by residential mortgage | 6,008 | 5,868 |
| Sovereign | 87,435 | 83,826 |
| Bank | 45,158 | 43,727 |
| Residential mortgage | 548,810 | 541,431 |
| Qualifying revolving retail | 27,298 | 27,312 |
| Other retail | 13,853 | 13,850 |
| Specialised lending | 68,794 | 68,046 |
| Other assets | 10,321 | 10,627 |
| Central counterparties | 5,086 | 5,955 |
| **Total credit exposures (2)** | 1,017,312 | 1,000,084 |

(1) The simple average of the closing balance and the previous half year.
(2) Total credit risk exposures do not include equities or securitisation exposures.

### APS 330 Table 7c – Credit risk exposure by portfolio type and geographic distribution

| | 31 December 2017 [1] | | | |
|---|---|---|---|---|
| Portfolio Type | Australia $M | New Zealand $M | Other $M | Total $M |
| Corporate | 72,785 | 10,162 | 44,148 | **127,095** |
| SME corporate | 39,668 | 15,146 | 1,950 | **56,764** |
| SME retail [2] | 18,022 | 2,895 | 576 | **21,493** |
| Sovereign | 49,625 | 5,106 | 35,225 | **89,956** |
| Bank | 17,959 | 1,907 | 18,925 | **38,791** |
| Residential mortgage | 508,476 | 55,226 | 457 | **564,159** |
| Qualifying revolving retail | 26,753 | - | - | **26,753** |
| Other retail | 10,927 | 2,765 | 349 | **14,041** |
| Specialised lending | 53,215 | 6,692 | 4,301 | **64,208** |
| Other assets | 9,723 | 430 | 1,127 | **11,280** |
| Central counterparties | 536 | - | 5,007 | **5,543** |
| **Total credit exposures** [3] | 807,689 | 100,329 | 112,065 | **1,020,083** |

| | 30 June 2017 [1] | | | |
|---|---|---|---|---|
| Portfolio Type | Australia $M | New Zealand $M | Other $M | Total $M |
| Corporate | 75,293 | 9,103 | 47,813 | 132,209 |
| SME corporate | 39,497 | 15,049 | 916 | 55,462 |
| SME retail [2] | 18,429 | 3,058 | 815 | 22,302 |
| Sovereign | 54,284 | 3,830 | 34,823 | 92,937 |
| Bank | 20,726 | 1,761 | 21,045 | 43,532 |
| Residential mortgage | 501,252 | 56,278 | 491 | 558,021 |
| Qualifying revolving retail | 27,116 | - | - | 27,116 |
| Other retail | 10,771 | 2,826 | 349 | 13,946 |
| Specialised lending | 54,773 | 7,099 | 5,173 | 67,045 |
| Other assets | 7,767 | 735 | 992 | 9,494 |
| Central counterparties | 560 | - | 5,126 | 5,686 |
| **Total credit exposures** [3] | 810,468 | 99,739 | 117,543 | 1,027,750 |

| | 31 December 2016 [1] | | | |
|---|---|---|---|---|
| Portfolio Type | Australia $M | New Zealand $M | Other $M | Total $M |
| Corporate | 76,248 | 9,450 | 47,358 | 133,056 |
| SME corporate | 39,388 | 14,781 | 1,085 | 55,254 |
| SME retail [2] | 18,414 | 3,003 | 830 | 22,247 |
| Sovereign | 49,955 | 3,572 | 33,908 | 87,435 |
| Bank | 19,662 | 2,316 | 23,180 | 45,158 |
| Residential mortgage | 492,186 | 56,128 | 496 | 548,810 |
| Qualifying revolving retail | 27,298 | - | - | 27,298 |
| Other retail | 10,795 | 2,810 | 248 | 13,853 |
| Specialised lending | 55,447 | 7,060 | 6,287 | 68,794 |
| Other assets | 8,367 | 603 | 1,351 | 10,321 |
| Central counterparties | 448 | - | 4,638 | 5,086 |
| **Total credit exposures** [3] | 798,208 | 99,723 | 119,381 | 1,017,312 |

(1) Balances are reported based on the risk domicile of the borrowers.
(2) Including SME retail secured by residential property.
(3) Total credit risk exposures do not include equities or securitisation exposures.

### APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector

| Portfolio Type | Residential mortgage $M | Other personal $M | Asset finance $M | Sovereign $M | Bank $M | Other finance $M | Agriculture $M | Mining $M |
|---|---|---|---|---|---|---|---|---|
| | 31 December 2017 Industry Sector | | | | | | | |
| Corporate | - | - | 3,032 | - | - | 27,220 | 2,362 | 9,844 |
| SME corporate | - | - | 2,830 | - | - | 3,232 | 17,048 | 232 |
| SME retail [1] | - | - | 3,770 | - | - | 381 | 1,777 | 57 |
| Sovereign | - | - | - | 89,956 | - | - | - | - |
| Bank | - | - | - | - | 38,791 | - | - | - |
| Residential mortgage | 564,159 | - | - | - | - | - | - | - |
| Qualifying revolving retail | - | 26,753 | - | - | - | - | - | - |
| Other retail | - | 13,694 | 347 | - | - | - | - | - |
| Specialised lending | - | - | 17 | - | - | 76 | 76 | 1,982 |
| Other assets | - | 2,782 | - | - | - | - | - | - |
| Central counterparties | - | - | - | - | - | 5,543 | - | - |
| **Total credit exposures [2]** | 564,159 | 43,229 | 9,996 | 89,956 | 38,791 | 36,452 | 21,263 | 12,115 |

| Portfolio Type | Manufacturing $M | Energy $M | Construction $M | Retail/ wholesale trade $M | Transport and storage $M | Property [3] $M | Other $M | Total $M |
|---|---|---|---|---|---|---|---|---|
| | Industry Sector | | | | | | | |
| Corporate | 10,969 | 7,832 | 2,838 | 12,820 | 16,615 | 8,085 | 25,478 | **127,095** |
| SME corporate | 3,091 | 371 | 2,883 | 7,428 | 1,959 | 684 | 17,006 | **56,764** |
| SME retail [1] | 825 | 22 | 1,461 | 2,492 | 472 | 1,986 | 8,250 | **21,493** |
| Sovereign | - | - | - | - | - | - | - | **89,956** |
| Bank | - | - | - | - | - | - | - | **38,791** |
| Residential mortgage | - | - | - | - | - | - | - | **564,159** |
| Qualifying revolving retail | - | - | - | - | - | - | - | **26,753** |
| Other retail | - | - | - | - | - | - | - | **14,041** |
| Specialised lending | 16 | 2,147 | 70 | 270 | 2,445 | 54,863 | 2,246 | **64,208** |
| Other assets | - | - | - | - | - | - | 8,498 | **11,280** |
| Central counterparties | - | - | - | - | - | - | - | **5,543** |
| **Total credit exposures [2]** | 14,901 | 10,372 | 7,252 | 23,010 | 21,491 | 65,618 | 61,478 | **1,020,083** |

(1) SME retail business lending secured by residential property has been allocated by industry.
(2) Total credit risk exposures do not include equities or securitisation exposures.
(3) Property includes Real Estate Investment Trusts (REIT) and excludes Business Services.

**APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector** (continued)

| | 30 June 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Industry Sector | | | | | | | |
| Portfolio Type | Residential mortgage $M | Other personal $M | Asset finance $M | Sovereign $M | Bank $M | Other finance $M | Agriculture $M | Mining $M |
| Corporate | - | - | 2,252 | - | - | 25,693 | 2,247 | 11,430 |
| SME corporate | - | - | 2,814 | - | - | 2,448 | 17,278 | 214 |
| SME retail [(1)] | - | - | 3,872 | - | - | 430 | 1,845 | 73 |
| Sovereign | - | - | - | 92,937 | - | - | - | - |
| Bank | - | - | - | - | 43,532 | - | - | - |
| Residential mortgage | 558,021 | - | - | - | - | - | - | - |
| Qualifying revolving retail | - | 27,116 | - | - | - | - | - | - |
| Other retail | - | 13,606 | - | - | - | - | - | - |
| Specialised lending | - | - | 4 | - | - | - | 77 | 1,903 |
| Other assets | - | 2,938 | - | - | - | - | - | - |
| Central counterparties | - | - | - | - | - | 5,686 | - | - |
| **Total credit exposures** [(2)] | 558,021 | 43,660 | 8,942 | 92,937 | 43,532 | 34,257 | 21,447 | 13,620 |

| | Industry Sector | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Portfolio Type | Manufacturing $M | Energy $M | Construction $M | Retail/ wholesale trade $M | Transport and storage $M | Property [(3)] $M | Other $M | Total $M |
| Corporate | 12,804 | 8,894 | 3,200 | 13,093 | 17,645 | 8,038 | 26,913 | 132,209 |
| SME corporate | 3,277 | 230 | 2,774 | 7,174 | 1,833 | 779 | 16,641 | 55,462 |
| SME retail [(1)] | 1,003 | 25 | 1,571 | 2,771 | 512 | 2,532 | 7,668 | 22,302 |
| Sovereign | - | - | - | - | - | - | - | 92,937 |
| Bank | - | - | - | - | - | - | - | 43,532 |
| Residential mortgage | - | - | - | - | - | - | - | 558,021 |
| Qualifying revolving retail | - | - | - | - | - | - | - | 27,116 |
| Other retail | - | - | - | 340 | - | - | - | 13,946 |
| Specialised lending [(4)] | - | 1,975 | 71 | 167 | 3,029 | 57,209 | 2,610 | 67,045 |
| Other assets | - | - | - | - | - | - | 6,556 | 9,494 |
| Central counterparties | - | - | - | - | - | - | - | 5,686 |
| **Total credit exposures** [(2)] | 17,084 | 11,124 | 7,616 | 23,545 | 23,019 | 68,558 | 60,388 | 1,027,750 |

(1) SME retail business lending secured by residential property has been allocated by industry.
(2) Total credit risk exposures do not include equities or securitisation exposures.
(3) Property includes REITs and excludes Business Services.
(4) Comparative information has been restated to conform to presentation in the current period.

**APS 330 Table 7d – Credit risk exposure by portfolio type and industry sector** (continued)

| | 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Industry Sector | | | | | | | |
| Portfolio Type | Residential mortgage $M | Other personal $M | Asset finance $M | Sovereign $M | Bank $M | Other finance $M | Agriculture $M | Mining $M |
| Corporate | - | - | 2,198 | - | - | 26,795 | 2,412 | 11,059 |
| SME corporate | - | - | 2,914 | - | - | 2,532 | 16,832 | 217 |
| SME retail (1) | - | - | 3,799 | - | - | 481 | 1,806 | 66 |
| Sovereign | - | - | - | 87,435 | - | - | - | - |
| Bank | - | - | - | - | 45,158 | - | - | - |
| Residential mortgage | 548,810 | - | - | - | - | - | - | - |
| Qualifying revolving retail | - | 27,298 | - | - | - | - | - | - |
| Other retail | - | 13,618 | - | - | - | - | - | - |
| Specialised lending | - | - | 4 | - | - | - | 82 | 2,279 |
| Other assets | - | 2,977 | - | - | - | - | - | - |
| Central counterparties | - | - | - | - | - | 5,086 | - | - |
| **Total credit exposures** (2) | 548,810 | 43,893 | 8,915 | 87,435 | 45,158 | 34,894 | 21,132 | 13,621 |

| | Industry Sector | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Portfolio Type | Manufacturing $M | Energy $M | Construction $M | Retail/ wholesale trade $M | Transport and storage $M | Property (3) $M | Other $M | Total $M |
| Corporate | 12,287 | 9,255 | 3,552 | 15,161 | 17,859 | 7,878 | 24,600 | 133,056 |
| SME corporate | 3,269 | 580 | 2,710 | 7,129 | 1,857 | 603 | 16,611 | 55,254 |
| SME retail (1) | 1,002 | 31 | 1,514 | 2,762 | 493 | 1,994 | 8,299 | 22,247 |
| Sovereign | - | - | - | - | - | - | - | 87,435 |
| Bank | - | - | - | - | - | - | - | 45,158 |
| Residential mortgage | - | - | - | - | - | - | - | 548,810 |
| Qualifying revolving retail | - | - | - | - | - | - | - | 27,298 |
| Other retail | - | - | - | 235 | - | - | - | 13,853 |
| Specialised lending (4) | - | 1,721 | 71 | 243 | 2,146 | 58,826 | 3,422 | 68,794 |
| Other assets | - | - | - | - | - | - | 7,344 | 10,321 |
| Central counterparties | - | - | - | - | - | - | - | 5,086 |
| **Total credit exposures** (2) | 16,558 | 11,587 | 7,847 | 25,530 | 22,355 | 69,301 | 60,276 | 1,017,312 |

(1) SME retail business lending secured by residential property has been allocated by industry.
(2) Total credit risk exposures do not include equities or securitisation exposures.
(3) Property includes REITs and excludes Business Services.
(4) Comparative information has been restated to conform to presentation in the current period.

### APS 330 Table 7e – Credit risk exposure by portfolio type and residual contractual maturity

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| **Portfolio Type** | **≤ 12mths $M** | **1 ≤ 5yrs $M** | **> 5 years $M** | **No specified maturity $M** | **Total $M** |
| Corporate | 22,579 | 96,551 | 7,600 | 365 | **127,095** |
| SME corporate | 12,172 | 39,000 | 5,592 | - | **56,764** |
| SME retail (1) | 4,467 | 13,008 | 4,018 | - | **21,493** |
| Sovereign | 26,018 | 39,677 | 24,261 | - | **89,956** |
| Bank | 18,061 | 20,622 | 108 | - | **38,791** |
| Residential mortgage | 16,228 | 38,248 | 460,666 | 49,017 | **564,159** |
| Qualifying revolving retail | - | - | - | 26,753 | **26,753** |
| Other retail | 163 | 5,764 | 3,098 | 5,016 | **14,041** |
| Specialised lending | 14,427 | 47,040 | 2,741 | - | **64,208** |
| Other assets | 2,872 | 469 | 340 | 7,599 | **11,280** |
| Central counterparties | 736 | 4,807 | - | - | **5,543** |
| **Total credit exposures** (2) | 117,723 | 305,186 | 508,424 | 88,750 | **1,020,083** |

| | 30 June 2017 | | | | |
|---|---|---|---|---|---|
| **Portfolio Type** | **≤ 12mths $M** | **1 ≤ 5yrs $M** | **> 5 years $M** | **No specified maturity $M** | **Total $M** |
| Corporate | 22,331 | 101,758 | 7,861 | 259 | 132,209 |
| SME corporate | 12,397 | 36,813 | 6,252 | - | 55,462 |
| SME retail (1) | 4,656 | 13,487 | 4,159 | - | 22,302 |
| Sovereign | 25,985 | 43,698 | 23,254 | - | 92,937 |
| Bank | 19,573 | 23,661 | 298 | - | 43,532 |
| Residential mortgage | 18,067 | 35,492 | 453,577 | 50,885 | 558,021 |
| Qualifying revolving retail | - | - | - | 27,116 | 27,116 |
| Other retail | 214 | 5,658 | 3,088 | 4,986 | 13,946 |
| Specialised lending | 16,168 | 47,148 | 3,729 | - | 67,045 |
| Other assets | 2,997 | 579 | 391 | 5,527 | 9,494 |
| Central counterparties | 1,120 | 4,566 | - | - | 5,686 |
| **Total credit exposures** (2) | 123,508 | 312,860 | 502,609 | 88,773 | 1,027,750 |

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| **Portfolio Type** | **≤ 12mths $M** | **1 ≤ 5yrs $M** | **> 5 years $M** | **No specified maturity $M** | **Total $M** |
| Corporate | 23,726 | 100,197 | 8,819 | 314 | 133,056 |
| SME corporate | 14,254 | 33,787 | 7,213 | - | 55,254 |
| SME retail (1) | 4,449 | 13,354 | 4,444 | - | 22,247 |
| Sovereign | 23,897 | 38,830 | 24,708 | - | 87,435 |
| Bank | 21,586 | 23,478 | 94 | - | 45,158 |
| Residential mortgage | 20,287 | 26,917 | 446,993 | 54,613 | 548,810 |
| Qualifying revolving retail | - | - | - | 27,298 | 27,298 |
| Other retail | 146 | 5,505 | 3,149 | 5,053 | 13,853 |
| Specialised lending | 17,210 | 47,897 | 3,687 | - | 68,794 |
| Other assets | 3,050 | 719 | 349 | 6,203 | 10,321 |
| Central counterparties | 874 | 4,209 | 3 | - | 5,086 |
| **Total credit exposures** (2) | 129,479 | 294,893 | 499,459 | 93,481 | 1,017,312 |

(1) Including SME retail secured by residential property.
(2) Total credit risk exposures do not include equities or securitisation exposures.

### 6.2 Past Due and Impaired Exposures, Provisions and Reserves

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

**Reconciliation of Australian Accounting Standards, APS 220 based credit provisions and APS 330 Table 7j – General reserve for credit losses**

| | 31 December 2017 | | |
|---|---|---|---|
| | General reserve for credit losses [1] $M | Specific provision [1] $M | Total provisions $M |
| Collective provision [2] | 2,525 | 247 | **2,772** |
| Individual provisions [2] | - | 978 | **978** |
| **Total provisions** | 2,525 | 1,225 | **3,750** |
| Additional GRCL requirement [3] | 554 | - | **554** |
| **Total regulatory provisions** | 3,079 | 1,225 | **4,304** |

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $554 million in order to maintain the required minimum GRCL.

| | 30 June 2017 | | |
|---|---|---|---|
| | General reserve for credit losses [1] $M | Specific provision [1] $M | Total provisions $M |
| Collective provision [2] | 2,486 | 261 | 2,747 |
| Individual provisions [2] | - | 980 | 980 |
| **Total provisions** | 2,486 | 1,241 | 3,727 |
| Additional GRCL requirement [3] | 589 | - | 589 |
| **Total regulatory provisions** | 3,075 | 1,241 | 4,316 |

(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 $589 million in order to maintain the required minimum GRCL.

| | 31 December 2016 | | |
|---|---|---|---|
| | General reserve for credit losses [1] $M | Specific provision [1] $M | Total provisions $M |
| Collective provision [2] | 2,561 | 246 | 2,807 |
| Individual provisions [2] | - | 1,017 | 1,017 |
| **Total provisions** | 2,561 | 1,263 | 3,824 |
| Additional GRCL requirement [3] | 532 | - | 532 |
| **Total regulatory provisions** | 3,093 | 1,263 | 4,356 |

(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 $532 million in order to maintain the required minimum GRCL.

## Credit Risk

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

**APS 330 Table 7f (i) – Impaired, past due, specific provisions and write-offs charged by industry sector**

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| Industry Sector | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance (1) $M | Net half year charges for individual provisions $M | Half year actual losses (2) $M |
| Home loans | 1,243 | 2,249 | 344 | 45 | 55 |
| Other personal | 268 | 23 | 154 | 1 | 321 |
| Asset finance | 71 | 2 | 20 | 9 | 7 |
| Sovereign | - | - | - | - | - |
| Bank | 9 | - | 9 | - | - |
| Other finance | 21 | 1 | 14 | 1 | 5 |
| Agriculture | 510 | 53 | 86 | 14 | 8 |
| Mining | 379 | 13 | 51 | (17) | 3 |
| Manufacturing | 74 | 37 | 61 | (25) | 72 |
| Energy | 6 | - | 3 | - | - |
| Construction | 32 | 19 | 14 | (1) | 10 |
| Wholesale/retail trade | 96 | 65 | 58 | (2) | 28 |
| Transport and storage | 129 | 10 | 48 | 2 | 10 |
| Property | 90 | 74 | 69 | (1) | 16 |
| Other | 439 | 114 | 294 | 185 | 29 |
| **Total** | 3,367 | 2,660 | 1,225 | 211 | 564 |

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2017.

| | 30 June 2017 | | | | |
|---|---|---|---|---|---|
| Industry Sector | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance (1) $M | Net half year charges for individual provisions $M | Half year actual losses (2) $M |
| Home loans | 1,204 | 2,243 | 343 | 73 | 61 |
| Other personal | 297 | 25 | 178 | 2 | 344 |
| Asset finance | 77 | 2 | 30 | 25 | 12 |
| Sovereign | - | - | - | - | - |
| Bank | 9 | - | 9 | - | - |
| Other finance | 25 | 3 | 18 | 2 | - |
| Agriculture | 389 | 52 | 72 | 4 | 6 |
| Mining | 252 | 13 | 67 | 3 | 15 |
| Manufacturing | 197 | 52 | 142 | 14 | - |
| Energy | 7 | - | 3 | 6 | 7 |
| Construction | 55 | 27 | 26 | 4 | 2 |
| Wholesale/retail trade | 175 | 67 | 84 | 25 | 20 |
| Transport and storage | 135 | 12 | 48 | 18 | 36 |
| Property | 111 | 79 | 80 | 14 | 22 |
| Other | 254 | 94 | 141 | 13 | 70 |
| **Total** | 3,187 | 2,669 | 1,241 | 203 | 595 |

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 30 June 2017.

**APS 330 Table 7f (i) – Impaired, past due, specific provisions and write-offs charged by industry sector** (continued)

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| Industry Sector | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance (1) $M | Net half year charges for individual provisions $M | Half year actual losses (2) $M |
| Home loans | 1,102 | 1,883 | 308 | 71 | 54 |
| Other personal | 239 | 25 | 173 | - | 327 |
| Asset finance | 68 | 5 | 27 | 5 | 22 |
| Sovereign | - | - | - | - | - |
| Bank | 9 | - | 9 | (1) | - |
| Other finance | 19 | 6 | 18 | - | 5 |
| Agriculture | 458 | 54 | 64 | 17 | 26 |
| Mining | 236 | 7 | 72 | - | 6 |
| Manufacturing | 336 | 36 | 138 | 5 | 14 |
| Energy | 12 | - | 13 | 9 | 12 |
| Construction | 41 | 37 | 20 | 4 | 20 |
| Wholesale/retail trade | 251 | 66 | 81 | 72 | 13 |
| Transport and storage | 199 | 18 | 68 | 52 | 1 |
| Property | 167 | 102 | 92 | (2) | 7 |
| Other | 238 | 101 | 180 | 43 | 36 |
| **Total** | 3,375 | 2,340 | 1,263 | 275 | 543 |

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2016.

### APS 330 Table 7f (ii) – Impaired, past due, specific provisions and write-offs charged by portfolio

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| Portfolio | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance (1) $M | Net half year charges for individual provisions $M | Half year actual losses (2) $M |
| Corporate including SME, specialised lending and central counterparties | 1,847 | 388 | 718 | 165 | 188 |
| Sovereign | - | - | - | - | - |
| Bank | 9 | - | 9 | - | - |
| Residential mortgage | 1,243 | 2,249 | 344 | 45 | 55 |
| Qualifying revolving retail | 116 | - | 55 | - | 124 |
| Other retail | 152 | 23 | 99 | 1 | 197 |
| **Total** | 3,367 | 2,660 | 1,225 | 211 | 564 |

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2017.

| | 30 June 2017 | | | | |
|---|---|---|---|---|---|
| Portfolio | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance (1) $M | Net half year charges for individual provisions $M | Half year actual losses (2) $M |
| Corporate including SME, specialised lending and central counterparties | 1,677 | 401 | 711 | 128 | 190 |
| Sovereign | - | - | - | - | - |
| Bank | 9 | - | 9 | - | - |
| Residential mortgage | 1,204 | 2,243 | 343 | 73 | 61 |
| Qualifying revolving retail | 131 | - | 65 | - | 132 |
| Other retail | 166 | 25 | 113 | 2 | 212 |
| **Total** | 3,187 | 2,669 | 1,241 | 203 | 595 |

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 30 June 2017.

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| Portfolio | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance (1) $M | Net half year charges for individual provisions $M | Half year actual losses (2) $M |
| Corporate including SME, specialised lending and central counterparties | 2,025 | 432 | 773 | 205 | 162 |
| Sovereign | - | - | - | - | - |
| Bank | 9 | - | 9 | (1) | - |
| Residential mortgage | 1,102 | 1,883 | 308 | 71 | 54 |
| Qualifying revolving retail | 96 | - | 58 | - | 123 |
| Other retail | 143 | 25 | 115 | - | 204 |
| **Total** | 3,375 | 2,340 | 1,263 | 275 | 543 |

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2016.

#### Factors impacting the loss experience

The overall quality of the portfolio was stable during the half year ended 31 December 2017. Gross impaired assets as a proportion of gross loans and acceptances (GLAA) increased by 2 basis points and total provisions as a proportion of GLAAs remained at the same level. Group actual losses reduced by $31 million on the prior half led by a reduction in retail portfolio losses.

**APS 330 Table 7g (i) – Impaired, past due and specific provisions by geographic region**

| | 31 December 2017 | | |
|---|---|---|---|
| Geographic Region (1) | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance $M |
| Australia | 2,175 | 2,535 | 903 |
| New Zealand | 540 | 83 | 66 |
| Other | 652 | 42 | 256 |
| **Total** | 3,367 | 2,660 | 1,225 |

| | 30 June 2017 | | |
|---|---|---|---|
| Geographic Region (1) | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance $M |
| Australia | 2,387 | 2,518 | 1,051 |
| New Zealand | 443 | 93 | 77 |
| Other | 357 | 58 | 113 |
| **Total** | 3,187 | 2,669 | 1,241 |

| | 31 December 2016 | | |
|---|---|---|---|
| Geographic Region (1) | Impaired assets $M | Past due loans ≥ 90 days $M | Specific provision balance $M |
| Australia | 2,468 | 2,218 | 1,053 |
| New Zealand | 550 | 75 | 76 |
| Other | 357 | 47 | 134 |
| **Total** | 3,375 | 2,340 | 1,263 |

(1) Balances are reported based on the risk domicile of the borrower. The Group's financial statements disclose balances based on the domicile of the lending entity.

The Group's GRCL (before tax) by geographic region is distributed as follows:

**APS 330 Table 7g (ii) – GRCL by geographic region**

| Geographic Region | 31 Dec 17 $M | 30 Jun 17 $M | 31 Dec 16 $M |
|---|---|---|---|
| Australia | **2,709** | 2,646 | 2,650 |
| New Zealand | **215** | 238 | 251 |
| Other | **155** | 191 | 192 |
| **Total GRCL** | **3,079** | 3,075 | 3,093 |

### APS 330 Table 7h (i) – Movement in collective provisions and general reserve for credit losses

| | Half Year Ended | | |
|---|---|---|---|
| | 31 Dec 17 | 30 Jun 17 | 31 Dec 16 |
| **Movement in Collective Provisions** | $M | $M | $M |
| Opening balance | **2,747** | 2,807 | 2,818 |
| Net charge against profit and loss | **385** | 293 | 324 |
| Recoveries | **104** | 103 | 107 |
| Other | **(31)** | (5) | 1 |
| Write-offs | **(433)** | (451) | (443) |
| **Total collective provisions** | **2,772** | 2,747 | 2,807 |
| Less collective provisions transferred to specific provisions | **(247)** | (261) | (246) |
| Additional GRCL requirement (1) | **554** | 589 | 532 |
| **General reserve for credit losses** | **3,079** | 3,075 | 3,093 |

(1) The Group recognised these amounts as a deduction from CET1 in order to maintain the required minimum GRCL.

### APS 330 Table 7h (ii) – Movement in individual provisions and specific provisions

| | Half Year Ended | | |
|---|---|---|---|
| | 31 Dec 17 | 30 Jun 17 | 31 Dec 16 |
| **Movement in Individual Provisions** | $M | $M | $M |
| Opening balance for the period | **980** | 1,017 | 944 |
| Net new and increased provisioning | **370** | 300 | 370 |
| Net write back of provisions no longer required | **(159)** | (97) | (95) |
| Discount unwind to interest income | **(14)** | (15) | (16) |
| Other | **36** | 22 | 21 |
| Write-offs | **(235)** | (247) | (207) |
| **Total individual provisions** | **978** | 980 | 1,017 |
| Add collective provisions transferred to specific provisions | **247** | 261 | 246 |
| **Specific provisions** | **1,225** | 1,241 | 1,263 |

## 6.3 Portfolios Subject to Standardised and Supervisory Risk-Weights

Portfolios that use the Standardised approach include:

Commonwealth Bank of Australia:

- Some retail SMEs (overdrawn accounts);
- Non-rated Corporate exposures;
- Some residential mortgages (purchased portfolios);
- Reverse mortgages;
- Margin lending;
- Non-recourse purchased receivables;
- Some branches; and
- Central counterparties.

Bankwest Division:

- Some residential mortgages (equity lines of credit); and
- Unsecured consumer retail (credit cards and personal cheque accounts).

ASB Bank Limited:

- Personal loans and Retail SME.

All exposures in the following entities:

- CommBank Europe Ltd;
- PT Bank Commonwealth (Indonesia); and
- Commonwealth Bank of South Africa Ltd.

### APS 330 Table 8b – Exposures subject to standardised and supervisory risk weights

| | Exposure After Credit Risk Mitigation (1) | | |
|---|---|---|---|
| | 31 Dec 17 | 30 Jun 17 (2) | 31 Dec 16 (2) |
| **Standardised Approach Exposures** | $M | $M | $M |
| **Risk Weight** | | | |
| 0% | **4,026** | 2,203 | 2,742 |
| 20% | **2,677** | 3,360 | 3,091 |
| 35% | **8,400** | 7,617 | 7,190 |
| 50% | **3,567** | 3,741 | 3,808 |
| 75% | **796** | 635 | 518 |
| 100% | **14,964** | 15,783 | 15,714 |
| 150% | **45** | 39 | 39 |
| > 150% | **3** | - | - |
| Capital deductions | **-** | - | - |
| **Total** | **34,478** | 33,378 | 33,102 |

(1) Exposure after credit risk mitigation does not include central counterparties, equity or securitisation exposures.
(2) Includes impact of re-accreditation of Bankwest non-retail portfolios.

**APS 330 Table 8b – Exposures subject to standardised and supervisory risk weights** (continued)

| Other Assets [1] | 31 December 2017 Exposure $M | Risk weight % | RWA $M |
|---|---|---|---|
| Cash | 4,025 | - | - |
| Cash items in course of collection | 114 | 20 | 23 |
| Margin lending [2] | 2,782 | 32 | 904 |
| Fixed and forward purchase assets | 1,525 | 100 | 1,525 |
| Other | 2,834 | ≥100 | 2,871 |
| **Total** | 11,280 | 47 | 5,323 |

| Other Assets [1] | 30 June 2017 Exposure $M | Risk weight % | RWA $M |
|---|---|---|---|
| Cash | 1,739 | - | - |
| Cash items in course of collection | 607 | 20 | 121 |
| Margin lending [2] | 2,938 | 33 | 960 |
| Fixed and forward purchase assets | 1,567 | 100 | 1,567 |
| Other | 2,643 | ≥100 | 2,643 |
| **Total** | 9,494 | 56 | 5,291 |

| Other Assets [1] | 31 December 2016 Exposure $M | Risk weight % | RWA $M |
|---|---|---|---|
| Cash | 2,713 | - | - |
| Cash items in course of collection | 291 | 20 | 58 |
| Margin lending [2] | 2,977 | 33 | 987 |
| Fixed and forward purchase assets | 1,511 | 100 | 1,511 |
| Other | 2,829 | ≥100 | 2,829 |
| **Total** | 10,321 | 52 | 5,385 |

(1) Other Assets are included in Standardised Approach Exposures table above.
(2) Margin lending against listed instruments are risk weighted at 20%. Other unlisted instruments are risk weighted at 100%.

| Specialised Lending Exposures Subject to Supervisory Slotting [1] | 31 Dec 17 $M | 30 Jun 17 [2] $M | 31 Dec 16 [2] $M |
|---|---|---|---|
| **Risk Weight** | | | |
| 0% | **372** | 492 | 508 |
| 70% | **17,389** | 19,555 | 18,781 |
| 90% | **41,049** | 40,528 | 42,524 |
| 115% | **4,762** | 5,621 | 6,198 |
| 250% | **636** | 849 | 783 |
| **Total exposures** | **64,208** | 67,045 | 68,794 |

(1) APRA requires certain specialised lending exposures including Income Producing Real Estate, Object and Project Finance to be assigned specific risk weights according to “slotting” criteria defined by the Regulator.
(2) Includes impact of re-accreditation of Bankwest non-retail portfolios.

### 6.4 Portfolios Subject to Internal Ratings Based Approaches

The Group's mapping of internal rating scales for risk-rated exposures to external rating agencies is detailed in APS 330 Table 9b.

**APS 330 Table 9b – Internal ratings structure for credit risk exposures and mapping to external ratings**

| Description | Internal Rating | Probability of Default | S&P Rating | Moody's Rating |
|---|---|---|---|---|
| Exceptional | A0 to A3 | 0% - 0.040% | AAA to AA- | Aaa to Aa3 |
| Strong | B1 to C3 | >0.040% - 0.453% | A+ to BBB- | A1 to Baa3 |
| Pass | D1 to E3 | >0.453% - 6.096% | BB+ to B- | Ba1 to B3 |
| Weak/doubtful | F1 to G3 | >6.096% | CCC to C | Caa to Ca |
| Restructured | R | 22.22% | - | - |
| Defaulted | H | 100% | D | C |

**APS 330 Table 9c – PD rating methodology by portfolio segment**

| Portfolio Segment | PD Rating Methodology |
|---|---|
| Bank and sovereign exposures | Expert judgement assigned risk rating, informed but not driven by rating agency views. |
| Large corporate exposures | Combination of Expert Judgement and PD Rating Tool assigned risk ratings depending on the industry sector. |
| Middle market and local business banking exposures | PD Rating Tools and Expert Judgement assigned risk rating. |
| SME retail exposures ≤ $1m | SME Behaviour Score assigned PD pools. |
| Consumer retail exposures (including residential mortgages, qualifying revolving credit and other retail) | Depending on the product, PD pools are assigned using product specific Application Scorecards, Behavioural Scorecards, payment status or a combination of these. |

### Credit Risk Exposure Subject to the Advanced IRB Approach

**APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band**

| | 31 December 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PD Band | | | | | | | |
| | 0 < 0.03% | 0.03% < 0.15% | 0.15% < 0.5% | 0.5% < 3% | 3% < 10% | 10% < 100% | Default | Total |
| **Non Retail** [(1)] | $M | $M | $M | $M | $M | $M | $M | $M |
| **Total credit risk exposures** | | | | | | | | |
| Corporate | - | 42,717 | 52,840 | 28,710 | 369 | 482 | 692 | **125,810** |
| SME corporate | - | 1,581 | 5,085 | 44,363 | 2,570 | 1,511 | 1,376 | **56,486** |
| SME retail [(2)] | - | - | 3,266 | 9,310 | 2,797 | 303 | 129 | **15,805** |
| Sovereign | 82,436 | 6,945 | 143 | 32 | - | - | - | **89,556** |
| Bank | - | 36,085 | 2,271 | 85 | - | - | 124 | **38,565** |
| **Total** | 82,436 | 87,328 | 63,605 | 82,500 | 5,736 | 2,296 | 2,321 | **326,222** |
| **Undrawn commitments** [(3)] | | | | | | | | |
| Corporate | - | 15,485 | 21,002 | 9,242 | 158 | 145 | 131 | **46,163** |
| SME corporate | - | 199 | 1,331 | 7,562 | 217 | 123 | 119 | **9,551** |
| SME retail [(2)] | - | - | 1,593 | 2,578 | 422 | 27 | 5 | **4,625** |
| Sovereign | 979 | 221 | 35 | 10 | - | - | - | **1,245** |
| Bank | - | 1,229 | 184 | 43 | - | - | - | **1,456** |
| **Total** | 979 | 17,134 | 24,145 | 19,435 | 797 | 295 | 255 | **63,040** |
| **Exposure - weighted average EAD ($M)** | | | | | | | | |
| Corporate | - | 2. 768 | 2. 456 | 0. 746 | 0. 337 | 0. 816 | 1. 912 | **2. 156** |
| SME corporate | - | 1. 062 | 0. 315 | 0. 270 | 0. 232 | 0. 232 | 0. 291 | **0. 294** |
| SME retail [(2)] | - | - | 0. 044 | 0. 043 | 0. 055 | 0. 031 | 0. 079 | **0. 045** |
| Sovereign | 5. 890 | 7. 227 | 0. 269 | 0. 054 | - | - | - | **5. 983** |
| Bank | - | 9. 171 | 3. 509 | 0. 591 | - | - | 41. 245 | **8. 921** |
| **Exposure - weighted average LGD (%)** | | | | | | | | |
| Corporate | - | 55. 0 | 49. 7 | 43. 8 | 41. 1 | 52. 9 | 53. 2 | **50. 2** |
| SME corporate | - | 43. 4 | 34. 4 | 29. 9 | 29. 6 | 34. 3 | 35. 9 | **30. 9** |
| SME retail [(2)] | - | - | 31. 7 | 34. 0 | 31. 0 | 39. 1 | 39. 2 | **33. 1** |
| Sovereign | 5. 6 | 57. 9 | 50. 4 | 56. 2 | - | - | - | **9. 7** |
| Bank | - | 59. 5 | 60. 0 | 58. 2 | - | - | 60. 0 | **59. 5** |
| **Exposure - weighted average risk weight (%)** [(4)] | - | | | | | | | |
| Corporate | - | 31. 0 | 56. 8 | 82. 0 | 146. 1 | 282. 0 | 99. 4 | **55. 1** |
| SME corporate | - | 21. 0 | 36. 7 | 52. 8 | 79. 7 | 148. 3 | 264. 5 | **59. 4** |
| SME retail [(2)] | - | - | 17. 9 | 43. 1 | 66. 5 | 108. 2 | 321. 0 | **45. 6** |
| Sovereign | 1. 5 | 12. 8 | 40. 9 | 122. 0 | - | - | - | **2. 4** |
| Bank | - | 26. 1 | 56. 6 | 100. 0 | - | - | - | **28. 0** |

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) Including SME retail secured by residential property.
(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.
(4) Includes 1.06 scaling factor.

**APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band** (continued)

| | 30 June 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PD Band | | | | | | | |
| | 0 < 0.03% | 0.03% < 0.15% | 0.15% < 0.5% | 0.5% < 3% | 3% < 10% | 10% < 100% | Default | Total |
| **Non Retail** [1] | $M | $M | $M | $M | $M | $M | $M | $M |
| **Total credit risk exposures** | | | | | | | | |
| Corporate | - | 43,775 | 55,337 | 29,688 | 479 | 526 | 737 | 130,542 |
| SME corporate | - | 1,165 | 4,494 | 43,375 | 3,023 | 1,719 | 1,176 | 54,952 |
| SME retail [2] | - | - | 3,150 | 9,469 | 3,096 | 260 | 168 | 16,143 |
| Sovereign | 85,909 | 6,283 | 195 | 25 | - | - | - | 92,412 |
| Bank | - | 39,561 | 3,150 | 249 | - | - | 124 | 43,084 |
| **Total** | 85,909 | 90,784 | 66,326 | 82,806 | 6,598 | 2,505 | 2,205 | 337,133 |
| **Undrawn commitments** [3] | | | | | | | | |
| Corporate | - | 16,109 | 23,599 | 10,503 | 147 | 193 | 126 | 50,677 |
| SME corporate | - | 150 | 1,183 | 7,204 | 239 | 124 | 91 | 8,991 |
| SME retail [2] | - | - | 1,484 | 2,591 | 442 | 27 | 10 | 4,554 |
| Sovereign | 961 | 160 | 42 | 8 | - | - | - | 1,171 |
| Bank | - | 1,985 | 453 | 81 | - | - | - | 2,519 |
| **Total** | 961 | 18,404 | 26,761 | 20,387 | 828 | 344 | 227 | 67,912 |
| **Exposure - weighted average EAD ($M)** | | | | | | | | |
| Corporate | - | 3. 163 | 2. 671 | 0. 786 | 0. 481 | 0. 604 | 1. 448 | 2. 384 |
| SME corporate | - | 0. 695 | 0. 299 | 0. 281 | 0. 262 | 0. 214 | 0. 301 | 0. 288 |
| SME retail [2] | - | - | 0. 042 | 0. 043 | 0. 054 | 0. 030 | 0. 085 | 0. 045 |
| Sovereign | 6. 577 | 5. 894 | 0. 388 | 0. 056 | - | - | - | 6. 516 |
| Bank | - | 9. 524 | 3. 667 | 1. 083 | - | - | 41. 244 | 9. 138 |
| **Exposure - weighted average LGD (%)** | | | | | | | | |
| Corporate | - | 55. 2 | 51. 1 | 45. 4 | 43. 4 | 50. 1 | 51. 2 | 51. 2 |
| SME corporate | - | 59. 4 | 32. 4 | 30. 1 | 30. 8 | 34. 5 | 35. 0 | 31. 2 |
| SME retail [2] | - | - | 31. 4 | 34. 0 | 31. 5 | 41. 0 | 37. 1 | 33. 1 |
| Sovereign | 5. 6 | 57. 2 | 52. 5 | 56. 1 | - | - | - | 9. 2 |
| Bank | - | 59. 4 | 60. 0 | 59. 3 | - | - | 60. 0 | 59. 5 |
| **Exposure - weighted average risk weight (%)** [4] | | | | | | | | |
| Corporate | - | 31. 6 | 58. 8 | 85. 4 | 161. 5 | 260. 9 | 106. 6 | 57. 2 |
| SME corporate | - | 25. 2 | 32. 3 | 54. 1 | 84. 5 | 148. 0 | 235. 0 | 60. 2 |
| SME retail [2] | - | - | 17. 7 | 43. 1 | 67. 9 | 115. 8 | 328. 3 | 47. 1 |
| Sovereign | 1. 4 | 13. 1 | 45. 1 | 117. 8 | - | - | - | 2. 3 |
| Bank | - | 26. 3 | 63. 2 | 91. 7 | - | - | - | 29. 3 |

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) Including SME retail secured by residential property.
(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.
(4) Includes 1.06 scaling factor. Comparatives have been restated to conform to presentation in the current period.

**APS 330 Table 9d (i) – Non-Retail exposures by portfolio type and PD band** (continued)

| | 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PD Band | | | | | | | |
| | 0 < 0.03% | 0.03% < 0.15% | 0.15% < 0.5% | 0.5% < 3% | 3% < 10% | 10% < 100% | Default | Total |
| **Non Retail** [(1)] | $M | $M | $M | $M | $M | $M | $M | $M |
| **Total credit risk exposures** | | | | | | | | |
| Corporate | - | 45,509 | 55,922 | 28,379 | 410 | 643 | 1,035 | 131,898 |
| SME corporate | - | 1,101 | 4,137 | 42,711 | 3,415 | 2,085 | 1,210 | 54,659 |
| SME retail [(2)] | - | - | 3,178 | 9,544 | 3,017 | 271 | 161 | 16,171 |
| Sovereign | 79,975 | 6,694 | 116 | 147 | - | - | - | 86,932 |
| Bank | - | 39,810 | 4,426 | 233 | - | - | 124 | 44,593 |
| **Total** | 79,975 | 93,114 | 67,779 | 81,014 | 6,842 | 2,999 | 2,530 | 334,253 |
| **Undrawn commitments** [(3)] | | | | | | | | |
| Corporate | - | 17,377 | 22,797 | 9,435 | 155 | 217 | 195 | 50,176 |
| SME corporate | - | 84 | 1,233 | 7,877 | 306 | 181 | 45 | 9,726 |
| SME retail [(2)] | - | - | 1,525 | 2,634 | 439 | 18 | 12 | 4,628 |
| Sovereign | 941 | 183 | 42 | 7 | - | - | - | 1,173 |
| Bank | - | 2,003 | 509 | 72 | - | - | - | 2,584 |
| **Total** | 941 | 19,647 | 26,106 | 20,025 | 900 | 416 | 252 | 68,287 |
| **Exposure - weighted average EAD ($M)** | | | | | | | | |
| Corporate | - | 3.194 | 2.536 | 0.754 | 0.348 | 0.840 | 1.437 | 2.357 |
| SME corporate | - | 0.530 | 0.308 | 0.282 | 0.251 | 0.219 | 0.265 | 0.284 |
| SME retail [(2)] | - | - | 0.040 | 0.042 | 0.054 | 0.044 | 0.081 | 0.044 |
| Sovereign | 8.618 | 6.648 | 0.212 | 0.325 | - | - | - | 8.441 |
| Bank | - | 8.701 | 4.298 | 1.221 | - | - | 41.244 | 8.315 |
| **Exposure - weighted average LGD (%)** | | | | | | | | |
| Corporate | - | 57.2 | 53.4 | 45.7 | 45.4 | 48.0 | 52.8 | 53.0 |
| SME corporate | - | 60.6 | 34.5 | 30.6 | 32.3 | 34.9 | 35.7 | 31.9 |
| SME retail [(2)] | - | - | 31.8 | 33.8 | 31.1 | 40.1 | 37.8 | 33.0 |
| Sovereign | 26.3 | 59.2 | 50.7 | 58.3 | - | - | - | 28.9 |
| Bank | - | 60.9 | 59.3 | 60.5 | - | - | 61.3 | 60.7 |
| **Exposure - weighted average risk weight (%)** [(4)] | | | | | | | | |
| Corporate | - | 33.2 | 62.6 | 86.8 | 164.2 | 262.8 | 219.6 | 60.2 |
| SME corporate | - | 30.6 | 38.2 | 56.1 | 90.2 | 151.1 | 258.2 | 64.4 |
| SME retail [(2)] | - | - | 18.0 | 43.0 | 67.8 | 113.5 | 327.8 | 46.7 |
| Sovereign | 7.0 | 14.1 | 45.7 | 128.6 | - | - | - | 7.7 |
| Bank | - | 26.8 | 58.6 | 92.4 | - | - | - | 30.2 |

(1) Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
(2) Including SME retail secured by residential property.
(3) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.
(4) Includes 1.06 scaling factor. Comparatives have been restated to conform to presentation in the current period.

## APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band

| | 31 December 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PD Band | | | | | | | |
| | 0 < 0.1% | 0.1% < 0.3% | 0.3% < 0.5% | 0.5% < 3% | 3% < 10% | 10% < 100% | Default | Total |
| **Retail** | $M | $M | $M | $M | $M | $M | $M | $M |
| **Total credit risk exposures** | | | | | | | | |
| Residential mortgage | 151,496 | 161,838 | 94,808 | 123,005 | 7,049 | 9,485 | 3,864 | **551,545** |
| Qualifying revolving retail | - | 14,917 | 3,409 | 5,342 | 2,516 | 438 | 131 | **26,753** |
| Other retail | 53 | - | 325 | 8,456 | 1,783 | 585 | 132 | **11,334** |
| **Total** | 151,549 | 176,755 | 98,542 | 136,803 | 11,348 | 10,508 | 4,127 | **589,632** |
| **Undrawn commitments** (1) | | | | | | | | |
| Residential mortgage | 55,679 | 6,081 | 4,036 | 7,362 | 156 | 101 | 9 | **73,424** |
| Qualifying revolving retail | - | 11,705 | 2,475 | 2,202 | 426 | 56 | 2 | **16,866** |
| Other retail | 51 | - | 284 | 2,407 | 236 | 93 | 3 | **3,074** |
| **Total** | 55,730 | 17,786 | 6,795 | 11,971 | 818 | 250 | 14 | **93,364** |
| **Exposure - weighted average EAD ($M)** | | | | | | | | |
| Residential mortgage | 0. 249 | 0. 302 | 0. 269 | 0. 220 | 0. 234 | 0. 227 | 0. 258 | **0. 257** |
| Qualifying revolving retail | - | 0. 010 | 0. 009 | 0. 009 | 0. 008 | 0. 008 | 0. 008 | **0. 009** |
| Other retail | 0. 004 | - | 0. 002 | 0. 009 | 0. 007 | 0. 001 | 0. 004 | **0. 006** |
| **Exposure - weighted average LGD (%)** | | | | | | | | |
| Residential mortgage | 20. 0 | 19. 8 | 19. 7 | 20. 4 | 21. 3 | 20. 0 | 20. 1 | **20. 0** |
| Qualifying revolving retail | - | 85. 0 | 85. 0 | 85. 0 | 85. 0 | 85. 0 | 85. 0 | **85. 0** |
| Other retail | 108. 6 | - | 108. 6 | 97. 2 | 98. 1 | 101. 3 | 98. 8 | **97. 9** |
| **Exposure - weighted average risk weight (%)** (2) | | | | | | | | |
| Residential mortgage | 6. 6 | 17. 7 | 25. 9 | 37. 6 | 98. 7 | 136. 1 | 174. 3 | **24. 7** |
| Qualifying revolving retail | - | 5. 4 | 13. 7 | 46. 3 | 135. 3 | 221. 2 | 306. 4 | **31. 9** |
| Other retail | 27. 9 | - | 79. 8 | 125. 2 | 156. 5 | 217. 5 | 369. 2 | **136. 0** |

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.
(2) Includes 1.06 scaling factor.

**APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band** (continued)

| | 30 June 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PD Band | | | | | | | |
| | 0 < 0.1% | 0.1% < 0.3% | 0.3% < 0.5% | 0.5% < 3% | 3% < 10% | 10% < 100% | Default | Total |
| **Retail** | $M | $M | $M | $M | $M | $M | $M | $M |
| **Total credit risk exposures** | | | | | | | | |
| Residential mortgage | 150,230 | 158,031 | 93,258 | 124,827 | 7,117 | 9,030 | 3,874 | 546,367 |
| Qualifying revolving retail | - | 14,745 | 3,528 | 5,521 | 2,681 | 480 | 161 | 27,116 |
| Other retail | 54 | - | 332 | 8,252 | 1,732 | 518 | 137 | 11,025 |
| **Total** | 150,284 | 172,776 | 97,118 | 138,600 | 11,530 | 10,028 | 4,172 | 584,508 |
| **Undrawn commitments** (1) | | | | | | | | |
| Residential mortgage | 54,395 | 6,057 | 4,007 | 7,583 | 161 | 90 | 15 | 72,308 |
| Qualifying revolving retail | - | 11,770 | 2,605 | 2,320 | 455 | 58 | 2 | 17,210 |
| Other retail | 52 | - | 291 | 2,476 | 304 | 32 | 3 | 3,158 |
| **Total** | 54,447 | 17,827 | 6,903 | 12,379 | 920 | 180 | 20 | 92,676 |
| **Exposure - weighted average EAD ($M)** | | | | | | | | |
| Residential mortgage | 0. 246 | 0. 297 | 0. 267 | 0. 220 | 0. 235 | 0. 227 | 0. 255 | 0. 255 |
| Qualifying revolving retail | - | 0. 010 | 0. 009 | 0. 009 | 0. 009 | 0. 008 | 0. 008 | 0. 009 |
| Other retail | 0. 004 | - | 0. 002 | 0. 009 | 0. 003 | 0. 005 | 0. 005 | 0. 006 |
| **Exposure - weighted average LGD (%)** | | | | | | | | |
| Residential mortgage | 20. 0 | 19. 8 | 19. 7 | 20. 5 | 21. 3 | 20. 1 | 20. 2 | 20. 1 |
| Qualifying revolving retail | - | 88. 0 | 88. 0 | 88. 0 | 88. 0 | 88. 0 | 88. 0 | 88. 0 |
| Other retail | 108. 6 | - | 108. 6 | 97. 8 | 98. 9 | 99. 7 | 99. 0 | 98. 4 |
| **Exposure - weighted average risk weight (%)** (2) | | | | | | | | |
| Residential mortgage | 6. 6 | 17. 7 | 25. 8 | 37. 8 | 98. 3 | 135. 0 | 172. 0 | 24. 7 |
| Qualifying revolving retail | - | 5. 6 | 14. 2 | 48. 1 | 140. 3 | 229. 2 | 350. 8 | 34. 8 |
| Other retail | 27. 9 | - | 79. 8 | 125. 9 | 158. 4 | 215. 6 | 417. 0 | 137. 0 |

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.
(2) Includes 1.06 scaling factor. Comparatives have been restated to conform to presentation in the current period.

**APS 330 Table 9d (ii) – Retail exposures by portfolio type and PD band** (continued)

| | 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PD Band | | | | | | | |
| | 0 < 0.1% | 0.1% < 0.3% | 0.3% < 0.5% | 0.5% < 3% | 3% < 10% | 10% < 100% | Default | Total |
| **Retail** | $M | $M | $M | $M | $M | $M | $M | $M |
| **Total credit risk exposures** | | | | | | | | |
| Residential mortgage | 151,213 | 155,926 | 97,628 | 116,713 | 5,326 | 7,524 | 3,369 | 537,699 |
| Qualifying revolving retail | - | 14,803 | 3,587 | 5,586 | 2,694 | 487 | 141 | 27,298 |
| Other retail | 56 | - | 342 | 8,307 | 1,705 | 546 | 124 | 11,080 |
| **Total** | 151,269 | 170,729 | 101,557 | 130,606 | 9,725 | 8,557 | 3,634 | 576,077 |
| **Undrawn commitments** (1) | | | | | | | | |
| Residential mortgage | 55,780 | 8,472 | 4,353 | 5,494 | 57 | 55 | 17 | 74,228 |
| Qualifying revolving retail | - | 11,652 | 2,643 | 2,447 | 465 | 64 | 2 | 17,273 |
| Other retail | 54 | - | 301 | 2,456 | 297 | 32 | 2 | 3,142 |
| **Total** | 55,834 | 20,124 | 7,297 | 10,397 | 819 | 151 | 21 | 94,643 |
| **Exposure - weighted average EAD ($M)** | | | | | | | | |
| Residential mortgage | 0. 243 | 0. 284 | 0. 251 | 0. 227 | 0. 239 | 0. 242 | 0. 257 | 0. 251 |
| Qualifying revolving retail | - | 0. 010 | 0. 009 | 0. 009 | 0. 008 | 0. 008 | 0. 009 | 0. 009 |
| Other retail | 0. 004 | - | 0. 002 | 0. 009 | 0. 003 | 0. 005 | 0. 005 | 0. 006 |
| **Exposure - weighted average LGD (%)** | | | | | | | | |
| Residential mortgage | 20. 0 | 20. 2 | 20. 6 | 21. 1 | 20. 4 | 20. 2 | 20. 3 | 20. 4 |
| Qualifying revolving retail | - | 88. 0 | 88. 0 | 88. 0 | 88. 0 | 88. 0 | 88. 0 | 88. 0 |
| Other retail | 108. 6 | - | 108. 6 | 97. 8 | 99. 0 | 99. 6 | 99. 1 | 98. 5 |
| **Exposure - weighted average risk weight (%)** (2) | | | | | | | | |
| Residential mortgage | 5. 3 | 14. 9 | 22. 8 | 35. 0 | 99. 4 | 133. 2 | 175. 2 | 21. 5 |
| Qualifying revolving retail | - | 5. 6 | 14. 2 | 47. 7 | 140. 7 | 232. 5 | 344. 7 | 34. 5 |
| Other retail | 27. 9 | - | 79. 8 | 125. 7 | 158. 5 | 214. 1 | 299. 1 | 135. 2 |

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.
(2) Includes 1.06 scaling factor. Comparatives have been restated to conform to presentation in the current period.

### Analysis of Losses

The following tables provide a summary of financial losses by AIRB portfolio (APS 330 Table 9e) and a comparison of financial losses to regulatory EL estimates (APS 330 Table 9f (i)).

**APS 330 Table 9e – Actual losses by portfolio type**

| | 31 December 2017 | | |
|---|---|---|---|
| | Half year losses in reporting period | | |
| Portfolio Type | Gross write-offs $M | Recoveries $M | Actual losses $M |
| Corporate | 78 | (1) | 77 |
| SME corporate | 45 | (3) | 42 |
| SME retail (including SME retail secured by residential mortgages) | 20 | (5) | 15 |
| Specialised lending | 17 | - | 17 |
| **Total corporate including SME and specialised lending** | 160 | (9) | 151 |
| Sovereign | - | - | - |
| Bank | - | - | - |
| Residential mortgage (excluding SME retail secured by residential mortgages) | 56 | (1) | 55 |
| Qualifying revolving retail | 165 | (41) | 124 |
| Other retail | 207 | (43) | 164 |
| **Total advanced IRB and specialised lending portfolios** | 588 | (94) | 494 |

| | 30 June 2017 | | |
|---|---|---|---|
| | Full year losses in reporting period | | |
| Portfolio Type | Gross write-offs $M | Recoveries $M | Actual losses $M |
| Corporate | 113 | (1) | 112 |
| SME corporate | 107 | (9) | 98 |
| SME retail (including SME retail secured by residential mortgages) | 52 | (14) | 38 |
| Specialised lending | 45 | - | 45 |
| **Total corporate including SME and specialised lending** | 317 | (24) | 293 |
| Sovereign | - | - | - |
| Bank | - | - | - |
| Residential mortgage (excluding SME retail secured by residential mortgages) | 119 | (4) | 115 |
| Qualifying revolving retail | 333 | (78) | 255 |
| Other retail | 430 | (84) | 346 |
| **Total advanced IRB and specialised lending portfolios** | 1,199 | (190) | 1,009 |

| | 31 December 2016 | | |
|---|---|---|---|
| | Half year losses in reporting period | | |
| Portfolio Type | Gross write-offs $M | Recoveries $M | Actual losses $M |
| Corporate | 20 | (1) | 19 |
| SME corporate | 54 | (5) | 49 |
| SME retail (including SME retail secured by residential mortgages) | 24 | (6) | 18 |
| Specialised lending | 24 | - | 24 |
| **Total corporate including SME and specialised lending** | 122 | (12) | 110 |
| Sovereign | - | - | - |
| Bank | - | - | - |
| Residential mortgage (excluding SME retail secured by residential mortgages) | 56 | (2) | 54 |
| Qualifying revolving retail | 163 | (40) | 123 |
| Other retail | 213 | (43) | 170 |
| **Total advanced IRB and specialised lending portfolios** | 554 | (97) | 457 |

### APS 330 Table 9f (i) – Historical loss analysis by portfolio type

| Portfolio Type | 31 December 2017 Half year actual loss $M | 31 December 2017 Regulatory one year expected loss estimate $M |
|---|---|---|
| Corporate | 77 | 765 |
| SME corporate | 42 | 715 |
| SME retail (including SME retail secured by residential mortgages) | 15 | 124 |
| Specialised lending | 17 | 768 |
| **Total corporate including SME and specialised lending** | 151 | 2,372 |
| Sovereign | - | 4 |
| Bank | - | 137 |
| Residential mortgage (excluding SME retail secured by residential mortgages) | 55 | 1,089 |
| Qualifying revolving retail | 124 | 465 |
| Other retail | 164 | 525 |
| **Total advanced IRB and specialised lending portfolios** | 494 | 4,592 |

| Portfolio Type | 30 June 2017 Full year actual loss $M | 30 June 2017 Regulatory one year expected loss estimate $M |
|---|---|---|
| Corporate | 112 | 726 |
| SME corporate | 98 | 732 |
| SME retail (including SME retail secured by residential mortgages) | 38 | 128 |
| Specialised lending | 45 | 874 |
| **Total corporate including SME and specialised lending** | 293 | 2,460 |
| Sovereign | - | 4 |
| Bank | - | 140 |
| Residential mortgage (excluding SME retail secured by residential mortgages) | 115 | 1,101 |
| Qualifying revolving retail | 255 | 522 |
| Other retail | 346 | 509 |
| **Total advanced IRB and specialised lending portfolios** | 1,009 | 4,736 |

| Portfolio Type | 31 December 2016 Half year actual loss $M | 31 December 2016 Regulatory one year expected loss estimate $M |
|---|---|---|
| Corporate | 19 | 729 |
| SME corporate | 49 | 761 |
| SME retail (including SME retail secured by residential mortgages) | 18 | 128 |
| Specialised lending | 24 | 905 |
| **Total corporate including SME and specialised lending** | 110 | 2,523 |
| Sovereign | - | 8 |
| Bank | - | 143 |
| Residential mortgage (excluding SME retail secured by residential mortgages) | 54 | 1,003 |
| Qualifying revolving retail | 123 | 509 |
| Other retail | 170 | 512 |
| **Total advanced IRB and specialised lending portfolios** | 457 | 4,698 |

Actual losses may differ from modelled regulatory EL for a number of reasons.

Actual losses (whether from standardised or AIRB portfolios) are historical and are based on the quality of impaired assets in prior periods, full or partial write-offs, and more recent economic conditions. Actual losses are expected to be below the regulatory EL estimate in most years.

Regulatory EL measures economic loss at a point in time and includes costs (such as internal costs) not included in actual losses. Regulatory EL is calculated on non-defaulted and defaulted AIRB exposures using long-run PDs and downturn LGDs for non-defaulted exposures, and the Best Estimate of Expected Loss (BEEL) for defaulted exposures.

## Accuracy of Risk Estimates

The following tables compare IRB credit risk estimates used in calculating regulatory capital, to realised outcomes.

**Probability of Default**

APS 330 Table 9f (ii) compares estimates of long-run PD to actual default rates averaged over 9.5 financial years to 31 December 2017, where results for the half year to December 2017 have been annualised without adjustment for seasonality. Average estimated PD is based on the average of long-run PD's for obligators that are not in default at the beginning of each financial year in the observation period. Actual PD is based on the number of defaulted obligors during the year compared to the non-defaulted obligors measured at the beginning of each financial year.

### APS 330 Table 9f (ii) – Accuracy of risk estimates – PD

| | As at 31 December 2017 | |
|---|---|---|
| Portfolio Type | Average estimated PD % | Average actual PD % |
| Corporate | 1. 30 | 0. 83 |
| SME corporate | 2. 24 | 1. 93 |
| SME retail (including SME retail secured by residential mortgages) | 1. 79 | 0. 85 |
| Specialised lending (1) | n/a | 1. 54 |
| Sovereign (2) | 0. 61 | 0. 02 |
| Bank (2) | 0. 29 | 0. 24 |
| Residential mortgage (excluding SME retail secured by residential mortgages) | 0. 86 | 0. 75 |
| Qualifying revolving retail | 1. 94 | 2. 02 |
| Other retail | 4. 86 | 4. 68 |

(1) Average estimated PD not relevant for specialised lending under the Supervisory Slotting approach.
(2) Actual PDs based on a low volume of defaults observed.

**Loss Given Default and Exposure at Default**

LGDs for non-retail portfolios are based on accounts that defaulted in 2009 to 2015 financial years. LGDs for retail portfolios are based on accounts that defaulted in 2009 to 2016 financial years. Defaults occurring in the most recent years have been excluded from the analysis, to allow sufficient time for workout of impaired assets, booking of losses and more meaningful disclosures.

The EAD ratio compares estimates of EAD prior to default to realised EAD for obligors that defaulted.

### APS 330 Table 9f (iii) – Accuracy of risk estimates – LGD and EAD

| | As at 31 December 2017 | | |
|---|---|---|---|
| Portfolio Type | Average estimated downturn LGD % | Average actual LGD % | Ratio of estimated EAD to actual EAD |
| Corporate | 55. 0 | 39. 9 | 1. 1 |
| SME corporate | 33. 1 | 21. 1 | 1. 1 |
| SME retail (including SME retail secured by residential mortgages) | 31. 6 | 20. 9 | 1. 2 |
| Specialised lending (1) | n/a | 33. 5 | 1. 1 |
| Sovereign | 61. 3 | 1. 3 | 1. 8 |
| Bank (2) | 65. 4 | 109. 9 | 1. 8 |
| Residential mortgage (excluding SME retail secured by residential mortgages) (3) | 20. 8 | 6. 3 | 1. 0 |
| Qualifying revolving retail | 87. 2 | 69. 7 | 1. 1 |
| Other retail | 96. 6 | 77. 3 | 1. 0 |

(1) Average estimated LGD is not relevant for specialised lending under Supervisory Slotting approach.
(2) Actual LGDs based on a low volume of defaults observed.
(3) Estimated downturn LGD based on minimum regulatory floor requirements imposed by APRA and RBNZ.

## 6.5 Credit Risk Mitigation

### APS 330 Table 10b and 10c – Credit risk mitigation

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | Total exposure (1) | Eligible financial collateral | Exposures covered by guarantees | Exposures covered by credit derivatives | Coverage |
| | $M | $M | $M | $M | % |
| **Advanced approach (2)** | | | | | |
| Corporate | 125,810 | - | 1,509 | 171 | 1. 3 |
| SME corporate | 56,486 | - | - | - | - |
| SME retail (3) | 15,805 | - | - | - | - |
| Sovereign | 89,556 | - | - | - | - |
| Bank | 38,565 | - | 728 | 284 | 2. 6 |
| Residential mortgage | 551,545 | - | - | - | - |
| Qualifying revolving retail | 26,753 | - | - | - | - |
| Other retail | 11,334 | - | - | - | - |
| **Total advanced approach** | 915,854 | - | 2,237 | 455 | 0. 3 |
| **Specialised lending** | 64,208 | - | - | - | - |
| **Standardised approach** | | | | | |
| Corporate | 1,285 | - | - | - | - |
| SME corporate | 278 | 32 | - | - | 11. 5 |
| SME retail | 5,688 | 6 | - | - | 0. 1 |
| Sovereign | 400 | - | - | - | - |
| Bank | 226 | - | - | - | - |
| Residential mortgage | 12,614 | - | - | - | - |
| Other retail | 2,707 | - | - | - | - |
| Other assets | 11,280 | - | - | - | - |
| Central clearing counterparties | 5,543 | - | - | - | - |
| **Total standardised approach** | 40,021 | 38 | - | - | 0. 1 |
| **Total exposures** | 1,020,083 | 38 | 2,237 | 455 | 0. 3 |

| | 30 June 2017 | | | | |
|---|---|---|---|---|---|
| | Total exposure (1) | Eligible financial collateral | Exposures covered by guarantees | Exposures covered by credit derivatives | Coverage |
| | $M | $M | $M | $M | % |
| **Advanced approach (2)** | | | | | |
| Corporate | 130,542 | - | 1,374 | 117 | 1. 1 |
| SME corporate | 54,952 | - | - | - | - |
| SME retail (3) | 16,143 | - | - | - | - |
| Sovereign | 92,412 | - | - | - | - |
| Bank | 43,084 | - | 561 | 340 | 2. 1 |
| Residential mortgage | 546,367 | - | - | - | - |
| Qualifying revolving retail | 27,116 | - | - | - | - |
| Other retail | 11,025 | - | - | - | - |
| **Total advanced approach** | 921,641 | - | 1,935 | 457 | 0. 3 |
| **Specialised lending** | 67,045 | - | - | - | - |
| **Standardised approach** | | | | | |
| Corporate | 1,667 | - | - | - | - |
| SME corporate | 510 | 26 | - | - | 5. 1 |
| SME retail | 6,159 | 6 | - | - | 0. 1 |
| Sovereign | 525 | - | - | - | - |
| Bank | 448 | - | - | - | - |
| Residential mortgage | 11,654 | - | - | - | - |
| Other retail | 2,921 | - | - | - | - |
| Other assets | 9,494 | - | - | - | - |
| Central clearing counterparties | 5,686 | - | - | - | - |
| **Total standardised approach** | 39,064 | 32 | - | - | 0. 1 |
| **Total exposures** | 1,027,750 | 32 | 1,935 | 457 | 0. 2 |

(1) Credit derivatives that are treated as part of synthetic securitisation structures are excluded from credit risk mitigation disclosures and included within those relating to securitisation.
(2) Advanced approach: Exposure for derivatives and guarantees is after netting and financial collateral.
(3) Including SME retail secured by residential property.

## APS 330 Table 10b and 10c – Credit risk mitigation (continued)

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Total exposure [1] $M | Eligible financial collateral $M | Exposures covered by guarantees $M | Exposures covered by credit derivatives $M | Coverage % |
| **Advanced approach** [2] | | | | | |
| Corporate | 131,898 | - | 1,728 | 6 | 1. 3 |
| SME corporate | 54,659 | - | - | - | - |
| SME retail [3] | 16,171 | - | - | - | - |
| Sovereign | 86,932 | - | - | - | - |
| Bank | 44,593 | - | 754 | 425 | 2. 6 |
| Residential mortgage | 537,699 | - | - | - | - |
| Qualifying revolving retail | 27,298 | - | - | - | - |
| Other retail | 11,080 | - | - | - | - |
| **Total advanced approach** | 910,330 | - | 2,482 | 431 | 0. 3 |
| **Specialised lending** | 68,794 | - | - | - | - |
| **Standardised approach** | | | | | |
| Corporate | 1,158 | - | - | - | - |
| SME corporate | 595 | 1 | - | - | 0. 2 |
| SME retail | 6,076 | 5 | - | - | 0. 1 |
| Sovereign | 503 | - | - | - | - |
| Bank | 565 | - | - | - | - |
| Residential mortgage | 11,111 | - | - | - | - |
| Other retail | 2,773 | - | - | - | - |
| Other assets | 10,321 | - | - | - | - |
| Central clearing counterparties | 5,086 | - | - | - | - |
| **Total standardised approach** | 38,188 | 6 | - | - | - |
| **Total exposures** | 1,017,312 | 6 | 2,482 | 431 | 0. 3 |

(1) Credit derivatives that are treated as part of synthetic securitisation structures are excluded from credit risk mitigation disclosures and included within those relating to securitisation.
(2) Advanced approach: Exposure for derivatives and guarantees is after netting and financial collateral.
(3) Including SME retail secured by residential property.

## 6.6 Counterparty Credit Risk

### APS 330 Table 11b (i) Counterparty credit risk derivative exposure under the current exposure method [1]

| | 31 Dec 17 $M | 30 Jun 17 $M | 31 Dec 16 $M |
|---|---|---|---|
| Gross positive fair value | **24,360** | 29,779 | 45,579 |
| Netting benefits | **(14,406)** | (18,110) | (25,708) |
| Netted current credit exposure | **9,954** | 11,669 | 19,871 |
| Collateral held, of which: | | | |
| Cash | **(5,144)** | (6,649) | (10,241) |
| Net derivatives credit exposure | **4,810** | 5,020 | 9,630 |
| Potential Future Exposure under the Current Exposure Method | **13,086** | 14,009 | 15,705 |
| **Exposure at Default** | **17,896** | 19,029 | 25,335 |

(1) Excluding exposures to CCPs.

### APS 330 Table 11b (ii) Counterparty credit risk derivative exposure [1]

| Exposure type | Current Credit Exposure 31 Dec 17 $M | Current Credit Exposure 30 Jun 17 $M | Current Credit Exposure 31 Dec 16 $M |
|---|---|---|---|
| Interest rate contracts | **7,155** | 8,444 | 10,110 |
| Foreign currency contracts | **16,734** | 20,540 | 34,741 |
| Equity contracts | **4** | 6 | 6 |
| Credit derivatives | **51** | 48 | 46 |
| Commodities and other | **416** | 741 | 676 |
| **Total** | **24,360** | 29,779 | 45,579 |

(1) Excluding exposures to CCPs.

### APS 330 Table 11c Counterparty credit risk derivative transactions

| Notional Value by Product type as at 31 December 17 [1][2] | Own Credit Portfolio as Protection buyer $M | Own Credit Portfolio as Protection seller $M | Intermediation Activity as Protection buyer $M | Intermediation Activity as Protection seller $M |
|---|---|---|---|---|
| Credit default swaps | **919** | **-** | **41** | **3,158** |
| Total return swaps | **-** | **-** | **-** | **-** |
| Credit options | **-** | **-** | **-** | **-** |
| Other | **-** | **-** | **-** | **-** |
| **Total** | **919** | **-** | **41** | **3,158** |

| Notional Value by Product type as at 30 June 17 [1][2] | Own Credit Portfolio as Protection buyer $M | Own Credit Portfolio as Protection seller $M | Intermediation Activity as Protection buyer $M | Intermediation Activity as Protection seller $M |
|---|---|---|---|---|
| Credit default swaps | 893 | - | 102 | 3,616 |
| Total return swaps | - | - | - | - |
| Credit options | - | - | - | - |
| Other | - | - | - | - |
| **Total** | 893 | - | 102 | 3,616 |

| Notional Value by Product type as at 31 December 16 [1][2] | Own Credit Portfolio as Protection buyer $M | Own Credit Portfolio as Protection seller $M | Intermediation Activity as Protection buyer $M | Intermediation Activity as Protection seller $M |
|---|---|---|---|---|
| Credit default swaps | 872 | - | 624 | 4,336 |
| Total return swaps | - | - | - | - |
| Credit options | - | - | - | - |
| Other | - | - | - | - |
| **Total** | 872 | - | 624 | 4,336 |

(1) Excluding exposures to CCPs.
(2) Notional values are presented for credit derivatives with positive fair values and include credit derivative hedges.

## 6.7 Securitisation

### APS 330 Table 12g (i) – Banking book exposures securitised – traditional securitisation

| Underlying Asset | 31 December 2017 | | | |
|---|---|---|---|---|
| | Group originated assets capital relief [(1)] $M | Group originated assets - non capital relief [(2)] $M | Group originated assets - internal RMBS[(3)] $M | Third party originated assets [(4)] $M |
| Residential mortgage | 4,732 | 11,219 | 59,824 | - |
| Credit cards and other personal loans | - | - | - | - |
| Auto and equipment finance | - | - | - | - |
| Commercial loans | - | - | - | - |
| Other | - | - | - | - |
| **Total** | 4,732 | 11,219 | 59,824 | - |

| Underlying Asset | 30 June 2017 | | | |
|---|---|---|---|---|
| | Group originated assets capital relief [(1)] $M | Group originated assets - non capital relief [(2)] $M | Group originated assets - internal RMBS[(3)] $M | Third party originated assets [(4)] $M |
| Residential mortgage | 2,443 | 12,666 | 49,080 | - |
| Credit cards and other personal loans | - | - | - | - |
| Auto and equipment finance | - | - | - | - |
| Commercial loans | - | - | - | - |
| Other | - | - | - | - |
| **Total** | 2,443 | 12,666 | 49,080 | - |

| Underlying Asset | 31 December 2016 | | | |
|---|---|---|---|---|
| | Group originated assets capital relief [(1)] $M | Group originated assets - non capital relief [(2)] $M | Group originated assets - internal RMBS[(3)] $M | Third party originated assets [(4)] $M |
| Residential mortgage | 104 | 11,411 | 65,044 | - |
| Credit cards and other personal loans | - | - | - | - |
| Auto and equipment finance | - | - | - | - |
| Commercial loans | - | - | - | - |
| Other | - | - | - | - |
| **Total** | 104 | 11,411 | 65,044 | - |

(1) Group originated assets (capital relief) comprise CBA Medallion and Bankwest Swan Trusts subject to capital treatment under APS 120.
(2) Group originated assets (non-capital relief) comprise CBA Medallion and Bankwest Swan Trusts subject to capital treatment under APS 113.
(3) Group originated assets (internal RMBS) comprise CBA Medallion, Bankwest Swan and ASB Medallion Trusts held for contingent liquidity purposes.
(4) Third party originated assets comprise assets managed and sponsored by the Group.

### APS 330 Table 12g (ii) – Banking book exposures securitised – synthetic securitisation

APS 120 provides specific regulatory treatment for synthetic securitisations where credit risk is transferred to a third party, however, legal ownership of the underlying assets remains with the originator.

The Group has not undertaken any synthetic securitisation in the banking book.

### APS 330 Table 12g (iii) – Total banking book exposures securitised

APS 330 Table 12g (i) discloses the total banking book exposures securitised by the Group.

### APS 330 Table 12h – Past due and impaired banking book exposures by asset type

| | 31 December 2017 | | | |
|---|---|---|---|---|
| | Group originated assets securitised | | | |
| Underlying Asset | Outstanding exposure $M | Impaired $M | Past due $M | Losses recognised $M |
| Residential mortgage | 75,775 | 3 | 116 | - |
| Credit cards and other personal loans | - | - | - | - |
| Auto and equipment finance | - | - | - | - |
| Commercial loans | - | - | - | - |
| Other | - | - | - | - |
| Total | 75,775 | 3 | 116 | - |

| | 30 June 2017 | | | |
|---|---|---|---|---|
| | Group originated assets securitised | | | |
| Underlying Asset | Outstanding exposure $M | Impaired $M | Past due $M | Losses recognised $M |
| Residential mortgage | 64,189 | 26 | 61 | - |
| Credit cards and other personal loans | - | - | - | - |
| Auto and equipment finance | - | - | - | - |
| Commercial loans | - | - | - | - |
| Other | - | - | - | - |
| Total | 64,189 | 26 | 61 | - |

| | 31 December 2016 | | | |
|---|---|---|---|---|
| | Group originated assets securitised | | | |
| Underlying Asset | Outstanding exposure $M | Impaired $M | Past due $M | Losses recognised $M |
| Residential mortgage | 76,559 | 21 | 458 | - |
| Credit cards and other personal loans | - | - | - | - |
| Auto and equipment finance | - | - | - | - |
| Commercial loans | - | - | - | - |
| Other | - | - | - | - |
| Total | 76,559 | 21 | 458 | - |

### APS 330 Table 12i – Banking book exposures intended to be securitised

The Group does not have any outstanding banking book exposures that are intended to be securitised at 31 December 2017.

### APS 330 Table 12j (i) – Banking book activity for the reporting period

The Group securitised $4,859 million new exposures in the banking book during the half year ended 31 December 2017.

| | Half year ended 31 December 2017 | |
|---|---|---|
| Underlying Asset | Total exposures securitised $M | Recognised gain or loss on sale $M |
| Residential mortgages | 3,819 | - |
| Credit cards and other personal loans | 200 | - |
| Auto and equipment finance | 349 | - |
| Commercial loans | 491 | - |
| Other | - | - |
| **Total** | 4,859 | - |

| | Full year ended 30 June 2017 | |
|---|---|---|
| Underlying Asset | Total exposures securitised $M | Recognised gain or loss on sale $M |
| Residential mortgages | 6,887 | - |
| Credit cards and other personal loans | - | - |
| Auto and equipment finance | 1,138 | - |
| Commercial loans | 64 | - |
| Other | - | - |
| **Total** | 8,089 | - |

| | Half year ended 31 December 2016 | |
|---|---|---|
| Underlying Asset | Total exposures securitised $M | Recognised gain or loss on sale $M |
| Residential mortgages | 750 | - |
| Credit cards and other personal loans | - | - |
| Auto and equipment finance | - | - |
| Commercial loans | 64 | - |
| Other | - | - |
| **Total** | 814 | - |

### APS330 Table 12k – Banking book securitisation exposures retained or purchased

| | 31 December 2017 | | |
|---|---|---|---|
| Securitisation Facility Type | On Balance Sheet $M | Off Balance Sheet $M | Total exposures $M |
| Liquidity support facilities | - | 205 | 205 |
| Warehouse facilities | 3,519 | 2,206 | 5,725 |
| Derivative facilities | 116 | 12 | 128 |
| Holdings of securities | 8,013 | - | 8,013 |
| Other | - | - | - |
| **Total securitisation exposures in the banking book** | 11,648 | 2,423 | 14,071 |

| | 30 June 2017 | | |
|---|---|---|---|
| Securitisation Facility Type | On Balance Sheet $M | Off Balance Sheet $M | Total exposures $M |
| Liquidity support facilities | - | 122 | 122 |
| Warehouse facilities | 4,161 | 2,904 | 7,065 |
| Derivative facilities | 59 | 7 | 66 |
| Holdings of securities | 7,525 | - | 7,525 |
| Other | - | - | - |
| **Total securitisation exposures in the banking book** | 11,745 | 3,033 | 14,778 |

| | 31 December 2016 | | |
|---|---|---|---|
| Securitisation Facility Type | On Balance Sheet $M | Off Balance Sheet $M | Total exposures $M |
| Liquidity support facilities | - | 108 | 108 |
| Warehouse facilities | 3,861 | 2,471 | 6,332 |
| Derivative facilities | 2 | - | 2 |
| Holdings of securities | 7,759 | - | 7,759 |
| Other | - | - | - |
| **Total securitisation exposures in the banking book** | 11,622 | 2,579 | 14,201 |

### APS 330 Table 12I (i) – Banking book exposure by risk weighting

Total securitisation exposures in the banking book decreased by $707 million or 4.8% during the half year ended 31 December 2017. However, the corresponding RWA increased by $38 million or 2.4%. This was mainly due to changes in risk profile for securitisation exposures.

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Exposures | | Total | Risk Weighted Assets | | Total |
| | Securitisation | Resecuritisation | exposures | Securitisation | Resecuritisation | RWA |
| Risk Weight Band | $M | $M | $M | $M | $M | $M |
| ≤ 25% | 14,028 | - | **14,028** | 1,421 | - | **1,421** |
| > 25% ≤ 35% | 25 | - | **25** | 9 | - | **9** |
| > 35% ≤ 50% | - | - | **-** | - | - | **-** |
| > 50% ≤ 75% | - | - | **-** | - | - | **-** |
| > 75% ≤ 100% | - | - | **-** | - | - | **-** |
| > 100% ≤ 650% | - | - | **-** | - | - | **-** |
| > 650% ≤ 1250% | 18 | - | **18** | 190 | - | **190** |
| **Total** | 14,071 | - | **14,071** | 1,620 | - | **1,620** |

| | 30 June 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Exposures | | Total | Risk Weighted Assets | | Total |
| | Securitisation | Resecuritisation | exposures | Securitisation | Resecuritisation | RWA |
| Risk Weight Band | $M | $M | $M | $M | $M | $M |
| ≤ 25% | 14,605 | - | **14,605** | 1,506 | - | **1,506** |
| > 25% ≤ 35% | 29 | - | **29** | 10 | - | **10** |
| > 35% ≤ 50% | 125 | - | **125** | 63 | - | **63** |
| > 50% ≤ 75% | - | - | **-** | - | - | **-** |
| > 75% ≤ 100% | - | - | **-** | - | - | **-** |
| > 100% ≤ 650% | - | - | **-** | - | - | **-** |
| > 650% ≤ 1250% | 19 | - | **19** | 3 | - | **3** |
| **Total** | 14,778 | - | **14,778** | 1,582 | - | **1,582** |

| | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Exposures | | Total | Risk Weighted Assets | | Total |
| | Securitisation | Resecuritisation | exposures | Securitisation | Resecuritisation | RWA |
| Risk Weight Band | $M | $M | $M | $M | $M | $M |
| ≤ 25% | 14,024 | - | **14,024** | 1,465 | - | **1,465** |
| > 25% ≤ 35% | 30 | - | **30** | 11 | - | **11** |
| > 35% ≤ 50% | 125 | - | **125** | 62 | - | **62** |
| > 50% ≤ 75% | - | - | **-** | - | - | **-** |
| > 75% ≤ 100% | - | - | **-** | - | - | **-** |
| > 100% ≤ 650% | - | - | **-** | - | - | **-** |
| > 650% ≤ 1250% | 5 | 17 | **22** | 4 | 29 | **33** |
| **Total** | 14,184 | 17 | **14,201** | 1,542 | 29 | **1,571** |

### APS 330 Table 12l (ii) – Banking book exposure deducted entirely from capital

| | Common Equity Tier 1 Capital | | |
|---|---|---|---|
| | 31 Dec 17 | 30 Jun 17 | 31 Dec 16 |
| **Underlying Asset** | $M | $M | $M |
| Residential mortgage | 3 | 19 | 19 |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | - | - | - |
| Commercial loans | - | - | - |
| Other | - | - | - |
| **Total** | 3 | 19 | 19 |

### APS 330 Table 12m – Banking book exposures subject to early amortisation

The Group has not undertaken any securitisation subject to early amortisation treatment.

### APS 330 Table 12n – Banking book resecuritisation exposures

As at 31 December 2017, banking book resecuritisation exposures without credit risk mitigation is nil (30 June 2017: $nil; 31 December 2016: $17 million).

The Group did not have any resecuritisation exposures subject to credit risk mitigation.

The Group did not have any exposure to third party guarantors providing guarantees for securitised assets.

### APS 330 Table 12o (i) – Trading book exposures securitised – traditional securitisation

The Group has not undertaken any traditional securitisations of exposures in the trading book.

### APS 330 Table 12o (ii) – Trading book exposures securitised – synthetic securitisation

The Group has not undertaken any synthetic securitisations of exposures in the trading book.

### APS 330 Table 12o (iii) – Total trading book exposures securitised

The Group has not securitised any exposures from the trading book.

### APS 330 Table 12p – Trading book exposures intended to be securitised

The Group does not have any outstanding trading book exposures that are intended to be securitised at 31 December 2017.

### APS 330 Table 12q – Trading book activity for the reporting period

The Group participated in third-party securitisation in the trading book during the half year ended 31 December 2017, relating to $4 million residential mortgages (30 June 2017: $21 million, 31 December 2016: $1 million), $1 million auto and equipment finance (30 June 2017: $2 million, 31 December 2016: $2 million), and nil personal finance (30 June 2017: $1 million, 31 December 2016: $nil) exposures.

### APS 330 Table 12r – Trading book exposures subject to APS 116

The aggregate amount of exposures securitised by the Group and subject to Prudential Standard APS 116 “Capital Adequacy: Market Risk” was $13 million as at 31 December 2017 (30 June 2017: $20 million; 31 December 2016: $11 million). This consists of:

- Securities held in the trading book subject to the Standard Method of nil (30 June 2017: $10 million; 31 December 2016: $nil); and
- Derivatives held in the trading book subject to the Internal Models Approach (IMA) of $13 million (30 June 2017: $10 million; 31 December 2016: $11 million).

### APS 330 Table 12s – Trading book exposures retained or purchased subject to APS 120

| Securitisation Facility Type | 31 December 2017<br>On Balance Sheet<br>$M | <br>Off Balance Sheet<br>$M | <br>Total exposures<br>$M |
|---|---|---|---|
| Liquidity support facilities | - | - | - |
| Warehouse facilities | - | - | - |
| Derivative facilities | 3 | 10 | 13 |
| Holdings of securities | - | - | - |
| Other | - | - | - |
| **Total securitisation exposures in the trading book** | 3 | 10 | 13 |

| Securitisation Facility Type | 30 June 2017<br>On Balance Sheet<br>$M | <br>Off Balance Sheet<br>$M | <br>Total exposures<br>$M |
|---|---|---|---|
| Liquidity support facilities | - | - | - |
| Warehouse facilities | - | - | - |
| Derivative facilities | 3 | 7 | 10 |
| Holdings of securities | 10 | - | 10 |
| Other | - | - | - |
| **Total securitisation exposures in the trading book** | 13 | 7 | 20 |

| Securitisation Facility Type | 31 December 2016<br>On Balance Sheet<br>$M | <br>Off Balance Sheet<br>$M | <br>Total exposures<br>$M |
|---|---|---|---|
| Liquidity support facilities | - | - | - |
| Warehouse facilities | - | - | - |
| Derivative facilities | 3 | 8 | 11 |
| Holdings of securities | - | - | - |
| Other | - | - | - |
| **Total securitisation exposures in the trading book** | 3 | 8 | 11 |

### APS 330 Table 12t (i) – Trading book exposures retained/purchased subject to IMA

The Group has $13 million of derivatives exposures held in the trading book subject to IMA (default risk) under APS 116 as at 31 December 2017 (30 June 2017: $10 million; 31 December 2016: $11 million).

### APS 330 Table 12t (ii) – Trading book exposures subject to APS 120 by risk weighting

Total securitisation exposures in the trading book decreased by $7 million during the half year ended 31 December 2017 mainly reflecting run off of derivatives exposures.

| | 31 December 2017 | | | |
|---|---|---|---|---|
| Risk Weight Band | IAA Approach $M | RBA Approach $M | SFA Approach $M | Total exposures $M |
| ≤ 25% | - | - | 13 | **13** |
| > 25% ≤ 35% | - | - | - | **-** |
| > 35% ≤ 50% | - | - | - | **-** |
| > 50% ≤ 75% | - | - | - | **-** |
| > 75% ≤ 100% | - | - | - | **-** |
| > 100% ≤ 650% | - | - | - | **-** |
| > 650% ≤ 1250% | - | - | - | **-** |
| **Total** | - | - | 13 | **13** |

| | 30 June 2017 | | | |
|---|---|---|---|---|
| Risk Weight Band | IAA Approach $M | RBA Approach $M | SFA Approach $M | Total exposures $M |
| ≤ 25% | - | 10 | 10 | **20** |
| > 25% ≤ 35% | - | - | - | **-** |
| > 35% ≤ 50% | - | - | - | **-** |
| > 50% ≤ 75% | - | - | - | **-** |
| > 75% ≤ 100% | - | - | - | **-** |
| > 100% ≤ 650% | - | - | - | **-** |
| > 650% ≤ 1250% | - | - | - | **-** |
| **Total** | - | 10 | 10 | **20** |

| | 31 December 2016 | | | |
|---|---|---|---|---|
| Risk Weight Band | IAA Approach $M | RBA Approach $M | SFA Approach $M | Total exposures $M |
| ≤ 25% | - | - | 11 | **11** |
| > 25% ≤ 35% | - | - | - | **-** |
| > 35% ≤ 50% | - | - | - | **-** |
| > 50% ≤ 75% | - | - | - | **-** |
| > 75% ≤ 100% | - | - | - | **-** |
| > 100% ≤ 650% | - | - | - | **-** |
| > 650% ≤ 1250% | - | - | - | **-** |
| **Total** | - | - | 11 | **11** |

### APS 330 Table 12u (i) – RWA of trading book exposures retained/purchased subject to IMA

The Group has $241 million of RWA held in the trading book subject to IMA (default risk) under APS 116 as at 31 December 2017 (30 June 2017: $212 million; 31 December 2016: $194 million).

**APS330 Table 12u (ii) – Capital requirements (RWA) of trading book exposures subject to APS 120 by risk weighting**

| | 31 December 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | IAA Approach | | RBA Approach | | SFA Approach | | Standardised Approach | | Total Capital Requirements | |
| | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation |
| Risk Weight Band | $M | $M | $M | $M | $M | $M | $M | $M | $M | $M |
| ≤ 25% | - | - | - | - | 2 | - | - | - | **2** | **-** |
| > 25% ≤ 35% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 35% ≤ 50% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 50% ≤ 75% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 75% ≤ 100% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 100% ≤ 650% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 650% ≤ 1250% | - | - | - | - | - | - | - | - | **-** | **-** |
| **Total** | - | - | - | - | 2 | - | - | - | **2** | **-** |

| | 30 June 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | IAA Approach | | RBA Approach | | SFA Approach | | Standardised Approach | | Total Capital Requirements | |
| | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation |
| Risk Weight Band | $M | $M | $M | $M | $M | $M | $M | $M | $M | $M |
| ≤ 25% | - | - | 1 | - | 1 | - | - | - | **2** | **-** |
| > 25% ≤ 35% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 35% ≤ 50% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 50% ≤ 75% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 75% ≤ 100% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 100% ≤ 650% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 650% ≤ 1250% | - | - | - | - | - | - | - | - | **-** | **-** |
| **Total** | - | - | 1 | - | 1 | - | - | - | **2** | **-** |

| | 31 December 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | IAA Approach | | RBA Approach | | SFA Approach | | Standardised Approach | | Total Capital Requirements | |
| | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation | Securitisation | Resecuritisation |
| Risk Weight Band | $M | $M | $M | $M | $M | $M | $M | $M | $M | $M |
| ≤ 25% | - | - | - | - | 1 | - | - | - | **1** | **-** |
| > 25% ≤ 35% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 35% ≤ 50% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 50% ≤ 75% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 75% ≤ 100% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 100% ≤ 650% | - | - | - | - | - | - | - | - | **-** | **-** |
| > 650% ≤ 1250% | - | - | - | - | - | - | - | - | **-** | **-** |
| **Total** | - | - | - | - | 1 | - | - | - | **1** | **-** |

### APS 330 Table 12u (iii) – Trading book exposures entirely deducted from capital

The Group has no trading book exposures that are deducted entirely from Common Equity Tier 1 capital as at 31 December 2017 (30 June 2017: $nil; 31 December 2016: $nil).

The Group does not have any trading book exposures that are credit enhancements deducted from total capital or any other exposures deducted from total capital.

### APS 330 Table 12v – Trading book exposures subject to early amortisation

The Group has not undertaken any securitisation subject to early amortisation treatment.

### APS 330 Table 12w – Trading book resecuritisation exposures

The Group did not have any trading book resecuritisation exposures without credit risk mitigation as at 31 December 2017 (30 June 2017: $nil; 31 December 2016: $nil).

The Group did not have any resecuritisation exposures subject to credit risk mitigation.

The Group did not have any third party guarantors providing guarantees for securitised assets.

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

The Group disclosed the summary of the current period's securitisation activity including the total amount of exposures securitised and recognised gain or loss on sale by exposure type in APS 330 Table 12j (banking book) and APS 330 Table 12q (trading book).

The total exposures securitised in the half year to 31 December 2017 was $4.864 million (30 June 2017: $7,296 million; 31 December 2016: $817 million).

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

| | As at 31 December 2017 | | |
|---|---|---|---|
| | On Balance Sheet | Off Balance Sheet | Total exposures |
| **Securitisation Facility Type** | $M | $M | $M |
| Liquidity support facilities | - | 205 | 205 |
| Warehouse facilities | 3,519 | 2,206 | 5,725 |
| Derivative facilities | 119 | 22 | 141 |
| Holdings of securities | 8,013 | - | 8,013 |
| Other | - | - | - |
| **Total securitisation exposures** | 11,651 | 2,433 | 14,084 |

| | As at 30 June 2017 | | |
|---|---|---|---|
| | On Balance Sheet | Off Balance Sheet | Total exposures |
| **Securitisation Facility Type** | $M | $M | $M |
| Liquidity support facilities | - | 122 | 122 |
| Warehouse facilities | 4,161 | 2,904 | 7,065 |
| Derivative facilities | 62 | 14 | 76 |
| Holdings of securities | 7,535 | - | 7,535 |
| Other | - | - | - |
| **Total securitisation exposures** | 11,758 | 3,040 | 14,798 |

| | As at 31 December 2016 | | |
|---|---|---|---|
| | On Balance Sheet | Off Balance Sheet | Total exposures |
| **Securitisation Facility Type** | $M | $M | $M |
| Liquidity support facilities | - | 108 | 108 |
| Warehouse facilities | 3,861 | 2,471 | 6,332 |
| Derivative facilities | 5 | 8 | 13 |
| Holdings of securities | 7,759 | - | 7,759 |
| Other | - | - | - |
| **Total securitisation exposures** | 11,625 | 2,587 | 14,212 |

# 7 Equity Risk

### APS 330 Table 16b to 16f – Equity investment exposures

| Equity Investments | 31 December 2017 Balance Sheet value $M | 31 December 2017 Fair value $M |
|---|---|---|
| Value of listed (publicly traded) equities | 1,579 | 1,548 |
| Value of unlisted (privately held) equities | 1,083 | 1,121 |
| **Total** | 2,662 | 2,669 |

| Equity Investments | 30 June 2017 Balance Sheet value $M | 30 June 2017 Fair value $M |
|---|---|---|
| Value of listed (publicly traded) equities | 1,412 | 1,882 |
| Value of unlisted (privately held) equities | 1,213 | 1,459 |
| **Total** | 2,625 | 3,341 |

| Equity Investments | 31 December 2016 Balance Sheet value $M | 31 December 2016 Fair value $M |
|---|---|---|
| Value of listed (publicly traded) equities | 1,442 | 1,968 |
| Value of unlisted (privately held) equities | 1,295 | 1,620 |
| **Total** | 2,737 | 3,588 |

| | Half year ended | | |
|---|---|---|---|
| Gain/(Losses) on Equity Investments | 31 Dec 17 $M | 30 Jun 17 $M | 31 Dec 16 $M |
| Cumulative realised gains in reporting period | - | 20 | 427 |
| Total unrealised gains/(losses) | **192** | (46) | 58 |

# 8 Market Risk

## 8.1 Traded Market Risk

### Capital Calculation Methods

The breakdown of RWA for Traded market risk by modelling method is summarised in the table below.

| Traded Market Risk RWA by Modelling Approach [1] | 31 Dec 17 $M | 30 Jun 17 $M | 31 Dec 16 $M |
|---|---|---|---|
| Internal Model Approach | 3,951 | 3,727 | 4,863 |
| Standard Method | 878 | 923 | 844 |
| **Total Traded Market Risk RWA** | **4,829** | 4,650 | 5,707 |

(1) Refer to page 9 for commentary.

The capital requirement for Traded market risk under the Standard Method is disclosed in APS 330 Table 13b.

**APS 330 Table 13b – Traded Market Risk under the Standard Method**

| Exposure Type | 31 Dec 17 $M | 30 Jun 17 $M | 31 Dec 16 $M |
|---|---|---|---|
| Interest rate risk | 69. 9 | 72. 8 | 66. 9 |
| Equity risk | 0. 2 | 0. 3 | 0. 5 |
| Foreign exchange risk | 0. 1 | 0. 7 | 0. 1 |
| Commodity risk | - | - | - |
| **Total** | **70. 2** | 73. 8 | 67. 5 |
| **Risk Weighted Asset equivalent [1]** | **878** | 923 | 844 |

(1) Risk Weighted Asset equivalent is the capital requirements multiplied by 12.5 in accordance with APRA Prudential Standard APS 110.

### Traded Market Risk Internal Model

The VaR and Stressed VaR results calculated under the Internal Model Approach are summarised in APS 330 Table 14f (i).

**APS 330 Table 14f (i) – Value-at-Risk and Stressed Value-at-Risk for trading portfolios under the Internal Model Approach**

| | Aggregate Value-at-Risk Over the Reporting Period | | | |
|---|---|---|---|---|
| Average VaR [1] | Mean value $M | Maximum value $M | Minimum value $M | As at balance date $M |
| Over the 6 months to 31 December 2017 | 28 | 37 | 19 | 30 |
| Over the 6 months to 30 June 2017 | 27 | 36 | 19 | 33 |
| Over the 6 months to 31 December 2016 | 66 | 135 | 25 | 29 |

| | Aggregate SVaR Over the Reporting Period | | | |
|---|---|---|---|---|
| Stressed VaR [1] | Mean value $M | Maximum value $M | Minimum value $M | As at balance date $M |
| Over the 6 months to 31 December 2017 | 79 | 104 | 56 | 67 |
| Over the 6 months to 30 June 2017 | 69 | 104 | 43 | 74 |
| Over the 6 months to 31 December 2016 | 113 | 172 | 67 | 95 |

(1) 10 day, 99% confidence interval over the reporting period.

### Internal Model Approach – Back-test results

The Internal Model is subject to back-testing against hypothetical profit and loss. In the 6 months to 31 December 2017 there was no back-test outlier. The back-test results are summarised in APS 330 Table 14f (ii) and details of these are provided in APS 330 Table 14f (iii). A comparison of VaR with actual gains or losses during the 6 months to 31 December 2017 is illustrated in APS 330 Table 14f (iv).

| APS 330 Table 14f(ii) - Summary Table of the Number of Back-Testing Outliers [1] | |
|---|---|
| Over the 6 months to 31 December 2017 | - |
| Over the 6 months to 30 June 2017 | - |
| Over the 6 months to 31 December 2016 | - |

(1) 1 day, 99% confidence interval over the reporting period.

### APS 330 Table 14f (iii): Details of Back-Test Outliers

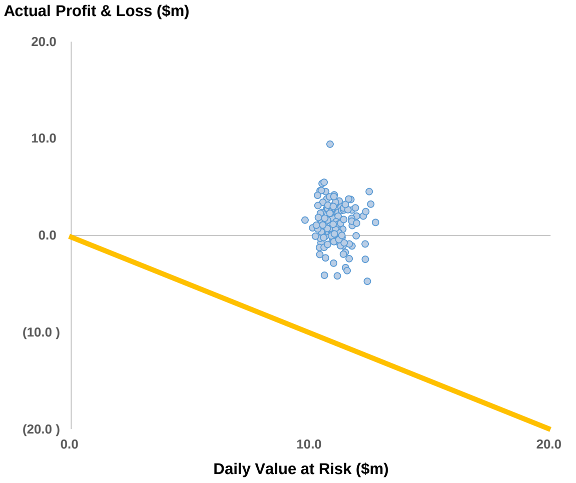
| | Over the Reporting Period 1 July 2017 to 31 December 2017 | |
|---|---|---|
| Date | Hypothetical loss $M | VaR 99% $M |
| | - | - |

| | Over the Reporting Period 1 January 2017 to 30 June 2017 | |
|---|---|---|
| Date | Hypothetical loss $M | VaR 99% $M |
| | - | - |

| | Over the Reporting Period 1 July 2016 to 31 December 2016 | |
|---|---|---|
| Date | Hypothetical loss $M | VaR 99% $M |
| | - | - |

### APS 330 Table 14f (iv): Comparison of VaR estimates with actual gains/losses experienced

1 July 2017 to 31 December 2017




## 8.2 Non-Traded Market Risk

### APS 330 Table 17b – Interest Rate Risk in the Banking Book

| | Change in Economic Value | | |
|---|---|---|---|
| | 31 Dec 17 | 30 Jun 17 | 31 Dec 16 |
| Stress Testing: Interest Rate Shock Applied | $M | $M | $M |
| AUD | | | |
| 200 basis point parallel increase | (1,597) | (1,140) | (1,171) |
| 200 basis point parallel decrease | 1,736 | 1,192 | 1,147 |
| NZD | | | |
| 200 basis point parallel increase | (295) | (251) | (283) |
| 200 basis point parallel decrease | 312 | 267 | 301 |
| USD | | | |
| 200 basis point parallel increase | (66) | (89) | - |
| 200 basis point parallel decrease | 71 | 96 | - |
| Other | | | |
| 200 basis point parallel increase | 16 | (18) | (18) |
| 200 basis point parallel decrease | (19) | 18 | 18 |

| | 31 Dec 17 | 30 Jun 17 | 31 Dec 16 |
|---|---|---|---|
| Regulatory RWA (1) (2) | $M | $M | $M |
| Interest rate risk in the banking book | 27,944 | 21,404 | 23,498 |

(1) The methodology for determining the Regulatory RWA for IRRBB is outlined in the 30 June 2017 Basel III Pillar 3 report of the Group and is in accordance with APRA's Prudential Standard APS 110 "Capital Adequacy".
(2) Refer to page 9 for commentary.

# 9 Operational Risk

### APS 330 Table 6e – Capital requirements for operational risk

| | 31 Dec 17 | 30 Jun 17 | 31 Dec 16 |
|---|---|---|---|
| | $M | $M | $M |
| Total operational risk RWA (1) | 41,078 | 33,750 | 33,750 |

(1) Refer to page 9 for commentary.

For further detail on the operational risk policies, frameworks and capital calculations, refer to pages 73-74 of the June 2017 Pillar 3 documents.

# 10 Liquidity Risk

## 10.1 Liquidity Coverage Ratio Disclosure

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement and the Group's risk appetite. Excess liquid assets averaged $35 billion over the December 2017 quarter.

The Group's mix of liquid assets consists of High Quality Liquid Assets (HQLA), being cash, deposit with central banks, Australian Commonwealth Government and Semi-Government securities. Liquid assets also include securities that are eligible for repo with the Reserve Bank of Australia under the $48.3 billion 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 Group's average HQLA decreased by $3 billion over the most recent quarter, along with the Group's 30 day modelled average Net Cash Outflows (NCOs) decreasing by $8 billion over the same period.

The Group's spot LCR as at 31 December 2017 was 131% (135% as at 31 December 2016), well above the regulatory minimum. Lower average NCOs over the quarter saw an increase in the quarterly average LCR from 127% to 135%.

The Group manages its funding profile and deposit mix taking into consideration modelled NCOs as part of its overall liquidity management strategy. The average modelled NCO reduction over the quarter was underpinned by lower average wholesale funding maturities, a reduction in modelled collateral outflows due to market valuation changes on derivative transactions and the dividend no longer being captured in other contingent funding obligations. Modelled NCOs associated with the Group's large stable funding base of retail and SME customers were relatively stable.

### APS 330 Table 20 - LCR disclosure template

| | | 31 Dec 17 Total unweighted value (average) (1) $M | 31 Dec 17 Total weighted value (average) (1) $M | 30 Sept 17 Total unweighted value (average) (1) $M | 30 Sept 17 Total weighted value (average) (1) $M |
|---|---|---|---|---|---|
| **Liquid assets, of which:** | | | | | |
| 1 | High-quality liquid assets (HQLA) | | **86,344** | | 89,316 |
| 2 | Alternative liquid assets (ALA) | | **42,924** | | 42,807 |
| 3 | Reserve Bank of New Zealand (RBNZ) securities | | **6,647** | | 6,476 |
| **Cash outflows** | | | | | |
| 4 | Retail deposits and deposits from small business customers, of which: | **277,113** | **24,303** | 277,064 | 24,082 |
| 5 | Stable deposits | **157,257** | **7,863** | 158,728 | 7,936 |
| 6 | Less stable deposits | **119,856** | **16,440** | 118,336 | 16,146 |
| 7 | Unsecured wholesale funding, of which: | **120,828** | **63,826** | 125,822 | 69,678 |
| 8 | Operational deposits (all counterparties) and deposits in networks for cooperative banks | **32,887** | **8,112** | 29,454 | 7,255 |
| 9 | Non-operational deposits (all counterparties) | **79,725** | **47,498** | 83,578 | 49,633 |
| 10 | Unsecured debt | **8,216** | **8,216** | 12,790 | 12,790 |
| 11 | Secured wholesale funding | | **1,317** | | 1,238 |
| 12 | Additional requirements, of which: | **160,359** | **19,595** | 162,714 | 21,120 |
| 13 | Outflows related to derivatives exposures and other collateral requirements | **4,563** | **4,563** | 6,018 | 6,015 |
| 14 | Outflows related to loss of funding on debt products | **-** | **-** | - | - |
| 15 | Credit and liquidity facilities | **155,796** | **15,032** | 156,696 | 15,105 |
| 16 | Other contractual funding obligations | **14** | **5** | 1,546 | 28 |
| 17 | Other contingent funding obligations | **81,620** | **8,577** | 84,278 | 10,445 |
| **18** | **Total cash outflows** | | **117,623** | | 126,591 |
| **Cash inflows** | | | | | |
| 19 | Secured lending | **8,656** | **1,867** | 14,195 | 3,313 |
| 20 | Inflows from fully performing exposures | **12,190** | **8,901** | 10,142 | 7,208 |
| 21 | Other cash inflows | **6,206** | **6,214** | 7,179 | 7,179 |
| **22** | **Total cash inflows** | **27,052** | **16,982** | 31,516 | 17,700 |
| **23** | **Total liquid assets** | | **135,915** | | 138,599 |
| **24** | **Total net cash outflows** | | **100,641** | | 108,891 |
| **25** | **Liquidity Coverage Ratio (%)** | | **135** | | 127 |
| **Number of data points used (Business Days)** | | | **62** | | 63 |

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

# 11 Appendices

## 11.1 Detailed Capital Disclosures Template (APS 330 Attachment A)

The capital disclosures detailed in the template below represents the post 1 January 2018 Basel III common disclosure requirements. The Group is applying the Basel III regulatory adjustments in full as implemented by APRA. These tables should be read in conjunction with section 11.3 Regulatory Balance Sheet and section 11.4 Reconciliation between detailed capital disclosures template and the Regulatory Balance Sheet.

| Summary Group Capital Adequacy Ratios (Level 2) | 31 Dec 17 Basel III APRA % | 31 Dec 17 Basel III Internationally Comparable % |
|---|---|---|
| CET1 | 10. 4 | 16. 3 |
| Tier 1 | 12. 4 | 18. 7 |
| Total Capital | 14. 8 | 21. 5 |

| | | 31 Dec 17 Basel III $M | Reconciliation Table Reference |
|---|---|---|---|
| **Common Equity Tier 1 Capital: instruments and reserves** | | | |
| 1 | Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital | **36,868** | Table A |
| 2 | Retained earnings | **26,856** | |
| 3 | Accumulated other comprehensive income (and other reserves) | **1,423** | |
| 4 | Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies) | **-** | |
| 5 | Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | **-** | Table B |
| 6 | Common Equity Tier 1 Capital before regulatory adjustments | **65,147** | |
| **Common Equity Tier 1 Capital: regulatory adjustments** | | | |
| 7 | Prudential valuation adjustments | **-** | |
| 8 | Goodwill (net of related tax liability) | **(8,051)** | Table C |
| 9 | Other intangibles other than mortgage servicing rights (net of related tax liability) | **(2,212)** | Table C |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | **-** | Table D |
| 11 | Cash-flow hedge reserve | **151** | |
| 12 | Shortfall of provisions to expected losses (1) | **(487)** | |
| 13 | Securitisation gain on sale (as set out in paragraph 562 of Basel II framework) | **-** | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | **(96)** | |
| 15 | Defined benefit superannuation fund net assets (2) | **(305)** | |
| 16 | Investments in own shares (if not already netted off paid-in capital on reported Balance Sheet) | **-** | |
| 17 | Reciprocal cross-holdings in common equity | **-** | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the | **-** | Table G |
| 19 | Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) | **-** | Table G |
| 20 | Mortgage service rights (amount above 10% threshold) | **-** | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | **-** | Table D |
| 22 | Amount exceeding the 15% threshold | | |
| 23 | of which: significant investments in the ordinary shares of financial entities | **-** | Table G |
| 24 | of which: mortgage servicing rights | **-** | |
| 25 | of which: deferred tax assets arising from temporary differences | **-** | Table D |
| | CET1 (Internationally Comparable) | **54,147** | |

(1) Represents the sum of regulatory expected loss and general reserve for credit losses.
(2) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.

## 11.1 Detailed Capital Disclosures Template (APS 330 Attachment A) (continued)

| | | 31 Dec 17 Basel III $M | Reconciliation Table Reference |
|---|---|---|---|
| **APRA Specific Regulatory Adjustments** | | | |
| 26 | National specific regulatory adjustments (rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j) | | |
| 26a | of which: treasury shares | **134** | Table A |
| 26b | of which: offset to dividends declared due to a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI | **-** | |
| 26c | of which: deferred fee income | **-** | |
| 26d | of which: equity investments in financial institutions not reported in rows 18, 19 and 23 | **(5,563)** | Table G |
| 26e | of which: deferred tax assets not reported in rows 10, 21 and 25 | **(1,604)** | Table D |
| 26f | of which: capitalised expenses | **(652)** | |
| 26g | of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements | **(119)** | Table G |
| 26h | of which: covered bonds in excess of asset cover in pools | **-** | |
| 26i | of which: undercapitalisation of a non-consolidated subsidiary | **-** | |
| 26j | of which: other national specific regulatory adjustments not reported in rows 26a to 26i | **(401)** | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | **-** | |
| 28 | Total regulatory adjustments to CET1 (1) | **(19,205)** | |
| 29 | CET1 (APRA) | **45,942** | |
| **Additional Tier 1 Capital: instruments** | | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments | | |
| 31 | of which: classified as equity under applicable accounting standards | **-** | |
| 32 | of which: classified as liabilities under applicable accounting standards | **8,090** | Table E |
| 33 | Directly issued capital instruments subject to phase out from Additional Tier 1 | **128** | Table E |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | **-** | |
| 35 | of which: instruments issued by subsidiaries subject to phase out | **505** | Table E |
| 36 | Additional Tier 1 Capital before regulatory adjustments | **8,723** | Table E |
| **Additional Tier 1 Capital: regulatory adjustments** | | | |
| 37 | Investments in own Additional Tier 1 instruments | **-** | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | **-** | |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | **-** | |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | **(200)** | |
| 41 | National specific regulatory adjustments (rows 41a, 41b, 41c) | **-** | |
| 41a | of which: holdings of capital instruments in group members by other group members on behalf of third parties | **-** | |
| 41b | of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40 | **-** | |
| 41c | of which: other national specific regulatory adjustments not reported in rows 41a and 41b | **-** | |
| 42 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | **-** | |
| 43 | Total regulatory adjustments to Additional Tier 1 Capital | **(200)** | |
| 44 | Additional Tier 1 Capital (AT1) | **8,523** | |
| 45 | Tier 1 Capital (T1=CET1+AT1) | **54,465** | |
| **Tier 2 Capital: instruments and provisions** | | | |
| 46 | Directly issued qualifying Tier 2 instruments | **9,255** | Table F |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | **1,213** | Table F |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | **-** | |
| 49 | of which: instruments issued by subsidiaries subject to phase out | **-** | |
| 50 | Provisions | **185** | |
| 51 | Tier 2 Capital before regulatory adjustments | **10,653** | |

(1) Total regulatory adjustments to CET1 of $19,205 million in row 28 is net of APRA's allowance for treasury shares held by the Group's employee share scheme trusts of $134 million as detailed in row 26a.

## 11.1 Detailed Capital Disclosures Template (APS 330 Attachment A) (continued)

| | | 31 Dec 17 Basel III $M | Reconciliation Table Reference |
|---|---|---|---|
| **Tier 2 Capital: regulatory adjustments** | | | |
| 52 | Investments in own Tier 2 instruments | (15) | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | - | |
| 54 | Investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | (16) | |
| 55 | Significant investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | - | |
| 56 | National specific regulatory adjustments (rows 56a, 56b, 56c) | | |
| 56a | of which: holdings of capital instruments in group members by other group members on behalf of third parties | - | |
| 56b | of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55 | - | |
| 56c | of which: other national specific regulatory adjustments not reported in rows 56a and 56b | - | |
| 57 | Total regulatory adjustments to Tier 2 Capital | (31) | |
| 58 | Tier 2 Capital (T2) | 10,622 | |
| 59 | Total Capital (TC=T1+T2) | 65,087 | |
| 60 | Total risk weighted assets based on APRA standards | 440,836 | |
| **Capital ratios and buffers** | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 10.4% | |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 12.4% | |
| 63 | Total Capital (as a percentage of risk weighted assets) | 14.8% | |
| 64 | Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements, expressed as a percentage of risk weighted assets) | 8.0% | |
| 65 | of which: capital conservation buffer requirement | 3.5% | |
| 66 | of which: ADI-specific countercyclical buffer requirements | - | Table H |
| 67 | of which: G-SIB buffer requirement (not applicable) | n/a | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (1) | 10.4% | |
| **National minima** | | | |
| 69 | National Common Equity Tier 1 minimum ratio | - | |
| 70 | National Tier 1 minimum ratio | - | |
| 71 | National Total Capital minimum ratio | - | |
| **Amount below thresholds for deductions (not risk weighted)** | | | |
| 72 | Non-significant investments in the capital of other financial entities | 165 | Table G |
| 73 | Significant investments in the ordinary shares of financial entities | 5,398 | Table G |
| 74 | Mortgage servicing rights (net of related tax liability) | - | |
| 75 | Deferred tax assets arising from temporary differences (net of related tax liability) | 1,604 | Table D |
| **Applicable caps on the inclusion of provisions in Tier 2** | | | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | 185 | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 328 | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - | |
| 79 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | 2,044 | |
| **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)** | | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | - | |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | 2,623 | |
| 83 | Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities) | - | Table E |
| 84 | Current cap on Tier 2 instruments subject to phase out arrangements | 1,612 | |
| 85 | Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities) | - | Table F |

(1) Represents the amount of CET1 over and above the CET1 minimum of 4.5%.

## 11.2 Detailed Leverage Disclosures Template (APS 330 Attachment E)

### APS 330 Table 19 – Summary comparison of accounting assets vs leverage ratio exposure measure

| | | 31 Dec 17 Basel III APRA $M |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | 961,930 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | (17,954) |
| 3 | Adjustment for assets held on the Balance Sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure | - |
| 4 | Adjustments for derivative financial instruments | 2,823 |
| 5 | Adjustment for SFTs (i.e. repos and similar secured lending) | 1,065 |
| 6 | Adjustment for Off Balance Sheet exposures (i.e. conversion to credit equivalent amounts of Off Balance Sheet exposures) | 84,255 |
| 7 | Other adjustments | (19,616) |
| **8** | **Leverage ratio exposure** | **1,012,503** |

### APS 330 Table 18 – Leverage ratio disclosure template

| | | 31 Dec 17 Basel III APRA $M |
|---|---|---|
| **On Balance Sheet exposures** | | |
| 1 | On Balance Sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 901,705 |
| 2 | Asset amounts deducted in determining Tier 1 capital | (19,616) |
| 3 | **Total On Balance Sheet exposures (excluding derivatives and SFTs)** | **882,089** |
| **Derivative exposures** | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 10,817 |
| 5 | Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions | 15,962 |
| 6 | Gross-up for derivatives collateral provided where deducted from the Balance Sheet assets pursuant to the Australian Accounting Standards | - |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | - |
| 8 | (Exempted central counterparty (CCP) leg of client-cleared trade exposures) | - |
| 9 | Adjusted effective notional amount of written credit derivatives | 3,158 |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | (1,886) |
| 11 | **Total derivative exposures** | **28,051** |
| **SFT exposures** | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 17,043 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | - |
| 14 | CCR exposure for SFT assets | 1,065 |
| 15 | Agent transaction exposures | - |
| 16 | **Total SFT exposures** | **18,108** |
| **Other Off Balance Sheet exposures** | | |
| 17 | Off Balance Sheet exposure at gross notional amount | 181,470 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (97,215) |
| 19 | **Other Off Balance Sheet exposures** | **84,255** |
| **Capital and total exposures** | | |
| 20 | Tier 1 Capital | 54,465 |
| 21 | Total exposures | 1,012,503 |
| **Leverage ratio** | | |
| 22 | Leverage ratio (%) | 5.4 |

## 11.3 Regulatory Balance Sheet

The following table provides details on the Commonwealth Bank of Australia Group's Balance Sheet and the Level 2 Regulatory Balance Sheet as at 31 December 2017.

| | Group Balance Sheet $M | Adjustment [1] $M | Level 2 Regulatory Balance Sheet $M | Template/ Reconciliation Table Reference |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and liquid assets | 37,322 | (250) | 37,072 | |
| Receivables due from other financial institutions | 6,955 | (9) | 6,946 | |
| Assets at fair value through Income Statement: | | | | |
| Trading | 34,696 | (256) | 34,440 | |
| Insurance | 382 | (382) | - | |
| Other | 1,038 | (274) | 764 | |
| Derivative assets | 25,228 | - | 25,228 | |
| Available-for-sale investments | 83,913 | (474) | 83,439 | Table G |
| Loans, bills discounted and other receivables | 736,316 | (4,769) | 731,547 | |
| Bank acceptances of customers | 222 | - | 222 | |
| Investment in regulatory non-consolidated subsidiaries | - | 3,314 | 3,314 | Table G |
| Property, plant and equipment | 2,635 | (18) | 2,617 | |
| Investment in associates and joint ventures | 2,750 | (169) | 2,581 | Table G |
| Intangible assets [2] | 9,038 | 1,232 | 10,270 | Table C |
| Deferred tax assets | 1,291 | (63) | 1,228 | Table D |
| Other assets | 5,249 | (941) | 4,308 | |
| Assets held for sale | 14,895 | (14,895) | - | |
| **Total assets** | 961,930 | (17,954) | 943,976 | |
| **Liabilities** | | | | |
| Deposits and other public borrowings | 624,897 | 3,408 | 628,305 | |
| Payables due to other financial institutions | 24,466 | 2 | 24,468 | |
| Liabilities at fair value through Income Statement | 9,350 | - | 9,350 | |
| Derivative liabilities | 23,563 | 5 | 23,568 | |
| Bank acceptances | 222 | - | 222 | |
| Current tax liabilities | 642 | (27) | 615 | |
| Deferred tax liabilities | - | - | - | Table D |
| Other provisions | 2,120 | (252) | 1,868 | |
| Insurance policy liabilities | 481 | (481) | - | |
| Debt issues | 166,510 | (4,862) | 161,648 | |
| Managed funds units on issue | - | - | - | |
| Bills payable and other liabilities | 8,861 | (769) | 8,092 | |
| Loan capital | 20,184 | - | 20,184 | Table E |
| Liabilities held for sale | 14,543 | (14,543) | - | |
| **Total liabilities** | 895,839 | (17,519) | 878,320 | |
| **Net assets** | 66,091 | (435) | 65,656 | |
| **Shareholders' Equity** | | | | |
| Share capital: | | | | |
| Ordinary share capital | 36,776 | 92 | 36,868 | Row 1, Table A |
| Reserves | 1,494 | (71) | 1,423 | Row 3 |
| Retained profits | 27,267 | (411) | 26,856 | Row 2 |
| **Shareholders' Equity attributable to Equity holders of the Bank** | 65,537 | (390) | 65,147 | |
| Non-controlling interests | 554 | (45) | 509 | Table B |
| **Total Shareholders' Equity** | 66,091 | (435) | 65,656 | |

(1) Reflects the deconsolidation of the Insurance and funds management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.

(2) Level 2 Intangible assets also includes Intangible assets from discontinued operations included under Assets held for sale on the Group Balance sheet.

## 11.4 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet

The following tables provide additional information on the differences between the detailed capital disclosures (section 11.1) and the Regulatory Balance Sheet (section 11.3).

| Table A | 31 Dec 17 $M | Template Reference |
|---|---|---|
| **Share Capital** | | |
| Ordinary Share Capital | 36,776 | |
| Add Treasury Shares held by the Group's life insurance operations | 92 | |
| Total per Balance Sheet (Ordinary Share Capital Internationally Comparable) (1) | 36,868 | Row 1 |
| Treasury Shares held by the Group's employee share scheme trusts (APRA specific adjustment) | 134 | Row 26a |
| **Total Ordinary Share Capital and Treasury Shares (APRA)** | 37,002 | |

| Table B | 31 Dec 17 $M | Template Reference |
|---|---|---|
| **Non Controlling Interests** | | |
| Total per Balance Sheet (1) | 509 | |
| Less ASB perpetual Shares transferred to Additional Tier 1 Capital (refer Table E) | (505) | |
| Less other non controlling interests not included in capital | (4) | |
| **Total per Capital Template (APRA and Internationally Comparable)** | - | Row 5 |

| Table C | 31 Dec 17 $M | Template Reference |
|---|---|---|
| **Goodwill & Other Intangibles** | | |
| Total per Balance Sheet (1) | 10,270 | |
| Less capitalised software and other intangibles separately disclosed in template | (2,219) | |
| **Total per Capital Template - Goodwill (APRA and Internationally Comparable)** | 8,051 | Row 8 |
| Other intangibles (including capitalised software) per Balance Sheet | 2,219 | |
| Less DTL associated with other intangibles | (7) | |
| **Total per Capital Template - Other Intangibles (APRA and Internationally Comparable)** | 2,212 | Row 9 |

| Table D | 31 Dec 17 $M | Template Reference |
|---|---|---|
| **Deferred Tax Assets** | | |
| Deferred tax asset per Balance Sheet (1) | 1,228 | |
| Less deferred tax liability per Balance Sheet (1) | - | |
| Net Deferred Tax Assets (2) | 1,228 | |
| Adjustments required in accordance with APRA prudential standards (3) | 376 | |
| Deferred tax asset adjustment before applying prescribed thresholds (APRA specific adjustment) | 1,604 | Row 26e |
| Less amounts below prescribed threshold - risk weighted (4) | (1,604) | Row 75 |
| **Total per Capital Template (Internationally Comparable)** | - | Row 10, 21, 25 |

(1) Represents the balance per Level 2 Regulatory Balance Sheet.
(2) Represents the balance of deferred tax asset net of deferred tax liability per Level 2 Regulatory Balance Sheet.
(3) Represents the deferred tax balances associated with reserves ineligible for inclusion in regulatory capital, the general reserve for credit losses, intangibles and the impact of limitations of netting of balances within the same geographic tax authority.
(4) The BCBS allows these items to be risk weighted at 250% if the balance falls below prescribed threshold levels. APRA require these to be deducted from CET1 Capital.

### 11.4 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet (continued)

| Table E | 31 Dec 17 $M | Template Reference |
|---|---|---|
| **Additional Tier 1 Capital** | | |
| Total Loan Capital per Balance Sheet (1) | 20,184 | |
| Less fair value hedge adjustments (2) | (171) | |
| Total Loan Capital net of issue costs at their contractual values | 20,013 | |
| Less amount related to Tier 2 Capital Instruments | (11,848) | |
| Total Tier 1 Loan Capital | 8,165 | |
| Add ASB perpetual Shares transferred from Non Controlling interest (refer Table B) | 505 | |
| Add issue costs (3) | 53 | |
| Less Basel III transitional relief amortisation for directly issued instruments (4) | - | Row 83 |
| Less Basel III transitional relief amortisation for instruments issued by subsidiaries (4) | - | Row 83 |
| **Total per Capital Template (APRA)** | 8,723 | Row 36 |
| | | |
| **Additional Tier 1 Capital Instruments comprises** | | |
| **Basel III Complying Instruments** | | |
| PERLS VI | 2,000 | |
| PERLS VII | 3,000 | |
| PERLS VIII | 1,450 | |
| PERLS IX | 1,640 | |
| | 8,090 | Row 32 |
| **Basel III Non Complying Instruments** | | |
| Other Instruments | 128 | |
| Less Basel III transitional relief amortisation for directly issued instruments (4) | - | Row 83 |
| | 128 | Row 33 |
| **Basel III Non Complying Instruments - issued by subsidiaries** | | |
| ASB preference shares | 505 | |
| Less Basel III transitional relief amortisation for instruments issued by subsidiaries (4) | - | Row 33 |
| | 505 | Row 35 |
| **Total Basel III Non Complying Instruments** | 633 | |
| | | |
| **Total Additional Tier 1 Capital Instruments (APRA)** | 8,723 | Row 36 |

| Table F | 31 Dec 17 $M | Template Reference |
|---|---|---|
| **Tier 2 Capital Instruments** | | |
| Total included in Balance Sheet | 11,848 | |
| Less amount of Tier 2 debt issued by subsidiary ineligible for inclusion in the Group's Capital (5) | (136) | |
| Add issue costs (3) | 33 | |
| Less amortisation of instruments (6) | (1,277) | |
| Less Basel III transitional relief amortisation for directly issued instruments (4) | - | Row 85 |
| **Total per Capital Template (APRA and Internationally Comparable)** | 10,468 | Row 46, 47 |

(1) Represents the balance per Level 2 Regulatory Balance Sheet.
(2) For regulatory capital purposes, APRA requires these instruments to be included as if they were unhedged.
(3) Unamortised issue costs relating to capital instruments are netted off against each instrument in the Balance Sheet. For regulatory capital purposes, these capital instruments are shown at face value. The unamortised issue costs are deducted from CET1 as part of capitalised expenses in Row 26f in the Capital template.
(4) Basel III transitional arrangements apply to directly issued capital instruments and instruments issued by subsidiaries not compliant with the new Basel III requirements.
(5) Represents notes issued by the Group through ASB, its New Zealand subsidiary. The amount of these notes that contributes to ASB capital in excess of its minimum regulatory requirements is not eligible for inclusion in the Group's capital.
(6) APRA requires these instruments to be amortised by 20% of the original amount during each of the last five years to maturity. This is in addition to Basel III transitional arrangements.

Details on the main features of Capital instruments included in the Group's Regulatory Capital, (Ordinary Share Capital, Additional Tier 1 Capital and Tier 2 Capital) as required by APS 330 Attachment B can be found at www.commbank.com.au/about-us/investors/shareholders.

### 11.4 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet (continued)

| Table G | 31 Dec 17 $M | Template Reference |
|---|---|---|
| **Equity Investments** | | |
| Investment in commercial entities | **119** | Row 26g |
| Investments in significant financial entities | **2,399** | Row 26d, 73 |
| Investments in non-significant financial entities | **165** | Row 26d, 72 |
| | **2,683** | |
| Equity investment in non-consolidated subsidiaries | **3,314** | Row 26d, 73 |
| Less transitional arrangements granted in respected Colonial debt (1) | **(315)** | Row 26d, 73 |
| Total Equity Investments before applying prescribed thresholds APRA specific adjustment (2) | **5,682** | |
| Less amounts risk weighted under Internationally Comparable (3) | **(5,682)** | |
| **Total per Capital Template (Internationally Comparable)** | **-** | Row 18, 19, 23 |

(1) The capital benefit arising from the debt issued by the Colonial debt is being phased out, with APRA granting transitional arrangements in line with the maturity profile of the debt.

(2) Equity Investments are classified in the Level 2 Regulatory Balance Sheet across Investments in Associates, Assets held for Sale, Available-for-Sale Securities and Investment in non-consolidated subsidiaries. In addition, the Group has undrawn commitments (Off-Balance Sheet) which are deemed in the nature of equity for Regulatory Capital purposes.

(3) The aggregate of investments in significant financial entities of $2,399 million, investments in non-significant financial entities of $165 million and equity investment in non-consolidated subsidiaries of $2,999 million (net of Colonial debt transitional attangements) is a total of $5,563 million and is included in row 26d in the Capital template. The BCBS allows for equity investments to be concessionally risk weighted provided they are below prescribed thresholds. APRA requires such items to be deducted 100% from CET1 capital. The remaining balance of $119 million related to Investments in commercial entities are risk weighted under Internationally Comparable methodology, with no prescribed threshold limits.

#### Countercyclical Capital Buffer

The countercyclical capital buffer (CCyB), which was effective for Australian ADI's from 1 January 2016, represents an extension to the capital conservation buffer and may require an ADI to hold additional CET1 of up to 2.5%. The CCyB is calculated as the sum of the specific buffer set by APRA with respect to Australian private sector exposures and the weighted average for offshore private sector exposures where the CCyB has been enacted.

**Table H**

| Country (1) | RWA (2) $M | Jurisdictional Buffer % | ADI Specific Buffer (3) % | Template Reference |
|---|---|---|---|---|
| Hong Kong | 796 | 1.250% | 0.003% | |
| Norway | 809 | 2.000% | 0.005% | |
| Sweden | 82 | 2.000% | 0.000% | |
| Others | 350,337 | 0.000% | 0.000% | |
| **Total** | **352,024** | | **0.008%** | **Row 66** |

(1) Represents country of ultimate risk as at 31 December 2017.

(2) Represents total private sector (excludes Banks and Sovereigns) credit and specific market risk RWA.

(3) Calculated as each country share of total private sector credit and specific market RWA multiplied by the CCyB applicable in each country.

### 11.5 Entities excluded from Level 2 Regulatory Consolidated Group

The legal entities included within the accounting scope of consolidation, but excluded from the Level 2 Regulatory Consolidated Group are detailed below.

The total assets and liabilities should not be aggregated as some of the entities listed are subsidiaries of other entities included in the table below.

| Entity name | Total Assets $M | Total Liabilities $M |
|---|---|---|
| **(a) Securitisation** | | |
| Medallion Trust Series 2017-1 | 2,138 | 2,138 |
| Medallion Trust Series 2017-2 | 2,658 | 2,658 |
| Swan Trust Series 2010-1 | 84 | 84 |

| Entity name | Total Assets $M | Total Liabilities $M |
|---|---|---|
| **(b) Insurance and Funds Management** | | |
| Avanteos Investments Limited | 59 | 18 |
| Avanteos Pty Ltd | - | - |
| BW Financial Advice Limited | 7 | 1 |
| CFS Seeding Trust | 24 | 24 |
| CFSPAI Europe Co Limited | 2 | - |
| CFSPAI Europe Holdco Limited | - | - |
| CISL (NO. 1) Pty Limited | - | - |
| Colonial (UK) Trustees Limited | 1 | 1 |
| Colonial First State Asset Management (Australia) Limited | 84 | 55 |
| Colonial First State Investments Limited | 658 | 311 |
| Colonial First State Infrastructure Holdings Limited | 29 | 19 |
| Colonial First State Infrastructure Managers (Australia) Pty Limited | 2 | 2 |
| Colonial First State Managed Infrastructure Limited | 19 | 8 |
| Colonial Mutual Superannuation Pty Ltd | 13 | 1 |
| Colonial Services Pty Limited | - | - |
| Commonwealth Custodial Services Pty Ltd | - | - |
| Commonwealth Financial Planning Limited | 76 | 34 |
| Commonwealth Insurance Limited | 1,014 | 738 |
| Count Financial Limited | 40 | 9 |
| EDIF II GP Sarl | 3 | 1 |
| Emerald Holding Company Pty Limited | - | - |
| Financial Wisdom Limited | 23 | 16 |
| First Gas Consolidated Group | 1,447 | 1,082 |
| First State European Diversified Infrastructure Sarl | 3 | 2 |
| First State Infrastructure Managers (International) Limited | 3 | 3 |
| First State Investments Fund Management Sarl | 43 | 43 |
| First State Investment Management (UK) Limited | 66 | 1 |
| First State Investment Services (UK) Limited | 140 | 114 |
| First State Investments (Hong Kong) Limited | 137 | 78 |
| First State Investments (Japan) Limited | - | - |
| First State Investments (NZ) Limited | 2 | 1 |
| First State Investments (Singapore) | 93 | 38 |
| First State Investments (UK) Limited | 145 | 124 |
| First State Investments (US) LLC | 15 | 8 |
| First State Investments GIP Management Sarl | 1 | - |
| First State Investments International Inc | - | - |
| First State Investments International Limited | 79 | 10 |
| First State Nominees (Hong Kong) Limited | - | - |
| FSIC Limited | - | - |
| Jacques Martin Administration and Consulting Pty Ltd | 4 | 2 |

### 11.5 Entities excluded from Level 2 Regulatory Consolidated Group (continued)

| Entity name | Total Assets $M | Total Liabilities $M |
|---|---|---|
| Premium Alternative Investments Pty Limited | - | - |
| Premium Plantations Pty Limited | - | - |
| Premium Plantations Services Pty Ltd | - | - |
| PT Commonwealth Life | 702 | 535 |
| PT First State Investments Indonesia | 7 | 4 |
| Realindex Investments Pty Limited | 11 | 8 |
| Sovereign Assurance Company Limited | 1,912 | 1,302 |
| Sovereign Services Limited | 65 | 19 |
| Sovereign Superannuation Funds Limited | 6 | - |
| Sovereign Superannuation Trustees Limited | - | - |
| St Andrew's Australia Pty Ltd | - | - |
| The Colonial First State Global Asset Management Seeding Trust | 247 | 247 |
| The Colonial Mutual Life Assurance Society Limited | 12,646 | 11,016 |
| Total Keen Investment Limited | - | - |
| Water Utilities Group | 49 | 11 |
| Westside Properties Limited | 23 | 1 |

## 11.6 List of APRA APS 330 Tables

The following schedule lists the quantitative tables in this document as referenced in APRA Prudential Standard APS 330 "Capital Adequacy: Public Disclosure of Prudential Information" paragraphs 12, 47 and Attachments A to H.



(1) Details can be found at www.commbank.com.au/about-us/investors/shareholders.

## 11.6 List of APRA APS 330 Tables (continued)



(1) Details can be found at www.commbank.com.au/about-us/investors/shareholders.

### 11.7 List of Supplemental Tables and Diagrams

## 11.8 Glossary

| Term | Definition |
|---|---|
| Additional Tier 1 Capital | Additional Tier 1 Capital is a Basel III defined concept and consists of high quality capital that essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions. |
| Australian Accounting Standards | The Australian Accounting Standards as issued by the Australian Accounting Standards Board. |
| Authorised Deposit-taking Institution (ADI) | Includes banks, building societies and credit unions which are authorised by APRA to take deposits from customers. |
| Advanced Internal Ratings Based (AIRB) Approach | Used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital. |
| Advanced Measurement Approach (AMA) | Used to measure operational risk in accordance with the Group's Basel III accreditation that allows the Group to use its own internal model for the purposes of calculating regulatory capital. |
| Australian Prudential Regulation Authority (APRA) | The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia. |
| ADI Prudential Standards (APS) | APRA's ADI Prudential Standards. For more information, refer to the APRA 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 2.5 | Refers to the Basel II framework revised (2009) to include additional requirements such as the Incremental Risk Charge (IRC) , Stressed VaR (SVaR), the treatment of securitisation exposures and the Comprehensive Risk Measure (CRM) for certain correlation trading activities. |
| Basel III | Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012). |
| CBA | Commonwealth Bank of Australia – the head entity of the Group. |
| Central counterparty (CCP) | A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts. |
| Committed Liquidity Facility (CLF) | The Reserve Bank of Australia (RBA) provides the CLF to participating ADIs under the LCR, as a shortfall in Commonwealth government and Semi-government securities exists in Australia. ADIs can draw under the CLF in a liquidity crisis against qualifying securities pledged to the RBA. The amount of the CLF for each ADI is set by APRA annually. |
| Common Equity Tier 1 (CET1) Capital | The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions. |
| Collective Provision | All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement"). |

### 11.8 Glossary (continued)

| Term | Definition |
|---|---|
| Corporate | Basel asset class – includes commercial credit risk where annual revenues exceed $50 million. |
| Credit Valuation Adjustment (CVA) Risk | The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty. |
| Exposure at Default (EAD) | The extent to which a bank may be exposed upon default of an obligor. |
| External Credit Assessment Institution (ECAI) | For example; Moody's Investor Services, S&P Global Ratings or Fitch Ratings. |
| Extended Licenced Entity (ELE) | APRA may deem an entity of an ADI to be part of the ADI itself for the purposes of measuring the ADIs exposures to related entities. |
| General Reserve for Credit Losses (GRCL) | APS 220 requires the Group to establish a reserve that covers credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the General Reserve for Credit Losses. An excess of required General Reserve for Credit Losses over the Group's collective provisions is recognised as a deduction from CET1. |
| Impaired Assets | Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments due, will be achieved in a timely manner. |
| Individual Provisions | Provisions made against individual facilities in the credit-rated managed segment where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement"). Also known as individually assessed provisions or IAP. |
| Interest Rate Risk in the Banking Book (IRRBB) | The risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives; firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential and secondly, as the anticipated change to the Net Interest Income earned over 12 months. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach. |
| Level 1 | Represents the ADI and each entity of the ADI that has been approved as an extended licence entity by APRA. |
| Level 2 | The level at which the Group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI and all of its subsidiary entities other than the insurance and funds management entities and entities through which securitisation of Group assets is conducted. This is the basis on which this report has been produced. |
| Level 3 | The conglomerate group including the Group's insurance and wealth management business. |
| Leverage Ratio | Tier 1 Capital divided by Total Exposures, with this ratio expressed as a percentage. |
| Liquidity Coverage Ratio (LCR) | The LCR is a quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario. |
| Loss Given Default (LGD) | The fraction of EAD that is not expected to be recovered following default. |
| Net Cash Outflows | Net cash outflows in the LCR are calculated by applying prescribed run-off factors on liabilities and various Off Balance Sheet exposures that can generate a cash outflow in the next 30 days. |
| Other Assets | Basel asset class – primarily includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending. |
| Other Retail | Basel asset class – primarily includes retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset. |

## 11.8 Glossary (continued)

| Term | Definition |
| --- | --- |
| Past Due | Facilities are past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements. |
| Probability of Default (PD) | The likelihood that a debtor fails to meet an obligation or contractual commitment. |
| Qualifying Revolving Retail (QRR) | Basel asset class – represents revolving exposures to individuals less than $0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class. |
| Residential Mortgage | Basel asset class – retail exposures secured by residential mortgage property. |
| RBA | Reserve Bank of Australia. |
| RBNZ | Reserve Bank of New Zealand. |
| Risk Weighted Assets (RWA) | The value of the Group's On and Off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA web site. |
| Scaling Factor | In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the risk weighted asset amounts for credit risk under the IRB approach of 1.06. |
| Securitisation | Basel asset class – Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities. |
| SME Corporate | Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than $50 million and exposures are greater than $1 million. |
| SME Retail | Basel asset class – Small and Medium Enterprise (SME) exposures up to $1 million that are not secured by residential mortgage property. |
| SME Retail Secured by Residential Mortgage | Small and Medium Enterprise (SME) exposures up to $1 million that are partly or fully secured by residential mortgage property. |
| Sovereign | Basel asset class – primarily includes claims on Australian and foreign governments, central banks (including Reserve Bank of Australia), international banking agencies and regional development banks. |
| Specialised Lending | Basel asset classes subject to the supervisory slotting approach and which include Income Producing Real Estate (IPRE), object finance, project finance and commodity finance. |
| Specific Provisions | APS 220 requires ADIs to report as specific provisions all provisions for impairment assessed by an ADI on an individual basis in accordance with the Australian Accounting Standards and that portion of provisions assessed on a collective basis which are deemed ineligible to be included in the General Reserve for Credit Losses (which are primarily collective provisions on some defaulted assets). |
| Stressed VaR | Stressed Value at Risk uses the same methodology as Value at Risk (VaR) except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis. |
| Tier 1 Capital | Comprises CET1 and Additional Tier 1 Capital. |
| Tier 2 Capital | Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital. |
| Total Exposures (as used in the Leverage Ratio) | The sum of On Balance Sheet items, derivatives, securities financing transactions (SFTs), and Off Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items, as outlined in APS 110 "Capital Adequacy" (APS 110) Attachment D. |