



ASX announcement

March Quarter 2020 Basel III Pillar 3

Wednesday 13 May 2020 (SYDNEY): Commonwealth Bank of Australia (CBA) today provides the attached March Quarter 2020 Basel III Pillar 3.

Contact Details

Danny John
Media Relations
02 9118 6919
media@cba.com.au

Melanie Kirk
Investor Relations
02 9118 7113
CBAInvestorRelations@cba.com.au

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

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Basel III Pillar 3

Capital Adequacy and Risk

Disclosures as at 31 March 2020



CommonwealthBank

Table of Contents

1	Introduction	2
2	Risk Weighted Assets	3
3	Credit Risk	4
	3.1 Credit Risk Exposures	4
	3.2 Past Due and Impaired Exposures, Provisions and Reserves	6
	3.3 Securitisation	8
4	Leverage Ratio	9
5	Liquidity Risk	10
	Glossary	11

For further information contact:

Investor Relations

Melanie Kirk

Phone: 02 9118 7113

Email: cbainvestorrelations@cba.com.au

1. Introduction

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

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

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

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

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

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

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

commbank.com.au/regulatorydisclosures

Group Capital Ratios

As at 31 March 2020, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios as measured on an APRA basis were 10.7%, 13.0% and 16.8% respectively.

After allowing for the impact of the 2020 interim dividend (79 basis points) and additional COVID-19 and remediation provisions (35 basis points), CET1 increased by 14 basis points in the quarter. This was driven by a combination of capital generated from earnings and the receipt of further sale proceeds as part of the divestment of the Australian life insurance business, CommInsure Life, partly offset by higher RWA. Detail on the movements in RWA are provided on page 3.

The Group's Basel III CET1 ratio was 16.2% on an internationally comparable basis as at 31 March 2020.

Capital Initiatives

The following significant capital initiatives were undertaken during the quarter:

Common Equity Tier 1 Capital

- The dividend reinvestment plan (DRP) in respect of the 2020 interim dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 14.7%.

Tier 2 Capital

- In March 2020 the Group issued AUD 280 million subordinated notes that were all Basel III compliant Tier 2 capital.

APRA developments in response to COVID-19 support

The Group has introduced a number of support measures for customers impacted by COVID-19, which include loan repayment deferrals for a period up to six months to retail and small business customers. As at 31 March 2020, 14,000 accounts with EAD of \$4.5 billion have been granted loan repayment deferrals. On 23 March 2020, APRA announced that where a borrower was otherwise performing, and their loan was subject to repayment deferrals as part of a COVID-19 support package, the repayment holidays would not be treated as a period of arrears and the loan would not be regarded as restructured.

Under the Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme, the Group will provide unsecured loans up to three years, with an initial six month repayment holiday and with 50 per cent of the loan guaranteed by the Commonwealth Government. APRA has confirmed that the SME Guarantee Scheme will be regarded as an eligible guarantee by the government for risk-weighting purposes. The Group will continue to provision for these loans under relevant accounting standards.

Leverage Ratio

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures, was 5.5% at 31 March 2020 on an APRA basis and 6.4% on an internationally comparable basis.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 133% in the March 2020 quarter, and a spot LCR of 159% as at 31 March 2020.

On 19 March 2020, the Reserve Bank of Australia announced the establishment of a three-year Term Funding Facility (TFF) offered to eligible authorised deposit-taking institutions (ADIs) with a total amount of at least \$90 billion. As at 6 April 2020, the Group has access to \$19 billion of initial TFF and \$2 billion of additional TFF.

Summary Group Capital Adequacy Ratios (Level 2)

	31 Mar 20	31 Dec 19
	%	%
Common Equity Tier 1	10.7	11.7
Tier 1	13.0	14.1
Tier 2	3.8	3.3
Total Capital (APRA)	16.8	17.4
Common Equity Tier 1 (Internationally Comparable) ⁽¹⁾	16.2	17.5

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

2. Risk Weighted Assets

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

Internal assessment and supervisory formula approaches are used where relevant for non-rated securitisation exposures and for rated exposures where APS 120 "Securitisation"

(APS 120) prohibits the Group using the ratings-based approach. The ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI) where APS 120 allows or requires.

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

Asset Category	Risk Weighted Assets		Change in RWA for	
	31 Mar 20	31 Dec 19	March 2020 quarter	
	\$M	\$M	\$M	%
Credit Risk				
Subject to AIRB approach ⁽¹⁾				
Corporate	71,830	67,236	4,594	6.8
SME corporate	31,438	31,560	(122)	(0.4)
SME retail	6,145	5,976	169	2.8
SME retail secured by residential mortgage	3,274	3,314	(40)	(1.2)
Sovereign	2,043	1,682	361	21.5
Bank	8,330	7,964	366	4.6
Residential mortgage	150,120	147,865	2,255	1.5
Qualifying revolving retail	7,753	7,802	(49)	(0.6)
Other retail	13,368	13,490	(122)	(0.9)
Total RWA subject to AIRB approach	294,301	286,889	7,412	2.6
Specialised lending	58,319	56,024	2,295	4.1
Subject to standardised approach				
Corporate	1,642	1,309	333	25.4
SME corporate	722	756	(34)	(4.5)
SME retail	4,338	4,586	(248)	(5.4)
Sovereign	217	218	(1)	(0.5)
Bank	70	66	4	6.1
Residential mortgage	6,318	6,478	(160)	(2.5)
Other retail	1,232	1,225	7	0.6
Other assets	10,303	9,752	551	5.7
Total RWA subject to standardised approach	24,842	24,390	452	1.9
Securitisation	3,173	3,191	(18)	(0.6)
Credit valuation adjustment	6,118	4,358	1,760	40.4
Central counterparties	377	365	12	3.3
Total RWA for credit risk exposures	387,130	375,217	11,913	3.2
Traded market risk	9,483	5,428	4,055	74.7
Interest rate risk in the banking book	12,761	8,998	3,763	41.8
Operational risk	60,085	59,511	574	1.0
Total risk weighted assets	469,459	449,154	20,305	4.5

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

Risk Weighted Assets

Total Group RWA increased by \$20.3 billion or 4.5% on the prior quarter due to increases in Credit Risk RWA, Traded Market Risk, Interest Rate Risk in the Banking Book and Operational Risk RWA.

Credit Risk RWA

Credit Risk RWA increased by \$11.9 billion or 3.2% on the prior quarter, mainly driven by:

- Volume growth across residential mortgage, non-retail and some standardised portfolios including CVA and CCP (\$7.3 billion);
- Foreign currency movements (\$4.1 billion);
- Reduction in credit quality across corporate portfolios partly offset by bank, sovereign, CCP and residential mortgage portfolios (\$0.4 billion); and
- Data and methodology changes (\$0.1 billion).

Traded Market Risk RWA

Traded Market Risk RWA increased by \$4.1 billion or 74.7% on the prior quarter to \$9.5 billion. This was due to increases

in the Value-at-Risk (VaR) and the Stressed Value-at-Risk (SVaR) components, which were impacted by volatility in asset prices during the month of March 2020.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by \$3.8 billion or 41.8% on the prior quarter due to increased market volatilities during the last quarter which impacted the Bank's holdings of High Quality Liquid Assets. This was partly offset by increases in embedded gains due to lower domestic and offshore interest rates.

Operational Risk RWA

Operational Risk RWA increased by \$0.6 billion or 1.0% on the prior quarter to \$60.1 billion. This increase was due to the regular assessment of the Group's operational risk profile in the context of the evolving risk and regulatory environment, in accordance with the Operational Risk Management Framework and governance processes.

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

3. Credit Risk

3.1 Credit Risk Exposures

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

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

Portfolio Type	31 March 2020				Average exposure for March 2020 quarter ⁽¹⁾	Change in exposure for March 2020 quarter ⁽²⁾	
	Off balance sheet						
	On balance sheet	Non-market related	Market related	Total			
	\$M	\$M	\$M	\$M		\$M	\$M
Subject to AIRB approach							
Corporate	72,678	43,970	16,413	133,061	127,309	11,504	9.5
SME corporate	42,986	8,696	803	52,485	52,155	661	1.3
SME retail	6,892	3,733	-	10,625	10,616	18	0.2
SME retail secured by residential mortgage	4,062	1,486	-	5,548	5,576	(56)	(1.0)
Sovereign	114,308	1,167	4,764	120,239	105,474	29,531	32.6
Bank	20,698	400	7,921	29,019	27,914	2,210	8.2
Residential mortgage	524,042	73,272	-	597,314	594,166	6,296	1.1
Qualifying revolving retail	9,682	16,523	-	26,205	26,442	(474)	(1.8)
Other retail	7,406	3,145	-	10,551	10,616	(131)	(1.2)
Total AIRB approach	802,754	152,392	29,901	985,047	960,268	49,559	5.3
Specialised lending	56,251	8,571	2,542	67,364	65,797	3,134	4.9
Subject to standardised approach							
Corporate	1,486	111	45	1,642	1,476	333	25.4
SME corporate	564	153	5	722	739	(34)	(4.5)
SME retail	3,570	733	28	4,331	4,456	(251)	(5.5)
Sovereign	465	1	-	466	470	(9)	(1.7)
Bank	345	-	-	345	332	26	8.2
Residential mortgage	12,407	1,695	-	14,102	14,259	(314)	(2.2)
Other retail	1,206	25	-	1,231	1,227	7	0.7
Other assets	15,827	-	-	15,827	16,253	(851)	(5.1)
Central counterparties	-	-	10,129	10,129	9,572	1,115	12.4
Total standardised approach	35,870	2,718	10,207	48,795	48,784	22	0.0
Total credit exposures ⁽³⁾	894,875	163,681	42,650	1,101,206	1,074,849	52,715	5.0

(1) The simple average of exposures as at 31 March 2020 and 31 December 2019.

(2) The difference between exposures as at 31 March 2020 and 31 December 2019.

(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

3.1 Credit Risk Exposures (continued)

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

Portfolio Type	31 December 2019				Average exposure for December 2019 quarter ⁽¹⁾	Change in exposure for December 2019 quarter ⁽²⁾	
	Off balance sheet						
	On balance sheet	Non-market related	Market related	Total			
	\$M	\$M	\$M	\$M		\$M	\$M
Subject to AIRB approach							
Corporate	67,614	44,267	9,676	121,557	123,912	(4,709)	(3. 7)
SME corporate	42,818	8,398	608	51,824	51,652	344	0. 7
SME retail	6,970	3,637	-	10,607	10,708	(202)	(1. 9)
SME retail secured by residential mortgage	4,112	1,492	-	5,604	5,652	(97)	(1. 7)
Sovereign	87,248	1,225	2,235	90,708	90,651	115	0. 1
Bank	19,206	377	7,226	26,809	31,330	(9,043)	(25. 2)
Residential mortgage	518,096	72,922	-	591,018	586,960	8,117	1. 4
Qualifying revolving retail	9,977	16,702	-	26,679	26,832	(306)	(1. 1)
Other retail	7,610	3,072	-	10,682	10,748	(133)	(1. 2)
Total AIRB approach	763,651	152,092	19,745	935,488	938,445	(5,914)	(0. 6)
Specialised lending	53,751	8,821	1,658	64,230	63,758	945	1. 5
Subject to standardised approach							
Corporate	1,155	150	4	1,309	1,504	(389)	(22. 9)
SME corporate	596	160	-	756	775	(38)	(4. 8)
SME retail	3,664	719	199	4,582	4,557	51	1. 1
Sovereign	474	1	-	475	481	(12)	(2. 5)
Bank	319	-	-	319	339	(40)	(11. 1)
Residential mortgage	12,693	1,723	-	14,416	14,560	(287)	(2. 0)
Other retail	1,196	28	-	1,224	1,206	34	2. 9
Other assets	16,678	-	-	16,678	18,028	(2,701)	(13. 9)
Central counterparties	-	-	9,014	9,014	10,352	(2,676)	(22. 9)
Total standardised approach	36,775	2,781	9,217	48,773	51,802	(6,058)	(11.0)
Total credit exposures ⁽³⁾	854,177	163,694	30,620	1,048,491	1,054,005	(11,027)	(1.0)

(1) The simple average of exposures as at 31 December 2019 and 30 September 2019.

(2) The difference between exposures as at 31 December 2019 and 30 September 2019.

(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Credit Risk

3.2 Past Due and Impaired Exposures, Provisions and Reserves

All provisions for impairment assessed on an individual basis in accordance with the Australian Accounting Standards are classified as specific provisions in accordance with APS 220 "Credit Quality". Most of the collective provisions raised under the Australian Accounting Standards are included in the General Reserve for Credit Losses (GRCL), however, certain collective provisions not eligible for inclusion in the GRCL, are classified as specific provisions. This includes, for example, collective provisions on retail products that are in default. Total provisions increased to \$6.4 billion, primarily driven by additional forward looking credit provisions for COVID-19.

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

31 March 2020			
	General reserve for credit losses ⁽¹⁾	Specific provision ⁽¹⁾	Total provisions
	\$M	\$M	\$M
Collective provision ⁽²⁾	4,998	424	5,422
Individual provisions ⁽²⁾	-	978	978
Total provisions	4,998	1,402	6,400
Additional GRCL requirement ⁽³⁾	-	-	-
Total regulatory provisions	4,998	1,402	6,400

(1) Provisions classified according to APS 220 "Credit Quality".

(2) Provisions according to the Australian Accounting Standards.

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

31 December 2019			
	General reserve for credit losses ⁽¹⁾	Specific provision ⁽¹⁾	Total provisions
	\$M	\$M	\$M
Collective provision ⁽²⁾	3,663	404	4,067
Individual provisions ⁽²⁾	-	959	959
Total provisions	3,663	1,363	5,026
Additional GRCL requirement ⁽³⁾	-	-	-
Total regulatory provisions	3,663	1,363	5,026

(1) Provisions classified according to APS 220 "Credit Quality".

(2) Provisions according to the Australian Accounting Standards.

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

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

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

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

Portfolio	As at 31 March 2020			Quarter ended 31 March 2020	
	Impaired assets	Past due loans ≥ 90 days ⁽¹⁾	Specific provision balance ⁽²⁾	Net charges for individual provisions	Actual losses ⁽³⁾
	\$M	\$M	\$M	\$M	\$M
Corporate including SME, specialised lending and central counterparties	1,362	620	736	69	56
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	1,905	2,584	418	14	34
Qualifying revolving retail	119	-	98	1	48
Other retail	143	31	150	1	86
Total	3,529	3,235	1,402	85	224

(1) Represents loans ≥ 90 days past due but not impaired.

(2) Specific provision balance includes certain Australian Accounting Standards collective provisions on some defaulted loans.

(3) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 31 March 2020.

Portfolio	As at 31 December 2019			Quarter ended 31 December 2019	
	Impaired assets	Past due loans ≥ 90 days ⁽¹⁾	Specific provision balance ⁽²⁾	Net charges for individual provisions	Actual losses ⁽³⁾
	\$M	\$M	\$M	\$M	\$M
Corporate including SME, specialised lending and central counterparties	1,286	647	705	108	85
Sovereign	-	-	-	-	-
Bank	-	-	-	(9)	-
Residential mortgage	1,854	2,479	420	24	30
Qualifying revolving retail	108	-	93	(1)	50
Other retail	135	28	145	1	77
Total	3,383	3,154	1,363	123	242

(1) Represents loans ≥ 90 days past due but not impaired.

(2) Specific provision balance includes certain Australian Accounting Standards collective provisions on some defaulted loans.

(3) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the quarter ended 31 December 2019.

3.3 Securitisation

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

Underlying Asset Type	For the 3 months to 31 March 2020	
	Total exposures securitised	Recognised gain or loss on sale
	\$M	\$M
Residential mortgage	-	-
Credit cards and other personal loans	20	-
Auto and equipment finance	657	-
Commercial loans	-	-
Other	-	-
Total	677	-

Underlying Asset Type	For the 3 months to 31 December 2019	
	Total exposures securitised	Recognised gain or loss on sale
	\$M	\$M
Residential mortgage	4,371	-
Credit cards and other personal loans	2	-
Auto and equipment finance	-	-
Commercial loans	11	-
Other	-	-
Total	4,384	-

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

Securitisation Facility Type	As at 31 March 2020		
	On Balance Sheet	Off Balance Sheet	Total exposures
	\$M	\$M	\$M
Liquidity support facilities	-	244	244
Warehouse facilities	7,103	2,687	9,790
Derivative facilities	343	233	576
Holdings of securities	6,334	-	6,334
Other	-	10	10
Total securitisation exposures	13,780	3,174	16,954

Securitisation Facility Type	As at 31 December 2019		
	On Balance Sheet	Off Balance Sheet	Total exposures
	\$M	\$M	\$M
Liquidity support facilities	-	257	257
Warehouse facilities	5,042	4,082	9,124
Derivative facilities	427	233	660
Holdings of securities	6,991	-	6,991
Other	-	10	10
Total securitisation exposures	12,460	4,582	17,042

4. Leverage Ratio

The Group's Leverage Ratio was 5.5% at 31 March 2020 on an APRA basis and 6.4% on an internationally comparable basis.

In November 2018, APRA released draft prudential reporting standards, including changes to the definition of exposures related to derivatives and off balance sheet items and

advocating a minimum leverage ratio requirement of 3.5% for IRB banks.

On 30 March 2020 APRA announced it was deferring the scheduled implementation of the Basel III reforms in Australia by one year. As a result the new leverage ratio requirements will now be applicable from 1 January 2023.

Summary Group Leverage Ratio

	31 Mar 20	31 Dec 19	30 Sep 19	30 Jun 19
Tier 1 Capital (\$M)	61,142	63,218	57,941	57,355
Total Exposures (\$M) ⁽¹⁾	1,102,574	1,040,423	1,051,716	1,023,181
Leverage Ratio (APRA) (%)	5.5	6.1	5.5	5.6
Leverage Ratio (Internationally Comparable) (%) ⁽²⁾	6.4	7.0	6.4	6.5

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

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

5. Liquidity Risk

Liquidity Coverage Ratio

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement of 100% and the Board's risk appetite. Over the March quarter, excess liquid assets averaged \$37 billion and the average LCR decreased by 1% from 134% to 133% due to higher Net Cash Outflows (NCOs). The Group's spot LCR as at 31 March 2020 was 159%.

The Group's mix of liquid assets consists of High Quality Liquid Assets (HQLA), being cash, deposits with central banks, Australian Semi-Government and Commonwealth Government securities. Liquid assets also includes repo eligible securities with the Reserve Bank of Australia under the Committed Liquidity Facility (CLF) and Term Funding Facility (TFF) 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 large increase in HQLA over the March quarter was partly offset by the reduction in the Group's CLF allocation, which decreased from \$50.7 billion to \$45.8 billion effective 1 January 2020.

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

APS 330 Table 20 - LCR disclosure template

	31 Mar 20	31 Mar 20	31 Dec 19	31 Dec 19
	Total unweighted value (average) ⁽¹⁾	Total weighted value (average) ⁽¹⁾	Total unweighted value (average) ⁽¹⁾	Total weighted value (average) ⁽¹⁾
	\$M	\$M	\$M	\$M
Liquid assets, of which:				
1 High-quality liquid assets (HQLA)		105,477		92,255
2 Alternative liquid assets (ALA)		40,705		44,380
3 Reserve Bank of New Zealand (RBNZ) securities		3,483		3,093
Cash outflows				
4 Retail deposits and deposits from small business customers, of which:	316,762	28,210	307,449	27,098
5 Stable deposits	173,767	8,688	170,563	8,528
6 Less stable deposits	142,995	19,522	136,886	18,570
7 Unsecured wholesale funding, of which:	129,793	64,958	120,929	59,392
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	43,917	10,784	41,807	10,262
9 Non-operational deposits (all counterparties)	73,515	41,813	69,104	39,112
10 Unsecured debt	12,361	12,361	10,018	10,018
11 Secured wholesale funding		1,121		1,125
12 Additional requirements, of which:	155,059	22,202	154,624	21,735
13 Outflows related to derivatives exposures and other collateral requirements	6,665	6,665	6,308	6,308
14 Outflows related to loss of funding on debt products	-	-	-	-
15 Credit and liquidity facilities	148,394	15,537	148,316	15,427
16 Other contractual funding obligations	34	9	36	6
17 Other contingent funding obligations	75,304	9,217	70,698	7,042
18 Total cash outflows		125,717		116,398
Cash inflows				
19 Secured lending	18,100	1,794	10,407	2,267
20 Inflows from fully performing exposures	9,324	6,521	9,026	6,049
21 Other cash inflows	5,088	5,088	3,520	3,520
22 Total cash inflows	32,512	13,403	22,953	11,836
23 Total liquid assets		149,665		139,728
24 Total net cash outflows		112,314		104,562
25 Liquidity Coverage Ratio (%)		133		134
Number of data points used (Business Days)		61		62

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

Term	Definition
Additional Tier 1 Capital	Additional Tier 1 Capital is a Basel III defined concept and consists of high quality capital that essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Advanced Internal Ratings Based (AIRB) Approach	Used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital.
Advanced Measurement Approach (AMA)	Used to measure operational risk in accordance with the Group's Basel III accreditation that allows the Group to use its own internal model for the purposes of calculating regulatory capital.
Australian Accounting Standards (AASB)	The Australian Accounting Standards as issued by the Australian Accounting Standards Board.
Australian Prudential Regulation Authority (APRA)	The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
Authorised Deposit-taking Institution (ADI)	Includes banks, building societies and credit unions which are authorised by APRA to take deposits from customers.
ADI Prudential Standards (APS)	APRA's ADI Prudential Standards. For more information, refer to the APRA website.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the Reserve Bank of New Zealand.
Bank	Basel asset class – includes claims on ADIs and overseas banks.
Basel II	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
Basel III	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012).
CBA	Commonwealth Bank of Australia – the head entity of the Group.
Central counterparty (CCP)	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
Collective provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 9 "Financial Instruments").
Committed Liquidity Facility (CLF)	The Reserve Bank of Australia (RBA) provides the CLF to participating ADIs under the LCR, as a shortfall in Commonwealth government and semi-government securities exists in Australia. ADIs can draw under the CLF in a liquidity crisis against qualifying securities pledged to the RBA. The amount of the CLF for each ADI is set by APRA annually.
Common Equity Tier 1 (CET1) Capital	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Corporate	Basel asset class – includes commercial credit risk where annual revenues exceed \$50 million.

Glossary

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

Term	Definition
Past due	Facilities are past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements.
Probability of Default (PD)	The likelihood that a debtor fails to meet an obligation or contractual commitment.
Qualifying revolving retail (QRR)	Basel asset class – represents revolving exposures to individuals less than \$0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Residential mortgage	Basel asset class – retail exposures secured by residential mortgage property.
Risk Weighted Assets (RWA)	The value of the Group's on and off balance sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA website.
SA-CCR	The standardised approach for measuring counterparty credit risk exposures under APS 180 "Capital Adequacy: Counterparty Credit Risk".
Scaling Factor	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the risk weighted asset amounts for credit risk under the AIRB approach of 1.06.
Securitisation	Basel asset class – Group-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME corporate	Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than \$50 million and exposures are greater than \$1 million.
SME retail	Basel asset class – Small and Medium Enterprise (SME) exposures up to \$1 million that are not secured by residential mortgage property.
SME retail secured by residential mortgage	Basel asset class – Small and Medium Enterprise (SME) exposures up to \$1 million that are partly or fully secured by residential mortgage property.
Sovereign	Basel asset class – primarily includes claims on Australian and foreign governments, central banks (including Reserve Bank of Australia), international banking agencies and regional development banks.
Specialised lending	Basel asset classes subject to the supervisory slotting approach, including 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).
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.