Basel III
Pillar 3

Capital Adequacy and Risk
Disclosures as at 31 March 2023

For further information contact:

Investor Relations
Melanie Kirk
Phone: 02 9118 7113
Email: cbainvestorrelations@cba.com.au

The release of this announcement was authorised by the Continuous Disclosure Committee.

Contents

1 Introduction

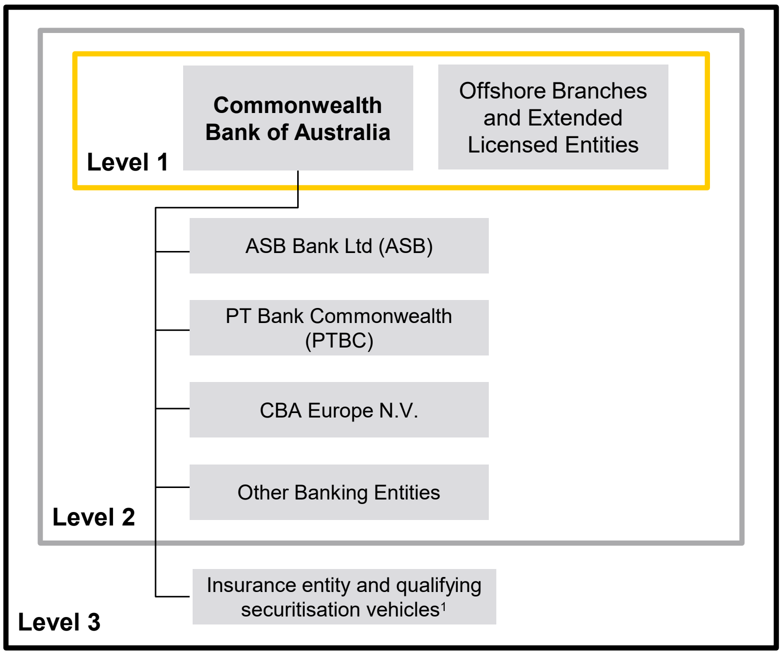
The Commonwealth Bank of Australia (CBA) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959.

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

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

The Group is required to report its assessment of capital adequacy on a Level 2 basis. Level 2 is defined as the Consolidated Banking Group excluding the insurance business and certain entities through which securitisation of Group assets is conducted.

APS 330 reporting structure



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

The Group is predominantly accredited to use the Advanced Internal-Ratings Based (AIRB) approach for credit risk and adopted APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* (APS 115) for operational risk effective from 1 January 2023. The Group is also required to assess its traded market risk and IRRBB requirements under Pillar 1 of the Basel capital framework.

This document is unaudited and has been prepared consistent with information that has been supplied to APRA.

The Group's Pillar 3 documents are available on the Group's corporate website: commbank.com.au/regulatorydisclosures.

Capital Position

As at 31 March 2023, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios were 12.1%, 14.1% and 19.5% respectively.

The Group's CET1 Capital ratio of 11.4% as at 31 December 2022 translated to 12.1% under APRA's revised capital framework on 1 January 2023, driven by a reduction in Credit RWA, partly offset by higher operational RWA following adoption of the standardised measurement approach.

The Group's CET1 Capital ratio remained stable at 12.1% with capital generated from earnings (+55 basis points), a net reduction in total RWA (+16 basis points) and positive mark-to-market revaluation on liquid assets (+6 basis points), offset by the payment of the 1H23 dividend (-76 basis points) and further progress on the previously announced on-market share buy-back (-1 basis point). As at 31 March 2023, the Group had completed approximately $1.9 billion of the $3 billion share buy-back.

Further details on the movements in RWA are provided on pages 5-6.

The CET1 Capital ratio for Level 1 at 31 March 2023 was 12.3%, 20 basis points above Level 2.

Summary Group Capital Adequacy Ratios (Level 2)	31 Mar 23 Revised Framework [1] %	31 Dec 22 [2] %
Common Equity Tier 1	**12.1**	11.4
Additional Tier 1	**2.0**	1.9
Tier 1	**14.1**	13.3
Tier 2	**5.4**	4.5
Total Capital	**19.5**	17.8

1 Prepared in accordance with Basel III APRA revised framework effective from 1 January 2023.
2 Prepared in accordance with Basel-based APRA capital framework that was effective up until 31 December 2022.

Group Regulatory Capital Position	31 Mar 23 Revised Framework [1] $M	31 Dec 22 [2] $M
Common Equity Tier 1 Capital	**56,693**	57,552
Additional Tier 1 Capital	**9,312**	9,312
Tier 1 Capital	**66,005**	66,864
Tier 2 Capital	**25,323**	22,889
Total Capital	**91,328**	89,753
Risk Weighted Assets	**468,007**	504,380

1 Prepared in accordance with Basel III APRA revised framework effective from 1 January 2023.
2 Prepared in accordance with Basel-based APRA capital framework that was effective up until 31 December 2022.

Capital Initiatives

In addition to the share buy-back, the following significant capital initiatives were undertaken during the quarter ended 31 March 2023:

Common Equity Tier 1 Capital

- The Dividend Reinvestment Plan (DRP) in respect of the 2023 interim dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 16.8%.

Tier 2 Capital

- In March 2023, the Group issued an AUD1,750 million Basel III compliant subordinated note.

The following capital initiative was undertaken by the Group subsequent to the reporting period ended 31 March 2023:

Tier 2 Capital

- In April 2023, the Group issued a HKD580 million Basel III compliant subordinated note.

Implementation of revised regulatory capital framework

From 1 January 2023, APRA implemented its revisions to the ADI capital framework. The objectives of these revisions are to increase the risk sensitivity within the capital framework, to enhance the ability of ADIs to respond flexibly to future stress events, and to improve the comparability of the Australian framework with international standards.

The Group's CET1 Capital ratio of 11.4% as at 31 December 2022 translated to 12.1% as a result of these revisions on 1 January 2023. The Group expects to operate with a post-dividend CET1 Capital ratio of greater than 11%, compared to the revised APRA minimum of 10.25%, except in circumstances of unexpected capital volatility.

Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 4.9% at 31 March 2023.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires Australian ADIs to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCO) projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 134% in the March 2023 quarter.

On 1 January 2023 the Group's Committed Liquidity Facility (CLF) reduced to zero.

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is the ratio of the amount of Available Stable Funding (ASF) to the amount of Required Stable Funding (RSF). Factors prescribed by APRA are used to determine the stable funding requirement of assets and the stability of alternative sources of funding. The Group's NSFR was 126% at 31 March 2023, with the reduction from 129% at 31 December 2022 due to the impact of APRA's revised capital framework.

2 Risk Weighted Assets

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

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

	Risk Weighted Assets
	31 Mar 23 Revised Framework [1]
Asset Category	**$M**
Credit Risk	
Subject to AIRB approach [2]	
Corporate (incl. SME corporate)	81,614
SME retail	9,681
Residential mortgage [3]	146,131
Qualifying revolving retail	5,482
Other retail	8,401
Total RWA subject to AIRB approach	251,309
Subject to FIRB approach [2]	
Corporate - large	24,132
Sovereign	2,106
Financial institution	10,989
Total RWA subject to FIRB approach	37,227
Specialised lending	3,884
Subject to standardised approach	
Corporate (incl. SME corporate)	1,685
SME retail	858
Sovereign	275
Residential mortgage	6,439
Other retail	589
Other assets	8,699
Total RWA subject to standardised approach	18,545
Securitisation	3,477
Credit valuation adjustment	2,251
Central counterparties	114
RBNZ regulated entities	48,481
Total RWA for credit risk exposures	365,288
Traded market risk	17,163
Interest rate risk in the banking book	42,401
Operational risk [4]	43,155
Total risk weighted assets	468,007

1 Prepared in accordance with Basel III APRA revised framework effective from 1 January 2023.
2 Pursuant to APRA requirements, RWA amounts derived from AIRB and FIRB risk weight functions have been multiplied by a scaling factor of 1.10.
3 As a condition of APRA's approval of the Residential Mortgage LGD model, a $7.4 billion RWA overlay has been applied for regulatory capital purposes.
4 Determined in accordance with the standardised measurement approach as required by APS 115 effective from 1 January 2023.

Risk Weighted Assets (continued)

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

Asset Category	Risk Weighted Assets 31 Dec 22 [1] $M
Credit Risk	
Subject to AIRB approach [2]	
Corporate (incl. SME corporate)	105,755
SME retail	8,601
Sovereign	2,311
Bank	3,218
Residential mortgage	171,742
Qualifying revolving retail	5,050
Other retail	9,170
Total RWA subject to AIRB approach	305,847
Specialised lending	70,865
Subject to standardised approach	
Corporate (incl. SME corporate)	864
SME retail	2,112
Sovereign	294
Bank	42
Residential mortgage	6,680
Other retail	1,152
Other assets	8,310
Total RWA subject to standardised approach	19,454
Securitisation	3,585
Credit valuation adjustment	2,119
Central counterparties	147
Total RWA for credit risk exposures	402,017
Traded market risk	13,773
Interest rate risk in the banking book	47,850
Operational risk	40,740
Total risk weighted assets	504,380

1 Prepared in accordance with APRA capital framework effective until 31 December 2022.
2 Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.

Risk Weighted Assets

Total RWA decreased by $36.4 billion or 7.2% on the prior quarter to $468.0 billion driven by decreases in credit risk RWA and IRRBB RWA, partly offset by higher traded market risk RWA and operational risk RWA.

Credit Risk RWA

Credit risk RWA decreased by $36.7 billion or 9.1% on the prior quarter to $365.3 billion, primarily driven by:

- The implementation of APRA's revisions to the capital framework on 1 January 2023 (decrease of $32.5 billion); and
- Volume growth in mortgages and non-retail lending more than offset by the benefit of new capital models approved and implemented in February 2023 (net decrease of $4.2 billion).

Traded Market Risk RWA

Traded market risk RWA increased by $3.4 billion or 24.6% on the prior quarter to $17.2 billion. This was mainly due to the combined impact of client activity, market volatility and the risk-not-in-VaR (RNIV) overlay.

Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA decreased by $5.5 billion or 11.4% on the prior quarter to $42.4 billion. This was primarily driven by lower embedded losses as a result of lower swap rates.

Operational Risk RWA

Operational risk RWA increased by $2.4 billion or 5.9% on the prior quarter to $43.2 billion, driven by adoption of the standardised measurement approach, as required by APS 115.

3 Credit Risk

3.1 Credit Risk Exposures

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

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

	31 March 23 Revised Framework [1]			
		Off Balance Sheet		
Portfolio Type	On Balance Sheet $M	Non-market related $M	Market related $M	Total $M
Subject to AIRB approach				
Corporate (incl. SME corporate)	134,103	20,288	1,437	**155,828**
SME retail	10,471	6,262	3	**16,736**
Residential mortgage	558,774	73,447	–	**632,221**
Qualifying revolving retail	8,090	15,385	–	**23,475**
Other retail	5,973	1,432	–	**7,405**
Total AIRB approach	717,411	116,814	1,440	**835,665**
Subject to FIRB approach				
Corporate - large	25,934	13,601	4,125	**43,660**
Sovereign	179,337	1,102	22,557	**202,996**
Financial institution	22,831	6,637	14,199	**43,667**
Total FIRB approach	228,102	21,340	40,881	**290,323**
Specialised lending	3,713	719	151	**4,583**
Subject to standardised approach				
Corporate (incl. SME corporate)	1,058	676	10	**1,744**
SME retail	798	334	9	**1,141**
Sovereign	540	1	–	**541**
Residential mortgage	13,451	1,743	–	**15,194**
Other retail	498	92	–	**590**
Other assets [2]	12,507	992	–	**13,499**
Central counterparties	–	–	2,679	**2,679**
Total standardised approach	28,852	3,838	2,698	**35,388**
RBNZ regulated entities	116,294	14,463	2,670	**133,427**
Total credit exposures [3]	1,094,372	157,174	47,840	**1,299,386**

1 Prepared in accordance with Basel III APRA revised framework effective from 1 January 2023.
2 Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Financial institution.
3 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures. Off Balance Sheet market related exposures include $19.9 billion of exposures in relation to Securities Financing Transactions (SFTs).

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

	31 December 2022						
		Off Balance Sheet					
Portfolio Type [1]	On Balance Sheet $M	Non-market related $M	Market related $M	Total $M	Average exposure for December 2022 quarter [2] $M	Change in exposure for December 2022 quarter [3] $M	%
Subject to AIRB approach							
Corporate (incl. SME corporate)	136,260	61,361	9,396	207,017	204,501	5,031	2.5
SME retail	10,621	5,094	5	15,720	15,702	36	0.2
Sovereign	213,190	1,263	6,075	220,528	218,911	3,233	1.5
Bank	11,848	672	5,623	18,143	20,072	(3,857)	(17.5)
Residential mortgage	621,664	82,255	–	703,919	697,292	13,254	1.9
Qualifying revolving retail	8,186	15,246	–	23,432	23,396	72	0.3
Other retail	6,602	2,523	–	9,125	8,965	321	3.6
Total AIRB approach	1,008,371	168,414	21,099	1,197,884	1,188,839	18,090	1.5
Specialised lending	66,922	12,053	365	79,340	77,977	2,727	3.6
Subject to standardised approach							
Corporate (incl. SME corporate)	573	279	11	863	754	218	33.8
SME retail	1,554	535	15	2,104	2,097	13	0.6
Sovereign	588	–	–	588	886	(596)	(50.3)
Bank	187	7	–	194	234	(79)	(28.9)
Residential mortgage	14,147	2,142	–	16,289	15,941	697	4.5
Other retail	948	195	–	1,143	1,125	36	3.3
Other assets	12,042	–	–	12,042	12,514	(945)	(7.3)
Central counterparties	–	–	3,685	3,685	7,531	(7,692)	(67.6)
Total standardised approach	30,039	3,158	3,711	36,908	41,082	(8,348)	(18.4)
Total credit exposures [4]	1,105,332	183,625	25,175	1,314,132	1,307,898	12,469	1.0

1 Prepared in accordance with Basel-based APRA capital framework that was effective up until 31 December 2022.
2 The simple average of balances as at 30 September 2022 and 31 December 2022.
3 The difference between exposures as at 30 September 2022 and 31 December 2022.
4 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures.

3.2 Non-performing Exposures and Provisions

From 1 January 2023 the Group adopted APRA's revised APS 330 *Public Disclosures*. The revised standard reflects changes effective from 1 January 2022 under APS 220 *Credit Risk Management*, which no longer includes requirements in relation to impaired assets or the General Reserve for Credit Losses (GRCL). Prior to the adoption of the revised APS 330, the Group continued to disclose these items.

All provisions recognised in accordance with accounting standards that have been assessed on an individual basis are classified as specific provisions. Collective provisions raised under accounting standards as Stage 1 and Stage 2 are classified as general provisions; and those raised under Stage 3 are classified as specific provisions. All collective provisions for Stage 2 (together with Stage 1) loans represent a purely forward-looking amount for future losses that are presently unidentified.

Reconciliation of Australian Accounting Standards, APS 220 *Credit Risk Management* based credit provisions and APS 330 Table 4c – Provisions held against performing exposures

	31 March 2023 [1]		
	General provision $M	Specific provision [2] $M	Total provisions $M
Collective Provision [3]	4,251	716	**4,967**
Individual provisions [3]	–	723	**723**
Total regulatory provisions	4,251	1,439	**5,690**

1 Reflective of APS 220 definitions in place from 1 January 2022 and reported as per APS 330 effective from 1 January 2023.
2 Specific provision balance includes accounting collective provisions on non-performing loans.
3 Provisions according to the Australian Accounting Standards.

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

	31 December 2022 [1]		
	General reserve for credit losses $M	Specific provision [2] $M	Total provisions $M
Collective Provision [3]	4,356	544	**4,900**
Individual provisions [3]	–	641	**641**
Total regulatory provisions	4,356	1,185	**5,541**

1 Disclosures have not been restated and are reported as per APS 330 that was effective up until 31 December 2022.
2 Specific provision balance includes certain accounting collective provisions on some defaulted loans.
3 Provisions according to the Australian Accounting Standards.

Credit Risk (continued)

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

APS 330 Table 4b – Non-performing, specific provisions and write-offs charged by portfolio

	31 March 23		Quarter Ended 31 March 2023	
Portfolio [1]	Non performing exposures [2] $M	Specific provision balance [3] $M	Net charges for specific provisions $M	Actual losses [4] $M
Corporate including SME, specialised lending and central counterparties	2,485	774	106	20
Sovereign	–	–	–	–
Financial institution	35	16	6	–
Residential mortgage	4,712	532	(4)	7
Qualifying revolving retail	70	53	(6)	20
Other retail	113	64	5	43
Total	**7,415**	**1,439**	**107**	**90**

1 Reflective of APS 220 definitions in place from 1 January 2022 and reported as per APS 330 effective from 1 January 2023.
2 Non-performing exposures of $7,415 million as at 31 March 2023 include exposures previously defined as impaired as well as defaulted exposures that are not considered impaired.
3 Specific provision balance includes accounting collective provisions on non-performing loans.
4 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 31 March 2023.

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

	As at 31 December 2022			Quarter ended 31 December 2022	
Portfolio [1]	Impaired assets $M	Past due loans ≥ 90 days [2] $M	Specific provision balance [3] $M	Net charges for individual provisions $M	Actual losses [4] $M
Corporate including SME, specialised lending and central counterparties	1,165	515	519	67	109
Sovereign	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgage	1,721	2,254	557	4	8
Credit cards	60	–	52	–	18
Other retail	90	–	57	1	25
Total	**3,036**	**2,769**	**1,185**	**72**	**160**

1 Disclosures have not been restated and are reported as per APS 330 that was effective up until 31 December 2022.
2 Represents loans ≥ 90 days past due but not impaired.
3 Specific provision balance includes certain accounting collective provisions on some defaulted loans.
4 Actual losses equal write-offs from individual provisions and write-offs direct from collective provisions less recoveries of amounts previously written off for the quarter ended 31 December 2022.

Credit Risk (continued)

3.3 Securitisation

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

	Quarter ended 31 March 2023	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset	**$M**	**$M**
Residential mortgage	156	–
Credit cards and other personal loans	–	–
Auto and equipment finance	17	–
Commercial loans	–	–
Other	–	–
Total	**173**	**–**

	Quarter ended 31 December 2022	
	Total exposures securitised	Recognised gain or loss on sale
Underlying Asset	**$M**	**$M**
Residential mortgage	424	–
Credit cards and other personal loans	150	–
Auto and equipment finance	–	–
Commercial loans	41	–
Other	–	–
Total	**615**	**–**

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

	As at 31 March 2023		
	On Balance Sheet	Off Balance Sheet	Total exposures
Securitisation Facility Type	**$M**	**$M**	**$M**
Liquidity support facilities	–	183	183
Warehouse facilities	11,141	5,719	16,860
Derivative facilities	–	222	222
Holdings of securities	3,458	–	3,458
Other	–	12	12
Total securitisation exposures	**14,599**	**6,136**	**20,735**

	As at 31 December 2022		
	On Balance Sheet	Off Balance Sheet	Total exposures
Securitisation Facility Type	**$M**	**$M**	**$M**
Liquidity support facilities	–	172	172
Warehouse facilities	11,704	5,588	17,292
Derivative facilities	–	177	177
Holdings of securities	3,665	–	3,665
Other	–	12	12
Total securitisation exposures	**15,369**	**5,949**	**21,318**

4 Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 4.9% at 31 March 2023. The decline in the leverage ratio for the quarter is primarily driven by the impact of the 1H23 dividend and higher exposures.

In November 2021, APRA released final prudential standards, which included changes to the definition of exposures related to derivatives and off Balance Sheet items and a minimum leverage ratio requirement of 3.5% for IRB banks, applicable from 1 January 2023. These changes did not have a material impact on the Group's leverage ratio.

Summary Group Leverage Ratio [2]	31 Mar 23 Revised Framework [1]	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22
Tier 1 Capital ($M)	**66,005**	66,864	66,472	67,558	64,764
Total Exposures ($M) [3]	**1,351,297**	1,318,783	1,314,458	1,295,368	1,247,225
Leverage Ratio (%)	**4.9**	5.1	5.1	5.2	5.2

1 Prepared in accordance with Basel III APRA revised framework effective from 1 January 2023.
2 Historical comparative periods have not been restated and are prepared in accordance with Basel-based APRA capital framework that was effective up until 31 December 2022.
3 Total Exposures is the sum of on Balance Sheet exposures, derivatives, SFTs, and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 *Capital Adequacy*.

5 Liquidity Risk

Liquidity Coverage Ratio

The Group calculates its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement of 100% and the Board's risk appetite. Over the March 2023 quarter, excess liquid assets averaged $49.9 billion and the average LCR increased from 131% to 134%.

The Group's mix of liquid assets consists of HQLA, such as cash, deposits with central banks, Australian semi-government and Commonwealth government securities. Liquid assets also include securities classified as liquid assets by the RBNZ. Liquid assets are distributed across the Group to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. Average liquid assets increased over the quarter mainly due to an increase in HQLA partially offset by the final $7.5 billion phase out of the CLF to zero on 1 January 2023.

NCO are modelled under an APRA prescribed 30 day severe liquidity stress scenario. The Group manages modelled NCO by maintaining a large base of low LCR outflow customer deposits and actively managing its wholesale funding maturity profile as part of its overall liquidity management strategy.

Table 20 – LCR disclosure template

	31 Mar 23		31 Dec 22	
	Total unweighted value (average) [1] $M	Total weighted value (average) [1] $M	Total unweighted value (average) [1] $M	Total weighted value (average) [1] $M
Liquid assets, of which:				
1 High-quality liquid assets (HQLA)		195,858		183,465
2 Alternative liquid assets (ALA)		–		7,377
3 Reserve Bank of New Zealand (RBNZ) securities		1,795		2,123
Cash outflows				
4 Retail deposits and deposits from small business customers, of which:	**435,852**	**39,723**	**440,808**	**39,920**
5 Stable deposits	239,222	11,961	243,016	12,151
6 Less stable deposits	196,630	27,762	197,792	27,769
7 Unsecured wholesale funding, of which:	**192,178**	**84,080**	**190,235**	**82,463**
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	90,468	22,188	94,518	23,194
9 Non-operational deposits (all counterparties)	90,737	50,919	85,196	48,748
10 Unsecured debt	10,973	10,973	10,521	10,521
11 Secured wholesale funding		**3,635**		**5,657**
12 Additional requirements, of which:	**174,161**	**27,305**	**178,376**	**27,924**
13 Outflows related to derivatives exposures and other collateral requirements	7,974	7,974	6,776	6,776
14 Outflows related to loss of funding on debt products	–	–	–	–
15 Credit and liquidity facilities	166,187	19,331	171,600	21,148
16 Other contractual funding obligations	–	–	–	–
17 Other contingent funding obligations	**85,234**	**11,447**	**78,400**	**10,104**
18 Total cash outflows		**166,190**		**166,068**
Cash inflows				
19 Secured lending	19,469	2,615	19,064	2,034
20 Inflows from fully performing exposures	12,817	8,384	13,304	9,047
21 Other cash inflows	7,405	7,405	7,898	7,898
22 Total cash inflows	**39,691**	**18,404**	**40,266**	**18,979**
23 Total liquid assets		197,653		192,965
24 Total net cash outflows		147,786		147,089
25 Liquidity Coverage Ratio (%)		134		131
Number of data points used (Business Days)		61		58

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

Glossary

Term	Definition
Additional Tier 1 Capital (AT1)	Additional Tier 1 Capital is a concept defined by APRA and consists of high quality capital that essentially provides a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions.
Advanced Internal Ratings-based (AIRB) Approach	This approach is used to measure credit risk in accordance with the Group's Basel III accreditation. From 1 January 2023, this allows the Group to use internal estimates of PD and LGD (excluding senior unsecured and subordinated corporate exposures), with supervisory estimates to be used for EAD for the purposes of calculating regulatory capital. Prior to 31 December 2022, PD, LGD and EAD internal estimates could be used for the purposes of calculating regulatory capital.
Advanced Measurement Approach (AMA)	Up until 1 January 2023, the methodology 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. From 1 January 2023, the Standardised Measurement Approach is being used.
Alternative Liquid Assets (ALA)	Assets that qualify for inclusion in the numerator of the LCR in jurisdictions where there is insufficient supply of HQLA. No ALA are recognised in the LCR following the reduction of the CLF to zero on 1 January 2023.
ASB	ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is directly regulated by the RBNZ.
Australian Accounting Standards	The Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB).
Australian Prudential Regulation Authority (APRA)	The Australian Prudential Regulation Authority is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian parliament. The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
Authorised Deposit-taking Institution (ADI)	ADIs are corporations that are authorised under the Banking Act 1959 to carry on banking business in Australia.
Banking Book	The banking book is a term for assets on a bank's Balance Sheet that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers. The banking book can also include those derivatives that are used to hedge exposures arising from the banking book activity, including interest rate risk.
Basel III	Refers to the Basel Committee on Banking Supervision's framework for more resilient banks and banking systems issued in December 2010 (revised in June 2011), Capital requirements for bank exposures to central counterparties (July 2012), and the subsequent Basel III reforms finalised in December 2017.
Basel III (APRA) Revised Framework	Refers to APRA's revision to the ADI Capital Framework implemented from 1 January 2023.
CBA	Commonwealth Bank of Australia – the head entity of the Group.
Central Counterparty (CCP)	A clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, thereby ensuring the future performance of open contracts.
Collective Provision	All loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The Collective Provision is maintained to reduce the carrying value of the portfolio of loans to their estimated recoverable amounts. These provisions are reported in the Group's Financial Statements in accordance with Australian Accounting Standards (AASB 9 *Financial Instruments*).
Committed Liquidity Facility (CLF)	The RBA provided the CLF to participating ADIs under the LCR, as a shortfall in Commonwealth government and semi-government securities existed in Australia. ADIs could draw under the CLF in a liquidity crisis against qualifying securities pledged to the RBA. APRA phased out sector-wide usage of the CLF to zero on 1 January 2023.

Glossary (continued)

Term	Definition
Commercial Property	Basel asset class – a property exposure that is not a residential property or a land acquisition, development and construction exposure.
Common Equity Tier 1 (CET1) Capital	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Corporate	Basel asset class – from 1 January 2023, this includes commercial credit risk where annual revenues are greater than $75 million but less than $750 million. Prior to this date annual revenues could be $50 million or more.
Corporate - Large	Basel asset class – applicable from 1 January 2023, and applies to commercial credit risk where annual revenues are more than $750 million.
Credit Valuation Adjustment (CVA) Risk	The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty.
Domestic Public Sector Entity	Basel asset class – exposures that do not meet the definition of sovereign exposures, but have a level of control or ownership by any level of the Australian Government or the RBA, including those which do not have specific revenue-raising powers.
Exposure at Default (EAD)	The extent to which a bank may be exposed upon default of an obligor.
Extended Licenced Entity (ELE)	An Extended Licensed Entity is comprised of an ADI and each subsidiary of an ADI as specified in any approval granted by APRA in accordance with Prudential Standard APS 222 *Associations with Related Entities.*
External Credit Assessment Institution (ECAI)	For example: Moody's Investor Services, S&P Global Ratings or Fitch Ratings.
Financial Institution	Basel asset class – primarily includes exposures which relate to: the management of financial assets, lending, factoring, leasing, provision of credit enhancements, securitisation, investments, financial custody, central counterparty services, and proprietary trading.
Foundation Internal Ratings-based (FIRB) Approach	This approach is applicable from 1 January 2023, and is used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD and relies on supervisory estimates for LGD and EAD for the purposes of calculating regulatory capital.
General Provisions	Collective Provisions classified as Stage 1 and Stage 2 in accordance with Australian Accounting Standards (AASB 9 *Financial Instruments*). All Stage 2 provisions are held on a purely forward-looking basis for future losses presently unidentified; hence all Stage 2 provisions (together with Stage 1) are classified as General Provisions.
General Reserve for Credit Losses (GRCL)	The Group continued to disclose the GRCL, which was retired from 1 January 2022 under Prudential Standard APS 220 *Credit Risk Management*, until changes under APS 330 came into effect from 1 January 2023. The former APS 220 *Credit Quality* required the Group to establish a reserve that covered credit losses prudently estimated, but not certain to arise, over the full life of all individual facilities making up the business of the ADI. Most of the Group's collective provisions are included in the GRCL. An excess of required GRCL over the Group's collective provisions was recognised as a deduction from CET1 under the former standard.
Group	Commonwealth Bank of Australia and its subsidiaries.
High Quality Liquid Assets (HQLA)	Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.
Impaired Assets	Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments due, will be achieved in a timely manner.

Glossary (continued)

Term	Definition
Individual provisions	Provisions made against individual facilities where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. These provisions are as reported in the Group's Financial Statements in accordance with the Australian Accounting Standards (AASB 9 *Financial Instruments*). Also known as individually assessed provisions or IAP.
Interest Rate Risk in the Banking Book (IRRBB)	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted by changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential, and secondly as the anticipated change to Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group's 30 June 2022 Basel III Pillar 3 report.
Land Acquisition Development or Construction	Basel asset class – exposures secured by land acquired for development and construction purposes, or development and construction of any residential or commercial property.
Level 1	The Parent Bank (Commonwealth Bank of Australia), offshore branches (the Bank) and APRA approved Extended Licensed Entities.
Level 2	The level at which the Group reports its capital adequacy to APRA, being the Consolidated Banking Group comprising the ADI and all of its subsidiary entities other than the insurance business and certain entities through which securitisation of Group assets is conducted. This is the basis on which this report has been produced.
Level 3	The conglomerate group including the Group's insurance business (the Group).
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)	An estimate of the expected severity of loss for a credit exposure following a default event. LGD represents the fraction of EAD that is not expected to be recovered following default.
Net Cash Outflows (NCO)	Net cash outflows in the LCR are calculated by applying prescribed run-off factors on liabilities and various off Balance Sheet exposures that can generate a cash outflow in the next 30 days.
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour term of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.
Operational Risk under the Standardised Measurement Approach	From 1 January 2023, the methodology used to measure operational risk, utilising a formulaic approach which is largely dependent on profit or loss from ordinary banking activities.
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.
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 PD reflects a borrower's ability to generate sufficient cash flows in the future to meet the terms of all of its credit obligations to the Group.
Prudential Capital Ratio (PCR)	The regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times.

Glossary (continued)

Term	Definition
Qualifying Revolving Retail (QRR)	Basel asset class – represents revolving exposures to individuals less than $0.1m, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this AIRB asset class.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
RBNZ regulated entities	All references to RBNZ regulated entities refer to RBNZ regulated subsidiaries and include ASB exposures for which RWA are calculated using the RBNZ's prudential rules subject to certain APRA-prescribed adjustments.
Residential Mortgage	Basel asset class – retail exposures secured by residential mortgage property.
Risk Weighted Assets (RWA)	The value of the Group's on and off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards.
Scaling Factor	In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the RWA amounts for credit risk under the AIRB approach of 1.10 (31 December 2022: 1.06).
Securities Financing Transactions (SFT)	APRA defines securities financing transactions as transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing, and margin lending transactions, where the value of the transactions depends on the market valuation of securities and the transactions are typically subject to margin agreements.
Securitisation	Basel asset class – Group originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
SME Corporate	Basel asset class – from 1 January 2023, Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than $75 million. Prior to this date, this asset class was applicable to SME commercial credit risk where annual revenues were less than $50 million.
SME Retail	Basel asset class – from 1 January 2023, Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than $75 million and exposures are less than $1 million.
Sovereign	Basel asset class – primarily includes claims on Australian and foreign governments, central banks (including the RBA), international banking agencies and regional development banks.
Specialised Lending	Basel asset classes subject to the supervisory slotting approach which include: object finance, project finance and commodity finance. Prior to 1 January 2023, Income Producing Real Estate exposures were also subject to the supervisory slotting approach.
Specific Provisions	All provisions, both collectively and individually assessed, classified as Stage 3 in accordance with Australian Accounting Standards (AASB 9 *Financial Instruments*). The Group continued to disclose Specific Provisions as required under the former Prudential Standard APS 220 *Credit Quality*, which was retired from 1 January 2022, until changes under APS 330 came into effect from 1 January 2023. The former APS 220 required 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 GRCL (which are primarily Collective Provisions on some defaulted assets).
Stage 1	On origination, an impairment provision equivalent to 12 months expected credit losses (ECL) is recognised. 12 months ECL is the credit losses expected to arise from defaults occurring over the next 12 months.
Stage 2	Financial assets that have experienced a significant increase in credit risk (SICR) since origination are transferred to Stage 2 and an impairment provision equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL.

Glossary (continued)

Term	Definition
Stage 3	Non-performing financial assets are transferred to Stage 3 and an impairment provision equivalent to lifetime ECL is recognised.
Standardised Approach	An alternate approach to the assessment of credit, operational and traded market risk whereby an ADI uses external ratings agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Stressed Value-at-Risk (SVaR)	Stressed Value-at-Risk uses the same methodology as VaR except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis.
Tier 1 Capital	Comprises CET1 and Additional Tier 1 Capital.
Tier 2 Capital	Capital items that fall short of the necessary conditions to qualify as Tier 1 Capital.
Total Capital	Comprises CET1, Additional Tier 1 Capital and Tier 2 Capital.
Total Exposures (as used in the leverage ratio)	The sum of on Balance Sheet items, derivatives, securities financing transactions (SFTs), and off Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items, as outlined in APS 110 *Capital Adequacy* (APS 110) Attachment D.
Trading Book	Exposures, including derivative products and other off Balance Sheet instruments that are held either with a trading intent or to hedge other elements of the trading book.
Value-at-Risk (VaR)	Value-at-Risk is a measure of potential loss using historically observed market volatility and correlation between different markets.