

## Basel II Pillar 3 - Capital Adequacy and Risk Disclosures

Quarterly Update as at 30 June 2009

### Background

The Bank of Western Australia Ltd (the Bank) is an Authorised Deposit-taking Institution ("ADI") subject to regulation by the Australian Prudential Regulation Authority ("APRA") under the authority of the Banking Act 1959 and is a 100% owned subsidiary of the Commonwealth Bank of Australia ("CBA").

Until 31 December 2008 the Bank operated under the Basel I methodology. The Bank effective from 1 January 2009 adopted the standardised Basel II methodology. This update of the Bank's capital adequacy and risk disclosures has been prepared primarily in accordance with APRA Prudential Standard APS 330 which requires the Bank to report its Basel II assessment of capital adequacy on a Level 2 basis.

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

### 1. Group Capital Ratios

	30 June 2009
	%
<b>Tier One</b>	7.32
<b>Tier Two</b>	3.87
<b>Total Capital</b>	11.19

The Bank maintains a strong capital position. The Tier One and Total Capital ratios as at 30 June 2009 were 7.32% and 11.19% respectively.

### 2. Risk Weighted Assets

	30 June 2009
	\$M
<b>Risk weighted assets</b>	
<b>Credit Risk</b>	
<b>Subject to Standardised approach</b>	
Corporate	14,784
Sovereign	2
Bank	1,334
Residential Mortgage	19,610
Other retail	4,291
Other	971
<b>Total risk weighted assets subject to standardised approach</b>	<b>40,992</b>
<b>Securitisation</b>	<b>64</b>
<b>Equity exposures</b>	<b>14</b>
<b>Total risk weighted assets for credit risk exposures</b>	<b>41,070</b>
<b>Market risk</b>	<b>267</b>
<b>Operational risk</b>	<b>2,779</b>
<b>Total risk weighted assets</b>	<b>44,116</b>

### 3. Credit Risk Exposure

30 June 2009

Total Exposure <sup>(1)</sup>	On Balance Sheet	Off Balance Sheet		Totals
	\$M	Non-Market related \$M	Market related \$M	\$M
<b>Standardised approach</b>				
Corporate	12,926	1,455	121	14,502
Sovereign	1	1	-	2
Bank	6,090	45	395	6,530
Residential mortgage	39,753	573	33	40,359
Other retail	4,113	134	10	4,257
Other assets	1,313	-	-	1,313
<b>Total Exposures</b>	<b>64,196</b>	<b>2,208</b>	<b>559</b>	<b>66,963</b>
<b>Standardised approach</b>				

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

### 4. Past Due and Impaired Exposures, Provisions and Reserves

30 June 2009

Exposure type	Impaired loans	Past due loans ≥ 90 days	Specific provision balance	Actual losses <sup>(1)</sup>
	\$M	\$M	\$M	\$M
Corporate	1,258	311	562	3
Sovereign	-	-	-	-
Bank	-	-	-	-
Residential Mortgage	88	268	36	-
Other retail	12	6	12	61
Other	8	-	10	25
<b>Total</b>	<b>1,366</b>	<b>585</b>	<b>620</b>	<b>89</b>

(1) Actual losses equals write-offs from specific provisions and write-offs direct from general reserves for credit losses for the period ending 30 June 2009.

#### General Reserves for Credit Losses comprises:

30 June 2009

	\$M
General reserve for credit losses	143
Collective provisions	662
Tax effect	(242)
<b>Total General Reserves for Credit Losses</b>	<b>563</b>

## Classification of exposures

Basel asset class	Definition
Bank	Bank includes claims on central banks, international banking agencies, regional development banks, ADI and overseas banks.
Corporate	Corporate includes claims on Australian and international counterparties.
Other	Other Assets includes items such as Cash, Fixed Assets, other sundry debtors and prepayments.
Residential mortgage	Residential Mortgages include all exposures secured on residential real estate.
Securitisation	Securitisation includes Bank-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.
Sovereign	Sovereign includes claims on the Reserve Bank of Australia and on Australian and foreign governments.
Other Retail	Other Retail includes claims on private sector counterparties not secured by residential real estate.

## Glossary

Term	Definition
ADI	Authorised Deposit-taking Institution includes banks, building societies and credit unions which are authorised by the APRA to take deposits from customers.
APRA	Australian Prudential Regulatory Authority. The regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies in Australia.
Basel II	Refers to the Basel Committee on Banking Supervision revised framework for International Convergence of Capital Measurement and Capital Standards issued in June 2006.
Level 1	The lowest level at which the Bank reports its capital adequacy to APRA.
Level 2	The middle level at which the group reports its capital adequacy to APRA being the consolidated banking group comprising the ADI, its immediate locally incorporated non-operating holding company, if any, and all their subsidiary entities other than non-consolidated subsidiaries. This is the basis on which this report has been produced.
RWA	Risk Weighted Assets.