CommonwealthBank

BASEL III PILLAR 3

CAPITAL ADEQUACY AND RISKS DISCLOSURES AS AT 30 JUNE 2016

WHEN WE BELIEVE, WE CAN.

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1 Introduction

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

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

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

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

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

APRA has re-accredited the use of the AIRB approach for the Bankwest non-retail portfolio. This change, which will be effective at 30 September 2016, will have minimal impact on the Group's capital.

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

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

The Group in Review

The Group strengthened its capital position during the year, by undertaking a $5.1 billion institutional and retail entitlement offer ahead of the APRA requirement to hold additional capital with respect to Australian residential mortgages effective from 1 July 2016. This capital raising places the Group in a strong position both domestically and on an internationally comparable basis. As at 30 June 2016, the Basel III Common Equity Tier 1 (CET1) ratio was 14.4% on an internationally comparable basis. The Group's Basel III CET1, Tier 1 and Total Capital ratios as measured on an APRA basis as at 30 June 2016 were 10.6%, 12.3% and 14.3% respectively.

The Group's Leverage Ratio, which is defined as Tier 1 Capital as a percentage of total exposures was 5.0% at 30 June 2016 on an APRA basis and 5.6% on an internationally comparable basis.

The Liquidity Coverage Ratio (LCR), which came into effect on 1 January 2015, requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario. The Group maintained an average LCR of 124.0% in the June 2016 full year.

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

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

The strength and robustness of the Group's risk management framework has been reflected in the Group's overall asset quality and capital position. In particular, the Group remains in a select group of banking institutions with a AA-/Aa2 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, stress testing and the Group's bottom up view of economic capital. These views then cascade into considerations on what capital level is targeted.

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

Summary Group Capital Adequacy Ratios (Level 2)	30 Jun 16 %	31 Dec 15 %	30 Jun 15 %
Common Equity Tier 1	**10. 6**	10. 2	9. 1
Tier 1	**12. 3**	12. 2	11. 2
Tier 2	**2. 0**	1. 9	1. 5
Total Capital (APRA)	**14. 3**	14. 1	12. 7
Common Equity Tier 1 (Internationally Comparable) (1)	**14. 4**	14. 3	12. 7

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

2 Basel Regulatory Framework Overview

The Group is required to report the calculation of RWA and assessment of capital adequacy on a Level 2 basis (see section 3, page 4 for further details on the Scope of Application). APRA has set minimum regulatory capital requirements for banks.

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) Operational Risk Market 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 uses the Internal Ratings Based (IRB) approach for credit risk and the AMA for operational risk in the calculation of RWA. Portfolios that attract the Standardised approach are discussed in section 8.3 "Portfolios Subject to Standardised and Supervisory Risk-Weights" (page 33).

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

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

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

The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a Domestic Systemically Important Bank (DSIB) requirement of 1% and a countercyclical capital buffer (CCyB) of 0% (effective from 1 January 2016), bringing the CET1 requirement to at least 8%. In December 2015, APRA announced that the CCyB for Australian exposures has been set at 0%, and the Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed. Refer to Section 13.4 for further details.

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 its ICAAP annually. The ICAAP document provides details on:

- The Group's capital position and regulatory minima;
- 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 under APRA's ADI Prudential Standard (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 2016 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.

www.commbank.com.au/about-us/investors/shareholders

3 Scope of Application

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

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

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

The Group is required to report its assessment of capital adequacy on a Level 2 basis. The head of the Level 2 Group is the Parent Bank (Commonwealth Bank of Australia). Additional disclosure of capital ratios relating to material ADIs within the Group together with CBA's own Level 1 capital ratios are included under APS 330 Table 6g of this report (page 7).

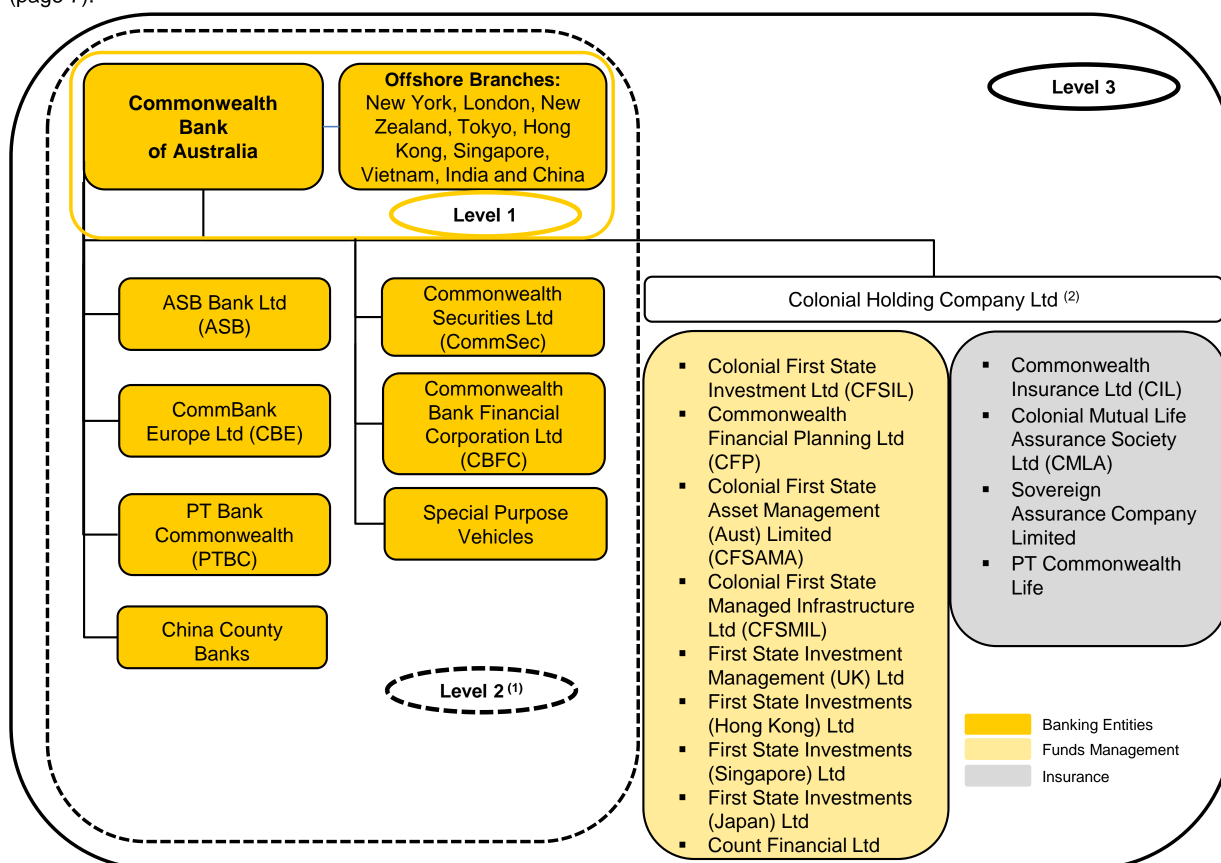
ASB Bank Limited (ASB) operates under advanced Basel III status and is subject to regulation by the Reserve Bank of New Zealand (RBNZ). The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements.

CommBank Europe Ltd (CBE), PT Bank Commonwealth (PTBC) and the China County Banks use Standardised Basel III methodology.

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.



(1) The Level 2 Regulatory Consolidated Group is based on the historic definition of the Level 2 Group, prior to APRA clarification provided in May 2014. Refer to Section 4 Capital – Other Regulatory Changes on page 5 for more details.

(2) Represents the Colonial Holding Company Ltd and major operating subsidiaries. A more detailed list of non-consolidated entities, together with details on their principal activities is provided in Appendix 13.5.

4 Capital

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, its ICAAP, which is an integration of risk, financial and capital management processes.

APRA advises the Group of its Prudential Capital Ratio (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 buybacks, dividend and Dividend Reinvestment Plan (DRP) policies, hybrid capital raising and dated and undated subordinated debt issues. All major capital related initiatives require approval by the Board.

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

Capital Management

The Group's CET1 ratio as measured on an APRA basis as at 30 June 2016 was 10.6%, compared with 10.2% at 31 December 2015 and 9.1% at 30 June 2015. The capital ratios were maintained well in excess of regulatory minimum capital adequacy requirements at all times throughout the year.

The increase in the Group's CET1 ratio across the June 2016 half year reflects the impact of the capital generated from earnings, partly offset by the December 2015 interim dividend (net of issuance of shares in respect of the impact of the DRP). The movement in Total Risk Weighted Assets (RWA) over the half year was minimal with growth in credit, operational and market RWA offset by a decrease in interest rate risk in the banking book (IRRBB) RWA.

The increase in the Group's CET1 ratio across the June 2016 full year incorporates the benefit of the issuance of shares as part of the entitlement offer completed in September 2015.

The Group's CET1 ratio as measured on an internationally comparable basis was 14.4% as at 30 June 2016, compared with 14.3% at 31 December 2015 and 12.7% at 30 June 2015.

Details on the major differences between the Basel III APRA and the Basel III internationally comparable ratios are provided on page 8.

Capital Initiatives

The following significant capital initiatives were undertaken during the year:

Common Equity Tier 1 Capital

- $5.1 billion institutional and retail entitlement offer;
- The DRP in respect of the 2015 final dividend was satisfied by the issuance of $657 million of ordinary shares representing a participation rate of 18.1%; and
- The DRP in respect of the 2016 interim dividend was satisfied by the issuance of $552 million of ordinary shares, representing a participation rate of 16.3%.

Additional Tier 1 Capital

- In March 2016, the Bank issued $1.45 billion of CommBank PERLS VIII Capital Notes (PERLS VIII), a Basel III compliant Additional Tier 1 security. The proceeds were used to fund the Group's business and the buyback of PERLS III ($1.17 billion), which was completed in April 2016; and
- In March 2016, the Bank redeemed $0.95 billion in Trust Preferred Securities 2006 (TPS06).

Tier 2 Capital

The Group issued a series of subordinated notes that are Basel III compliant Tier 2 capital:

- June 2016 AUD0.75 billion; and
- December 2015 USD1.25 billion.

Other Regulatory Changes

Financial Systems Inquiry

In December 2014, the Government released the final report of the Financial System Inquiry (FSI).

In July 2015, in connection with the FSI recommendations, APRA released the following:

- Information paper; "International capital comparison study" (APRA study), which endorsed the FSI recommendation that the capital of Australian ADIs should be unquestionably strong. APRA subsequently updated this review in July 2016 and confirmed that the major Australian banks all held capital at levels which place them in the top quartile of international peer banks; and
- An announcement in relation to increases in the capital requirements under the IRB approach for Australian residential mortgages, effective from 1 July 2016, with the change aimed at increasing mortgage competition between the major banks and non-major banks.

In September 2015, the Group completed a $5.1 billion institutional and retail entitlement offer, ahead of the implementation of the increased capital requirements for Australian residential mortgages.

APRA is expected to consult further with the industry on the FSI recommendations during 2017.

Basel Committee on Banking Supervision

The BCBS has issued a number of consultation documents, associated with:

- Design of a framework for the application of capital floors based on standardised approaches;
- Revisions to the standardised approach for credit risk;
- Implementation of constraints on the use of internal credit risk models;
- Fundamental review of the trading book;
- Revisions to operational risk; and
- Interest rate risk in the banking book.

Basel Committee on Banking Supervision (continued)

Finalisation of the review of the trading book requirements was completed in January 2016 with an effective implementation date of 1 January 2019. The review of IRRBB was completed in April 2016 with the BCBS concluding that there will be no requirement to include this risk in the capital ratio calculation. However additional disclosure requirements will be implemented from 1 January 2018.

Finalisation with respect to the remaining proposals is expected to be completed by the BCBS by the end of 2016. APRA would be expected to consult on the domestic application of the above changes in 2017.

Composition of Level 2 ADI Groups

In May 2014, APRA provided more clarity on the definition of the Level 2 Banking Group. Subsidiary intermediate holding companies are considered part of the Level 2 Group, regardless of the nature of any activity undertaken by their operating subsidiaries. As a result, capital benefits arising from the debt issued by the Colonial Group are being phased out. APRA granted transition arrangements on these changes, in line with the maturity profile of the debt.

Conglomerate Groups

APRA is extending its prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. In March 2016 APRA advised that it was deferring finalisation of the capital requirements with respect to conglomerates until after the completion of other domestic and international policy initiatives. APRA does not anticipate that consultation on the capital requirements will commence earlier than mid-2017 and implementation will be no earlier than 2019. Non capital related requirements, which include governance, risk exposures and intra group exposures, will become effective on 1 July 2017.

Group Regulatory Capital Position

Summary Group Capital Adequacy Ratios (Level 2)	30 Jun 16 %	31 Dec 15 %	30 Jun 15 %
Common Equity Tier 1	**10. 6**	10. 2	9. 1
Tier 1	**12. 3**	12. 2	11. 2
Tier 2	**2. 0**	1. 9	1. 5
Total Capital (APRA)	**14. 3**	14. 1	12. 7
Common Equity Tier 1 (Internationally Comparable) [1]	**14. 4**	14. 3	12. 7

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

Capital Composition	APRA 30 Jun 16 $M	APRA 31 Dec 15 $M	APRA 30 Jun 15 $M
Ordinary Share Capital and Treasury Shares [1]	**34,129**	33,577	27,898
Reserves	**2,591**	2,373	2,252
Retained earnings	**23,176**	22,067	20,999
Non-controlling interests	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**59,896**	58,017	51,149
Common Equity Tier 1 regulatory adjustments	**(18,233)**	(17,801)	(17,751)
Common Equity Tier 1 Capital	**41,663**	40,216	33,398
Additional Tier 1 Capital	**6,890**	7,756	7,749
Tier 1 Capital	**48,553**	47,972	41,147
Tier 2 Capital	**7,924**	7,333	5,661
Total Capital	**56,477**	55,305	46,808

(1) Inclusive of Treasury shares held by the Group's life insurance operations and employee share scheme trusts ($180 million).

Further details on the composition of the Group's capital are detailed in Appendix 13.

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

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

Regulatory Capital Frameworks Comparison

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

In July 2015, APRA published a study on the calculation of internationally comparable capital by Australian banks entitled "International capital comparison study" (APRA study). As at 30 June 2016, the Group's internationally comparable CET1, Tier 1 and Total Capital ratios were 14.4%, 16.2% and 18.0% respectively. The basis of this analysis aligns with the APRA study.

The following table provides details on the differences, as at 30 June 2016, between the APRA Basel III capital requirements and the internationally comparable capital ratios.

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

(1) Represents ratios prior to adjustments made for non-compliant Basel III Tier 1 and Tier 2 Capital Instruments. This value is used in determining Leverage Ratio (Internationally comparable) as determined on page 9.

In July 2015, APRA announced increases in the capital requirements under the IRB approach for Australian residential mortgages, effective from 1 July 2016. In the future, the calculation of internationally comparable capital will require an adjustment for this amount.

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

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 2016 on an APRA basis and 5.6% on an internationally comparable basis.

The Group commenced disclosure of its leverage ratio from 30 September 2015, thus no prior year comparatives have been presented.

The BCBS has advised that the leverage ratio will migrate to a Pillar 1 minimum capital requirement of 3% from 1 January 2018. The BCBS will confirm the final calibration in 2017.

Summary Group Leverage Ratio	30 June 16	31 Mar 16	31 Dec 15	30 Sep 15
Tier 1 Capital ($M)	**48,553**	46,991	47,972	45,341
Total Exposures ($M) (1)	**980,846**	959,856	952,969	959,272
Leverage Ratio (APRA) (%)	**5.0**	4. 9	5. 0	4. 7
Leverage Ratio (Internationally Comparable) (%) (2)	**5.6**	5. 5	5. 6	5. 3

(1) Total exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 “Capital Adequacy”. Refer to Appendix 13.2 for the calculation of the 30 June 2016 exposures.

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

6 Risk Weighted Assets

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

Internal assessment and supervisory formula approaches are used where relevant for non-rated securitisation exposures and for rated exposures where APS 120 prohibits the Group using the ratings-based approach. The ratings-based approach is used for securitisation exposures rated by External Credit Assessment Institutions (ECAI) where APS 120 allows or requires.

APS 330 Table 6b to 6f – Basel III Capital Requirements (RWA)

	Risk Weighted Assets			Change in RWA for June 2016 half	
	30 Jun 16	31 Dec 15	30 Jun 15		
Asset Category	**$M**	**$M**	**$M**	**$M**	**%**
Credit Risk					
Subject to advanced IRB approach					
Corporate	**67,624**	69,392	60,879	(1,768)	(3)
SME corporate	**28,261**	25,066	25,289	3,195	13
SME retail	**4,673**	5,328	5,068	(655)	(12)
SME retail secured by residential mortgage	**2,654**	2,670	2,949	(16)	(1)
Sovereign	**6,247**	6,147	5,163	100	2
Bank	**12,357**	12,581	12,024	(224)	(2)
Residential mortgage	**79,017**	75,010	74,382	4,007	5
Qualifying revolving retail	**9,337**	9,306	8,861	31	0
Other retail	**14,247**	14,249	13,942	(2)	(0)
Impact of the regulatory scaling factor [1]	**13,465**	13,185	12,513	280	2
Total RWA subject to advanced IRB approach	**237,882**	232,934	221,070	4,948	2
Specialised lending	**56,795**	54,885	51,081	1,910	3
Subject to standardised approach					
Corporate	**10,982**	10,284	10,357	698	7
SME corporate	**4,133**	4,571	5,921	(438)	(10)
SME retail	**6,122**	6,093	5,843	29	0
Sovereign	**268**	206	209	62	30
Bank	**224**	236	244	(12)	(5)
Residential mortgage	**7,428**	7,044	6,728	384	5
Other retail	**2,750**	2,744	2,679	6	0
Other assets	**5,360**	5,811	4,982	(451)	(8)
Total RWA subject to standardised approach	**37,267**	36,989	36,963	278	1
Securitisation	**1,511**	1,567	1,653	(56)	(4)
Credit valuation adjustment	**8,273**	7,686	7,712	587	8
Central counterparties	**2,302**	896	695	1,406	large
Total RWA for credit risk exposures	**344,030**	334,957	319,174	9,073	3
Traded market risk	**9,439**	7,451	6,335	1,988	27
Interest rate risk in the banking book	**7,448**	17,511	10,847	(10,063)	(57)
Operational risk	**33,750**	32,743	32,365	1,007	3
Total risk weighted assets	**394,667**	392,662	368,721	2,005	1

(1) APRA requires RWA amounts that are derived from IRB risk weight functions to be multiplied by a factor of 1.06.

Risk Weighted Assets

Total Group RWA increased $2.0 billion or 0.5% on the prior half to $394.7 billion.

Credit Risk Exposure and RWA

Credit RWA increased $9.1 billion or 3% on the prior half to $344.0 billion, primarily due to:

- Growth across most portfolios; and
- Deterioration in credit quality in a small number of large individual corporate exposures.

Traded Market Risk RWA

Traded market risk RWA increased by $2.0 billion or 27% on the prior half to $9.4 billion. This was driven by a conservative calculation method for some interest rate exposures measured using the internal model approach.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA decreased by $10.1 billion or 57% on the prior half. This was driven by lower modelled volatility of interest rates, treasury risk management activities and the increased offset of embedded gains from lower long term interest rates.

Operational Risk RWA

Operational Risk RWA increased $1.0 billion or 3% on the prior half. This increase reflects industry events and the current regulatory environment, which are continually monitored to assess the impact on the Group's Operational Risk profile.

Explanation of change in Credit RWA

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

		Credit RWA movement drivers				
Asset Category	**Change in RWA for June 16 half $M**	**Volume changes $M**	**FX changes $M**	**Credit risk estimates changes and regulatory treatments $M**	**Data and methodology changes $M**	**Change in credit quality $M**
AIRB corporate including SME and specialised lending	**2,712**	1,605	(36)	-	(1,485)	2,628
AIRB bank	**(238)**	329	(35)	(161)	(341)	(30)
AIRB sovereign	**106**	7	85	-	1	13
AIRB consumer retail	**4,280**	3,513	299	458	2	8
Standardised (including other assets, CCP and CVA)	**2,269**	1,348	-	-	1,023	(102)
Securitisation exposures	**(56)**	(20)	(9)	-	-	(27)
Total credit RWA movement	**9,073**	**6,782**	**304**	**297**	**(800)**	**2,490**

7 Risk Management

7.1 Risk Management Framework

The Group has an embedded Risk Management Framework (Framework) that enables the appropriate development and implementation of strategies, policies and procedures to manage its risks.

The Framework incorporates the requirements of APRA's prudential standard for risk management (CPS 220), and is supported by three key documentary components (described below), which are dynamic in nature and are reviewed on a regular basis in conjunction with each other. The inter-relationship between the documents is central to fostering challenge, review and transparency in strategic decisions, risk considerations and risk management practices across the Group.

This framework requires each business to plan and manage the outcome of its risk-taking activities including proactively managing its risk profile within risk appetite levels; using risk-adjusted outcomes and considerations as part of its day-to-day business decision-making processes; and establishing and maintaining appropriate risk controls.

Risk Appetite Statement

The Group's Risk Appetite Statement articulates the type and degree of risk the Board is prepared to accept (Risk Appetite) and the maximum level of risk that the institution must operate within (Risk Tolerances). In particular:

- The Risk Appetite gives consideration to the key business requirements of preserving capital adequacy, maintaining liquidity, protecting the franchise value, and achieving targeted performance. It allows management to accept risks within the context of its risk culture and defines actions of which the Group is intolerant; and
- Management proposes Risk Tolerances, expressed as risk limits and based on the risk appetite, risk profile and capital strength. The establishment and approval of Risk Tolerances are supported by Group-wide risk policies which are reviewed annually by Management and brought to the Board for its approval.

Business Plan (Significant Risks)

The Group's Business Plan (Plan) summarises the Group's approach to the implementation of its strategic objectives. The Plan has a rolling three year duration and reflects material risks arising from its implementation. The Group gives consideration to significant risks arising from the Plan including:

- Components of strategy that may be challenged by the Risk Appetite Statement;
- Significant changes to risk profile, given the Plan, and necessary changes to the Risk Management Strategy to support its implementation; and
- Potential risk issues/challenges in executing the strategy, including mitigating actions or planned responses.

Risk Management Strategy

The Group's Risk Management Strategy (RMS) describes each material risk, the approach taken to manage these risks and how this is operationalised through governance, policies and procedures. The RMS is a document designed to facilitate dialogue between Management and the Board about risk management practices. The RMS, written by management and approved by the Board, comprises two parts:

- Part A – The Group's approach for managing risk in the context of the Group's Strategy and the Group's Risk Appetite Statement; and
- Part B – the key operational elements which give effect to this approach.

It documents the Group's key risk management practices across all major risk classes, and demonstrates how, collectively, the Group ensures the comprehensive management of risks across the Group in support of achieving its strategic goals. The major risk classes and the Group's approach to managing them is summarised in the table "Material Risk Types" (pages 15-16).

7.2 Key Operational Elements

Risk Governance

The Group is committed to ensuring that its risk management practices reflect a high standard of governance. This enables Management to undertake, in an effective manner, prudent risk-taking activities. The structure is illustrated in the diagram "Risk Governance Structure" (page 14).

The Board operates as the highest level of the Group's risk governance as specified in its Charter. In addition, an annual declaration is made by the chairs of the Board and Risk Committee to APRA on Risk Management requirements as set out in the prudential standard (CPS 220).

The Risk Committee oversees the Framework and helps formulate the Group's risk appetite for consideration by the Board. In particular it:

- Reviews regular reports from Management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems;
- Monitors the health of the Group's risk culture (via both formal reports and through its dialogues with the risk leadership team and executive management) and reports any significant issues to the Board; and
- Forms a view on the independence of the risk function by meeting with the Group Chief Risk Officer (CRO) at the will of the Committee or the CRO.

The Group risk management structure is a Three Lines of Defence (3LoD) model which supports the Framework by:

- Reinforcing that risk is best owned and managed where it occurs – so the business (Line 1) is responsible for the management of risk;
- Having a separate group of experienced staff with specific risk management skills (Line 2) to facilitate the development of, and monitor/measure the effectiveness of the risk management process and systems used by Line 1; and
- Having an independent third group (Line 3) provide assurance to the Board, regulators and other stakeholders on the appropriateness and effectiveness of the activities of Lines 1 and 2.

The Group CRO, who heads up the Line 2 Risk Management function, oversees independent risk management for the whole Group. This unit is comprised of both risk management teams embedded in the businesses and Group functional teams that develop policies, measurement approaches and controls for each type of risk. It also helps the Group understand risk aggregation to enable enterprise wide risk management. The Group CRO reports to the CEO and has direct and unfettered reporting requirements to the Risk Committee.

Risk Culture

Risk Culture is the collection of values, ideas, skills and habits that equip Group employees and directors to see and talk about risks, and make sound judgements in the absence of definitive rules, regulations or market signals.

The Group regards risk culture as an aspect of overall culture. As such, the Group's risk culture flourishes within an organisational context that emphasises and rewards integrity, accountability, collaboration, service and excellence. This encourages employees at all levels to "speak up" if they believe the Group as a whole, their part of the organisation or specific colleagues are conspicuously failing to uphold those values, damaging risk culture or taking ill-considered risks.

APRA requires the Group Board to form a view regarding the effectiveness of the institution's risk culture in keeping risk-taking within appetite, and to take any corrective action that may be appropriate. The Board discusses culture and values on a continuous basis, and takes action whenever necessary.

Risk Policies & Procedures

Risk Policies and Procedures provide guidance to the business on the management of each material risk. They support the Framework by:

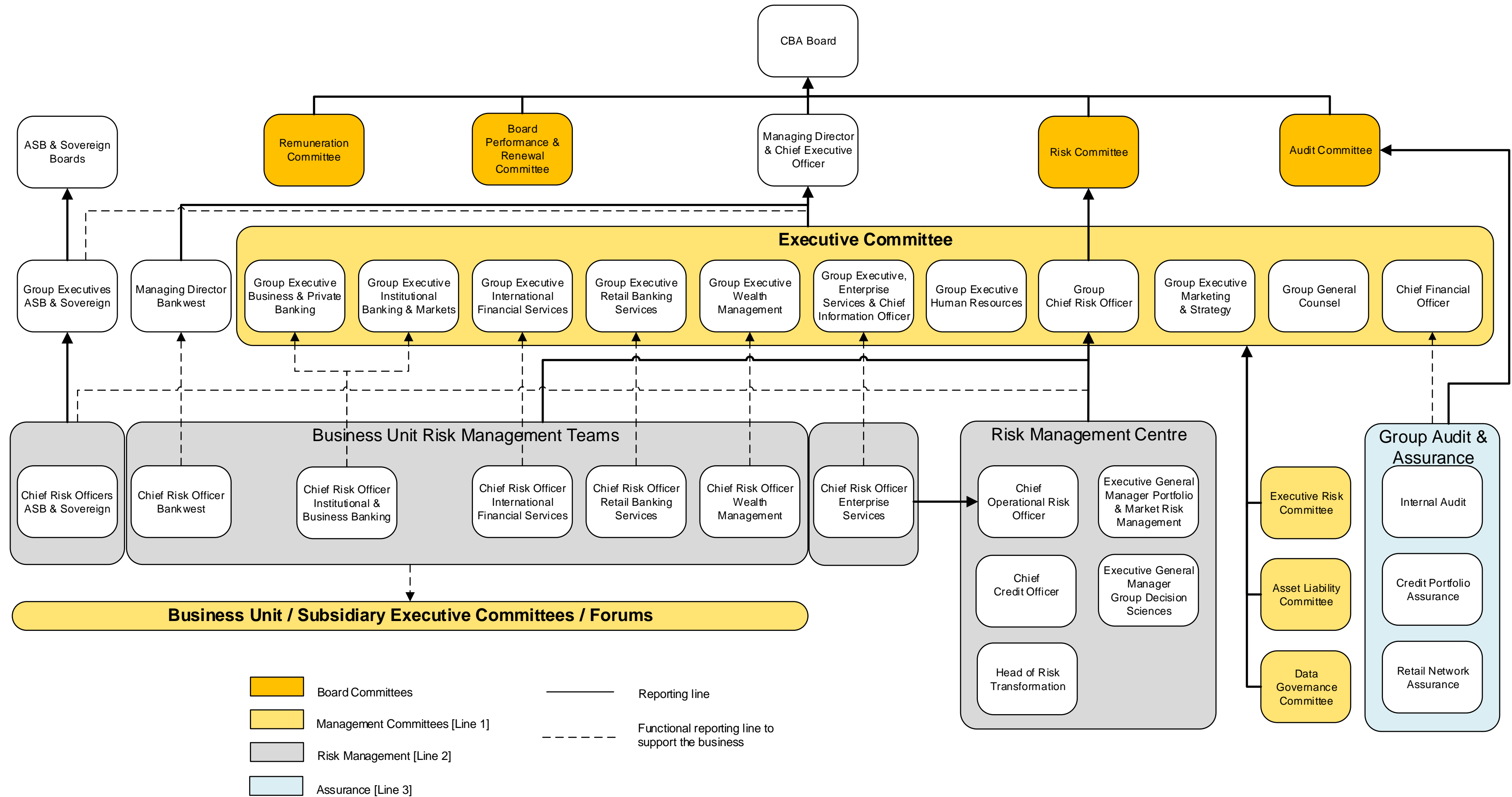
- Summarising the principles and practices to be used by the Group in identifying and assessing its material risks;
- Outlining a process for monitoring, communicating and reporting risk issues, including escalation procedures for the reporting of material risks; and
- Quantifying the limits (Risk Tolerances) for major risks and stating risk actions to which the Group is intolerant.

Risk Management Infrastructure

The Framework is also supported by the following Group-wide processes:

- A Management Information System to measure and aggregate material risks across the Group;
- A Risk-Adjusted-Performance Measurement (RAPM) process which is a means of assessing the performance of a business after adjustment for its risks and is used as a basis for executive incentives; and
- An Internal Capital Adequacy Assessment Process (ICAAP) used, in combination with other risk management practices (including Stress testing), to understand, manage and quantify the Group's risks, the outcomes of which are used to inform risk decisions, set capital buffers and assist strategic planning.

Risk Governance Structure



Material Risk Types

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Credit Risk (see section 8)	Credit risk is the potential for loss arising from the failure of a customer or counterparty to meet their contractual obligations to the Group. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers, and concentrations of exposures to geographical regions, industry sectors and products/portfolio types.	**Governing Policies:** ▪ Group Credit Risk Principles, Frameworks and Governance (incl. Risk Appetite, principles, and frameworks; and Credit Risk governance); and ▪ Credit Risk Policies (incl. Origination, Decisioning, Verification/Fulfilment, and Whole of Life Servicing). **Key Management Committee**: Executive Risk Committee	The following key credit risk policies set credit portfolio concentration limits and standards: ▪ Large Credit Exposure Policy; ▪ Country Risk Exposure Policy; ▪ Industry Sector Concentration Policy; and ▪ Exposure to consumer credit products are managed within limits and standards set in the Group Level RAS, BU Level RAS and Credit Portfolio & Product Standards. The measurement of credit risk is primarily based on an APRA accredited Advanced Internal Ratings Based (AIRB) approach (albeit some exposures are subject to the standardised approach). The approach uses judgemental assessment of individuals or management, supported by analytical tools (including scorecards) to estimate expected and unexpected loss within the credit portfolio.
Market Risk (including Equity Risk) (see section 9 and section 10)	Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Group. This includes changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of assets underlying operating leases at maturity (lease residual value risk).	**Governing Policies:** ▪ The Group Market Risk Manual (including the Group Market Risk Policy and Trading Book Policy Statement) **Key Management Committee**: Asset and Liability Committee	The Group Market Risk Policy sets limits and standards with respect to the following: ▪ Traded Market Risk; ▪ Interest Rate Risk in the Banking Book (IRRBB); ▪ Residual Value Risk; ▪ Non-traded Equity Risk; and ▪ Market Risk in Insurance Businesses. The respective measurement approaches for the underlying market risks noted above include: ▪ Value at Risk (VaR), Stress Testing; ▪ Market Value Sensitivity, Net Interest Earnings at Risk; ▪ Profit & Loss Adjustment Account Balance, Aggregate Residual Value Risk Weighted Exposure, Aggregate Residual Value Risk Margin; and ▪ Aggregate Portfolio Limit.
Liquidity and Funding Risk (see section 12)	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).	**Governing Policies:** ▪ Group Liquidity Risk Management Policy and Strategy **Key Management Committee:** Asset and Liability Committee	The Group Liquidity Risk Management Policy and Strategy sets limits and standards with respect to the following: ▪ The Liquidity Coverage Ratio, which requires liquid assets exceed modelled 30 day stress outflows; ▪ Additional market and idiosyncratic stress test scenarios; and ▪ Limits that set tolerances for the sources and tenor of funding. The measurement of liquidity risk uses scenario analysis, covering both: ▪ "Stress" scenarios, which assess the behaviour of cash flows in adverse operating circumstances; and ▪ "Going concern" scenarios, which assess behaviour of cash flows in ordinary operating circumstances.
Operational Risk (see section 11)	Operational risk is the risk of economic loss arising from inadequate or failed internal processes, people, and systems or external events.	**Governing Policies:** ▪ Group Operational Risk Management Framework **Key Management Committees:** Executive Committee, Data Governance Committee	The Group Operational Risk Management Framework sets limits and standards with respect to the following: ▪ Investigation and reporting of loss, compliance and near miss incidents; ▪ Comprehensive Risk and Control Self-Assessment, control assurance and issues management processes; and ▪ Comprehensive Scenario Analysis assessment process (also called Quantitative Risk Assessments). The measurement of operational risk is based on an APRA accredited Advanced Measurement Approach (some exposures are subject to standardised). The approach combines internal and external loss experience and business judgements captured through Scenario Analysis.

Material Risk Types (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Compliance Risk (see section 11)	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 Compliance Obligations. Compliance Obligations are formal requirements that may arise from various sources including but not limited to: laws; regulations; legislation; industry standards; rules; codes or guidelines.	**Governing Policies:** ▪ Group Operational Risk Management Framework ▪ Compliance Risk Management Framework ▪ Compliance Incident Management Group Policy. **Key Management Committees:** Executive Committee, Data Governance Committee	The key limits with respect to compliance risk are set via the Group Operational Risk Management Framework.The Group Compliance Risk Management Framework sets standards with respect to the understanding of obligations, establishing policies and procedures, managing non-compliance, monitoring and reporting. The measurement of compliance risk is undertaken within the operational risk approach.
Insurance Risk	Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. In the life insurance business this arises primarily through mortality (death) or morbidity (illness or injury) claims being greater than expected. In the general insurance business, variability arises mainly through weather related incidents and similar events, as well as general variability in home, motor and travel insurance claim amounts. Insurance risk also covers inadequacy in product design, pricing, underwriting, claims management and reinsurance management as well as variations in policy lapses, servicing expenses, and option take up rates.	**Governing Policies:** ▪ Product Management Policy, Underwriting Policy, Claims Management Policy and Reinsurance Management Policy (end-to-end policies of insurance writing businesses). **Key Management Committee:** Executive Committees of insurance writing businesses	The key limits and standards with respect to insurance risk are set via the end-to-end policies of insurance writing businesses. The major methods include: ▪ Sound product design and pricing, to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved; ▪ Regular review of insurance experience, so that product design, policy liabilities and pricing remains sound; ▪ Claims management to ensure that claims are paid within the agreed policy terms, that genuine claims are paid as soon as possible after documentation is received, and reasonable investigations are undertaken; and ▪ Transferring a proportion of insurance risk to reinsurers to keep within risk appetite. Insurance risk is measured using actuarial techniques which are used to establish the likelihood and severity of possible insurance claims. Insurance risk is further monitored with key financial and performance metrics, such as loss ratios, new business volumes and lapse rates.
Strategic Risk	Strategic risk is the risk of economic loss arising from changes in the business environment (caused by macroeconomic conditions, competitive forces at work, technology, regulatory or social trends) or internal weaknesses, such as a poorly implemented or flawed strategy.	**Governing Policies:** ▪ Group Risk Management Strategy (RMS) **Key Management Committee:** Executive Committee	The key limits and standards with respect to strategic risk are set via the Board's consideration of Group and BU strategic plans and the most significant risks (current and emerging) arising from these. Strategic risk is measured using a combination of judgemental assessments captured through Scenario Analysis and an internal profit simulation model.
Reputational Risk	Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators, and other relevant stakeholders of the Group.	**Governing Policies:** ▪ Group RMS ▪ Group Risk Appetite Statement ▪ Statement of Professional Practice ▪ Environmental, Social and Governance Lending Policy. **Key Management Committee:** Executive Committee	Potential adverse Reputational impacts are managed as an outcome of all other material risks. In addition the Group: ▪ Sets clear behavioural standards (as set out in the Group's Risk Appetite Statement) and Group-wide requirements of leadership that support the Group's vision and values; and ▪ Has a Sustainability framework which supports the Group in managing its Environmental, Social and Governance (ESG) risks.

8 Credit Risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. It arises primarily from lending activities, the provision of guarantees (including letters of credit), commitments to lend, investments in bonds and notes, financial markets transactions, provision of credit enhancements (e.g. credit default swaps and lender's mortgage insurance), securitisations and other associated activities. In the insurance business, credit risk arises from investment in bonds and notes, loans and from reliance on reinsurance.

Credit Risk Management is one of the key inputs into the Group's integrated risk management framework. 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 Business Unit level. The key Business Unit credit risk related functions support the overall risk management responsibilities of the Risk Committee and senior management as discussed in section 7 "Risk Management" of this document (page 12).

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 and portfolio standards; and
- Credit Risk Rating and Measurement (pages 35 - 38).

Credit Risk Management Framework

The Risk Committee oversees the Group's Credit Risk Management Framework which is designed to achieve credit portfolio outcomes that are consistent with the Group's risk and return expectations. The Risk Committee meets approximately eight times each year.

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

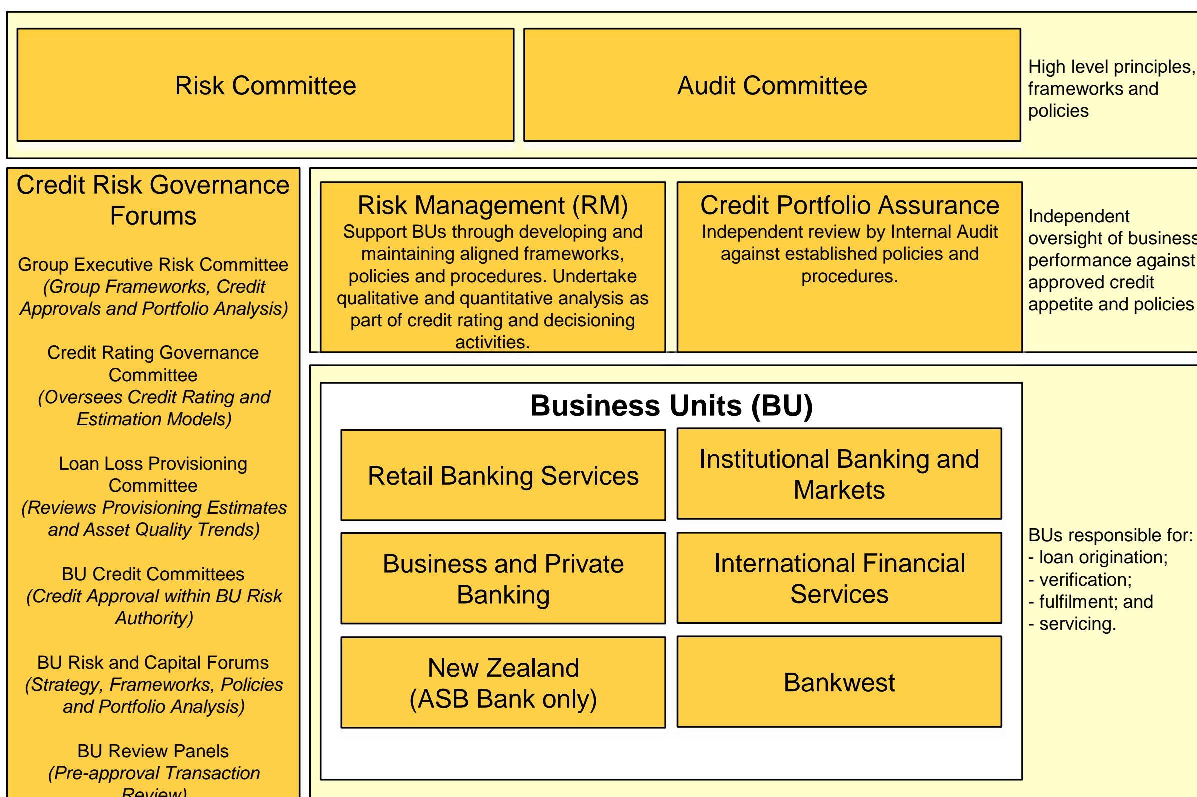
The Group's Risk Appetite Statement requires that there is appropriate diversification of credit risk, which is controlled by established policies and limits for the key dimensions of the credit portfolio, including for:

- Individual obligors, or groups of related obligors;
- Industry sectors;
- Geography (e.g. country risk); and
- Products / portfolios.

In addition, experts in each Business Unit search for ways to diversify credit risk exposure in the business, all within the limit framework boundaries.

The Credit Portfolio Assurance Unit, part of Group Audit and Assurance, reviews credit portfolios and Business Unit compliance with policies, portfolio standards, application of credit risk ratings and other key practices on a regular basis. The Credit Portfolio Assurance Unit reports its findings to the Audit and Risk Committees as appropriate.

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



Credit Risk

8.1 Credit Risk Exposure – Excluding Equities and Securitisation

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

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

	30 June 2016						
		Off Balance Sheet					
Portfolio Type	On Balance Sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for June 2016 half[(1)] $M	Change in exposure for June 2016 half[(2)] $M	%
Subject to advanced IRB approach							
Corporate	60,865	45,171	9,759	**115,795**	118,797	(6,004)	(4. 9)
SME corporate	38,629	7,474	789	**46,892**	43,472	6,840	17. 1
SME retail	7,293	3,065	27	**10,385**	10,664	(558)	(5. 1)
SME retail secured by residential mortgage	4,624	1,104	-	**5,728**	5,766	(76)	(1. 3)
Sovereign	75,848	1,299	2,535	**79,682**	78,872	1,620	2. 1
Bank	27,823	2,324	11,468	**41,615**	41,829	(427)	(1. 0)
Residential mortgage	447,283	73,049	-	**520,332**	510,634	19,396	3. 9
Qualifying revolving retail	9,889	17,436	-	**27,325**	27,277	96	0. 4
Other retail	7,944	3,166	-	**11,110**	11,053	114	1. 0
Total advanced IRB approach	680,198	154,088	24,578	**858,864**	848,364	21,001	2. 5
Specialised lending	52,102	13,123	2,073	**67,298**	66,191	2,214	3. 4
Subject to standardised approach							
Corporate	9,105	1,837	99	**11,041**	10,709	664	6. 4
SME corporate	3,783	302	20	**4,105**	4,320	(430)	(9. 5)
SME retail	5,258	836	23	**6,117**	6,104	26	0. 4
Sovereign	531	5	-	**536**	482	108	25. 2
Bank	673	7	-	**680**	720	(79)	(10. 4)
Residential mortgage	11,621	2,076	24	**13,721**	13,232	978	7. 7
Other retail	2,652	86	-	**2,738**	2,734	6	0. 2
Other assets	10,933	-	-	**10,933**	11,118	(371)	(3. 3)
Central counterparties	-	-	6,823	**6,823**	5,663	2,321	51. 6
Total standardised approach	44,556	5,149	6,989	**56,694**	55,082	3,223	6. 0
Total credit exposures [(3)]	776,856	172,360	33,640	**982,856**	969,637	26,438	2. 8

(1) The simple average of balances as at 30 June 2016 and 31 December 2015.
(2) The difference between exposures as at 30 June 2016 and 31 December 2015.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

Explanation of change in credit risk exposure

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

Asset Category	Total exposure change $M	Regulatory Exposure Driver
AIRB corporate (including SME) and specialised lending	**2,416**	Portfolio growth and data treatments
AIRB sovereign	**1,620**	Liquidity management and foreign currency movements
AIRB bank	**(427)**	Liquidity management, data treatments and foreign currency movements
AIRB consumer retail	**19,606**	Residential mortgage growth and foreign currency movements
Total advanced and specialised lending	**23,215**	
Standardised including other assets and central counterparties	**3,223**	Volume growth and data treatments
Total excluding securitisation and equity exposures	**26,438**	

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

	31 December 2015						
		Off Balance Sheet					
Portfolio Type	On Balance Sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2015 half [1] $M	Change in exposure for December 2015 half [2] $M	%
Subject to advanced IRB approach							
Corporate	66,654	48,033	7,112	121,799	114,907	13,785	12. 8
SME corporate	33,208	6,565	279	40,052	41,588	(3,072)	(7. 1)
SME retail	7,400	3,305	238	10,943	10,667	552	5. 3
SME retail secured by residential mortgage	4,537	1,267	-	5,804	6,008	(408)	(6. 6)
Sovereign	74,277	1,124	2,661	78,062	73,107	9,911	14. 5
Bank	27,691	2,444	11,907	42,042	45,697	(7,310)	(14. 8)
Residential mortgage	429,051	71,885	-	500,936	492,887	16,098	3. 3
Qualifying revolving retail	9,945	17,284	-	27,229	27,149	161	0. 6
Other retail	7,937	3,059	-	10,996	10,913	166	1. 5
Total advanced IRB approach	660,700	154,966	22,197	837,863	822,922	29,883	3. 7
Specialised lending	49,399	14,036	1,649	65,084	62,986	4,196	6. 9
Subject to standardised approach							
Corporate	8,646	1,651	80	10,377	10,394	(33)	(0. 3)
SME corporate	4,129	385	21	4,535	5,194	(1,318)	(22. 5)
SME retail	5,289	774	28	6,091	5,965	253	4. 3
Sovereign	421	7	-	428	409	38	9. 7
Bank	758	1	-	759	746	27	3. 7
Residential mortgage	10,835	1,890	18	12,743	12,358	771	6. 4
Other retail	2,643	88	1	2,732	2,698	68	2. 6
Other assets	11,304	-	-	11,304	10,583	1,442	14. 6
Central counterparties	-	-	4,502	4,502	3,966	1,072	31. 3
Total standardised approach	44,025	4,796	4,650	53,471	52,311	2,320	4. 5
Total credit exposures [3]	754,124	173,798	28,496	956,418	938,219	36,399	4. 0

(1) The simple average of balances as at 31 December 2015 and 30 June 2015.
(2) The difference between exposures as at 31 December 2015 and 30 June 2015.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

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

Portfolio Type	30 June 2015				Average exposure for June 2015 half [1]	Change in exposure for June 2015 half [2]	
	On Balance Sheet	Off Balance Sheet		Total			
		Non-market related	Market related				
	$M	$M	$M	$M	$M	$M	%
Subject to advanced IRB approach							
Corporate	56,926	44,405	6,683	108,014	104,389	7,251	7. 2
SME corporate	33,855	8,664	605	43,124	41,976	2,296	5. 6
SME retail	7,393	2,978	20	10,391	10,228	327	3. 2
SME retail secured by residential mortgage	4,918	1,294	-	6,212	6,701	(978)	(13. 6)
Sovereign	64,526	1,309	2,316	68,151	70,297	(4,291)	(5. 9)
Bank	33,138	2,924	13,290	49,352	47,214	4,275	9. 5
Residential mortgage	414,950	69,888	-	484,838	480,183	9,309	2. 0
Qualifying revolving retail	9,847	17,221	-	27,068	26,952	232	0. 9
Other retail	7,913	2,917	-	10,830	10,774	112	1. 0
Total advanced IRB approach	633,466	151,600	22,914	807,980	798,714	18,533	2. 3
Specialised lending	47,358	11,921	1,609	60,888	59,646	2,483	4. 3
Subject to standardised approach							
Corporate	8,328	1,987	95	10,410	10,946	(1,073)	(9. 3)
SME corporate	4,831	997	25	5,853	5,619	467	8. 7
SME retail	5,290	534	14	5,838	5,700	276	5. 0
Sovereign	382	8	-	390	351	78	25. 0
Bank	731	1	-	732	638	187	34. 3
Residential mortgage	10,134	1,819	19	11,972	11,480	985	9. 0
Other retail	2,608	55	1	2,664	2,797	(266)	(9. 1)
Other assets	9,862	-	-	9,862	10,192	(659)	(6. 3)
Central counterparties	-	-	3,430	3,430	5,770	(4,679)	(57. 7)
Total standardised approach	42,166	5,401	3,584	51,151	53,493	(4,684)	(8. 4)
Total credit exposures [3]	722,990	168,922	28,107	920,019	911,853	16,332	1. 8

(1) The simple average of balances as at 30 June 2015 and 31 December 2014.
(2) The difference between exposures as at 30 June 2015 and 31 December 2014.
(3) Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

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

Portfolio Type	As at 30 Jun 16 $M	Half year average [1] $M
Corporate	**126,836**	129,506
SME corporate	**50,997**	47,792
SME retail	**16,502**	16,768
SME retail secured by residential mortgage	**5,728**	5,766
Sovereign	**80,218**	79,354
Bank	**42,295**	42,548
Residential mortgage	**534,053**	523,866
Qualifying revolving retail	**27,325**	27,277
Other retail	**13,848**	13,787
Specialised lending	**67,298**	66,191
Other assets	**10,933**	11,119
Central counterparties	**6,823**	5,663
Total credit exposures [2]	**982,856**	**969,637**

Portfolio Type	As at 31 Dec 15 $M	Half year average [1] $M
Corporate	132,176	125,300
SME corporate	44,587	46,782
SME retail	17,034	16,632
SME retail secured by residential mortgage	5,804	6,008
Sovereign	78,490	73,516
Bank	42,801	46,443
Residential mortgage	513,679	505,245
Qualifying revolving retail	27,229	27,149
Other retail	13,728	13,611
Specialised lending	65,084	62,986
Other assets	11,304	10,583
Central counterparties	4,502	3,966
Total credit exposures [2]	956,418	938,219

Portfolio Type	As at 30 Jun 15 $M	Half year average [1] $M
Corporate	118,424	115,335
SME corporate	48,977	47,595
SME retail	16,229	15,928
SME retail secured by residential mortgage	6,212	6,701
Sovereign	68,541	70,648
Bank	50,084	47,852
Residential mortgage	496,810	491,663
Qualifying revolving retail	27,068	26,952
Other retail	13,494	13,571
Specialised lending	60,888	59,646
Other assets	9,862	10,192
Central counterparties	3,430	5,770
Total credit exposures [2]	920,019	911,853

(1) The simple average of closing balances of each half year.
(2) Total credit risk exposures do not include equities or securitisation exposures.

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

	30 June 2016 [1]			
Portfolio Type	**Australia $M**	**New Zealand $M**	**Other $M**	**Total $M**
Corporate	75,574	8,276	42,986	**126,836**
SME corporate	35,067	14,378	1,552	**50,997**
SME retail [2]	18,421	3,001	808	**22,230**
Sovereign	49,505	3,083	27,630	**80,218**
Bank	17,762	1,656	22,877	**42,295**
Residential mortgage	480,534	53,036	483	**534,053**
Qualifying revolving retail	27,325	-	-	**27,325**
Other retail	11,121	2,708	19	**13,848**
Specialised lending	49,583	7,492	10,223	**67,298**
Other assets	9,052	511	1,370	**10,933**
Central counterparties	451	-	6,372	**6,823**
Total credit exposures [3]	774,395	94,141	114,320	**982,856**

	31 December 2015 [1]			
Portfolio Type	**Australia $M**	**New Zealand $M**	**Other $M**	**Total $M**
Corporate	80,488	8,827	42,861	132,176
SME corporate	31,605	12,386	596	44,587
SME retail [2]	18,925	2,852	1,061	22,838
Sovereign	44,837	2,578	31,075	78,490
Bank	16,974	1,500	24,327	42,801
Residential mortgage	463,587	49,615	477	513,679
Qualifying revolving retail	27,229	-	-	27,229
Other retail	11,113	2,591	24	13,728
Specialised lending	47,452	6,686	10,946	65,084
Other assets	9,224	613	1,467	11,304
Central counterparties	326	-	4,176	4,502
Total credit exposures [3]	751,760	87,648	117,010	956,418

	30 June 2015 [1]			
Portfolio Type	**Australia $M**	**New Zealand $M**	**Other $M**	**Total $M**
Corporate	74,439	7,870	36,115	118,424
SME corporate	35,965	11,842	1,170	48,977
SME retail [2]	19,765	1,879	797	22,441
Sovereign	39,779	2,883	25,879	68,541
Bank	22,199	2,628	25,257	50,084
Residential mortgage	451,559	44,800	451	496,810
Qualifying revolving retail	27,068	-	-	27,068
Other retail	11,057	2,415	22	13,494
Specialised lending	44,442	6,243	10,203	60,888
Other assets	7,997	624	1,241	9,862
Central counterparties	292	-	3,138	3,430
Total credit exposures [3]	734,562	81,184	104,273	920,019

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

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

	30 June 2016							
	Industry Sector							
Portfolio Type	Residential mortgage $M	Other personal $M	Asset finance $M	Sovereign $M	Bank $M	Other finance $M	Agriculture $M	Mining $M
Corporate	-	-	2,079	-	-	24,838	1,744	10,858
SME corporate	-	364	2,846	-	-	2,614	15,553	260
SME retail (1)	-	501	3,775	-	-	495	1,733	58
Sovereign	-	-	-	80,218	-	-	-	-
Bank	-	-	-	-	42,295	-	-	-
Residential mortgage	530,804	-	-	-	-	111	259	7
Qualifying revolving retail	-	27,325	-	-	-	-	-	-
Other retail	-	13,848	-	-	-	-	-	-
Specialised lending	-	-	7	-	-	7	195	3,573
Other assets	-	3,176	-	-	-	-	5	-
Central counterparties	-	-	-	-	-	6,823	-	-
Total credit exposures (2)	530,804	45,214	8,707	80,218	42,295	34,888	19,489	14,756

	Industry Sector							
Portfolio Type	Manufacturing $M	Energy $M	Construction $M	Retail/ wholesale trade $M	Transport and storage $M	Property (3) $M	Other $M	Total $M
Corporate	12,045	7,732	2,881	15,237	12,142	14,992	22,288	**126,836**
SME corporate	2,915	41	2,483	6,084	2,344	702	14,791	**50,997**
SME retail (1)	949	32	1,439	2,695	484	1,940	8,129	**22,230**
Sovereign	-	-	-	-	-	-	-	**80,218**
Bank	-	-	-	-	-	-	-	**42,295**
Residential mortgage	127	-	168	580	98	1,448	451	**534,053**
Qualifying revolving retail	-	-	-	-	-	-	-	**27,325**
Other retail	-	-	-	-	-	-	-	**13,848**
Specialised lending	-	2,244	1,138	184	6,592	48,359	4,999	**67,298**
Other assets	9	-	-	3	-	-	7,740	**10,933**
Central counterparties	-	-	-	-	-	-	-	**6,823**
Total credit exposures (2)	16,045	10,049	8,109	24,783	21,660	67,441	58,398	**982,856**

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

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

	31 December 2015							
	Industry Sector							
Portfolio Type	Residential mortgage $M	Other personal $M	Asset finance $M	Sovereign $M	Bank $M	Other finance $M	Agriculture $M	Mining [1] $M
Corporate	-	-	2,349	-	-	22,980	1,795	12,320
SME corporate	-	387	2,861	-	-	1,629	13,881	202
SME retail [2]	-	551	3,760	-	-	667	1,730	66
Sovereign	-	-	-	78,490	-	-	-	-
Bank	-	-	-	-	42,801	-	-	-
Residential mortgage	510,423	-	-	-	-	108	256	7
Qualifying revolving retail	-	27,229	-	-	-	-	-	-
Other retail	-	13,728	-	-	-	-	-	-
Specialised lending	-	-	10	-	-	86	206	4,249
Other assets	-	3,304	-	-	-	-	15	-
Central counterparties	-	-	-	-	-	4,502	-	-
Total credit exposures [3]	510,423	45,199	8,980	78,490	42,801	29,972	17,883	16,844

	Industry Sector							
Portfolio Type	Manufacturing $M	Energy $M	Construction $M	Retail/ wholesale trade $M	Transport and storage [1] $M	Property [4] $M	Other $M	Total $M
Corporate	13,964	8,449	3,325	14,211	13,307	13,949	25,527	132,176
SME corporate	2,580	24	2,396	5,604	1,160	687	13,176	44,587
SME retail [2]	915	32	1,390	2,736	479	1,964	8,548	22,838
Sovereign	-	-	-	-	-	-	-	78,490
Bank	-	-	-	-	-	-	-	42,801
Residential mortgage	146	-	176	514	96	1,334	619	513,679
Qualifying revolving retail	-	-	-	-	-	-	-	27,229
Other retail	-	-	-	-	-	-	-	13,728
Specialised lending	3	1,851	1,080	320	6,334	46,001	4,944	65,084
Other assets	16	-	-	11	1	-	7,957	11,304
Central counterparties	-	-	-	-	-	-	-	4,502
Total credit exposures [3]	17,624	10,356	8,367	23,396	21,377	63,935	60,771	956,418

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

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

	30 June 2015							
	Industry Sector							
Portfolio Type	Residential mortgage $M	Other personal $M	Asset finance $M	Sovereign $M	Bank $M	Other finance $M	Agriculture $M	Mining [1] $M
Corporate	-	-	2,156	-	-	19,180	2,188	12,268
SME corporate	-	444	3,096	-	-	2,629	13,628	325
SME retail [2]	-	607	3,697	-	-	530	1,781	67
Sovereign	-	-	-	68,541	-	-	-	-
Bank	-	-	-	-	50,084	-	-	-
Residential mortgage	493,584	-	-	-	-	110	274	11
Qualifying revolving retail	-	27,068	-	-	-	-	-	-
Other retail	-	13,494	-	-	-	-	-	-
Specialised lending	-	-	9	-	-	94	255	4,101
Other assets	-	3,263	-	-	-	-	-	-
Central counterparties	-	-	-	-	-	3,430	-	-
Total credit exposures [3]	493,584	44,876	8,958	68,541	50,084	25,973	18,126	16,772

	Industry Sector							
Portfolio Type	Manufacturing $M	Energy $M	Construction $M	Retail/ wholesale trade $M	Transport and storage [1] $M	Property [4] $M	Other $M	Total $M
Corporate	12,358	6,418	3,100	13,167	12,909	14,017	20,663	118,424
SME corporate	2,947	78	2,414	5,988	1,282	1,773	14,373	48,977
SME retail [2]	918	32	1,415	2,753	495	1,959	8,187	22,441
Sovereign	-	-	-	-	-	-	-	68,541
Bank	-	-	-	-	-	-	-	50,084
Residential mortgage	137	-	183	574	104	1,172	661	496,810
Qualifying revolving retail	-	-	-	-	-	-	-	27,068
Other retail	-	-	-	-	-	-	-	13,494
Specialised lending	19	1,492	1,420	160	5,451	42,814	5,073	60,888
Other assets	-	-	-	-	-	-	6,599	9,862
Central counterparties	-	-	-	-	-	-	-	3,430
Total credit exposures [3]	16,379	8,020	8,532	22,642	20,241	61,735	55,556	920,019

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

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

	30 June 2016				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	21,868	98,992	5,524	452	**126,836**
SME corporate	12,904	29,865	8,228	-	**50,997**
SME retail [1]	4,328	13,461	4,441	-	**22,230**
Sovereign	18,356	35,733	26,129	-	**80,218**
Bank	23,819	18,450	26	-	**42,295**
Residential mortgage	19,379	20,788	437,580	56,306	**534,053**
Qualifying revolving retail	-	-	-	27,325	**27,325**
Other retail	105	5,224	3,347	5,172	**13,848**
Specialised lending	17,041	44,507	5,647	103	**67,298**
Other assets	3,244	855	344	6,490	**10,933**
Central counterparties	1,452	5,364	7	-	**6,823**
Total credit exposures [2]	122,496	273,239	491,273	95,848	**982,856**

	31 December 2015				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	22,417	103,115	6,200	444	132,176
SME corporate	10,720	26,114	7,753	-	44,587
SME retail [1]	4,264	13,879	4,695	-	22,838
Sovereign	22,971	31,918	23,601	-	78,490
Bank	22,540	20,226	35	-	42,801
Residential mortgage	19,260	15,730	421,036	57,653	513,679
Qualifying revolving retail	-	-	-	27,229	27,229
Other retail	101	5,016	3,529	5,082	13,728
Specialised lending	17,770	41,470	5,741	103	65,084
Other assets	3,411	840	366	6,687	11,304
Central counterparties	2,282	2,153	67	-	4,502
Total credit exposures [2]	125,736	260,461	473,023	97,198	956,418

	30 June 2015				
	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
Portfolio Type	$M	$M	$M	$M	$M
Corporate	18,810	93,647	5,669	298	118,424
SME corporate	10,280	30,433	8,264	-	48,977
SME retail [1]	4,311	13,315	4,815	-	22,441
Sovereign	21,991	28,304	18,246	-	68,541
Bank	21,300	28,767	17	-	50,084
Residential mortgage	17,425	14,292	408,041	57,052	496,810
Qualifying revolving retail	-	-	-	27,068	27,068
Other retail	102	4,871	3,614	4,907	13,494
Specialised lending	15,979	38,685	6,121	103	60,888
Other assets	3,377	666	342	5,477	9,862
Central counterparties	1,439	1,930	61	-	3,430
Total credit exposures [2]	115,014	254,910	455,190	94,905	920,019

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

8.2. Past Due and Impaired Exposures, Provisions and Reserves

Provisioning for Impairment

The Group assesses and measures credit losses in accordance with statutory financial accounting requirements under the Corporations Act 2001, Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and APRA regulatory requirements.

Accounting Standard AASB 139 "Financial Instruments: Recognition and Measurement" (AASB 139) requires the Group to assess whether a financial asset or a group of financial assets is impaired. Impairment losses are recognised if there is objective evidence of impairment. Separate accounting provisions are also raised under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" for non-financial instruments.

The Group assesses its provisioning for impairment in accordance with AASB 139 and recognises both individually assessed provisions and collectively assessed provisions.

This is done by a monthly assessment of the quality of the credit portfolio to determine the loan loss expense and provisions.

APRA Prudential Standard APS 220 "Credit Quality" (APS 220) requires the Group to report Specific Provisions and a General Reserve for Credit Losses (GRCL) and requires that impairment be recognised for both on and off Balance Sheet items, including financial guarantees, for the expected life. Any shortfall of the Group's provisions eligible for inclusion in the GRCL are deducted from CET1.

APRA Prudential Standard APS 111 "Capital Adequacy: Measurement of Capital" requires the Group to reduce CET1 when the amount of regulatory expected losses is in excess of APRA defined eligible provisions.

Individually Assessed and Collective Provisions

The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment.

If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial asset's original effective interest rate. Short-term balances are not discounted. Individually assessed provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired.

All other loans and advances that do not have an individually assessed provision are assessed collectively for impairment. Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts.

The evaluation process for these collective provisions is subject to a series of estimates and judgements depending on how the portfolio is managed:

- Risk-rated segment – the risk rating, including the frequency of default and Loss Given Default rates, and loss history are considered; or
- Retail-managed segment – the history of arrears, past loss experience and collateral are reviewed for the various portfolios and average loss experience is applied.

Current developments in portfolios including performance, quality and economic conditions are also considered as part of the collective provisioning process. Changes in these estimates can have a direct impact on the level of provisions determined.

General Reserve for Credit Losses

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

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

	30 June 2016		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,562	256	**2,818**
Individual provisions [2]	-	944	**944**
Total provisions	2,562	1,200	**3,762**
Additional GRCL requirement [3]	552	-	**552**
Total regulatory provisions	3,114	1,200	**4,314**

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $552 million in order to maintain the required minimum GRCL.

	31 December 2015		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,656	145	2,801
Individual provisions [2]	-	909	909
Total provisions	2,656	1,054	3,710
Additional GRCL requirement [3]	386	-	386
Total regulatory provisions	3,042	1,054	4,096

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $386 million in order to maintain the required minimum GRCL.

	30 June 2015		
	General reserve for credit losses [1] $M	Specific provision [1] $M	Total provisions $M
Collective provision [2]	2,599	163	2,762
Individual provisions [2]	-	887	887
Total provisions	2,599	1,050	3,649
Additional GRCL requirement [3]	346	-	346
Total regulatory provisions	2,945	1,050	3,995

(1) Provisions classified according to APS 220 "Credit Quality".
(2) Provisions as reported in financial accounts according to the Australian Accounting Standards.
(3) The Group has recognised a deduction from CET1 of $346 million in order to maintain the required minimum GRCL.

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

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

	30 June 2016				
Industry Sector	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance [1] $M	Net full year charges for individual provisions $M	Full year actual losses [2] $M
Home loans	1,032	1,899	269	112	85
Other personal	269	27	191	-	637
Asset finance	104	3	41	53	50
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Other finance	20	5	23	2	(18)
Agriculture	386	51	65	1	90
Mining	174	8	82	119	92
Manufacturing	338	38	141	102	17
Energy	12	-	3	(5)	-
Construction	50	24	33	21	10
Wholesale/retail trade	67	58	37	49	67
Transport and storage	183	11	18	15	3
Property	217	97	103	15	37
Other	254	122	184	108	122
Total	3,116	2,343	1,200	592	1,192

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2016.

	31 December 2015				
Industry Sector	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance [1] $M	Net half year charges for individual provisions $M	Half year actual losses [2] $M
Home loans	984	1,587	180	46	51
Other personal	253	27	133	(1)	314
Asset finance	104	3	37	27	27
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Other finance	28	13	33	6	(27)
Agriculture	323	53	73	(13)	66
Mining [3]	244	11	172	106	4
Manufacturing	67	43	34	(4)	13
Energy	18	-	8	-	-
Construction	46	27	23	6	3
Wholesale/retail trade	104	57	61	28	18
Transport and storage [3]	169	31	21	10	-
Property	164	66	104	(3)	12
Other	274	127	165	32	46
Total	2,788	2,045	1,054	240	527

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2015.
(3) Comparative information has been reclassified to conform to presentation in the current period.

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

	30 June 2015				
Industry Sector	**Impaired assets $M**	**Past due loans ≥ 90 days $M**	**Specific provision balance [1] $M**	**Net full year charges for individual provisions $M**	**Full year actual losses [2] $M**
Home loans	951	1,753	179	60	76
Other personal	282	25	149	(2)	593
Asset finance	120	2	41	53	41
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Other finance	26	10	26	54	96
Agriculture	506	97	147	77	68
Mining	155	8	71	80	35
Manufacturing	108	37	49	(1)	72
Energy	28	-	8	-	(2)
Construction	40	34	21	3	14
Wholesale/retail trade	79	64	53	13	40
Transport and storage	22	23	11	2	(5)
Property	175	109	114	-	124
Other	353	161	171	60	151
Total	2,855	2,323	1,050	399	1,303

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2015.

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

Portfolio	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net full year charges for individual provisions $M	Full year actual losses (2) $M
	30 June 2016				
Corporate including SME, specialised lending and central counterparties	1,805	417	730	480	470
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Residential mortgage	1,032	1,899	269	112	85
Qualifying revolving retail	106	-	65	-	264
Other retail	163	27	126	-	373
Total	3,116	2,343	1,200	592	1,192

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2016.

Portfolio	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net half year charges for individual provisions $M	Half year actual losses (2) $M
	31 December 2015				
Corporate including SME, specialised lending and central counterparties	1,541	431	731	195	162
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Residential mortgage	984	1,587	180	46	51
Qualifying revolving retail	103	-	59	-	137
Other retail	150	27	74	(1)	177
Total	2,788	2,045	1,054	240	527

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the half year ended 31 December 2015.

Portfolio	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance (1) $M	Net full year charges for individual provisions $M	Full year actual losses (2) $M
	30 June 2015				
Corporate including SME, specialised lending and central counterparties	1,612	545	712	341	634
Sovereign	-	-	-	-	-
Bank	10	-	10	-	-
Residential mortgage	951	1,753	179	60	76
Qualifying revolving retail	117	-	59	-	261
Other retail	165	25	90	(2)	332
Total	2,855	2,323	1,050	399	1,303

(1) Specific provision balance includes certain Australian Accounting Standards collective provisions on some past due loans ≥ 90 days.
(2) Actual losses equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the year ended 30 June 2015.

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

	30 June 2016		
Geographic Region [1]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
Australia	2,475	2,226	1,033
New Zealand	508	74	82
Other	133	43	85
Total	3,116	2,343	1,200

	31 December 2015		
Geographic Region [1]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
Australia	2,154	1,913	828
New Zealand	424	82	73
Other	210	50	153
Total	2,788	2,045	1,054

	30 June 2015		
Geographic Region [1]	Impaired assets $M	Past due loans ≥ 90 days $M	Specific provision balance $M
Australia	2,335	2,205	908
New Zealand	404	89	76
Other	116	29	66
Total	2,855	2,323	1,050

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

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

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

Geographic Region	30 Jun 16 $M	31 Dec 15 $M	30 Jun 15 $M
Australia	**2,665**	2,692	2,634
New Zealand	**241**	199	169
Other	**208**	151	142
Total GRCL	**3,114**	3,042	2,945

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

Movement in Collective Provisions	Half Year Ended 30 Jun 16 $M	31 Dec 15 $M	30 Jun 15 $M
Opening balance	**2,801**	2,762	2,763
Net charge against profit and loss	**340**	324	325
Recoveries	**105**	120	78
Other	**3**	10	(17)
Write-offs	**(431)**	(415)	(387)
Total collective provisions	**2,818**	2,801	2,762
Less collective provisions transferred to specific provisions	**(256)**	(145)	(163)
Additional GRCL requirement [1]	**552**	386	346
General reserve for credit losses	**3,114**	3,042	2,945

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

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

Movement in Individual Provisions	Half Year Ended 30 Jun 16 $M	31 Dec 15 $M	30 Jun 15 $M
Opening balance for the period	**909**	887	1,116
Net new and increased provisioning	**454**	334	362
Net write back of provisions no longer required	**(102)**	(94)	(139)
Discount unwind to interest income	**(14)**	(13)	(20)
Other	**36**	27	48
Write-offs	**(339)**	(232)	(480)
Individual provisions	**944**	909	887
Add collective provisions transferred to specific provisions	**256**	145	163
Specific provisions	**1,200**	1,054	1,050

8.3 Portfolios Subject to Standardised and Supervisory Risk-Weights

CommBank Europe Limited, PT Bank Commonwealth (Indonesia) and the China County Banks operate under the Standardised Basel III approach and are consolidated at Level 2.

The Standardised approach is also used by the Group where portfolios or segments are considered as immaterial by the size of exposure or where APRA requires a Standardised approach to be used.

Portfolios that use the Standardised approach include:

Commonwealth Bank of Australia:

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

Bankwest Division:

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

ASB Bank Limited:

- Personal loans and Retail SME.

All exposures in the following entities:

- CommBank Europe Limited;
- PT Bank Commonwealth (Indonesia); and
- China County Banks.

The Group continues to review other portfolios that use the Standardised approach. Approval to apply the Advanced approach will be sought from APRA when the volume of exposure and number of customers within these portfolios are sufficient to qualify for advanced approaches.

Risk weights pertaining to Retail and SME Corporate Standardised portfolios have been applied in accordance with APRA Prudential Standard APS 112 “Capital Adequacy: Standardised Approach to Credit Risk” and with consideration to the type of collateral held and past due status. In respect of loans secured by residential mortgages, consideration is given with respect to the Loan to Value Ratio and whether mortgage insurance is held.

The Group’s definition of internal risk ratings used for Corporate, Bank 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.

APRA requires certain specialised lending exposures including Income Producing Real Estate, Object and Project Finance to be assigned specific risk weights according to “slotting” criteria defined by the regulator.

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

Standardised Approach Exposures	30 Jun 16 $M	31 Dec 15 $M	30 Jun 15 $M
	Exposure After Credit Risk Mitigation [1]		
Risk weight			
0%	**3,013**	2,685	1,963
20%	**3,690**	4,171	4,185
35%	**7,421**	6,563	5,889
50%	**3,668**	3,467	3,413
75%	**471**	443	440
100%	**31,353**	31,336	31,354
150%	**255**	304	449
> 150%	**-**	-	-
Capital deductions	**-**	-	-
Total	**49,871**	48,969	47,693

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

Other Assets [1]	30 June 2016 Exposure $M	Risk weight %	RWA $M
Cash	2,936	-	-
Cash items in course of collection	653	20	131
Margin lending [2]	3,176	33	1,061
Fixed and forward purchase assets	1,466	100	1,466
Other	2,702	≥100	2,702
Total	10,933	49	5,360

Other Assets [1]	31 December 2015 Exposure $M	Risk weight %	RWA $M
Cash	2,531	-	-
Cash items in course of collection	978	20	196
Margin lending [2]	3,304	34	1,124
Fixed and forward purchased assets	1,343	100	1,343
Other	3,148	≥100	3,148
Total	11,304	51	5,811

Other Assets [1]	30 June 2015 Exposure $M	Risk weight %	RWA $M
Cash	1,850	-	-
Cash items in course of collection	1,117	20	223
Margin lending [2]	3,263	35	1,127
Fixed and forward purchased assets	1,358	100	1,358
Other	2,274	≥100	2,274
Total	9,862	51	4,982

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

Specialised Lending Exposures Subject to Supervisory Slotting [1]	30 Jun 16 $M	31 Dec 15 $M	30 Jun 15 $M
Risk Weight			
0%	**562**	480	560
70%	**26,406**	26,087	25,073
90%	**34,594**	33,198	30,072
115%	**5,306**	4,853	4,809
250%	**430**	466	374
Total exposures	**67,298**	65,084	60,888

(1) APRA requires specialised lending exposures including Income Producing Real Estate, Object and Project Finance to be assigned specific risk weights according to “slotting” criteria defined by the regulator.

8.4 Portfolios Subject to Internal Ratings Based Approaches

The Group, with the exception of Bankwest non-retail portfolios and some other relatively small portfolios, is accredited to use AIRB approaches to calculate its capital requirements under APRA Prudential Standard APS 113 "Capital Adequacy: Internal Ratings-based Approach to Credit Risk".

Credit Risk Measurement

The measurement of credit risk is based on an internal credit risk rating system which uses expert judgement and analytical tools to calculate IRB credit risk estimates, including customer Probabilities of Default (PD), facility Loss Given Default (LGD), and facility Exposure at Default (EAD). These are inputs into the estimation of Expected Loss (EL) and Unexpected Loss (UL) for the credit portfolio.

The Credit Rating Governance Committee oversees Group credit rating models and processes to ensure appropriately predictive credit rating models are developed, model performance is reviewed on a regular basis and that there is consistency across Business Unit credit models as appropriate.

Probability of Default

The PD, expressed as a percentage, is the estimate of the probability that an obligor will default within the next twelve months. It reflects an obligor's ability to generate sufficient cash flows into 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 APS 330 Table 9c (page 37).

PD estimates are based on a long-run average default rate for the Group's historical data. Application scores 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 in addition, confidence intervals are calculated to statistically demonstrate 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 commercial exposures including bank and sovereign exposures. Commercial exposures to clients with turnover less than $50 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.

A credit risk rating system for corporate customer exposures was first introduced in the Group in 1994. The initial nine grade PD rating scale has been progressively expanded as a result of reviewing outcomes against projections to the 24 PD grades (16 performing, 6 weak/doubtful, 1 restructured, 1 defaulted) currently in use.

Obligors that are risk-rated have their PD rating assigned via expert judgement and the appropriate PD Rating Tool. Obligors whose PD ratings are assigned via expert judgement include banks, sovereigns and/or large corporate customers of the Institutional Banking business. 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, including the use of internal PD Rating Tools, the ratings assigned by an external rating agency, benchmark rating criteria, management capability and integrity, market or other relevant information to assist with the rating decision.

PD Rating Tools 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 Business and Private Banking Business Units across the Group (including within CBA, Bankwest and ASB), PD Rating Tools are the primary method of assigning a PD rating. PD Rating Tools are statistical models designed to predict the rating outcome under expert judgement. 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.

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 company'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 an obligor.

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 surpluses;
- Strong – (B1 through to C3) – a strongly performing business with principal and interest payments well protected by stable cash operating surpluses;
- Pass – (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 principal and interest payments is weak or doubtful;
- Restructured – (R) – concessions of interest and/or principal obligations have been provided due to the customer's financial difficulties, rendering the facility non-commercial to the Group. Restructured facilities are treated as impaired assets; and
- Default – (H) – the obligation is in default (see below).

A PD rating of "Pass" grade or above qualifies the obligor for approval of new facilities or increased exposure on normal commercial terms. An obligor whose PD rating is "Weak" (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.

Assignments of obligor 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 an obligor comes to light.

Probability of Default (continued)

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

- The customer is 90 days or more overdue on a scheduled credit obligation repayment; or
- The customer is unlikely to repay their credit obligation to the Group in full, without the Group taking action such as realising on available security.

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 APS 330 Table 9b (page 38).

(ii) Retail Managed Segment

This segment has sub-segments covering housing loan, credit card, personal loan facilities, some leasing products, some unsecured commercial lending, and most secured commercial lending up to $1 million.

The Group has been using scorecards to "auto-decision" loan applications for over 20 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 customer's behaviour.

Customers with similar characteristics, products and subject to the same origination process are allocated the same PD.

Portfolios in the Retail Managed Segment are managed on 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 support unit.

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 impaired when an assessment is made that the security does not cover the facility and all outstanding interest and fees.

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, 90 days over limit or 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;
- Loan workout costs (effectively the costs of providing a facility that is not generating an interest return) and management expenses (realisation costs);
- Time estimated to achieve all possible payments; and
- The discount factor applied to reflect the time value of money and the uncertainty of future cash flows.

It is recognised that some accounts will cure after entering default and cure rates are an important aspect of estimating a downturn LGD that is consistent with economic recession conditions.

For calculating regulatory capital an estimated downturn LGD is used that reflects likely recovery rates under stressed economic conditions. Downturn LGD estimates for commercial exposures are based on the long-run estimates calibrated to a 99.9% confidence level. For retail exposures, downturn LGDs are adjusted for expected recovery rates in stressed conditions except for residential mortgages, where a 20% floor has been determined by APRA.

For Corporate and SME Corporate customers, 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: a 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%; an LGD rating of F applies where the security cover is less than 40%. Unsecured large corporate customers, banks and sovereigns receive an LGD rating of J-N, depending on their PD rating and the existence of covenants.

For retail exposures, accounts are segmented into homogeneous "LGD" pools based on product/loan type and other relevant attributes.

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken and what types are acceptable and appropriate in order to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

Collateral types are discussed in further detail in section 8.5 "Credit Risk Mitigation" (page 48).

Exposure at Default

The dollar amount of EAD is the estimate of the amount of a facility that will be outstanding in the event of default. Estimates are based on downturn economic conditions.

For defaulted facilities it is the actual amount outstanding at 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 undrawn amount 12 months prior to default, to drawn amount at default. For most committed facilities, the Group applies a credit conversion factor of 100% to the undrawn amount. For uncommitted facilities the EAD will generally be the drawn balance only.

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

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

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

Expected Loss

Regulatory EL is calculated as the product of PD, EAD and LGD.

Regulatory EL is reported for both defaulted and non-defaulted exposures. For non-defaulted exposures, Regulatory EL is based on the quality of exposures at a point in time using long-run PDs and downturn LGDs as required by APRA. For defaulted exposures, Regulatory EL is based on the best estimate of loss.

Regulatory EL for Specialised Lending exposures is prescribed by APRA's Supervisory Slotting approach. 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 unexpected loss.

There are two measures of UL. The regulatory measure used to determine the regulatory capital requirement, and an internal measure based on the Group's economic capital model.

The regulatory measure is calculated based on the Basel III Framework using a 99.9% probability that UL will not be exceeded.

Economic Capital

The economic capital measure takes into account portfolio specific characteristics (e.g. industry segment) and allows for diversification effects between obligors within a portfolio segment as well as across different portfolio segments. Economic capital is the currency of risk measurement using a 99.95% probability that UL is not exceeded.

The Group primarily evaluates risk-adjusted portfolio performance based on the return on economic capital. Economic capital is an input to pricing models and strategic decision making within the Group.

Uses of Internal Estimates of Credit Risk Components Other Than for Regulatory Capital Purposes

The Group uses its internal estimates of PD, LGD and EAD for a number of activities other than for IRB regulatory capital purposes. They 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 collective provisions;
- Capital budgeting - through modelling of business plans under expected and stressed scenarios, and the calculation of economic capital; 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: (i) a transactional level where long-run EL is factored into interest margins and fees and (ii) at 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 a Risk Committee approved Model Policy to ensure independent validation and testing of assigned risk estimates.

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

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

Credit Risk Exposure Subject to the Advanced IRB Approach

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

	30 June 2016							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Non Retail [1]	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Corporate	-	39,144	48,646	26,055	300	981	669	**115,795**
SME Corporate	-	1,093	3,906	36,771	2,661	1,495	966	**46,892**
SME retail [2]	-	-	2,925	9,494	3,266	236	192	**16,113**
Sovereign	73,028	6,323	226	105	-	-	-	**79,682**
Bank	-	37,051	4,036	403	-	-	125	**41,615**
Total	73,028	83,611	59,739	72,828	6,227	2,712	1,952	**300,097**
Undrawn commitments [3]								
Corporate	-	14,262	20,887	9,497	96	318	111	**45,171**
SME Corporate	-	102	1,059	5,867	255	145	46	**7,474**
SME retail [2]	-	-	1,285	2,475	390	9	10	**4,169**
Sovereign	984	225	82	8	-	-	-	**1,299**
Bank	-	1,825	308	184	-	-	7	**2,324**
Total	984	16,414	23,621	18,031	741	472	174	**60,437**
Exposure - weighted average EAD ($M)								
Corporate	-	3. 129	2. 614	0. 743	0. 293	0. 730	1. 377	**2. 338**
SME Corporate	-	0. 547	0. 299	0. 264	0. 213	0. 186	0. 274	**0. 268**
SME retail [2]	-	-	0. 017	0. 032	0. 030	0. 029	0. 033	**0. 029**
Sovereign	7. 844	6. 260	0. 397	0. 239	-	-	-	**7. 687**
Bank	-	6. 847	4. 089	1. 665	-	-	20. 790	**6. 571**
Exposure - weighted average LGD (%)								
Corporate	-	57. 5	56. 6	46. 7	44. 7	68. 1	55. 2	**54. 7**
SME Corporate	-	60. 6	33. 0	30. 8	32. 6	37. 3	36. 0	**32. 1**
SME retail [2]	-	-	32. 4	34. 2	31. 6	42. 6	38. 5	**33. 5**
Sovereign	23. 3	58. 5	52. 6	57. 2	-	-	-	**26. 2**
Bank	-	60. 7	60. 9	61. 1	-	-	61. 3	**60. 8**
Exposure - weighted average risk weight (%)								
Corporate	-	29. 9	60. 5	82. 0	142. 0	315. 1	243. 3	**58. 4**
SME Corporate	-	23. 7	32. 4	53. 4	84. 4	154. 4	264. 0	**60. 3**
SME retail [2]	-	-	17. 3	40. 8	64. 2	111. 5	307. 6	**45. 5**
Sovereign	7. 0	15. 1	36. 8	120. 2	-	-	-	**7. 8**
Bank	-	26. 2	57. 0	84. 7	-	-	-	**29. 7**

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

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

	31 December 2015							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Non Retail [(1)]	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Corporate	-	40,103	51,734	28,402	411	719	430	121,799
SME Corporate	-	247	2,783	32,438	2,529	1,140	915	40,052
SME retail [(2)]	-	-	2,981	10,180	3,078	241	267	16,747
Sovereign	70,526	7,168	290	78	-	-	-	78,062
Bank	-	35,677	5,796	444	-	-	125	42,042
Total	70,526	83,195	63,584	71,542	6,018	2,100	1,737	298,702
Undrawn commitments [(3)]								
Corporate	-	13,990	23,594	9,958	113	272	106	48,033
SME Corporate	-	77	731	5,380	235	92	50	6,565
SME retail [(2)]	-	-	1,393	2,750	399	13	17	4,572
Sovereign	779	223	114	8	-	-	-	1,124
Bank	-	1,833	497	107	-	-	7	2,444
Total	779	16,123	26,329	18,203	747	377	180	62,738
Exposure - weighted average EAD ($M)								
Corporate	-	3. 192	2. 821	0. 807	0. 446	0. 542	0. 942	2. 451
SME Corporate	-	0. 158	0. 220	0. 241	0. 208	0. 173	0. 319	0. 237
SME retail [(2)]	-	-	0. 015	0. 031	0. 030	0. 023	0. 040	0. 028
Sovereign	7. 552	7. 398	0. 026	0. 001	-	-	-	7. 503
Bank	-	9. 254	5. 076	0. 751	-	-	20. 791	8. 623
Exposure - weighted average LGD (%)								
Corporate	-	57. 1	56. 9	46. 5	35. 7	59. 3	54. 3	54. 5
SME Corporate	-	56. 1	32. 2	30. 5	32. 4	35. 9	35. 1	31. 2
SME retail [(2)]	-	-	32. 8	34. 6	32. 0	42. 4	38. 1	34. 0
Sovereign	26. 2	59. 2	53. 3	64. 2	-	-	-	29. 4
Bank	-	60. 3	61. 0	61. 0	-	-	61. 3	60. 4
Exposure - weighted average risk weight (%)								
Corporate	-	29. 3	61. 3	80. 4	117. 5	293. 0	115. 1	57. 0
SME Corporate	-	20. 3	31. 7	55. 7	87. 3	155. 0	226. 9	62. 6
SME retail [(2)]	-	-	17. 5	41. 9	64. 8	107. 9	357. 8	47. 7
Sovereign	6. 7	16. 4	41. 8	125. 9	-	-	-	7. 9
Bank	-	25. 0	56. 2	86. 5	-	-	-	29. 9

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

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

	30 June 2015							
	PD Band							
	0 < 0.03%	0.03% < 0.15%	0.15% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Non Retail [1]	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Corporate	-	36,187	45,709	24,830	558	241	489	108,014
SME Corporate	-	805	3,721	34,460	2,036	1,039	1,063	43,124
SME retail [2]	-	-	3,005	9,606	3,493	228	271	16,603
Sovereign	61,753	5,704	455	239	-	-	-	68,151
Bank	-	46,306	2,344	578	-	-	124	49,352
Total	61,753	89,002	55,234	69,713	6,087	1,508	1,947	285,244
Undrawn commitments [3]								
Corporate	-	14,213	20,812	8,989	234	38	119	44,405
SME Corporate	-	251	968	7,016	242	117	70	8,664
SME retail [2]	-	-	1,425	2,370	442	12	23	4,272
Sovereign	706	259	275	69	-	-	-	1,309
Bank	-	2,482	295	147	-	-	-	2,924
Total	706	17,205	23,775	18,591	918	167	212	61,574
Exposure - weighted average EAD ($M)								
Corporate	-	2. 953	2. 572	0. 791	0. 870	0. 222	1. 370	2. 271
SME Corporate	-	0. 388	0. 259	0. 181	0. 220	0. 182	0. 328	0. 197
SME retail [2]	-	-	0. 012	0. 028	0. 023	0. 018	0. 036	0. 024
Sovereign	6. 777	5. 979	0. 038	0. 001	-	-	-	6. 641
Bank	-	10. 277	2. 873	0. 693	-	-	41. 399	9. 891
Exposure - weighted average LGD (%)								
Corporate	-	56. 9	57. 4	45. 9	52. 9	52. 0	46. 2	54. 5
SME Corporate	-	59. 7	35. 8	29. 7	30. 0	34. 6	34. 2	31. 1
SME retail [2]	-	-	30. 9	34. 6	31. 6	44. 2	34. 2	33. 4
Sovereign	24. 1	58. 7	55. 2	55. 1	-	-	-	27. 3
Bank	-	60. 6	60. 5	61. 0	-	-	61. 3	60. 6
Exposure - weighted average risk weight (%)								
Corporate	-	27. 8	62. 9	79. 8	177. 2	248. 4	128. 6	56. 4
SME Corporate	-	21. 1	36. 0	53. 6	77. 9	146. 6	207. 0	58. 6
SME retail [2]	-	-	16. 5	42. 5	64. 7	116. 0	337. 4	48. 3
Sovereign	6. 6	11. 3	42. 8	112. 8	-	-	-	7. 6
Bank	-	22. 2	54. 0	83. 5	-	-	-	24. 4

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

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

	30 June 2016							
	PD Band							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Retail	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Residential mortgage	147,436	147,136	86,308	120,759	5,925	9,452	3,316	**520,332**
Qualifying revolving retail	-	14,390	3,652	5,704	2,874	547	158	**27,325**
Other retail	58	-	349	8,268	1,706	586	143	**11,110**
Total	147,494	161,526	90,309	134,731	10,505	10,585	3,617	**558,767**
Undrawn commitments [1]								
Residential mortgage	54,121	8,633	3,731	6,368	126	56	14	**73,049**
Qualifying revolving retail	-	11,562	2,741	2,573	489	69	2	**17,436**
Other retail	55	-	310	2,476	293	29	3	**3,166**
Total	54,176	20,195	6,782	11,417	908	154	19	**93,651**
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 239	0. 275	0. 269	0. 213	0. 216	0. 248	0. 257	**0. 246**
Qualifying revolving retail	-	0. 010	0. 009	0. 009	0. 009	0. 008	0. 008	**0. 009**
Other retail	0. 004	-	0. 002	0. 009	0. 003	0. 005	0. 005	**0. 006**
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 2	20. 3	21. 1	21. 1	20. 1	20. 2	**20. 4**
Qualifying revolving retail	-	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	**88. 0**
Other retail	108. 2	-	108. 6	97. 7	99. 0	99. 5	99. 1	**98. 4**
Exposure - weighted average risk weight (%)								
Residential mortgage	3. 1	9. 2	14. 7	23. 8	70. 9	100. 3	174. 1	**15. 2**
Qualifying revolving retail	-	5. 3	13. 4	45. 1	132. 4	219. 0	323. 3	**34. 2**
Other retail	26. 2	-	75. 3	118. 6	149. 5	199. 9	307. 1	**128. 2**

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

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

	31 December 2015							
	PD Band							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Retail	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Residential mortgage	146,692	138,258	86,257	112,183	5,511	9,083	2,952	500,936
Qualifying revolving retail	-	14,330	3,635	5,677	2,893	550	144	27,229
Other retail	59	-	347	8,241	1,627	599	123	10,996
Total	146,751	152,588	90,239	126,101	10,031	10,232	3,219	539,161
Undrawn commitments [(1)]								
Residential mortgage	54,765	8,132	3,371	5,404	135	57	21	71,885
Qualifying revolving retail	-	11,364	2,722	2,611	512	73	2	17,284
Other retail	57	-	311	2,380	276	32	3	3,059
Total	54,822	19,496	6,404	10,395	923	162	26	92,228
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 234	0. 266	0. 273	0. 203	0. 209	0. 246	0. 251	0. 240
Qualifying revolving retail	-	0. 010	0. 009	0. 009	0. 009	0. 008	0. 009	0. 009
Other retail	0. 004	-	0. 002	0. 009	0. 003	0. 005	0. 005	0. 006
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 2	20. 4	21. 0	21. 2	20. 1	20. 3	20. 4
Qualifying revolving retail	-	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0
Other retail	108. 2	-	108. 6	97. 7	99. 1	99. 8	99. 1	98. 5
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 8	9. 2	14. 8	24. 1	69. 5	101. 0	180. 7	15. 0
Qualifying revolving retail	-	5. 3	13. 4	45. 1	132. 6	218. 9	319. 0	34. 2
Other retail	26. 2	-	75. 3	118. 7	149. 7	199. 3	454. 4	129. 6

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

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

	30 June 2015							
	PD Band							
	0 < 0.1%	0.1% < 0.3%	0.3% < 0.5%	0.5% < 3%	3% < 10%	10% < 100%	Default	Total
Retail	$M	$M	$M	$M	$M	$M	$M	$M
Total credit risk exposures								
Residential mortgage	143,305	126,752	81,712	115,612	5,075	9,305	3,077	484,838
Qualifying revolving retail	13,976	14	3,643	5,534	3,126	615	160	27,068
Other retail	60	46	299	7,999	1,629	663	134	10,830
Total	157,341	126,812	85,654	129,145	9,830	10,583	3,371	522,736
Undrawn commitments [1]								
Residential mortgage	53,018	7,019	4,185	5,476	124	49	17	69,888
Qualifying revolving retail	11,278	13	2,738	2,456	632	101	3	17,221
Other retail	57	40	265	2,257	261	34	3	2,917
Total	64,353	7,072	7,188	10,189	1,017	184	23	90,026
Exposure - weighted average EAD ($M)								
Residential mortgage	0. 231	0. 267	0. 239	0. 206	0. 203	0. 243	0. 248	0. 236
Qualifying revolving retail	0. 010	0. 011	0. 008	0. 009	0. 009	0. 008	0. 008	0. 009
Other retail	0. 004	0. 004	0. 002	0. 008	0. 003	0. 005	0. 005	0. 007
Exposure - weighted average LGD (%)								
Residential mortgage	20. 0	20. 1	20. 4	21. 0	21. 3	20. 1	20. 3	20. 3
Qualifying revolving retail	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0	88. 0
Other retail	94. 2	94. 1	94. 6	96. 9	97. 8	98. 9	98. 2	97. 1
Exposure - weighted average risk weight (%)								
Residential mortgage	2. 9	9. 2	14. 4	24. 3	73. 4	99. 5	186. 2	15. 3
Qualifying revolving retail	3. 9	7. 8	15. 1	38. 8	122. 4	208. 6	315. 8	32. 7
Other retail	17. 9	48. 7	59. 7	118. 2	147. 5	195. 9	426. 6	128. 7

(1) The credit exposure value of undrawn commitments included in Total Credit Risk Exposures above.

Analysis of Losses

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

APS 330 Table 9e – Actual losses by portfolio type

	30 June 2016		
	Full year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	$M	$M	$M
Corporate	124	(35)	89
SME Corporate	124	(6)	118
SME retail (including SME retail secured by residential mortgages)	86	(12)	74
Specialised lending	48	-	48
Total corporate including SME and specialised lending	382	(53)	329
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	86	(4)	82
Qualifying revolving retail	335	(71)	264
Other retail	375	(75)	300
Total advanced IRB and specialised lending portfolios	1,178	(203)	975

	31 December 2015		
	Half year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	$M	$M	$M
Corporate	49	(35)	14
SME Corporate	35	(2)	33
SME retail (including SME retail secured by residential mortgages)	43	(4)	39
Specialised lending	3	-	3
Total corporate including SME and specialised lending	130	(41)	89
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	52	(2)	50
Qualifying revolving retail	169	(32)	137
Other retail	180	(34)	146
Total advanced IRB and specialised lending portfolios	531	(109)	422

	30 June 2015		
	Full year losses in reporting period		
	Gross write-offs	Recoveries	Actual losses
Portfolio Type	$M	$M	$M
Corporate	161	(10)	151
SME Corporate	142	(17)	125
SME retail (including SME retail secured by residential mortgages)	60	(5)	55
Specialised lending	70	(2)	68
Total corporate including SME and specialised lending	433	(34)	399
Sovereign	-	-	-
Bank	-	-	-
Residential mortgage (excluding SME retail secured by residential mortgages)	79	(4)	75
Qualifying revolving retail	317	(56)	261
Other retail	329	(62)	267
Total advanced IRB and specialised lending portfolios	1,158	(156)	1,002

Factors impacting the loss experience

The overall quality of the portfolio was stable during the financial year ended 30 June 2016. Gross impaired assets as a proportion of gross loans and advances (GLAAs) remained unchanged on the prior year and total provisions as a proportion of GLAAs reduced marginally.

Commercial portfolio losses reduced on the prior year with some areas of stress in the commodity and commodity related sectors. In the consumer portfolios, credit card arrears remained relatively low while home loan and personal loan arrears trended higher over the year primarily in Western Australia and Queensland.

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

	30 June 2016	
	Full year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	89	595
SME Corporate	118	589
SME retail (including SME retail secured by residential mortgages)	74	137
Specialised lending	48	846
Total corporate including SME and specialised lending	329	2,167
Sovereign	-	7
Bank	-	143
Residential mortgage (excluding SME retail secured by residential mortgages)	82	1,032
Qualifying revolving retail	264	547
Other retail	300	534
Total advanced IRB and specialised lending portfolios	975	4,430

	31 December 2015	
	Half year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	14	573
SME Corporate	33	569
SME retail (including SME retail secured by residential mortgages)	39	160
Specialised lending	3	783
Total corporate including SME and specialised lending	89	2,085
Sovereign	-	8
Bank	-	146
Residential mortgage (excluding SME retail secured by residential mortgages)	50	940
Qualifying revolving retail	137	543
Other retail	146	492
Total advanced IRB and specialised lending portfolios	422	4,214

	30 June 2015	
	Full year actual loss $M	Regulatory one year expected loss estimate $M
Corporate	151	451
SME Corporate	125	605
SME retail (including SME retail secured by residential mortgages)	55	132
Specialised lending	68	785
Total corporate including SME and specialised lending	399	1,973
Sovereign	-	6
Bank	-	143
Residential mortgage (excluding SME retail secured by residential mortgages)	75	944
Qualifying revolving retail	261	509
Other retail	267	508
Total advanced IRB and specialised lending portfolios	1,002	4,083

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

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

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

Accuracy of Risk Estimates

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

Probability of Default

APS 330 Table 9f (ii) compares estimates of long-run PD to actual default rates averaged over 8 financial years to 30 June 2016.

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

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

	As at 30 June 2016	
Portfolio Type	Average estimated PD %	Average actual PD %
Corporate	1. 34	0. 89
SME corporate	2. 21	1. 95
SME retail (including SME retail secured by residential mortgages)	1. 82	0. 89
Specialised lending [(1)]	n/a	1. 65
Sovereign [(2)]	0. 63	0. 04
Bank [(2)]	0. 28	0. 29
Residential mortgage (excluding SME retail secured by residential mortgages)	0. 88	0. 75
Qualifying revolving retail	1. 92	2. 07
Other retail	4. 81	4. 45

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

Loss Given Default and Exposure at Default

LGDs for non-retail portfolios are based on accounts that defaulted in 2009 to 2014 financial years. LGDs for retail portfolios are based on accounts that defaulted in 2009 to 2015 financial years. Defaults occurring in the most recent years have been excluded from the analysis, to allow sufficient time for workout of impaired assets, booking of losses and more meaningful disclosures.

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

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

	As at 30 June 2016		
Portfolio Type	Average estimated downturn LGD %	Average actual LGD %	Ratio of estimated EAD to actual EAD
Corporate	57.4	40.6	1.1
SME Corporate	33.0	21.2	1.1
SME retail (including SME retail secured by residential mortgages)	33.4	22.6	1.2
Specialised lending [(1)]	n/a	34.7	1.2
Sovereign	n/a	1.3	1.8
Bank [(2)]	65.4	110.6	1.8
Residential mortgage (excluding SME retail secured by residential mortgages) [(3)]	20.7	6.6	1.0
Qualifying revolving retail	87.2	70.7	1.1
Other retail	96.7	70.5	1.0

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

8.5 Credit Risk Mitigation

Collateral

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation. The Chief Credit Officer (or delegate) is responsible for approving acceptable collateral types.

The type, liquidity, carrying and realisation costs on collateral held 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 as follows:

Real Estate Collateral

Real estate collateral values can only be used for reducing LGD estimates where the following criteria are met:

- Objective market value of collateral - the collateral must be valued by an independent valuer (or via a valuation approach approved by the Business Unit CRO or delegate), 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 value of the collateral should be up-to-date, which the Group monitors and when appropriate regularly updates;
- Insurance - steps are taken to ensure that the commercial property taken as collateral is adequately insured against damage or destruction;
- 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 security 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.

All home loans are secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, with the exception of some relatively small portfolios, for loans with a Loan to Valuation (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 100% of the principal amount at default plus interest.

Non-Real Estate Collateral

Non-real estate collateral values are only extended for LGD purposes where there is a sound process for determining the value of the collateral. Monitoring processes appropriate for the specific exposures attributable to the collateral 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);
- Guarantees by company directors supporting commercial lending;
- 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 collateral is highly correlated with the counterparty exposure that it is used to secure (wrong way risk), policy specifies that no risk reduction can be taken for the collateral held.

Other - Including Credit Default Swaps and Guarantees

The Group mitigates its credit exposure by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. 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 Global 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 Threshold and Minimum Transfer 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 or guarantee must be contractually binding, have legal certainty and be non-cancellable. APS 330 Table 10b and 10c (page 49) 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, after applying the Aggregation Policy within the risk-rated segment.

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 obligor, or group of related counterparties. The LCEP is reviewed annually. Usage of LCEP limits is determined at both individual counterparty and group of related (aggregated) counterparties levels. Limits are tiered by counterparty type, PD Rating, security cover and facility maturity.

Management reports to the Executive Risk Committee and the Risk Committee each quarter, on a total credit risk exposure basis:

- All exposures at, or greater than, the LCEP limits, including those resulting from PD deterioration; and
- All exposures ceasing to exceed LCEP limits since the last report.

All relevant borrower specific credit submissions prominently display relative compliance with the LCEP. 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.

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

	30 June 2016				
	Total exposure [1] $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach [2]					
Corporate	115,795	-	958	8	0. 8
SME Corporate	46,892	-	-	-	-
SME retail [3]	16,113	-	-	-	-
Sovereign	79,682	-	-	-	-
Bank	41,615	-	475	689	2. 8
Residential Mortgage	520,332	-	-	-	-
Qualifying revolving retail	27,325	-	-	-	-
Other retail	11,110	-	-	-	-
Total advanced approach	858,864	-	1,433	697	0. 3
Specialised lending	67,298	-	-	-	-
Standardised approach					
Corporate	11,041	145	-	-	1. 3
SME Corporate	4,105	15	-	-	0. 4
SME Retail	6,117	5	-	-	0. 1
Sovereign	536	-	-	-	-
Bank	680	-	-	-	-
Residential Mortgage	13,721	9	-	-	0. 1
Other retail	2,738	-	-	-	-
Other	10,933	-	-	-	-
Central clearing counterparties	6,823	-	-	-	-
Total standardised approach	56,694	174	-	-	0. 3
Total exposures	982,856	174	1,433	697	0. 2

	31 December 2015				
	Total exposure [1] $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach [2]					
Corporate	121,799	-	1,759	2	1. 4
SME Corporate	40,052	-	-	-	-
SME retail [3]	16,747	-	-	-	-
Sovereign	78,062	-	-	-	-
Bank	42,042	-	471	535	2. 4
Residential Mortgage	500,936	-	-	-	-
Qualifying revolving retail	27,229	-	-	-	-
Other retail	10,996	-	-	-	-
Total advanced approach	837,863	-	2,230	537	0. 3
Specialised lending	65,084	-	-	-	-
Standardised approach					
Corporate	10,377	152	-	-	1. 5
SME Corporate	4,535	37	-	-	0. 8
SME Retail	6,091	6	-	-	0. 1
Sovereign	428	-	-	-	-
Bank	759	-	-	-	-
Residential Mortgage	12,743	23	-	-	0. 2
Other retail	2,732	-	-	-	-
Other	11,304	-	-	-	-
Central clearing counterparties	4,502	-	-	-	-
Total standardised approach	53,471	218	-	-	0. 4
Total exposures	956,418	218	2,230	537	0. 3

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

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

	30 June 2015				
	Total exposure [1] $M	Eligible financial collateral $M	Exposures covered by guarantees $M	Exposures covered by credit derivatives $M	Coverage %
Advanced approach [2]					
Corporate	108,014	-	1,000	10	0. 9
SME Corporate	43,124	-	-	1	-
SME retail [3]	16,603	-	-	-	-
Sovereign	68,151	-	-	-	-
Bank	49,352	-	588	342	1. 9
Residential Mortgage	484,838	-	-	-	-
Qualifying revolving retail	27,068	-	-	-	-
Other retail	10,830	-	-	-	-
Total advanced approach	807,980	-	1,588	353	0. 2
Specialised lending	60,888	-	-	-	-
Standardised approach					
Corporate	10,410	118	-	-	1. 1
SME Corporate	5,853	41	-	-	0. 7
SME Retail	5,838	5	-	-	0. 1
Sovereign	390	-	-	-	-
Bank	732	-	-	-	-
Residential Mortgage	11,972	15	-	-	0. 1
Other retail	2,664	-	-	-	-
Other	9,862	-	-	-	-
Central clearing counterparties	3,430	-	-	-	-
Total standardised approach	51,151	179	-	-	0. 3
Total exposures	920,019	179	1,588	353	0. 2

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

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. 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 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 and procedures including, but not limited, to the following:

- Large Credit Exposure Policy;
- Country Risk Exposure Policy;
- Aggregation Policy;
- Netting Policy;
- Global Markets Cross-Product Collateralisation Policy; and
- Specific product policies.

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 providing credit risk mitigation for the exposure are highly correlated.

Specific wrong-way risk is controlled through not recognising any risk reduction from credit risk mitigation provided by highly correlated counterparties. General wrong way risk is monitored through the Group's stress testing activities and is controlled via the Group's policies that manage industry, country and individual counterparty concentrations.

CSAs are used with some large corporates and most bank and non-bank financial institution counterparties to collateralise CCR for Global Markets products. The use of CSAs is governed by the Global Markets Cross Product Collateralisation and Netting Policies. CSAs lower the wrong-way 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.

Aggregate Threshold and Minimum Transfer amounts (including "zero" for most counterparties), are the amounts by which the counterparty (or the Bank) can be out of the money before they may be obliged to post collateral. In approximately 30% of ISDA Master Agreements and CSAs these amounts vary depending on the counterparty's long-term debt rating. In the remaining agreements the amounts are fixed. Generally, a counterparty's rating is considered in determining its Threshold and Minimum Transfer amount. A trend to lower thresholds has been observed since the Global Financial Crisis. This trend will continue in line with regulatory change.

Risk Managers provide sign-off on terms of the CSA prior to the documentation being executed. Upon execution of a CSA with a counterparty, all possible thresholds levels are input into the collateral management system.

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 2016, the maximum additional collateral that could be posted to other counterparties based on the Group's current rating is $55 million. As at 30 June 2016, a unilateral one-notch and two-notch downgrade in the Group's rating would have resulted in a further $113 million and $130 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.

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

	30 Jun 16	31 Dec 15
	$M	$M
Gross positive fair value	45,165	42,677
Netting benefits	(23,347)	(21,771)
Netted current credit exposure	21,818	20,906
Collateral held, of which:		
Cash	(10,608)	(12,358)
Government Bonds	-	-
Other	-	-
Net derivatives credit exposure	11,210	8,548
Potential Future Exposure under the Current Exposure Method	15,607	15,446
Exposure at Default	26,817	23,994

(1) Excluding exposures to CCPs.

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

	Current Credit Exposure 30 Jun 16	Current Credit Exposure 31 Dec 15
Exposure type	$M	$M
Interest rate contracts	14,823	12,473
Foreign currency contracts	28,644	29,673
Equity contracts	9	10
Credit derivatives	47	41
Commodities and other	1,642	480
Total	45,165	42,677

(1) Excluding exposures to CCPs.

APS 330 Table 11c Counterparty credit risk derivative transactions

	Own Credit Portfolio as		Intermediation Activity as	
	Protection buyer	Protection seller	Protection buyer	Protection seller
Notional Value by Product type as at 30 June 16 [1] [2]	$M	$M	$M	$M
Credit default swaps	897	-	3,148	3,549
Total return swaps	-	-	-	-
Credit options	-	-	-	-
Other		-	-	-
Total	897	-	3,148	3,549

	Own Credit Portfolio as		Intermediation Activity as	
	Protection buyer	Protection seller	Protection buyer	Protection seller
Notional Value by Product type as at 31 December 15 [1] [2]	$M	$M	$M	$M
Credit default swaps	164	-	2,808	846
Total return swaps	-	-	-	-
Credit options	-	-	-	-
Other	-	-	-	-
Total	164	-	2,808	846

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

8.7 Securitisation

Securitisation is defined as a 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 securitisations - where assets are sold to a Special Purpose Vehicle (SPV), which issues notes in different tranches with different risk and return profiles. Cash flow arising from those assets is used by the SPV to pay the coupons and principal on the notes issued by the SPV; or
- Synthetic transactions - where only the underlying credit risk or part of the credit risk is transferred to a third party without the ownership of assets being transferred to the SPV.

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 the home loans it has originated to a SPV, which in turn raises wholesale funding by the issuance of notes to external investors. The Medallion Programme is the Group's securitisation program of CBA originated residential mortgage loans, and the Swan Programme is the Group's securitisation program of Bankwest 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 Reserve Bank of Australia. As the Group bears the majority of residual risks and rewards of the SPVs, they are consolidated;
- 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 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.

As at 30 June 2016, the Group holds a loan to a series issued by a Group sponsored SPV conduit; Shield Series 50 (Medallion CP). This series holds AAA prime Residential Mortgage-backed Securities (RMBS) issued under the Group's Medallion programme. The underlying assets of Medallion CP are consolidated into the Group's financial statements. The loan arrangement to Medallion CP was approved under the Group's Risk Framework.

These RMBS are eligible collateral for repurchase agreements with the Reserve Bank of Australia (RBA) which are consolidated as per above.

For contingent liquidity, the Group manages an $84.2 billion 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 to generate additional liquidity for the Group.

Strategic Issues

For the Group, securitisation has 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 intermediation 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 APRA's Prudential Standard APS 120 "Securitisation" (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 three approaches the Group uses are the Ratings-Based Approach, the Internal Assessment Approach (IAA) or the Supervisory Formula Approach (SFA).

IAA Process

The Group may use the IAA methodology for unrated securitisation exposures where the underlying assets are residential mortgages (excluding reverse mortgages), equipment finance, personal loans, trade receivables or auto loans.

IAA Models are developed, audited, reviewed and maintained in accordance with the Bank's Model Policy to ensure appropriate levels of independence, accountability and internal assessment process review.

IAA models must reflect the publicly available methodologies of External Credit Assessment Institutions (ECAI) that rate securitisations for the relevant underlying asset class. If publicly available, the stress factors for determining credit enhancement requirements must be at least as conservative as the rating criteria of those ECAI. The Group may use S&P Global Ratings, Fitch Ratings or Moody's Investors Service criteria.

The internal ratings determined by the IAA models may be used for regulatory and economic capital, as well as for internal risk measurement and reporting.

Securitisation Risk Management Framework

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 a 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 assessment 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 rating of the securities in a warehouse is 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 and Business Banking Product Risk Debt 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.

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 held for trading or are available-for-sale, the transactions are monitored under the Group's market risk management framework (refer section 10, page 67). 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 review (external audit and APRA). At a minimum, the following reviews are undertaken:

Externally-rated exposures:

- External ratings are reviewed on a weekly basis via a monitor that tracks rating changes; and
- The underlying pool and transaction performance is reviewed monthly via an internally produced report and/ or reports provided by issuers.

The Group has an immaterial exposure to resecuritisation transactions and does not actively participate in resecuritisation activity.

Third-party unrated client securitisation exposures:

- The Bank receives periodic and detailed pool performance data from the issuer/trust manager. The pool performance data reports are extracted and reviewed for changes in underlying pool quality;
- Dynamic IAA models are run monthly to determine the required credit support; and
- Formal credit reviews are conducted at least annually for all third-party client exposures.

Group-originated securitisation program exposures:

- Formal reviews are conducted at least annually for all Medallion and Swan exposures; and
- The Bank receives the monthly Investor reports and underlying pool data.

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 the Group's Treasury.

Where the Group has sold assets to a 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 and Swan programs are consolidated for accounting purposes as the Group bears the majority of residual risks and rewards. For regulatory purposes, for the year ended 30 June 2016 the Group achieved capital relief for $836 million of assets issued externally in RMBS with $13 billion not achieving relief.

The Group holds less than 20% (excepting 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 and Swan programs will not exceed 10% of the Group's Level 2 capital (excepting 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 139); 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 introduces 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 structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity.

For the Group's accounting policy on the derecognition of financial assets and financial liabilities refer to Note 1 of the 2016 Annual Report.

Any retained interests are valued in accordance with the Group's Accounting Policies Note 1, as set out in the 2016 Annual Report. 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. This process did not change in 2016.

Synthetic securitisations are assessed in accordance with the same policies as non-synthetic securitisations. Any derivatives are treated in accordance with the requirements of AASB 139.

Assets are valued according to the normal methods appropriate to the asset class. At both 30 June 2016 and 31 December 2015, the Group had no assets considered to be categorised as awaiting securitisation.

The Group recognises all contractual commitments, such as liquidity lines, and applies the accounting policies as set out in the Group's 2016 Annual Report. The Group provides support for securitisation transactions to the extent of those contractual obligations.

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

	30 June 2016			
	Group originated assets - capital relief [(1)]	Group originated assets - non capital relief [(2)]	Group originated assets - internal RMBS [(3)]	Third party originated assets [(4)]
Underlying Asset	$M	$M	$M	$M
Residential mortgage	836	13,026	84,177	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	836	13,026	84,177	-

	31 December 2015			
	Group originated assets - capital relief [(1)]	Group originated assets - non capital relief [(2)]	Group originated assets - internal RMBS [(3)]	Third party originated assets [(4)]
Underlying Asset	$M	$M	$M	$M
Residential mortgage	964	13,103	84,444	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	964	13,103	84,444	-

	30 June 2015			
	Group originated assets - capital relief [(1)]	Group originated assets - non capital relief [(2)]	Group originated assets - internal RMBS [(3)]	Third party originated assets [(4)]
Underlying Asset	$M	$M	$M	$M
Residential mortgage	1,458	12,806	82,327	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	1,458	12,806	82,327	-

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

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

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

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

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

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

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

	30 June 2016			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying Asset	$M	$M	$M	$M
Residential mortgage	98,040	22	533	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	98,040	22	533	-

	31 December 2015			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying Asset	$M	$M	$M	$M
Residential mortgage	98,511	12	434	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	98,511	12	434	-

	30 June 2015			
	Group originated assets securitised			
	Outstanding exposure	Impaired	Past due	Losses recognised
Underlying Asset	$M	$M	$M	$M
Residential mortgage	96,591	11	443	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Commercial loans	-	-	-	-
Other	-	-	-	-
Total	96,591	11	443	-

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

The Group does not have any outstanding banking book exposures that are intended to be securitised at 30 June 2016.

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

The Group securitised $5,832 million new exposures in the banking book during the full year ended 30 June 2016.

	Full year ended 30 June 2016	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset Type	$M	$M
Residential mortgage	5,557	-
Credit cards and other personal loans	-	-
Auto and equipment finance	275	-
Commercial loans	-	-
Other	-	-
Total	5,832	-

	Half year ended 31 December 2015	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset Type	$M	$M
Residential mortgage	3,418	-
Credit cards and other personal loans	-	-
Auto and equipment finance	80	-
Commercial loans	-	-
Other	-	-
Total	3,498	-

	Full year ended 30 June 2015	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset Type	$M	$M
Residential mortgage	11,436	-
Credit cards and other personal loans	806	-
Auto and equipment finance	636	-
Commercial loans	-	-
Other	-	-
Total	12,878	-

APS 330 Table 12k – Banking book securitisation exposures retained or purchased

	30 June 2016		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	110	110
Warehouse facilities	4,037	1,789	5,826
Derivative facilities	16	-	16
Holdings of securities	7,995	-	7,995
Other	-	-	-
Total securitisation exposures in the banking book	12,048	1,899	13,947

	31 December 2015		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	119	119
Warehouse facilities	4,018	1,456	5,474
Derivative facilities	22	1	23
Holdings of securities	8,579	-	8,579
Other	-	-	-
Total securitisation exposures in the banking book	12,619	1,576	14,195

	30 June 2015		
Securitisation Facility Type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	54	54
Warehouse facilities	2,200	2,564	4,764
Derivative facilities	35	1	36
Holdings of securities	8,676	-	8,676
Other	5	-	5
Total securitisation exposures in the banking book	10,916	2,619	13,535

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

Total securitisation exposures in the banking book increased by $412 million or 3.1% during the full year ended 30 June 2016. However, the corresponding RWA decreased by $141 million or 8.6%, mainly due to lower risk weights for some warehouse exposures.

	30 June 2016					
	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	RWA
Risk Weight Band	$M	$M	$M	$M	$M	$M
≤ 25%	13,716	-	**13,716**	1,356	-	**1,356**
> 25% ≤ 35%	35	-	**35**	12	-	**12**
> 35% ≤ 50%	160	-	**160**	80	-	**80**
> 50% ≤ 75%	-	-	**-**	-	-	**-**
> 75% ≤ 100%	-	-	**-**	-	-	**-**
> 100% ≤ 650%	-	-	**-**	-	-	**-**
> 650% ≤ 1250%	16	20	**36**	-	61	**61**
Total	13,927	20	**13,947**	1,448	61	**1,509**

	31 December 2015					
	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	RWA
Risk Weight Band	$M	$M	$M	$M	$M	$M
≤ 25%	13,952	-	**13,952**	1,374	-	**1,374**
> 25% ≤ 35%	42	-	**42**	15	-	**15**
> 35% ≤ 50%	160	-	**160**	80	-	**80**
> 50% ≤ 75%	-	-	**-**	-	-	**-**
> 75% ≤ 100%	-	-	**-**	-	-	**-**
> 100% ≤ 650%	-	-	**-**	-	-	**-**
> 650% ≤ 1250%	18	23	**41**	-	95	**95**
Total	14,172	23	**14,195**	1,469	95	**1,564**

	30 June 2015					
	Exposures		Total	Risk Weighted Assets		Total
	Securitisation	Resecuritisation	Exposures	Securitisation	Resecuritisation	RWA
Risk Weight Band	$M	$M	$M	$M	$M	$M
≤ 25%	12,449	-	**12,449**	1,123	-	**1,123**
> 25% ≤ 35%	830	-	**830**	291	-	**291**
> 35% ≤ 50%	210	-	**210**	105	-	**105**
> 50% ≤ 75%	-	-	**-**	-	-	**-**
> 75% ≤ 100%	-	-	**-**	-	-	**-**
> 100% ≤ 650%	-	-	**-**	-	-	**-**
> 650% ≤ 1250%	20	26	**46**	-	131	**131**
Total	13,509	26	**13,535**	1,519	131	**1,650**

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

Total securitisation exposures deducted from Tier 1 and Tier 2 Capital decreased by $4 million during the full year ended 30 June 2016, mainly due to the overall run-off of subordinated tranches.

	Common Equity Tier 1 Capital		
	30 Jun 16	31 Dec 15	30 Jun 15
Underlying Asset Type	$M	$M	$M
Residential Mortgage	31	33	35
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Commercial loans	-	-	-
Other	-	-	-
Total	31	33	35

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

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

APS 330 Table 12n – Banking book resecuritisation exposures

As at 30 June 2016, banking book resecuritisation exposures without credit risk mitigation total $20 million (31 December 2015: $23 million, 30 June 2015: $26 million).

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

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

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

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

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

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

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

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

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

The Group does not have any outstanding trading book exposures that are intended to be securitised at 30 June 2016.

APS 330 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 2016, relating to $29 million residential mortgages (31 December 2015: $20 million, 30 June 2015: $58 million) and $1 million personal finance (30 June 2015: $2 million) exposures.

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

The aggregate amount of exposures securitised by the Group and subject to Prudential Standard APS 116 "Capital Adequacy: Market Risk" was $20 million as at 30 June 2016 (31 December 2015: $41 million, 30 June 2015: $45 million), all of which are traditional securitisations. This consists of:

- Securities held in the trading book subject to the Standard Method of $5 million (31 December 2015: $28 million, 30 June 2015: $28 million); and
- Derivatives held in the trading book subject to the Internal Models Approach (IMA) of $15 million (31 December 2015: $13 million, 30 June 2015: $17 million).

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

Securitisation facility type	30 June 2016		
	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	7	8	15
Holdings of securities	5	-	5
Other	-	-	-
Total securitisation exposures in the trading book	12	8	20

Securitisation facility type	31 December 2015		
	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	4	9	13
Holdings of securities	28	-	28
Other	-	-	-
Total securitisation exposures in the trading book	32	9	41

Securitisation facility type	30 June 2015		
	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	-	-
Warehouse facilities	-	-	-
Derivative facilities	8	9	17
Holdings of securities	28	-	28
Other	-	-	-
Total securitisation exposures in the trading book	36	9	45

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

The Group has $15 million of derivatives exposures held in the trading book subject to IMA (default risk) under APS 116 as at 30 June 2016 (31 December 2015: $13 million, 30 June 2015: $17 million).

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

Total securitisation exposures in the trading book decreased by $26 million during the full year ended 30 June 2016 mainly reflecting run-off of derivatives exposures.

	30 June 2016			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total exposures $M
≤ 25%	-	3	17	**20**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	-	-	-	**-**
> 650% ≤ 1250%	-	-	-	**-**
Total	-	3	17	**20**

	31 December 2015			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total exposures $M
≤ 25%	-	26	15	**41**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	-	-	-	**-**
> 650% ≤ 1250%	-	-	-	**-**
Total	-	26	15	**41**

	30 June 2015			
Risk Weight Band	IAA Approach $M	RBA Approach $M	SFA Approach $M	Total exposures $M
≤ 25%	-	26	19	**45**
> 25% ≤ 35%	-	-	-	**-**
> 35% ≤ 50%	-	-	-	**-**
> 50% ≤ 75%	-	-	-	**-**
> 75% ≤ 100%	-	-	-	**-**
> 100% ≤ 650%	-	-	-	**-**
> 650% ≤ 1250%	-	-	-	**-**
Total	-	26	19	**45**

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

The Group has $185 million of RWA held in the trading book subject to IMA (default risk) under APS 116 as at 30 June 2016 (31 December 2015: $175 million, 30 June 2015: $156 million).

APS 330 Table 12u (ii) – Capital requirements (RWA) of trading book exposures subject to APS 120 by risk weighting

Total RWA for securitisation exposures in the trading book decreased by $1 million during the full year ended 30 June 2016 reflecting run-off of derivative exposures.

30 June 2016

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

31 December 2015

	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
Risk Weight Band	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
≤ 25%	-	-	2	-	1	-	-	-	**3**	**-**
> 25% ≤ 35%	-	-	-	-	-	-	-	-	**-**	**-**
> 35% ≤ 50%	-	-	-	-	-	-	-	-	**-**	**-**
> 50% ≤ 75%	-	-	-	-	-	-	-	-	**-**	**-**
> 75% ≤ 100%	-	-	-	-	-	-	-	-	**-**	**-**
> 100% ≤ 650%	-	-	-	-	-	-	-	-	**-**	**-**
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	**-**	**-**
Total	-	-	2	-	1	-	-	-	**3**	**-**

30 June 2015

	IAA Approach		RBA Approach		SFA Approach		Standardised Approach		Total Capital Requirements	
	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation	Securitisation	Resecuritisation
Risk Weight Band	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
≤ 25%	-	-	2	-	1	-	-	-	**3**	**-**
> 25% ≤ 35%	-	-	-	-	-	-	-	-	**-**	**-**
> 35% ≤ 50%	-	-	-	-	-	-	-	-	**-**	**-**
> 50% ≤ 75%	-	-	-	-	-	-	-	-	**-**	**-**
> 75% ≤ 100%	-	-	-	-	-	-	-	-	**-**	**-**
> 100% ≤ 650%	-	-	-	-	-	-	-	-	**-**	**-**
> 650% ≤ 1250%	-	-	-	-	-	-	-	-	**-**	**-**
Total	-	-	2	-	1	-	-	-	**3**	**-**

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

The Group has no trading book exposures that are deducted entirely from Common Equity Tier 1 capital as at 30 June 2016 (31 December 2015: $nil; 30 June 2015: $nil).

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.

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

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

APS 330 Table 12w – Trading book resecuritisation exposures

The Group did not have any trading book resecuritisation exposures without credit risk mitigation as at 30 June 2016 (31 December 2015: $nil; 30 June 2015: $nil).

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

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

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

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

The total exposures securitised in the full year to 30 June 2016 was $5,862 million (30 June 2015: $12,937 million). The total exposures securitised in the half year to 31 December 2015 was $3,518 million.

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

	As at 30 June 2016		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	110	110
Warehouse facilities	4,037	1,789	5,826
Derivative facilities	23	8	31
Holdings of securities	8,000	-	8,000
Other	-	-	-
Total securitisation exposures	12,060	1,907	13,967

	As at 31 December 2015		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	119	119
Warehouse facilities	4,018	1,456	5,474
Derivative facilities	26	10	36
Holdings of securities	8,607	-	8,607
Other	-	-	-
Total securitisation exposures	12,651	1,585	14,236

	As at 30 June 2015		
Securitisation facility type	On Balance Sheet $M	Off Balance Sheet $M	Total exposures $M
Liquidity support facilities	-	54	54
Warehouse facilities	2,200	2,564	4,764
Derivative facilities	43	10	53
Holdings of securities	8,704	-	8,704
Other	5	-	5
Total securitisation exposures	10,952	2,628	13,580

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 both capital gain and strategic reasons. Equity investments acquired for strategic reasons require approval from the relevant Finance and Risk management functions, including governance by the Risk Committee and monitoring by an independent Market Risk Management function. The method of measurement applied to banking book securities is determined by the Group's accounting policies. This varies depending on the significance of the holding between equity accounting and measurement at fair value.

Significant holdings (generally interests above 20%) are treated as associates under the equity accounting method. This treatment recognises investments at cost plus the Group's share of undistributed post-acquisition profit or loss and other reserves. Other holdings are recognised at fair value.

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

Changes in the value of equity investments in the banking book are recognised in the income statement, or an equity reserve based on their accounting classification as discussed above.

Under the application of Basel III, APRA requires that these equity investments be deducted 100% from CET1.

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

	30 June 2016	
Equity Investments	**Balance sheet value $M**	**Fair value $M**
Value of listed (publicly traded) equities	461	461
Value of unlisted (privately held) equities	2,651	2,669
Total	3,112	3,130

	31 December 2015	
Equity Investments	**Balance sheet value $M**	**Fair value $M**
Value of listed (publicly traded) equities	682	682
Value of unlisted (privately held) equities	2,576	3,080
Total	3,258	3,762

	30 June 2015	
Equity Investments	**Balance sheet value $M**	**Fair value $M**
Value of listed (publicly traded) equities	665	665
Value of unlisted (privately held) equities	2,509	3,004
Total	3,174	3,669

	Half year ended		
	30 Jun 16	**31 Dec 15**	**30 Jun 15**
Gain/(Losses) on Equity Investments	**$M**	**$M**	**$M**
Cumulative realised gains arising from sales and liquidations in reporting period	**140**	75	175
Total unrealised gains	**552**	693	574

10 Market Risk

Market risk is the potential of an adverse impact on the Group's earnings or capital from changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of assets underlying operating leases at maturity (lease residual value risk).

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, market risk arising from the insurance business, 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 Risk Committee and is expressed via its 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 also conform to prudential regulatory requirements.

The market risk profile of the Group is overseen by the Risk Committee and the senior executive management of the Group via the Group's Asset and Liability Committee (ALCO). The Portfolio and Market Risk Management (PMRM) unit provides support to the Risk 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 on page 68 summarises governance arrangements for market risk.

The Market Risk Oversight areas support 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 areas are responsible for the daily monitoring and analysis of risk positions. Senior Management oversights market risk performance against risk and return expectations on a monthly basis. The Risk Committee meets approximately eight times each year and considers the operation of the market risk management framework together with any issues that may arise.

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 volatility and correlation between different markets. 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.

VaR is modelled at a 97.5% confidence level over a 1-day holding period for trading book positions. A 20-day holding period is used for Interest Rate Risk in the Banking Book (IRRBB), insurance business market risk and Non-traded equity risk.

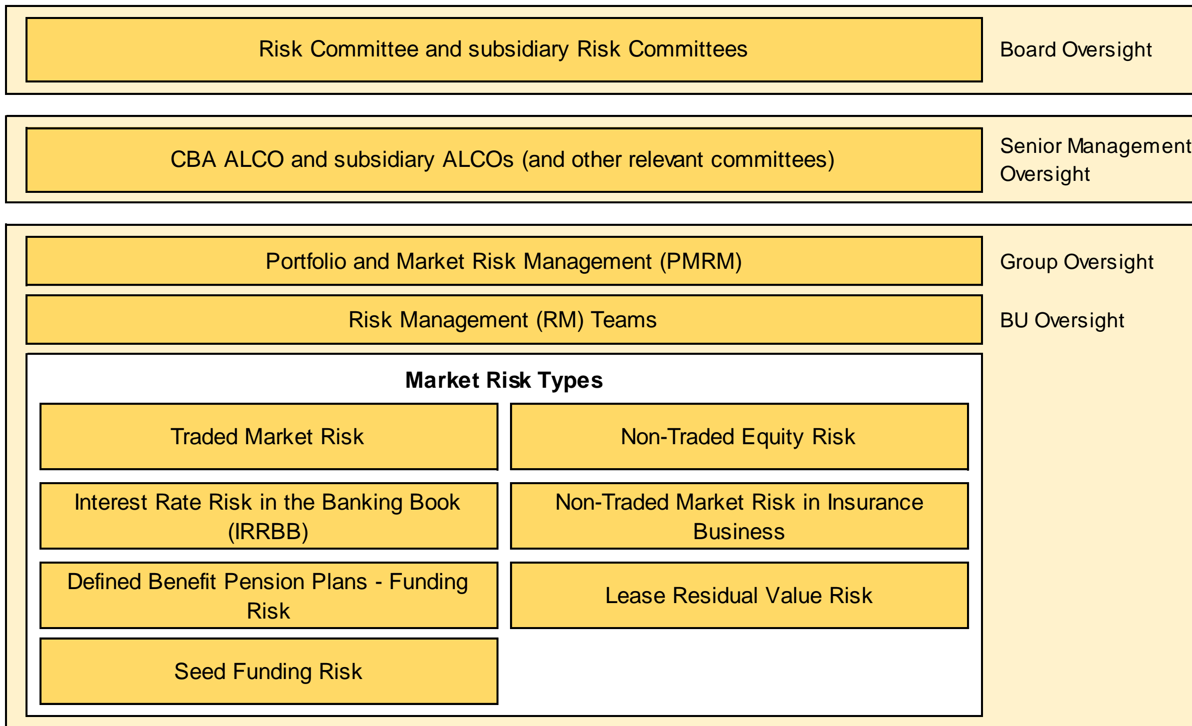
Stressed VaR is calculated for Traded market risk using the same methodology as the regular Traded market risk VaR except that the historical data is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis (GFC).

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 97.5%. Management then uses these results in decisions to manage the economic impact of market risk positions.

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 GFC. The results are reported to the Risk Committee and the Group's ALCO on a regular basis. Stress tests also include a range of forward looking macro scenario stresses.

Market Risk

Market Risk Governance



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 institutional, corporate, middle market and retail customers.

Income is earned from spreads achieved 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 Risk Committee. Risk is monitored by the independent Market Risk Oversight function.

CVA is comparable to Traded market risk and is managed using a VaR and stress-testing framework. The Risk Committee and the Group's ALCO regularly monitor CVA exposures. Daily oversight is managed by the independent Market Risk Oversight function. The Basel III framework has required a CVA regulatory capital charge since 1 January 2013.

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, foreign exchange, equity, commodity and credit spread 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.

Capital Calculation Methods (continued)

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

Traded Market Risk RWA by Modelling Approach	30 Jun 16 $M	31 Dec 15 $M	30 Jun 15 $M
Internal Model Approach	7,469	5,665	3,821
Standard Method	1,970	1,786	2,514
Total Traded Market Risk RWA	**9,439**	7,451	6,335

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

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

Exposure Type	30 Jun 16 $M	31 Dec 15 $M	30 Jun 15 $M
Interest rate risk	84. 2	92. 2	148. 0
Equity risk	73. 3	50. 6	30. 2
Foreign exchange risk	0. 1	0. 1	22. 9
Commodity risk	-	-	-
Total	**157. 6**	142. 9	201. 1
RWA equivalent [(1)]	**1,970**	1,786	2,514

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

Traded Market Risk Internal Model

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

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

	Aggregate Value at Risk Over the Reporting Period			
Average VaR [(1)]	Mean value $M	Maximum value $M	Minimum value $M	As at balance date $M
Over the 6 months to 30 June 2016	71	127	29	127
Over the 6 months to 31 December 2015	26	39	21	25
Over the 6 months to 30 June 2015	28	43	23	26

	Aggregate SVaR Over the Reporting Period			
Stressed VaR [(1)]	Mean value $M	Maximum value $M	Minimum value $M	As at balance date $M
Over the 6 months to 30 June 2016	128	178	79	110
Over the 6 months to 31 December 2015	119	153	81	120
Over the 6 months to 30 June 2015	70	94	56	82

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

Internal Model Approach – Back-test results

The Internal Model is subject to back-testing against hypothetical profit and loss. In the 6 months to 30 June 2016 there was one back-test outlier (i.e. where the loss exceeded the VaR for the corresponding day). The back-test results are summarised in APS 330 Table 14f (ii) and details of these are provided in APS 330 Table 14f (iii). A comparison of VaR with actual gains or losses during the 6 months to 30 June 2016 is illustrated in APS 330 Table 14f (iv).

APS 330 Table 14f (ii) - Summary Table of the Number of Back-Testing Outliers [(1)]	
Over the 6 months to 30 June 2016	1
Over the 6 months to 31 December 2015	-
Over the 6 months to 30 June 2015	1

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

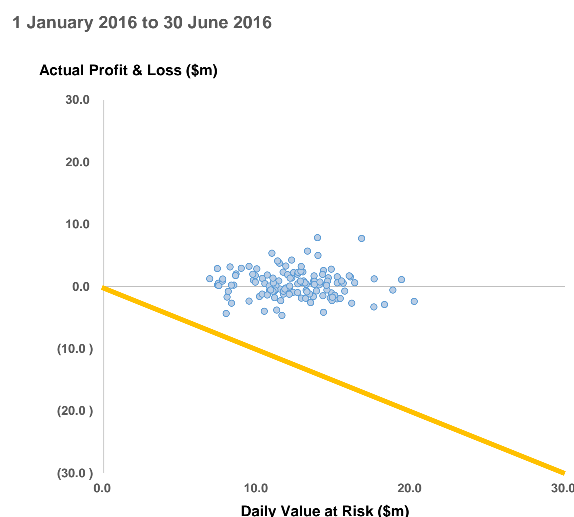
APS 330 Table 14f (iii): Details of Back-Test Outliers

	Over the Reporting Period 1 January 2016 to 30 June 2016	
Date	Hypothetical loss $M	VaR 99% $M
21 January 2016	(9.6)	(8.1)

	Over the Reporting Period 1 July 2015 to 31 December 2015	
Date	Hypothetical loss $M	VaR 99% $M
	-	-

	Over the Reporting Period 1 January 2015 to 30 June 2015	
Date	Hypothetical loss $M	VaR 99% $M
03 February 2015	(8.2)	(8.1)

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



10.2 Non-Traded Market Risk

Non-traded market risk activities are governed by the Group market risk framework approved by the Risk Committee. The Group market risk framework 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 New Zealand banking subsidiary, ASB Bank, manages its own domestic interest rate risk in the banking book in accordance with its own interest rate risk management policies and the policies of the Group. The Group also has a relatively small banking subsidiary in Indonesia, PTBC, that manages its own interest rate risk in the banking book on a similar basis.

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 the 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 Bank 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, 97.5% 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 its economic value of equity through the application of the VaR methodology.

A 20-day 97.5% 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 item 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). An 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 twelve 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 APRA's Prudential Standard APS 110 "Capital Adequacy".

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 Risk Committee and the Group ALCO on a regular basis.

The Stress Testing figures in APS 330 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 APS 330 Table 17b includes the Regulatory RWA for IRRBB.

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

	Change in Economic Value		
	30 Jun 16	31 Dec 15	30 Jun 15
Stress Testing: Interest Rate Shock Applied	$M	$M	$M
AUD			
200 basis point parallel increase	**(1,068)**	(1,287)	(638)
200 basis point parallel decrease	**1,205**	1,420	664
NZD			
200 basis point parallel increase	**(264)**	(250)	(205)
200 basis point parallel decrease	**282**	268	219
Other			
200 basis point parallel increase	**(18)**	(18)	(18)
200 basis point parallel decrease	**18**	18	18

	30 Jun 16	31 Dec 15	30 Jun 15
Regulatory RWA	$M	$M	$M
Interest rate risk in the banking book	**7,448**	17,511	10,847

Market Risk

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 earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance and Asian operations. This risk is managed in accordance with the following Risk Committee approved principles:

- Permanently deployed capital in a foreign jurisdiction is not hedged; and
- Forecast earnings from the Group's New Zealand banking and insurance subsidiaries are hedged.

The management of structural foreign exchange risk is regularly reported to the Group's ALCO.

Non-Traded Equity Risk

The Group retains Non-traded equity risk through business activities in divisions including Institutional Banking and Markets, and Wealth Management. This activity is subject to governance arrangements approved by the Risk Committee, and is monitored within the Risk Management function.

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value. The 30 June 2016 VaR measure is $34 million (30 June 2015: $58 million) (refer also to section 9 "Equity Risk", page 66).

Market Risk in Insurance Businesses

There are two main sources of market risk in the Life Insurance businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

Guarantees (to Policyholders)

All financial assets within the Life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by having an asset and liability management framework which includes the use of hedging instruments. The Group also monitors the risk on a monthly basis.

Shareholders' Capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholders' Funds of the Life Insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian Life Insurance businesses are invested 99% in income assets (cash and fixed interest) and 1% in growth assets as at 30 June 2016.

Lease Residual Value Risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee then exposes the Group to the movement in second-hand prices of these assets. The lease residual value risk within the Group is controlled through a risk management framework approved by the Risk 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.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group. Wealth Risk Management and Human Resources provide oversight of the market risks of the Fund held and managed on behalf of the employees receiving defined benefit pension funds on behalf of the Group. Regular reporting is provided to senior management via the Group's ALCO and the Risk Committee on the status of the surplus, risk sensitivities and risk management options. For further information on the Fund, refer to Note 35 of the Annual Report.

11 Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people, systems or from external events. The Group continually faces issues or incidents that have the potential to disrupt normal business operations, exposing the Group to loss, reputation and/or regulatory scrutiny.

Operational Risk Objectives

The Group's operational risk objectives support the achievement of its financial and business goals, through:

- The maintenance of an effective internal control environment and system;
- The demonstration of effective governance, including a consistent approach to operational risk management across the Group;
- Transparency, escalation and resolution of risk and control incidents and issues; and
- Making decisions based upon an informed risk-return analysis and appropriate standards of professional practice.

Operational Risk Management Framework

The Operational Risk Management Framework (ORMF) is integral to the achievement of the Group's operational risk objectives and is embedded within business practices across the Group. It comprises four core components to ensure sound management and measurement of the Group's operational risk. The core components are:

- Governance;
- Management, Measurement and Systems;
- Analytics, Review and Reporting; and
- People and Culture.

The Group continues to enhance the ORMF, supported by its strategic investment into a single platform (internally referred to as RiskInSite) to enable: consistent application of the ORMF across the Group; transparency; reporting of risk management activities for business management; and monitoring and review activities.

Compliance Risk Management

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 the requirements of relevant laws, regulations, industry standards, rules, codes and guidelines.

The Group's Compliance Risk Management Framework (CRMF) is consistent with the Australian Standard on Compliance Programs and is designed to help meet the Group's obligations under the Corporations Act 2001, the Group's Australian Financial Services Licence and Australian Credit Licenses. The CRMF incorporates key mandatory requirements and roles and responsibilities for achieving compliance. It captures Compliance Obligations, Group Policies, Regulatory Change and People and Culture considerations.

The CRMF provides for the assessment of compliance risks, implementation of controls, monitoring and testing of framework effectiveness and the escalation, remediation and reporting of compliance incidents and control weaknesses.

Roles and Responsibilities

Every staff member has responsibility for managing operational and compliance risk. Individual responsibilities and limits of authority are articulated within the position descriptions for each role.

Within the Group, accountability for operational and compliance risk has been structured into "Three Lines of Defence" as per section 7.2.

Operational Risk Policies

There are several areas within the Group responsible for providing policies and guidance to reduce the likelihood of an operational risk event occurring and actions that can be taken when the event occurs. These areas may also issue policies to communicate the Group's requirements for managing selected risks.

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 and risk retention strategies.

In designing the Group's insurance program, the adequacy and appropriateness of cover are considered along with the Group's operational risk profile.

The Group appoints an external advisor to provide insurance risk management advice and to deliver the optimal insurance program. The insurance program is subject to review by the Executive Committee, the Risk Committee and the Board.

Capital Measurement Approach

Capital attributed to operational risks is calculated according to the Group's Economic Capital Framework using the Group's AMA methodology for operational risk.

The Group follows a mathematically determined loss distribution approach to measure operational risk. This involves separate modelling of the frequency and severity of risks at a component level and then aggregating the simulated losses from these components into loss distributions. Monte Carlo simulations are used to produce regulatory and economic capital results for the Group and each business.

This modelling system has been subject to review by APRA and other independent third parties. The operational risk measurement approach integrates the use of relevant factors as follows:

Direct inputs

- Scenario analysis to capture business judgments (also called Quantitative Risk Assessments); and
- Internal loss data.

Indirect inputs

- External loss data (sourced from external providers such as Operational Riskdata eXchange association (ORX));
- Business environment and internal control factors; and
- Judgmental overlays and benchmarks.

Economic Capital Calculation

The outcomes of the operational risk capital measurement process include an economic capital requirement based on a 99.95% confidence interval that is calibrated to the Group's overall target AA debt rating.

Operational Risk

Economic Capital Calculation (continued)

A primary outcome of the economic capital framework is that capital for operational risk is allocated across the Group's Business Units and this information is used to assist risk review and to drive risk-adjusted performance management metrics for each Business Unit.

Regulatory Capital Calculation

The Group has approval from APRA to calculate its operational risk regulatory capital using the Basel II Advanced Measurement Approach, the requirements of which are unchanged under Basel III. During March 2016, APRA granted the Group permission to apply its new proposed Advanced Measurement Approach model for Operational Risk capital. The new model covers overseas operations which were previously computed using the Standardised Approach.

APS330 Table 6e - Capital requirements for operational risk

	30 Jun 16 $M	31 Dec 15 $M	30 Jun 15 $M
Total operational risk RWA [(1) (2)]	**33,750**	32,743	32,365

(1) Refer to page 11 for commentary.

(2) During March 2016, APRA granted the Group permission to apply a new proposed Advanced Measurement Approach model for Operational Risk capital. In prior years, the Standardised Approach was applied to smaller overseas operations (31 December 2015: $189 million; 30 June 2015: $190 million). The Advanced Measurement Approach measures of prior years were: 31 December 2015: $32,554 million and 30 June 2015: $32,175 million.

12 Liquidity Risk

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 borrow funds on an unsecured basis, has sufficient liquid assets to borrow against on a secured basis, 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 cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme 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, jurisdiction, 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 Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee (ALCO) the charter of which includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly 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 policies and has ultimate authority to execute liquidity decisions should the Group Contingent Funding Plan be activated. Group 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 Colonial Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand. The Group also has a relatively small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis. The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the level prescribed under APRA's Liquidity Coverage Ratio (LCR) requirement is maintained. Australian ADIs were 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;
- Group 'going concern' funding and liquidity metrics are also calculated and stress tests additional to the LCR are run;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- The Group's market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes negotiable certificates of deposit, bank bills, bank term securities, supranational bonds and Australian Residential Mortgage-backed Securities (RMBS), securities that meet certain Reserve Bank of Australia (RBA) criteria for purchases under reverse repo. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under stress; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are central bank repo-eligible under normal market conditions.

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar negotiable certificates of deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144a and 3a2 Medium-Term Note Programs; Euro Medium-Term Note Program; multi jurisdiction Covered Bond program; and its Medallion securitisation program.

The Group's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "stress" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- Central bank repurchase agreement facilities including the RBA's open-ended Committed Liquidity Facility that provide the Group with the ability to borrow funds on a

secured basis, even when normal funding markets are unavailable; and

- A robust Contingent Funding Plan that is regularly tested so that it can be activated in case of need due to a liquidity event.

12.2 Liquidity Coverage Ratio Disclosure

The Group manages its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement and the Board's risk appetite. Excess liquid assets averaged $26 billion over the last two quarters. Any methodologies used to determine LCR treatment are reviewed at least annually. The Group holds a diverse mix of liquid assets, consisting of cash, deposits with central banks, Australian Semi-Government and Commonwealth Government securities, together categorised as High Quality Liquid Assets, repo-eligible securities with the Reserve Bank of Australia under the Committed Liquidity Facility and securities classified as liquid assets by the Reserve Bank of New Zealand. Liquid assets are distributed across the Group to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. The composition of the liquid asset portfolio has remained relatively stable over the last two quarters.

The Group's 30 day projected Net Cash Outflows (NCO) decreased by $4 billion over the June quarter. The Group manages its funding profile and deposit mix taking into consideration NCOs as part of its overall liquidity management strategy. Projected cash outflows associated with the Group's large stable funding base from retail and SME customers were stable. Projected cash outflows from unsecured wholesale funding fell by $5 billion driven by lower debt maturities within the next 30 days. Due to a reclassification of retail credit cards, other contingent obligations increased by $5 billion while committed credit and liquidity facilities reduced by a corresponding amount. Other changes in commitments were immaterial.

APS 330 Table 20 - LCR disclosure template

		30 June 16 Total unweighted value (average) [1] $M	30 June 16 Total weighted value (average) [1] $M	31 Mar 16 Total unweighted value (average) [1] $M	31 Mar 16 Total weighted value (average) [1] $M
Liquid assets, of which:					
1	High-quality liquid assets (HQLA)		**78,423**		80,915
2	Alternative liquid assets (ALA)		**53,537**		54,102
3	Reserve Bank of New Zealand (RBNZ) securities		**6,404**		5,710
Cash outflows					
4	Retail deposits and deposits from small business customers, of which:	**263,817**	**22,006**	262,117	22,061
5	Stable deposits	**154,818**	**7,741**	153,281	7,664
6	Less stable deposits	**108,999**	**14,265**	108,836	14,397
7	Unsecured wholesale funding, of which:	**114,122**	**66,941**	119,398	71,554
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	**19,800**	**4,830**	19,030	4,632
9	Non-operational deposits (all counterparties)	**79,134**	**46,923**	83,024	49,578
10	Unsecured debt	**15,188**	**15,188**	17,344	17,344
11	Secured wholesale funding		**1,104**		1,295
12	Additional requirements, of which:	**179,534**	**31,656**	185,239	32,375
13	Outflows related to derivatives exposures and other collateral requirements	**13,910**	**13,910**	14,303	14,303
14	Outflows related to loss of funding on debt products	**313**	**313**	686	686
15	Credit and liquidity facilities	**165,311**	**17,433**	170,250	17,386
16	Other contractual funding obligations	**3,366**	**137**	3,489	301
17	Other contingent funding obligations	**64,469**	**9,071**	58,398	9,287
18	**Total cash outflows**		**130,915**		136,873
Cash inflows					
19	Secured lending	**6,468**	**2,610**	9,005	2,606
20	Inflows from fully performing exposures	**12,860**	**9,215**	13,732	10,544
21	Other cash inflows	**7,134**	**7,134**	7,610	7,610
22	**Total cash inflows**	**26,462**	**18,959**	30,347	20,760
			Total adjusted value		**Total adjusted value**
23	**Total liquid assets**		**138,364**		140,728
24	**Total net cash outflows**		**111,956**		116,113
25	**Liquidity Coverage Ratio (%)**		**124**		121
Number of data points used (Business Days)			**63**		60

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

13 Appendices

13.1 Detailed Capital Disclosures Template (APS 330 Attachment A)

The capital disclosures detailed in the template below represent the post 1 January 2018 Basel III common disclosure requirements. The Group is applying the Basel III regulatory adjustments in full as implemented by APRA. These tables should be read in conjunction with section 13.3 Regulatory Balance Sheet and section 13.4 Reconciliation between detailed capital template and Regulatory Balance Sheet.

Summary Group Capital Adequacy Ratios (Level 2)	30 Jun 16 Basel III APRA %	30 Jun 16 Basel III Internationally Comparable %
CET1	10.6	14.4
Tier 1	12.3	16.2
Total Capital	14.3	18.0

		30 Jun 16 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	**33,949**	Table A
2	Retained earnings	**23,176**	
3	Accumulated other comprehensive income (and other reserves)	**2,591**	
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	**59,716**	
Common Equity Tier 1 Capital : regulatory adjustments			
7	Prudential valuation adjustments	**-**	
8	Goodwill (net of related tax liability)	**(7,603)**	Table C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	**(2,313)**	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	**(473)**	
12	Shortfall of provisions to expected losses (1)	**(700)**	
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	**(161)**	
15	Defined benefit superannuation fund net assets (2)	**(183)**	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**(3)**	
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)	**-**	Table G
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	**-**	Table G
20	Mortgage service rights (amount above 10% threshold)	**-**	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**-**	Table D
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the ordinary shares of financial entities	**-**	Table G
24	of which: mortgage servicing rights	**-**	
25	of which: deferred tax assets arising from temporary differences	**-**	Table D
	CET1 (Internationally Comparable)	**48,280**	

(1) Represents regulatory expected loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions of $314 million and general reserve for credit losses of $386 million (post tax, with the associated tax amount incorporated in the row 26e adjustment).

(2) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.

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

		30 Jun 16 Basel III $M	Reconciliation Table Reference
APRA Specific Regulatory Adjustments			
26	National specific regulatory adjustments (rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j)		
26a	of which: treasury shares	180	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	(4,457)	Table G
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	(1,443)	Table D
26f	of which: capitalised expenses	(535)	
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	(121)	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	(241)	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to CET1 (1)	(18,053)	
29	CET1 (APRA)	41,663	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments		
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	6,450	Table E
33	Directly issued capital instruments subject to phase out from Additional Tier 1	135	Table E
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which: instruments issued by subsidiaries subject to phase out	505	Table E
36	Additional Tier 1 Capital before regulatory adjustments	7,090	Table E
Additional Tier 1 Capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	(200)	
41	National specific regulatory adjustments (rows 41a, 41b, 41c)	-	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 Capital	(200)	
44	Additional Tier 1 Capital (AT1)	6,890	
45	Tier 1 Capital (T1=CET1+AT1)	48,553	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	5,834	Table F
47	Directly issued capital instruments subject to phase out from Tier 2	1,934	Table F
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	181	
51	Tier 2 Capital before regulatory adjustments	7,949	

(1) Total regulatory adjustments to CET1 of $18,053 million in row 28 is net of APRA's allowance for treasury shares held by the Group's employee share scheme trusts of $180 million as detailed in row 26a.

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

		30 Jun 16 Basel III $M	Reconciliation Table Reference
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	(15)	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	(10)	
55	Significant investments in the Tier 2 Capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (rows 56a, 56b, 56c)	-	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	Total regulatory adjustments to Tier 2 Capital	(25)	
58	Tier 2 Capital (T2)	7,924	
59	Total Capital (TC=T1+T2)	56,477	
60	Total risk-weighted assets based on APRA standards	394,667	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10. 6%	
62	Tier 1 (as a percentage of risk-weighted assets)	12. 3%	
63	Total Capital (as a percentage of risk-weighted assets)	14. 3%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer (including DSIB of 1%) of 3.5% plus any countercyclical buffer requirements, expressed as a percentage of risk-weighted assets)	8. 0%	
65	of which: capital conservation buffer requirement	3. 5%	
66	of which: ADI-specific countercyclical buffer requirements	-	Table H
67	of which: G-SIB buffer requirement (not applicable)	n/a	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets) (1)	6. 1%	
National minima			
69	National Common Equity Tier 1 minimum ratio	-	
70	National Tier 1 minimum ratio	-	
71	National total capital minimum ratio	-	
Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial entities	675	Table G
73	Significant investments in the ordinary shares of financial entities	3,782	Table G
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,443	Table D
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	181	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	598	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,777	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	3,147	
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	Table E
84	Current cap on Tier 2 instruments subject to phase out arrangements	1,934	
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	9	Table F

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

13.2 Detailed Leverage Disclosures Template (APS 330 Attachment E)

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

		30 June 16 Basel III APRA $M
1	Total consolidated assets as per published financial statements	933,078
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(16,625)
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	(1,662)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	493
6	Adjustment for Off Balance Sheet exposures (i.e. conversion to credit equivalent amounts of Off Balance Sheet exposures)	83,702
7	Other adjustments	(18,140)
8	**Leverage ratio exposure**	**980,846**

APS 330 Table 18 – Leverage ratio disclosure template

		30 June 16 Basel III APRA $M
On Balance Sheet exposures		
1	On Balance Sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	857,877
2	Asset amounts deducted in determining Tier 1 capital	(18,140)
3	**Total On Balance Sheet exposures (excluding derivatives and SFTs)**	**839,737**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	23,187
5	Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	18,847
6	Gross-up for derivatives collateral provided where deducted from the Balance Sheet assets pursuant to the Australian Accounting Standards	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	6,684
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(3,837)
11	**Total derivative exposures**	**44,881**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	12,033
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	493
15	Agent transaction exposures	-
16	**Total SFT exposures**	**12,526**
Other Off Balance Sheet exposures		
17	Off Balance Sheet exposure at gross notional amount	182,470
18	(Adjustments for conversion to credit equivalent amounts)	(98,768)
19	**Other Off Balance Sheet exposures**	**83,702**
Capital and total exposures		
20	Tier 1 Capital	48,553
21	Total exposures	980,846
Leverage ratio		
22	Leverage ratio (%)	5.0

13.3 Regulatory Balance Sheet

The following table provides details on the Commonwealth Bank of Australia Group's Balance Sheet and the Level 2[1] Regulatory Balance Sheet as at 30 June 2016.

	Group Balance Sheet $M	Adjustment [2] $M	Level 2 Regulatory Balance Sheet $M	Template/ Reconciliation Table Reference
Assets				
Cash and liquid assets	**23,372**	(315)	23,057	
Receivables due from other financial institutions	**11,591**	(66)	11,525	
Assets at fair value through Income Statement:				
Trading	**34,067**	(340)	33,727	
Insurance	**13,547**	(13,547)	-	
Other	**1,480**	(293)	1,187	
Derivative assets	**46,567**	(24)	46,543	
Available-for-sale investments	**80,898**	(393)	80,505	Table G
Loans, bills discounted and other receivables	**695,398**	(361)	695,037	
Bank acceptances of customers	**1,431**	-	1,431	
Investment in regulatory non-consolidated subsidiaries	**-**	1,458	1,458	Table G
Property, plant and equipment	**3,940**	(1,102)	2,838	
Investment in associates and joint ventures	**2,776**	(234)	2,542	Table G
Intangible assets	**10,384**	(322)	10,062	Table C
Deferred tax assets	**345**	368	713	Table D
Other assets	**7,282**	(1,454)	5,828	
Total assets	**933,078**	(16,625)	916,453	
Liabilities				
Deposits and other public borrowings	**588,045**	2,460	590,505	
Payables due to other financial institutions	**28,771**	-	28,771	
Liabilities at fair value through Income Statement	**10,292**	-	10,292	
Derivative liabilities	**39,921**	(6)	39,915	
Bank acceptances	**1,431**	-	1,431	
Current tax liabilities	**1,022**	(56)	966	
Deferred tax liabilities	**340**	(340)	-	Table D
Other provisions	**1,656**	(312)	1,344	
Insurance policy liabilities	**12,636**	(12,636)	-	
Debt issues	**161,284**	(2,282)	159,002	
Managed funds units on issue	**1,606**	(1,606)	-	
Bills payable and other liabilities	**9,774**	(1,328)	8,446	
Loan capital	**15,544**	-	15,544	Table E
Total liabilities	**872,322**	(16,106)	856,216	
Net assets	**60,756**	(519)	60,237	
Shareholders' Equity				
Share capital:				
Ordinary share capital	**33,845**	104	33,949	Row 1, Table A
Reserves	**2,734**	(143)	2,591	Row 3
Retained profits	**23,627**	(451)	23,176	Row 2
Shareholders' Equity attributable to Equity holders of the Bank	**60,206**	(490)	59,716	
Non-controlling interests	**550**	(29)	521	Table B
Total Shareholders' Equity	**60,756**	(519)	60,237	

(1) Level 2 Balance Sheet based on historic definition of Level 2 Group, prior to APRA clarification provided in May 2014.

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

13.4 Reconciliation between Detailed Capital Template and Regulatory Balance Sheet

The following tables provide additional information on the differences between the detailed capital disclosures template (section 13.1) and the Regulatory Balance Sheet (section 13.3).

Table A	30 Jun 16 $M	Template Reference
Share Capital		
Ordinary Share Capital	33,845	
Add Treasury Shares held by the Group's life insurance operations	104	
Total per Balance Sheet (Ordinary Share Capital Internationally Comparable) [1]	33,949	Row 1
Treasury Shares held by the Group's employee share scheme trusts (APRA specific adjustment)	180	Row 26a
Total Ordinary Share Capital and Treasury Shares (APRA)	34,129	

Table B	30 Jun 16 $M	Template Reference
Non Controlling Interests		
Total per Balance Sheet [1]	521	
Less ASB perpetual preference shares transferred to Additional Tier 1 Capital (refer Table E)	(505)	
Less other non controlling interests not included in capital	(16)	
Total per Capital Template (APRA and Internationally Comparable)	-	Row 5

Table C	30 Jun 16 $M	Template Reference
Goodwill & Other Intangibles		
Total per Balance Sheet [1]	10,062	
Less other intangibles (including capitalised software) separately disclosed in template	(2,459)	
Total per Capital Template - Goodwill (APRA and Internationally Comparable)	7,603	Row 8
Other intangibles (including capitalised software) per Balance Sheet	2,459	
Less deferred tax liabilities	(146)	
Total per Capital Template - Other Intangibles (APRA and Internationally Comparable)	2,313	Row 9

Table D	30 Jun 16 $M	Template Reference
Deferred Tax Assets		
Deferred tax asset per Balance Sheet [1]	713	
Less deferred tax liability per Balance Sheet [1]	-	
Net Deferred Tax Assets [2]	713	
Adjustments required in accordance with APRA prudential standards [3]	730	
Deferred tax asset adjustment before applying prescribed thresholds (APRA specific adjustment)	1,443	Row 26e
Less amounts below prescribed threshold - risk weighted [4]	(1,443)	Row 75
Total per Capital Template (Internationally Comparable)	-	Row 10, 21, 25

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

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

Table E	30 Jun 16 $M	Template Reference
Additional Tier 1 Capital		
Total Loan Capital per Balance Sheet [(1)]	15,544	
Less fair value hedge adjustments [(2)]	(624)	
Total Loan Capital net of issue costs at their contractual values	14,920	
Less amount related to Tier 2 Capital Instruments	(8,380)	
Total Tier 1 Loan Capital	6,540	
Add ASB perpetual preference shares transferred from Non Controlling interest (refer Table B)	505	
Add issue costs [(3)]	45	
Less Basel III transitional relief amortisation for directly issued instruments [(4)]	-	Row 83
Less Basel III transitional relief amortisation for directly issued instruments issued by subsidiaries [(4)]	-	Row 83
Total per Capital Template (APRA)	7,090	Row 36
Additional Tier 1 Capital Instruments comprises		
Basel III Complying Instruments		
PERLS VI	2,000	
PERLS VII	3,000	
PERLS VIII	1,450	
	6,450	Row 32
Basel III Non Complying Instruments		
Other Instruments	135	
Less Basel III transitional relief amortisation for directly issued instruments [(4)]	-	Row 83
	135	Row 33
Basel III Non Complying Instruments - issued by subsidiaries		
ASB preference shares	505	Row 35
Less Basel III transitional relief amortisation for instruments issued by subsidiaries [(4)]	-	
	505	
Total Basel III Non Complying Instruments	640	
Total Additional Tier 1 Capital Instruments (APRA)	7,090	Row 36

Table F	30 Jun 16 $M	Template Reference
Tier 2 Capital Instruments		
Total included in Balance Sheet	8,380	
Less amount of Tier 2 debt issued by subsidiary ineligible for inclusion in the Group's Capital [(5)]	(51)	
Add issue costs [(3)]	29	
Less amortisation of instruments [(6)]	(581)	
Less Basel III transitional relief amortisation for directly issued instruments [(4)]	(9)	Row 85
Total per Capital Template (APRA and Internationally Comparable)	7,768	Row 46, 47

(1) Represents the balance per Level 2 Regulatory Balance Sheet.
(2) For regulatory capital purposes, APRA requires these instruments to be included as if they were unhedged.
(3) Unamortised issue costs relating to capital instruments are netted off against each instrument in the Balance Sheet. For regulatory capital purposes, these capital instruments are shown at face value. The unamortised issue costs are deducted from CET1 as part of capitalised expenses in Row 26f in the Capital template.
(4) Basel III transitional arrangements apply to directly issued capital instruments and instruments issued by subsidiaries not compliant with the new Basel III requirements.
(5) In April 2014 the Group issued NZD400 million ASB Subordinated Notes through ASB, its New Zealand subsidiary. The notes are Basel III compliant Tier 2 securities and fully contribute towards ASB capital ratios. The amount of these notes that contributes to ASB capital in excess of its minimum regulatory requirements is not eligible for inclusion in the Group's capital (30 June 2016 ineligible amount AUD51 million).
(6) APRA requires these instruments to be amortised by 20% of the original amount during each of the last five years to maturity. This is in addition to Basel III transitional arrangements.

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

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

Table G

	30 Jun 16 $M	Template Reference
Equity Investments		
Investment in commercial entities	121	Row 26g
Investments in significant financial entities	2,324	Row 26d, 73
Investments in non-significant financial entities	675	Row 26d, 72
	3,120	
Equity investment in non consolidated subsidiaries	1,458	Row 26d, 73
Total Equity Investments before applying prescribed thresholds APRA specific adjustment [1]	4,578	
Less amounts risk weighted under Internationally Comparable [2]	(4,578)	
Total per Capital Template (Internationally Comparable)	-	Row 18, 19, 23

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

(2) The aggregate of investments in significant financial entities of $2,324 million, investments in non-significant financial entities of $675 million and equity investment in non-consolidated subsidiaries of $1,458 million is a total of $4,457 million and is included in row 26d in the Capital template. The BCBS allows for equity investments to be concessionally risk weighted provided they are below prescribed thresholds. APRA requires such items to be deducted 100% from CET1 capital. The remaining balance of $121 million related to Investments in commercial entities are risk weighted under Internationally Comparable methodology, with no prescribed threshold limits.

Countercyclical Capital Buffer

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

In December 2015, APRA announced that the CCyB for Australian exposures, had been set at 0%. The Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been applied and as such the CCyB has no material impact on the Group's capital requirements.

Table H

Country [1]	RWA [2] $M	Jurisdictional Buffer %	ADI Specific Buffer [3] %	Template Reference
Hong Kong	1,893	0.625%	0.004%	
Norway	924	1.500%	0.004%	
Sweden	5	1.500%	0.000%	
Others	316,649	0.000%	0.000%	
Total	**319,471**		**0.008%**	**Row 66**

(1) Represents country of ultimate risk. As at 30 June 2016 only Hong Kong, Norway and Sweden have imposed a CCyB > 0%.

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

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

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[(1)] Regulatory Consolidated Group are detailed below.

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

Entity name	Total Assets $M	Total Liabilities $M
(a) Securitisation		
Medallion Trust Series 2007-1G	741	741
Swan Trust Series 2010-1	119	119

Entity name	Total Assets $M	Total Liabilities $M
(b) Insurance and Funds Management		
ASB Group (Life) Limited	762	-
Avanteos Investments Limited	57	23
Avanteos Pty Ltd	-	-
BW Financial Advice Limited	10	3
BW Securitisation Management Pty Ltd	4	-
Capital 121 Pty Limited	1,572	-
CFS Seeding Trust	46	46
CFSPAI Europe Co Limited	-	-
CFSPAI Europe Holdco Limited	-	-
CISL (Hazelwood) Pty. Limited	-	-
CMG Asia Life Holdings Limited	25	-
CMG Asia Pty Ltd	17	1
Colonial (UK) Trustees Limited	1	1
Colonial First State Asset Management (Australia) Limited	50	42
Colonial First State Group Limited	272	2
Colonial First State Investment Managers (UK) Limited	4	-
Colonial First State Investments Limited	573	257
Colonial First State Infrastructure Holdings Limited	20	10
Colonial First State Infrastructure Managers (Australia) Pty Limited	1	1
Colonial First State Managed Infrastructure Limited	16	6
Colonial Holding Company Limited	7,699	1,970
Colonial Mutual Superannuation Pty Ltd	16	-
Colonial Services Pty Limited	-	-
Commonwealth Custodial Services Pty Ltd	-	-
Commonwealth Financial Planning Limited	162	147
Commonwealth Insurance Holdings Limited	7,052	-
Commonwealth Insurance Limited	1,011	712
Commwealth International Holdings Pty Limited	63	-
Count Finance Pty Limited	-	-
Count Financial Limited	52	31
Emerald Holding Company Pty Limited	-	-
Financial Wisdom Limited	13	3
Finconnect (Australia) Pty Ltd	47	4
First Gas Consolidated Group	1,441	1,418
First State European Diversified Infrastructure Sarl	2	1
First State Infrastructure Managers (International) Limited	2	2
First State Investment Management (UK) Limited	127	1
First State Investment Managers (Asia) Limited	46	-
First State Investment Services (UK) Limited	153	125

(1) The Level 2 Regulatory Consolidated Group is based on the historic definition of the Level 2 Group, prior to APRA clarification provided in May 2014.

13.5 Entities excluded from Level 2 Regulatory Consolidated Group (continued)

Entity name	Total Assets $M	Total Liabilities $M
First State Investments (Hong Kong) Limited	189	91
First State Investments (Japan) Limited	1	-
First State Investments (NZ) Limited	1	-
First State Investments (Singapore)	120	42
First State Investments (UK Holdings) Limited	102	-
First State Investments (UK) Limited	242	224
First State Investments (US) LLC	9	4
First State Investments Fund Management Sarl	13	11
First State Investments GIP Management Sarl	1	-
First State Investments Holdings (Singapore) Limited	19	-
First State Investments International Inc	-	-
First State Investments International Limited	84	16
First State Nominees (Hong Kong) Limited	-	-
FSIB Limited	21	-
FSIC Limited	-	-
Jacques Martin Administration and Consulting Pty Ltd	6	1
Jacques Martin Pty. Ltd.	3	-
Premium Alternative Investments Pty Limited	-	-
Premium Plantations Pty Limited	-	-
Premium Plantations Services Pty Limited	-	-
PT Commonwealth Life	691	571
PT First State Investments Indonesia	8	5
Realindex Investments Pty Limited	7	6
Securitisation Advisory Services Pty. Limited	22	12
SI Holdings Limited	64	-
Sovereign Assurance Company Limited	1,896	1,522
Sovereign Services Limited	60	24
Sovereign Superannuation Funds Limited	10	-
Sovereign Superannuation Trustees Limited	-	-
St Andrew's Australia Pty Ltd	-	-
The Colonial First State Global Asset Management Seeding Trust	296	296
The Colonial Mutual Life Assurance Society Limited	13,173	11,532
Total Keen Investment Limited	-	-
Westside Properties Limited	24	1

13.6 List of APRA APS 330 Tables

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

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

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

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13.8 Glossary

Term	Definition
Additional Tier 1 Capital	Additional Tier 1 Capital is a Basel III defined concept and consists of high quality capital that essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board.
Authorised Deposit-taking Institution (ADI)	Includes banks, building societies and credit unions which are authorised by APRA to take deposits from customers.
Advanced Internal Ratings Based (AIRB) Approach	Used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD, LGD and EAD for the purposes of calculating regulatory capital.
Advanced Measurement Approach (AMA)	Used to measure operational risk in accordance with the Group's Basel III accreditation that allows the Group to use its own internal model for the purposes of calculating regulatory capital.
Australian Prudential Regulation Authority (APRA)	The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
ADI Prudential Standards (APS)	APRA's ADI Prudential Standards. For more information, refer to the APRA web site.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the Reserve Bank of New Zealand.
Bank	Basel asset class – includes claims on ADIs and overseas banks.
Basel II	Refers to the Basel Committee on Banking Supervision's Revised Framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006 and as subsequently amended.
Basel 2.5	Refers to the Basel II framework revised (2009) to include additional requirements such as the Incremental Risk Charge (IRC), Stressed VaR (SVaR), the treatment of securitisation exposures and the Comprehensive Risk Measure (CRM) for certain correlation trading activities.
Basel III	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued December 2010 (revised June 2011) and Capital requirements for bank exposures to central counterparties (July 2012).
CBA	Commonwealth Bank of Australia – the head entity of the Group.
Central counterparty (CCP)	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
Committed Liquidity Facility (CLF)	The Reserve Bank of Australia (RBA) provides the CLF to participating ADIs under the LCR, as a shortfall in Commonwealth government and Semi-government securities exists in Australia. ADIs can draw under the CLF in a liquidity crisis against qualifying securities pledged to the RBA. The amount of the CLF for each ADI is set by APRA annually.
Common Equity Tier 1 (CET1) Capital	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 139 "Financial Instruments: Recognition and Measurement").
Corporate	Basel asset class – includes commercial credit risk where annual revenues exceed $50 million.

13.8 Glossary (continued)

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

13.8 Glossary (continued)

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