Determined to offer strength in uncertain times.

Basel II Pillar 3

Capital Adequacy and Risk Disclosures as at 31 December 2008

Determined to be different

WINNER
Money MAGAZINE AWARDS 2008
BANK OF THE YEAR

Commonwealth Bank of Australia ACN 123 123 124

Table of Contents

For further information contact:

Investor Relations

Warwick Bryan

Phone: 02 9378 5130

Facsimile: 02 9378 3698

Email: ir@cba. com. au

1. Introduction

Commonwealth Bank of Australia ("the Bank") is accredited with advanced Basel II status and has adopted the advanced internal ratings based approach (AIRB) for credit risk and the advanced measurement approaches (AMA) for operational risk in the calculation of Risk Weighted Assets ("RWA"). There is an agreed methodology for measuring market risk for traded assets, which remains unchanged from Basel I. In addition, APRA has also introduced a requirement to calculate a capital charge for interest rate risk in the banking book (IRRBB), which was effective from 1 July 2008. This additional requirement is unique; only in Australia has the regulatory body also required Pillar 1 capitalisation of IRRBB.

In this document, the Bank presents information on its capital adequacy and RWA calculations for credit, market and operational risks according to the Basel II rules as at 31 December 2008. This document has been prepared in accordance with a Board approved policy and the requirements set out in APRA Prudential Standard APS 330.

As at 31 December 2008, APRA has allowed the Bank to treat Bank of Western Australia Ltd ("Bankwest") as a non-consolidated subsidiary for regulatory and capital purposes. Nevertheless, to allow for reconciliation with the Bank's profit announcement for the half year ended 31 December 2008, Bankwest has been included where outlined.

Up to 31 December 2008, Bankwest was operating under the Basel I framework. From 1 January 2009, Bankwest has been accredited by APRA to apply the Standardised approaches under Basel II for measuring its regulatory capital requirements.

For the Bank's 30 September 2008 quarterly disclosure, the Bank sought and received from APRA exemption from making certain disclosures required by the standard. The complete September disclosures including those exempted have now been included as an appendix in Section 7.3.

This document is available on the Bank's corporate website (www.commbank.com.au). It includes detailed quantitative information consistent with the full year disclosure released in our report as at 30 June 2008. Comprehensive information on the Bank's capital and risk management practices are available in the full year disclosure.

The Bank is not required to have its Prudential Disclosures audited by an external auditor. However, the disclosures have been prepared consistent with information otherwise published or supplied to APRA that has been subject to review by an external auditor.

2. Scope of application

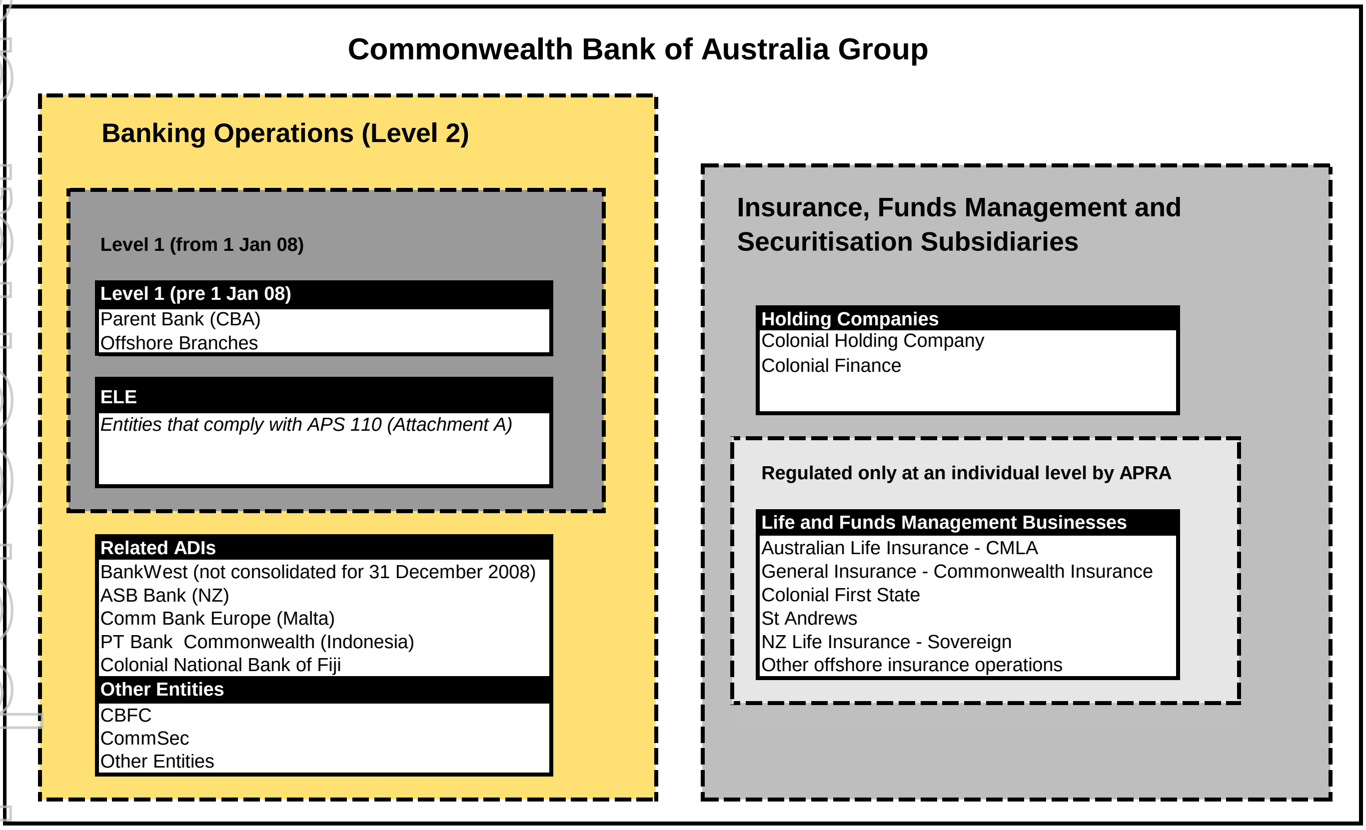
This document has been prepared in accordance with APRA Prudential Standard APS 330 “Capital Adequacy: Public Disclosure of Prudential Information” for the Commonwealth Bank of Australia and all of its banking subsidiaries (known as “Level 2” or “the Banking Group”).

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operations;
- The entities through which securitisation of Group assets are conducted; and,
- Bankwest entities which APRA has allowed the Bank to treat as non-consolidated for this period.

This means the inter-group exposure the Commonwealth Bank has to Bankwest is reported and risk-weighted under the Basel II framework. RWA for Bankwest under Basel I have not been included.

This is summarised in the chart below.



The tangible component of the investment in the insurance, funds management and securitisation activities are deducted from capital, 50% from Tier One and 50% from Tier Two.

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.

3. Capital and Risk Summary

	31 Dec 08 Actual %	30 Sept 08 Actual %	1 July 08 Proforma %	30 June 08 Actual[1] %
Tier One	**8.75**	7.54	7.58	8.17
Tier Two	**2.64**	3.52	3.16	3.41
Total Capital	**11.39**	11.06	10.74	11.58
	$M	$M	$M	$M
Risk Weighted Assets	**239,289**	233,597	221,571	205,501

(1) Excludes Interest rate risk in the banking book (IRRBB) which was not effective until 1 July 2008.

The Group maintains a strong capital position. The Tier One Capital and Total Capital ratios as at 31 December 2008 were 8.75% and 11.39% respectively.

Tier One Capital increased by 58 basis points since 30 June 2008 (which excluded the impact of IRRBB). Since 30 September, Tier One Capital has increased by 121 basis points, primarily driven by two capital raising initiatives. The Group's Total Capital ratio remained strong at 11.39%, 33 basis points above 30 September 2008.

The Australian Bankers Association (ABA) released a study of the key differences between APRA's and the UK Financial Services Authority's (FSA) method of calculating regulatory capital. If the FSA approach was applied to the Group's assessment of regulatory capital, Tier One and Total Capital ratios for the Group would be 11.7% and 13.6% respectively as at 31 December 2008. A more detailed comparison of the ABA study may be found at www.bankers.asn.au.

RWA were $239,289 million at 31 December 2008, representing an increase of $33,788 million or 16% over the 30 June 2008 level of $205,501 million. From 1 July 2008, with the inclusion of Interest rate risk in the banking book, RWA have increased by $17,718m or 8%. Since 30 September 2008, RWA have grown by $5,692 million or 2.4%.

3.1 Capital

Table 1 details the Group's regulatory capital as at 31 December 2008.

Table 1

Regulatory Capital	31 December 2008 $M	30 June 2008 $M
Tier 1 Capital		
Paid-up ordinary share capital	20,651	15,991
Reserves	1,368	788
Retained earnings	5,344	5,191
Current period earnings	876	1,824
Minority interests	14	13
Total Fundamental Capital	28,253	23,807
Residual Capital		
Innovative Tier 1 Capital	4,417	4,110
Non-innovative Tier 1 Capital	1,443	1,443
less residual in excess of prescribed limits transferred to Tier Two	(627)	(1,359)
Total Residual Capital	5,233	4,194
Gross Tier 1 Capital	33,486	28,001
Deductions from Tier 1 Capital		
Goodwill	(7,915)	(8,010)
Other deductions from Tier 1 Capital	(901)	(1,576)
50/50 deductions from Tier 1 Capital	(3,722)	(1,624)
Total Tier 1 Capital deductions	(12,538)	(11,210)
Net Tier 1 Capital	20,948	16,791
Tier 2 Capital		
Upper Tier 2 Capital	1,076	1,700
Lower Tier 2 Capital	8,955	6,937
Gross Tier 2 Capital	10,031	8,637
Deductions from Tier 2 Capital		
50/50 deductions from Tier 2 Capital	(3,722)	(1,624)
Total Tier 2 Capital deductions	(3,722)	(1,624)
Net Tier 2 Capital	6,309	7,013
Total Capital Base	27,257	23,804

This information is consistent with the information provided in the Group's December 2008 Profit Announcement which was released to the market on 11 February 2009 and is available on the Bank's website.

Due to a number of differences between accounting and regulatory capital, a reconciliation of the key items have been provided as an appendix in Section 7.1.

Capital Management

The Group maintains a strong capital position. The Tier One Capital and Total Capital ratios as at 31 December 2008 were 8.75% and 11.39% respectively.

The Group's capital ratios throughout the period were well in compliance with both APRA minimum capital adequacy requirements (Prudential Capital Requirement ("PCR")) and the Board Approved Target Ranges. The Group's Tier One target was formally amended by the Board in February 2009 to be above 7.0% from a previous approved range of 6.5 to 7.0%.

The Tier One Capital ratio increased by 58 basis points over the prior half, primarily driven by capital raising initiatives as detailed below.

The Group's Total Capital ratio remained strong at 11.39%, only 19 basis points below the prior half. The benefit of both the Tier One capital initiatives as well as favourable exchange rate movements on Lower Tier Two debt instruments were offset by the growth in RWA.

APRA has limited the amount of Residual (25%) and Innovative Capital (15%) that qualifies as Tier One Capital, with any excess transferred to upper Tier Two Capital. Innovative transitional relief of $765 million (based on the 31 December 2008 levels utilised) was granted to the Group by APRA. This relief, which expires on 1 January 2010, is to be reduced by 20% each quarter, effective from March 2009 onwards.

APRA implemented transitional capital floors based on 90% of the capital required under Basel II. As at 31 December 2008 these transitional floors did not have any impact on the Group's capital levels.

The Bank and all the subsidiaries of the Group are adequately capitalised. There are no restrictions or other major impediments on the transfer of funds within the Group.

Capital Initiatives

The following significant initiatives were undertaken during the half to actively manage the Bank's capital:

- Issue of $694 million worth of shares in October 2008 to satisfy the Dividend Reinvestment Plan ("DRP") in respect of the final dividend for 2007/08;
- Issue of $2 billion worth of shares in October 2008, via a share placement, to fund the acquisition of Bankwest and St Andrew's (52.6 million shares at $38.00 per share);
- The issue of $2 billion worth of shares through the following share placements in December 2008; $357 million at a weighted average price of $28.37 per share and a further $1.65 billion in shares at $26.00 per share; and
- Issue of $500 million of Lower Tier 2 debt in September 2008.

The proceeds from the December 2008 share placement will be used to redeem the PERLS II securities which mature in March 2009, strengthen the Group's balance sheet and allow the Group to take advantage of organic growth opportunities arising in the current market. In addition, this will allow the Group to maintain its strong capital position throughout the current economic slowdown and deteriorating credit conditions.

On 11th February 2009 the Board approved a Share Purchase Plan, which will further strengthen the Group's capital position.

Bankwest and St Andrew's Acquisition

In October 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd ("Bankwest") and St Andrew's Australia Pty Ltd ("St Andrews") for $2.1 billion, funded through a share placement, as detailed above. Regulatory approval for the acquisition was granted on 18 December 2008.

APRA has allowed the Group to initially treat Bankwest as a non consolidated subsidiary for 31 December 2008 regulatory reporting. APRA has prescribed that the capital invested into Bankwest, both in the form of ordinary shares as well as subordinated Tier Two capital, be deducted from the Group's capital, 50% from Tier One and 50% from Tier Two. The provisional discount on acquisition (recognised as part of the acquisition of Bankwest), together with Bankwest's RWA have been excluded from the Group's capital as at 31 December 2008.

Bankwest operates as a separate Authorised Deposit-taking Institution ("ADI") and is separately regulated by APRA. Bankwest's capital ratios, as at 31 December 2008, are in excess of both APRA minimum requirements and board approved targeted levels.

As at 31 December 2008, Bankwest operated under the existing Basel I prudential rules but from 1 January 2009 has been accredited by APRA to apply the Standardised approaches under Basel II and will be consolidated from a regulatory and capital perspective.

The net assets of St Andrew's, which includes both life and general insurance operations, are deducted from the Group's capital, 50% from Tier One and 50% from Tier Two.

Capital ratios (%)	31 December 2008	30 June 2008
CBA Level 2 Total Capital ratio	11.39	11.58
CBA Level 2 Tier 1 Capital ratio	8.75	8.17
CBA Level 1 Total Capital ratio	11.60	10.89
CBA Level 1 Tier 1 Capital ratio	9.16	8.41
ASB Total Capital ratio	10.50	11.82
ASB Tier 1 Capital ratio	8.40	9.41
Bankwest Total Capital ratio – Basel I	11.40	-
Bankwest Tier 1 Capital ratio – Basel I	7.90	-

3.2 Risk Weighted Assets

Table 2 details the Bank's RWA as at 31 December 2008.

Table 2

Risk weighted assets (RWA)	31 December 2008 $M	30 June 2008 $M
Credit Risk		
Subject to Advanced IRB approach		
Corporate[1]	93,131	81,431
Sovereign	2,144	1,802
Bank	12,510	5,292
Residential mortgage	45,231	39,128
Qualifying revolving retail	5,562	6,070
Other retail	5,479	5,274
Other assets	-	-
Impact of regulatory scaling factor[2]	9,843	8,340
Total RWA subject to Advanced IRB approach	**173,900**	**147,337**
Specialised lending exposures	**26,624**	**21,053**
Subject to Standardised approach		
Corporate[1]	6,491	5,347
Sovereign	430	84
Bank	116	320
Residential mortgage	316	241
Other retail	-	-
Other assets	8,763	9,229
Total RWA subject to standardised approach	**16,116**	**15,221**
Securitisation exposures	**2,890**	**3,536**
Equity exposures[3]	**1,701**	**293**
Total RWA for credit risk exposures	**221,231**	**187,440**
Market risk – Traded	**4,138**	**4,501**
Market risk – Interest Rate Risk in the Banking Book	**-**	**N/A[4]**
Operational risk	**13,920**	**13,560**
Total Risk Weighted Assets	**239,289**	**205,501**

(1) Corporate includes Basel II asset classes Corporate, SME Corporate and SME Retail.
(2) APRA requires RWA that are derived from IRB risk-weight functions to be multiplied by a factor of 1.06 (refer glossary).
(3) Reflects change in risk-weighting treatment of existing equity exposures from 100% risk-weighting to 300% for listed securities and 400% for unlisted securities.
(4) RWA for Interest Rate Risk in the Banking Book are not included for June as this was not effective until 1 July 2008.

Credit Risk RWA

In the six months to 31 December 2008, RWA increased by $33,788 million or 16% to $239,289 million. Including the impact of Interest Rate Risk in the Banking Book which was not effective until 1 July 2008, RWA have increased by $17,718m or 8%.

The increase was driven by a $33,791 million or 18% increase in Credit RWA. The increase in Credit RWA was driven by a $102,865m or 21% increase in Regulatory credit exposure during the half. The growth was composed of the following:

Asset Category	Regulatory Exposure change $M	Regulatory Exposure driver
Corporate	21,397	Growth in exposure to large corporates accentuated by the Australian dollar depreciation and increase in hedging activity.
Bank	35,856	Funding provided to Bankwest (treated as non-consolidated) and the holding of additional liquidity, with an increase in money market and repurchase agreement related transactions.
Commercial (excl Sovereign)	**57,253**	**Corporate plus Bank**
Sovereign	16,084	Reflects repurchase agreement activity with the Reserve Bank of Australia and other liquidity holdings.
Consumer	28,436	Home Loan growth and increase in market share.
Other	1,092	Other Asset growth
Total	**102,865**	

While there has been the downgrading (and partial nationalisation) of banks across the globe most of the exposure growth outside of residential mortgages was for well rated and lower risk weighted Banks and Sovereigns. As such, the growth in Credit RWA was less than the growth in exposure. Nevertheless, there has been a pro-cyclical change in the corporate and retail credit quality in addition to the exposure growth for these categories. In particular, the composition of the movement in Credit RWA is reflected below with 8% of the overall RWA growth for the half driven by change in credit quality. However, this includes the impact of the $16,084m increase in exceptionally rated Sovereign exposure with an increase of only $688m in RWA. For this reason, the Commercial view is shown excluding the impact of the increase in Sovereign exposure.

Category	Credit RWA movement $M	Percentage of RWA increase driven by volume growth	Percentage of RWA increase driven by change in quality
Corporate	18,415	82%	18%
Bank	7,014	91%	9%
Commercial (excl Sovereign)	**25,429**	**84%**	**16%**
Sovereign	688	100%	small
Consumer	5,875	83%	17%
Other	1,799	100%	-
Total	**33,791**	**92%**	**8%**

Market Risk RWA

For Market risk, there was a $363m or 8% reduction in traded market risk RWA for the half. No capital was being held for Interest Rate Risk in the Banking Book ("IRRBB") as at 31 December 2008 with the embedded gain from the falling rate environment offsetting any capital requirement.

Operational Risk RWA

For Operational risk, there was a $360m or 3% increase in RWA during the half.

4. Credit Risk

The tables in this section of the Bank's 31 December 2008 Pillar 3 report have been reported consistent with the requirements of APS330. Refer to the appendix in Section 7.2 for the corresponding APS 330 tables.

4.1 General Disclosures

Table 3 (a)

Credit Risk Exposure by Portfolio Type	31 December 2008 As at $M	 Average for half $M
Corporate	91,756	86,166
Bank	66,105	48,177
Sovereign	26,896	18,854
SME Corporate	53,592	51,150
SME Retail	12,654	12,529
Residential Mortgage	275,957	262,020
Other Retail	6,086	5,961
Qualifying Revolving	11,197	11,041
Specialised Lending	28,396	25,854
Other Assets	19,127	18,581
Total exposures(1)	**591,766**	**540,333**

(1) Total credit risk exposures do not include equities or securitisation exposures.

Credit Risk Exposure by Portfolio Type	30 June 2008 As at $M	 Average for half $M
Corporate	80,576	78,736
Bank	30,249	33,532
Sovereign	10,812	12,861
SME Corporate	48,709	48,537
SME Retail	12,404	11,310
Residential Mortgage	248,083	242,065
Other Retail	5,835	5,926
Qualifying Revolving	10,886	10,504
Specialised Lending	23,312	24,291
Other Assets	18,035	17,293
Total exposures(1)	**488,901**	**485,055**

(1) Total credit risk exposures do not include equities or securitisation exposures

Table 3 (b)

Credit Risk Exposure by Geographic Distribution and Portfolio Type	31 December 2008 Australia $M	New Zealand $M	Other $M	Total $M
Corporate	61,294	7,990	22,472	91,756
Bank	30,624	2,313	33,168	66,105
Sovereign	14,743	1,645	10,508	26,896
SME Corporate	40,698	11,606	1,288	53,592
SME Retail	10,610	2026	18	12,654
Residential Mortgage	240,642	34,398	917	275,957
Other Retail	4,738	1,347	1	6,086
Qualifying Revolving	11,197	-	-	11,197
Specialised Lending	24,300	474	3,622	28,396
Other Assets	15,024	518	3,585	19,127
Total exposures[1]	**453,870**	**62,317**	**75,579**	**591,766**

(1) Total credit risk exposures do not include equities or securitisation exposures.

Credit Risk Exposure by Geographic Distribution and Portfolio Type	30 June 2008 Australia $M	New Zealand $M	Other $M	Total $M
Corporate	58,637	6,701	15,238	80,576
Bank	6,641	588	23,020	30,249
Sovereign	3,622	1,638	5,552	10,812
SME Corporate	36,937	10,307	1,465	48,709
SME Retail	10,472	1,912	20	12,404
Residential Mortgage	215,421	32,011	651	248,083
Other Retail	4,591	1,242	2	5,835
Qualifying Revolving	10,886	-	-	10,886
Specialised Lending	20,296	349	2,667	23,312
Other Assets	15,240	602	2,193	18,035
Total exposures[1]	**382,743**	**55,350**	**50,808**	**488,901**

(1) Total credit risk exposures do not include equities or securitisation exposures.

Table 3 (c)

Credit Risk Exposure by Industry Sector and Portfolio Type	Residential Mortgage $M	Other Personal $M	Asset Finance $M	Sovereign $M	Bank $M	Other Finance $M	Agriculture $M	Mining $M
	31 December 2008 – Industry Sector							
Corporate	-	-	924	-	-	15,934	1,807	6,051
Bank	-	-	-	-	66,105	-	-	-
Sovereign	-	-	16	26,880	-	-	-	-
SME Corporate	-	-	3,177	-	-	5,404	10,020	437
SME Retail	-	-	3,476	-	-	555	1,818	29
Residential Mortgage	275,957	-	-	-	-	-	-	-
Other Retail	-	5,738	-	-	-	-	4	-
Qualifying Revolving	-	11,197	-	-	-	-	-	-
Specialised Lending	-	-	-	-	-	986	38	1,545
Other Assets	-	5,237	-	-	-	-	-	-
Total exposures[1]	**275,957**	**22,172**	**7,593**	**26,880**	**66,105**	**22,879**	**13,687**	**8,062**

Credit Risk Exposure by Industry Sector and Portfolio Type	Manufacturing $M	Energy $M	Construction $M	Retail/ Wholesale Trade $M	Transport and Storage $M	Property $M	Other $M	Total $M
	Industry Sector							
Corporate	14,388	5,751	1,345	8,077	7,701	11,392	18,386	91,756
Bank	-	-	-	-	-	-	-	66,105
Sovereign	-	-	-	-	-	-	-	26,896
SME Corporate	2,375	224	1,844	4,977	1,276	11,588	12,270	53,592
SME Retail	568	21	1,108	1,841	364	1,345	1,529	12,654
Residential Mortgage	-	-	-	-	-	-	-	275,957
Other Retail	-	-	1	1	-	6	336	6,086
Qualifying Revolving	-	-	-	-	-	-	-	11,197
Specialised Lending	303	3,484	191	234	5,235	14,181	2,200	28,396
Other Assets	-	-	-	-	-	-	13,890	19,127
Total exposures[1]	**17,634**	**9,480**	**4,489**	**15,130**	**14,576**	**38,512**	**48,611**	**591,766**

(1) Total credit risk exposures do not include equities or securitisation exposures

Table 3 (c) cont

Credit Risk Exposure by Industry Sector and Portfolio Type	Residential Mortgage $M	Other Personal $M	Asset Finance $M	Sovereign $M	Bank $M	Other Finance $M	Agriculture $M	Mining $M
	30 June 2008 — Industry Sector							
Corporate	-	-	820	-	-	15,701	1,393	4,638
Bank	-	-	-	-	30,249	-	-	-
Sovereign	-	-	8	10,804	-	-	-	-
SME Corporate	-	-	3,058	-	-	3,683	9,975	373
SME Retail	-	-	3,526	-	-	479	1,793	29
Residential Mortgage	248,083	-	-	-	-	-	-	-
Other Retail	-	5,835	-	-	-	-	-	-
Qualifying Revolving	-	10,886	-	-	-	-	-	-
Specialised Lending	-	-	-	-	-	380	38	812
Other Assets	-	7,975	-	-	-	-	-	-
Total exposures[1]	**248,083**	**24,696**	**7,412**	**10,804**	**30,249**	**20,243**	**13,199**	**5,852**

Credit Risk Exposure by Industry Sector and Portfolio Type	Manufacturing $M	Energy $M	Construction $M	Retail/ Wholesale Trade $M	Transport and Storage $M	Property $M	Other $M	Total $M
	Industry Sector							
Corporate	12,577	5,139	1,247	7,156	7,815	10,686	13,404	80,576
Bank	-	-	-	-	-	-	-	30,249
Sovereign	-	-	-	-	-	-	-	10,812
SME Corporate	2,463	218	1,919	4,390	1,078	10,863	10,689	48,709
SME Retail	561	18	1,058	1,802	348	1,301	1,489	12,404
Residential Mortgage	-	-	-	-	-	-	-	248,083
Other Retail	-	-	-	-	-	-	-	5,835
Qualifying Revolving	-	-	-	-	-	-	-	10,886
Specialised Lending	221	3,199	197	160	3,680	13,394	1,231	23,312
Other Assets	-	-	-	-	-	-	10,060	18,035
Total exposures[1]	**15,822**	**8,574**	**4,421**	**13,508**	**12,921**	**36,244**	**36,873**	**488,901**

(1) Total credit risk exposures do not include equities or securitisation exposures

Table 3 (d)

Credit Risk Exposure by Contractual Maturity and Portfolio Type	31 December 2008				
	Contractual Maturity				
	≤ 12 months $M	1 ≤ 5 years $M	> 5 years $M	No specified maturity $M	Total $M
Corporate	10,537	73,932	6,576	711	91,756
Bank	44,974	12,040	9,091	-	66,105
Sovereign	12,434	12,100	2,362	-	26,896
SME Corporate	6,115	36,152	11,311	14	53,592
SME Retail	1,035	4,814	6,767	38	12,654
Residential Mortgage	12,525	2,040	216,830	44,562	275,957
Other Retail	2,186	1,991	2	1,907	6,086
Qualifying Revolving	-	-	-	11,197	11,197
Specialised Lending	1,867	24,066	2,463	-	28,396
Other Assets	4,756	402	3	13,966	19,127
Total exposures[1]	**96,429**	**167,537**	**255,405**	**72,395**	**591,766**

(1) Total credit risk exposures do not include equities or securitisation exposures.

Credit Risk Exposure by Contractual Maturity and Portfolio Type	30 June 2008				
	Contractual Maturity				
	≤ 12 months $M	1 ≤ 5 years $M	> 5 years $M	No specified maturity $M	Total $M
Corporate	9,824	59,845	10,557	350	80,576
Bank	20,818	3,561	5,870	-	30,249
Sovereign	2,588	5,790	2,434	-	10,812
SME Corporate	5,119	28,151	15,429	10	48,709
SME Retail	993	4,772	6,629	10	12,404
Residential Mortgage	10,008	7,107	195,649	35,319	248,083
Other Retail	1,252	3,108	12	1,463	5,835
Qualifying Revolving	-	-	-	10,886	10,886
Specialised Lending	1,219	19,457	2,636	-	23,312
Other Assets	6,578	1,228	60	10,169	18,035
Total exposures[1]	**58,399**	**133,019**	**239,276**	**58,207**	**488,901**

(1) Total credit risk exposures do not include equities or securitisation exposures.

Table 3 (e)

Industry Sector	31 December 2008 Impaired loans $M	 Past due loans ≥ 90 days $M	 Specific provision balance $M	 Half year Actual Losses[1] $M
Home loans	240	1,044	47	14
Other Personal	7	172	2	167
Asset Finance	74	46	25	17
Sovereign	-	-	-	-
Bank	52	-	46	-
Other Finance	481	8	319	5
Agriculture	29	40	1	-
Mining	5	2	-	-
Manufacturing	198	12	116	3
Energy	-	-	-	-
Construction	45	12	20	1
Wholesale / Retail trade	128	29	45	3
Transport and Storage	3	3	1	-
Property	440	48	128	13
Other	242	78	146	9
Total excluding Bankwest	**1,944**	**1,494**	**896**	**232**
Bankwest[2]	770	239	238	-
Total including Bankwest	**2,714**	**1,733**	**1,134**	**232**

(1) Actual losses equals write-offs from specific provisions, write-offs direct from collective provisions less recoveries of amounts previously written off for the six months ending 31 December 2008.
(2) Bankwest has been accounted for on a provisional estimates basis as at 31 December 2008.

Industry Sector	30 June 2008 Impaired loans $M	 Past due loans ≥ 90 days $M	 Specific provision balance[1] $M	 Full Year Actual Losses[2] $M
Home loans	194	846	41	23
Other Personal	16	124	11	313
Asset Finance	56	22	14	44
Sovereign	-	-	-	-
Bank	-	1	-	-
Other Finance	62	-	31	9
Agriculture	16	20	4	3
Mining	-	1	-	-
Manufacturing	168	1	113	-
Energy	-	-	-	-
Construction	14	9	9	1
Wholesale / Retail trade	10	15	8	13
Transport and Storage	-	3	1	1
Property	59	24	20	3
Other	88	46	27	16
Total	**683**	**1,112**	**279**	**426**

(1) In order to align the Bank's disclosures to actual practice, the classification of portfolio loan impairment provisions covering unsecured personal loans and credit card lending has been amended. These amounts, also known as "bulk provisions", have been reclassified from the specific provision to the collective provision.
(2) Actual losses equals write-offs from specific provisions, write-offs direct from collective provisions less recoveries of amounts previously written off for the twelve months ending 30 June 2008.

Table 3 (f)

Geographic Region	31 December 2008 Impaired loans $M	Past due loans ≥ 90 days $M	Specific provision balance $M
Australia	1,432	1,212	679
New Zealand	166	259	49
Other	346	23	168
Total excluding Bankwest	**1,944**	**1,494**	**896**
Bankwest(1)	770	239	238
Total including Bankwest	**2,714**	**1,733**	**1,134**

(1) Bankwest has been accounted for on a provisional estimates basis as at 31 December 2008.

The Bank held $2,478m in collective and other provisions as at 31 December 2008 for credit losses across the above regions. In addition, $1,134m in individually assessed provisions are held for impaired assets.

Geographic Region	30 June 2008 Impaired loans $M	Past due loans ≥ 90 days $M	Specific provision balance[1] $M
Australia	620	989	248
New Zealand	29	44	17
Other	34	79	14
Total	**683**	**1,112**	**279**

(1) In order to align the Bank's disclosures to actual practice, the classification of portfolio loan impairment provisions covering unsecured personal loans and credit card lending has been amended. These amounts, also known as "bulk provisions", have been reclassified from the specific provision to the collective provision.

The Bank held $1,488m in collective and other provisions as at 30 June 2008 for credit losses across the above regions. In addition, $279m in individually assessed provisions are held for impaired assets.

Table 3 (g) – Provisions for Impairment

Movement in Collective Provisions and Other Provisions	31 December 2008 Collective Provisions $M	Other Credit Related Provisions $M	Total Collective and Other Provisions $M
Balance at 30 June 2008(1)	1,466	22	1,488
Total charge against profit and loss	601	-	601
Recoveries	39	-	39
Adjustments for exchange rate fluctuations and other items	8	(18)	(10)
Write-offs	(205)	-	(205)
Total Collective and Other Provisions excluding Bankwest	**1,909**	**4**	**1,913**
Bankwest(2)	565	-	565
Total Collective and Other Provisions including Bankwest	**2,474**	**4**	**2,478**
Tax effect			743
General Reserve for Credit Losses(1)			**1,735**

(1) The General Reserve for Credit Losses is a regulatory definition which requires loan loss provisions to be reported net of tax.
(2) Bankwest has been accounted for on a provisional estimates basis as at 31 December 2008.

Table 3 (g) cont

Movement in Collective and Other Provisions	Collective Provisions[1] $M	Other Credit Related Provisions $M	Total Collective and Other Provisions $M
			30 June 2008
Balance at 1 January 2008[2]	1,191	22	1,213
Total charge against profit and loss	437	-	437
Recoveries	37	-	37
Adjustments for exchange rate fluctuations and other items	(10)	-	(10)
Write-offs	(189)	-	(189)
Total Collective and Other Provisions	**1,466**	**22**	**1,488**
Tax effect			446
General Reserve for Credit Losses[3]			**1,042**

(1) In order to align the Bank's disclosures to actual practice, the classification of portfolio loan impairment provisions covering unsecured personal loans and credit card lending has been amended. These amounts, also known as "bulk provisions", have been reclassified from the specific provision to the collective provision.
(2) Reflects the balance of provisions and reserves from the implementation of the Basel II framework for the Bank.
(3) The General Reserve for Credit Losses is a regulatory definition which requires loan loss provisions to be reported net of tax.

Movement in Specific Provisions[1]	31 December 2008 Total $M	30 June 2008 Total $M
Opening balance for the period[2]	279	189
New and increased provisioning	738	183
Writeback of provisions no longer required	(99)	(23)
Adjustments for exchange rate fluctuations and other items	44	3
Write-offs	(66)	(73)
Total Specific Provisions excluding Bankwest	**896**	**279**
Bankwest[3]	238	-
Total Specific Provisions including Bankwest	**1,134**	**-**

(1) In order to align the Group's disclosures to actual practice, the classification of portfolio loan impairment provisions covering unsecured personal loans and credit card lending has been amended. These amounts, also known as "bulk provisions", have been reclassified from the specific provision to the collective provision.
(2) For 30 June 2008, the opening period was 1 January 2008 reflecting the balance of provisions and reserves from the implementation of the Basel II framework for the Bank.
(3) Bankwest has been accounted for on a provisional estimates basis as at 31 December 2008.

Table 3 (h)

	31 December 2008 Exposure $M	30 June 2008 Exposure $M
Advanced approach		
Corporate	150,697	135,338
Sovereign	26,417	10,587
Bank	65,729	29,318
Residential Mortgage	275,345	247,574
Qualifying Revolving Retail	11,197	10,886
Other Retail	5,738	5,484
Total advanced approach	**535,123**	**439,187**
Specialised Lending	28,396	23,312
Standardised approach		
Corporate	7,305	6,350
Sovereign	479	225
Bank	376	931
Residential Mortgage	612	510
Other Retail	348	351
Other Assets	19,127	18,035
Total standardised approach	**28,247**	**26,402**
Total exposures[1]	**591,766**	**488,901**

(1) Total credit risk exposures do not include equities or securitisation exposures.

4.2 Portfolios Subject to Internal Ratings Based Approaches

Table 4(a) shows the mapping of the Group's internal rating scale for risk rated exposures to external rating agencies.

Table 4 (a)

Description	Internal rating	Probability of default
Exceptional	A0, A1, A2, A3	0.00% - 0.05%
Strong	B1, B2, B3, C1, C2, C3	0.05% - 0.50%
Pass	D1, D2, D3, E1, E2, E3	0.50% - 4.40%
Weak/doubtful	F, G	>4.40%
Default	H	100%

Description	S&P rating	Moody's rating
Exceptional	AAA, AA+, AA, AA-	Aaa, Aa1, Aa2, Aa3,
Strong	A+, A, A-, BBB+, BBB, BBB-	A1, A2, A3, Baa1, Baa2, Baa3,
Pass	BB+, BB, BB-, B+, B, B-	Ba1, Ba2, Ba3, B1, B2, B3
Weak/doubtful	CCC, CC, C	Caa, Ca
Default	D	C

The PD rating methodology applied to the various segments of the credit portfolio is shown in Table 4(b).

Table 4 (b)

Portfolio Segment	PD Rating Methodology
Bank, sovereign and large corporate exposures	Expert Judgement assigned risk rating
Middle Market and Local Business Banking exposures	PD Calculator(s) assigned risk rating
SME Retail exposures < $1m	SME Behaviour Score assigned PD pools
Consumer Retail exposures	PD pools are assigned using product specific Application Scorecards up to 9 months (depending on the product). Behavioural Scorecards are then used to assign exposures to PD pools.

Table 5 (a)

Non-retail [1]	0 < 0.03% $M	0.03% < 0.15% $M	0.15% < 0.5% $M	0.5% < 3% $M	3% < 10% $M	10% < 100% $M	Default $M
	31 December 2008 PD Grade						
Total Exposure							
Corporate	-	34,826	41,564	55,068	15,566	1,754	1,919
Sovereign	-	25,997	254	148	16	2	-
Bank	-	61,388	2,901	1,396	22	7	15
Total	**-**	**122,211**	**44,719**	**56,612**	**15,604**	**1,763**	**1,934**
Undrawn commitments							
Corporate	-	10,927	13,071	10,139	1,191	136	102
Sovereign	-	1,471	25	43	-	-	-
Bank	-	6,536	635	415	-	-	-
Total	**-**	**18,934**	**13,731**	**10,597**	**1,191**	**136**	**102**
Exposure-weighted average EAD ($M)							
Corporate	-	2.96	1.92	0.07	0.12	0.55	0.63
Sovereign	-	3.79	1.29	.06	0.04	1.70	-
Bank	-	10.77	5.77	7.16	5.55	-	14.71
Exposure-weighted average LGD (%)							
Corporate	-	61.0	56.5	37.4	40.4	46.1	48.2
Sovereign	-	20.0	65.0	65.2	65.0	65.2	-
Bank	-	62.2	63.7	44.0	61.9	80.5	65.9
Exposure weighted-average risk weight (%)							
Corporate	-	28.4	54.9	68.2	91.4	218.1	248.8
Sovereign	-	6.7	58.5	140.0	193.6	33.1	-
Bank	-	15.3	57.6	88.8	161.8	418.5	823.6

(1) Total credit risk exposures do not include equities or securitisation exposures.

Table 5 (a) cont

Non-retail [1]	30 June 2008 PD Grade 0 < 0.03% $M	0.03% < 0.15% $M	0.15% < 0.5% $M	0.5% < 3% $M	3% < 10% $M	10% < 100% $M	Default $M
Total Exposure							
Corporate	-	30,463	35,766	54,479	12,690	1,163	777
Sovereign	-	10,155	361	62	8	-	-
Bank	-	27,461	1,586	269	2	-	-
Total	**-**	**68,079**	**37,713**	**54,810**	**12,701**	**1,163**	**777**
Undrawn commitments							
Corporate	-	10,972	12,431	11,183	748	107	34
Sovereign	-	1,881[2]	321	14	-	-	-
Bank	-	5,322	563	187	2	-	-
Total	**-**	**18,175**	**13,315**	**11,384**	**750**	**107**	**34**
Exposure-weighted average EAD ($M)							
Corporate	-	2.55	1.72	0.07	4.28	0.01	0.28
Sovereign	-	1.45	1.29	0.02	8.49	-	-
Bank	-	6.56	4.30	1.11	0.00	-	-
Exposure-weighted average LGD (%)							
Corporate	-	59.7	55.7	37.6	40.4	42.4	39.8
Sovereign	-	36.1	65.0	65.0	65.0	-	-
Bank	-	54.0	58.7	62.6	62.9	-	-
Exposure weighted-average risk weight (%)							
Corporate	-	26.2	56.5	68.5	87.8	201.7	295.5
Sovereign	-	12.8	99.9	155.1	203.2	-	-
Bank	-	14.9	40.1	107.9	197.4	-	-

(1) Total credit risk exposures do not include equities or securitisation exposures.
(2) Restated for overstatement in 30 June 2008 disclosure.

Table 5 (b)

Retail [1]	0 < 0.1% $M	0.1% < 0.3% $M	0.3% < 0.5% $M	0.5% < 3% $M	3% < 10% $M	10% < 100% $M	Default $M
	31 December 2008 – PD Grade						
Total Exposure							
Residential Mortgage	49,621	101,090	44,112	65,206	10,430	3,763	1,123
Qualifying revolving retail	-	4,500	101	4,044	1,932	467	153
Other retail	92	33	508	4,078	663	310	54
Total	**49,713**	**105,623**	**44,721**	**73,328**	**13,025**	**4,540**	**1,330**
Undrawn commitments							
Residential Mortgage	17,929	14,440	2,612	13,030	798	30	2
Qualifying revolving retail	-	2,251	59	1,272	245	33	10
Other retail	91	-	420	413	27	4	-
Total	**18,020**	**16,691**	**3,091**	**17,715**	**1,070**	**67**	**12**
Exposure-weighted average EAD ($M)							
Residential Mortgage	0.149	0.196	0.166	0.191	0.206	0.211	0.212
Qualifying revolving retail	-	0.004	0.006	0.004	0.006	0.005	0.007
Other retail	0.003	-	0.004	0.008	0.004	0.003	0.003
Exposure-weighted average LGD (%)							
Residential Mortgage	20.0	20.1	20.8	21.9	25.2	21.2	21.1
Qualifying revolving retail	-	84.1	85.9	84.5	85.3	85.3	85.0
Other retail	35.8	26.3	64.9	89.8	92.4	89.8	87.4
Exposure weighted-average risk weight (%)							
Residential Mortgage	2.4	7.7	15.7	25.5	81.6	112.9	-
Qualifying revolving retail	-	10.2	17.0	39.8	125.9	223.2	-
Other retail	6.8	12.7	36.3	94.9	136.9	161.5	

(1) Total credit risk exposures do not include equities or securitisation exposures.

Table 5 (b) cont — 30 June 2008

Retail [1]	0 < 0.1% $M	0.1% < 0.3% $M	0.3% < 0.5% $M	PD Grade 0.5% < 3% $M	3% < 10% $M	10% < 100% $M	Default $M
Total Exposure							
Residential Mortgage	43,966	91,766	39,944	60,884	7,172	2,989	852
Qualifying revolving retail	-	3,277	101	4,507	2,353	528	121
Other retail	85	-	542	3,833	643	328	52
Total	**44,051**	**95,043**	**40,587**	**69,224**	**10,168**	**3,845**	**1,025**
Undrawn commitments							
Residential Mortgage	16,063	12,800	2,415	11,078	344	18	1
Qualifying revolving retail	-	1,760	59	1,501	321	49	11
Other retail	84	-	451	333	26	4	-
Total	**16,147**	**14,560**	**2,925**	**12,912**	**691**	**71**	**12**
Exposure-weighted average EAD ($M)							
Residential Mortgage	0.140	0.185	0.330	0.131	0.133	0.165	0.234
Qualifying revolving retail	0.000	0.003	0.006	0.004	0.006	0.004	0.007
Other retail	0.003	0.000	0.003	0.005	0.004	0.003	0.003
Exposure-weighted average LGD (%)							
Residential Mortgage	20.0	20.0	20.5	21.8	21.4	20.3	20.5
Qualifying revolving retail	-	83.9	85.9	84.5	85.3	85.3	84.8
Other retail	35.8	-	65.2	90.0	93.2	89.9	87.5
Exposure weighted-average risk weight (%)							
Residential Mortgage	2.4	7.6	15.4	27.2	74.5	108.5	-
Qualifying revolving retail	-	10.2	13.8	36.6	123.9	215.7	-
Other retail	6.8	-	32.0	97.0	142.8	163.9	1.4

(1) Total credit risk exposures do not include equities or securitisation exposures.

Table 5 (c) – Analysis of Losses

	31 December 2008		
	Half year Losses in reporting period		
Portfolio Type	**Gross write-offs $M**	**Recoveries $M**	**Actual losses $M**
Corporate	64	(13)	51
Sovereign	-	-	-
Bank	-	-	-
Residential Mortgage	14	-	14
Qualifying revolving retail	104	(14)	90
Other retail	89	(12)	77
Total	**271**	**(39)**	**232**

	30 June 2008		
	Full Year Losses in reporting period		
Portfolio Type	**Gross write-offs $M**	**Recoveries $M**	**Actual losses $M**
Corporate	102	(12)	90
Sovereign	-	-	-
Bank	-	-	-
Residential Mortgage	24	(1)	23
Qualifying revolving retail	195	(38)	157
Other retail	182	(26)	156
Total	**503**	**(77)**	**426**

Table 5 (d) – Historical Loss Analysis

	31 December 2008	
Historical Loss Analysis by Portfolio Type	**Half Year Actual loss $M**	**Regulatory one year expected loss estimate $M**
Corporate	51	1,907
Sovereign	-	4
Bank	-	25
Residential Mortgage	14	809
Qualifying revolving retail	90	410
Other retail	77	227
Total	**232**	**3,382**

	30 June 2008	
Historical Loss Analysis by Portfolio Type	**Full Year Actual loss $M**	**Regulatory one year expected loss estimate $M**
Corporate	90	1,094
Sovereign	-	3
Bank	-	9
Residential Mortgage	23	640
Qualifying revolving retail	157	400
Other retail	156	226
Total	**426**	**2,372**

Regulatory Expected Loss (EL) is reported for both defaulted and non-defaulted exposures. For non-defaulted exposures, regulatory expected loss is a function of long-run PD and downturn LGD. For defaulted exposures, Regulatory EL is based on the best estimate of loss which for the non-retail portfolios is the individually assessed provisions.

Regulatory EL increased during the half by $1,010m to $3,382m, mainly a result of the corporate and residential mortgage categories. Excluding Sovereign, the Regulatory EL increase was driven 44% by volume and 56% by credit quality change.

Of the $1,010m increase in Regulatory EL, $812m or 80% related to the corporate category. More than half of the corporate increase was driven by the downgrade of a few large single name exposures to impaired status during the period. The remainder of the corporate increase came from growth and migration in the corporate portfolio outside of the single names, as well as migration in the Specialised Lending portfolio (for which the Regulatory EL charge is higher than that for general corporate lending under the 'supervisory slotting' approach).

The remaining increase in Regulatory EL came from the residential mortgage portfolio. This was driven by growth in home lending and an increase in home loan arrears, with the application of the regulatory minimum LGD of 20%.

4.3 Portfolios Subject to Standardised and Supervisory Risk-Weights in the IRB Approaches

Table 6

Standardised approach exposures[1]	31 December 2008 Exposure after risk mitigation[1] $M	30 June 2008 Exposure after risk mitigation[1] $M
Risk weight		
0%	6,235	3,805
20%	7,298	8,561
35%	397	326
50%	156	719
75%	56	56
100%	13,520	12,923
150%	585	12
>150%	-	-
Capital Deductions	-	-
Total	**28,247**	**26,402**

(1) Exposure after risk mitigation does not include equities or securitisation exposures.

Specialised lending exposures subject to supervisory slotting[2]	31 December 2008 Total credit exposure[1] $M	30 June 2008 Total credit exposure[1] $M
Risk weight		
0%	231	44
70%	16,484	12,774
90%	6,161	7,029
115%	3,155	2,132
250%	2,365	1,333
Total	**28,396**	**23,312**

(1) Total credit risk exposures do not include equities or securitisation exposures.
(2) 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.

Equity exposures	31 December 2008 Total credit exposure $M	30 June 2008 Total credit exposure $M
Risk weight		
300%	196	54
400%	278	33
Total	**474**	**87**

Table 7

	31 December 2008			
	Total Exposure(1) $ M	Exposures Covered by Guarantees $M	Exposures Covered by Credit Derivatives $M	Coverage %
Advanced approach				
Corporate	150,697	658	106	0.5
Sovereign	26,417	-	-	-
Bank	65,729	635	444	1.6
Residential Mortgage	275,345	-	-	-
Qualifying revolving retail	11,197	-	-	-
Other retail	5,738	-	-	-
Other	-	-	-	-
Total advanced approach	**535,123**	**1,293**	**550**	**0.3**
Specialised Lending	28,396	-	-	-
Standardised approach				
Corporate	7,305	-	-	-
Sovereign	479	-	-	-
Bank	376	-	-	-
Residential Mortgage	612	-	-	-
Other retail	348	-	-	-
Other Assets	19,127	-	-	-
Total standardised approach	**28,247**	**-**	**-**	**-**
Total exposures	**591,766**	**1,293**	**550**	**0.3**

(1) Credit derivatives that are treated as part of synthetic securitisation structures are excluded from the credit risk mitigation disclosures and included within those relating to securitisation.

Table 7 cont — **30 June 2008**

	Total Exposure[(1)] $ M	Exposures Covered by Guarantees $M	Exposures Covered by Credit Derivatives $M	Coverage %
Advanced approach				
Corporate	135,338	827	60	0.7
Sovereign	10,587	-	-	-
Bank	29,318	652	257	3.1
Residential Mortgage	247,574	-	-	-
Qualifying revolving retail	10,886	-	-	-
Other retail	5,484	-	-	-
Other	-	-	-	-
Total advanced approach	**439,187**	**1,479**	**317**	**0.4**
Specialised Lending	23,312	-	-	-
Standardised approach				
Corporate	6,350	-	-	-
Sovereign	225	-	-	-
Bank	931	-	-	-
Residential Mortgage	510	-	-	-
Other retail	351	-	-	-
Other Assets	18,035	-	-	-
Total standardised approach	**26,402**	**-**	**-**	**-**
Total exposures	**488,901**	**1,479**	**317**	**0.4**

(1) Credit derivatives that are treated as part of synthetic securitisation structures are excluded from the credit risk mitigation disclosures and included within those relating to securitisation.

4.4 Securitisation

Table 8 (a)

Traditional securitisations				**31 December 2008**
	Total outstanding exposures securitised			
Underlying asset	**Bank originated assets[1] $M**	**Third party originated assets[2] $M**	**Facilities provided[3] $M**	**Other (Manager Services) $M**
Residential mortgage	10,079	-	2,799	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	702	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**10,079**	**-**	**3,501**	**-**

(1) Bank originated assets comprise the Medallion Trusts excluding Medallion 2008 ($45.9bn) which is for contingent liquidity purposes.
(2) The Bank does not have any indirect origination i.e. the Bank does not use a third party to originate exposures into an SPV without those exposures having appeared on the Bank's Balance Sheet.
(3) Facilities provided include liquidity facilities, derivatives, etc, provided to the Medallion Trusts and facilities provided to clients' ABCP securitisation programmes.

Traditional securitisations				**30 June 2008**
	Total outstanding exposures securitised			
Underlying asset	**Bank originated assets[1] $M**	**Third party originated assets[2] $M**	**Facilities provided[3] $M**	**Other (Manager Services) $M**
Residential mortgage	11,676	-	3,723	-
Credit cards and other personal loans	-	-	40	-
Auto and equipment finance	-	-	431	-
Commercial loans	-	-	-	-
Other	-	-	406	-
Total	**11,676**	**-**	**4,600**	**-**

(1) Bank originated assets comprise the Medallion Trusts excluding Medallion 2008 ($15.6bn created in May 2008) which was done to create assets that would be available for repo transactions with the Reserve Bank of Australia for contingent liquidity purposes.
(2) The Bank does not have any indirect origination i.e. the Bank does not use a third party to originate exposures into an SPV without those exposures having appeared on the Bank's Balance Sheet.
(3) Facilities provided include liquidity facilities, derivatives, etc, provided to the Medallion Trusts and facilities provided to clients' ABCP securitisation programmes.

Table 8 (a) cont

Synthetic securitisations				31 December 2008
	Total outstanding exposures securitised			
Underlying asset	**Bank originated assets $M**	**Third party originated assets $M**	**Facilities provided $M**	**Other (Manager Services) $M**
Residential mortgage	-	-	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**-**	**-**	**-**

Synthetic securitisations				30 June 2008
	Total outstanding exposures securitised			
Underlying asset	**Bank originated assets $M**	**Third party originated assets $M**	**Facilities provided $M**	**Other (Manager Services) $M**
Residential mortgage	-	-	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**-**	**-**	**-**	**-**

Table 8 (a) cont

Total securitisations				**31 December 2008**
	Total outstanding exposures securitised			
Underlying asset	**Bank originated assets[1] $M**	**Third party originated assets[2] $M**	**Facilities provided[3] $M**	**Other (Manager Services) $M**
Residential mortgage	10,079	-	2,799	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	702	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**10,079**	**-**	**3,501**	**-**

(1) Bank originated assets comprise the Medallion Trusts excluding Medallion 2008 ($45.9bn) which is for contingent liquidity purposes.
(2) The Bank does not have any indirect origination i.e. the Bank does not use a third party to originate exposures into an SPV without those exposures having appeared on the Bank's Balance Sheet.
(3) Facilities provided include liquidity facilities, derivatives, etc, provided to the Medallion Trusts and facilities provided to clients' ABCP securitisation programmes.

Total securitisations				**30 June 2008**
	Total outstanding exposures securitised			
Underlying asset	**Bank originated assets[1] $M**	**Third party originated assets[2] $M**	**Facilities provided[3] $M**	**Other (Manager Services) $M**
Residential mortgage	11,676	-	3,723	-
Credit cards and other personal loans	-	-	40	-
Auto and equipment finance	-	-	431	-
Commercial loans	-	-	-	-
Other	-	-	406	-
Total	**11,676**	**-**	**4,600**	**-**

(1) Bank originated assets comprise the Medallion Trusts excluding Medallion 2008 ($15.6bn created in May 2008) which was done to create assets that would be available for repo transactions with the Reserve Bank of Australia for contingent liquidity purposes.
(2) The Bank does not have any indirect origination i.e. the Bank does not use a third party to originate exposures into an SPV without those exposures having appeared on the Bank's Balance Sheet.
(3) Facilities provided include liquidity facilities, derivatives, etc, provided to the Medallion Trusts and facilities provided to clients' ABCP securitisation programmes.

Analysis of past due and impaired securitisation exposures by asset type

Table 8 (b)

31 December 2008

	Bank originated assets securitised			
Underlying asset	**Outstanding exposure $M**	**Impaired $M**	**Past due $M**	**Losses recognised $M**
Residential mortgage	10,079	-	51	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**10,079**	**-**	**51**	**-**

30 June 2008

	Bank originated assets securitised			
Underlying asset	**Outstanding exposure $M**	**Impaired $M**	**Past due $M**	**Losses recognised $M**
Residential mortgage	11,676	-	31	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	**11,676**	**-**	**31**	**-**

Analysis of securitisation exposure by facility type

Table 8 (c)

Securitisation facility type	31 December 2008 Exposure $M	30 June 2008 Exposure $M
Liquidity facilities	1,848	1,766
Funding facilities	5,041	6,653
Underwriting facilities	-	-
Lending facilities	-	-
Credit enhancements	-	-
Derivative transactions	885	2,252
Holdings of securities (Banking Book)	2,814	3,260
Other	-	-
Total securitisation exposures in the banking book	**10,588**	**13,931**
Holdings of securities (Trading Book)	742	870
Total securitisation exposures	**11,330**	**14,801**

Analysis of securitisation exposure by risk weighting

Table 8 (d)

	31 December 2008	
Risk weight band	**Exposure $M**	**Capital requirement $M**
≤ 25%	7,230	982
>25 ≤ 35%	1,287	450
>35 ≤ 50%	-	-
>50 ≤ 75%	1,821	1,365
>75 ≤ 100%	89	89
>100 ≤ 650%	1	4
>650 < 1250%	-	-
Total (1)	**10,588**	**2,890**

(1) Securitisation exposures held in the Trading Book are subject to the VaR capital model based capital calculation and reported in the market risk sections of this report; they are not included in the above.

	30 June 2008	
Risk weight band	**Exposure $M**	**Capital requirement $M**
≤ 25%	11,882	1,948
>25 ≤ 35%	-	-
>35 ≤ 50%	-	-
>50 ≤ 75%	1,972	1,479
>75 ≤ 100%	63	63
>100 ≤ 650%	14	46
>650 < 1250%	-	-
Total (1)	**13,931**	**3,536**

(1) Securitisation exposures held in the Trading Book are subject to the VaR capital model based capital calculation and reported in the market risk sections of this report; they are not included in the above.

Analysis of securitisation exposure deductions by asset type

Table 8 (e)

31 December 2008

Securitisation exposures deducted from capital Underlying asset type	Deductions from Tier 1 Capital $M	Deductions from Tier 2 Capital $M	Total $M
Residential mortgage	86	80	**166**
Credit cards and other personal loans	-	-	**-**
Auto and equipment finance	-	-	**-**
Commercial loans	-	-	**-**
Other	-	-	**-**
Total	**86**	**80**	**166**

30 June 2008

Securitisation exposures deducted from capital Underlying asset type	Deductions from Tier 1 Capital $M	Deductions from Tier 2 Capital $M	Total $M
Residential mortgage	7	-	**7**
Credit cards and other personal loans	-	-	**-**
Auto and equipment finance	-	-	**-**
Commercial loans	-	-	**-**
Other	-	-	**-**
Total	**7**	**-**	**7**

Analysis of securitisation exposure subject to early amortisation

Table 8 (f)

31 December 2008

Securitisations subject to early amortisation	Aggregate drawn exposure		Aggregate IRB capital charge against Bank's retained shares from:		Aggregate IRB capital charge against investor's shares of:	
Underlying asset type	**Seller's interest $M**	**Investors' interest $M**	**Drawn balances $M**	**Undrawn lines $M**	**Drawn balances $M**	**Undrawn lines $M**
Residential mortgage	-	-	-	-	-	-
Credit cards and other personal loans	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

30 June 2008

Securitisations subject to early amortisation	Aggregate drawn exposure		Aggregate IRB capital charge against Bank's retained shares from:		Aggregate IRB capital charge against investor's shares of:	
Underlying asset type	**Seller's interest $M**	**Investors' interest $M**	**Drawn balances $M**	**Undrawn lines $M**	**Drawn balances $M**	**Undrawn lines $M**
Residential mortgage	-	-	-	-	-	-
Credit cards and other personal loans	-	-	-	-	-	-
Auto and equipment finance	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

Analysis of securitisation exposure by asset type for the period

Table 8 (g)

		31 December 2008
Securitisation activity - current reporting period	**Value of loans sold or originated into securitisation**	**Recognised gain or loss on sale**
Underlying asset type	**$M**	**$M**
Residential mortgage	-	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	**-**	**-**

		30 June 2008
Securitisation activity - current reporting period	**Value of loans sold or originated into securitisation**	**Recognised gain or loss on sale**
Underlying asset type	**$M**	**$M**
Residential mortgage	-	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Commercial loans	-	-
Other	-	-
Total	**-**	**-**

Analysis of new facilities provided by since 1 January 2008

Table 8 (h)

	31 December 2008	**30 June 2008**
New facilities provided	**Notional amount $M**	**Notional amount $M**
Liquidity facilities	-	-
Funding facilities	-	750
Underwriting facilities	-	-
Lending facilities	-	-
Credit enhancements	-	-
Derivative transactions	-	-
Other	-	-
Total	**-**	**750**

5. Equity Risk

Table 9

Equity investments	31 December 2008 Balance sheet value $M	31 December 2008 Fair value $M
Value of listed (publicly traded) equities	786	786
Value of unlisted (privately held) equities	1,126	1,126
Total[1]	**1,912**	**1,912**

(1) Equity holdings comprise; $1,062m Investments in Associates, $610m Assets Held for Sale and $240m Available for Sale Securities.

Equity investments	30 June 2008 Balance sheet value $M	30 June 2008 Fair value $M
Value of listed (publicly traded) equities	897	897
Value of unlisted (privately held) equities	913	913
Total[1]	**1,810**	**1,810**

(1) Equity holdings comprise; $906m Investments in Associates, $597m Assets Held for Sale, $293m Available for Sale Securities, and $14m Assets at Fair Value through Income Statement.

Gains (losses) on equity investments	31 December 2008 $M	30 June 2008 $M
Cumulative realised gains (losses) in reporting period	26	369
Total unrealised gains (losses)	93	190
Total unrealised gains (losses) included in Tier 1/Tier 2 capital	49	48

Risk weighted assets	31 December 2008 $M	30 June 2008 $M
Equity investments subject to a 300% risk weight	588	161
Equity investments subject to a 400% risk weight	1,112	132
Total RWA by equity asset class[1]	**1,700**	**293**

(1) Increase reflects a change in risk-weighting treatment of existing equity exposures from 100% risk-weighting to 300% for listed securities and 400% for unlisted securities.

The Group has no equity investments that are subject to any supervisory transition or grandfathering provisions regarding capital requirements.

6. Market Risk

6.1 Traded Market Risk

Table 10

Market risk capital requirement	31 December 2008 Standard method $M	30 June 2008 Standard method $M
Interest rate risk	184.9	218.4
Equity position risk	2.7	2.9
Foreign exchange risk	0	0.4
Commodity risk	1.8	3.7
Total	**189.4**	**225.4**
RWA equivalent[1]	2,367.6	2,817.5

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

Table 11

	Over the reporting period 1 July 2008 to 31 December 2008			As at
Value at Risk (VaR)	***Mean value*** **$M**	***Maximum value*** **$M**	***Minimum value*** **$M**	**31 December 2008 $M**
Aggregate VaR (10 day, 99%)	35.4	47.9	26.4	32.6

	Over the reporting period 1 January 2008 to 30 June 2008			As at
Value at Risk (VaR)	***Mean value*** **$M**	***Maximum value*** **$M**	***Minimum value*** **$M**	**30 June 2008 $M**
Aggregate VaR (10 day, 99%)	31.9	45.5	21.5	39.3

Comparison of VaR estimates to gains/losses

The table below reflects the number of "outliers" incurred for the trading portfolio (1day, 99%) over the reporting period. The number of exceptions reflects volatile risk factors over the reporting period.

Over the reporting period 1 July 2008 to 31 December 2008

Table 12

Date	Hypothetical Loss $M	VaR 99% $M
14 November 2008	12.3	8.5
3 November 2008	14.2	9.3
6 October 2008	17.5	9.1
29 September 2008	10.9	5.7
18 September 2008	12.5	5.2
16 September 2008	9.5	5.8
5 September 2008	8.8	7.8

Table 12 cont

Date	Over the reporting period 1 January 2008 to 30 June 2008 Hypothetical Loss $M	VaR 99% $M
12 June 2008	13.2	10.4
13 May 2008	6.6	4.6
17 April 2008	5.8	5.5
24 March 2008	5.0	4.2
18 March 2008	4.8	4.5
12 March 2008	7.9	4.2

6.2 Interest Rate Risk in the Banking Book

Table 13

Stress testing: interest rate shock applied	31 December 2008 Change in economic value[1] $M
AUD	
200 basis point parallel increase	(429)
200 basis point parallel decrease	479
NZD	
200 basis point parallel increase	(142)
200 basis point parallel decrease	153
Other	
200 basis point parallel increase	(9)
200 basis point parallel decrease	9
IRRBB regulatory RWA	Nil

(1) RWA for Interest Rate Risk in the Banking Book is not included for June as it was not effective until 1 July 2008.

7. Appendices

7.1 Detailed Capital Disclosures

Tier One Capital

Fundamental Tier One Capital

The Group's fundamental capital is comprised of ordinary share capital, reserves, and retained earnings (including current period profits net of allowance for expected dividends).

Ordinary share capital	**31 December 2008 $M**	**30 June 2008 $M**
Ordinary share capital	20,365	15,727
add back treasury shares[1]	286	264
Ordinary share capital for regulatory purposes	**20,651**	**15,991**

(1) Represents shares of the Bank held by the Group's life insurance operations.

Reserves

The table below details the reserve accounts that qualify as Tier One Capital.

Reserves	**31 December 2008 $M**	**30 June 2008 $M**
General reserve	1,326	1,252
Capital reserve	295	293
Foreign currency translation reserve[1]	(253)	(757)
Total reserves balance included in regulatory capital	**1,368**	**788**

(1) Excludes balances related to non consolidated subsidiaries.

Retained Earnings (including Current Year Earnings)

Through the use of dividend policy and strategy, retained earnings (including current period profits) are a significant mechanism by which the Group's capital is managed.

There are a number of reconciling items between accounting designated retained earnings and that amount which qualifies as Tier One Capital. This primarily includes allowance for expected dividends and expected share issues associated with the dividend reinvestment program.

Residual Tier One Capital

The Group's Residual Tier One Capital instruments are comprised of both innovative capital and non innovative capital.

The Group is restricted to the extent to which residual capital qualifies as Tier One Capital, with any amounts in excess of 25% of Tier One Capital transferred to Upper Tier Two Capital. Innovative Capital is restricted to 15% of Tier One Capital, subject to transitional arrangements applicable till 1 January 2010. APRA has approved a maximum of $765 million in Innovative Tier One transitional relief. This relief is to be reduced by 20% each quarter, effective from March 2009 onwards.

As at 31 December 2008 $627 million of residual capital was transferred to upper Tier Two Capital as a result of this restriction.

Innovative Capital

The following innovative capital instruments were current at 31 December 2009.

Innovative Capital[1]	31 December 2008 $M	30 June 2008 $M
PERLS II	741	741
PERLS III	1,147	1,147
Trust Preferred Securities 2003	794	569
Trust Preferred Securities 2006	939	939
ASB Preference Shares	505	505
Perpetual Exchangeable Floating Rate Notes	291	209
Total Innovative Capital	**4,417**	**4,110**

(1) Represents AUD equivalent net of issue costs.

PERLS II and III
Perpetual Exchangeable Resettable Listed Securities (PERLS II) and Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III) were issued in 2004 and 2006 respectively. These instruments are classified as Loan Capital in the Group's balance sheet.

Trust Preferred Securities
The Group has on issue Trust Preferred Securities (TPS) issued in 2003 and 2006. The TPS 2003 securities are classified as Loan Capital in the Group's balance sheet.

The TPS 2006 securities are classified as Other Equity Instruments in the Group's balance sheet and reflect the fact there is no contractual obligation to deliver cash or another financial asset to the holder. Due to the equity nature of the securities they are revalued back to Australian dollars at the historical exchange rate.

ASB Preference Shares
The Group has issued preference shares through two subsidiary entities, ASB Capital and ASB Capital No 2. These preference shares are classified as minority interests for accounting.

Perpetual Exchangeable Floating Rate Notes

The Group has three US denominated perpetual exchangeable floating rate notes on issue. These instruments are classified as Loan Capital in the Group's balance sheet.

Non Innovative Capital	31 December 2008 $M	30 June 2008 $M
PERLS IV	1,465	1,465
Less issue costs	(22)	(22)
Total Non Innovative Capital	**1,443**	**1,443**

The Group's Perpetual Exchangeable Resaleable Listed Securities (PERLS IV), issued in July 2007, qualifies as Non Innovative Tier One Capital and are classified as Loan Capital in the Group's balance sheet.

Details on the terms and conditions of the Group's Innovative and Non Innovative Tier One Capital Instruments are contained in the 30 June 2008 Basel II Pillar 3 Disclosure Report and Note 31 of the 2008 Annual Report.

Tier Two Capital Instruments

The Group has on issue both Upper and Lower Tier Two capital instruments

Upper Tier Two Capital

Upper Tier Two Capital is comprised of the following items:

	31 December 2008 $M	30 June 2008 $M
Residual Capital in excess of prescribed limit	627	1,359
Asset Revaluation Reserve (45% of balance)	87	88
Perpetual Subordinated Debt	320	196
Other	42	57
Total Upper Tier Two Capital	**1,076**	**1,700**

Lower Tier Two Capital

The Group has a number of subordinated debt issues across multiple currencies on issue at any one point in time. In order to qualify as Lower Tier Two Capital the following criteria has to be satisfied:

- Instruments are unsecured and paid up;
- Minimum term of 5 years; and
- The amount available for inclusion in Lower Tier Two is amortised at a rate of 20% (straight line) over the last 4 years to maturity.

7.2 List of APRA Quantitative Tables

The following schedule lists the quantitative tables in APRA Prudential Standard APS 330 Attachment A and the associated table in this document.

APS 330 Table	Title	Table No.	Page No.
9 (i)	Risk weighted assets securitisation exposure under the standardised approach	n/a	-
9 (j)	Analysis of securitisation exposure by asset type	8 (g)	38
9 (j)	Analysis of new securitisation exposure by facility type	8 (h)	38
10	Market risk capital under the standardised approach	10	40
11	Value at risk analysis for trading portfolios under the internal models approach	11/12	40
13 (b) to (f)	Analysis of equity investments	9	39
14	Interest Rate Risk in the Banking Book	13	41

Commonwealth Bank of Australia
ACN 123 123 124

Determined to be different

Basel II Pillar 3 - Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 September 2008

Background

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

This update of the Bank's capital adequacy and risk disclosures has been prepared primarily in accordance with APRA Prudential Standard APS 330 which requires the Bank to report its assessment of capital adequacy on a Level 2 basis.

For the Bank's September quarterly disclosure, the Bank sought and received from APRA exemption from making certain disclosures required by the standard. The complete September disclosures including those exempted have now been included below.

This document is unaudited, however it has been prepared consistent with information otherwise published or supplied to APRA.

More detailed qualitative and quantitative disclosure of the Bank's capital adequacy and risk disclosures for the year ended 30 June 2008 are available on the Bank's corporate website (www.commbank.com.au).

1. Group Capital Ratios

	30 Sept 08 Actual		1 July 08 Proforma	30 June 08 Actual
	Including IRRBB(1) %	Excluding IRRBB(1) %	Including IRRBB(1) %	Excluding IRRBB(1) %
Tier One	7.54	8.05	7.58	8.17
Tier Two	3.52	3.76	3.16	3.41
Total Capital	11.06	11.81	10.74	11.58

(1) IRRBB (Interest rate risk in the banking book) was not effective until 1 July 2008. Comparatives are presented to allow readers to compare Sept 08 and June 08 results more directly.

The Bank continues to maintain a strong capital position with Tier One capital 7.54% and Total Capital 11.06% as at 30 September 2008, inclusive of Interest Rate Risk in the Banking Book (IRRBB). The Bank is continuing to discuss the parameters that drive the calculation of IRRBB with APRA. Excluding the impact of IRRBB, Tier One capital remained relatively stable during the quarter, whilst Total Capital was enhanced by the issue of $500 million of Lower Tier Two debt in September 2008.

Subsequent to 30 September 2008, the Bank issued $695 million shares in order to satisfy the Dividend Reinvestment Plan in respect of the final dividend for 2007/08 and undertook a $2 billion share placement as part the Bankwest acquisition. The Australian Bankers Association (ABA) recently undertook a study of the key differences between APRA's and the UK Financial Services Authority's (FSA) method of calculating regulatory capital. If the FSA approach was applied to the Group's assessment of regulatory capital, Tier One and Total Capital ratios for the Group would be 11.0% and 13.7% respectively as at 30 September 2008. A more detailed comparison of the ABA study may be found at www.bankers.asn.au.

2. Risk Weighted Assets

Risk weighted assets (RWA)	30 Sept 2008 $M	30 June 2008 $M
Credit Risk		
Advanced IRB approach		
Corporate[1]	86,535	81,431
Sovereign	1,900	1,802
Bank	7,698	5,292
Residential mortgage	41,877	39,128
Qualifying revolving retail	5,792	6,070
Other retail	4,728	5,274
Impact of the Basel II scaling factor [2]	8,911	8,340
Total RWA subject to Advanced IRB	**157,441**	**147,337**
Specialised lending	**23,253**	**21,053**
Subject to Standardised approach		
Corporate[1]	6,013	5,347
Sovereign	189	84
Bank	276	320
Residential mortgage	306	241
Other retail	-	-
Other assets	9,328	9,229
Total RWA subject to standardised approach	**16,112**	**15,221**
Securitisation	**3,441**	**3,536**
Equity exposures[3]	**1,254**	**293**
Total RWA for credit risk exposures	**201,501**	**187,440**
Market risk - Traded	**3,860**	**4,501**
Market Risk - Interest Rate Risk in the Banking Book[4]	**14,839**	**-**
Operational risk	**13,397**	**13,560**
Total Risk Weighted Assets	**233,597**	**205,501**

(1) Corporate includes Basel II asset classes Corporate, SME Corporate and SME Retail.
(2) APRA requires RWA that are derived from the IRB risk-weight functions be multiplied by a factor of 1.06 (refer glossary).
(3) Reflects change in risk-weighting treatment of existing equity exposures from 100% risk-weighting to 300% for listed securities and 400% for unlisted securities.
(4) Risk weighted assets for Interest Rate Risk in the Banking Book was not effective until 1 July 2008.

During the September 2008 quarter there was a $28 billion (14%) increase in Basel 2 RWA to $233.6 billion. This increase was the result of:

- A $14 billion (7.5%) increase in RWA for credit risk exposures driven by a strong quarterly increase in exposure (9%) to residential mortgages and well rated Banks and some downward migration of corporate;

- An extra $14.8 billion RWA with Interest Rate Risk in the Banking Book (IRRBB) now part of APRA's minimum capital requirements from 1 July 2008. This has since reduced to nil as at 31 December 2008 with the embedded gain from the falling rate environment offsetting any capital requirement; and

- Slightly offset by a $0.8 billion reduction in RWA for Market risk and Operational risk.

3. Credit Risk Exposure

Total Exposure[(1)]	30 Sept 2008 $M	30 June 2008 $M
Advanced IRB approach		
Corporate[(2)]	143,260	135,338
Sovereign	14,406	10,587
Bank	46,124	29,318
Residential mortgage	259,744	247,574
Qualifying revolving retail	10,932	10,886
Other retail	5,678	5,484
Total Advanced IRB approach	**480,144**	**439,187**
Specialised lending	**25,790**	**23,312**
Standardised approach		
Corporate[(2)]	7,101	6,350
Sovereign	279	225
Bank	864	931
Residential mortgage	593	510
Other retail	352	351
Other assets	18,041	18,035
Total Standardised approach	**27,230**	**26,402**
Total exposures[(1)]	**533,164**	**488,901**

(1) Total credit risk exposures do not include equities or securitisation exposures.
(2) Corporate includes Basel II asset classes Corporate, SME Corporate and SME Retail.

Total credit risk exposure increased by 9% in the September 2008 quarter. The primary areas of growth summarised as follows:

	$B
Increased retail lending	$ 12.5
Increased liquid assets	$ 13.5
Foreign exchange movements	$ 10.9
Non-retail & other exposure	$ 7.4
Total	**$ 44.3**

The "flight to quality" response to market conditions has seen a continued large increase in residential mortgages with home lending continuing to grow above system levels.

The significant growth in Bank exposures reflects the Bank's holding of additional liquidity with an increase in money market and repurchase agreement related transactions with well rated European banks and investment in European government paper.

The depreciation of the Australian dollar and market volatility has resulted in increased exposures for existing FX forward and swaps transactions and for those commercial loans denominated in foreign currency.

4. Past Due and Impaired Exposures, Provisions and Reserves

30 Sept 2008

Exposure type	Impaired loans $M	Past due loans ≥ 90 days $M	Specific provision balance $M	Quarter Actual losses[1] $M
Corporate[2]	650	183	347	35
Sovereign	-	-	-	-
Bank	32	-	24	-
Residential mortgage	184	905	44	5
Qualifying revolving and Other retail	12	145	2	87
Total[3]	**878**	**1,233**	**417**	**127**

(1) Actual losses equals write-offs from specific provisions, write-offs direct from collective provisions less recoveries of amounts previously written off for the three months ending 30 September 2008.
(2) Corporate includes Basel II asset classes Corporate, Specialised Lending, SME Corporate and SME Retail.
(3) Total credit risk exposures do not include equities or securitisation exposures.

30 June 2008

Exposure type	Impaired loans $M	Past due loans ≥ 90 days $M	Specific provision balance[1] $M	Full Year Actual losses[2] $M
Corporate[3]	470	141	234	90
Sovereign	-	-	-	-
Bank	-	1	-	-
Residential mortgage	195	846	41	23
Qualifying revolving and Other retail	18	124	4	313
Total[4]	**683**	**1,112**	**279**	**426**

(1) In order to align the Bank's disclosures to actual practice, the classification of portfolio loan impairment provisions covering unsecured personal loans and credit card lending has been amended. These amounts, also known as "bulk provisions", have been reclassified from the specific provision to the collective provision.
(2) Actual losses equals write-offs from specific provisions, write-offs direct from collective provisions less recoveries of amounts previously written off for the twelve months ending 30 June 2008.
(3) Corporate includes Basel II asset classes Corporate, Specialised Lending, SME Corporate and SME Retail.
(4) Total credit risk exposures do not include equities or securitisation exposures.

General Reserves for Credit Losses comprises:	30 Sept 2008 $M	30 June 2008 $M
Collective provisions[1]	1,475	1,434
Off balance sheet provisions	32	32
Other credit provisions	22	22
Total Collective and Other Provisions	**1,529**	**1,488**
Tax effect	459	446
Total General Reserves for Credit Losses	**1,070**	**1,042**

(1) In order to align the Bank's disclosures to actual practice, the classification of portfolio loan impairment provisions covering unsecured personal loans and credit card lending has been amended. These amounts, also known as "bulk provisions", have been reclassified from the specific provision to the collective provision.

Credit quality is being impacted by the slowing economic environment with a small number of large single name exposures being impacted by the continuing dislocation in the credit markets.

Total loans past due by more than 90 days have increased by 10%. This has been driven by the sustained higher interest rate environment and slowing economic conditions during the September 2008 quarter impacting both our Retail and Corporate books.

Impaired assets have increased by 29% since June 2008 mainly due to Lehman Brothers seeking Chapter 11 bankruptcy protection in September 2008. Due to the nature of Lehman's exposure, $32 million is categorised under Basel II rules as Bank exposure and $121 million is categorised as Corporate exposure. Specific provisions have been raised appropriate to the expected loss.

7.4 Classification of exposures and glossary

Classification of exposures

Basel asset class	Definition
Bank	Bank includes claims on central banks, international banking agencies, regional development banks, ADI and overseas banks.
Corporate	Corporate includes commercial credit risk where annual revenues exceed $50 million, SME Corporate and SME Retail.
Other assets	Other Assets includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.
Qualifying revolving retail	Qualifying revolving retail represents revolving exposures to individuals less than $0.1m, unsecured and unconditionally cancellable by the Bank. Only Australian retail credit cards qualify for this asset class.
Residential mortgage	Residential Mortgages include retail and small and medium enterprise exposures up to $1 million that are secured by residential mortgage property.
Securitisation	Securitisation includes Bank-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	SME Corporate includes small and medium enterprise commercial credit risk where annual revenues are less than $50 million and exposures are greater than $1 million.
SME Retail	SME Retail includes small and medium enterprise exposures up to $1 million that are not secured by residential mortgage property.
Sovereign	Sovereign includes claims on the Reserve Bank of Australia and on Australian and foreign governments.
Specialised lending	Specialised lending subject to the slotting approach includes Income Producing Real Estate and Project Finance.

Glossary

Term	Definition
ADI	Authorised Deposit-taking Institution includes banks, building societies and credit unions which are authorised by the APRA to take deposits from customers.
AIRB	Advanced Internal Ratings Based approach used to measure credit risk in accordance with the Bank's Basel II accreditation approval provided by APRA 10 December 2007.
APRA	Australian Prudential Regulation Authority. The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
Basel II	Refers to the Basel Committee on Banking Supervision revised framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006.
IRB	Internal Ratings Based – The approach measuring credit risk focusing on SME and Retail exposures.

Term	Definition
Level 1	The ADI plus extended licensed entities. This is the lowest level at which the Group reports its capital adequacy to APRA.
Level 2	The level at which the Bank reports its capital adequacy to APRA being the consolidated banking group comprising the ADI, its immediate locally incorporated non-operating holding company, if any, and all their subsidiary entities other than non-consolidated subsidiaries. This is the basis on which this report has been produced.
RWA	Risk Weighted Assets.
Scaling factor	A key objective of the Basel Committee on Banking Supervision is to broadly maintain the aggregate level of capital in the global financial system post the implementation of Basel II. To attain the objective, the Committee applies a scaling factor to the risk-weighted asset amounts for credit risk under the IRB approach. The current best estimate of the scaling factor using quantitative impact study data is 1.06. National authorities will continue to monitor capital requirements during the implementation period of the revised Framework. Moreover, the Committee will monitor national experiences with the revised Framework.