

Basel III Pillar 3

Capital Adequacy and Risk
Disclosures as at 30 June 2024

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The release of this announcement was authorised by the Board.

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1

Introduction

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

This document is prepared for CBA and its subsidiaries (the Group) in accordance with a Board approved policy and reporting requirements set out in APRA Prudential Standard (APS) APS 330 *Public Disclosure* (APS 330). It presents information on the Group's capital adequacy and Risk Weighted Assets (RWA) calculations for credit risk including securitisation, traded market risk, Interest Rate Risk in the Banking Book (IRRBB) and operational risk.

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

The Group is required to report its assessment of capital adequacy on a Level 2 basis. Level 2 is defined as the Consolidated Banking Group excluding an insurance entity and certain 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 the Standardised Measurement Approach for operational risk. The Group is also required to assess its traded market risk and IRRBB requirements under Pillar 1 of the Basel capital framework.

The Group engaged the external auditor (PwC) to perform assurance procedures over the Pillar 3 report in accordance with the Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This Pillar 3 document is available on the Group's corporate website: [Commbank.com.au/regulatorydisclosures](https://www.commbank.com.au/regulatorydisclosures)

The Group in Review

	30 Jun 24	31 Dec 23	30 Jun 23
Summary Group Capital Adequacy Ratios (Level 2)	%	%	%
Common Equity Tier 1	12.3	12.3	12.2
Additional Tier 1	2.0	2.4	2.3
Tier 1	14.3	14.7	14.5
Tier 2	6.6	5.8	5.5
Total Capital	20.9	20.5	20.0

Group Capital Ratios

As at 30 June 2024, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios were 12.3%, 14.3% and 20.9%, respectively.

Leverage Ratio

The Group's leverage ratio, which is defined as Tier 1 Capital as a percentage of total exposures, was 5.0% as at 30 June 2024.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires Australian ADIs to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCO) projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 136% in the June 2024 quarter.

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is the ratio of the amount of Available Stable Funding (ASF) to the amount of Required Stable Funding (RSF). Factors prescribed by APRA are used to determine the stable funding requirement of assets and the stability of alternative sources of funding. The Group's NSFR was 116% at 30 June 2024.

Policy Framework

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

The Group continues to monitor and take actions to enhance and strengthen its risk culture. The Group has a formal Risk Management Approach (RMA) that creates clear obligations and transparency over risk management and strategy decisions. A risk accountability model (Three Lines of Accountability) requires business management to operate responsibly by taking well understood and managed risks that are appropriately and adequately priced.

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

The Group's capital forecasting process and capital plans are in place to ensure a sufficient capital buffer above minimum levels is maintained at all times. The Group manages its capital by regularly and simultaneously considering regulatory capital requirements, rating agency views on the capital required to maintain the Group's credit rating, the market response to capital levels and stress testing. These views then cascade into consideration of the target capital level. The Group's management of its capital adequacy is supported by robust capital management processes applied in each Business Unit (BU). The results are integrated into the Group's risk-adjusted performance and pricing processes.

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Regulatory Capital Framework Overview

The Group is required to report the calculation of RWA and the assessment of capital adequacy on a Level 2 basis (see section 3, page 4 for further details). APRA has set minimum regulatory capital requirements for ADIs. These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by banks so that the “need” for capital can be compared to the amount of capital “at hand”. The Basel Regulatory Capital Framework is based on “three pillars” as summarised below.

Basel Capital Framework		
Pillar 1 Minimum Capital Requirements	Pillar 2 Supervisory Review Process	Pillar 3 Market Discipline
Credit Risk Interest Rate Risk in the Banking Book ¹ Traded Market Risk Operational Risk	Firm-wide risk oversight Internal Capital Adequacy Assessment Process considers: additional risks, capital buffers and targets and risk concentrations	Regular disclosure to the market covering both qualitative and quantitative aspects of capital adequacy and risk disclosures

¹ Applicable to Pillar 1 in Australia only (Pillar 2 elsewhere).

Pillar 1 – Minimum Capital Requirements

Basel II

In December 2007, APRA granted advanced Basel II accreditation to the Group to calculate RWA and the assessment of capital adequacy in accordance with Pillar 1.

Adoption of advanced methodologies prescribed under Basel II was effective from 1 January 2008.

As a result of receiving advanced Basel II accreditation, the Group predominantly used the AIRB approach for credit risk and the AMA for operational risk in the calculation of RWA from 1 January 2008 until 31 December 2022. Portfolios that attract the Standardised approach are discussed in section 8.3 “Portfolios Subject to Standardised and Supervisory Risk Weights” (page 39).

The Group incorporates measured IRRBB in its regulatory capital calculations with effect from 1 July 2008, as required by APRA for Australian ADIs (this is not a Pillar 1 requirement in other jurisdictions).

The Basel II enhancements announced in July 2009, relating to securitisation and market risk, were implemented on 1 January 2012. These enhancements are commonly referred to as Basel 2.5.

Basel III

APRA has implemented a set of capital, liquidity and funding reforms based on the Basel Committee on Banking Supervision (BCBS) “Basel III” framework. The objectives of the reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk.

Up until 1 January 2023, the APRA prudential standards required a minimum CET1 capital ratio or Prudential Capital Requirement (PCR) of 4.5%. An additional CET1 capital conservation buffer (CCB) of 3.5%, inclusive of a Domestic Systemically Important Bank (DSIB) requirement of 1% and a countercyclical capital buffer (CCyB) of 0%, brought the minimum CET1 ratio requirement to 8%.

Additionally under this capital framework, APRA’s expectation was that the Australian major banks operate for the majority of the year with a CET1 capital ratio of 10.5% or more.

From 1 January 2023, APRA implemented its revisions to the ADI capital framework, which included a 2.25% increase in the CCB, inclusive of a 1% CCyB, bringing the total CET1 requirement to 10.25%. Further details of these changes are provided on page 6.

The Group expects to operate with a post-dividend CET1 capital ratio of greater than 11%, compared to the revised APRA minimum of 10.25%, except in circumstances of unexpected capital volatility.

Pillar 2 – Supervisory Review Process

ICAAP

Under Pillar 2, APRA requires each bank to have in place and report confidentially its Internal Capital Adequacy Assessment Process (ICAAP). The Group updates the ICAAP annually. The ICAAP document provides details on:

- The Group’s capital position and regulatory minimums;
- A three year capital forecast;
- Stress testing and contingent capital planning;
- Key capital management policies; and
- Details on key processes and supporting frameworks.

Pillar 3 – Market Discipline

Disclosures

To enhance transparency in Australian financial markets, APRA established a set of requirements within APS 330 for the public disclosure of information on the risk management practices and capital adequacy of ADIs (pursuant to Pillar 3).

Pillar 3 qualitative and quantitative disclosures are made in detail in this document as part of the Group’s 30 June 2024 financial year reporting. Detailed quantitative information is released at the Group’s December half year with summarised quantitative information released for March and September quarters. These reports are published on the Group’s corporate website, together with the Group’s APS 330 public disclosure of capital instruments and remuneration:

[Commbank.com.au/regulatorydisclosures](https://www.commbank.com.au/regulatorydisclosures).

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Scope of Application

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

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

- **Level 1:** the Parent Bank (CBA) and offshore branches (the Bank) and APRA approved Extended Licensed Entities (ELE);
- **Level 2:** the Consolidated Banking Group excluding an insurance entity and certain entities through which securitisation of Group assets is conducted; and
- **Level 3:** the conglomerate group including the Group's insurance entity¹ (the Group).

The Group is required to report its assessment of capital adequacy on a Level 2 basis. The head of the Level 2 Group is the Parent Bank. Additional disclosure of capital ratios relating to material ADIs within the Group together with CBA's own Level 1 capital ratios are included under Table 6g of this report (page 8).

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

CBA Europe N.V. applies the Standardised Basel III methodology in calculating their local regulatory capital requirements. Effective from March 2022, APRA approved CBA Europe N.V. to apply the Internal Ratings-based (IRB) approach for the purpose of determining the Group's capital requirement at Level 2.

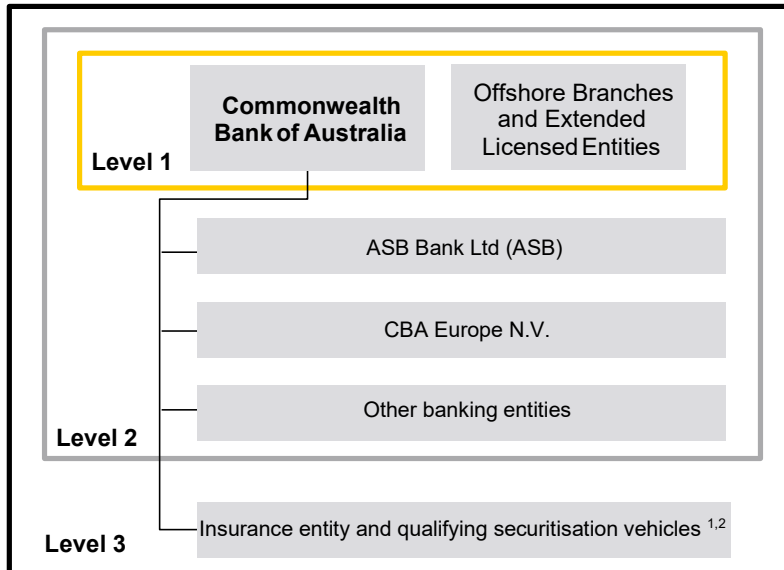
On 1 May 2024, the Group completed the sale of its 99% shareholding in PT Bank Commonwealth (PTBC) to PT Bank OCBC NISP Tbk (OCBC Indonesia), a subsidiary of Oversea-Chinese Banking Corporation Limited (OCBC).

Restrictions on transfer of funds or regulatory capital within the Group

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

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

APS 330 reporting structure



¹ A detailed list of non-consolidated entities is provided in Appendix 13.5.

² Securitisation that meets APRA's operational requirements for regulatory capital relief under APS 120 *Securitisation* (APS 120).

Capital Adequacy

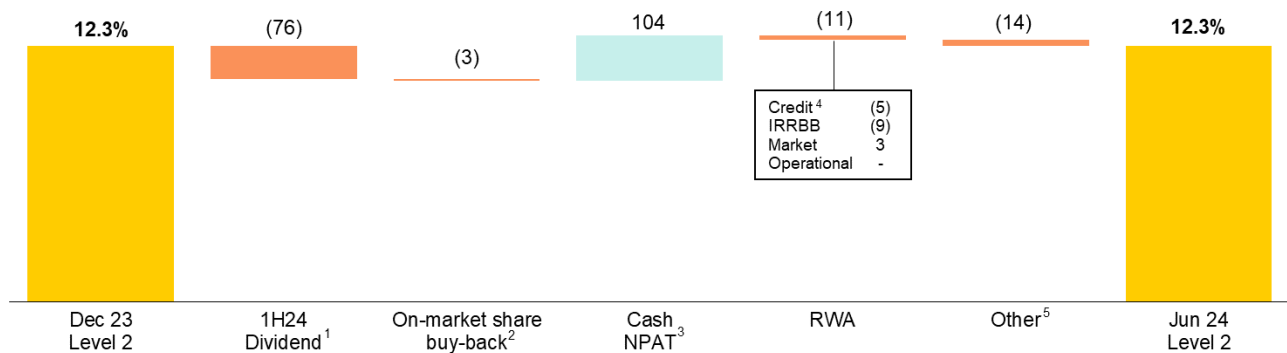
The Group actively manages its capital to balance the perspectives of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital, while maintaining adequate capital ratios throughout the financial year. The Group's capital is managed within a formal framework, the ICAAP, which is an integration of risk, financial and capital management processes.

APRA advises the Group of its Prudential Capital Requirement (PCR), which represents the regulatory minimum CET1, Tier 1 and Total capital ratios that the Group is required to maintain at all times. In order to ensure there is no breach of these minimum levels, APRA expects the Group to maintain a prudent buffer over these prescribed minimum levels. The PCR is subject to an ongoing review by APRA and is formally reassessed on an annual basis. The Group is required to inform APRA immediately of any breach or potential breach of its PCR, including details of remedial action taken or planned to be taken.

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

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Leadership Team of the Group and at regular intervals throughout the year to the Board Risk and Compliance Committee. Capital forecasts are updated on a continuous basis and a detailed capital plan is presented to the Board annually.

Capital – CET1 (APRA)



1 The 2024 interim dividend included the on-market purchase of \$481 million of shares (CET1 impact of -10 bpts) in respect of the Dividend Reinvestment Plan.

2 On 9 August 2023, the Group announced its intention to conduct an on-market share buy-back of up to \$1 billion of CBA ordinary shares. As at 30 June 2024, the Group has completed \$282 million (2,588,964 ordinary shares at an average price of \$108.84). \$128 million of this was completed across 2H24 (1,071,576 ordinary shares bought back at an average price of \$119.24 per share).

3 Excludes net equity accounted profits/losses and impairments from associates as they are capital neutral with offsetting changes in regulatory capital deductions.

4 Excludes impact of foreign exchange movements which is included in 'Other'.

5 Includes the impact of intangibles, FX impact on Credit RWA, equity accounted profits/losses and impairments from associates, movements in reserves and other regulatory adjustments.

Capital Position

The Group's CET1 ratio (APRA) was 12.3% as at 30 June 2024, in line with 31 December 2023 and an increase of 10 basis points from 30 June 2023. The CET1 ratio was well above APRA's regulatory requirement at all times throughout the full year ended 30 June 2024.

Key drivers of the change in CET1 for the 6 months ended 30 June 2024 were:

- Capital generated from earnings; offset by

- Higher Credit Risk and IRRBB RWA, partly offset by lower Traded Market Risk RWA;
- The payment of the 1H24 dividend;
- Completion of a further \$128 million of the previously announced \$1 billion on-market share buy-back; and
- Other regulatory adjustments and movement in reserves.

Further details on the movements in RWA are provided on pages 10-12.

Capital (continued)

Capital Initiatives

In addition to the on-market share buy-backs, the following significant capital initiatives were undertaken during the year ended 30 June 2024:

Common Equity Tier 1 Capital

The Dividend Reinvestment Plan (DRP) in respect of both the 2023 final dividend and the 2024 interim dividend, was satisfied in full by the on-market purchase of shares. The participation rates were 18.1% and 13.4%, respectively.

Additional Tier 1 Capital

In April 2024, the Group redeemed \$1,590 million of CommBank PERLS XI Capital Notes that are Basel III compliant Additional Tier 1 Capital.

Tier 2 Capital

The Group issued the following Basel III compliant subordinated notes:

- AUD85 million in September 2023;
- Two subordinated notes totalling AUD1,250 million in October 2023;
- AUD300 million in December 2023;
- USD1,250 million in March 2024; and
- EUR1,000 million in June 2024.

Regulatory Framework

On 1 January 2023, APRA implemented revisions to the capital framework for Authorised Deposit-taking Institutions (ADIs), to increase the risk sensitivity within the capital framework, to enhance the ability of ADIs to respond flexibly to future stress events, and to improve the comparability of the Australian framework with international standards.

The APRA prudential standards prescribe a minimum CET1 capital ratio of 10.25% for Internal Ratings-based (IRB) ADIs such as CBA, comprising of a minimum Prudential Capital Requirement (PCR) of 4.5% and a capital conservation buffer (CCB) of 5.75%, which includes a Domestic Systemically Important Bank (D-SIB) buffer of 1% and a baseline countercyclical capital buffer (CCyB) set at 1%¹. The CCyB, which may be varied by APRA in the range of 0%-3.5%, can be released in times of systemic stress and post-stress recovery.

The Group expects to operate with a post-dividend CET1 capital ratio of greater than 11%, compared to the APRA minimum of 10.25%, except in circumstances of unexpected capital volatility.

The Tier 1 requirement as at 30 June 2024 was 11.75%.

To satisfy APRA's loss-absorbing capacity requirements, the minimum total capital ratio requirement for D-SIBs, including CBA, has increased from 13.75% to 16.75% effective from 1 January 2024. From 1 January 2026, the requirement will increase to 18.25%.

Regulatory Developments

IRRBB Consultation

On 8 July 2024, APRA released the final revised APS 117 "Capital Adequacy: Interest Rate Risk in the Banking Book", which sets out the requirements that an ADI must meet in managing its Interest Rate Risk in the Banking Book (IRRBB), following the November 2022 and December 2023 consultations on proposed changes to the standard. The revised APS117 will come into effect on 1 October 2025.

¹ In July 2024, APRA announced that the CCyB for Australian exposures will remain at 1%. The Group has limited exposures to those offshore jurisdictions which a CCyB in excess of 0% has been imposed.

Traded Market Risk and Counterparty Credit Risk

APRA is expected to commence consultation on revisions to APS 116 "Capital Adequacy: Market Risk", and APS 180 "Capital Adequacy: Counterparty Credit Risk" in 2024 with revisions to both standards expected to be implemented in 2026.

New Zealand bank capital adequacy requirements

The Reserve Bank of New Zealand's revisions to bank capital adequacy requirements are being implemented in stages during a transition period from October 2021 to July 2028. By the end of the transition period, the minimum Tier 1 and Total capital requirements for banks deemed systemically important, including ASB, will increase to 16% and 18% of RWA respectively, of which 13.5% must be in the form of CET1 while Tier 2 Capital can contribute up to a maximum of 2% of the Total capital requirement.

As at 30 June 2024, the CET1, Tier 1 and Total capital ratio requirements for ASB were 9%, 10.5% and 12.5%, respectively. Effective 1 July 2024, the Tier 1 and Total capital ratio requirements for ASB increased to 11.5% and 13.5%, respectively.

Resolution Planning

On 18 May 2023, APRA released its final Prudential Standard CPS 900 "Resolution Planning", which aims to ensure that an APRA-regulated entity can be managed by APRA in an orderly manner where that entity is unable to, or is likely to be unable to, meet its obligations or suspends, or is likely to suspend, payments. In such circumstances, the aim of the resolution is to protect beneficiaries, minimise disruption to the financial system and provide continuity of functions that are critical for the economy. CPS 900 came into effect on 1 January 2024.

Recovery and Exit Planning

On 1 December 2022, APRA released its final Prudential Standard CPS 190 "Recovery and Exit Planning", aimed at reinforcing the resilience of the financial system. The new standard aims to ensure that APRA regulated entities are better prepared to manage periods of severe financial stress. CPS 190 came into effect on 1 January 2024.

Prudential framework for groups

On 24 October 2022, APRA released a letter to all APRA regulated entities indicating that it is reviewing the prudential framework for groups operating in the Australian banking sector to ensure it caters for the increasing array of new groups and it is consistently applied across different structures. APRA is yet to formally consult on any revisions to the relevant standards.

APRA Discussion Paper: "Enhancing Bank Resilience: Additional Tier 1 Capital in Australia"

On 21 September 2023, APRA released a discussion paper outlining potential options for, and seeking feedback from stakeholders on the effectiveness of Additional Tier 1 Capital in Australia. APRA intends to follow this process with a formal consultation in 2024 on any proposed amendments to prudential standards.

Targeted changes to ADI liquidity and capital standards

On 15 November 2023, APRA commenced consultation on proposed targeted revisions to ADIs' liquidity and capital requirements with the aim to ensuring that ADIs have strong crisis preparedness, prudently value their liquid assets and minimise potential contagion risks. APRA intends to finalise the consultation in 2024, ahead of implementation from 1 January 2025.

Capital (continued)

Group Regulatory Capital Position

	30 Jun 24	31 Dec 23	30 Jun 23
Summary Group Capital Adequacy Ratios (Level 2)	%	%	%
Common Equity Tier 1	12.3	12.3	12.2
Additional Tier 1	2.0	2.4	2.3
Tier 1	14.3	14.7	14.5
Tier 2	6.6	5.8	5.5
Total Capital	20.9	20.5	20.0

	30 Jun 24	31 Dec 23	30 Jun 23
Group Regulatory Capital Position	\$M	\$M	\$M
Ordinary share capital and treasury shares	33,793	33,921	34,075
Reserves	(2,147)	(1,583)	(2,295)
Retained earnings	41,546	40,598	39,965
Common Equity Tier 1 Capital before regulatory adjustments	73,192	72,936	71,745
Common Equity Tier 1 regulatory adjustments	(15,501)	(15,705)	(14,836)
Common Equity Tier 1 Capital	57,691	57,231	56,909
Additional Tier 1 Capital	9,272	10,862	10,862
Tier 1 Capital	66,963	68,093	67,771
Tier 2 Capital	30,828	27,147	26,009
Total Capital	97,791	95,240	93,780
Risk Weighted Assets	467,551	463,644	467,992

Further details on the composition of the Group's capital are detailed in Appendix 13.1.

Capital (continued)

Group Regulatory Capital Position (continued)

Table 6g – Capital Ratios – Level 1 and Major Subsidiaries

	30 Jun 24	31 Dec 23	30 Jun 23
Significant Group ADIs	%	%	%
CBA Level 1 CET1 Capital ratio	12.4	12.5	12.5
CBA Level 1 Tier 1 Capital ratio	14.6	15.1	15.0
CBA Level 1 Total Capital ratio	21.8	21.5	21.1
ASB CET1 Capital ratio ¹	14.9	14.1	14.3
ASB Tier 1 Capital ratio ¹	14.9	14.1	14.3
ASB Total Capital ratio ¹	16.3	15.5	15.7

¹ Calculated in accordance with the RBNZ Prudential Requirements.

	30 Jun 24	31 Dec 23	30 Jun 23
CBA Level 1	\$M	\$M	\$M
Common Equity Tier 1 Capital	52,621	52,731	52,924
Additional Tier 1 Capital	9,272	10,862	10,862
Tier 1 Capital	61,893	63,593	63,786
Tier 2 Capital	30,586	26,798	25,633
Total Capital	92,479	90,391	89,419
Risk Weighted Assets	425,161	420,772	424,650

	30 Jun 24	31 Dec 23	30 Jun 23
ASB Banking Group ¹	NZ\$M	NZ\$M	NZ\$M
Common Equity Tier 1 Capital	10,635	9,964	10,109
Additional Tier 1	–	–	–
Tier 1 Capital	10,635	9,964	10,109
Tier 2 Capital	1,003	972	1,034
Total Capital	11,638	10,936	11,143
Risk Weighted Assets	71,415	70,673	70,780

¹ Calculated in accordance with the RBNZ Prudential Requirements.

5 Leverage Ratio

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.0% at 30 June 2024. The ratio was flat on the prior half, with the impact of capital generated from earnings and lower exposures offset by the redemption of PERLS XI and payment of the 1H24 dividend.

Under APRA's revised capital framework effective 1 January 2023, the minimum leverage ratio requirement for IRB banks, such as CBA, is 3.5%.

Summary Group Leverage Ratio ¹	30 Jun 24	31 Mar 24	31 Dec 23	30 Sep 23	30 Jun 23
Tier 1 Capital (\$M)	66,963	66,853	68,093	66,359	67,771
Total Exposures (\$M) ²	1,339,175	1,369,458	1,362,098	1,347,663	1,334,426
Leverage Ratio (%)	5.0	4.9	5.0	4.9	5.1

¹ Refer to Appendix 13.2 for further details on the composition of the leverage ratio.

² Total exposures is the sum of on balance sheet exposures, derivatives, securities financing transactions (SFTs), and off balance sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 *Capital Adequacy* (APS 110). Refer to Appendix 13.2 for the calculation of the 30 June 2024 exposures.

6 Risk Weighted Assets

RWA are calculated using the AIRB approach for the majority of the Group's credit risk exposures, and using the Foundation or Standardised approach as required under the Australian prudential standards. For CBA's New Zealand Subsidiary, ASB, RWA are calculated using the Reserve Bank of New Zealand's prudential rules subject to certain APRA-prescribed adjustments. The Group must use the External Ratings-based Approach where a securitisation exposure is externally rated by an External Credit Assessment Institution (ECAI) or for which an inferred rating is available. Where the Group cannot use the External Ratings-based Approach, the Group must use the Supervisory Formula Approach.

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

Asset Category	Risk Weighted Assets			Change in RWA for 30 June 24	
	30 Jun 24 \$M	31 Dec 23 \$M	30 Jun 23 \$M	\$M	%
Credit risk					
Subject to AIRB approach ¹					
Corporate (incl. SME corporate) ²	86,125	83,483	80,251	2,642	3
SME retail	10,819	10,235	10,189	584	6
Residential mortgage ³	145,229	143,896	147,716	1,333	1
Qualifying revolving retail	5,372	5,336	5,584	36	1
Other retail	9,105	8,746	8,554	359	4
Total RWA subject to AIRB approach	256,650	251,696	252,294	4,954	2
Subject to FIRB approach ¹					
Corporate - large ²	27,048	26,216	22,466	832	3
Sovereign	2,378	2,349	2,173	29	1
Financial institution	10,184	12,633	10,857	(2,449)	(19)
Total RWA subject to FIRB approach	39,610	41,198	35,496	(1,588)	(4)
Specialised lending	3,660	3,514	3,868	146	4
Subject to standardised approach					
Corporate (incl. SME corporate)	1,023	779	530	244	31
SME retail	628	642	937	(14)	(2)
Sovereign	1	227	261	(226)	(100)
Residential mortgage	6,953	6,885	7,046	68	1
Other retail	237	519	604	(282)	(54)
Other assets	6,686	8,298	8,303	(1,612)	(19)
Total RWA subject to standardised approach	15,528	17,350	17,681	(1,822)	(11)
Securitisation	3,214	3,247	3,316	(33)	(1)
Credit valuation adjustment	2,873	2,846	2,226	27	1
Central counterparties	160	165	101	(5)	(3)
RBNZ regulated entities	48,749	48,719	47,887	30	–
Total RWA for credit risk exposures	370,444	368,735	362,869	1,709	–
Traded market risk	8,488	9,627	15,390	(1,139)	(12)
Interest rate risk in the banking book	43,644	40,307	46,578	3,337	8
Operational risk	44,975	44,975	43,155	–	–
Total risk weighted assets	467,551	463,644	467,992	3,907	1

¹ Pursuant to APRA requirements, RWA amounts derived from the risk weighted functions of AIRB, FIRB and the advanced portfolio of RBNZ regulated entities have been multiplied by a scaling factor of 1.10.

² Includes Corporate PD model overlays of \$4.2 billion as at 30 June 2024 and 31 December 2023 (30 June 2023: \$3.5 billion).

³ As a condition of APRA's approval of the Residential Mortgage LGD model, a \$7.4 billion RWA overlay has been applied at 30 June 2024, 31 December 2023 and 30 June 2023.

Risk Weighted Assets (continued)

Table 6i – Capital Floor

	30 Jun 24 \$M	31 Dec 23 \$M	30 Jun 23 \$M
Risk weighted assets under the standardised approach			
Credit risk ¹	554,301	550,995	535,933
Traded market risk	8,488	9,627	15,390
Operational risk	44,975	44,975	43,155
Interest rate risk in the banking book	n/a	n/a	n/a
Total	607,764	605,597	594,478
Risk weighted assets prior to application of floor			
Credit risk	370,444	368,735	362,869
Traded market risk	8,488	9,627	15,390
Operational risk	44,975	44,975	43,155
Interest rate risk in the banking book	43,644	40,307	46,578
Total	467,551	463,644	467,992
Capital Floor at 72.5%	440,629	439,058	430,997
Capital floor adjustment	–	–	–

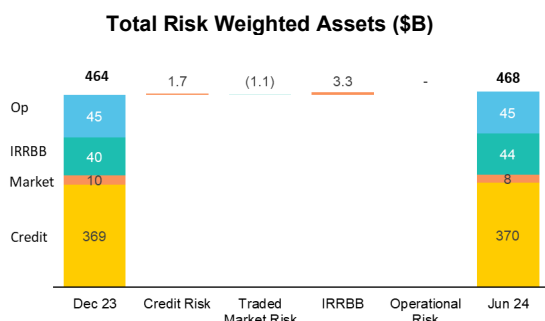
¹ RWA for residential mortgages (excluding RBNZ regulated subsidiaries) measured under the retail IRB approach is \$224 billion (31 Dec 2023: \$219 billion; 30 June 2023: \$220 billion) when calculated under the standardised approach.

Risk Weighted Assets (continued)

Risk Weighted Assets ¹

Total Group RWA

Total RWA increased \$3.9 billion or 0.8% on the prior half to \$467.6 billion, mainly driven by higher IRRBB and Credit RWA, partly offset by lower Traded Market Risk RWA.



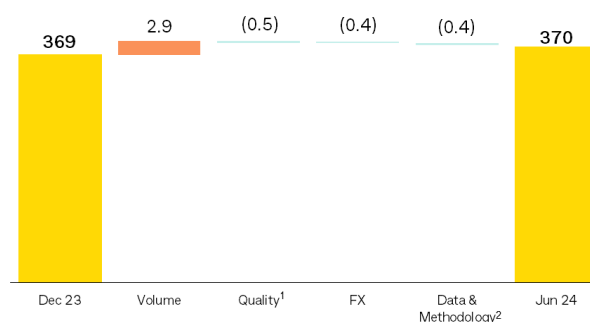
Credit Risk RWA

Credit Risk RWA increased \$1.7 billion or 0.5% on the prior half to \$370.4 billion. Key drivers include:

- Volume growth (increase of \$2.9 billion) across domestic residential mortgages, commercial portfolios, and unsecured retail portfolios; partly offset by reductions in financial institution and sovereign exposures, divestment of PTBC, and other assets; partly offset by
- Credit quality (decrease of \$0.5 billion), driven by improvement in loan-to-valuation ratios (LVR) for domestic residential mortgages; partly offset by higher risk weights across commercial and New Zealand portfolios, and lower holdings of investment grade bonds following repayment of the Term Funding Facility;
- Foreign currency movements (decrease of \$0.4 billion); and
- Data & methodology (decrease of \$0.4 billion).

¹ Due to rounding, numbers presented in this section may not sum precisely to the totals provided.

Credit Risk Weighted Assets (\$B)



¹ Credit quality includes portfolio mix.

² Includes data and methodology, credit risk estimates changes and regulatory treatments.

Traded Market Risk RWA

Traded market risk RWA decreased by \$1.1 billion or 12% on the prior half year to \$8.5 billion primarily driven by the removal of the APRA RNIV capital overlay.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA increased by \$3.3 billion or 8% on the prior half to \$43.6 billion, driven by higher basis risks.

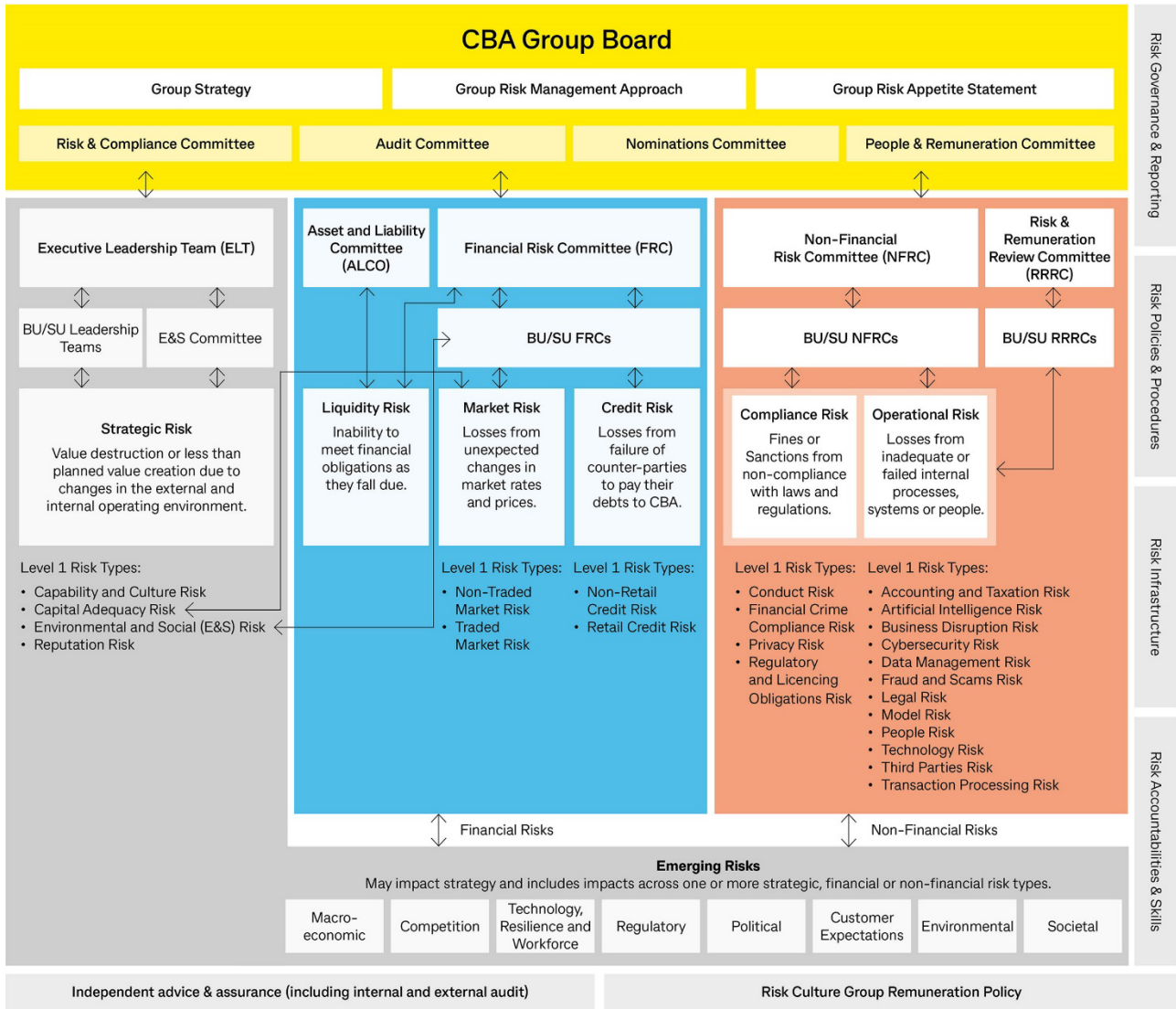
Operational Risk RWA

As required by APS 115, operational risk RWA as at 30 June 2024 and 31 December 2023 were determined based on the annual average value of the relevant components of the Group's net income over the years ended 30 June 2023, 2022 and 2021. Operational risk RWA are flat on the prior half.

7

Risk Management

The Group is exposed to financial, non-financial and strategic risks through the products and services it offers. The Group manages these risks through its Risk Management Framework (RMF), which evolves to accommodate changes in the business operating environment, better risk practices, and regulatory and community expectations. The components of the RMF are illustrated below, including the governance that enables executive and Board oversight of these risks.



Further details on each of the material risks, and how the Group manages them, are outlined in this section.

Risk Management Framework

The RMF comprises the systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk. It incorporates three key documents:

- The Group's Business Plan (consisting of the Group's strategic priorities and the Financial Plan) sets out the approach to implement the Group's strategic objectives;
- The Group Risk Appetite Statement (RAS) that establishes the type and degree of risk the Board is prepared to accept

and the maximum level of risk that the Group must operate within whilst executing the Group Strategy; and

- The Group Risk Management Approach (RMA) that sets out the Board and the Executive Leadership Team's expectations regarding the Group's approach to managing risk and the key elements of the RMF that give effect to this approach.

Risk Management (continued)

Risk Management Framework (continued)

The RMF is underpinned by Risk Framework Enablers that allow us to effectively identify, assess, record, manage and monitor our material risks.

Risk Governance and Reporting

The Board operates as the highest level of the Group's risk governance. The Risk and Compliance Committee oversees the RMF and helps formulate the Group's risk appetite for consideration by the Board. In particular it:

- Monitors the Group's risk profile (including identification of emerging risks); and
- Reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal control systems.

At management level, risk governance is undertaken by a structured hierarchy of personal delegations, management committees and forums across the Group.

Regular management information is produced which allows financial, strategic and non-financial risk positions to be monitored against approved risk appetite and policy limits. At Board level, the majority of risk reporting is provided to the Risk and Compliance Committee, although select matters are reported directly to the Board as required. Controls reporting is provided to the Audit Committee. The Chairs of the Risk & Compliance and Audit Committee report to the Board following each Committee meeting.

Risk Policies & Procedures

Risk policies, standards and procedures outline the principles and practices to be used in identifying and assessing material risks and translate the RAS into our daily business activities.

Risk Infrastructure

The RMF is supported by systems and processes that together provide the infrastructure for the management of the Group's material risks:

- **Risk processes** to identify, assess, escalate, monitor and manage risks, obligations, issues and incidents;
- **Management information systems** to measure and aggregate risks across the Group; and
- Data, risk **models and tools**, including significant calculators.

Risk Accountabilities and Skills

The Three Lines of Accountability (3LoA) model organises our accountabilities to ensure risk is well managed, through separation of roles for managing the Group's risks, developing risk frameworks and defining the boundaries within which risk is managed, and providing independent assurance over how effectively risks are being managed. The Risk Stewards (senior leaders in Line 1 or Line 2) complement the 3LoA model, by

providing a view on the aggregated risk profile and adequacy of the risk framework for each of our risk types, including design of policies, mitigation strategies and the capabilities needed to manage the risk type.

The effective management of our material risks requires appropriate resourcing of skilled employees within each of the Group's 3LoA. It is important for all employees to have an awareness of their accountabilities, the RMF, and the role our Values play in helping us manage risk. This awareness is developed through:

- **Communication of the RAS and RMA** - Following approval by the Board, the updated RAS and RMA are made available to all employees;
- **Performance and remuneration frameworks** designed to drive accountability for managing risks and adopting behaviours that assist the Group to respond to new and emerging risks and to better support our customers and communities. Each year employees are assessed on how they met the risk management expectations of their role as part of the annual performance review;
- **Group Mandatory Learning modules** provide foundational knowledge of the RMF and RMA for all employees;
- **Risk Management Capability Framework** provides the education, experience and exposure to build risk skills and judgement effectively within the Group; and
- **Induction and ongoing learning** supports employees in gaining the knowledge, skills and behaviours required to work effectively across the Group.

Risk Culture and Conduct Risk

Risk culture reflects the beliefs and behaviours by people within the Group that determine how risks are identified, measured, governed, and acted upon. Effective risk management requires employees to understand different perspectives and apply appropriate judgement to mitigate risk and deliver better outcomes for customers and shareholders. The behaviours that guide decision making and good risk management and are expected of employees by the Board, senior management, customers, communities, shareholders and regulators are embodied within our Values and our Leadership Principles, reinforced by our RMF Enablers.

In relation to conduct risk, the Group requires behaviours and business practices that are fair to customers, protect the fair and efficient operation of the market and engender confidence in our products and services. Annually, the Board forms a view of the Group's risk culture and identifies desirable changes. Action plans are initiated and monitored to improve and sustain risk culture.

Risk Management (continued)

Material Risk Types

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
Credit Risk (Section 8)		
<p>Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group.</p> <p>The Group is primarily exposed to credit risk through:</p>	<p>Governing Policies:</p> <ul style="list-style-type: none"> Group Credit Risk Framework Group Credit Risk Policies Group Loan Loss Provisioning Framework Group and BU Credit Risk Standard <p>Key Management Committee:</p> <ul style="list-style-type: none"> Financial Risk Committee BU/SU Financial Risk Committees Loan Loss Provisioning Committee 	<ul style="list-style-type: none"> Defined credit risk indicators set in the Group RAS; Transacting with counterparties that demonstrate the ability and willingness to service their obligations through performance of due diligence and appropriate credit quality assessments; Applications assessed by credit decisioning models, with more complex or higher risk applications referred to credit authority holders who exercise expert judgement; Taking collateral where appropriate; Pricing appropriately for the risks we are taking; Credit concentration frameworks that set exposure limits to counterparties, groups of related counterparties, industry sectors and countries; Regular monitoring of credit quality, concentrations, arrears, policy exceptions and policy breaches; Working with impaired counterparties, or those in danger of becoming so, to help them rehabilitate their financial positions; Holding adequate provisions for defaulted and high risk counterparties and exposures; and Stress testing, both at a counterparty and portfolio level.
Retail Credit Risk		
<ul style="list-style-type: none"> Residential mortgage lending; and Unsecured retail lending. 		
Non-Retail Credit Risk		
<ul style="list-style-type: none"> Commercial lending; and Large corporate (institutional) lending and markets exposures. 		
Market Risk (Section 9 and 10)		
<p>Market risk is the risk that market rates and prices will change and have an adverse effect on the profitability and/or net worth of the Group.</p> <p>The Group is primarily exposed to market risk through:</p>	<p>Governing Policies:</p> <p>Group Market Risk Policy Group Traded Market Risk Standards</p> <p>Key Management Committee:</p> <ul style="list-style-type: none"> Financial Risk Committee and IB&M Financial Risk Committee (Oversight of Traded Market Risk) Asset and Liability Committee (ALCO) (Oversight of Non-Traded Market Risk, including IRRBB) Market Risk Committee 	<ul style="list-style-type: none"> Defined market risk indicators set in the Group RAS; No proprietary trading unrelated to the core principle trading and within approved business strategy; Conservative Market Risk limits with granular concentration limits at a position level including currency/index, tenor and product type; Pricing appropriately for risk and market depth; Back-testing of Value at Risk models against hypothetical profit and loss; Daily monitoring and attribution of traded market risk exposures including risk sensitivities, Value at Risk and stress testing; Daily monitoring of Value at Risk and stress test measures for derivative valuation adjustments (XVAs); Monthly monitoring of Residual Value Risk exposures versus limits; Managing the Balance Sheet with a view to balancing Net Interest Income (NII), profit volatility and Market Value; Regular monitoring of IRRBB market risk exposures against limits including risk sensitivities, credit spread risk, Value at Risk, Net Interest Earnings at Risk and stress testing; Appropriate transfer pricing for interest rate risk; Regular monitoring of Structural Foreign Exchange Risk versus limits; and Regular monitoring of Group Super and Defined Benefit Fund net asset position.
Traded Market Risk;		
Non-Traded Market Risk:		
<ul style="list-style-type: none"> Interest Rate Risk in the Banking Book (IRRBB); Lease Residual Value Risk; Structural Foreign Exchange Risk; and Non-traded Equity Risk. 		

Risk Management (continued)

Material Risk Types (continued)

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
Liquidity Risk (Section 12)		
<p>Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk).</p>	<p>Governing Policies:</p> <ul style="list-style-type: none"> • Group Liquidity Policy <p>Key Management Committee:</p> <ul style="list-style-type: none"> • ALCO • Stress Testing Steering Committee 	<ul style="list-style-type: none"> • Defined liquidity Risk Appetite metrics and indicators in the Group RAS; • The Annual Funding Strategy (the Group's wholesale funding strategy based on a three year funding plan); • Maintaining a diverse yet stable pool of potential funding sources across different currencies, geographies, entities and products; • Maintaining sufficient liquidity buffers and short term funding capacity to withstand periods of disruption in long term wholesale funding markets and unanticipated changes in the balance sheet funding gap; • Limiting the portion of wholesale funding sourced from offshore; • Conservatively managing the mismatch between asset and liability maturities; • Maintaining a conservative mix of readily saleable or repo-eligible liquid assets; • Daily monitoring of liquidity risk exposures, including Liquidity Coverage Ratios and Net Stable Funding Ratios; • Market and idiosyncratic stress test scenarios; and • The Contingent Funding Plan provides strategies for addressing liquidity shortfalls in a crisis situation.

Risk Management (continued)

Material Risk Types (continued)

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
Operational Risk (Section 11)		
<p>Operational risk is the risk of losses from inadequate or failed internal processes, systems or people, or from external events.</p> <p>The Group is exposed to operational risk primarily through:</p> <ul style="list-style-type: none"> • Accounting and Taxation Risk; • Artificial Intelligence Risk; • Business Disruption Risk; • Cybersecurity Risks; • Data Management Risk; • Fraud and Scams Risk (external and internal); • Legal Risk; • Model Risk; • People Risk (employment practices and workplace safety); • Technology Risk (disruptions from hardware or software failures); • Third Party Risks; and • Transaction Processing Risk. 	<p>Governing Policies:</p> <ul style="list-style-type: none"> • Operational Risk Management Framework (ORMF) • Group Information Security (IS) Policy • Group Data Management Policy • Group Fraud Management Policy • Group Whistleblower Policy • Group Model Policy • Group Policy on Business Continuity Management • Group Protective Security Policy • Group IT Service Support and Management Policy • Group Supplier Lifecycle Policy • Group Artificial Intelligence Policy <p>Key Management Committee:</p> <ul style="list-style-type: none"> • Non-Financial Risk Committee • BU/SU Non-Financial Risk Committees • Model Risk Governance Committee (MRGC) • Supplier Governance Council • Technology Controls Council • BU/SU Executive Portfolio Group (EPG) 	<ul style="list-style-type: none"> • Defined operational risk indicators in the Group RAS; • Implementation of manual and automated controls to prevent, detect and mitigate the specific operational risks that the Group is exposed to; • Regular Risk and Control Self- Assessment (RCSA) to assess key risks and controls for a BU/SU; • Routine Controls Assessment Program (CAP) tests to assess whether controls are designed and operating effectively to maintain risk exposures within acceptable levels; • Incident Management process to identify, assess, record, report and manage actual operational or compliance events that have occurred. This data is used to guide management to strengthen processes and controls; • Issue Management process to identify, assess, record, report and manage weaknesses or gaps in controls; • Risk in Change process to effectively understand and manage the risks from changes to the business through projects or initiatives; • Establishment of Key Risk Indicators to monitor movements in risk exposures over time; • Assurance undertaken by Line 2 Risk teams to assess that operational risks are appropriately identified and managed across the Group; and • Risk Steward Guidance provided on key controls and routine Risk Steward monitoring of RAS and risk reporting.

Risk Management (continued)

Material Risk Types (continued)

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
Compliance Risk		
<p>Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may incur as a result of its failure to comply with its obligations.</p> <p>The Group is exposed to compliance risk primarily through:</p> <ul style="list-style-type: none"> • Laws, regulations, rules, licence conditions, and statements of regulatory policy; • Privacy laws and regulations regarding the collection, handling and protection of personal information of individuals; • Financial crime (regulation relating to Anti Money Laundering, Counter Terrorism Financing, Anti-Bribery and Corruption, Anti-Tax Evasion Facilitation and Sanctions); and • Poor conduct (product design and distribution, market conduct, anti-competitive practices; and financial hardship and debt collection). 	<p>Governing Policies:</p> <ul style="list-style-type: none"> • Group Compliance Management Framework (CMF) and Policies • Group and Business Unit Compliance Policies and Standards • Joint AML/CTF Group Program (Part A/Part B) • Anti-Bribery & Corruption Policy • Anti-Tax Evasion Facilitation Policy • Group Economic Trade Sanctions Policy • Code of Conduct • Product Development and Distribution Policy • Group Prevention of Anti-Competitive Practices Policy • Group Consumer Protection Policy • Group Customer Complaint Management Policy • Group Customer Remediation Projects Policy • Group Securities Trading Policy • Group Conflicts Management Policy <p>Key Management Committee:</p> <ul style="list-style-type: none"> • Executive Financial Crime Risk Committee • Financial Crime Risk Committee • Group/BU/SU NFRCs • Product Governance Forums 	<p>Regulatory & Licencing Obligations (RLO) and Privacy Risk</p> <ul style="list-style-type: none"> • Compliance, including FCC, Privacy and Conduct risk indicators in the Group RAS; • Mandatory online Compliance and Privacy training for all employees; • Regulatory change management to establish compliant business practices; • Maintenance of Obligation Registers; • RLO and Privacy Risk profiling through the Risk and Control Self-Assessment Process; • Group wide minimum standards in key areas; • Co-operative and transparent relationships with regulators; and • Board and management governance and reporting. <p>Financial Crime Compliance</p> <ul style="list-style-type: none"> • Implement AML/CTF Program; • Pre-employment due diligence on the Group's employees and enhanced screening for high risk roles; • Training and awareness sessions to staff on AML/CTF obligations including sections highlighting the community impact of financial crime and the Group's role to detect, deter and disrupt money laundering, terrorist financing and other serious crime; • Customer on-boarding processes to meet AML/CTF identification and screening requirements; • Ongoing customer due diligence to ensure information we maintain on our customers is accurate; • Risk assessments on our customers, products and channels to ensure we understand the money laundering and terrorism financing risks; • Enhanced customer due diligence on higher risk customers; • Monitoring customer payments, trade and all transactions to manage the AML/CTF and Sanctions risks identified; • Undertake statutory reporting requirements including International Funds Transfer Instructions, Threshold Transaction Reports and Suspicious Matter Reports and annual compliance reports; • Controls to prevent corruption of public officials and private sector individuals by employees, representatives, suppliers or third party agents, including disclosure and approval of gifts and entertainment, charitable donations and sponsorships; and • Controls to prevent the facilitation of tax evasion by employees, representatives and other third parties who are Associated Persons of the Group, including risk assessments (third party, product/channel and enterprise-wide risk assessment); employee due diligence and ongoing staff training and awareness. <p>Conduct Risk</p> <ul style="list-style-type: none"> • Code of Conduct, supported by mandatory training for all staff; • Ongoing Conduct Risk profiling, including use of the Conduct Risk Steward Guides and controls taxonomy to manage and address Conduct Risks; • Measurement and governance of Conduct Risk exposures through RAS metrics and NFRC, Board reporting; • Assurance and monitoring to identify Conduct Risk exposures and control weaknesses; • Enhancement of Code of Conduct related policies with changes in understanding of conduct obligations and expectations; and • Consistently applying the Code of Conduct and the 'Should We?' test to deliver the right outcome for our customers.

Risk Management (continued)

Material Risk Types (continued)

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
Strategic Risk		
<p>Strategic risk is the risk of material stakeholder value destruction or less than planned value creation due to changes in external and internal operating environments.</p> <p>This Strategic Risk type also includes a number of sub-risk types that:</p> <ul style="list-style-type: none"> • primarily support or drive strategic decisions that could impact our profitability or business model assumptions; • are impacted by, or drive decisions resulting in impacts across other risk types; and • are managed more routinely through their own dedicated governance, policies and procedures, infrastructure and teams. <p>These risks include:</p> <ul style="list-style-type: none"> • Capital Adequacy Risk – Inability to capitalise on strategic opportunities or withstand extreme events due to insufficient or inefficient use of capital; • Capability and Culture Risk - Inability to execute effectively on strategy due to inadequate organisational skills and capabilities and a misaligned organisational culture; • Environmental & Social (E&S) Risk - The risk of financial losses to the Group, or damage to the Group's franchise value from the impact of environmental and social issues on the business; or from the environmental and social impacts facilitated through the Group's operations and financing activities; and • Reputation Risk – The risk of business practices, behaviours or events negatively impacting the Group's reputation. 	<p>Governing Policies:</p> <ul style="list-style-type: none"> • Group Strategic Risk Management Policy • Stress Testing Policy • Risk Adjusted Performance Measurement Policy • Group Remuneration Policy • Group Inclusion & Diversity Policy • Group Environmental & Social Policy • Group Continuous Disclosure Policy • Group Public Disclosure of Prudential Information Policy • Group External Engagement and Communication Policy • Group Policy on Publicly Issued Documents and Marketing Materials <p>Key Management Committee:</p> <ul style="list-style-type: none"> • Executive Leadership Team • ELT Environmental & Social Committee • Asset and Liability Committee (ALCO) • Non-Financial Risk Committee • ELT Risk and Remuneration Review Committee (RRRC) • Stress Testing Steering Committee 	<p>Strategic Risk Management Framework</p> <p>The Strategic Risk Management Framework (SRMF) provides the overarching framework and governance mechanisms for the consideration of material strategic risks that challenge the business model and profitability assumptions in our strategy. In particular, the SRMF considers the impact to our strategy of dynamically evolving material current and emerging risks arising from changes in areas such as:</p> <ul style="list-style-type: none"> • The competitive landscape; • Emerging technologies; • Macroeconomic conditions; • The regulatory and political environment; and • Changes in social expectations. <p>The Group assesses, monitors and responds to strategic risk throughout its processes of:</p> <ul style="list-style-type: none"> • Strategy development, approval and review; • Identifying and monitoring changes and potential changes to the operating environment; and • Monitoring execution progress of strategies. <p>Capital Adequacy Risk</p> <ul style="list-style-type: none"> • Capital advice for projects and funding deals; • Dividend decision and management processes; • Capital monitoring, reporting and forecasting; • Internal Capital Adequacy Assessment Process (ICAAP); • Group, portfolio and risk type stress testing; and • Ratings agency interactions. <p>Capability and Culture Risk</p> <ul style="list-style-type: none"> • Talent acquisition processes; • Leadership development initiatives; • Organisational culture development initiatives; • Performance and remuneration processes; • Diversity & Inclusion initiatives; • Capability development and training; <p>Environmental & Social Risk</p> <ul style="list-style-type: none"> • Defined E&S Risk Indicators in the Group RAS; • Target financed emissions Glidepaths for priority sectors; • Scenario analyses and stress testing to understand the physical and transition risks of climate change; • E&S Risk embedded in the Group and BUs/SUs business profiles; • Client and supplier E&S due diligence process; • Development of new pilot products and services that support reduced emissions; • Environmental, Social & Governance (ESG) lending tool applied to certain lending decisions; • Corporate Responsibility programs; and • Supplier Code of Conduct to ensure adherence to CBA's Environmental & Social (E&S) standards. <p>Reputation Risk</p> <ul style="list-style-type: none"> • Media management, marketing and branding standards, processes and protocols; • Community investment initiatives; • Government and political affairs protocols; and • Strategic decisions to address actual or perceived material reputation risks.

Credit risk is the potential of loss arising from failure of a borrower to meet their contractual obligations to the Group. It arises primarily from lending activities, the provision of guarantees (including letters of credit), investments in bonds and notes, financial markets transactions, credit enhancements, securitisations and other associated activities.

The Group maintains a robust system of controls and processes to optimise the Group’s credit risk-taking activities.

Credit risk is managed at both a Group and BU level. The key credit risk related functions support the overall risk management responsibilities of the Board Risk and Compliance Committee and senior management as discussed in section 7 “Risk Management” of this document.

The Group applies the following elements for effective credit risk practice in its day-to-day business activities:

- Credit Risk Management Framework with associated policies, standards and processes; and
- Credit Risk Rating and Measurement (pages 41-43).

Credit Risk Management Framework

The Board Risk and Compliance Committee oversees the Group’s approach to credit risk management which is implemented via the Group Credit Risk Framework. The Group Credit Risk Management Framework is approved annually by the Executive Leadership Team Financial Risk Committee and is designed to achieve credit portfolio outcomes that are consistent with the Group’s risk appetite, risk / return expectations and regulatory requirements.

The Group has clearly defined credit policies and standards for the approval and management of credit risk. These set the minimum requirements for assessing the integrity and ability of borrowers to meet their contractual obligations for repayment, acceptable forms of collateral and security and the frequency of credit reviews.

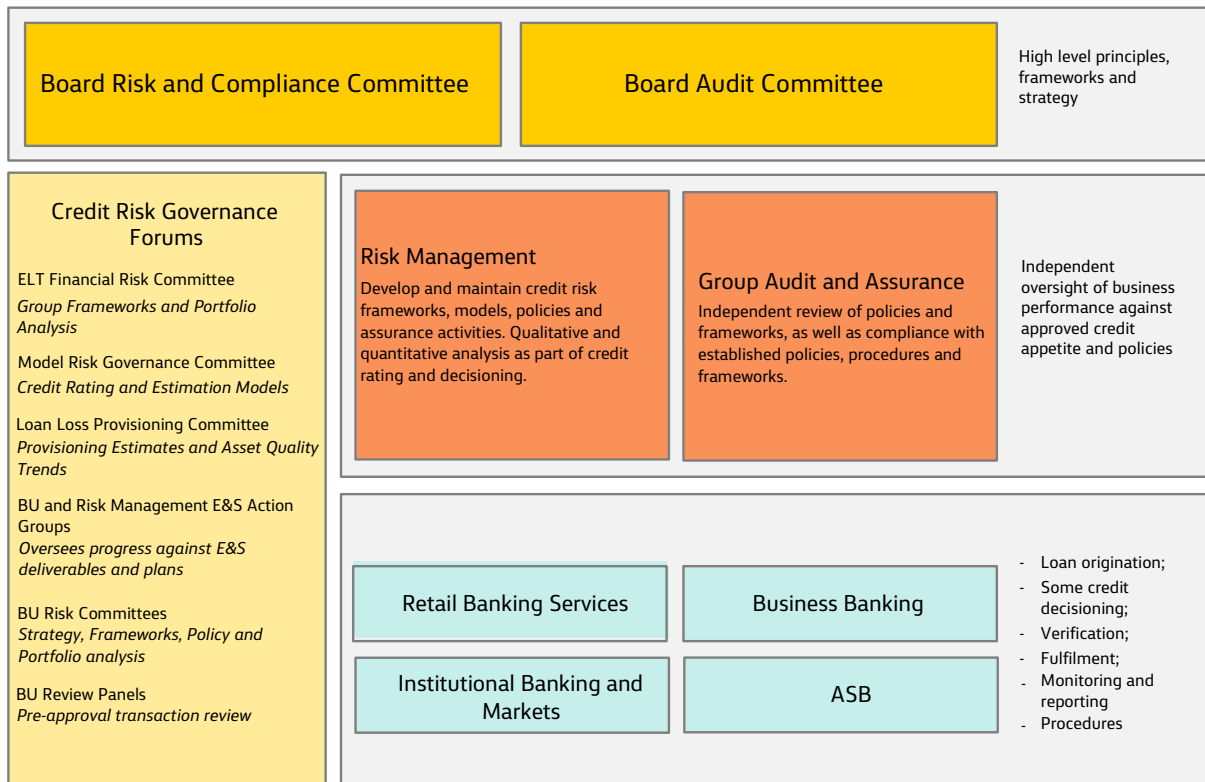
The Group’s RAS requires that there is appropriate diversification of credit risk. This is achieved through established policies that include limits for the key dimensions of the credit portfolio for:

- Individual borrowers, or groups of related borrowers;
- Industry sectors; and
- Geography (e.g. country risk).

Experts in each BU are accountable for identifying ways to diversify credit risk exposure in their businesses, all within the policy limits.

Operationally independent credit assurance and hindsight activities are carried out across the Group’s credit portfolio within Business Units, Risk Management and Group Audit. Additionally, Credit Portfolio Assurance, part of Group Operational Risk reviews non-retail credit portfolios and BU compliance with policies, application of credit risk ratings and other key practices on a regular basis. Credit Portfolio Assurance Unit reports its findings to the ELT Financial Risk Committee (FRC) and the Board Risk and Compliance Committee as appropriate. An independent function within Retail Banking Services Risk Management undertakes assurance activities across Retail portfolios. Group Audit undertakes regular reviews of Retail and Non-Retail credit risk portfolios, policies and frameworks.

The chart below illustrates the approach taken to manage credit risk in the Group.



Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation

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

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

Portfolio Type	30 June 2024				Average exposure for June 2024 half ¹	Change in exposure for June 2024 half ²	
	Off Balance Sheet						
	On Balance Sheet	Non-market related	Market related	Total			
	\$M	\$M	\$M	\$M	\$M	\$M	%
Subject to AIRB approach							
Corporate (incl. SME corporate)	145,885	16,203	1,254	163,342	160,333	6,019	3.8
SME retail	13,500	6,073	4	19,577	19,404	345	1.8
Residential mortgage	576,086	73,528	–	649,614	642,344	14,541	2.3
Qualifying revolving retail	8,242	14,923	–	23,165	23,268	(206)	(0.9)
Other retail	7,291	1,280	–	8,571	8,251	639	8.1
Total AIRB approach	751,004	112,007	1,258	864,269	853,600	21,338	2.5
Subject to FIRB approach							
Corporate - large	30,669	14,511	4,477	49,657	49,238	838	1.7
Sovereign	129,184	875	4,173	134,232	153,956	(39,447)	(22.7)
Financial institution	22,069	7,033	14,798	43,900	50,401	(13,002)	(22.8)
Total FIRB approach	181,922	22,419	23,448	227,789	253,595	(51,611)	(18.5)
Specialised lending	3,444	1,084	59	4,587	4,493	189	4.3
Subject to standardised approach							
Corporate (incl. SME corporate)	826	228	28	1,082	957	250	30.0
SME retail	519	294	23	836	846	(19)	(2.2)
Sovereign	1	–	–	1	230	(459)	(99.8)
Residential mortgage	15,605	1,509	–	17,114	16,998	232	1.4
Other retail	100	137	–	237	378	(281)	(54.2)
Other assets ³	10,200	997	43	11,240	13,429	(4,379)	(28.0)
Central counterparties	–	–	3,115	3,115	2,989	253	8.8
Total standardised approach	27,251	3,165	3,209	33,625	35,827	(4,403)	(11.6)
RBNZ regulated entities	114,031	13,002	2,493	129,526	130,654	(2,255)	(1.7)
Total credit exposures ⁴	1,077,652	151,677	30,467	1,259,796	1,278,169	(36,742)	(2.8)

1 The simple average of balances as at 30 June 2024 and 31 December 2023.

2 The difference between exposures as at 30 June 2024 and 31 December 2023.

3 Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Bank.

4 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures. Off Balance Sheet market related exposures include \$3.9 billion of exposures in relation to Securities Financing Transactions (SFTs).

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

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

Portfolio Type	31 December 2023				Average exposure for December 2023 half ¹	Change in exposure for December 2023 half ²	
	Off Balance Sheet			Total			
	On Balance Sheet	Non-market related	Market related				
\$M	\$M	\$M	\$M	\$M	\$M	%	
Subject to AIRB approach							
Corporate (incl. SME corporate)	138,385	17,308	1,630	157,323	156,145	2,357	1.5
SME retail	12,937	6,282	13	19,232	19,019	426	2.3
Residential mortgage	562,209	72,864	–	635,073	635,415	(684)	(0.1)
Qualifying revolving retail	8,362	15,009	–	23,371	23,451	(160)	(0.7)
Other retail	6,645	1,287	–	7,932	7,774	316	4.1
Total AIRB approach	728,538	112,750	1,643	842,931	841,804	2,255	0.3
Subject to FIRB approach							
Corporate - large	29,694	14,039	5,086	48,819	45,084	7,470	18.1
Sovereign	156,260	613	16,806	173,679	185,693	(24,028)	(12.2)
Financial institution	36,598	7,566	12,738	56,902	49,767	14,270	33.5
Total FIRB approach	222,552	22,218	34,630	279,400	280,544	(2,288)	(0.8)
Specialised lending	3,287	993	118	4,398	4,520	(243)	(5.2)
Subject to standardised approach							
Corporate (incl. SME corporate)	546	282	4	832	695	273	48.8
SME retail	520	319	16	855	1,052	(393)	(31.5)
Sovereign	459	1	–	460	490	(60)	(11.5)
Residential mortgage	15,318	1,564	–	16,882	16,748	268	1.6
Other retail	403	115	–	518	561	(86)	(14.2)
Other assets ³	14,348	1,014	257	15,619	14,493	2,252	16.8
Central counterparties	–	–	2,862	2,862	2,739	246	9.4
Total standardised approach	31,594	3,295	3,139	38,028	36,778	2,500	7.0
RBNZ regulated entities	116,070	13,148	2,563	131,781	131,373	815	0.6
Total credit exposures ⁴	1,102,041	152,404	42,093	1,296,538	1,295,019	3,039	0.2

¹ The simple average of balances as at 31 December 2023 and 30 June 2023

² The difference between exposures as at 31 December 2023 and 30 June 2023.

³ Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Bank.

⁴ Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures. Off Balance Sheet market related exposures include \$15.8 billion of exposures in relation to Securities Financing Transactions (SFTs).

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

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

Portfolio Type	30 June 2023			
	Off Balance Sheet			
	On Balance Sheet	Non-market related	Market related	Total
	\$M	\$M	\$M	\$M
Subject to AIRB approach				
Corporate (incl. SME corporate)	136,568	17,366	1,032	154,966
SME retail	12,911	5,891	4	18,806
Residential mortgage	563,683	72,074	–	635,757
Qualifying revolving retail	8,116	15,415	–	23,531
Other retail	6,180	1,436	–	7,616
Total AIRB approach	727,458	112,182	1,036	840,676
Subject to FIRB approach				
Corporate - large	23,869	13,313	4,167	41,349
Sovereign	174,913	562	22,232	197,707
Financial institution	22,244	7,294	13,094	42,632
Total FIRB approach	221,026	21,169	39,493	281,688
Specialised lending	3,514	1,023	104	4,641
Subject to standardised approach				
Corporate (incl. SME corporate)	332	224	3	559
SME retail	859	375	14	1,248
Sovereign	519	1	–	520
Residential mortgage	14,925	1,689	–	16,614
Other retail	504	100	–	604
Other assets ¹	12,167	1,200	–	13,367
Central counterparties	–	–	2,616	2,616
Total standardised approach	29,306	3,589	2,633	35,528
RBNZ regulated entities	115,373	12,880	2,713	130,966
Total credit exposures ²	1,096,677	150,843	45,979	1,293,499

1 Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Bank.

2 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures. Off Balance Sheet market related exposures include \$20.7 billion of exposures in relation to Securities Financing Transactions (SFTs).

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

Table 7b – Credit risk exposure by portfolio type

Portfolio Type	As at 30 Jun 24 \$M	Half year average \$M
Corporate (incl. Large and SME corporate)	214,081	210,528
Sovereign	134,233	154,186
Financial institution	43,900	50,401
SME retail	20,413	20,250
Residential mortgage	666,728	659,342
Qualifying revolving retail	23,165	23,268
Other retail	8,808	8,629
Specialised lending	4,587	4,493
Other assets	11,240	13,429
Central counterparties	3,115	2,989
RBNZ regulated entities	129,526	130,654
Total credit exposures¹	1,259,796	1,278,169

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

Portfolio Type	As at 31 Dec 23 \$M	Half year average \$M
Corporate (incl. Large and SME corporate)	206,974	201,924
Sovereign	174,139	186,183
Financial institution	56,902	49,767
SME retail	20,087	20,071
Residential mortgage	651,955	652,163
Qualifying revolving retail	23,371	23,451
Other retail	8,450	8,335
Specialised lending	4,398	4,520
Other assets	15,619	14,493
Central counterparties	2,862	2,739
RBNZ regulated entities	131,781	131,373
Total credit exposures¹	1,296,538	1,295,019

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

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

Table 7b – Credit risk exposure by portfolio type (continued)

Portfolio Type	As at 30 Jun 23 \$M
Corporate (incl. Large and SME corporate)	196,874
Sovereign	198,227
Financial institution	42,632
SME retail	20,054
Residential mortgage	652,371
Qualifying revolving retail	23,531
Other retail	8,220
Specialised lending	4,641
Other assets	13,367
Central counterparties	2,616
RBNZ regulated entities	130,966
Total credit exposures ¹	1,293,499

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

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

Portfolio Type	30 June 2024			Total \$M
	Australia \$M	New Zealand \$M	Other \$M	
Corporate (incl. Large and SME corporate)	200,027	3,020	11,034	214,081
Sovereign	99,125	730	34,378	134,233
Financial institution	20,904	156	22,840	43,900
SME retail	20,411	–	2	20,413
Residential mortgage	666,646	–	82	666,728
Qualifying revolving retail	23,165	–	–	23,165
Other retail	8,808	–	–	8,808
Specialised lending	2,187	–	2,400	4,587
Other assets	9,598	17	1,625	11,240
Central counterparties	824	–	2,291	3,115
RBNZ regulated entities	–	129,526	–	129,526
Total credit exposures ^{1 2}	1,051,695	133,449	74,652	1,259,796

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

2 Geographical segmentation of exposures is based on the location of the office in which these items were booked.

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

Table 7c – Credit risk exposure by portfolio type and geographic distribution (continued)

Portfolio Type	31 December 2023			
	Australia \$M	New Zealand \$M	Other \$M	Total \$M
Corporate (incl. Large and SME corporate)	191,446	2,685	12,843	206,974
Sovereign	136,985	116	37,038	174,139
Financial institution	36,046	–	20,856	56,902
SME retail	20,064	–	23	20,087
Residential mortgage	651,566	–	389	651,955
Qualifying revolving retail	23,371	–	–	23,371
Other retail	8,132	–	318	8,450
Specialised lending	2,282	–	2,116	4,398
Other assets	14,881	15	723	15,619
Central counterparties	359	–	2,503	2,862
RBNZ regulated entities	–	131,781	–	131,781
Total credit exposures ^{1 2}	1,085,132	134,597	76,809	1,296,538

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

2 Geographical segmentation of exposures is based on the location of the office in which these items were booked.

Portfolio Type	30 June 2023			
	Australia \$M	New Zealand \$M	Other \$M	Total \$M
Corporate (incl. Large and SME corporate)	182,612	2,402	11,860	196,874
Sovereign	167,134	132	30,961	198,227
Financial institution	22,010	–	20,622	42,632
SME retail	20,035	–	19	20,054
Residential mortgage	651,952	–	419	652,371
Qualifying revolving retail	23,531	–	–	23,531
Other retail	7,787	–	433	8,220
Specialised lending	2,603	–	2,038	4,641
Other assets	12,193	14	1,160	13,367
Central counterparties	478	–	2,138	2,616
RBNZ regulated entities	548	129,817	601	130,966
Total credit exposures ^{1 2}	1,090,883	132,365	70,251	1,293,499

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

2 Geographical segmentation of exposures is based on the location of the office in which these items were booked.

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

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

Portfolio Type	30 June 2024							
	Industry Sector							
	Consumer	Finance & Insurance	Business Services	Agriculture & Forestry	Construction	Mining, Oil & Gas	Wholesale & Retail Trade	Transport & Storage
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate (incl. Large and SME corporate)	–	2,736	10,227	18,440	6,625	4,877	20,617	19,314
Sovereign	–	–	–	–	–	–	–	–
Financial institution	–	43,900	–	–	–	–	–	–
SME retail ¹	–	374	2,005	1,534	2,811	131	2,817	1,278
Residential mortgage	666,728	–	–	–	–	–	–	–
Qualifying revolving retail	23,165	–	–	–	–	–	–	–
Other retail	8,808	–	–	–	–	–	–	–
Specialised lending	–	–	–	–	–	59	327	740
Other assets ²	2,732	115	25	35	21	20	22	563
Central counterparties	–	3,115	–	–	–	–	–	–
RBNZ regulated entities	78,511	3,203	1,778	10,695	1,153	10	3,684	967
Total credit exposures ³	779,944	53,443	14,035	30,704	10,610	5,097	27,467	22,862

Portfolio Type	Industry Sector (continued)							
	Manufacturing	Commercial Property ⁴	Government Admin. & Defence	Health & Community Services	Entertainment Leisure & Tourism	Electricity Gas & Water	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate (incl. Large and SME corporate)	13,161	75,877	–	10,066	14,839	7,785	9,517	214,081
Sovereign	–	–	134,233	–	–	–	–	134,233
Financial institution	–	–	–	–	–	–	–	43,900
SME retail ¹	1,075	1,790	–	1,078	1,256	43	4,221	20,413
Residential mortgage	–	–	–	–	–	–	–	666,728
Qualifying revolving retail	–	–	–	–	–	–	–	23,165
Other retail	–	–	–	–	–	–	–	8,808
Specialised lending	168	–	–	–	50	3,018	225	4,587
Other assets ²	33	47	–	10	7	–	7,610	11,240
Central counterparties	–	–	–	–	–	–	–	3,115
RBNZ regulated entities	1,470	10,263	13,285	1,963	802	708	1,034	129,526
Total credit exposures ³	15,907	87,977	147,518	13,117	16,954	11,554	22,607	1,259,796

¹ SME retail business lending secured by residential property has been allocated by industry.

² Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Bank.

³ Total credit risk exposures do not include equities or securitisation exposures.

⁴ Commercial Property includes Real Estate Investment Trusts (REIT) and excludes Business Services.

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

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

Portfolio Type	31 December 2023 ¹							
	Industry Sector							
	Consumer	Finance & Insurance	Business Services	Agriculture & Forestry	Construction	Mining, Oil & Gas	Wholesale & Retail Trade	Transport & Storage
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate (incl. Large and SME corporate)	–	1,922	9,527	16,665	6,212	4,232	20,730	18,449
Sovereign	–	–	–	–	–	–	–	–
Financial institution	–	56,902	–	–	–	–	–	–
SME retail ²	–	362	1,933	1,525	2,717	127	2,798	1,215
Residential mortgage	651,955	–	–	–	–	–	–	–
Qualifying revolving retail	23,371	–	–	–	–	–	–	–
Other retail	8,450	–	–	–	–	–	–	–
Specialised lending	–	–	–	–	–	277	340	822
Other assets ³	2,768	488	18	27	23	48	66	622
Central counterparties	–	2,862	–	–	–	–	–	–
RBNZ regulated entities	78,718	3,699	1,877	10,778	1,167	11	3,709	930
Total credit exposures ⁴	765,262	66,235	13,355	28,995	10,119	4,695	27,643	22,038

Portfolio Type	Industry Sector (continued)							
	Manufacturing	Commercial Property ⁵	Government Admin. & Defence	Health & Community Services	Entertainment Leisure & Tourism	Electricity Gas & Water	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Corporate (incl. Large and SME corporate)	14,304	74,303	–	9,850	13,214	8,500	9,066	206,974
Sovereign	–	–	174,139	–	–	–	–	174,139
Financial institution	–	–	–	–	–	–	–	56,902
SME retail ²	1,058	1,819	–	1,051	1,221	43	4,218	20,087
Residential mortgage	–	–	–	–	–	–	–	651,955
Qualifying revolving retail	–	–	–	–	–	–	–	23,371
Other retail	–	–	–	–	–	–	–	8,450
Specialised lending	163	–	–	–	48	2,596	152	4,398
Other assets ³	61	31	–	10	16	2	11,439	15,619
Central counterparties	–	–	–	–	–	–	–	2,862
RBNZ regulated entities	1,531	10,334	14,464	1,946	856	636	1,125	131,781
Total credit exposures ⁴	17,117	86,487	188,603	12,857	15,355	11,777	26,000	1,296,538

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

2 SME retail business lending secured by residential property has been allocated by industry.

3 Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Bank.

4 Total credit risk exposures do not include equities or securitisation exposures.

5 Commercial Property includes Real Estate Investment Trusts (REIT) and excludes Business Services.

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

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

Portfolio Type	30 June 2023 ¹							
	Industry Sector							
	Consumer \$M	Finance & Insurance \$M	Business Services \$M	Agriculture & Forestry \$M	Construction \$M	Mining, Oil & Gas \$M	Wholesale & Retail Trade \$M	Transport & Storage \$M
Corporate (incl. Large and SME corporate)	–	1,256	8,755	15,831	5,879	4,909	19,460	17,256
Sovereign	–	–	–	–	–	–	–	–
Financial institution	–	42,632	–	–	–	–	–	–
SME retail ²	–	361	1,897	1,585	2,627	129	2,785	1,167
Residential mortgage	652,371	–	–	–	–	–	–	–
Qualifying revolving retail	23,531	–	–	–	–	–	–	–
Other retail	8,220	–	–	–	–	–	–	–
Specialised lending	–	–	–	–	–	173	250	1,061
Other assets ³	2,861	457	2	–	8	1	34	3
Central counterparties	–	2,616	–	–	–	–	–	–
RBNZ regulated entities	78,449	3,184	1,788	10,830	1,152	8	3,565	930
Total credit exposures ⁴	765,432	50,506	12,442	28,246	9,666	5,220	26,094	20,417

Portfolio Type	Industry Sector (continued)							Total \$M
	Manufacturing \$M	Commercial Property ⁵ \$M	Government Admin. & Defence \$M	Health & Community Services \$M	Entertainment Leisure & Tourism \$M	Electricity Gas & Water \$M	Other \$M	
	Corporate (incl. Large and SME corporate)	12,570	73,065	–	9,580	12,430	6,938	
Sovereign	–	–	198,227	–	–	–	–	198,227
Financial institution	–	–	–	–	–	–	–	42,632
SME retail ²	1,049	1,988	–	1,035	1,200	43	4,188	20,054
Residential mortgage	–	–	–	–	–	–	–	652,371
Qualifying revolving retail	–	–	–	–	–	–	–	23,531
Other retail	–	–	–	–	–	–	–	8,220
Specialised lending	346	–	–	–	160	2,516	135	4,641
Other assets ³	45	–	–	–	–	–	9,956	13,367
Central counterparties	–	–	–	–	–	–	–	2,616
RBNZ regulated entities	1,646	10,109	14,907	1,780	837	669	1,112	130,966
Total credit exposures ⁴	15,656	85,162	213,134	12,395	14,627	10,166	24,336	1,293,499

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

2 SME retail business lending secured by residential property has been allocated by industry.

3 Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Bank.

4 Total credit risk exposures do not include equities or securitisation exposures.

5 Commercial Property includes Real Estate Investment Trusts (REIT) and excludes Business Services.

Credit Risk (continued)

8.1 Credit Risk Exposure – excluding Equities and Securitisation (continued)

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

30 June 2024					
Portfolio Type	≤ 12mths \$M	1 ≤ 5yrs \$M	> 5 years \$M	No specified maturity \$M	Total \$M
Corporate (incl. Large and SME corporate)	66,565	137,754	9,762	–	214,081
Sovereign	49,458	32,981	51,794	–	134,233
Financial institution	30,110	13,447	343	–	43,900
SME retail	7,017	8,491	4,905	–	20,413
Residential mortgage	19,565	61,786	569,242	16,135	666,728
Qualifying revolving retail	–	–	–	23,165	23,165
Other retail	303	4,520	2,950	1,035	8,808
Specialised lending	1,269	2,622	696	–	4,587
Other assets	2,858	603	198	7,581	11,240
Central counterparties	1,100	1,042	973	–	3,115
RBNZ regulated entities	38,263	14,464	76,799	–	129,526
Total credit exposures¹	216,508	277,710	717,662	47,916	1,259,796

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

31 December 2023					
Portfolio Type	≤ 12mths \$M	1 ≤ 5yrs \$M	> 5 years \$M	No specified maturity \$M	Total \$M
Corporate (incl. Large and SME corporate)	62,009	134,150	10,815	–	206,974
Sovereign	96,123	29,777	48,239	–	174,139
Financial institution	41,911	14,822	169	–	56,902
SME retail	6,859	8,186	5,042	–	20,087
Residential mortgage	20,079	62,414	552,288	17,174	651,955
Qualifying revolving retail	–	–	–	23,371	23,371
Other retail	282	4,104	2,728	1,336	8,450
Specialised lending	928	2,831	639	–	4,398
Other assets	3,100	638	196	11,685	15,619
Central counterparties	1,157	684	1,021	–	2,862
RBNZ regulated entities	41,264	14,349	76,168	–	131,781
Total credit exposures¹	273,712	271,955	697,305	53,566	1,296,538

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

30 June 2023					
Portfolio Type	≤ 12mths \$M	1 ≤ 5yrs \$M	> 5 years \$M	No specified maturity \$M	Total \$M
Corporate (incl. Large and SME corporate)	54,364	131,527	10,983	–	196,874
Sovereign	124,250	29,876	44,101	–	198,227
Financial institution	27,569	13,970	1,093	–	42,632
SME retail	6,755	8,189	5,110	–	20,054
Residential mortgage	20,052	62,323	551,950	18,046	652,371
Qualifying revolving retail	–	–	–	23,531	23,531
Other retail	270	3,819	2,596	1,535	8,220
Specialised lending	1,172	2,493	976	–	4,641
Other assets	3,284	543	289	9,251	13,367
Central counterparties	784	663	1,169	–	2,616
RBNZ regulated entities	42,647	13,719	74,600	–	130,966
Total credit exposures¹	281,147	267,122	692,867	52,363	1,293,499

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

Credit Risk (continued)

8.2 Non-performing Exposures and Provisions

Provisioning for Impairment

The Group assesses and measures credit losses in accordance with statutory financial accounting requirements under the Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB), and APRA regulatory requirements.

The Group assesses its provisioning for impairment in accordance with AASB 9 *Financial Instruments* (AASB 9) and recognises both individually assessed provisions and collectively assessed provisions.

A monthly assessment is undertaken to assess the quality of the credit portfolio to determine the loan impairment expense and provisions.

APRA Prudential Standard APS 220 *Credit Risk Management* requires provisions to be adequate and consistent with the objectives of Australian Accounting Standards.

APS 111 *Capital Adequacy: Measurement of Capital* (APS 111) requires the Group to reduce CET1 to the extent the amount of regulatory expected losses is in excess of APRA defined eligible provisions.

Collective Provisions

The expected credit loss (ECL) impairment models are used by the Group to calculate collective provisions. ECL is a probability weighted expected credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The Group uses the following AASB 9 collective provisioning models in calculating ECL for significant portfolios:

- Retail lending: Home Loans model, Credit Cards model, Personal Loans model; and
- Non-retail lending: Corporate Risk-Rated model, Asset Finance model, Retail SME model.

For each significant portfolio, ECL is calculated as a product of the Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD). Credit risk factors of PD and LGD used in the ECL calculation are point-in-time estimates based on current conditions and adjusted to include the impact of multiple probability weighted future forecast economic scenarios. This is distinct from the long-run and downturn estimates used for regulatory purposes described in section 8.4.

Individually Assessed Provisions

Individually Assessed Provisions (IAP) are held against financial assets that are individually significant, or which have been individually assessed as impaired.

Defaulted exposures with an expected loss in excess of \$20,000 are assessed for impairment through an IAP process. Impairment provisions on these exposures are calculated directly as the difference between the defaulted asset's carrying value and the present value of expected future cash flows including cash flows, from realisation of collateral, where applicable.

Credit Risk (continued)

8.2 Non-performing Exposures and Provisions (continued)

Reconciliation of Australian Accounting Standards and APS 220 *Credit Risk Management* based credit provisions and Table 7j – Provisions held against performing exposures

	30 June 2024		
	General provision ¹	Specific provision ¹	Total provisions
	\$M	\$M	\$M
Collective provision ²	4,589	834	5,423
Individual provisions ²	–	712	712
Total regulatory provisions	4,589	1,546	6,135

1 General provision balance includes collective provision on performing exposures, specific provision balance includes accounting collective provisions on non-performing exposures.

2 Provisions according to Australian Accounting Standards.

	31 December 2023		
	General provision ¹	Specific provision ¹	Total provisions
	\$M	\$M	\$M
Collective provision ²	4,681	649	5,330
Individual provisions ²	–	733	733
Total regulatory provisions	4,681	1,382	6,063

1 General provision balance includes collective provision on performing exposures, specific provision balance includes accounting collective provisions on non-performing exposures.

2 Provisions according to Australian Accounting Standards.

	30 June 2023		
	General provision ¹	Specific provision ¹	Total provisions
	\$M	\$M	\$M
Collective provision ²	4,598	598	5,196
Individual provisions ²	–	754	754
Total regulatory provisions	4,598	1,352	5,950

1 General provision balance includes collective provision on performing exposures, specific provision balance includes accounting collective provisions on non-performing exposures.

2 Provisions according to Australian Accounting Standards.

Credit Risk (continued)

8.2 Non-performing Exposures and Provisions (continued)

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

Table 7f (i) – Non-performing, specific provisions and write-offs charged by industry sector

30 June 2024				
Industry Sector	Non performing exposures	Specific provision balance ¹	Net full year charges for specific provisions	Full year actual losses ²
	\$M	\$M	\$M	\$M
Consumer	7,006	736	581	387
Government Administration & Defence	–	–	–	–
Finance & Insurance	42	21	10	10
Business Services	153	59	22	6
Agriculture & Forestry	356	37	14	15
Mining, Oil & Gas	28	14	(1)	–
Manufacturing	243	87	41	49
Electricity, Gas & Water	2	–	–	–
Construction	288	135	6	20
Wholesale & Retail Trade	374	187	58	69
Transport & Storage	192	26	18	15
Commercial Property	357	27	13	7
Entertainment, Leisure & Tourism	238	113	33	5
Health & Community Services	212	71	18	1
Other	127	33	14	94
Total	9,618	1,546	827	678

¹ Specific provision balance includes accounting collective provisions on non-performing loans.

² Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the year ended 30 June 2024.

Table 7f (i) – Non-performing, specific provisions and write-offs charged by industry sector

31 December 2023				
Industry Sector	Non performing exposures	Specific provision balance ¹	Net half year charges for specific provisions	Half year actual losses ²
	\$M	\$M	\$M	\$M
Consumer	5,562	574	217	178
Government Administration & Defence	–	–	–	–
Finance & Insurance	54	21	8	7
Business Services	123	35	(5)	2
Agriculture & Forestry	299	36	5	9
Mining, Oil & Gas	31	12	(1)	–
Manufacturing	180	82	11	22
Electricity, Gas & Water	–	–	–	–
Construction	269	116	(15)	11
Wholesale & Retail Trade	412	189	34	47
Transport & Storage	184	34	9	2
Commercial Property	377	41	17	1
Entertainment, Leisure & Tourism	203	100	21	2
Health & Community Services	243	66	12	1
Other	167	76	29	42
Total	8,104	1,382	342	324

¹ Specific provision balance includes accounting collective provisions on non-performing loans.

² Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the half year ended 31 December 2023

Credit Risk (continued)

8.2 Non-performing Exposures and Provisions (continued)

Table 7f (i) – Non-performing, specific provisions and write-offs charged by industry sector (continued)

Industry Sector	30 June 2023 ¹			
	Non performing exposures \$M	Specific provision balance ² \$M	Net full year charges for specific provisions \$M	Full year actual losses ³ \$M
Consumer	5,218	538	76	266
Government Administration & Defence	–	–	–	–
Finance & Insurance	68	20	21	10
Business Services	140	40	(17)	4
Agriculture & Forestry	264	39	(10)	17
Mining, Oil & Gas	35	12	20	47
Manufacturing	197	91	76	170
Electricity, Gas & Water	–	–	–	–
Construction	266	130	100	18
Wholesale & Retail Trade	424	196	72	9
Transport & Storage	213	29	(15)	9
Commercial Property	201	27	1	7
Entertainment, Leisure & Tourism	239	78	(2)	5
Health & Community Services	239	66	48	1
Other	204	86	21	13
Total	7,708	1,352	391	576

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

2 Specific provision balance includes accounting collective provisions on non-performing loans.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the year ended 30 June 2023

Factors impacting the loss experience

The overall quality of the portfolio deteriorated slightly during the financial year ended 30 June 2024. Non-performing exposures increased by 25% over the full year from \$7.7bn to \$9.6bn. The Group's actual losses increased by \$102 million on the prior full year to \$678 million primarily driven by higher write-offs in the unsecured consumer portfolio and other non-retail sectors; partially offset by lower write-offs in manufacturing sector.

Credit Risk (continued)

8.2 Non-performing Exposures and Provisions (continued)

Table 7f (ii) – Non-performing, specific provisions and write-offs charged by portfolio

Portfolio ⁴	30 June 2024			
	Non performing exposures \$M	Specific provision balance ¹ \$M	Net full year charges for specific provisions ² \$M	Full year actual losses ³ \$M
Corporate (Inc. Large and SME Corp.)	1,863	505	126	172
Sovereign	–	–	–	–
Financial Institution	1	1	–	–
SME Retail	276	103	87	57
Residential Mortgage	5,483	459	171	32
Qualifying Revolving Retail	74	56	131	121
Other Retail	105	79	219	208
Specialised Lending	115	105	0	46
Other Assets	6	2	–	–
Central Counterparties	–	–	–	–
RBNZ Regulated Entities	1,695	236	93	42
Total	9,618	1,546	827	678

1 Specific provision balance includes accounting collective provisions on non-performing loans.

2 Includes charges for accounting collective provisions on non-performing exposures for the year ended 30 June 2024.

3 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the year ended 30 June 2024.

4 Losses stemming from lower risk IPRE lending and overall losses from IPRE lending are less than 0.3% and 0.5% of outstanding IPRE exposures, respectively, in each of the past three years to 30 June 2024.

Portfolio ⁵	31 December 2023 ¹			
	Non performing exposures \$M	Specific provision balance ² \$M	Net half year charges for specific provisions ³ \$M	Half year actual losses ⁴ \$M
Corporate (Inc. Large and SME Corp.)	1,780	497	50	66
Sovereign	–	–	–	–
Financial Institution	1	1	–	–
SME Retail	227	85	61	29
Residential Mortgage	4,290	353	40	4
Qualifying Revolving Retail	69	54	76	69
Other Retail	84	58	89	97
Specialised Lending	131	93	(1)	43
Other Assets	49	45	–	–
Central Counterparties	–	–	–	–
RBNZ Regulated Entities	1,473	196	27	16
Total	8,104	1,382	342	324

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

2 Specific provision balance includes accounting collective provisions on non-performing loans.

3 Includes charges for accounting collective provisions on non-performing exposures for the half year ended 31 December 2023.

4 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the half year ended 31 December 2023.

5 Losses stemming from lower risk IPRE lending and overall losses from IPRE lending are less than 0.3% and 0.5% of outstanding IPRE exposures, respectively, in each of the past three years to 31 December 2023.

Credit Risk (continued)

8.2 Non-performing Exposures and Provisions (continued)

Table 7f (ii) – Non-performing, specific provisions and write-offs charged by portfolio (continued)

	30 June 2023 ¹			
Portfolio	Non performing exposures	Specific provision balance ²	Net full year charges for specific provisions ³	Full year actual losses ⁴
	\$M	\$M	\$M	\$M
Corporate (Inc. Large and SME Corp.)	1,718	501	257	264
Sovereign	–	–	–	–
Financial Institution	2	1	–	–
SME Retail	228	56	67	34
Residential Mortgage	3,920	313	(167)	27
Qualifying Revolving Retail	61	46	73	92
Other Retail	89	68	128	133
Specialised Lending	144	131	1	2
Other Assets	86	48	1	–
Central Counterparties	–	–	–	–
RBNZ Regulated Entities	1,460	188	31	24
Total	7,708	1,352	391	576

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

² Specific provision balance includes accounting collective provisions on non-performing loans.

³ Includes charges for accounting collective provisions on non-performing exposures for the year ended 30 June 2023.

⁴ Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the year ended 30 June 2023.

Credit Risk (continued)

8.2 Non-performing Exposures and Provisions (continued)

Table 7g (i) to (ii) – Non performing, specific provisions, and general provisions by geographic region

Geographic Region ¹	30 June 2024		
	Non performing exposures	Specific provision balance	General provision balance
	\$M	\$M	\$M
Australia	7,776	1,300	4,119
New Zealand	1,682	234	385
Other	160	12	85
Total	9,618	1,546	4,589

¹ Balances are reported based on the risk domicile of the borrower.

Geographic Region ¹	31 December 2023		
	Non performing exposures	Specific provision balance	General provision balance
	\$M	\$M	\$M
Australia	6,427	1,126	4,166
New Zealand	1,457	193	398
Other	220	63	117
Total	8,104	1,382	4,681

¹ Balances are reported based on the risk domicile of the borrower.

Geographic Region ¹	30 June 2023		
	Non performing exposures	Specific provision balance	General provision balance
	\$M	\$M	\$M
Australia	5,995	1,085	4,022
New Zealand	1,447	180	400
Other	266	87	176
Total	7,708	1,352	4,598

¹ Balances are reported based on the risk domicile of the borrower.

Credit Risk (continued)

8.2 Non-performing Exposures and Provisions (continued)

Table 7h (i) & (ii)– Movement in individual and collective provisions

	Group			Total \$M
	Stage 1 Performing \$M	Stage 2 Performing \$M	Stage 3 Non- performing \$M	
Closing balance as at 31 December 2022	1,736	2,452	1,353	5,541
Transfers to/(from)				
Stage 1	1,158	(1,147)	(11)	–
Stage 2	(469)	591	(122)	–
Stage 3	(12)	(186)	198	–
Net re-measurement on transfers between stages	(925)	1,540	216	831
Net financial assets originated	191	(461)	(107)	(377)
Movement in existing IAP (including IAP write-backs)	–	–	104	104
Movements due to risk parameters and other changes	30	95	(86)	39
Loan impairment expense/(benefit) for the period	(27)	432	192	597
Write-offs	–	–	(256)	(256)
Recoveries	–	–	44	44
Foreign exchange and other commitments	–	5	19	24
Closing balance as at 30 June 2023	1,709	2,889	1,352	5,950
Transfers to/(from)				
Stage 1	698	(696)	(2)	–
Stage 2	(384)	504	(120)	–
Stage 3	(32)	(178)	210	–
Net re-measurement on transfers between stages	(492)	848	236	592
Net financial assets originated	61	(675)	(159)	(773)
Movement in existing IAP (including IAP write-backs)	–	–	93	93
Movements due to risk parameters and other changes	188	231	84	503
Loan impairment expense/(benefit) for the period	39	34	342	415
Write-offs	–	–	(376)	(376)
Recoveries	–	–	52	52
Foreign exchange and other commitments	5	5	12	22
Closing balance as at 31 December 2023	1,753	2,928	1,382	6,063
Transfers to/(from)				
Stage 1	780	(775)	(5)	–
Stage 2	(353)	459	(106)	–
Stage 3	(15)	(217)	232	–
Net re-measurement on transfers between stages	(583)	822	290	529
Net financial assets originated	278	(181)	(158)	(61)
Movement in existing IAP (including IAP write-backs)	–	–	67	67
Movements due to risk parameters and other changes	(66)	(247)	165	(148)
Loan impairment expense/(benefit) for the period	41	(139)	485	387
Write-offs	–	–	(430)	(430)
Recoveries	–	–	76	76
Foreign exchange and other commitments	1	5	33	39
Closing balance as at 30 June 2024	1,795	2,794	1,546	6,135

For definitions of the line items in the table above refer to Note 3.2 in the 2024 Annual Report.

Credit Risk (continued)

8.3 Portfolios Subject to Standardised and Supervisory Risk Weights

The standardised approach is used by the Group where portfolios or segments are considered to be immaterial by the size of exposure or where the relevant prudential standards require a standardised approach to be used¹.

Portfolios that use the standardised approach include:

APRA regulated entities – portfolios under APS 112: *Capital Adequacy: Standardised Approach to Credit Risk* (APS 112)

- Some retail SME (overdrawn accounts) and small unsecured consumer retail portfolios;
- Corporate exposures without risk ratings;
- Some standard residential property loans (including purchased portfolios);
- Non-standard residential property loans as defined in APS 112 including:
 - Interest only loans not predominantly for business purposes with an LVR greater than 80% and an interest only term specified in the contract as greater than 5 years;
 - Property exposures originated since 1 January 2023 where assessment does not result in a positive determination of the borrower's ability to meet repayment obligations; and
 - reverse mortgages and loans to self-managed superannuation funds;
- PTBC exposures²;
- Margin lending; and
- Other assets (including property, plant and equipment, lease right of use assets and the residual value of assets under operating leases).

APRA regulated entities – portfolios under APS 180 *Capital Adequacy: Counterparty Credit Risk* (refer Section 8.6)

- Central counterparties; and
- Credit valuation adjustments (CVA).

1 Since 1 January 2023 APRA has also required advanced ADIs to calculate risk weighted assets under the relevant standardised approach – refer page 11.

2 On 1 May 2024, the Group completed the sale of its 99% shareholding in PT Bank Commonwealth (PTBC) to PT Bank OCBC NISP Tbk (OCBC Indonesia), a subsidiary of Overseas-Chinese Banking Corporation Limited (OCBC).

Risk weights have been applied in accordance with APS 112 and, where applicable, with consideration to the type of security held:

- For loans secured by residential property, consideration is given with respect to loan purpose, the Loan to Value Ratio (LVR); and whether lenders mortgage insurance (LMI) is held.
- For loans secured by commercial property, consideration is given to the LVR and the dependency on property cash flows.
- The Group's definition of internal risk ratings used for Corporate, Financial Institutions and Sovereign exposures has been aligned to equivalent rating grades provided by external credit assessment institutions including S&P Global Ratings and Moody's Investors Services.

The Group continues to review portfolios that use the standardised approach. Approval to apply the advanced approach will be sought from APRA when the size of exposures and number of customers within these portfolios are sufficient to qualify for advanced approaches.

For RBNZ regulated entities risk weights pertaining to standardised portfolios have been applied in accordance with RBNZ prudential requirements. Portfolios that use the standardised approach include:

RBNZ regulated entities – portfolios under APS 112

- Personal loans;
- Retail SME;
- Bank;
- Sovereign;
- Central counterparties;
- CVA; and
- Other assets.

APRA also requires certain specialised lending exposures, including Object and Project Finance, to be assigned specific risk weights according to "slotting" criteria defined by the regulator in APS 113 *Credit Adequacy: Internal Ratings-based Approach to Credit Risk*. This approach is also applied to Income Producing Real Estate (IPRE) exposures calculated under New Zealand prudential requirements.

Credit Risk (continued)

8.3 Portfolios Subject to Standardised and Supervisory Risk Weights (continued)

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

	Exposure after credit risk mitigation ¹		
	30 Jun 24	31 Dec 23	30 Jun 23
	\$M	\$M	\$M
Standardised Approach Exposures			
Risk Weight			
0%	2,187	4,695	2,317
20%	5,628	5,458	5,594
25%	2,191	2,214	2,088
30%	2,725	2,662	2,420
35%	3,641	3,394	3,139
40%	1,539	1,723	1,904
45%	1,024	1,061	1,063
50%	1,268	1,879	2,030
55%	119	127	187
75%	828	881	1,282
85%	509	513	340
100%	8,291	10,007	10,054
105%	140	105	93
150%	143	176	142
> 150%	42	43	37
Other risk weights	235	228	222
Capital deductions	–	–	–
Total (excl. RBNZ regulated entities)	30,510	35,166	32,912
RBNZ regulated entities	19,281	20,875	20,633
Total	49,791	56,041	53,545

¹ Exposure after credit risk mitigation does not include central counterparties, equity or securitisation exposures.

	Exposure after credit risk mitigation ^{1 2}		
	30 Jun 24	31 Dec 23	30 Jun 23
	\$M	\$M	\$M
Specialised Lending Exposures Subject to Supervisory Slotting			
Risk Weight			
0%	184	175	144
70%	1,902	1,829	1,996
90%	2,292	2,184	2,266
115%	192	191	115
250%	17	19	120
RBNZ regulated entities	4,211	4,138	4,043
Total exposures	8,798	8,536	8,684

¹ APRA requires certain specialised lending exposures to be assigned specific risk weights according to "slotting" criteria as defined by the Regulator.

² Excludes IPRE exposures now recognised in either AIRB or FIRB asset class.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches

The Group, with the exception of some relatively small portfolios, is accredited to use Internal Ratings-based approaches to calculate its capital requirements under APS 113 *Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (APS 113).

Credit Risk Measurement

The measurement of credit risk is based on an internal credit risk rating system which uses expert judgement and analytical PD Rating Models to calculate credit risk estimates, including borrower PD, facility LGD, and facility EAD. These are inputs into the estimation of Expected Loss (EL) and Unexpected Loss (UL) for the credit portfolio.

The Model Risk Governance Committee oversees Group credit rating models and processes to ensure appropriate credit risk estimates are developed and used, model performance is reviewed on a regular basis and that there is consistency across BU credit models as appropriate.

Probability of Default

The PD, expressed as a percentage, is the estimate of the population of borrowers or counterparties assigned to a PD grade that will default within a one year period. It reflects a borrower's ability to generate sufficient cash flows in the future to meet the terms of all of its credit obligations to the Group. The PD rating methodology applied to the various segments of the credit portfolio is shown in Table 9c.

PD estimates are based on a long-run average default rate based on the Group's historical data, supplemented with external data where applicable. Borrower or counterparty risk characteristics and account performance criteria are used to define retail risk pools. Pools may be combined to ensure the number of exposures within a given pool is sufficient to allow quantification of reliable estimates and to facilitate validation of loss characteristics at the pool level.

Models are independently validated and confidence intervals are calculated to statistically demonstrate that PD estimates are adequately calibrated to actual default rates, and for assessing that retail pools meaningfully differentiate risk. PD model results are calibrated to obtain long-run PDs that reflect the central tendency over a full economic cycle.

The credit risk portfolio has two major PD rating segments:

- (i) Risk-Rated; and
- (ii) Retail Managed.

(i) Risk-Rated Segment

This segment comprises non-retail exposures including financial institution and sovereign exposures. Non-retail exposures to borrowers or counterparties with consolidated annual revenue less than \$75 million that are required to be risk-rated and individually managed under the Group's internal credit policy are classified under the SME corporate asset class.

The credit risk rating system for non-retail exposures currently in use includes 24 PD grades (16 performing, 6 weak/doubtful, 1 restructured, 1 defaulted).

Borrowers or counterparties that are risk-rated have their PD rating assigned via expert judgement and the appropriate PD Rating Model. Under expert judgement, PD ratings are assigned based on the expert knowledge of the credit officer conducting the review. The credit officer may use multiple rating inputs to assist with the rating decision, including the use of internal PD Rating Models, the ratings assigned by an external rating agency, benchmark rating criteria, management capability and integrity, market or other relevant information.

PD Rating Models are used to form a benchmark in the rating process and are based on customer financials and a number of management related questions.

For the lending businesses across the Group (including within CBA and ASB), PD Rating Models are the primary method of assigning a PD rating. PD Rating Models are statistical models designed to predict the rating outcome. Ratings are assigned based on the responses to a series of questions relating to the financial condition of the customer's business, as well as questions relating to management capability and integrity. The responses are weighted by their importance in predicting credit quality and are used to calculate an overall score upon which the PD rating is determined. Across the group, there are five key PD Rating models that cover specialist segments such as Agribusiness, property developers, property investor, large corporate borrowers, and a generalist segment that covers all remaining commercial borrowers.

The PD rating reflects the estimated probability of default for that grade over a one year horizon. The Group uses a through-the-cycle (TTC) approach whereby PD ratings are based on longer term considerations to capture a borrower's ability to perform through a credit cycle. External rating agencies also use a TTC PD rating approach.

The Group's PD rating criteria reflect both long-run and current considerations of the financial health of a borrower or counterparty.

PD ratings fall within the following major categories:

- Exceptional – (A0 through to A3) – a strong profit history with principal and interest repayments covered by large stable operating cash surpluses;
- Very Strong/Strong – (B1 through to C3) – a strongly performing business with principal and interest payments well protected by stable operating cash surpluses;
- Good/Satisfactory – (D1 through to E3) – a soundly performing business with sufficient operating cash surpluses to meet all principal and interest repayments;
- Weak/Doubtful – (F1 through to G3) – profitability has been weak and the capacity to meet financial commitments is diminished with a potential for default;
- Restructured – (R) – concessions of interest and/or principal obligations have been provided due to the borrower or counterparty's financial difficulties, rendering the facility non-commercial to the Group. Restructured facilities are treated as non-performing assets; and
- Default – (H) – the obligation is in default (see below).

A borrower or counterparty whose PD rating is "Weak/Doubtful" (excluding F grade – well secured) or "Default" is not eligible for new facilities or increased exposure unless it will facilitate rehabilitation or protect or improve the Group's position by maximising recovery prospects. Borrowers or counterparties with all other PD ratings qualify for approval of new facilities or increased exposure on normal commercial terms. Assignments of borrower or counterparty PD ratings are reviewed at least annually with higher risk exposures being reviewed more frequently. Rating reviews are also initiated when material new information on a borrower or counterparty comes to light.

For the purpose of determining the PD rating, default is defined as any one of the following:

- The borrower or counterparty is 90 days or more overdue on a scheduled credit obligation to the Group; and/or
- Regardless of the days past-due, the borrower or counterparty is unlikely to repay their credit obligation to the Group in full, without the Group taking action such as realising available security.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Probability of Default (continued)

Material deviations from the reference default definition are not permitted.

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

(ii) Retail Managed Segment

This segment has seven key PD models for sub-segments covering housing loan, credit card, personal loan facilities, and personal overdrafts. It also includes two key PD models for SME retail and asset finance which covers most non-retail lending where the aggregated credit exposure to a group of related borrowers or counterparties is less than \$1.5 million.

The Group has been using scorecards to "auto-decision" loan applications for over twenty years in its consumer retail divisions and more recently for SME retail applications. These are auto-decisioned for the approval of credit using a scorecard approach whereby the performance of historical applications is supplemented by information from a credit reference bureau and/or from the Group's existing knowledge of a borrower or counterparty's behaviour. Loan applications that do not meet scorecard auto-decisioning requirements may be referred to a Personal Credit Approval Authority for manual decisioning.

Borrowers or counterparties with similar risk characteristics, products and subject to the same origination process are allocated the same PD.

Portfolios in the Retail Managed Segment are managed using behavioural scoring systems and a delinquency band approach (e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due) and are reviewed by the relevant Risk Management team.

Financial assets in the retail segment are classified as secured or unsecured. Unsecured facilities (e.g. credit cards) are considered impaired at 90 days past due and are generally written off once they reach 180 days past due (unless arrangements have been made between the borrower and the Group).

Secured facilities (e.g. home loans) are classified as non-performing when a facility is 90 days past due, the facility has been formally restructured on non-commercial terms; or judgement is made that there is reasonable evidence that the customer is unable to meet contractual obligations and it is not well secured.

Common PD, EAD and LGD methodologies are followed in constructing the internal ratings process for residential mortgages, qualifying revolving retail exposures and other retail advances with the default definition applied when payment on a facility is 90 days or more past due, or there are indications of unlikelihood to pay (e.g. a write-off amount exists against the facility).

Loss Given Default

LGDs are derived using data from accounts that were in default during any given month within the modelling observation period.

LGD is estimated as the net present value of the post default loss, including an allowance for internal and external costs, expressed as a percentage of the EAD.

Amounts recovered and the associated costs of recovery after the point of default are discounted using an appropriate discount rate inclusive of a risk premium.

LGD is impacted by:

- The level of security cover and the type of collateral held;
- Liquidity and volatility of collateral value;

- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs.

For calculating regulatory capital an estimated downturn LGD is used that reflects likely recovery rates under stressed economic conditions. Models are independently validated and back-testing of actual losses is performed to assess the adequacy of LGD estimates.

It is recognised that some accounts will cure after entering default. Cure rates are an important aspect of estimating a downturn LGD that is consistent with economic recession conditions. LGD estimates may be adjusted for exposures that have remained in default for a long time period (e.g. more than five years) and are not yet finalised.

For large corporate, corporate, SME corporate and SME retail borrowers or counterparties, where collateral is provided as security, an LGD rating is applied based on the security cover ratio, after taking into consideration the security lending margins applied to various security asset types. The LGD rating provides an estimate of the likely loss in the event of default, based on past experience. Secured commercial exposures receive an LGD rating of A-F. By way of examples:

- An LGD rating of A is applied only to very well secured exposures where the security cover ratio exceeds 140%;
- An LGD rating of C reflects a security cover ratio of 100%; and
- An LGD rating of F applies where the security cover is greater than 0% and less than 40%.

Across the group there are two key LGD models that cover these portfolios with the split based on those that are SME retail, and non SME retail borrowers. A specialist asset finance LGD model is also used where the underlying exposure is to finance an asset.

For retail exposures, accounts are segmented into homogeneous LGD pools based on product/loan type, secured/unsecured status, Current Loan to Value ratio, and other relevant attributes. The LGD modelling approach for Australian retail exposures secured by residential real estate considers the likelihood of liquidation and a collateral haircut model which determines the loss given liquidation.

The Group has policies, standards and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken, including valuation parameters, review frequency and independence of valuation.

Collateral types are discussed in further detail in section 8.5 "Credit Risk Mitigation".

Exposure at Default

EAD is the estimate of the amount of a facility that will be outstanding in the event of default.

For defaulted facilities, it is the actual amount outstanding at the time of default.

For non-defaulted committed facilities, it is based on the actual amount outstanding, plus the undrawn amount multiplied by a credit conversion factor, which represents the potential rate of conversion from the undrawn amount 12 months prior to default, to the drawn amount at default. For committed non-retail facilities, the Group applies a supervisory credit conversion factor to the undrawn amount, ranging from 0% to 100%. EAD is not recognised for those exposures where APRA's definition of a commitment is not met.

For revolving retail exposures, a modelling approach is used based on factors including limit usage, arrears and loan type to segment accounts into homogeneous pools for the calculation.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Expected Loss

Regulatory EL is calculated on non-defaulted IRB, AIRB and FIRB exposures using long-run PDs and downturn LGDs. For defaulted IRB and AIRB exposures the Best Estimate of Expected Loss (BEEL) is used. For defaulted FIRB exposures regulatory EL is calculated as the downturn LGD rate multiplied by the exposure as required by APS 113. The supervisory slotting approach, calculated as the product of EAD and a prescribed factor, is used to determine regulatory EL for specialised lending exposures. A 50% factor is applied for defaulted specialised lending exposures. Regulatory EL is not required to be calculated on standardised portfolios.

Unexpected Loss

The UL for each portfolio segment is calculated based on a given level of confidence that the magnitude of the UL will not be exceeded with a known probability. UL represents the difference between EL and the point on the loss distribution associated with the required level of probability that the loss is not to exceed. The Group holds capital to cover the UL. UL is calculated based on the Basel III Framework using a 99.9% probability that UL will not be exceeded.

Uses of Internal Estimates of Credit Risk Components other than for Regulatory Capital Purposes

There are additional business uses for PDs, LGDs and EADs that might include:

- Management of credit risk concentrations - through the Large Credit Exposure, Industry Sector Concentration and Country Risk Exposure policies;
- Loan origination and credit quality control - through the generation and monitoring of credit risk ratings;
- Calculation of some accounting collective provisions;
- Capital budgeting - through modelling of business plans under expected and stressed scenarios; and
- Aligning risk culture to the Group's risk appetite - through its internal risk-based-pricing performance framework ensuring the Group generates appropriate economic returns through its risk-pricing framework at both:
 - a transactional level where long-run EL is factored into interest margins and fees; and
 - a portfolio level via Profit After Capital Charge and Return on Target Equity frameworks.

Credit Risk Ratings System

The Credit Risk Rating (CRR) is assigned by reference to a matrix that maps the PD and long-run LGD to a number commensurate with EL.

The Group uses its credit risk estimates to price transactions, measure performance and help determine the amount of capital required to support business activities.

The Group's credit risk estimates are subject to annual review in accordance with approved model policies and standards to ensure independent validation and testing of assigned risk estimates.

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

Description	Internal Rating	Probability of Default (Internal)	S&P Rating	Moody's Rating
Exceptional	A0 to A3	0% - 0.035%	AAA to AA-	Aaa to Aa3
Very Strong/Strong	B1 to C3	>0.035% - 0.446%	A+ to BBB-	A1 to Baa3
Good/Satisfactory	D1 to E3	>0.446% - 6.656%	BB+ to B	Ba1 to B2
Weak/Doubtful	F1 to G3	>6.656%	B- to CC	B3 to Ca
Restructured	R	100% ¹	-	-
Defaulted	H	100%	D	C

¹ From January 2023 onwards.

Table 9c – PD rating methodology by portfolio segment

Portfolio Segment	PD Rating Methodology
Sovereign exposures	Expert judgement assigned risk rating, informed but not solely determined by rating agency views.
Financial Institution exposures (including Banks)	PD Rating Calculator or expert judgement assigned risk rating.
Corporate exposures (including property, agri-business)	Combination of expert judgement and PD Rating Model assigned risk ratings depending on the industry sector.
SME corporate exposures	PD Rating Model and expert judgement assigned risk rating.
SME retail exposures	SME behaviour score assigned PD pools.
Consumer retail exposures (including residential mortgages, qualifying revolving credit and other retail)	Depending on the product, PD pools are assigned using product specific application scorecards, behavioural scorecards, payment status or a combination thereof.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Credit Risk Exposure Subject to IRB Approaches

Table 9d (i) – Non-retail exposures by portfolio type and PD band

	30 June 2024							Total \$M
	0 < 0.03% \$M	0.03% < 0.15% \$M	0.15% < 0.5% \$M	PD Band			Default \$M	
				0.5% < 3% \$M	3% < 10% \$M	10% < 100% \$M		
Non-retail ¹								
Total credit risk exposures								
Corporate (incl. Large and SME corporate)	–	19,764	57,526	124,150	6,630	2,847	2,082	212,999
Sovereign	114,693	19,121	413	5	–	–	–	134,232
Financial institution	–	39,994	3,325	564	14	–	3	43,900
Total IRB approach	114,693	78,879	61,264	124,719	6,644	2,847	2,085	391,131
RBNZ regulated entities	–	1,067	6,295	19,188	775	459	331	28,115
Total credit risk exposures	114,693	79,946	67,559	143,907	7,419	3,306	2,416	419,246
Undrawn commitments ²								
Corporate (incl. Large and SME corporate)	–	4,872	11,030	13,657	765	313	77	30,714
Sovereign	586	244	43	2	–	–	–	875
Financial institution	–	5,948	943	141	1	–	–	7,033
Total IRB approach	586	11,064	12,016	13,800	766	313	77	38,622
RBNZ regulated entities	–	373	1,269	2,014	49	91	8	3,804
Total undrawn commitments	586	11,437	13,285	15,814	815	404	85	42,426
Exposure - average EAD (\$M)								
Corporate (incl. Large and SME corporate)	–	1.882	1.854	0.886	0.852	0.595	0.579	1.077
Sovereign	7.394	23.490	0.789	0.304	–	–	–	7.957
Financial institution	–	2.232	1.827	0.914	0.222	–	0.527	2.148
RBNZ regulated entities	–	4.520	1.070	0.601	0.333	0.573	0.593	0.674
Exposure - weighted average LGD (%)								
Corporate (incl. Large and SME corporate)	–	40.4	33.6	25.2	24.0	29.6	32.2	29.0
Sovereign	5.2	21.1	26.7	37.7	–	–	–	7.5
Financial institution	–	48.2	51.1	34.2	20.1	75.0	50.0	48.3
RBNZ regulated entities	–	53.9	31.6	26.8	27.4	38.6	37.3	29.2
Exposure - weighted average risk weight (%) ³								
Corporate (incl. Large and SME corporate) ⁴	–	23.9	43.6	56.8	92.5	164.8	95.9	53.1
Sovereign	1.5	2.9	31.3	62.0	–	–	–	1.8
Financial institution	–	19.6	56.0	86.5	84.2	454.4	–	23.2
RBNZ regulated entities	–	31.5	35.7	52.7	96.1	216.5	250.6	54.3

- 1 Total credit risk exposures do not include specialised lending, equity or securitisation exposures.
2 The credit exposure value of undrawn commitments included in Total credit risk exposures above.
3 Includes 1.10 scaling factor.
4 Includes cumulative \$4.2 billion overlays in relation to corporate PD models.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Table 9d (i) – Non-retail exposures by portfolio type and PD band (continued)

	31 December 2023							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Non-retail ¹								
Total credit risk exposures								
Corporate (incl. Large and SME corporate)	–	20,464	55,277	120,465	5,707	2,257	1,972	206,142
Sovereign	151,526	21,828	322	3	–	–	–	173,679
Financial institution	–	52,499	3,677	714	6	3	3	56,902
Total IRB approach	151,526	94,791	59,276	121,182	5,713	2,260	1,975	436,723
RBNZ regulated entities	–	780	6,682	19,415	801	357	334	28,369
Total credit risk exposures	151,526	95,571	65,958	140,597	6,514	2,617	2,309	465,092
Undrawn commitments ²								
Corporate (incl. Large and SME corporate)	–	5,338	10,195	15,069	421	227	98	31,348
Sovereign	513	58	40	2	–	–	–	613
Financial institution	–	6,408	1,025	132	1	–	–	7,566
Total IRB approach	513	11,804	11,260	15,203	422	227	98	39,527
RBNZ regulated entities	–	193	1,604	2,016	59	4	10	3,886
Total undrawn commitments	513	11,997	12,864	17,219	481	231	108	43,413
Exposure - average EAD (\$M)								
Corporate (incl. Large and SME corporate)	–	2.100	1.655	0.869	0.718	0.474	0.586	1.042
Sovereign	10.759	23.961	0.689	0.142	–	–	–	11.219
Financial institution	–	2.937	1.961	0.885	0.092	0.109	0.318	2.754
RBNZ regulated entities	–	4.409	1.118	0.616	0.394	0.453	0.646	0.691
Exposure - weighted average LGD (%)								
Corporate (incl. Large and SME corporate)	–	41.0	33.3	25.8	22.0	28.6	32.2	29.3
Sovereign	5.1	19.3	29.8	45.4	–	–	–	7.0
Financial institution	–	49.2	48.4	34.5	10.2	75.0	49.6	49.0
RBNZ regulated entities	–	58.2	33.3	27.4	28.7	32.6	34.7	29.8
Exposure - weighted average risk weight (%) ³								
Corporate (incl. Large and SME corporate) ⁴	–	25.2	42.9	58.7	82.3	154.4	97.2	53.2
Sovereign	1.1	2.5	34.5	67.6	–	–	–	1.4
Financial institution	–	19.2	50.4	96.3	42.1	452.2	–	22.2
RBNZ regulated entities	–	36.1	37.7	53.5	103.9	181.7	230.1	54.4

1 Total credit risk exposures do not include specialised lending, equity or securitisation exposures.

2 The credit exposure value of undrawn commitments included in Total credit risk exposures above.

3 Includes 1.10 scaling factor.

4 Includes cumulative \$4.2 billion overlays in relation to corporate PD models.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Table 9d (i) – Non-retail exposures by portfolio type and PD band (continued)

Non-retail ¹	30 June 2023							Total \$M
	PD Band							
	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 credit risk exposures								
Corporate (incl. Large and SME corporate)	–	20,624	53,113	112,891	5,696	2,144	1,847	196,315
Sovereign	180,686	16,740	278	3	–	–	–	197,707
Financial institution	–	38,143	3,962	515	9	1	2	42,632
Total IRB approach	180,686	75,507	57,353	113,409	5,705	2,145	1,849	436,654
RBNZ regulated entities	–	1,610	6,558	18,945	734	310	296	28,453
Total credit risk exposures	180,686	77,117	63,911	132,354	6,439	2,455	2,145	465,107
Undrawn commitments ²								
Corporate (incl. Large and SME corporate)	–	4,546	11,296	14,115	402	218	102	30,679
Sovereign	334	200	26	2	–	–	–	562
Financial institution	–	5,937	1,231	124	1	–	1	7,294
Total IRB approach	334	10,683	12,553	14,241	403	218	103	38,535
RBNZ regulated entities	–	331	1,465	1,714	42	24	25	3,601
Total undrawn commitments	334	11,014	14,018	15,955	445	242	128	42,136
Exposure - average EAD (\$M)								
Corporate (incl. Large and SME corporate)	–	2,079	1,455	0,869	0,723	0,480	0,496	1,021
Sovereign	12,860	18,684	0,599	0,148	–	–	–	12,806
Financial institution	–	2,210	1,865	0,652	0,267	0,072	0,107	2,107
RBNZ regulated entities	–	6,793	0,961	0,588	0,394	0,570	0,615	0,674
Exposure - weighted average LGD (%)								
Corporate (incl. Large and SME corporate)	–	39.2	32.9	25.4	22.8	27.5	33.3	28.9
Sovereign	4.8	21.9	36.3	45.7	–	–	–	6.3
Financial institution	–	49.1	49.5	28.5	64.0	75.0	31.3	48.9
RBNZ regulated entities	–	58.6	33.5	27.6	30.4	31.5	45.0	31.0
Exposure - weighted average risk weight (%) ³								
Corporate (incl. Large and SME corporate) ⁴	–	25.0	41.7	57.2	84.9	157.8	140.0	52.3
Sovereign	0.9	3.2	33.1	72.8	–	–	–	1.1
Financial institution	–	21.8	53.2	76.3	283.0	479.4	–	25.5
RBNZ regulated entities	–	29.6	37.6	53.7	111.1	176.6	388.1	54.9

1 Total credit risk exposures do not include specialised lending, equity or securitisation exposures.

2 The credit exposure value of undrawn commitments included in Total credit risk exposures above.

3 Includes 1.10 scaling factor.

4 Includes cumulative \$3.5 billion overlays in relation to corporate PD models.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

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

Retail	30 June 2024							Total \$M
	0 < 0.1% \$M	0.1% < 0.3% \$M	0.3% < 0.5% \$M	PD Band		10% < 100% \$M	Default \$M	
				0.5% < 3% \$M	3% < 10% \$M			
Total credit risk exposures								
SME retail	–	1,317	2,304	9,960	4,224	1,484	288	19,577
Residential mortgage	175,918	184,883	86,263	167,639	28,673	936	5,302	649,614
Qualifying revolving retail	88	14,654	2,882	3,937	1,310	215	79	23,165
Other retail	53	194	190	4,075	3,312	643	104	8,571
Total IRB approach	176,059	201,048	91,639	185,611	37,519	3,278	5,773	700,927
RBNZ regulated entities	–	11,621	16,872	47,260	804	–	1,362	77,919
Total credit risk exposures	176,059	212,669	108,511	232,871	38,323	3,278	7,135	778,846
Undrawn commitments ¹								
SME retail	–	1,126	1,323	2,656	799	149	20	6,073
Residential mortgage	39,992	23,303	6,250	3,883	79	4	17	73,528
Qualifying revolving retail	76	11,194	1,942	1,457	224	26	4	14,923
Other retail	37	10	26	1,099	68	39	1	1,280
Total IRB approach	40,105	35,633	9,541	9,095	1,170	218	42	95,804
RBNZ regulated entities	–	4,104	1,763	2,463	90	–	12	8,432
Total undrawn commitments	40,105	39,737	11,304	11,558	1,260	218	54	104,236
Exposure - average EAD (\$M)								
SME retail	–	0.048	0.075	0.070	0.149	0.133	0.072	0.080
Residential mortgage	0.359	0.353	0.354	0.345	0.307	0.296	0.361	0.350
Qualifying revolving retail	0.004	0.009	0.008	0.008	0.007	0.004	0.006	0.008
Other retail	0.005	0.583	0.022	0.008	0.013	0.002	0.004	0.008
RBNZ regulated entities	–	0.059	0.091	0.077	0.006	–	0.093	0.069
Exposure - weighted average LGD (%)								
SME retail	–	41.8	34.1	38.8	30.7	33.2	41.7	36.3
Residential mortgage ²	13.7	14.9	16.0	16.6	17.5	15.9	20.0	15.3
Qualifying revolving retail	81.0	84.9	84.1	84.4	84.2	84.1	84.6	84.6
Other retail	97.9	96.1	100.0	64.2	80.8	85.9	86.5	74.3
RBNZ regulated entities	–	17.5	18.2	21.9	35.0	–	23.2	20.6
Exposure - weighted average risk weight (%) ³								
SME retail	–	15.7	24.1	52.0	65.0	104.4	203.0	55.3
Residential mortgage	6.1	8.9	16.5	39.4	90.1	136.2	200.6	22.4
Qualifying revolving retail	5.0	5.7	14.2	45.7	130.3	210.7	203.2	23.2
Other retail	24.6	37.2	62.0	79.6	130.1	181.7	174.9	106.2
RBNZ regulated entities	–	7.5	16.2	37.6	105.9	–	204.4	32.1

1 The credit exposure value of undrawn commitments included in Total credit risk exposures above.

2 Excludes a \$7.4 billion RWA overlay that has been applied at 30 June 2024 for regulatory capital purposes.

3 Includes 1.10 scaling factor.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

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

Retail	31 December 2023							Total
	PD Band						Default	
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%		
\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
Total credit risk exposures								
SME retail	–	1,395	2,443	9,938	3,913	1,308	235	19,232
Residential mortgage	168,646	177,754	84,225	169,723	29,615	965	4,145	635,073
Qualifying revolving retail	107	14,710	3,077	3,911	1,282	209	75	23,371
Other retail	53	131	145	3,697	3,224	602	80	7,932
Total IRB approach	168,806	193,990	89,890	187,269	38,034	3,084	4,535	685,608
RBNZ regulated entities	–	11,589	17,129	47,416	820	–	1,150	78,104
Total credit risk exposures	168,806	205,579	107,019	234,685	38,854	3,084	5,685	763,712
Undrawn commitments ¹								
SME retail	–	1,198	1,438	2,744	753	135	14	6,282
Residential mortgage	39,730	23,336	6,037	3,664	81	3	13	72,864
Qualifying revolving retail	90	11,046	2,130	1,495	216	26	6	15,009
Other retail	38	5	28	1,101	71	42	1	1,286
Total IRB approach	39,858	35,585	9,633	9,004	1,121	206	34	95,441
RBNZ regulated entities	–	4,135	1,738	2,481	90	–	11	8,455
Total undrawn commitments	39,858	39,720	11,371	11,485	1,211	206	45	103,896
Exposure - average EAD (\$M)								
SME retail	–	0.047	0.075	0.069	0.145	0.130	0.065	0.078
Residential mortgage	0.348	0.341	0.342	0.339	0.303	0.298	0.341	0.340
Qualifying revolving retail	0.004	0.009	0.007	0.008	0.007	0.004	0.006	0.008
Other retail	0.005	0.512	0.016	0.007	0.013	0.002	0.004	0.007
RBNZ regulated entities	–	0.058	0.092	0.079	0.006	–	0.109	0.069
Exposure - weighted average LGD (%)								
SME retail	–	41.4	34.3	38.3	30.6	32.5	40.4	36.1
Residential mortgage ²	13.8	15.0	16.0	16.6	17.6	16.1	20.9	15.4
Qualifying revolving retail	81.0	84.9	84.2	84.4	84.2	84.1	84.7	84.6
Other retail	90.4	93.0	99.4	66.6	81.3	86.7	86.9	75.5
RBNZ regulated entities	–	17.6	18.2	21.8	35.5	–	22.6	20.5
Exposure - weighted average risk weight (%) ³								
SME retail	–	15.5	24.3	51.5	65.1	101.8	182.3	53.2
Residential mortgage	6.1	8.9	16.5	39.4	90.8	138.7	215.2	22.7
Qualifying revolving retail	5.0	5.7	14.2	45.3	131.8	211.7	194.9	22.8
Other retail	22.9	35.2	62.0	83.4	130.9	184.0	237.1	110.3
RBNZ regulated entities	–	7.5	16.2	37.1	105.8	–	204.8	31.3

¹ The credit exposure value of undrawn commitments included in Total credit risk exposures above.

² Excludes a \$7.4 billion RWA overlay that has been applied at 31 December 2023 for regulatory capital purposes.

³ Includes 1.10 scaling factor.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

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

Retail	30 June 2023							Total
	PD Band							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Total credit risk exposures								
SME retail	–	1,362	2,331	9,823	3,838	1,214	238	18,806
Residential mortgage	163,460	174,872	87,296	175,214	30,200	966	3,749	635,757
Qualifying revolving retail	–	14,628	3,185	4,076	1,343	234	65	23,531
Other retail	59	152	147	3,509	3,071	595	83	7,616
Total IRB approach	163,519	191,014	92,959	192,622	38,452	3,009	4,135	685,710
RBNZ regulated entities	–	11,261	17,273	47,339	788	–	1,177	77,838
Total credit risk exposures	163,519	202,275	110,232	239,961	39,240	3,009	5,312	763,548
Undrawn commitments ¹								
SME retail	–	1,159	1,369	2,580	652	114	17	5,891
Residential mortgage	38,441	22,813	6,472	4,222	110	3	13	72,074
Qualifying revolving retail	–	11,241	2,259	1,635	243	34	3	15,415
Other retail	44	16	43	1,173	85	74	1	1,436
Total IRB approach	38,485	35,229	10,143	9,610	1,090	225	34	94,816
RBNZ regulated entities	–	3,928	1,780	2,781	94	–	10	8,593
Total undrawn commitments	38,485	39,157	11,923	12,391	1,184	225	44	103,409
Exposure - average EAD (\$M)								
SME retail	–	0.047	0.074	0.070	0.139	0.127	0.064	0.078
Residential mortgage	0.335	0.329	0.335	0.335	0.300	0.296	0.317	0.331
Qualifying revolving retail	–	0.009	0.007	0.008	0.007	0.004	0.006	0.008
Other retail	0.005	0.542	0.016	0.007	0.013	0.002	0.003	0.007
RBNZ regulated entities	–	0.121	0.146	0.177	0.005	–	0.107	0.120
Exposure - weighted average LGD (%)								
SME retail	–	42.1	33.8	37.8	30.5	32.8	36.9	35.8
Residential mortgage ²	13.9	15.0	16.0	16.7	17.6	16.3	20.7	15.5
Qualifying revolving retail	–	84.8	84.2	84.4	84.3	84.3	84.6	84.6
Other retail	98.8	94.7	100.2	69.7	81.7	89.2	86.4	77.6
RBNZ regulated entities	–	16.9	18.3	21.5	34.0	–	22.1	20.2
Exposure - weighted average risk weight (%) ³								
SME retail	–	15.7	23.9	51.0	65.7	102.8	269.8	54.2
Residential mortgage	6.2	9.1	16.8	39.8	92.8	140.2	213.0	23.2
Qualifying revolving retail	–	5.7	14.2	45.4	132.9	213.8	240.7	23.7
Other retail	24.8	35.7	62.6	87.3	131.5	189.0	197.7	112.3
RBNZ regulated entities	–	7.1	16.3	36.6	102.2	–	203.0	31.0

¹ The credit exposure value of undrawn commitments included in Total credit risk exposures above.

² Excludes a \$7.4 billion RWA overlay that has been applied at 30 June 2023 for regulatory capital purposes.

³ Includes 1.10 scaling factor.

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Analysis of Losses

The following tables provide a summary of financial losses by portfolio (Table 9e) and a comparison of financial losses to regulatory Expected Loss (EL) estimates (Table 9f (i)). Actual losses may differ from modelled regulatory EL for a number of reasons.

Actual losses (whether from standardised or internal ratings-based portfolios) are historical and are based on the quality of non-performing assets in prior periods, full or partial write-offs, and more recent economic conditions. Actual losses are expected to be below the regulatory EL estimate in most years. Regulatory EL measures economic loss at a point in time and includes costs (such as internal costs) not included in actual losses.

Regulatory EL is calculated on non-defaulted IRB, AIRB and FIRB exposures using long-run PDs and downturn LGDs. For defaulted IRB and AIRB exposures the Best Estimate of Expected Loss (BEEL) is used. For defaulted FIRB exposures regulatory EL is calculated as the downturn LGD rate multiplied by the exposure as required by APS 113. The supervisory slotting approach, calculated as the product of EAD and a prescribed factor, is used to determine regulatory EL for specialised lending exposures. A 50% factor is applied for defaulted specialised lending exposures. Regulatory EL is not required to be calculated on standardised portfolios.

Table 9e – Actual losses by portfolio type

Portfolio Type	30 June 2024		
	Full year losses in the reporting period		
	Gross write-offs	Recoveries	Actual losses
	\$M	\$M	\$M
Corporate (incl. Large & SME corporate)	190	(18)	172
Specialised lending	46	–	46
Total corporate	236	(18)	218
Sovereign	–	–	–
Financial institution	–	–	–
SME retail	57	(3)	54
Residential mortgage	26	(3)	23
Qualifying revolving retail	169	(47)	122
Other retail	245	(47)	198
Other assets	–	–	–
Central counterparties	–	–	–
Total IRB and specialised lending portfolios	733	(118)	615
Non-retail	10	–	10
Retail	20	(4)	16
Total RBNZ regulated entities	30	(4)	26

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Table 9e – Actual losses by portfolio type (continued)

Portfolio Type	31 December 2023		
	Half year losses in the reporting period		
	Gross write-offs \$M	Recoveries \$M	Actual losses \$M
Corporate (incl. SME corporate)	69	(3)	66
Specialised lending	43	–	43
Total corporate	112	(3)	109
Sovereign	–	–	–
Financial institution	–	–	–
SME retail	28	(2)	26
Residential mortgage	6	(2)	4
Qualifying revolving retail	83	(20)	63
Other retail	117	(20)	97
Other assets	–	–	–
Central counterparties	–	–	–
Total IRB and specialised lending portfolios	346	(47)	299
Non-retail	3	–	3
Retail	7	(2)	5
Total RBNZ regulated entities	10	(2)	8

Portfolio Type	30 June 2023		
	Full year losses in the reporting period		
	Gross write-offs \$M	Recoveries \$M	Actual losses \$M
Corporate (incl. Large & SME corporate)	262	(2)	260
Specialised lending	7	(1)	6
Total corporate	269	(3)	266
Sovereign	–	–	–
Financial institution	–	–	–
SME retail	32	(1)	31
Residential mortgage	29	(3)	26
Qualifying revolving retail	133	(46)	87
Other retail	172	(42)	130
Other assets	–	–	–
Central counterparties	–	–	–
Total IRB and specialised lending portfolios	635	(95)	540
Non-retail	6	(2)	4
Retail	11	(4)	7
Total RBNZ regulated entities	17	(6)	11

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

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

Portfolio Type	30 June 2024	
	Full year actual loss	Regulatory one year expected loss estimate
	\$M	\$M
Corporate (incl. SME corporate)	172	1,483
Specialised lending	46	124
Total corporate	218	1,607
Sovereign	–	3
Financial institution	–	18
SME retail	54	312
Residential mortgage	23	1,112
Qualifying revolving retail	122	264
Other retail	198	378
Total IRB and specialised lending portfolios	615	3,694
Non-retail	10	247
Other retail	16	282
Total RBNZ regulated entities	26	529

Portfolio Type	31 December 2023	
	Half year actual loss	Regulatory one year expected loss estimate
	\$M	\$M
Corporate (incl. SME corporate)	66	1,396
Specialised lending	43	118
Total corporate	109	1,514
Sovereign	–	3
Financial institution	–	23
SME retail	26	279
Residential mortgage	4	999
Qualifying revolving retail	63	263
Other retail	97	346
Total IRB and specialised lending portfolios	299	3,427
Non-retail	3	221
Other retail	5	256
Total RBNZ regulated entities	8	477

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Table 9f (i) – Historical loss analysis by portfolio type (continued)

Portfolio Type	30 June 2023	
	Full year actual loss \$M	Regulatory one year expected loss estimate \$M
Corporate (incl. SME corporate)	260	1,201
Specialised lending	6	111
Total corporate	266	1,312
Sovereign	–	3
Financial institution	–	18
SME retail	31	240
Residential mortgage	26	983
Qualifying revolving retail	87	275
Other retail	130	347
Total IRB and specialised lending portfolios	540	3,178
Non-retail	4	201
Other retail	7	251
Total RBNZ regulated entities	11	452

Credit Risk (continued)

8.4 Portfolios Subject to Internal Ratings-based Approaches (continued)

Accuracy of Risk Estimates

The following tables compare credit risk estimates used in calculating regulatory capital to realised outcomes. The risk estimates are based on prudential requirements prior to the revised capital framework. The prudential standard changes have introduced a number of new asset classes which will be reported once there is adequate historical data available.

Probability of Default

Table 9f (ii) compares estimates of long-run PD to actual default rates averaged over the period from 2016.

Average estimated PD is based on the average of long-run PDs for borrowers that are not in default at the beginning of each financial year in the observation period. Actual PD is based on the number of defaulted borrowers during the year compared to the non-defaulted borrowers measured at the beginning of each financial year.

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

Portfolio Type	30 June 2024	
	Average estimated PD	Average actual PD
	%	%
Corporate (incl. SME corporate)	2.16	2.08
Specialised lending ¹	n/a	1.71
Sovereign	0.48	–
Bank	0.35	–
SME retail	2.13	1.62
Residential mortgage	0.71	0.56
Qualifying revolving retail	1.57	1.52
Other retail	6.57	6.12
RBNZ regulated entities:		
Non-retail	1.62	0.86
Retail ²	1.82	0.90

¹ Average estimated PD not relevant for specialised lending under the Supervisory Slotting approach.

² Historical observed PD data for all retail portfolios was restated in June 2024 to reflect an enhancement in calculation methodology.

Loss Given Default and Exposure at Default

LGDs for non-retail portfolios are based on accounts that defaulted in 2016 to 2022 financial years. LGDs for retail portfolios are based on accounts that defaulted in 2016 to 2023 financial years. Defaults occurring in the most recent years have been excluded from the analysis, to allow sufficient time for workout of impaired assets, booking of losses and more meaningful disclosures.

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

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

Portfolio Type	30 June 2024		
	Average estimated downturn LGD	Average actual LGD	Ratio of estimated EAD to actual EAD
	%	%	
Corporate (incl. SME corporate)	42.4	21.7	1.2
Specialised lending ¹	n/a	11.6	1.1
Sovereign	–	–	–
Bank	–	–	–
SME retail	35.4	17.1	1.1
Residential mortgage ²	20.0	2.8	1.0
Qualifying revolving retail	86.2	66.6	1.2
Other retail	94.4	71.8	1.1
RBNZ regulated entities:			
Non-retail	35.8	16.4	1.1
Retail ³	22.0	7.8	1.0

¹ Average estimated LGD not relevant for specialised lending under the Supervisory Slotting approach.

² Estimated downturn LGD based on minimum regulatory floor requirements imposed by APRA and RBNZ.

³ Historical observed LGD data for all retail portfolios was restated in June 2024 to reflect an enhancement in calculation methodology.

Credit Risk (continued)

8.5 Credit Risk Mitigation

Collateral

The Group has policies, standards and procedures in place, setting out the acceptable collateral for mitigating credit risk. These include valuation parameters, review frequency and independence of valuation. The Chief Credit Officer (or delegate) is responsible for approving acceptable collateral types.

The collateral type, value, liquidity, realisation costs, security lending margin and loss experience are key determinants of the LGD percentage that is assigned to a credit risk exposure. Collateral held for any credit facility is valued, recorded and controlled in the manner explained below.

Real Estate Collateral

Real estate collateral values can only be used for assigning secured or partially secured LGD estimates where the following criteria are met:

- Objective market value of collateral - the collateral must be valued by an independent valuer or via an approved valuation approach at no more than the current fair value under which the property could be sold via a private contract, between a willing seller and an arm's length buyer, on the date of valuation;
- Revaluation - the Group monitors the value of collateral and updates the value, when appropriate, so that the value is current;
- Insurance - steps are taken to ensure that property taken as collateral is adequately insured against damage or destruction at origination, with documentation requiring the borrower or counterparty to maintain adequate insurance over the life of the credit exposure;
- Prior claim - other parties may have senior claims to the Group on an asset offered for collateral. For example, council rates and land tax usually benefit from specific legal protection. The impact of such claims needs to be considered when assessing collateral values; and
- Environment - the risk of environmental liability arising in respect of the collateral must be appropriately assessed, monitored and where appropriate, reflected in the valuation of collateral.

Home loans are generally secured by mortgages over borrowers' residential properties. In limited circumstances, collateral in the form of cash or commercial property may be provided in addition to residential property. With the exception of some relatively small portfolios, for loans with an LVR of higher than 80% either a Low Deposit Premium or margin is levied, or Lender's Mortgage Insurance (LMI) is taken out to protect the Group by covering the difference between the principal amount plus interest owing and the net amount received from selling the collateral upon default.

Non-Real Estate Collateral

Non-real estate collateral may only be assigned secured or partially secured LGD estimates where there is a sound process for determining the value of the collateral. Monitoring processes appropriate for the exposure and the collateral type are required to be in place. The main non-real estate collateral types include:

- Cash (usually in the form of a charge over a term deposit) and other liquid assets (e.g. bonds, shares, investment funds);
- Fixed or floating charges over a company's assets, including stock, debtors and work in progress; and
- A charge over assets being financed (e.g. vehicles, equipment).

Where financial collateral is highly correlated with the counterparty exposure that it is used to secure (wrong-way risk), policy specifies that no risk mitigation benefit can be taken for the collateral held.

Other Credit Risk Mitigation (including Credit Default Swaps and Guarantees)

The Group mitigates its credit exposure by entering into master netting arrangements with counterparties it undertakes a significant volume of transactions with. Counterparty credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The Group mitigates its counterparty credit risk exposure from dealing in Markets type products through the use of Credit Support Annexes (CSAs) and clearing of eligible trades with Central Counterparties (CCPs). CSAs require the counterparty (or the Group) to post collateral when mark-to-market positions exceed agreed thresholds and minimum transfer amounts and may require either party to post initial margin amounts.

Other forms of credit risk mitigation used to either reduce or transfer credit risk include purchasing credit derivatives (e.g. credit default swaps) and/or guarantees from highly rated banks or corporates. To be an eligible mitigant, the credit derivative, insurance instrument or guarantee must be contractually binding, have legal certainty and be non-cancellable. Table 10b and 10c (page 56) discloses the Group's coverage of exposure by credit default swaps and guarantees.

Portfolio Management

The Group applies a Board approved Large Credit Exposure Policy (LCEP). This policy governs the authority of management with regard to the amount of credit provided to any single counterparty, or group of related counterparties (as determined by applying the Group Aggregation Standard).

The objective of the LCEP is to limit the risk of catastrophic loss to the Group through over-exposure to the failure of a single counterparty, or group of related counterparties. The LCEP is reviewed annually.

Usage of LCEP limits is determined at both individual counterparty and group of related counterparty levels. Limits are tiered by the counterparty type and the PD rating.

Management reports to the ELT FRC and the Board Risk and Compliance Committee four times a year, on:

- All single counterparties or groups of related counterparties with limits greater than the LCEP limits, including those resulting from PD rating deterioration; and
- The 20 largest exposure groups of related counterparties on a Total Committed Exposure basis (i.e. committed limits plus drawn uncommitted limited limits).

All relevant borrower or counterparty-specific credit submissions prominently display relative compliance with the LCEP limits.

Credit risk concentration limits are in place to ensure portfolio diversification and prevent over-concentration to industries or countries. Geographic dispersion monitoring within Australia and New Zealand is also conducted for some larger sub-portfolios. Periodic stress tests of major credit risk concentrations are conducted to identify potential changes in market conditions (such as changes in interest rates, droughts, etc.) that could adversely impact the credit portfolio's performance. Action is taken where necessary to reduce the volatility of losses.

Credit Risk (continued)

8.5 Credit Risk Mitigation (continued)

Table 10b and 10c – Credit risk mitigation

30 June 2024				
Portfolio Type	Total exposure ^{1 2} \$M	Eligible financial collateral \$M	Exposures covered by guarantees \$M	Exposures covered by credit derivatives \$M
Subject to AIRB approach				
Corporate (incl. SME corporate)	163,342	–	8	–
SME retail	19,577	–	–	–
Residential mortgage	649,614	–	–	–
Qualifying revolving retail	23,165	–	–	–
Other retail	8,571	–	–	–
Total AIRB approach	864,269	–	8	–
Subject to FIRB approach				
Corporate - large	49,657	–	–	–
Sovereign	134,232	–	86	–
Financial institution	43,900	–	433	–
Total FIRB approach	227,789	–	519	–
Specialised lending	4,587	–	–	–
Subject to standardised approach				
Corporate (incl. SME corporate)	1,082	–	–	–
SME retail	836	–	–	–
Sovereign	1	–	–	–
Residential mortgage	17,114	–	–	–
Other retail	237	–	–	–
Other assets	11,240	–	–	–
Central counterparties	3,115	–	–	–
Total standardised approach	33,625	–	–	–
RBNZ regulated entities	129,526	–	–	–
Total credit exposures	1,259,796	–	527	–

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

2 Exposure for derivatives and guarantees is after netting and financial collateral.

Credit Risk (continued)

8.5 Credit Risk Mitigation (continued)

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

	31 December 2023			
Portfolio Type	Total exposure ^{1 2} \$M	Eligible financial collateral \$M	Exposures covered by guarantees \$M	Exposures covered by credit derivatives \$M
Subject to AIRB approach				
Corporate (incl SME corporate)	157,323	–	8	–
SME retail	19,232	–	–	–
Residential mortgage	635,073	–	–	–
Qualifying revolving retail	23,371	–	–	–
Other retail	7,932	–	–	–
Total AIRB approach	842,931	–	8	–
Subject to FIRB approach				
Corporate - large	48,819	–	–	–
Sovereign	173,679	–	93	–
Financial institution	56,902	–	334	–
Total FIRB approach	279,400	–	427	–
Specialised lending	4,398	–	–	–
Subject to standardised approach				
Corporate (incl SME corporate)	832	–	–	–
SME retail	855	–	–	–
Sovereign	460	–	–	–
Residential mortgage	16,882	–	–	–
Other retail	518	–	–	–
Other assets	15,619	–	–	–
Central counterparties	2,862	–	–	–
Total standardised approach	38,028	–	–	–
RBNZ regulated entities	131,781	–	–	–
Total credit exposures	1,296,538	–	435	–

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

2 Advanced approach: Exposure for derivatives and guarantees is after netting and financial collateral.

Credit Risk (continued)

8.5 Credit Risk Mitigation (continued)

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

30 June 2023				
Portfolio Type	Total exposure ^{1 2} \$M	Eligible financial collateral \$M	Exposures covered by guarantees \$M	Exposures covered by credit derivatives \$M
Subject to AIRB approach				
Corporate (incl. SME corporate)	154,966	–	17	–
SME retail	18,806	–	–	–
Residential mortgage	635,757	–	–	–
Qualifying revolving retail	23,531	–	–	–
Other retail	7,616	–	–	–
Total AIRB approach	840,676	–	17	–
Subject to FIRB approach				
Corporate - large	41,349	–	85	–
Sovereign	197,707	–	141	–
Financial institution	42,632	–	45	–
Total FIRB approach	281,688	–	271	–
Specialised lending	4,641	–	–	–
Subject to standardised approach				
Corporate (incl. SME corporate)	559	–	–	–
SME retail	1,248	–	–	–
Sovereign	520	–	–	–
Residential mortgage	16,614	–	–	–
Other retail	604	–	–	–
Other assets	13,367	–	–	–
Central counterparties	2,616	–	–	–
Total standardised approach	35,528	–	–	–
RBNZ regulated entities	130,966	–	–	–
Total credit exposures	1,293,499	–	288	–

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

2 Advanced approach: Exposure for derivatives and guarantees is after netting and financial collateral.

Credit Risk (continued)

8.6 Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows arising from over-the-counter derivative, exchange-traded derivative, securities financing and long settlement transactions. An economic loss would occur if the transactions or a portfolio of transactions with the counterparty has a positive economic value for the Group at the time of default. Unlike an exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement of underlying market factors.

Capital is allocated to CCR exposures after taking into account the risk-rating and expected exposure to the counterparty, and correlations and diversification impacts across risk types.

CCR is controlled through a variety of credit policies, standards and procedures covering the following topics:

- Large credit exposures;
- Country risk exposures;
- Netting;
- Collateralisation of CCR transactions;
- Central counterparties;
- Wrong way risk;
- Historical rate rollovers; and
- Specific products.

Wrong-way risk is a risk associated with CCR. There are two types of wrong-way risk, general and specific. General wrong-way risk arises when the PD of counterparties is

positively correlated with general market risk factors. Specific wrong-way risk arises when the exposure to a particular counterparty and the PD of the counterparty are highly correlated.

Specific wrong-way risk is managed by not entering into transactions where it exists and by not recognising any risk reduction from credit risk mitigation provided by highly correlated counterparties. General wrong-way risk is monitored through modelling at the portfolio level.

CSAs are used with some large corporates and most bank and non-bank financial institution counterparties to collateralise CCR for derivatives products. The use of CSAs is governed by the credit policies and standards covering netting and collateralisation of CCR transactions. CSAs lower the risk that arises from market movements by requiring the counterparty (or the Group) to post collateral to cover mark-to-market values that might be owed upon a counterparty default.

Risk Managers provide sign-off on terms of the CSA prior to the documentation being executed.

Collateral stress testing is used to determine the effect that a rating downgrade would have on the Group's collateral obligation to its counterparties.

As at 30 June 2024, the maximum additional collateral that could be posted to other counterparties based on the Group's current rating is \$133 million. As at 30 June 2024, a unilateral one-notch and two-notch downgrade in the Group's rating would have resulted in a further \$5 million and \$61 million of collateral being posted to other counterparties respectively. Collateral stress tests are also conducted on the Group's counterparties so that it can monitor for likely collateral stresses in the event of a counterparty downgrade.

Table 11b (i) Counterparty credit risk derivative exposure under the SA-CCR method ¹

	30 Jun 24 \$M	31 Dec 23 \$M	30 Jun 23 \$M
Gross positive fair value	18,542	31,419	24,040
Netting and collateral benefits	(13,969)	(25,012)	(17,597)
Including collateral held of which:			
Cash	(4,435)	(4,203)	(6,309)
Replacement cost	4,573	6,407	6,443
Potential future exposure	11,017	9,650	9,910
Impact of scaling factor of 1.4 and incurred CVA	6,178	6,354	6,479
Exposure at Default	21,768	22,411	22,832

¹ Excluding exposures to CCPs, clearers and derivative exposures classified under Securitisation (for APS 120).

Credit Risk (continued)

8.6 Counterparty Credit Risk (continued)

Table 11b (ii) Counterparty credit risk derivative exposure ¹

Exposure type	Current Credit Exposure		
	30 Jun 24	31 Dec 23	30 Jun 23
	\$M	\$M	\$M
Interest rate contracts	1,600	1,935	2,517
Foreign currency contracts	15,823	28,023	20,249
Equity contracts	–	–	–
Credit derivatives	2	3	3
Commodities and other	1,117	1,458	1,271
Total	18,542	31,419	24,040

¹ Excluding exposures to CCPs, clearers and derivative exposures classified under Securitisation (for APS 120). Exposure types based on product.

Table 11c Counterparty credit risk derivative transactions

Notional value by product type as at 30 June 2024 ¹	Own Credit Portfolio		Intermediation Activity	
	Protection buyer	Protection seller	Protection buyer	Protection seller
	\$M	\$M	\$M	\$M
Credit default swaps	1,348	23	883	608
Total return swaps	–	–	–	–
Credit options	–	–	–	–
Other	–	–	–	–
Total	1,348	23	883	608

¹ CCP exposures have been netted against each other where offsetting per CDS index.

Notional value by product type as at 31 December 2023 ¹	Own Credit Portfolio		Intermediation Activity	
	Protection buyer	Protection seller	Protection buyer	Protection seller
	\$M	\$M	\$M	\$M
Credit default swaps	1,506	151	727	547
Total return swaps	–	–	–	–
Credit options	–	–	–	–
Other	–	–	–	–
Total	1,506	151	727	547

¹ CCP exposures have been netted against each other where offsetting per CDS index.

Notional value by product type as at 30 June 2023 ¹	Own Credit Portfolio		Intermediation Activity	
	Protection buyer	Protection seller	Protection buyer	Protection seller
	\$M	\$M	\$M	\$M
Credit default swaps	1,875	–	935	765
Total return swaps	–	–	–	–
Credit options	–	–	–	–
Other	–	–	–	–
Total	1,875	–	935	765

¹ CCP exposures have been netted against each other where offsetting per CDS index.

Credit Risk (continued)

8.7 Securitisation

Securitisation is a financing structure where the cash flow from a pool of assets is used to service obligations to at least two different tranches or classes of creditors (typically holders of debt securities), with each class or tranche reflecting a different degree of credit risk (i.e. one class of creditor is entitled to receive payments from the pool before another class of creditors).

Securitisations may be categorised as either:

- Traditional securitisation - a securitisation where the pool is transferred (or assigned) to, and held by, or otherwise held directly in its name by, a Special Purpose Vehicle (SPV); or
- Synthetic securitisation - a securitisation whereby the credit risk, or part of the credit risk, of a pool is transferred to a third party which need not be an SPV. The transfer of credit risk can be undertaken through the use of funded (e.g. credit linked notes) or unfunded (e.g. credit default swaps) credit derivatives or guarantees.

Securitisation Activities

The Group is involved in the following types of business activities that give rise to securitisation exposures:

- Group originated securitisations – where the Group equitably assigns home loans it has originated to an SPV, which in turn raises wholesale funding by the issuance of notes to external investors. The Medallion Programme is the Group's securitisation programme of CBA and ASB originated residential mortgage loans. CBA has also established an internal securitisation where CBA retains all the notes issued to use as collateral to raise contingent liquidity from the RBA;
- Third party securitisations – where assets are originated by parties other than the Group. Such transactions usually have added layers of credit protection, whether it is lender's mortgage insurance, over-collateralisation, cash reserves and/or other subordinated credit support. The nature of the underlying assets is similar to those that the Group would normally support in a non-securitised form including residential and commercial mortgages, personal loans, revolving credit exposures, and vehicle loans and equipment financing. The Group acts as a funder/note holder;
- The purchase of asset/mortgage backed securities for trading or portfolio investment; and
- The provision of interest rate swaps, cross-currency swaps and/or liquidity support facilities to an external SPV where the Group may be the arranger, lead manager and/or originator of the respective securities or underlying assets.

For contingent liquidity, the Group manages a Residential Mortgage Backed Security (RMBS) portfolio which is not intended to be issued publicly. These notes will be held by the Group and the senior notes, if required, can be used for repurchase agreements with the RBA and RBNZ to generate additional liquidity for the Group, for which these RMBS are eligible collateral.

Strategic Issues

For the Group, securitisation has provided and will continue to provide a source of liquidity through RBA repurchase transactions and an opportunistic rather than core external funding source. The Group, when undertaking an intermediary role for third party securitisations, receives fee based income and collateral business in other banking products.

Regulatory Compliance

APRA's requirements in managing the capital and risks associated with securitisation activities and exposures are set out in APS 120 and Prudential Practice Guide APG 120 *Securitisation*. To be compliant with the standard the Group has policies and procedures that include:

- Appropriate risk management systems to identify, measure, monitor and manage the risks arising from the Group's involvement in securitisation;
- Monitoring the effects of securitisation on its risk profile, including credit quality, and how it has aligned with its risk management practices; and
- Measures to ensure that it is not providing implicit support for a securitisation.

The Group's securitisation activities also need to comply with other prudential standards applicable to any traded or Balance Sheet exposure.

The Group uses a hierarchy detailed in APS 120 to determine the credit rating grade for regulatory capital purposes. The two approaches the Group uses are the External Ratings-based Approach (ERBA Approach) or the Supervisory Formula Approach (SFA Approach).

Risk Assessment

Securitisation activities expose the Group to risks including liquidity risk, market risk, operational risk and credit risk, which are managed in accordance with the Group's respective risk management frameworks. Where the Group arranges either a Group originated or third party securitisation transaction, the capital markets issuance will be rated by at least one ECAI based on their respective rating models. The Group uses recognised ECAI including S&P Global Ratings, Moody's Investors Service and/or Fitch Ratings for both Group originated and third party securitisation transactions.

The Group undertakes credit assessments on all securitisation transactions. In addition to compliance with the securitisation and other prudential standards, credit risk assessment of securitisation exposures is performed in accordance with the Group's policies and procedures.

The risk assessment takes into account a wide range of credit, reputation, origination, concentration and servicing factors related to the underlying portfolio of assets being securitised in addition to the capital structure of the proposed securitisation SPV.

Where a securitisation exposure is held through a warehouse structure prior to terming out via the debt capital markets, the credit ratings of the warehouse facility are also assessed by the Group using the rating methodologies of the ECAI and/or other models accepted by APRA.

Credit Approval

Credit approval authorities relating to securitisation are restricted to officers with appropriately badged delegations. Risk Management's Institutional Banking and Markets team is responsible for approval and limit management and monitoring for all securitisations. Proposed exposures that exceed individual approval authorities are referred to various credit committees of the Group for decisioning.

Each Group originated or third party transaction is led by a deal team leader who is responsible for the deal origination and its compliance with Group policies and prudential standards.

Credit Risk (continued)

8.7 Securitisation (continued)

Securitisation Risk Management Framework

Exposure Reporting and Monitoring

All securitisation exposures and limits are recorded on appropriate risk systems and monitored for limit and capital compliance.

Where exposures are fair valued for accounting purposes, the transactions are monitored under the Group's Market Risk Management Framework (refer section 10, page 75). This includes a limit framework and monitoring around the size and turnover of such exposures, and a robust independent price validation process conducted on the prices used to value those exposures. All securitisation limits and exposures are reviewed in accordance with the Group's approved Risk Management Framework which in turn is subject to periodic internal (internal audits and reviews) and external reviews (conducted by external audit and APRA).

The Bank receives underlying pool data for all its securitisation exposures and undertakes ongoing analysis and modelling as required under its policies and procedures and to meet APS 120 due diligence requirements. Where exposures are externally rated, the ratings are also monitored. The Group has no exposure to resecuritisation transactions.

Exposure Aggregation

Securitisation SPVs are bankruptcy remote entities. Generally, there is no legally enforceable obligation on the asset originator or issuer to provide ongoing credit support to such transactions and they are mostly not aggregated for either Group Large Credit Exposure Policy or APRA prudential standard compliance. Aggregation is assessed on a case by case basis having regard to the proposed structure. The Group will aggregate, where appropriate, the broader banking exposures to the proposed originator and/or issuing entities in making its determinations.

Group Originated Securitisations

General Principles

Where the Group intends to securitise assets it has originated, it ensures the terms and conditions applicable to the proposed securitisation and any support facilities or dealings are arm's length and market based and compliant with APRA's prudential regulations. These transactions are managed by Group Treasury.

Where the Group has sold assets to an SPV but retains a servicer role in managing those assets on behalf of the SPV the Group ensures those securitised assets are effectively ring-fenced from the Group's own assets. Where the Group or its subsidiary provides support services such as servicing to the SPV, these need to be subject to arm's length, market based terms and be of an equivalent standard available in the market.

Purchase of Securities issued under Group Originated Securitisation

Any purchases of either securities issued by an SPV or assets of an SPV must be arm's length in nature and approved under the Group's credit approval process. No pre-existing obligation to purchase public securities or the underlying assets of the SPV exists. The Group's SPVs under the Medallion programme are consolidated for accounting purposes.

The Group holds less than 20% (except permitted underwritings as per APS 120) of the public securities outstanding issued by an SPV for Group originated securitisations.

The aggregated value of all securities held by the Group under its various public Medallion programme does not exceed 10% of the Group's Level 2 capital (except permitted security underwritings as per APS 120).

Summary of Accounting Policies

Securitisations may, depending on the individual arrangement, result in:

- continued recognition of the securitised assets on the Balance Sheet of the Group;
- continued recognition of the assets to the extent of the Group's continuing involvement in those assets (as defined within AASB 9); or
- derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer of assets to the securitisation vehicle.

A securitisation transaction is first assessed for any potential requirement to consolidate the vehicles used.

The assessment is made considering the requirements of AASB 10 *Consolidated Financial Statements* (AASB 10). AASB 10 prescribed control as the single basis for consolidation for all entities, regardless of the nature of the investee. The Group exercises judgement at inception and periodically, to assess whether a SPV should be consolidated based on the Bank's control over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity.

The valuation process of any retained interests in securitisation exposures primarily focuses on quotations from third parties and calibrated valuations from market standard models with key inputs such as spreads to discount rates, default and recovery rates that may be observable or unobservable.

Assets are valued according to the normal methods appropriate to the asset class. As at 30 June 2024 and 31 December 2023, the Group had no assets awaiting securitisation.

The Group has disclosed all contractual commitments, such as liquidity lines, and applied the accounting policies as set out in the 2024 Annual Report. The Group provides support for securitisation transactions to the extent of those contractual obligations.

Credit Risk (continued)

8.7 Securitisation (continued)

Banking Book

The following table provides banking book exposures securitised by the Group and third party securitised assets where the Group is classified as a sponsor. The Group originated exposures can be broken down as follows:

- Group originated assets - capital relief comprise CBA Medallion Trusts subject to capital treatment under APS 120.
- Group originated assets - non-capital relief comprise CBA Medallion Trusts subject to capital treatment under APS 113 *Capital Adequacy: Internal Ratings-based Approach to Credit Risk*.
- Group originated assets - internal RMBS comprise CBA Medallion and ASB Medallion Trusts, held for contingent liquidity purposes.
- Third party originated assets comprise assets managed and sponsored by the Group.

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

Underlying Asset	30 June 2024			
	Group originated assets - capital relief	Group originated assets - non capital relief	Group originated assets - internal RMBS	Third party originated assets
	\$M	\$M	\$M	\$M
Residential mortgage	2,549	4,847	124,744	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	2,549	4,847	124,744	–

Underlying Asset	31 December 2023			
	Group originated assets - capital relief	Group originated assets - non capital relief	Group originated assets - internal RMBS	Third party originated assets
	\$M	\$M	\$M	\$M
Residential mortgage	2,814	5,624	125,125	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	2,814	5,624	125,125	–

Underlying Asset	30 June 2023			
	Group originated assets - capital relief	Group originated assets - non capital relief	Group originated assets - internal RMBS	Third party originated assets
	\$M	\$M	\$M	\$M
Residential mortgage	3,193	4,496	148,458	–
Credit cards and other personal loans	–	–	–	–
Auto and equipment finance	–	–	–	–
Commercial loans	–	–	–	–
Other	–	–	–	–
Total	3,193	4,496	148,458	–

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

APS 120 provides specific regulatory treatment for synthetic securitisations where credit risk is transferred to a third party, however, legal ownership of the underlying assets remains with the originator. The Group has not undertaken any synthetic securitisation in the banking book.

Credit Risk (continued)

8.7 Securitisation (continued)

Table 12h – Non-performing banking book exposures by asset type

Underlying Asset	30 June 2024		
	Group originated assets securitised		
	Outstanding exposure \$M	Non-performing exposure \$M	Losses recognised \$M
Residential mortgage	132,140	786	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Commercial loans	–	–	–
Other	–	–	–
Total	132,140	786	–

Underlying Asset	31 December 2023		
	Group originated assets securitised		
	Outstanding exposure \$M	Non-performing exposure \$M	Losses recognised \$M
Residential mortgage	133,563	580	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Commercial loans	–	–	–
Other	–	–	–
Total	133,563	580	–

Underlying Asset	30 June 2023		
	Group originated assets securitised		
	Outstanding exposure \$M	Non-performing exposure \$M	Losses recognised \$M
Residential mortgage	156,147	636	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Commercial loans	–	–	–
Other	–	–	–
Total	156,147	636	–

Table 12i – Banking book exposures intended to be securitised

As at 30 June 2024, the Group does not have any outstanding banking book exposures that are intended to be securitised.

Credit Risk (continued)

8.7 Securitisation (continued)

Table 12j – Banking book activity for the reporting period

The Group's new securitisation activity in the banking book during the full year ended 30 June 2024, was \$4,222 million.

Underlying Asset	Full year ended 30 June 2024	
	Total exposures securitised	Recognised gain or loss on sale
	\$M	\$M
Residential mortgage	4,112	–
Credit cards and other personal loans	49	–
Auto and equipment finance	61	–
Commercial loans	–	–
Other	–	–
Total	4,222	–

Underlying Asset	Half year ended 31 December 2023	
	Total exposures securitised	Recognised gain or loss on sale
	\$M	\$M
Residential mortgage	2,492	–
Credit cards and other personal loans	–	–
Auto and equipment finance	–	–
Commercial loans	–	–
Other	–	–
Total	2,492	–

Underlying Asset	Full year ended 30 June 2023	
	Total exposures securitised	Recognised gain or loss on sale
	\$M	\$M
Residential mortgage	3,068	–
Credit cards and other personal loans	155	–
Auto and equipment finance	14	–
Commercial loans	41	–
Other	–	–
Total	3,278	–

Credit Risk (continued)

8.7 Securitisation (continued)

Table 12k – Banking book securitisation exposures retained or purchased

Securitisation Facility Type	30 June 2024		Total exposures \$M
	On Balance Sheet \$M	Off Balance Sheet \$M	
Liquidity support facilities	–	156	156
Warehouse facilities	10,797	5,250	16,047
Derivative facilities	–	57	57
Holdings of securities	3,334	–	3,334
Other	–	11	11
Total securitisation exposures in the banking book	14,131	5,474	19,605

Securitisation Facility Type	31 December 2023		Total exposures \$M
	On Balance Sheet \$M	Off Balance Sheet \$M	
Liquidity support facilities	–	171	171
Warehouse facilities	11,666	4,931	16,597
Derivative facilities	–	108	108
Holdings of securities	2,778	–	2,778
Other	–	11	11
Total securitisation exposures in the banking book	14,444	5,221	19,665

Securitisation Facility Type	30 June 2023		Total exposures \$M
	On Balance Sheet \$M	Off Balance Sheet \$M	
Liquidity support facilities	–	179	179
Warehouse facilities	11,041	5,519	16,560
Derivative facilities	–	149	149
Holdings of securities	3,114	–	3,114
Other	–	12	12
Total securitisation exposures in the banking book	14,155	5,859	20,014

Credit Risk (continued)

8.7 Securitisation (continued)

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

Total securitisation exposures in the banking book decreased by \$409 million or 2% during the full year ended 30 June 2024.

The corresponding RWA decreased by \$100 million or 3%.

30 June 2024						
Risk Weight Band	Exposures		Total exposures	Risk Weighted Assets		Total RWA
	Securitisation	Resecuritisation		Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	19,585	–	19,585	3,199	–	3,199
> 25% ≤ 35%	–	–	–	–	–	–
> 35% ≤ 50%	–	–	–	–	–	–
> 50% ≤ 75%	20	–	20	11	–	11
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	19,605	–	19,605	3,210	–	3,210

31 December 2023						
Risk Weight Band	Exposures		Total exposures	Risk Weighted Assets		Total RWA
	Securitisation	Resecuritisation		Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	19,663	–	19,663	3,234	–	3,234
> 25% ≤ 35%	–	–	–	–	–	–
> 35% ≤ 50%	–	–	–	–	–	–
> 50% ≤ 75%	2	–	2	1	–	1
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	19,665	–	19,665	3,235	–	3,235

30 June 2023						
Risk Weight Band	Exposures		Total exposures	Risk Weighted Assets		Total RWA
	Securitisation	Resecuritisation		Securitisation	Resecuritisation	
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	20,002	–	20,002	3,303	–	3,303
> 25% ≤ 35%	–	–	–	–	–	–
> 35% ≤ 50%	–	–	–	–	–	–
> 50% ≤ 75%	12	–	12	7	–	7
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	20,014	–	20,014	3,310	–	3,310

Credit Risk (continued)

8.7 Securitisation (continued)

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

Total securitisation exposures deducted from Tier 1 capital had a \$2 million movement during the half year ended 30 June 2024 and there was \$8 million movement during the half year ended 31 December 2023.

Underlying Asset	Common Equity Tier 1 Capital		
	30 Jun 24	31 Dec 23	30 Jun 23
	\$M	\$M	\$M
Residential mortgage	10	8	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Commercial loans	–	–	–
Other	–	–	–
Total	10	8	–

Table 12m – Banking book exposures subject to early amortisation

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

Table 12n – Banking book resecuritisation exposures

The Group does not have any retained or repurchased banking book resecuritisation exposure.

Trading Book

Table 12o – Trading book exposures securitised

The Group has no traditional or synthetic securitisation exposures in the trading book.

Table 12p – Trading book exposures intended to be securitised

As at 30 June 2024, the Group does not have any outstanding trading book exposures that are intended to be securitised.

Table 12q – Trading book activity for the reporting period

The Group participated in third party securitisation in the trading book during the full year ended 30 June 2024, relating to nil residential mortgages (31 December 2023: nil, 30 June 2023: nil), \$5 million auto and equipment finance (31 December 2023: nil, 30 June 2023: \$3 million), and \$5 million credit cards and other personal loans (31 December 2023: \$3 million, 30 June 2023: nil) exposures.

Table 12r – Trading book exposures subject to APS 116

The aggregate amount of exposures securitised by the Group and subject to APS 116 *Capital Adequacy: Market Risk* (APS 116) was \$28 million as at 30 June 2024 (31 December 2023: \$78 million, 30 June 2023: \$39 million), all of which are traditional securitisations. This consists of:

- Securities held in the trading book subject to the Standard Method of Nil (31 December 2023: Nil, 30 June 2023: Nil); and
- Derivatives held in the trading book subject to the Internal Models Approach (IMA) of \$28 million (31 December 2023: \$78 million, 30 June 2023: \$39 million).

Credit Risk (continued)

8.7 Securitisation (continued)

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

Securitisation Facility Type	As at 30 June 2024		Total exposures \$M
	On Balance Sheet \$M	Off Balance Sheet \$M	
Liquidity support facilities	–	–	–
Warehouse facilities	–	–	–
Derivative facilities	–	28	28
Holdings of securities	–	–	–
Other	–	–	–
Total securitisation exposures in the trading book	–	28	28

Securitisation Facility Type	As at 31 December 2023		Total exposures \$M
	On Balance Sheet \$M	Off Balance Sheet \$M	
Liquidity support facilities	–	–	–
Warehouse facilities	–	–	–
Derivative facilities	–	78	78
Holdings of securities	–	–	–
Other	–	–	–
Total securitisation exposures in the trading book	–	78	78

Securitisation Facility Type	As at 30 June 2023		Total exposures \$M
	On Balance Sheet \$M	Off Balance Sheet \$M	
Liquidity support facilities	–	–	–
Warehouse facilities	–	–	–
Derivative facilities	–	39	39
Holdings of securities	–	–	–
Other	–	–	–
Total securitisation exposures in the trading book	–	39	39

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

The Group has \$28 million of derivative exposures held in the trading book subject to IMA (default risk) under APS 116 as at 30 June 2024 (31 December 2023: \$78 million, 30 June 2023: \$39 million).

Credit Risk (continued)

8.7 Securitisation (continued)

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

Risk Weight Band	30 June 2024		
	ERBA Approach	SFA Approach	Total exposures
	\$M	\$M	\$M
≤ 25%	14	14	28
> 25% ≤ 35%	–	–	–
> 35% ≤ 50%	–	–	–
> 50% ≤ 75%	–	–	–
> 75% ≤ 100%	–	–	–
> 100% ≤ 650%	–	–	–
> 650% ≤ 1250%	–	–	–
Total	14	14	28

Risk Weight Band	31 December 2023		
	ERBA Approach	SFA Approach	Total exposures
	\$M	\$M	\$M
≤ 25%	30	48	78
> 25% ≤ 35%	–	–	–
> 35% ≤ 50%	–	–	–
> 50% ≤ 75%	–	–	–
> 75% ≤ 100%	–	–	–
> 100% ≤ 650%	–	–	–
> 650% ≤ 1250%	–	–	–
Total	30	48	78

Risk Weight Band	30 June 2023		
	ERBA Approach	SFA Approach	Total exposures
	\$M	\$M	\$M
≤ 25%	15	24	39
> 25% ≤ 35%	–	–	–
> 35% ≤ 50%	–	–	–
> 50% ≤ 75%	–	–	–
> 75% ≤ 100%	–	–	–
> 100% ≤ 650%	–	–	–
> 650% ≤ 1250%	–	–	–
Total	15	24	39

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

The Group has \$1,989 million of RWA held in the trading book subject to IMA (default risk) under APS 116 as at 30 June 2024 (31 December 2023: \$1,945 million, 30 June 2023: \$1,765 million).

Credit Risk (continued)

8.7 Securitisation (continued)

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

	30 June 2024					
	ERBA Approach		SFA Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	2	–	2	–	4	–
> 25% ≤ 35%	–	–	–	–	–	–
> 35% ≤ 50%	–	–	–	–	–	–
> 50% ≤ 75%	–	–	–	–	–	–
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	2	–	2	–	4	–

	31 December 2023					
	ERBA Approach		SFA Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	5	–	8	–	13	–
> 25% ≤ 35%	–	–	–	–	–	–
> 35% ≤ 50%	–	–	–	–	–	–
> 50% ≤ 75%	–	–	–	–	–	–
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	5	–	8	–	13	–

Credit Risk (continued)

8.7 Securitisation (continued)

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

	30 June 2023					
	ERBA Approach		SFA Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
	\$M	\$M	\$M	\$M	\$M	\$M
≤ 25%	2	–	4	–	6	–
> 25% ≤ 35%	–	–	–	–	–	–
> 35% ≤ 50%	–	–	–	–	–	–
> 50% ≤ 75%	–	–	–	–	–	–
> 75% ≤ 100%	–	–	–	–	–	–
> 100% ≤ 650%	–	–	–	–	–	–
> 650% ≤ 1250%	–	–	–	–	–	–
Total	2	–	4	–	6	–

Credit Risk (continued)

8.7 Securitisation (continued)

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

The Group has no trading book exposures that are entirely deducted from CET1 capital.

The Group did not have any trading book exposures that are credit enhancements deducted from Total Capital or any other exposures deducted from Total Capital.

Table 12v – Trading book exposures subject to early amortisation

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

Table 12w – Trading book resecuritisation exposures

The Group did not have any retained or repurchased trading book resecuritisation exposures.

Table 5a – Total securitisation activity for the reporting period

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

The total exposures securitised in the full year to 30 June 2024 was \$4,232 million (30 June 2023: \$3,281 million). The total exposures securitised in the half year to 31 December 2023 was \$2,495 million.

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

Securitisation Facility Type	30 June 2024		
	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	–	156	156
Warehouse facilities	10,797	5,250	16,047
Derivative facilities	–	85	85
Holdings of securities	3,334	–	3,334
Other	–	11	11
Total securitisation exposures	14,131	5,502	19,633

Securitisation Facility Type	31 December 2023		
	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	–	171	171
Warehouse facilities	11,666	4,931	16,597
Derivative facilities	–	186	186
Holdings of securities	2,778	–	2,778
Other	–	11	11
Total securitisation exposures	14,444	5,299	19,743

Securitisation Facility Type	30 June 2023		
	On Balance Sheet \$M	Off Balance Sheet \$M	Total exposures \$M
Liquidity support facilities	–	179	179
Warehouse facilities	11,041	5,519	16,560
Derivative facilities	–	188	188
Holdings of securities	3,114	–	3,114
Other	–	12	12
Total securitisation exposures	14,155	5,898	20,053

9

Equity Risk

Equity risk is the potential loss arising from price volatility in equity investments.

The Group holds equity investments in the banking book for strategic reasons. The Group has established policies and a governance framework for managing equity risk. Equity investments require approval by the Board or delegates in accordance with the Group Delegations Policy. The measurement of banking book securities is determined in accordance with the Group's accounting policies. The accounting treatment of equity investment depends on whether the Group has significant influence or joint control over the investee. Where significant influence or joint control exists, the investment is classified as an associate or joint venture and accounted for using the equity method. Under the equity method, investments are initially recognised at cost and adjusted for the Group's share of the post-acquisition profits or losses, and other comprehensive income, less any dividends received. Other investments which are not joint ventures or associates, are recognised at fair value through other comprehensive income or through profit or loss.

When an active market exists, fair value is determined using quoted market prices. When a quoted price in an active market is not available, fair value is determined using acceptable market valuation techniques. Key assumptions applied include trading multiples for businesses displaying similar characteristics to the equity investments being valued.

APRA requires that all these equity investments be fully deducted from CET1.

Table 16b to 16f – Equity investment exposures¹

Equity Investments	30 June 2024	
	Balance Sheet value	Fair value
	\$M	\$M
Value of listed (publicly traded) equities	2,591	2,892
Value of unlisted (privately held) equities	1,568	2,026
Total	4,159	4,918

Equity Investments	31 December 2023	
	Balance Sheet value	Fair value
	\$M	\$M
Value of listed (publicly traded) equities	2,226	2,377
Value of unlisted (privately held) equities	1,772	1,888
Total	3,998	4,265

Equity Investments	30 June 2023	
	Balance Sheet value	Fair value
	\$M	\$M
Value of listed (publicly traded) equities	2,338	2,649
Value of unlisted (privately held) equities	1,538	1,610
Total	3,876	4,259

Gains or Losses on Equity Investments	Half year ended		
	30 Jun 24	31 Dec 23	30 Jun 23
	\$M	\$M	\$M
Cumulative realised gains in reporting period	–	26	–
Total unrealised gains or losses	149	5	(200)

¹ Equity investment exposures include non-traded equity investments as well as investments in associates that are treated as capital deductions and are not risk weighted at Level 2.

Market risk is the potential adverse impact on the profitability and/or net worth of the Group from changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of assets under residual value guarantees.

The Group makes a distinction between traded and non-traded market risk for the purposes of risk management, measurement and reporting. Traded market risk principally arises from the Group’s trading book activities within the Institutional Banking and Markets business and its subsidiary financial institutions.

Non-traded market risk includes interest rate risk that arises from banking book activities, non-traded equity risk, structural foreign exchange risk and lease residual value risk.

Market Risk Management Governance Overview

The Group’s appetite for market risk is determined by the Board and is expressed via the Group’s Risk Appetite Statement and its framework of limits and policies. The limits are designed to manage the volatility in earnings and value due to market risk. The policies establish a sound operating environment for market risk, which is consistent with the governance and control standards of the Group and conform to prudential regulatory requirements.

The market risk profile of the Group is overseen by the Board Risk and Compliance Committee and senior executive management. The Market Risk Oversight area provides support to the Board Risk and Compliance Committee and ALCO in the performance of their market risk management accountabilities.

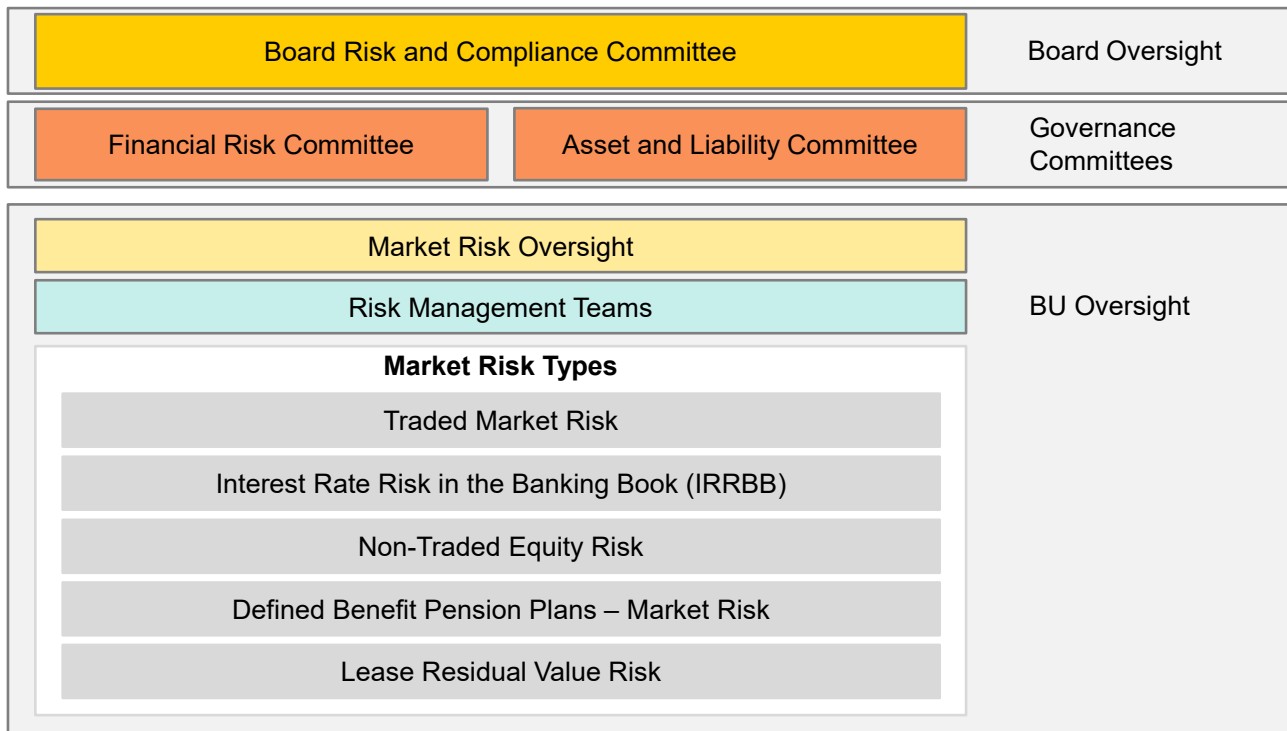
Market risk may only be generated by authorised business areas across the Group. The key functional areas that must be established to support market risk activity comprise:

- An approved Trading, Treasury or Origination function;
- An independent Market Risk Oversight area; and
- A Senior Management Oversight Committee.

The chart below summarises governance arrangements for market risk.

The Market Risk Oversight area supports the implementation of the Board approved policies through the establishment of Market Risk Standards and other documents that define the operational requirements for managing market risk, including details of sub-limits, stress testing, key controls, delegations, reporting and escalation requirements. The Market Risk Oversight area is responsible for the daily monitoring and analysis of risk positions. Senior management has oversight of market risk performance against risk and return expectations on a monthly basis. The Board Risk and Compliance Committee meets approximately six times each year and considers the operation of the Market Risk Management Framework together with any issues that may arise.

Market Risk Governance



Market Risk (continued)

Market Risk Measurement

The Group uses Value-at-Risk (VaR) as one of the measures of traded and non-traded market risk. VaR measures potential loss using historically observed market movements and correlation between different markets.

VaR is modelled at a 99.0% confidence level. This means that there is a 99.0% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for traded market risk uses two years of daily movement in market rates. The VaR measure for non-traded banking book market risk uses six years of daily movement in market rates.

A 10-day holding period is used for trading book positions. A 20-day holding period is used for interest rate risk in the banking book.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 99.0%. Management then uses these results in decisions to manage the economic impact of market risk positions.

Stressed VaR (SVaR) is calculated for traded market risk using the same methodology as the regular traded market risk VaR except that the historical data is taken from a 1 year observation period of significant market volatility as seen during the Global Financial Crisis (GFC). The stress events considered for market risk are extreme but plausible market movements, and have been back-tested against moves seen during 2008 and 2009 at the height of the Global Financial Crisis. The results are reported to the Board Risk and Compliance Committee and the Group's ALCO on a regular basis. Stress tests also include a range of forward looking macroeconomic scenario stresses.

10.1 Traded Market Risk

The Group trades and distributes financial market products and provides risk management solutions to customers on a global basis.

The objectives of the Group's financial markets activities are to:

- Provide risk management and capital market products and services to customers;
- Efficiently assist in managing the Group's own market risks; and
- Conduct profitable market making within a controlled framework to assist in the provision of products and services to customers.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

The Group participates in all major markets across interest rate, foreign exchange, debt, equity and commodity products as required to provide treasury, capital markets and risk management services to customers of the Group.

Income is earned through market making and from warehousing market risk. Trading positions are valued at fair value and taken to profit and loss on a mark-to-market basis. Market liquidity risk is controlled by concentrating trading activity in highly liquid markets.

The Group measures and manages traded market risk through a combination of VaR and stress test limits, together with other key controls including permitted instruments, sensitivity limits and term restrictions. Thus traded market risk is managed under a clearly defined risk appetite within the Group Market Risk Policy and limit structure approved by the Board Risk and Compliance Committee. Risk is monitored by the independent Market Risk Oversight function.

Capital Calculation Methods

The Group is accredited by APRA as an Internal Model user for regulatory capital calculation for Group trading book activity.

Consequently, general market risk regulatory capital is calculated for interest rates (including credit spread), foreign exchange, equity and commodity risk using this model.

There are also a small number of products in the trading book for which regulatory capital is determined using the standard method. In accordance with the standard method, the Group applies the maturity method against these products for capital calculations, and a specific risk charge is calculated for debt specific and equity position risk. Inflation linked products and a small number of path dependent rates related products are managed in this manner.

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

	30 Jun 24	31 Dec 23	30 Jun 23
Traded Market Risk RWA by Modelling Approach ¹	\$M	\$M	\$M
Internal Model Approach	7,354	8,547	14,305
Standard Method	1,134	1,080	1,085
Total Traded Market Risk RWA	8,488	9,627	15,390

¹ Refer to page 12 for commentary.

The capital requirement for traded market risk under the standard method is disclosed in Table 13b.

Market Risk (continued)

10.1 Traded Market Risk (continued)

Table 13b – Traded Market Risk under the Standard Method

Exposure Type	30 Jun 24	31 Dec 23	30 Jun 23
	\$M	\$M	\$M
Interest Rate Risk	90.7	86.4	86.6
Equity Risk	–	–	–
Foreign exchange risk	–	–	0.2
Commodity risk	–	–	–
Total	90.7	86.4	86.8
Risk Weighted Asset equivalent¹	1,134	1,080	1,085

¹ Risk Weighted Assets equivalent is the capital requirements multiplied by 12.5 in accordance with APS 110.

Traded Market Risk Internal Model

The VaR and SVaR results calculated under the internal model approach are summarised in Table 14f (i).

Table 14f (i) – Value-at-Risk and Stressed Value-at-Risk for Trading Portfolios under the Internal Model Approach

Average VaR ¹	Aggregate VaR Over the Reporting Period			As at balance date
	Mean value	Maximum value	Minimum value	
	\$M	\$M	\$M	\$M
Over the 6 months to 30 June 2024	62	86	37	37
Over the 6 months to 31 December 2023	51	68	36	62
Over the 6 months to 30 June 2023	109	177	73	109

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

Stressed VaR ¹	Aggregate SVaR Over the Reporting Period			As at balance date
	Mean value	Maximum value	Minimum value	
	\$M	\$M	\$M	\$M
Over the 6 months to 30 June 2024	105	167	71	116
Over the 6 months to 31 December 2023	108	150	80	126
Over the 6 months to 30 June 2023	168	257	99	144

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

Market Risk (continued)

10.1 Traded Market Risk (continued)

Internal Model Approach – Back-test results

The Internal model is subject to back-testing against hypothetical profit and loss. In the 6 months to 30 June 2024 there were no back test outliers. The back-test results are summarised in Table 14f (ii) and details of these are provided in Table 14f (iii). A comparison of VaR with actual gains or losses during the 6 months to 30 June 2024 is illustrated in Table 14f (iv).

APS 330 Table 14f (ii) - Summary Table of the Number of Back-Testing Outliers ¹

Over the 6 months to 30 June 2024	-
Over the 6 months to 31 December 2023	-
Over the 6 months to 30 June 2023	6

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

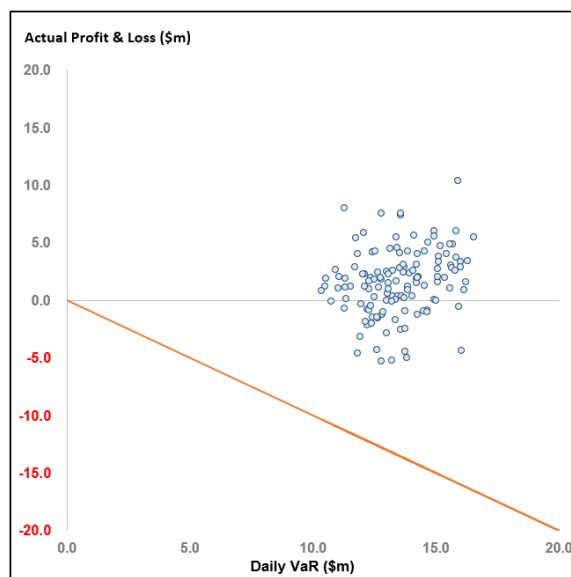
Table 14f (iii): Details of Back-Testing Outliers

Date	Over the Reporting Period 1 January 2024 to 30 June 2024	
	Hypothetical loss	VaR 99%
	\$M	\$M
	-	-

Date	Over the Reporting Period 1 July 2023 to 31 December 2023	
	Hypothetical loss	VaR 99%
	\$M	\$M
	-	-

Date	Over the Reporting Period 1 January 2023 to 30 June 2023	
	Hypothetical loss	VaR 99%
	\$M	\$M
06 January 2023	37	28
09 March 2023	52	46
10 March 2023	72	53
15 March 2023	102	65
02 May 2023	35	32
20 June 2023	30	29

Table 14f (iv): Comparison of VaR estimates outliers with actual gains/losses experiences for the 6 months ended 30 June 2024



Market Risk (continued)

10.2 Non-Traded Market Risk

Non-traded market risk activities are governed by the Group Market Risk Policy approved by the Board Risk and Compliance Committee. The policy describes the framework that governs all the activities performed in relation to non-traded market risk.

Interest Rate Risk in the Banking Book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. The maturity transformation activities of the Group create mismatches in the repricing terms of asset and liability positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements.

The Group's banking subsidiaries, ASB and CBA Europe NV, manage their own domestic IRRBB in accordance with its own risk management policies and the policies of the Group.

The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long term.

The Group measures and manages the impact of interest rate risk in two ways:

(i) Next 12 Months' Earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through a sensitivity analysis which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change to the Balance Sheet product mix, growth, funding and pricing strategies is incorporated.

Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have repriced in the past, the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analyses.

(ii) Economic Value

Interest rate risk from an economic value perspective is based on a 20-day, 99% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long term impact to the earnings potential of the Group, present valued to the current date. The Group assesses the potential change in the economic value of equity through the application of the VaR methodology.

A 20-day 99% VaR measure is used to capture the net economic value for all Balance Sheet assets and liabilities due to adverse changes in interest rates.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

Determining Interest Rate Risk in the Banking Book

APRA requires Australian banks accredited for the Advanced Approach under the Basel III framework to incorporate regulatory capital for IRRBB in their assessment of Total Capital. The capital requirement associated with IRRBB is measured by the Group's internal measurement model which incorporates the following risk calculations:

- Repricing and yield curve risks, which arise from repricing mismatches between assets and liabilities, are jointly determined from the distribution of changes in the economic value of the banking book as a consequence of interest rate changes (overall level of the yield curve and the shape of the yield curve). A historical simulation VaR approach is used, with IRRBB regulatory capital determined with respect to a one year holding period and a 99% level of confidence. Interest rate scenarios are constructed over a historical observation period of six years.
- Basis risk is measured as the risk of loss in earnings of the banking book arising from differences between the actual and expected interest margins on banking book items. The IRRBB regulatory capital requirement for basis risk is measured under a dynamic simulation approach, as the change in net interest income over a 12 month forecast period, in response to an adverse change to implied forward cash rates.
- Optionality risk is measured as the risk of loss in economic value owing to the existence of stand-alone or embedded options in the banking book, to the extent that such potential losses are not included in the measurement of repricing, yield curve or basis risks. Optionality risk arising from a departure from assumed prepayment behaviour is calculated from a stressed prepayment rate scenario by the VaR model. Optionality risk arising from the use of replicating portfolios for indeterminate maturity or discretionary rate items is measured by the VaR model under an applied mismatch between the underlying product balances and the unhedged term asset positions.
- The embedded loss or gain in banking book items not accounted for on a mark-to-market basis is measured and included in the regulatory capital for IRRBB. The embedded loss or gain measures the difference between the book value and economic value of banking book activities, based on transfer-priced assets and liabilities.

These interest rate risk calculations are summed (subject to the capital requirement not being less than zero in total) and multiplied by 12.5 to derive regulatory RWA for IRRBB in accordance with APS 110.

Stress Testing of Interest Rate Risk in the Banking Book

Stress testing of IRRBB measures the impact of extreme but plausible market movements on both an earnings and an economic value basis. The results are reported to the Board Risk and Compliance Committee and the Group ALCO on a regular basis.

The Stress Testing figures in Table 17b (below) represent expected net change in the economic value of assets and liabilities, held for purposes other than trading, based on a 200 basis point parallel rate shock. In addition Table 17b includes the regulatory RWA for IRRBB.

Market Risk (continued)

10.2 Non-Traded Market Risk (continued)

Table 17b – Interest Rate Risk in the Banking Book

Stress Testing: Interest Rate Shock Applied	Change in Economic Value		
	30 Jun 24	31 Dec 23	30 Jun 23
	\$M	\$M	\$M
AUD			
200 basis point parallel increase	(556)	(860)	(809)
200 basis point parallel decrease	564	890	848
NZD			
200 basis point parallel increase	(361)	(318)	(297)
200 basis point parallel decrease	374	327	308
USD			
200 basis point parallel increase	(69)	(153)	(33)
200 basis point parallel decrease	68	109	(38)
Other			
200 basis point parallel increase	(9)	17	20
200 basis point parallel decrease	10	(16)	(19)

Regulatory RWA ¹	30 Jun 24	31 Dec 23	30 Jun 23
	\$M	\$M	\$M
Interest rate risk in the banking book	43,644	40,307	46,578

¹ Refer to page 12 for commentary.

Structural Foreign Exchange Risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated retained earnings and capital are translated into Australian dollars. The Group's material risk exposures to this risk arises from the following currencies: New Zealand Dollar, US Dollar, Euro and British Pound Sterling.

Lease Residual Value Risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft and other equipment. A lease residual value guarantee exposes the Group to a potential fall in prices of these assets below the guarantee level at lease expiry. The lease residual value risk within the Group is

controlled through the Risk Management Framework approved by the Board Risk and Compliance Committee. Supporting this framework is an internal Market Risk Standard document, which has a risk limit framework that includes asset, geographic and maturity concentration limits, and stress testing that is performed by the Market Risk Oversight function. Regulatory capital is held under APS 112 (refer to Section 8.3).

Defined benefit plans

As part of the Commonwealth Bank Group Super Fund's (the Fund) planned merger with Australian Retirement Trust (ART), a portion of the defined benefit and all defined contribution members transferred to ART following the tranche one transfer completed in November 2023 (refer to Note 10.2 in the 2024 Annual Report). The Group remains exposed to market risk in relation to the defined benefit plans in the Fund and ART.

Definitions

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events. Operational risk for these purposes includes compliance risk which is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may incur as a result of its failure to comply with its obligations.

Operational risk includes legal, regulatory, fraud, business continuity and technology risks but excludes strategic and reputational risks. However, the impact to brand and reputation arising from operational risk events is considered as part of the assessment of operational risks.

Operational Risk Management Framework

The Operational Risk Management Framework (ORMF) covers the structures, policies, systems, processes, and people within the Group that identify, measure, evaluate, control / mitigate, monitor, and report internal and external operational risks. Compliance Risk is managed under the ORMF.

The ORMF aligns with the Group's Risk Appetite Statement (RAS) and the Group's Strategy / Business Plan and supports the Group to meet the requirements of Prudential Standard APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk.

Operational Risk Capital Measurement Approach

Since 1 January 2023, the Group has calculated its operational risk regulatory capital using the APRA-prescribed Standardised Measurement Approach (SMA). Under this approach, the Group calculates its operational risk regulatory capital based on its business indicator, a financial statement-based proxy for its operational risk exposure.

Operational Risk Mitigation through Insurance

The Group insures against selected unexpected insurable operational risk losses. The Group's insurance program is structured based upon the Group's risk appetite. In designing the insurance program, the adequacy and appropriateness of cover are considered along with the Group's operational risk profile. The insurance program is reviewed by the Board.

Compliance Management Framework

The purpose of the Group Compliance Management Framework (CMF) is to describe the Group's approach to compliance management and its commitment to compliance. It sets out the requirements that together ensure the Group manages its compliance obligations, relationships and obligations to regulators and its compliance risks. The ORMF works in alignment with the CMF to help identify, assess, manage, and report compliance risk on a consistent and reliable basis.

System of Record

The ORMF and CMF are supported by a single platform, internally referred to as RiskInSite, which enables consistent application of both frameworks across the Group. This includes the assessment of operational and compliance risks, monitoring and review activities, escalation and remediation of control weaknesses, incident management and reporting to management and the Board.

Roles and Responsibilities

Every staff member has a responsibility for managing operational risk. Individual role holder accountabilities are articulated within each Standard under the relevant Policy. Within the Group, accountability for operational risk has been structured into a Three Lines of Accountability model, as per section 7.

Management Reporting

Material and relevant operational risk information is provided to management, the Executive Leadership Team Non-Financial Risk Committee, and Board Risk and Compliance Committee to enable proactive measurement, monitoring and management of operational risk.

Table 6e – Capital requirements for operational risk

Regulatory RWA	30 Jun 24 \$M	31 Dec 23 \$M	30 Jun 23 \$M
Total operational risk RWA ¹	44,975	44,975	43,155

¹ Refer to page 12 for commentary.

12.1 Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to raise funding on an unsecured or secured basis, has sufficient liquid assets to borrow against under repurchase agreements or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient holdings of cash and liquid assets to meet its obligations to customers, in both ordinary market conditions and during periods of severe stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and Funding Risk Management Framework

The CBA Board is responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under the Group Liquidity Risk Management Framework, are approved by the Board. The Group Asset and Liability Committee's (ALCO) responsibilities include asset and liability management, reviewing liquidity and funding policies and strategies and monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's Liquidity Policy and supporting standards, and has ultimate authority to execute liquidity and funding decisions should the Group Contingency Funding Plan be activated. Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB, manages its own domestic liquidity and funding needs in accordance with its own liquidity policy and the policies of the Group. ASB's liquidity policy is also overseen by the RBNZ.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the minimum prescribed under APRA's Liquidity Coverage Ratio (LCR) requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- A surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR is calculated by applying factors prescribed by APRA to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- Scenario analysis is central to the Group's liquidity management framework and the Group undertakes additional stress testing including market specific and idiosyncratic and combined scenarios over and above the regulatory defined scenarios;
- Additional funding and liquidity metrics are calculated and monitored as early warning indicators of a potential stress event;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- The Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- Group Treasury maintains a portfolio of highly liquid assets to meet liquidity requirements under a range of market conditions. The liquid asset portfolio includes cash and liquid assets, including government and Australian semi-government securities, meeting APRA's high quality liquid asset (HQLA) definition and other highly liquid assets which are repo-eligible with the Reserve Bank of Australia (RBA);
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- In line with APRA's requirements to hold adequate levels of self-securitised assets, the Group also holds internal RMBS (minimum value of 30% of Group net cash outflows as defined under the LCR), which are mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under the Exceptional Liquidity Assistance (ELA) arrangement; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required regulations. Material banking subsidiaries are required to maintain an LCR of at least 100%.

The Group's key funding tools include:

- Consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Small business customer and institutional deposit base; and
- Wholesale domestic and international funding programmes, which include Australian dollar Negotiable Certificates of Deposit, US and Euro Commercial Paper programmes, Australian dollar Domestic Debt Programme, US Medium-Term Note Programmes, Euro Medium-Term Note Programme, multi-jurisdiction Covered Bond programme and Medallion securitisation programmes. Additionally the Group has accessed the RBA's Term Funding Facility (TFF)¹ and RBNZ term lending facilities.

Liquidity modelling and forecasting is undertaken on a daily basis to ensure the Group meets its internal and regulatory liquidity requirements at all times. A regulatory liquidity management reporting system models and reports regulatory liquidity outcomes. Additionally a comprehensive Funds Transfer Pricing framework is in place to attribute the cost of funding and liquidity to business units and to provide appropriate incentives to inform business decision making.

¹ The TFF has subsequently been fully repaid.

Liquidity Risk (continued)

Contingency Funding Plan

The Group maintains a Contingency Funding Plan (CFP) which details how the Group would respond to a liquidity stress event. The plan includes details of roles and responsibilities including the committee of responsible executives, early warning indicators and trigger events, potential contingent funding actions that could be undertaken to manage the Group's liquidity position as well as a communications strategy. The plan is regularly tested and is approved by the Board on an annual basis.

12.2 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 June 2024 quarter, excess liquid assets averaged \$46.5 billion and the average LCR decreased from 138% to 136%. On a spot basis, the LCR was between 127% and 142% over the quarter in advance of the repayment of final tranche of the RBA TFF.

The Group's mix of liquid assets consists of HQLA, such as cash, deposits with central banks, Australian semi-government and Commonwealth government securities. Liquid assets also include securities classified as liquid assets by the RBNZ. Liquid assets are distributed across the Group to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. Average liquid assets decreased over the quarter.

NCO are modelled under an APRA prescribed 30 day severe liquidity stress scenario. The Group manages modelled NCO 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 NCO decreased over the quarter driven by an increase in total cash inflows primarily due to increased liquidity management activities in advance of the repayment of the final tranche of the RBA TFF and a reduction in cash outflows relating to the interim dividend. This was partly offset by an increase in NCO from the repayment of the RBA TFF.

Table 20 - LCR Disclosure Template

	30 Jun 24 ¹		31 Mar 24 ¹	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
	\$M	\$M	\$M	\$M
Liquid assets, of which:				
1 High-quality liquid assets (HQLA)		175,961		190,341
2 Alternative liquid assets (ALA)		–		–
3 Reserve Bank of New Zealand (RBNZ) securities		1,270		627
Cash outflows				
4 Retail deposits and deposits from small business customers, of which:	451,777	36,982	448,306	36,573
5 Stable deposits	266,513	13,326	264,542	13,227
6 Less stable deposits	185,264	23,656	183,764	23,346
7 Unsecured wholesale funding, of which:	177,778	75,653	180,111	77,738
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	88,224	21,093	85,963	20,562
9 Non-operational deposits (all counterparties)	82,967	47,973	84,889	47,917
10 Unsecured debt	6,587	6,587	9,259	9,259
11 Secured wholesale funding		7,659		2,896
12 Additional requirements, of which:	178,261	26,963	177,667	27,953
13 Outflows related to derivatives exposures and other collateral requirements	8,134	8,134	8,833	8,833
14 Outflows related to loss of funding on debt products	–	–	–	–
15 Credit and liquidity facilities	170,127	18,829	168,834	19,120
16 Other contractual funding obligations	–	–	–	–
17 Other contingent funding obligations	96,138	11,940	97,459	13,790
18 Total cash outflows		159,197		158,950
Cash inflows				
19 Secured lending	48,539	5,322	39,768	3,566
20 Inflows from fully performing exposures	15,101	10,485	13,675	9,102
21 Other cash inflows	12,637	12,637	8,242	8,242
22 Total cash inflows	76,277	28,444	61,685	20,910
23 Total liquid assets		177,231		190,968
24 Total net cash outflows		130,753		138,040
25 Liquidity Coverage Ratio (%)		136		138
Number of data points used (Business Days)		62		62

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

Liquidity Risk (continued)

12.3 Net Stable Funding Ratio

The NSFR requires Australian ADIs to have sufficient Available Stable Funding (ASF) to meet their Required Stable Funding (RSF) over a one year horizon. The Group calculates its NSFR position daily, ensuring a buffer is maintained over the regulatory requirement of 100% and the Board's risk appetite. The ASF and RSF are calculated by applying factors prescribed by APRA, to liabilities, assets and off Balance Sheet commitments.

The Group's main sources of ASF are deposits from retail and SME customers, wholesale funding and capital. The main contributors to RSF are residential mortgages and loans to business and corporate customers.

The NSFR decreased from 120% at 31 March 2024 to 116% at 30 June 2024. Over the period, the Group's ASF decreased driven by the maturity profile and a contraction in wholesale funding partly offset by deposit growth. RSF increased primarily reflecting the impact of an increase in RSF factor applied to residential mortgage securities previously utilised as collateral for TFF drawings³ and growth in lending.

Table 21 - NSFR Disclosure Template

		As at 30 June 2024				
		Unweighted value by residual maturity				Weighted value
		No Maturity	0 - 6 months	7 - 12 months	> 12 months	
		\$M	\$M	\$M	\$M	\$M
Available Stable Funding (ASF) Item						
1	Capital	73,192	–	–	40,101	113,293
2	Regulatory Capital	73,192	–	–	40,101	113,293
3	Other Capital Instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	433,516	132,714	29	154	525,480
5	Stable deposits ¹	260,999	52,828	10	9	298,155
6	Less stable deposits ²	172,517	79,886	19	145	227,325
7	Wholesale funding	160,477	214,600	63,950	100,953	231,748
8	Operational deposits	93,562	–	–	–	46,781
9	Other wholesale funding	66,915	214,600	63,950	100,953	184,967
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	–	20,429	157	1,848	1,926
12	NSFR derivative liabilities	–	7,865	–	–	–
13	All other liabilities and equity not included in the above categories	–	12,564	157	1,848	1,926
14	Total ASF					872,447
Required Stable Funding (RSF) Item						
15 a)	Total NSFR HQLA					5,492
15 b)	ALA					–
15 c)	RBNZ Securities					369
16	Deposits held at other financial institutions for operational purposes					–
17	Performing loans and securities	11,116	139,100	60,951	833,430	696,381
18	Performing loans to financial institutions secured by Level 1 HQLA	6,891	61,652	7,190	2,226	12,675
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	4,225	25,344	17,874	39,844	53,216
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs)	–	39,898	27,955	147,492	158,616
21	of which: with a risk weight of less than or equal to 35% under APS 112	–	647	566	3,400	2,817
22	Performing residential property loans	–	7,428	6,822	633,919	460,149
23	of which: are standard loans to individuals with a LVR of 80% or below	–	5,426	5,095	451,461	298,710
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	4,778	1,110	9,949	11,725
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	1,342	28,022	2,206	25,989	34,929
27	Physical traded commodities, including gold	1,342	–	–	–	1,140
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	–	1,550	–	–	1,318
29	NSFR derivative assets	–	5,753	–	–	–
30	NSFR derivative liabilities before deduction of variation margin posted	–	15,798	–	–	3,160
31	All other assets not included in the above categories	–	4,921	2,206	25,989	29,311
32	Off Balance Sheet items	–	203,490	–	–	11,850
33	Total RSF					749,021
34	Net Stable Funding Ratio (%)					116

1 Stable deposits are the portion of deposits that are protected under the Financial Claims Scheme where depositors have an established relationship with the Bank or the deposits are in transactional accounts.

2 Less stable deposits are the portion of deposits that do not meet the requirements of stable deposits.

3 For RSF, residential mortgages pledged as collateral for the TFF received a lower RSF factor (10%). The repayment of the TFF meant these mortgages no longer qualified for the lower RSF factor, requiring a RSF factor of 65%. This reduced NSFR by ~3%.

Liquidity Risk (continued)

12.3 Net Stable Funding Ratio (continued)

		As at 31 March 2024				
		Unweighted value by residual maturity				Weighted value
		No Maturity	0 - 6 months	7 - 12 months	> 12 months	
		\$M	\$M	\$M	\$M	\$M
Available Stable Funding (ASF) Item						
1	Capital	72,113	–	–	40,595	112,707
2	Regulatory Capital	72,113	–	–	40,595	112,707
3	Other Capital Instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	433,259	131,630	29	147	524,241
5	Stable deposits ¹	260,411	52,963	9	14	297,727
6	Less stable deposits ²	172,848	78,667	20	133	226,514
7	Wholesale funding	151,364	238,878	74,632	106,587	238,094
8	Operational deposits	84,716	–	–	–	42,358
9	Other wholesale funding	66,648	238,878	74,632	106,587	195,736
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	–	24,694	156	1,953	2,031
12	NSFR derivative liabilities	–	8,685	–	–	–
13	All other liabilities and equity not included in the above categories	–	16,009	156	1,953	2,031
14	Total ASF					877,073
Required Stable Funding (RSF) Item						
15 a)	Total NSFR HQLA					5,573
15 b)	ALA					3,199
15 c)	RBNZ Securities					365
16	Deposits held at other financial institutions for operational purposes					–
17	Performing loans and securities	11,482	152,546	57,251	793,994	677,144
18	Performing loans to financial institutions secured by Level 1 HQLA	8,267	60,408	3,622	2,492	11,170
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	3,215	24,764	15,277	41,753	53,589
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs)	–	36,241	30,460	144,932	155,889
21	of which: with a risk weight of less than or equal to 35% under APS 112	–	678	529	3,265	2,726
22	Performing residential property loans	–	7,679	6,808	592,627	433,497
23	of which: are standard loans to individuals with a LVR of 80% or below	–	5,241	5,099	411,899	272,904
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	23,454	1,084	12,190	22,999
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	3,027	34,210	1,572	26,414	36,794
27	Physical traded commodities, including gold	3,027	–	–	–	2,573
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	–	1,493	–	–	1,269
29	NSFR derivative assets	–	8,374	–	–	–
30	NSFR derivative liabilities before deduction of variation margin posted	–	16,537	–	–	3,307
31	All other assets not included in the above categories	–	7,806	1,572	26,414	29,645
32	Off Balance Sheet items	–	199,929	–	–	10,603
33	Total RSF					733,678
34	Net Stable Funding Ratio (%)					120

1 Stable deposits are the portion of deposits that are protected under the Financial Claims Scheme where depositors have an established relationship with the Bank or the deposits are in transactional accounts.

2 Less stable deposits are the portion of deposits that do not meet the requirements of stable deposits.

13.1 Detailed Capital Disclosures Template (APS 330 Attachment A)

These tables should be read in conjunction with Appendix 13.3 Regulatory Balance Sheet and Appendix 13.4 Reconciliation between Detailed Capital Disclosures Template and Regulatory Balance Sheet.

		30 Jun 24 Basel III %	
Summary Group Capital Adequacy Ratios (Level 2)			
CET1		12.3	
Tier 1		14.3	
Total Capital		20.9	
		30 Jun 24 Basel III \$M	
		Reconciliation Table Reference	
Common Equity Tier 1 Capital: instruments and reserves			
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	33,635	Table A
2	Retained earnings	41,546	
3	Accumulated other comprehensive income (and other reserves)	(2,147)	
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	–	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	Table B
6	Common Equity Tier 1 Capital before regulatory adjustments	73,034	
Common Equity Tier 1 Capital: regulatory adjustments			
7	Prudential valuation adjustments	(9)	
8	Goodwill (net of related tax liability)	(5,285)	Table C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	(2,259)	Table C
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	Table D
11	Cash flow hedge reserve	1,510	
12	Shortfall of provisions to expected losses ¹	–	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	(32)	
15	Defined benefit superannuation fund net assets ²	(305)	
16	Investments in own shares (if not already netted off paid-in capital on reported Balance Sheet)	–	
17	Reciprocal cross-holdings in common equity	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	–	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	
20	Mortgage service rights (amount above 10% threshold)	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	Table D
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the ordinary shares of financial entities	–	
24	of which: mortgage servicing rights	–	
25	of which: deferred tax assets arising from temporary differences	–	Table D

1 Represents the shortfall between the calculated Regulatory EL and Eligible Provisions (EP) with respect to credit portfolios which are subject to the AIRB approach. The adjustment is assessed separately for both defaulted and non-defaulted exposures. Where there is an excess of EL over EP in either assessments, the difference must be deducted from CET1. For non-defaulted exposures where the EL is lower than the EP, this may be included in Tier 2 capital up to a maximum of 0.6% of total Credit Risk RWA.

2 In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, is deducted from CET1.

Appendices (continued)

13.1 Detailed Capital Disclosures Template (APS 330 Attachment A) (continued)

	30 Jun 24 Basel III \$M	Reconciliation Table Reference	
26	National specific regulatory adjustments (rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j)	(8,963)	
26a	of which: treasury shares	158	Table A
26b	of which: offset to dividends declared due to a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-	
26c	of which: deferred fee income	-	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	(4,186)	Table G
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	(3,320)	Table D
26f	of which: capitalised expenses	(1,231)	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	(117)	Table G
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	(267)	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common Equity Tier 1 ¹	(15,343)	
29	Common Equity Tier 1 Capital	57,691	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments	9,272	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	9,272	Table E
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 Capital before regulatory adjustments	9,272	Table E
Additional Tier 1 Capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (rows 41a, 41b, 41c)	-	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 Capital (AT1)	9,272	
45	Tier 1 Capital (T1=CET1+AT1)	66,963	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	29,179	Table F
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	2,074	
51	Tier 2 Capital before regulatory adjustments	31,253	

1 Total regulatory adjustments to CET1 of \$15,343 million in Row 28 is net of APRA's allowance for treasury shares held by the Group's eligible employee share scheme arrangements of \$158 million as detailed in Row 26a.

Appendices (continued)

13.1 Detailed Capital Disclosures Template (APS 330 Attachment A) (continued)

	30 Jun 24 Basel III \$M	Reconciliation Table Reference
Tier 2 Capital: regulatory adjustments		
52	(30)	
53	–	
54	(395)	
55	–	
56	–	
56a	–	
56b	–	
56c	–	
57	(425)	
58	30,828	
59	97,791	
60	467,551	
Capital ratios and buffers		
61	12.3%	
62	14.3%	
63	20.9%	
64	10.08%	
65	4.75%	
66	0.83%	Table H
67	–	
68	12.3%	
National minima		
69	–	
70	–	
71	–	
Amount below thresholds for deductions (not risk weighted)		
72	1,562	Table G
73	2,624	Table G
74	–	
75	3,320	Table D
Applicable caps on the inclusion of provisions in Tier 2		
76	71	
77	283	
78	2,003	
79	2,067	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	–	
81	–	
82	–	
83	–	
84	–	
85	–	

1 Includes the Group's holdings of other banks' Total Loss Absorbing Capacity (TLAC) instruments which are required to be deducted from the Group's Tier 2 Capital under the revised APS 111 *Capital Adequacy: Measurement of Capital*.

2 Includes 1% Domestic Systemically Important Bank (D-SIB) requirement.

Appendices (continued)

13.2 Detailed Leverage Disclosures Template (APS 330 Attachment E)

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

		30 Jun 24
		Basel III
		\$M
1	Total consolidated assets as per published financial statements	1,254,076
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(2,459)
3	Adjustment for assets held on the Balance Sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure	–
4	Adjustments for derivative financial instruments	11,709
5	Adjustment for SFTs (i.e. repos and similar secured lending)	(6,338)
6	Adjustment for off Balance Sheet exposures (i.e. conversion to credit equivalent amounts of off Balance Sheet exposures)	110,717
7	Other adjustments	(28,530)
8	Leverage ratio exposure	1,339,175

Table 18 – Leverage ratio disclosure template

		30 Jun 24
		Basel III
		\$M
On Balance Sheet exposures		
1	On Balance Sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,139,718
2	(Asset amounts deducted in determining Tier 1 Capital)	(16,517)
3	Total On Balance Sheet exposures (excluding derivatives and SFTs)	1,123,201
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7,570
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	19,997
6	Gross-up for derivatives collateral provided where deducted from the Balance Sheet assets pursuant to the Australian Accounting Standards	5,591
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(3,421)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	–
9	Adjusted effective notional amount of written credit derivatives	2,479
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(2,449)
11	Total derivative exposures	29,767
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	95,383
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(27,520)
14	CCR exposure for SFT assets	7,627
15	Agent transaction exposures	–
16	Total SFT exposures	75,490
Other Off Balance Sheet exposures		
17	Off Balance Sheet exposure at gross notional amount	200,239
18	(Adjustments for conversion to credit equivalent amounts)	(89,522)
19	Other Off Balance Sheet exposures	110,717
Capital and total exposures		
20	Tier 1 Capital	66,963
21	Total exposures	1,339,175
Leverage ratio		
22	Leverage ratio (%)	5.0

Appendices (continued)

13.3 Regulatory Balance Sheet

The following table provides details on the Group's Balance Sheet and the Level 2 Regulatory Balance Sheet as at 30 June 2024.

	Group Balance Sheet \$M	Adjustment ¹ \$M	Level 2 Regulatory Balance Sheet \$M	Template/ Reconciliation Table Reference
Assets				
Cash and liquid assets	83,080	(2)	83,078	
Receivables due from other financial institutions	5,862	–	5,862	
Assets at fair value through Income Statement	79,033	–	79,033	
Derivative assets	18,058	–	18,058	
Investment securities:				
At amortised cost	1,239	–	1,239	
At fair value through Other Comprehensive Income	96,774	–	96,774	
Assets held for sale	870	–	870	
Loans, bills discounted and other receivables	942,210	(2,549)	939,661	
Investment in regulatory non-consolidated subsidiaries	–	89	89	Table G
Property, plant and equipment	3,676	–	3,676	
Investment in associates and joint ventures	1,671	–	1,671	
Intangible assets	7,600	–	7,600	Table C
Deferred tax assets	3,771	–	3,771	Table D
Other assets	10,232	3	10,235	
Total assets	1,254,076	(2,459)	1,251,617	
Liabilities				
Deposits and other public borrowings	882,922	144	883,066	
Payables due to other financial institutions	24,633	–	24,633	
Liabilities at fair value through Income Statement	47,341	–	47,341	
Derivative liabilities	18,850	–	18,850	
Current tax liabilities	503	(2)	501	
Deferred tax liabilities	111	–	111	Table D
Liabilities held for sale	–	–	–	
Provisions	2,908	–	2,908	
Term funding from central banks	4,228	–	4,228	
Debt issues	144,530	(2,592)	141,938	
Bills payable and other liabilities	19,024	45	19,069	
Loan capital	35,938	–	35,938	Table E
Total liabilities	1,180,988	(2,405)	1,178,583	
Net assets	73,088	(54)	73,034	
Shareholders' Equity				
Ordinary Share capital	33,635	–	33,635	Row 1, Table A
Reserves	(2,147)	–	(2,147)	Row 3
Retained profits	41,600	(54)	41,546	Row 2
Shareholders' Equity attributable to Equity holders of the Bank	73,088	(54)	73,034	
Non-controlling interests	–	–	–	Table B
Total Shareholders' Equity	73,088	(54)	73,034	

¹ Reflects the deconsolidation of an insurance entity and certain entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.

Appendices (continued)

13.4 Reconciliation between Detailed Capital Disclosures Template and Regulatory Balance Sheet

The following tables provide additional information on the differences between the Detailed Capital Disclosures Template (Appendix 13.1) and the Regulatory Balance Sheet (Appendix 13.3).

Table A	30 Jun 24 \$M	Template Reference
Share Capital		
Total per Balance Sheet (Ordinary Share Capital) ¹	33,635	Row 1
Treasury Shares held by the Group's employee share scheme trusts (APRA specific adjustment)	158	Row 26a
Total Ordinary Share Capital and Treasury Shares	33,793	

Table B	30 Jun 24 \$M	Template Reference
Non-Controlling Interests		
Total per Balance Sheet ¹	–	
Less other non controlling interests not included in Capital	–	
Total per Capital Template	–	Row 5

Table C	30 Jun 24 \$M	Template Reference
Goodwill and Other Intangibles		
Total per Balance Sheet ¹	7,600	
Less capitalised software and other intangibles separately disclosed in template	(2,315)	
Total per Capital Template - Goodwill	5,285	Row 8
Other intangibles (including capitalised software) per Balance Sheet	2,315	
Less deferred tax liability associated with other intangibles	(56)	
Total per Capital Template - Other Intangibles	2,259	Row 9

Table D	30 Jun 24 \$M	Template Reference
Deferred Tax Assets		
Deferred tax assets per Balance Sheet ¹	3,771	
Less deferred tax liabilities per Balance Sheet ¹	(111)	
Net Deferred Tax Assets ²	3,660	
Adjustments required in accordance with APRA prudential standards ³	(340)	
Total per Capital Template	3,320	Row 26e

1 Represents the balance per Level 2 Regulatory Balance Sheet.

2 Represents the balance of deferred tax assets net of deferred tax liabilities per Level 2 Regulatory Balance Sheet.

3 Represents the deferred tax balances associated with reserves ineligible for inclusion in regulatory capital, the general reserve for credit losses, intangibles, and the impact of limitations of netting of balances within the same geographic tax authority.

Appendices (continued)

13.4 Reconciliation between Detailed Capital Disclosures Template and Regulatory Balance Sheet (continued)

Table E	30 Jun 24	Template
	\$M	Reference
Additional Tier 1 Capital		
Total Loan Capital per Balance Sheet ¹	35,938	
Add fair value hedge adjustments ²	2,952	
Total Loan Capital net of issue costs at their contractual values	38,890	
Less amount related to Tier 2 Capital Instruments	(29,676)	
Total Tier 1 Loan Capital	9,214	
Add issue costs ³	58	
Total per Capital Template	9,272	Row 36
Additional Tier 1 Capital Instruments comprises		
Basel III Complying Instruments		
PERLS X	1,365	
PERLS XII	1,650	
PERLS XIII	1,180	
PERLS XIV	1,750	
PERLS XV	1,777	
PERLS XVI	1,550	
Total Additional Tier 1 Capital Instruments	9,272	Row 36

Table F	30 Jun 24	Template
	\$M	Reference
Tier 2 Capital Instruments		
Total included in Balance Sheet	29,676	
Less amount of Tier 2 debt issued by subsidiary ineligible for inclusion in the Group's Capital	–	
Add issue costs ³	44	
Less amortisation of instruments ⁴	(541)	
Total per Capital Template	29,179	Row 46

¹ Represents the balance per Level 2 Regulatory Balance Sheet.

² For regulatory capital purposes, APRA requires these instruments to be included as if they were unhedged.

³ Unamortised issue costs relating to capital instruments are netted off against each instrument in the Balance Sheet. For regulatory capital purposes, these capital instruments are shown at face value. The unamortised issue costs are deducted from CET1 as part of capitalised expenses in Row 26f in the Detailed Capital Disclosures Template.

⁴ APRA requires these instruments to be amortised by 20% of the original amount during each of the last five years to maturity.

Details on the main features of Capital instruments included in the Group's regulatory capital (Ordinary Share Capital, Additional Tier 1 Capital and Tier 2 Capital) as required by APS 330 Attachment B can be found at Commbank.com.au/regulatorydisclosures

Appendices (continued)

13.4 Reconciliation between Detailed Capital Disclosures Template and Regulatory Balance Sheet (continued)

Table G	30 Jun 24	Template
	\$M	Reference
Equity Investments		
Investment in commercial entities	117	Row 26g
Investments in significant financial entities	2,535	Row 26d, 73
Investments in non-significant financial entities	1,562	Row 26d, 72
	4,214	
Equity investment in non-consolidated subsidiaries ¹	89	Row 26d, 73
Total per Capital Template ²	4,303	

¹ Equity investments are classified in the Level 2 Regulatory Balance Sheet across assets at fair value through income statement, investment securities, investment in regulatory non-consolidated subsidiaries and investment in associates and joint ventures. In addition, the Group has loans and undrawn commitments (off Balance Sheet) which are deemed in the nature of equity for regulatory capital purposes.

² The aggregate of investments in significant financial entities of \$2,535 million, investments in non-significant financial entities of \$1,562 million and equity investment in non-consolidated subsidiaries of \$89 million is a total of \$4,186 million and is included in Row 26d in the Detailed Capital Disclosures Template. The remaining balance of \$117 million related to investments in commercial entities.

Countercyclical Capital Buffer

The Countercyclical Capital Buffer (CCyB), which is effective for Australian ADIs from 1 January 2016, represents an extension to the capital conservation buffer and may require an ADI to hold additional CET1 of up to 3.5%. The CCyB is calculated as the sum of the specific buffer set by APRA with respect to Australian private sector exposures and the weighted average for offshore private sector exposures where the CCyB has been enacted.

Table H	RWA ¹	Jurisdictional Buffer	ADI Specific Buffer ²	Template
	\$M	%	%	Reference
Country ³				
Australia	293,216	1.000	0.807354	
United Kingdom	2,668	2.000	0.014693	
Ireland	1,452	1.500	0.005998	
Hong Kong	540	1.000	0.001488	
Luxembourg	446	0.500	0.000615	
France	397	1.000	0.001094	
Netherlands	267	2.000	0.001472	
Denmark	92	2.500	0.000632	
South Korea	81	1.000	0.000223	
Norway	49	2.500	0.000336	
Others	63,973	0.000	0.000000	
Total	363,181		0.833905	Row 66

¹ Represents total private sector (excludes Banks and Sovereigns) credit and specific market risk RWA.

² Calculated as each country share of total private sector credit and specific market RWA multiplied by the CCyB applicable in each country.

³ Represents country of ultimate risk as at 30 June 2024.

Appendices (continued)

13.5 Entities excluded from Level 2 Regulatory Consolidated Group

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

Entity name	Total Assets \$M	Total Liabilities \$M
(a) Securitisation		
Medallion Trust Series 2017-1	506	506
Medallion Trust Series 2017-2	613	613
Medallion Trust Series 2018-1	816	816
Medallion Trust Series 2018-1P	232	232
Medallion Trust Series 2019-1	445	445

Entity name	Total Assets \$M	Total Liabilities \$M
(b) Insurance		
CBA Captive Insurance Pte Ltd	148	18

Appendices (continued)

13.6 List of APRA APS 330 Tables

The following schedule lists the quantitative tables in this document as referenced in APS 330 paragraphs 13, 51 and Attachments A to H.

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¹ Details can be found at Commbank.com.au/regulatorydisclosures

Appendices (continued)

13.6 List of APRA APS 330 Tables (continued)

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¹ Details can be found at Commbank.com.au/regulatorydisclosures

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Appendices (continued)

13.8 Glossary

Term	Definition
Additional Tier 1 Capital (AT1)	Additional Tier 1 Capital is a concept defined by APRA and consists of high quality capital that essentially provides a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Advanced Internal Ratings-based (AIRB) Approach	This approach is used to measure credit risk in accordance with the Group's Basel III accreditation. This allows the Group to use internal estimates of PD and LGD (excluding senior unsecured and subordinated corporate exposures), with supervisory estimates to be used for EAD for the purposes of calculating regulatory capital.
Alternative Liquid Assets (ALA)	Assets that qualify for inclusion in the numerator of the LCR in jurisdictions where there is insufficient supply of HQLA. No ALA are recognised in the LCR following the reduction of the CLF to zero on 1 January 2023.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is regulated by the RBNZ.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB).
Australian Prudential Regulation Authority (APRA)	The Australian Prudential Regulation Authority is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian parliament. The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
Authorised Deposit-taking Institution (ADI)	ADIs are corporations that are authorised under the Banking Act 1959 to carry on banking business in Australia.
Banking Book	The banking book is a term for assets on a bank's Balance Sheet that are expected to be held to maturity, usually consisting of customer loans to, and deposits from retail and corporate customers. The banking book can also include those derivatives that are used to hedge exposures arising from the banking book activity, including interest rate risk.
Basel II	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
Basel 2.5	Refers to the Basel II framework revised (2009) to include additional requirements such as the Incremental Risk Charge (IRC), Stressed VaR (SVaR), the treatment of securitisation exposure and the Comprehensive Risk Measure (CRM) for certain correlation trading activities.
Basel III	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued in December 2010 (revised in June 2011), Capital requirements for bank exposures to central counterparties (July 2012), and the subsequent Basel III reforms finalised in December 2017.
APRA's Revised Capital Framework	Refers to APRA's revision to the ADI Capital Framework implemented from 1 January 2023.
Capital Floor	The capital floor is defined as the higher of total RWA as determined under the IRB approach, and 72.5% of total RWA as calculated under the standardised approach.
CBA	Commonwealth Bank of Australia – the head entity of the Group.
Central Counterparty (CCP)	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The Collective Provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are reported in the Group's Financial Statements in accordance with Australian Accounting Standards (AASB 9 <i>Financial Instruments</i>).
Commercial Property	Basel asset class – a property exposure that is not a residential property or a land acquisition, development and construction exposure.
Committed Liquidity Facility (CLF)	The RBA provided the CLF to participating ADIs under the LCR, as a shortfall in Commonwealth government and semi-government securities existed in Australia. ADIs could draw under the CLF in a liquidity crisis against qualifying securities pledged to the RBA. APRA phased out sector-wide usage of the CLF to zero on 1 January 2023.
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.

Appendices (continued)

13.8 Glossary (continued)

Term	Definition
Corporate	Basel asset class –this includes commercial credit risk where annual revenues are greater than or equal to \$75 million but less than \$750 million.
Corporate - Large	Basel asset class applies to commercial credit risk where annual revenues are more than \$750 million.
Credit Valuation Adjustment (CVA) Risk	The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty.
Domestic Public Sector Entity	Basel asset class – exposures that do not meet the definition of Sovereign exposures, but have a level of control or ownership by any level of the Australian Government or the RBA, including those which do not have specific revenue-raising powers.
Exposure at Default (EAD)	The extent to which the Group may be exposed upon default of an obligor.
Extended Licenced Entity (ELE)	An Extended Licensed Entity is comprised of an ADI and each subsidiary of an ADI as specified in any approval granted by APRA in accordance with Prudential Standard APS 222 <i>Associations with Related Entities</i> .
External Credit Assessment Institution (ECAI)	For example: Moody's Investor Services, S&P Global Ratings or Fitch Ratings.
Financial Institution	Basel asset class – primarily includes exposures which relate to: banking, the management of financial assets, lending, factoring, leasing, provision of credit enhancements, securitisation, investments, financial custody, central counterparty services, and proprietary trading.
Foundation Internal Ratings-based (FIRB) Approach	This approach is used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD and rely on supervisory estimates for LGD and EAD for the purposes of calculating regulatory capital.
General Provisions	Collective Provisions classified as Stage 1 and Stage 2 in accordance with Australian Accounting Standards (AASB 9 <i>Financial Instruments</i>). All Stage 2 provisions are held on a purely forward-looking basis for future losses presently unidentified; hence all Stage 2 provisions (together with Stage 1) are classified as General Provisions.
Group	Commonwealth Bank of Australia and its subsidiaries.
High Quality Liquid Assets (HQLA)	Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.
Impaired Assets	Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments due, will be achieved in a timely manner.
Individual provisions	Provisions made against individual facilities 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 <i>Financial Instruments</i>). Also known as individually assessed provisions or IAP.
Interest Rate Risk in the Banking Book (IRRBB)	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted by changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential, and secondly as the anticipated change to Net Interest Income earned over 12 months.
Land Acquisition Development or Construction (ADC)	Basel asset class – exposures secured by land acquired for development and construction purposes, or development and construction of any residential or commercial property.
Level 1	The Parent Bank (Commonwealth Bank of Australia), offshore branches (the Bank) and APRA approved Extended Licensed Entities.
Level 2	The level at which the Group reports its capital adequacy to APRA, being the Consolidated Banking Group comprising the ADI and all of its subsidiary entities other than an insurance business and certain entities through which securitisation of Group assets is conducted. This is the basis on which this report has been produced.
Level 3	The conglomerate group including the Group's insurance entity and qualifying securitisation entities.
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.

Appendices (continued)

13.8 Glossary (continued)

Term	Definition
Loss Given Default (LGD)	An estimate of the expected severity of loss for a credit exposure following a default event. LGD represents the fraction of EAD that is not expected to be recovered following default.
Monte Carlo simulation	A method of random sampling to achieve numerical solutions to mathematical problems.
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.
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour term of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.
Non-performing	An exposure that is in default.
Operational Risk under the Standardised Measurement Approach	The methodology used to measure operational risk, utilising an APRA prescribed formulaic approach which is largely dependent on profit or loss from ordinary banking activities.
Other Assets	Basel asset class – primarily includes Cash Items, Investments in Related Entities, Fixed Assets, Lease Assets and Margin Lending.
Other Retail	Basel asset class – primarily includes retail credit exposures not otherwise classed as a residential mortgage, SME retail or a qualifying revolving retail asset.
Past Due	Facilities are past due when a contracted amount, including principal or interest, has not been met when due, or when it is otherwise outside contracted arrangements.
Probability of Default (PD)	The PD reflects a borrower's ability to generate sufficient cash flows in the future to meet the terms of all of its credit obligations to the Group.
Prudential Capital Requirement (PCR)	The regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times.
Qualifying Revolving Retail (QRR)	Basel asset class – represents revolving exposures less than \$0.1 million to individuals, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this asset class.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
RBNZ regulated entities	All references to RBNZ regulated entities refer to RBNZ regulated subsidiaries and include ASB exposures for which RWA are calculated using the RBNZ's prudential rules subject to certain APRA-prescribed adjustments.
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.
Scaling Factor	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the RWA amounts for credit risk under the IRB Retail, AIRB and FIRB approaches of 1.10. This is also applied to advanced exposures within RBNZ regulated entities.
Securities Financing Transactions (SFT)	APRA defines securities financing transactions as transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing, and margin lending transactions, where the value of the transactions depends on the market valuation of securities and the transactions are typically subject to margin agreements.
Securitisation	Basel asset class – Group originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than \$75 million.
SME Retail	Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than \$75 million and exposures are less than \$1.5 million.
Sovereign	Basel asset class – primarily claims on Australian and foreign governments, central banks (including the RBA), international banking agencies and regional development banks.

Appendices (continued)

13.8 Glossary (continued)

Term	Definition
Specialised Lending	Basel asset classes subject to the supervisory slotting approach which include: object finance, project finance and commodity finance.
Specific Provisions	All provisions, both collectively and individually assessed, classified as Stage 3 in accordance with Australian Accounting Standards (AASB 9 <i>Financial Instruments</i>).
Stage 1	On origination, an impairment provision equivalent to 12 months expected credit losses (ECL) is recognised, reflecting the credit losses expected to arise from defaults occurring over the next 12 months.
Stage 2	Financial assets that have experienced a significant increase in credit risk (SICR) since origination are transferred to Stage 2 and an impairment provision equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL.
Stage 3	Non-performing (defaulted) financial assets are transferred to Stage 3 and an impairment provision equivalent to lifetime ECL is recognised.
Standardised Approach	An alternate approach to the assessment of credit, operational and traded market risk whereby an ADI uses external ratings agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Stressed Value-at-Risk (SVaR)	Stressed Value-at-Risk uses the same methodology as VaR except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
Term Funding Facility (TFF)	A facility provided by the RBA to certain ADIs to support lending to Australian businesses.
Tier 1 Capital	Comprises CET1 and Additional Tier 1 Capital.
Tier 2 Capital	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.
Total Capital	Comprises CET1, Additional Tier 1 Capital and Tier 2 Capital.
Total Exposures (as used in the leverage ratio)	The sum of on Balance Sheet items, derivatives, 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 <i>Capital Adequacy</i> (APS 110) Attachment D.
Trading Book	Exposures, including derivative products and other off Balance Sheet instruments that are held either with a trading intent or to hedge other elements of the trading book.
Value-at-Risk (VaR)	Value-at-Risk is a measure of potential loss using historically observed market volatility and correlation between different markets.