# Basel III Pillar 3

Capital Adequacy and Risk Disclosures
as at 30 September 2024

Commonwealth Bank of Australia

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

# Contents

# 1 Introduction

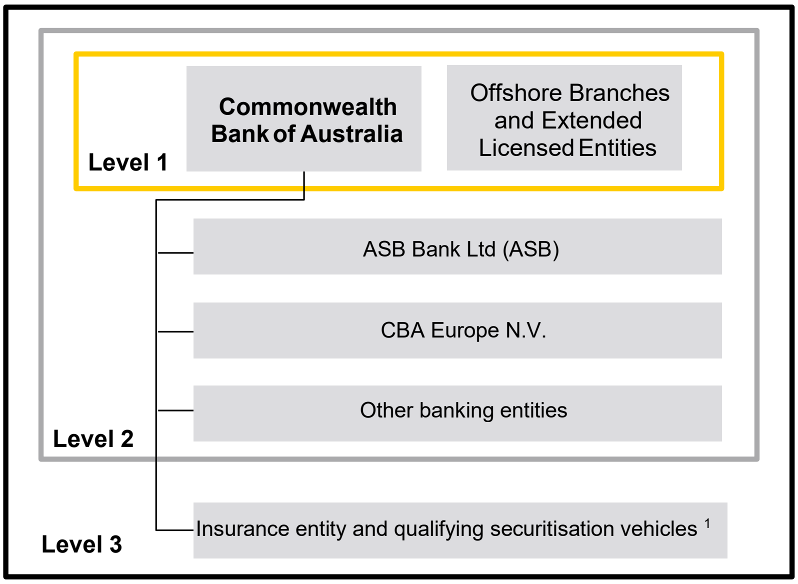
The Commonwealth Bank of Australia (CBA) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959.

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 entity and certain entities through which securitisation of the Group's 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 the Standardised Measurement Approach for operational risk. The Group is also required to assess its traded market risk and IRRBB requirements under Pillar 1 of the Basel capital framework.

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.

# Introduction (continued)

## Capital Position

As at 30 September 2024, the Group's Basel III Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios were 11.8%, 13.7% and 20.1%, respectively.

The Group's CET1 ratio increased 29 basis points in the quarter after allowing for the impact of the 2024 final dividend (-88 basis points). This increase was primarily driven by capital generated from earnings (+57 basis points), partly offset by a net increase in total RWAs (-16 basis points) and other items (-12 basis points). Other items primarily include the impact of revaluation losses on the HQLA portfolio and higher capitalised software.

Further details on the movements in RWA are provided on pages 4-5.

The CET1 Capital ratio for Level 1 as at 30 September 2024 was 11.7%.

| Summary Group Capital Adequacy Ratios (Level 2) | 30 Sep 24 % | 30 Jun 24 % |
|---|---|---|
| Common Equity Tier 1 | **11.8** | 12.3 |
| Additional Tier 1 | **1.9** | 2.0 |
| Tier 1 | **13.7** | 14.3 |
| Tier 2 | **6.4** | 6.6 |
| **Total Capital** | **20.1** | 20.9 |

| Group Regulatory Capital Position | 30 Sep 24 $M | 30 Jun 24 $M |
|---|---|---|
| Common Equity Tier 1 Capital | **55,618** | 57,691 |
| Additional Tier 1 Capital | **9,272** | 9,272 |
| Tier 1 Capital | **64,890** | 66,963 |
| Tier 2 Capital | **30,249** | 30,828 |
| **Total Capital** | **95,139** | 97,791 |
| **Risk Weighted Assets** | **473,197** | 467,551 |

### Capital Initiatives

The following significant capital initiatives were undertaken during the quarter ended 30 September 2024:

#### Common Equity Tier 1 Capital

The Dividend Reinvestment Plan (DRP) in respect of the 2024 final dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 18.1%.

### Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 4.8% as at 30 September 2024.

### Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) requires Australian ADIs to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCO) projected under an APRA prescribed stress scenario. The Group maintained an average LCR of 131% in the September 2024 quarter (136% in the June 2024 quarter).

### Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is the ratio of the amount of Available Stable Funding (ASF) to the amount of Required Stable Funding (RSF) over a one year horizon. The ASF and RSF are calculated by applying factors prescribed by APRA, to liabilities, assets and off Balance Sheet commitments. The Group's NSFR was 115% as at 30 September 2024 (116% as at 30 June 2024).

# 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 | | Change in RWA for 30 September 2024 quarter | |
|---|---|---|---|---|
| | 30 Sep 24 | 30 Jun 24 | | |
| **Asset Category** | **$M** | **$M** | **$M** | **%** |
| **Credit risk** | | | | |
| **Subject to AIRB approach** [1] | | | | |
| Corporate (incl. SME corporate) [2,3] | **87,382** | 86,125 | 1,257 | 1.5 |
| SME retail | **10,943** | 10,819 | 124 | 1.1 |
| Residential mortgage [4] | **144,753** | 145,229 | (476) | (0.3) |
| Qualifying revolving retail | **5,428** | 5,372 | 56 | 1.0 |
| Other retail | **9,129** | 9,105 | 24 | 0.3 |
| **Total RWA subject to AIRB approach** | **257,635** | 256,650 | 985 | 0.4 |
| **Subject to FIRB approach** [1] | | | | |
| Corporate - large [2,3] | **27,864** | 27,048 | 816 | 3.0 |
| Sovereign | **2,453** | 2,378 | 75 | 3.2 |
| Financial institution | **10,838** | 10,184 | 654 | 6.4 |
| **Total RWA subject to FIRB approach** | **41,155** | 39,610 | 1,545 | 3.9 |
| **Specialised lending** | **3,841** | 3,660 | 181 | 4.9 |
| **Subject to standardised approach** | | | | |
| Corporate (incl. SME corporate) | **798** | 1,023 | (225) | (22.0) |
| SME retail | **666** | 628 | 38 | 6.1 |
| Sovereign | **1** | 1 | – | – |
| Residential mortgage | **7,129** | 6,953 | 176 | 2.5 |
| Other retail | **266** | 237 | 29 | 12.2 |
| Other assets | **6,606** | 6,686 | (80) | (1.2) |
| **Total RWA subject to standardised approach** | **15,466** | 15,528 | (62) | (0.4) |
| Securitisation | **3,280** | 3,214 | 66 | 2.1 |
| Credit valuation adjustment | **3,148** | 2,873 | 275 | 9.6 |
| Central counterparties | **167** | 160 | 7 | 4.4 |
| RBNZ regulated entities [1] | **49,984** | 48,749 | 1,235 | 2.5 |
| **Total RWA for credit risk exposures** | **374,676** | 370,444 | 4,232 | 1.1 |
| Traded market risk | **10,626** | 8,488 | 2,138 | 25.2 |
| Interest rate risk in the banking book | **40,271** | 43,644 | (3,373) | (7.7) |
| Operational risk | **47,624** | 44,975 | 2,649 | 5.9 |
| **Total risk weighted assets** | **473,197** | 467,551 | 5,646 | 1.2 |

1 Pursuant to APRA requirements, RWA amounts derived from the risk weighted functions of AIRB, FIRB and the advanced portfolio of RBNZ regulated entities have been multiplied by a scaling factor of 1.10.
2 Includes Corporate PD model overlays of $4.2 billion as at 30 September 2024 and 30 June 2024.
3 Includes IPRE risk weight floor top-up of $3.0 billion as at 30 September 2024 and $1.8 billion as at 30 June 2024.
4 As a condition of APRA approval of the residential mortgage LGD model, a $7.4 billion RWA overlay was applied by the Group at 30 June 2024. The overlay was released in September 2024 quarter following regulatory approval of the new residential mortgage LGD model.

# Risk Weighted Assets (continued)

## Risk Weighted Assets

Total RWA increased by $5.6 billion or 1.2% on the prior quarter to $473.2 billion, driven by increases in credit risk RWA, operational risk RWA and traded market risk RWA, partly offset by lower IRRBB RWA.

### Credit Risk RWA

Credit Risk RWA increased $4.2 billion or 1.1% on the prior quarter to $374.7 billion, primarily driven by:

- Volume growth (increase of $7.6 billion) across domestic residential mortgages, commercial portfolios, financial institutions, New Zealand portfolios and derivatives; partly offset by
- Credit quality (decrease of $1.4 billion), driven by improvement in loan-to-valuation ratios for domestic residential mortgages and upgrades in corporate lending;
- Foreign currency movements (decrease of $0.3 billion); and
- Data & methodology (decrease of $1.7 billion), relating to regulatory approval of the new residential mortgage LGD model.

### Traded Market Risk RWA

Traded market risk RWA increased by $2.1 billion or 25% on the prior quarter to $10.6 billion, primarily as a result of increased business activity.

### Interest Rate Risk in the Banking Book (IRRBB) RWA

IRRBB RWA decreased by $3.4 billion or 7.7% on the prior quarter to $40.3 billion, driven by lower interest rates in Australia and New Zealand, partly offset by higher basis risks.

### Operational Risk RWA

As required by APS115, operational risk RWA as at September 2024 have been determined based on the annual average value of the relevant components of the Group's net income over the financial years ended 30 June 2024, 2023 and 2022. Operational risk RWA as at June 2024 were determined based on the annual average value of the relevant components of the Group's net income over the financial years ended 30 June 2023, 2022 and 2021. The increase in operational risk RWA by $2.6 billion or 5.9% on the prior quarter to $47.6 billion was primarily driven by a higher average net interest income over the years ended 30 June 2024, 2023 and 2022 as a result of rising interest rate environment and lending growth.

# 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

| | 30 September 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Off Balance Sheet | | | | | |
| | On Balance Sheet | Non-market related | Market related | Total | Average exposure for September 2024 quarter [1] | Change in exposure for September 2024 quarter [2] | |
| **Portfolio Type** | $M | $M | $M | $M | $M | $M | % |
| **Subject to AIRB approach** | | | | | | | |
| Corporate (incl. SME corporate) | 147,905 | 16,591 | 1,749 | **166,245** | 164,793 | 2,903 | 1.8 |
| SME retail | 13,360 | 6,205 | 13 | **19,578** | 19,578 | 1 | – |
| Residential mortgage | 584,829 | 76,295 | – | **661,124** | 655,369 | 11,510 | 1.8 |
| Qualifying revolving retail | 8,037 | 14,875 | – | **22,912** | 23,038 | (253) | (1.1) |
| Other retail | 7,468 | 1,260 | – | **8,728** | 8,650 | 157 | 1.8 |
| **Total AIRB approach** | 761,599 | 115,226 | 1,762 | **878,587** | 871,428 | 14,318 | 1.7 |
| **Subject to FIRB approach** | | | | | | | |
| Corporate - large | 33,088 | 14,219 | 4,648 | **51,955** | 50,806 | 2,298 | 4.6 |
| Sovereign | 126,015 | 933 | 3,922 | **130,870** | 132,551 | (3,362) | (2.5) |
| Financial institution | 23,031 | 7,438 | 14,527 | **44,996** | 44,448 | 1,096 | 2.5 |
| **Total FIRB approach** | 182,134 | 22,590 | 23,097 | **227,821** | 227,805 | 32 | – |
| **Specialised lending** | 3,592 | 1,132 | 108 | **4,832** | 4,709 | 245 | 5.3 |
| **Subject to standardised approach** | | | | | | | |
| Corporate (incl. SME corporate) | 606 | 241 | 2 | **849** | 965 | (233) | (21.5) |
| SME retail | 545 | 325 | 17 | **887** | 862 | 51 | 6.1 |
| Sovereign | 2 | – | – | **2** | 2 | 1 | 100.0 |
| Residential mortgage | 15,938 | 1,538 | – | **17,476** | 17,295 | 362 | 2.1 |
| Other retail | 118 | 147 | – | **265** | 251 | 28 | 11.8 |
| Other assets [3] | 11,744 | 1,018 | 39 | **12,801** | 12,020 | 1,561 | 13.9 |
| Central counterparties | – | – | 3,492 | **3,492** | 3,304 | 377 | 12.1 |
| **Total standardised approach** | 28,953 | 3,269 | 3,550 | **35,772** | 34,699 | 2,147 | 6.4 |
| RBNZ regulated entities | 114,959 | 13,593 | 2,472 | **131,024** | 130,275 | 1,498 | 1.2 |
| **Total credit exposures [4]** | 1,091,237 | 155,810 | 30,989 | **1,278,036** | 1,268,916 | 18,240 | 1.4 |

1 The simple average of balances as at 30 September 2024 and 30 June 2024.
2 The difference between exposures as at 30 September 2024 and 30 June 2024.
3 Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Bank.
4 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures. Off Balance Sheet market related exposures include $4.2 billion of exposures in relation to Securities Financing Transactions (SFTs).

# Credit Risk (continued)

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

| | 30 June 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Off Balance Sheet | | | | | |
| | On Balance Sheet | Non-market related | Market related | Total | Average exposure for June 2024 quarter [1] | Change in exposure for June 2024 quarter [2] | |
| **Portfolio Type** | $M | $M | $M | $M | $M | $M | % |
| **Subject to AIRB approach** | | | | | | | |
| Corporate (incl. SME corporate) | 145,885 | 16,203 | 1,254 | **163,342** | 162,104 | 2,477 | 1.5 |
| SME retail | 13,500 | 6,073 | 4 | **19,577** | 19,483 | 189 | 1.0 |
| Residential mortgage | 576,086 | 73,528 | – | **649,614** | 644,792 | 9,644 | 1.5 |
| Qualifying revolving retail | 8,242 | 14,923 | – | **23,165** | 23,206 | (82) | (0.4) |
| Other retail | 7,291 | 1,280 | – | **8,571** | 8,383 | 376 | 4.6 |
| **Total AIRB approach** | 751,004 | 112,007 | 1,258 | **864,269** | 857,967 | 12,604 | 1.5 |
| **Subject to FIRB approach** | | | | | | | |
| Corporate - large | 30,669 | 14,511 | 4,477 | **49,657** | 49,285 | 744 | 1.5 |
| Sovereign | 129,184 | 875 | 4,173 | **134,232** | 153,646 | (38,828) | (22.4) |
| Financial institution | 22,069 | 7,033 | 14,798 | **43,900** | 52,320 | (16,839) | (27.7) |
| **Total FIRB approach** | 181,922 | 22,419 | 23,448 | **227,789** | 255,251 | (54,923) | (19.4) |
| **Specialised lending** | 3,444 | 1,084 | 59 | **4,587** | 4,616 | (57) | (1.2) |
| **Subject to standardised approach** | | | | | | | |
| Corporate (incl. SME corporate) | 826 | 228 | 28 | **1,082** | 1,042 | 80 | 8.0 |
| SME retail | 519 | 294 | 23 | **836** | 818 | 36 | 4.5 |
| Sovereign | 1 | – | – | **1** | 259 | (515) | (99.8) |
| Residential mortgage | 15,605 | 1,509 | – | **17,114** | 17,137 | (46) | (0.3) |
| Other retail | 100 | 137 | – | **237** | 380 | (286) | (54.7) |
| Other assets [3] | 10,200 | 997 | 43 | **11,240** | 12,084 | (1,687) | (13.1) |
| Central counterparties | – | – | 3,115 | **3,115** | 3,187 | (143) | (4.4) |
| **Total standardised approach** | 27,251 | 3,165 | 3,209 | **33,625** | 34,906 | (2,561) | (7.1) |
| RBNZ regulated entities | 114,031 | 13,002 | 2,493 | **129,526** | 129,760 | (468) | (0.4) |
| **Total credit exposures [4]** | 1,077,652 | 151,677 | 30,467 | **1,259,796** | 1,282,499 | (45,405) | (3.5) |

1 The simple average of balances as at 30 June 2024 and 31 March 2024.
2 The difference between exposures as at 30 June 2024 and 31 March 2024.
3 Includes immaterial contributions from other standardised asset classes, including Domestic public sector entities, Commercial property, Land acquisition, development and construction, and Bank.
4 Total credit risk exposures (calculated as EAD) do not include equities or securitisation exposures. Off Balance Sheet market related exposures include $3.9 billion of exposures in relation to Securities Financing Transactions (SFTs).

## 3.2 Non-performing Exposures and Provisions

The Group assesses its provisioning for impairment in accordance with AASB 9 *Financial Instruments* (AASB 9) and APS220 *Credit Risk Management*, and recognises both individually and collectively assessed provisions.

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

| | 30 September 2024 | | |
|---|---|---|---|
| | General provision [1] $M | Specific provision [1] $M | Total provisions $M |
| Collective provision [2] | 4,607 | 877 | **5,484** |
| Individual provisions [2] | – | 714 | **714** |
| **Total regulatory provisions** | 4,607 | 1,591 | **6,198** |

1 Specific provision balance includes accounting collective provisions on non-performing exposures, general provision balance includes collective provisions on performing exposures.
2 Provisions according to Australian Accounting Standards.

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

1 Specific provision balance includes accounting collective provisions on non-performing exposures, general provision balance includes collective provisions on performing exposures.
2 Provisions according to Australian Accounting Standards.

# Credit Risk (continued)

## 3.2 Non-performing Exposures and Provisions (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

| | 30 September 2024 | | | |
|---|---|---|---|---|
| | Non performing exposures | Specific provision balance [1] | Net quarter charges for specific provisions [2] | Quarter ended actual losses [3] |
| **Portfolio [4]** | **$M** | **$M** | **$M** | **$M** |
| Corporate (Inc. Large and SME Corp.) | 1,846 | 540 | 56 | 17 |
| Sovereign | – | – | – | – |
| Financial Institution | 1 | 1 | – | – |
| SME Retail | 299 | 111 | 20 | 12 |
| Residential Mortgage | 5,720 | 446 | (13) | 3 |
| Qualifying Revolving Retail | 67 | 53 | 28 | 31 |
| Other Retail | 100 | 74 | 47 | 53 |
| Specialised Lending | 114 | 104 | – | – |
| Other Assets | 17 | 14 | (1) | – |
| Central Counterparties | – | – | – | – |
| RBNZ Regulated Entities | 1,764 | 248 | 22 | 11 |
| **Total** | **9,928** | **1,591** | **159** | **127** |

1 Specific provision balance includes accounting collective provisions on non-performing loans.
2 Includes charges for accounting collective provisions on non-performing exposures for the quarter ended 30 September 2024.
3 Actual losses equal write-offs from individual provisions and write-offs directly from collective provisions less recoveries of amounts previously written off for the quarter ended 30 September 2024.
4 Losses stemming from lower risk IPRE lending and overall losses from IPRE lending are less than 0.3% and 0.5% of outstanding IPRE exposures, respectively, in each of the past three years to 30 September 2024.

| | 30 June 2024 | | | |
|---|---|---|---|---|
| | Non performing exposures | Specific provision balance [1] | Net quarter charges for specific provisions [2] | Quarter ended actual losses [3] |
| **Portfolio [4]** | **$M** | **$M** | **$M** | **$M** |
| Corporate (Inc. Large and SME Corp.) | 1,863 | 505 | 46 | 73 |
| Sovereign | – | – | – | – |
| Financial Institution | 1 | 1 | – | – |
| SME Retail | 276 | 103 | 2 | 17 |
| Residential Mortgage | 5,483 | 459 | 135 | 21 |
| Qualifying Revolving Retail | 74 | 56 | 21 | 21 |
| Other Retail | 105 | 79 | 70 | 60 |
| Specialised Lending | 115 | 105 | – | 2 |
| Other Assets | 6 | 2 | – | – |
| Central Counterparties | – | – | – | – |
| RBNZ Regulated Entities | 1,695 | 236 | 41 | 23 |
| **Total** | **9,618** | **1,546** | **315** | **217** |

1 Specific provision balance includes accounting collective provisions on non-performing loans.
2 Includes charges for accounting collective provisions on non-performing exposures for the quarter ended 30 June 2024.
3 Actual losses equal write-offs from individual provisions and write-offs directly from collective provisions less recoveries of amounts previously written off for the quarter ended 30 June 2024.
4 Losses stemming from lower risk IPRE lending and overall losses from IPRE lending are less than 0.3% and 0.5% of outstanding IPRE exposures, respectively, in each of the past three years to 30 June 2024.

## 3.3 Securitisation

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

| | Quarter ended 30 September 2024 | |
|---|---|---|
| | Total exposures securitised | Recognised gain or loss on sale |
| **Underlying Asset** | **$M** | **$M** |
| Residential mortgage | 436 | – |
| Credit cards and other personal loans | – | – |
| Auto and equipment finance | 966 | – |
| Commercial loans | 100 | – |
| Other | – | – |
| **Total** | **1,502** | **–** |

| | Quarter ended 30 June 2024 | |
|---|---|---|
| | Total exposures securitised | Recognised gain or loss on sale |
| **Underlying Asset** | **$M** | **$M** |
| Residential mortgage | 517 | – |
| Credit cards and other personal loans | 51 | – |
| Auto and equipment finance | 62 | – |
| Commercial loans | – | – |
| Other | – | – |
| **Total** | **630** | **–** |

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

| | As at 30 September 2024 | | |
|---|---|---|---|
| | On Balance Sheet | Off Balance Sheet | Total exposures |
| **Securitisation Facility Type** | **$M** | **$M** | **$M** |
| Liquidity support facilities | – | 156 | **156** |
| Warehouse facilities | 12,593 | 3,631 | **16,224** |
| Derivative facilities | – | 133 | **133** |
| Holdings of securities | 3,395 | – | **3,395** |
| Other | – | 10 | **10** |
| **Total securitisation exposures** | 15,988 | 3,930 | **19,918** |

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

# 4 Leverage Ratio

The Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 4.8% as at 30 September 2024. The decrease in the Leverage Ratio for the quarter is driven by the impact of the 2024 final dividend payment and higher exposures.

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

| Summary Group Leverage Ratio | 30 Sep 24 | 30 Jun 24 | 31 Mar 24 | 31 Dec 23 | 30 Sep 23 |
|---|---|---|---|---|---|
| Tier 1 Capital ($M) | **64,890** | 66,963 | 66,853 | 68,093 | 66,359 |
| Total Exposures ($M) [1] | **1,366,087** | 1,339,175 | 1,369,458 | 1,362,098 | 1,347,663 |
| **Leverage Ratio (%)** | **4.8** | 5.0 | 4.9 | 5.0 | 4.9 |

1 Total exposures are 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.

# 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 September 2024 quarter, excess liquid assets averaged $42.2 billion and the average LCR decreased from 136% to 131%. The decrease in average LCR was primarily driven by an increase in average net cash outflows of $4.4 billion, mainly due to the final FY24 dividend, in addition to lower cash inflows reflecting lower liquidity management activities following the repayment of the final tranche of the RBA Term Funding Facility in June 2024.

On a spot basis the LCR was between 124% and 139% over the quarter.

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 remained broadly flat over the quarter supported by the return of HQLA securities previously pledged as collateral for the Term Funding Facility.

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

| | | 30 September 2024 | | 30 June 2024 | |
|---|---|---|---|---|---|
| | | 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) | | 176,076 | | 175,961 |
| 2 | Alternative liquid assets (ALA) | | – | | – |
| 3 | Reserve Bank of New Zealand (RBNZ) securities | | 1,359 | | 1,270 |
| **Cash outflows** | | | | | |
| 4 | Retail deposits and deposits from small business customers, of which: | **460,244** | **37,610** | **451,777** | **36,982** |
| 5 | Stable deposits | 271,246 | 13,562 | 266,513 | 13,326 |
| 6 | Less stable deposits | 188,998 | 24,048 | 185,264 | 23,656 |
| 7 | Unsecured wholesale funding, of which: | **181,978** | **77,419** | **177,778** | **75,653** |
| 8 | Operational deposits (all counterparties) and deposits in networks for cooperative banks | 91,283 | 21,894 | 88,224 | 21,093 |
| 9 | Non-operational deposits (all counterparties) | 82,933 | 47,763 | 82,967 | 47,973 |
| 10 | Unsecured debt | 7,762 | 7,762 | 6,587 | 6,587 |
| 11 | Secured wholesale funding | | **3,517** | | **7,659** |
| 12 | Additional requirements, of which: | **179,592** | **26,979** | **178,261** | **26,963** |
| 13 | Outflows related to derivatives exposures and other collateral requirements | 8,065 | 8,065 | 8,134 | 8,134 |
| 14 | Outflows related to loss of funding on debt products | – | – | – | – |
| 15 | Credit and liquidity facilities | 171,527 | 18,914 | 170,127 | 18,829 |
| 16 | Other contractual funding obligations | **–** | **–** | **–** | **–** |
| 17 | Other contingent funding obligations | **100,578** | **13,342** | **96,138** | **11,940** |
| **18** | **Total cash outflows** | | **158,867** | | **159,197** |
| **Cash inflows** | | | | | |
| 19 | Secured lending | 55,904 | 5,509 | 48,539 | 5,322 |
| 20 | Inflows from fully performing exposures | 14,728 | 10,487 | 15,101 | 10,485 |
| 21 | Other cash inflows | 7,684 | 7,684 | 12,637 | 12,637 |
| **22** | **Total cash inflows** | **78,316** | **23,680** | **76,277** | **28,444** |
| **23** | **Total liquid assets** | | 177,435 | | 177,231 |
| **24** | **Total net cash outflows** | | 135,187 | | 130,753 |
| **25** | **Liquidity Coverage Ratio (%)** | | 131 | | 136 |
| **Number of data points used (Business Days)** | | | 65 | | 62 |

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. This allows the Group to use internal estimates of PD and LGD (excluding senior unsecured and subordinated corporate exposures), with supervisory estimates to be used for EAD for the purposes of calculating regulatory capital. |
| **Alternative Liquid Assets (ALA)** | Assets that qualify for inclusion in the numerator of the LCR in jurisdictions where there is insufficient supply of HQLA. No ALA are recognised in the LCR following the reduction of the Committed Liquidity Facility to zero on 1 January 2023. |
| **ASB** | ASB Bank Limited – a subsidiary of the Commonwealth Bank of Australia that is regulated by the RBNZ. |
| **Australian Accounting Standards** | The Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB). |
| **Australian Prudential Regulation Authority (APRA)** | The Australian Prudential Regulation Authority is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian parliament. The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia. |
| **Authorised Deposit-taking Institution (ADI)** | ADIs are corporations that are authorised under the Banking Act 1959 to carry on banking business in Australia. |
| **Banking Book** | The banking book is a term for assets on a bank's Balance Sheet that are expected to be held to maturity, usually consisting of customer loans to, and deposits from retail and corporate customers. The banking book can also include those derivatives that are used to hedge exposures arising from the banking book activity, including interest rate risk. |
| **Basel 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. |
| **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*). |
| **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. |

# Glossary (continued)

| Term | Definition |
|---|---|
| **Corporate** | Basel asset class – includes commercial credit risk where annual revenues are greater than or equal to $75 million but less than $750 million. |
| **Corporate - Large** | Basel asset class – applies to commercial credit risk where annual revenues are more than $750 million. |
| **Credit Valuation Adjustment (CVA) Risk** | The risk of mark-to-market losses related to deterioration in the credit quality of a derivative counterparty. |
| **Domestic Public Sector Entity** | Basel asset class – exposures that do not meet the definition of Sovereign exposures, but have a level of control or ownership by any level of the Australian Government or the RBA, including those which do not have specific revenue-raising powers. |
| **Exposure at Default (EAD)** | The extent to which the Group may be exposed upon default of an obligor. |
| **Extended Licenced Entity (ELE)** | An Extended Licensed Entity is comprised of an ADI and each subsidiary of an ADI as specified in any approval granted by APRA in accordance with Prudential Standard APS 222 *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: banking, management of financial assets, lending, factoring, leasing, provision of credit enhancements, securitisation, investments, financial custody, central counterparty services, and proprietary trading. |
| **Foundation Internal Ratings-based (FIRB) Approach** | This approach is used to measure credit risk in accordance with the Group's Basel III accreditation that allows the Group to use internal estimates of PD and rely on supervisory estimates for LGD and EAD for the purposes of calculating regulatory capital. |
| **General Provisions** | Collective Provisions classified as Stage 1 and Stage 2 in accordance with Australian Accounting Standards (AASB 9 *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. |
| **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. |
| **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 incurred), 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 2024 Basel III Pillar 3 report. |
| **Land Acquisition Development or Construction (ADC)** | Basel asset class – exposures secured by land acquired for development and construction purposes, or development and construction of any residential or commercial property. |
| **Level 1** | The Parent Bank (Commonwealth Bank of Australia), including offshore branches and APRA approved Extended Licensed Entities. |

# Glossary (continued)

| Term | Definition |
|---|---|
| **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 its insurance entity and certain entities through which securitisation of Group assets is conducted. This is the basis on which this report has been produced. |
| **Level 3** | The conglomerate group including the Group's insurance entity and qualifying securitisation entities. |
| **Leverage Ratio** | Tier 1 Capital divided by total exposures, 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. |
| **Non-performing exposure** | An exposure which is in default, meaning it is 90 days or more past-due or it is considered unlikely the borrower will repay the exposure in full without recourse to actions such as realising security. |
| **Operational Risk under the Standardised Measurement Approach** | The methodology used to measure operational risk, utilising an APRA prescribed formulaic approach which is largely dependent on profit or loss from ordinary banking activities. |
| **Other Assets** | Basel asset class – primarily includes cash items, investments in related entities, fixed assets, lease assets and margin lending. |
| **Other Retail** | Basel asset class – primarily includes retail credit exposures not otherwise classified as a residential mortgage, SME retail or a qualifying revolving retail asset. |
| **Past Due** | Facilities are past due when a contracted amount, including principal or interest, has not been met when due, or when it is otherwise outside contracted arrangements. |
| **Probability of Default (PD)** | The PD reflects a borrower's ability to generate sufficient cash flows in the future to meet the terms of all of its credit obligations to the Group. |
| **Prudential Capital Requirement (PCR)** | The regulatory minimum CET1, Tier 1 and Total Capital ratios that the Group is required to maintain at all times. |
| **Qualifying Revolving Retail (QRR)** | Basel asset class – represents revolving exposures less than $0.1 million to individuals, unsecured and unconditionally cancellable by the Group. Only Australian retail credit cards qualify for this asset class. |
| **RBA** | Reserve Bank of Australia. |
| **RBNZ** | Reserve Bank of New Zealand. |
| **RBNZ regulated entities** | All references to RBNZ regulated entities refer to RBNZ regulated subsidiaries and include ASB exposures for which RWA are calculated using the RBNZ's prudential rules subject to certain APRA-prescribed adjustments. |
| **Residential Mortgage** | Basel asset class – retail exposures secured by residential mortgage property. |

# Glossary (continued)

| Term | Definition |
|---|---|
| **Risk Weighted Assets (RWA)** | The value of the Group's on and off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. |
| **Scaling Factor** | In order to broadly maintain the aggregate level of capital in the global financial system post implementation of Basel II, the Basel Committee on Banking Supervision applies a scaling factor to the RWA amounts for credit risk under the IRB Retail, AIRB and FIRB approaches of 1.10. This is also applied to advanced exposures within RBNZ regulated entities. |
| **Securities Financing Transactions (SFT)** | APRA defines securities financing transactions as transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing, and margin lending transactions, where the value of the transactions depends on the market valuation of securities and the transactions are typically subject to margin agreements. |
| **Securitisation** | Basel asset class – Group originated securitised exposures and the provision of facilities to customers in relation to securitisation activities. |
| **SME Corporate** | Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than $75 million. |
| **SME Retail** | Basel asset class – Small and Medium Enterprise (SME) commercial credit risk where annual revenues are less than $75 million and exposures are less than $1.5 million. |
| **Sovereign** | Basel asset class – primarily claims on Australian and foreign governments, central banks (including the RBA), international banking agencies and regional development banks. |
| **Specialised Lending** | Basel asset classes subject to the supervisory slotting approach which include: object finance, project finance and commodity finance. |
| **Specific Provisions** | All provisions, both collectively and individually assessed, classified as Stage 3 in accordance with Australian Accounting Standards (AASB 9 *Financial Instruments*). |
| **Stage 1** | On origination of financial assets, an impairment provision equivalent to 12 months expected credit losses (ECL) is recognised, reflecting the credit losses expected to arise from defaults occurring over the next 12 months. |
| **Stage 2** | Financial assets that have experienced a significant increase in credit risk (SICR) since origination are transferred to Stage 2 and an impairment provision equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL. |
| **Stage 3** | Non-performing (defaulted) financial assets are transferred to Stage 3 and an impairment provision equivalent to lifetime ECL is recognised. |
| **Standardised Approach** | An alternate approach to the assessment of credit, operational and traded market risk whereby an ADI uses external ratings agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA. |
| **Stressed Value-at-Risk (SVaR)** | Stressed Value-at-Risk uses the same methodology as VaR except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis. |
| **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. |

# Glossary (continued)

| Term | Definition |
|---|---|
| **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. |