

Commonwealth Bank of Australia

September Quarter 2008 Trading Update

Investor Information Pack

13 November 2008



Determined to be different

Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 13 November 2008. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.



Summary

Challenging market conditions continuing - CBA remains well placed

- Continuing dislocation in credit markets
- Economic conditions slowing
- CBA remains well placed
- Good volume growth and market share gains
- Increased provisioning
- Strong capital, funding and liquidity positions
- Strategy on track and delivering;
 - Highest customer satisfaction gains of the peer group
 - BankWest on track – good engagement
 - Core Banking progressing very well



Summary

Strong volumes underpinning revenue position

	12 Months to Sep 08 %		3 Months to Sep 08 Annualised %	
	CBA	System	CBA	System
Home Lending	15.4	9.4	12.0	5.6
Household Deposits	19.0	15.2	22.4	21.2
Business Lending	10.0	16.3	6.0	13.2
Business Deposits	23.1	12.8	26.0	14.8

Figures normalised for balance sheet netting changes (estimated).

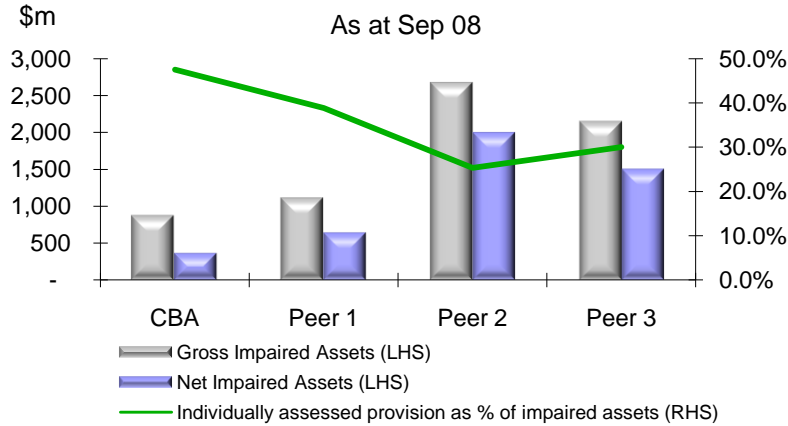


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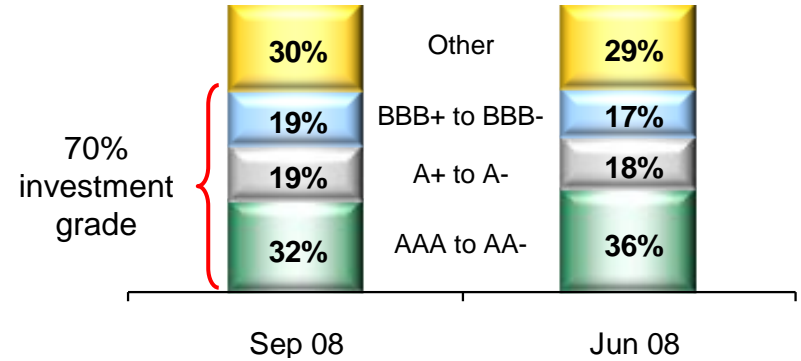
Summary

Loan Impairment Expense significantly higher – underlying credit quality sound

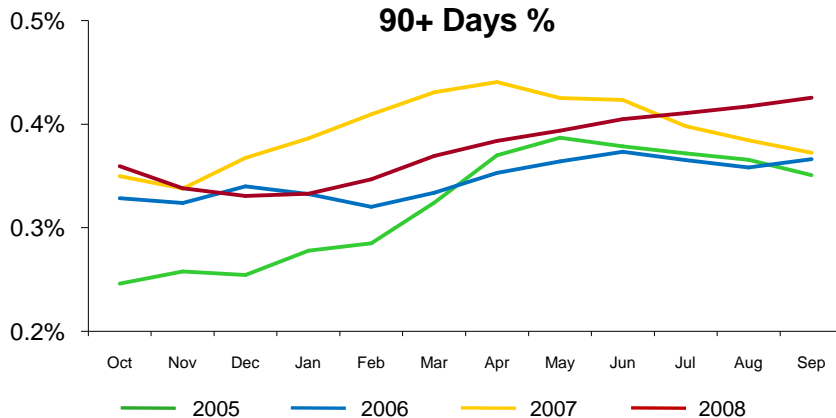
Impaired Assets vs Peers



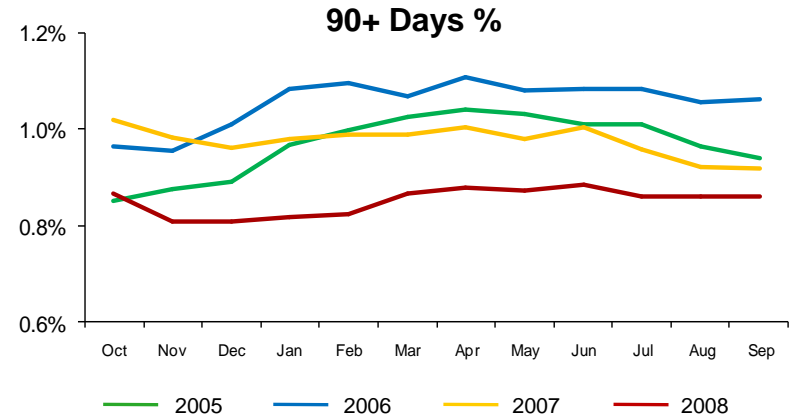
70% of exposures investment grade



Home loan arrears



Credit card arrears



Arrears graphs are 12 months to September

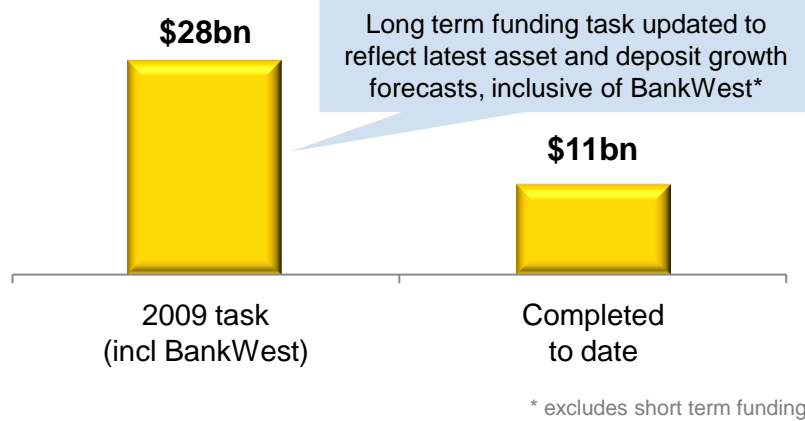


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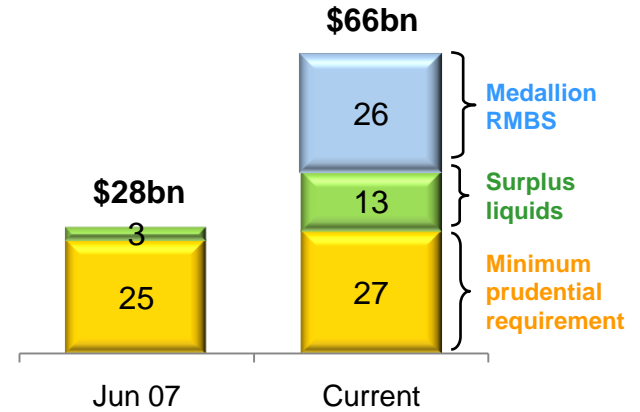
Summary

Strong funding, liquidity and capital positions

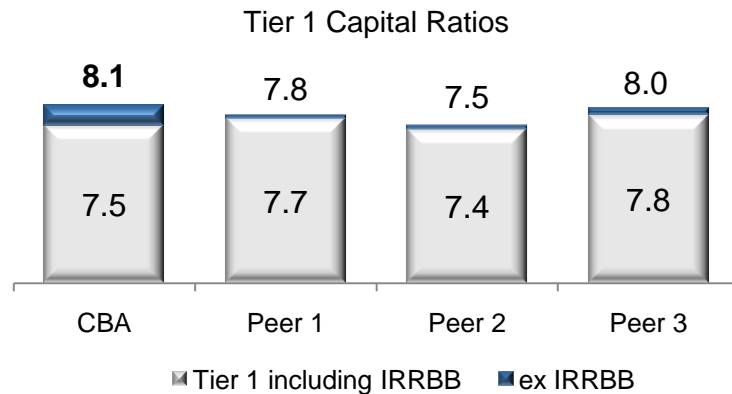
Well advanced with FY09 funding programme



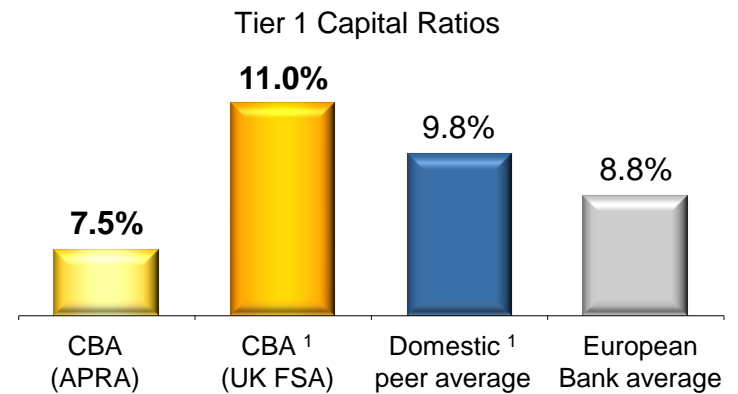
Liquid assets now total \$66bn



Domestic Peer Comparison









Tier 1 Peer Comparison



1. Normalised capital calculation to UK regulator, Financial Services Authority, as benchmark.



	AA Credit Rating – one of only 20 banks worldwide
	Tier 1 Capital ratio of 7.5% - FSA equivalent of 11.0%.
	Holding \$66bn in liquid assets
	30% share of household deposits – more than double next competitor
	Strongest growth in deposit balances over the past 12 months (+34%)
	Largest share of home lending – 18 consecutive monthly increases





Strong competitive position



Prudent funding and liquidity management



Strong capital position



Sound risk management



Low-risk, domestically focussed strategy

Market Shares

Strengthened competitive position reflected in strong market share gains

	Sep 07 %	Sep 08 %	Mvt %
Home Lending	18.73	19.73	1.00 ↑
Household Deposits	28.48	29.39	0.91 ↑
Business Lending	14.88	14.06	0.82 ↓
Business Deposits	15.17	16.55	1.38 ↑
FirstChoice	8.39	9.65	1.26 ↑



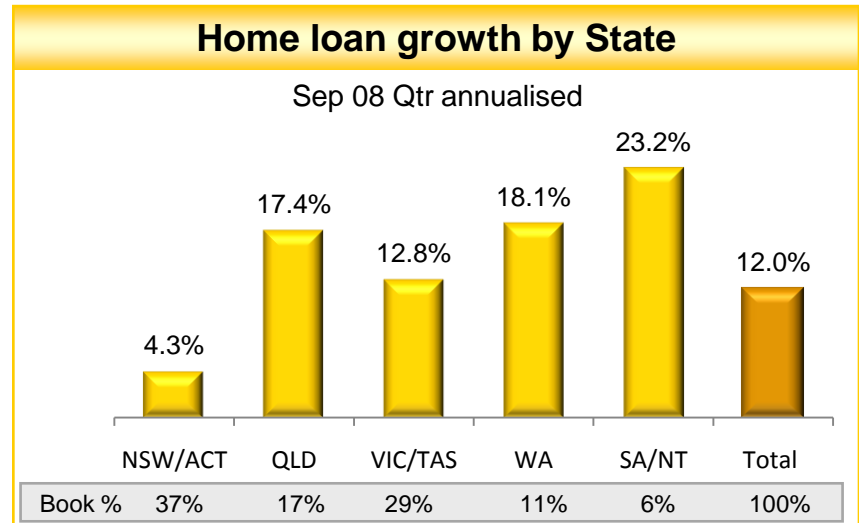
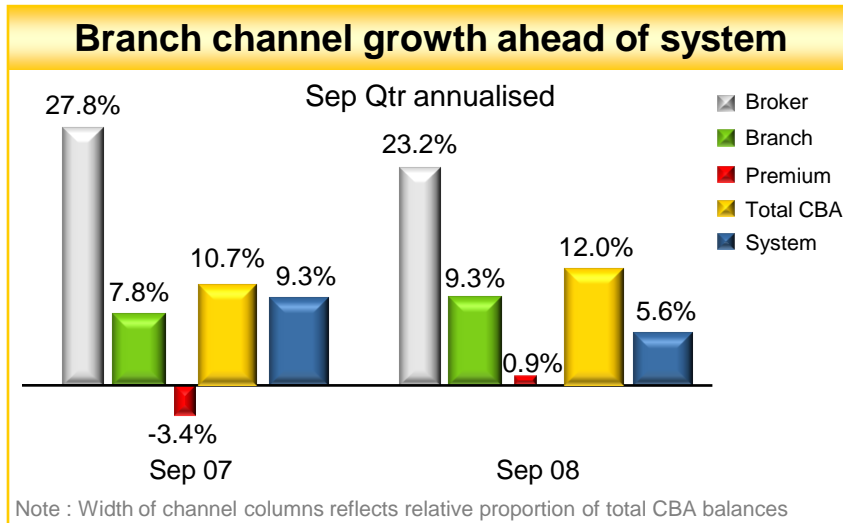
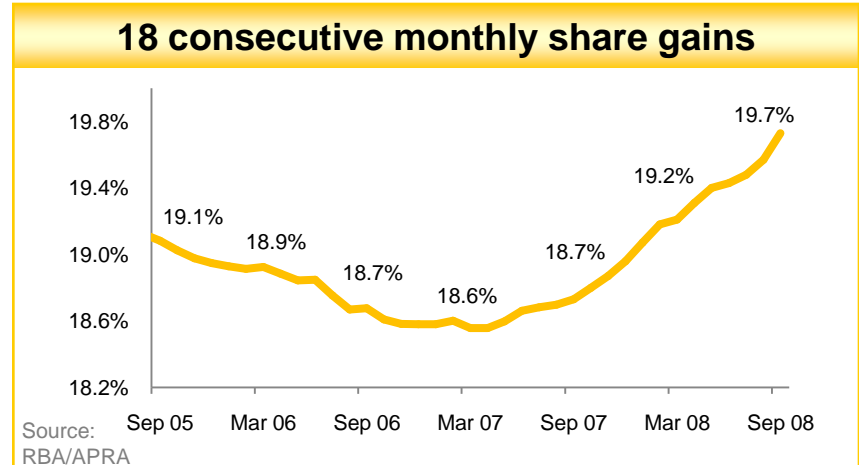
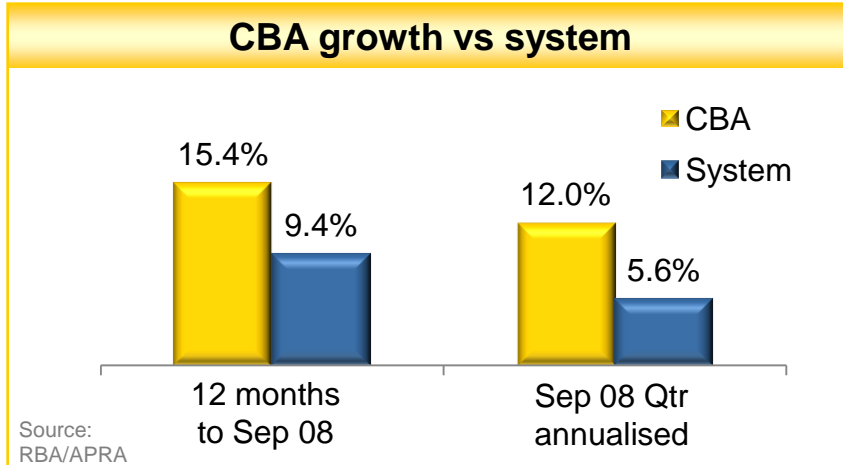
Figures normalised for balance sheet netting changes (estimated).
FirstChoice market shares are as at June (latest available).



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Home Lending

Strong market share gains helping to offset slowdown in system growth



Figures normalised for balance sheet netting changes (estimated).

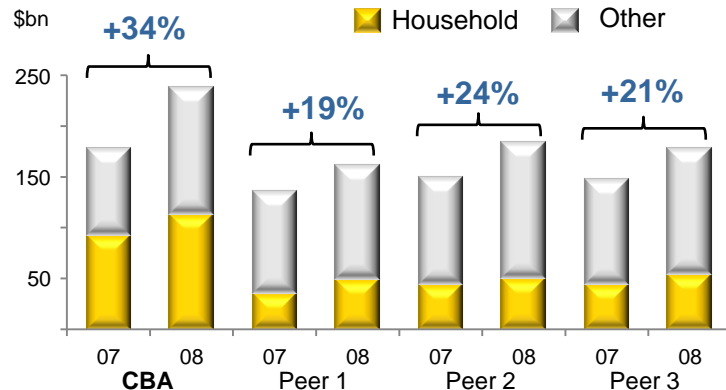


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Deposits

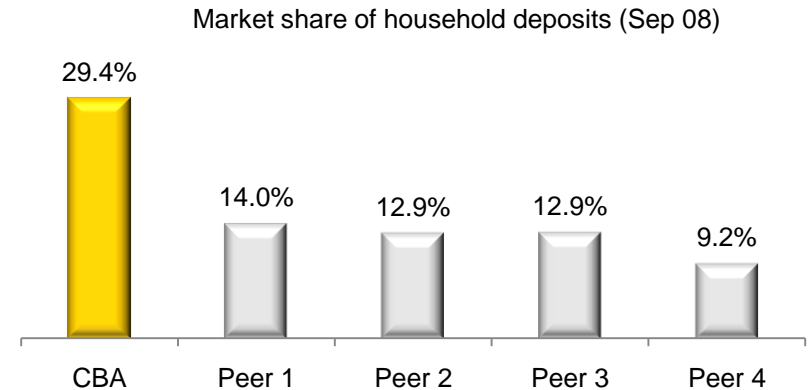
Across-the-board market share gains reinforcing CBA's competitive advantage in this key area

Total deposits growth well ahead of peers



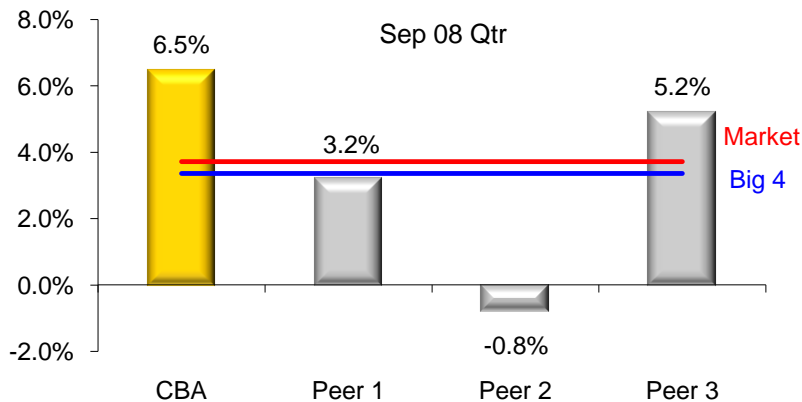
Source: APRA deposits on books of individual banks (includes CD's & Govt deposits).

Household deposit share twice next largest



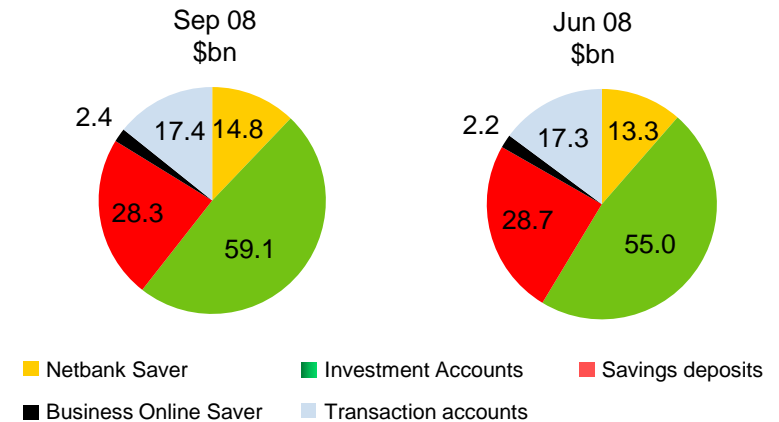
Source: APRA

Very strong growth in business deposits



Source: APRA

Minimal change in retail balance mix



Figures normalised for balance sheet netting changes (estimated).



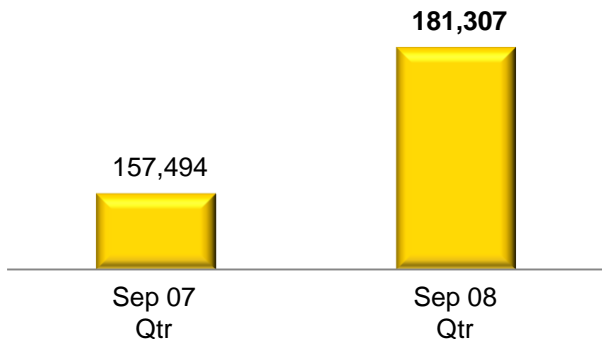
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Other

Continued emphasis on targeted, sustainable and profitable growth

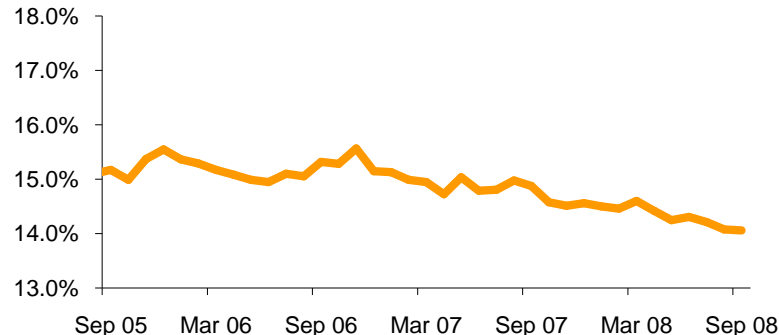
Strong growth in new transaction accounts

New personal transaction accounts (#)



Business lending market share

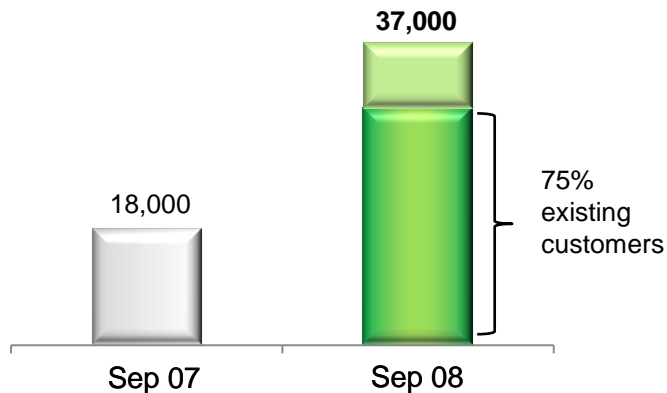
APRA loans to non-financial corporations



Source: APRA

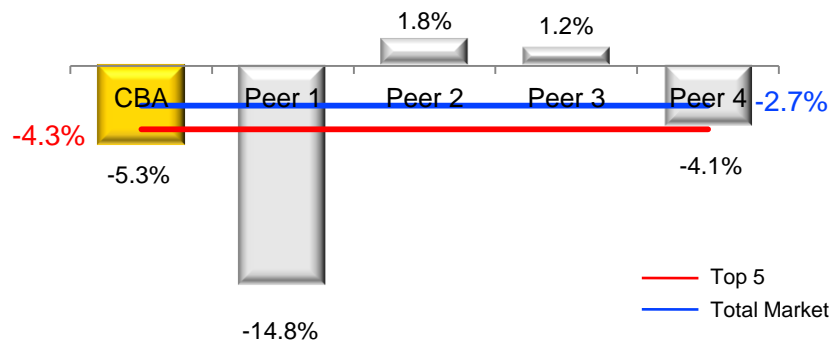
Credit card growth via existing customers

Growth in number of net credit card accounts (Qtr)



Slowdown in margin lending

Personal lending growth (6 months to Sep 08)



Source: APRA

Figures normalised for balance sheet netting changes (estimated).

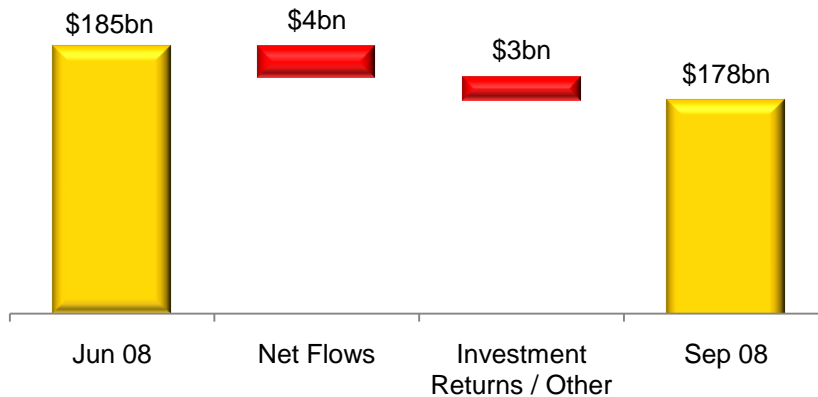


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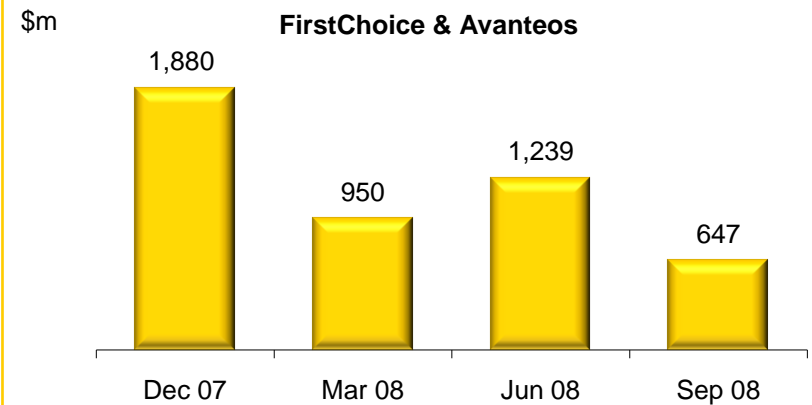
Wealth Management

Relative performance remains strong in tough market conditions

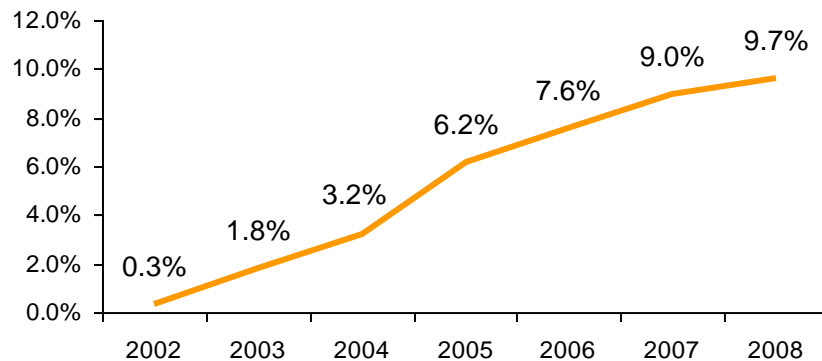
FUA movements Sep 08 Quarter



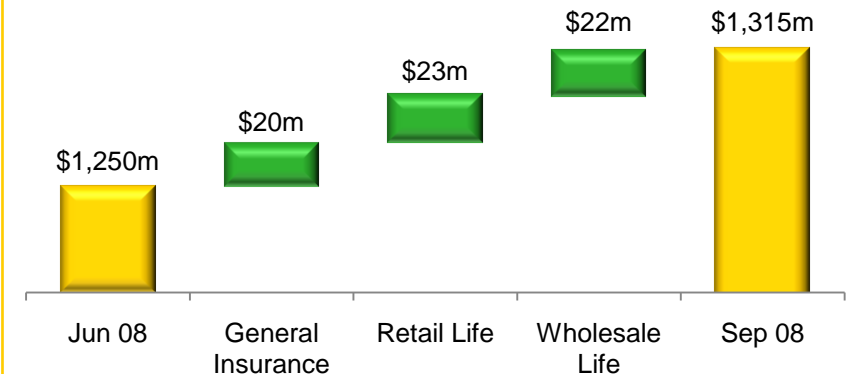
Net flows remain positive on key platforms



FirstChoice (FUA) market share

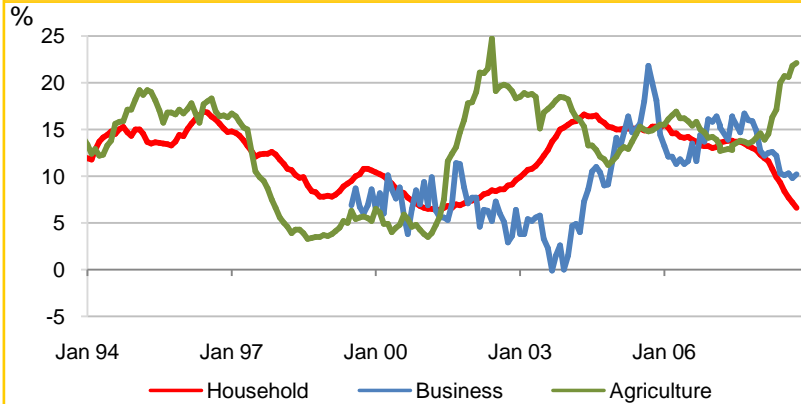


Inforce movements Sep 08 Quarter



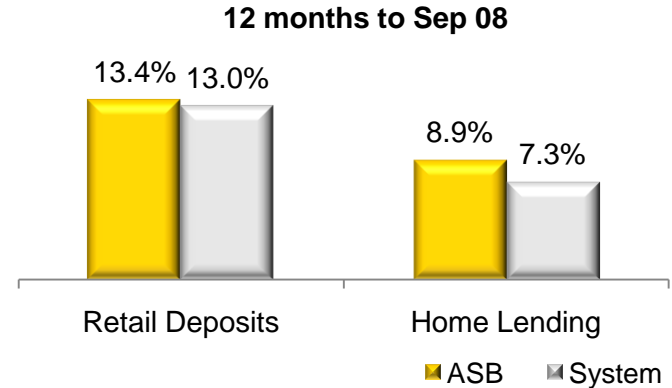
ASB remains well-placed to navigate tougher market conditions

Credit growth slowing, particularly housing



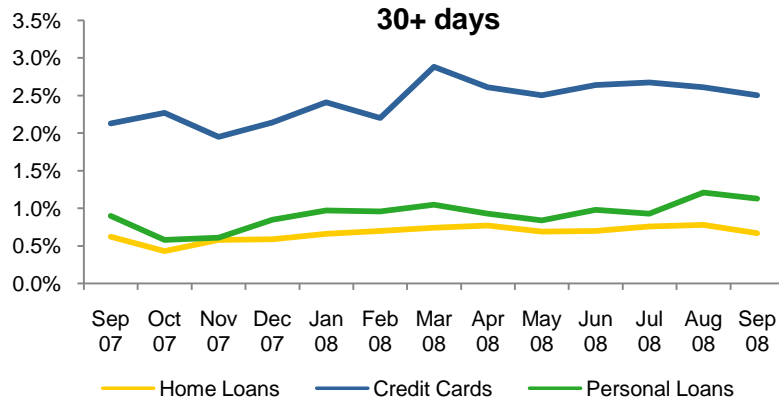
Source : RB, NZ, ASB

ASB growth remains ahead of system

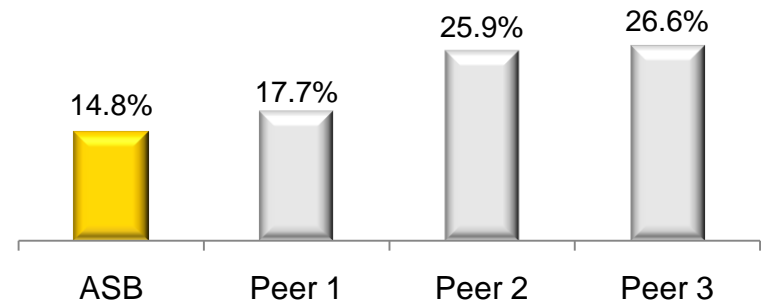


Source: ASB and RBNZ

Arrears rates trending higher off a low base



Proportion of home loans above 80% LVR



Source: General Disclosure Statements



 Strong competitive position

 **Prudent funding and liquidity management**

 Strong capital position

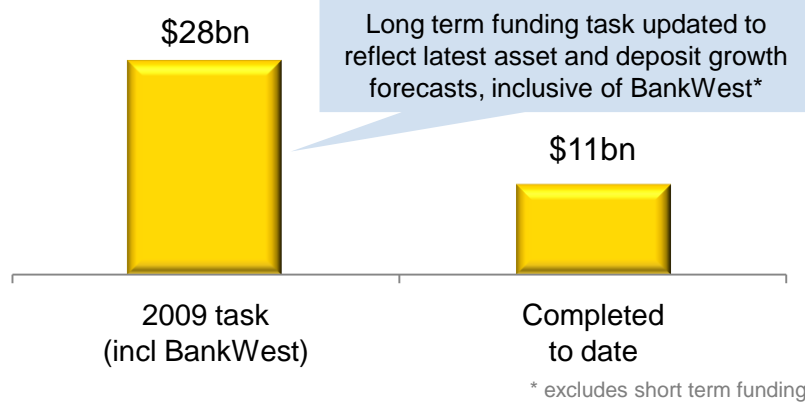
 Sound risk management

 Low-risk, domestically focussed strategy

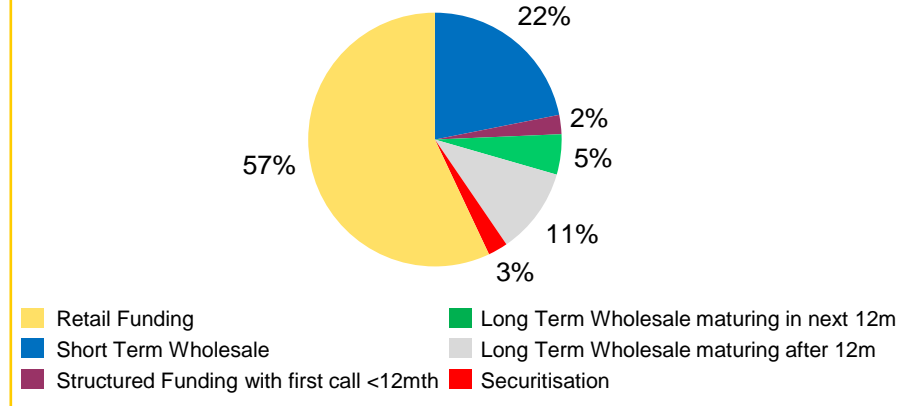
Funding & Liquidity

Well advanced with 2009 funding programme – further strengthened by \$66bn in liquid assets

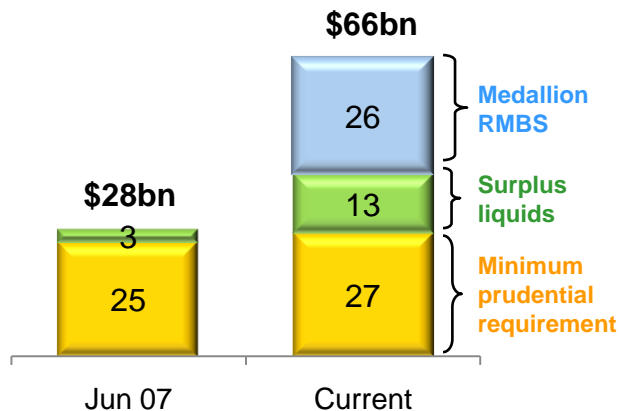
Well advanced with FY09 funding programme



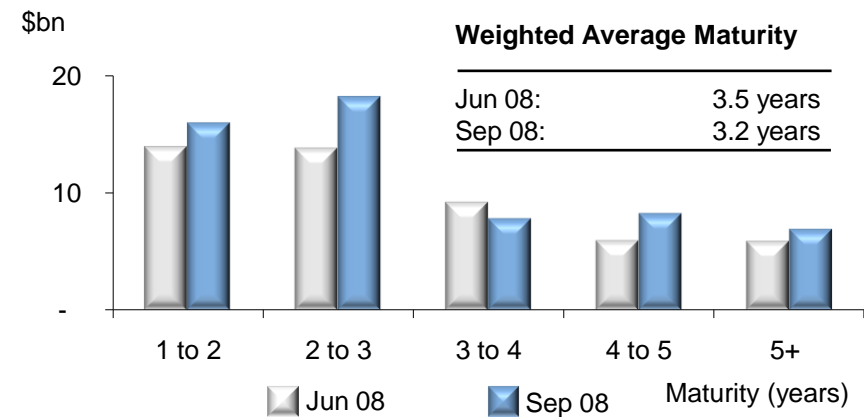
Retail funding remains strong ¹



Liquid assets now total \$66bn



Average maturity profile maintained >3 yrs

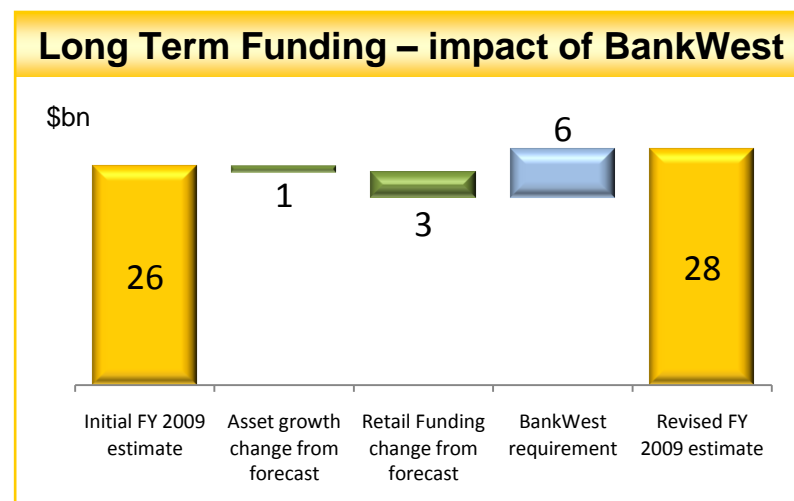
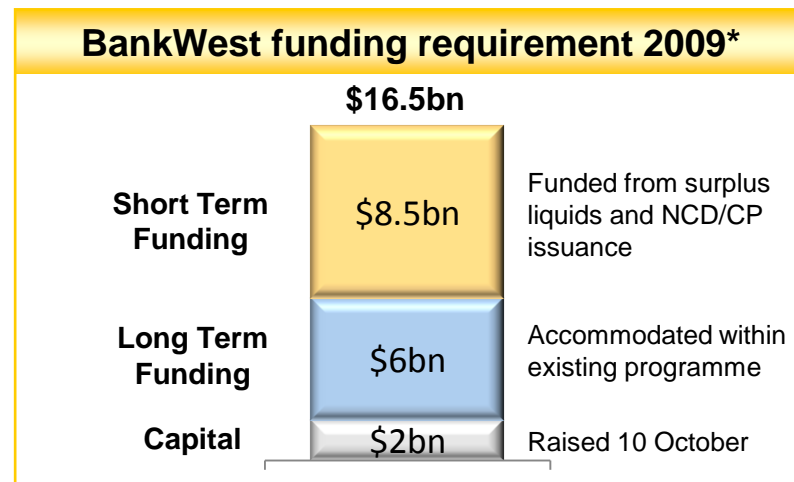


1 Surplus liquids are excluded from short term wholesale funding



Funding Impact of BankWest

- BankWest funding requirement easily accommodated from existing funding resources
- Total funding requirement of \$16.5bn in FY 2009 (including \$2bn equity already raised)
- Short term component of \$8.5bn funded via reduction in surplus liquid assets and NCD/CP issuance*
- Long term requirement of \$6bn funded within existing 2009 term funding programme



* The balance of funding, estimated at approximately \$4bn, will be paid 6 months after settlement

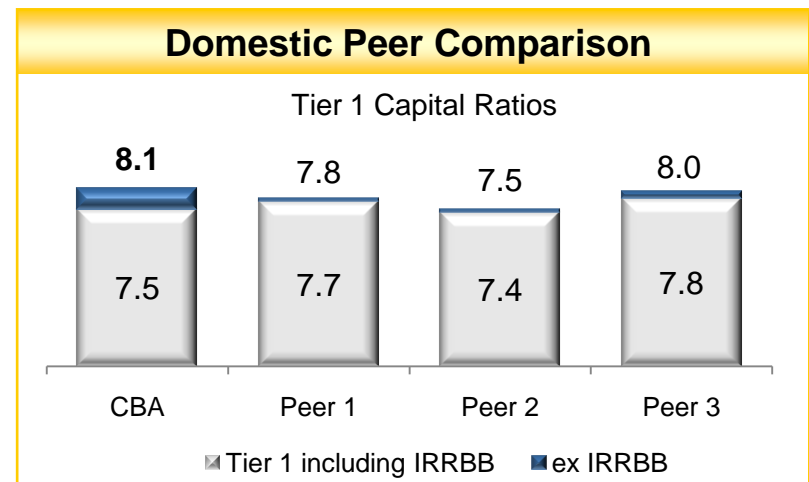
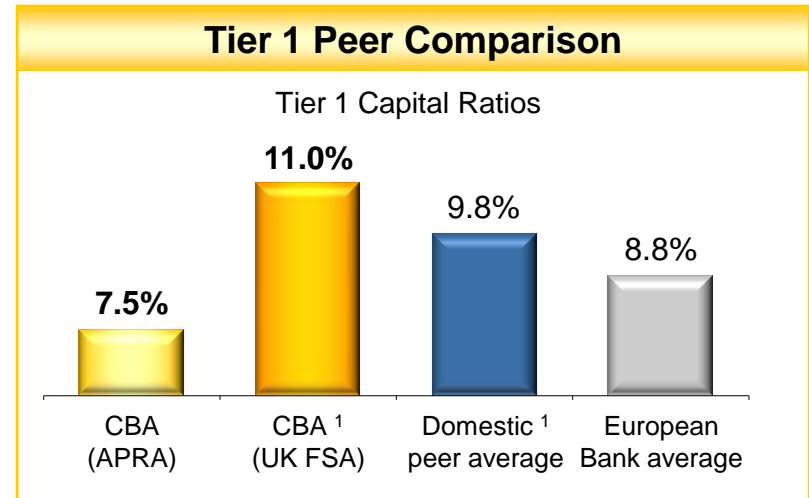


- ☑ Strong competitive position
- ☑ Prudent funding and liquidity management
- ☑ Strong capital position**
- ☑ Sound risk management
- ☑ Low-risk, domestically focussed strategy

Capital

FSA (UK) Tier 1 capital ratio of 11%

- Strong capital position maintained
- Tier 1 ratio of 7.5% as at Sep 08 – inclusive of high IRRBB²
- Discussions continuing with APRA on appropriate calculation of IRRBB
- \$2bn of capital raised in October to ensure BankWest acquisition capital neutral
- FSA Tier 1 ratio of 11.0% - highest of the peer group as at September



1. Normalised capital calculation to UK regulator, Financial Services Authority, as benchmark.
2. Interest Rate Risk in the Banking Book.



Capital

UK Capital Comparison – Basel II

The following table estimates the impact on CBA capital, as at September 2008, of the differences between the APRA Basel II guidelines and those of the UK regulator, Financial Services Authority (FSA)

	Net Fundamental Capital ¹	Tier 1 Capital	Total Capital
September 08 Actual - APRA	5.6%	7.5%	11.1%
RWA treatment – Mortgages ² , Margin Loans	0.7%	0.9%	1.1%
IRRBB RWA	0.4%	0.6%	0.8%
Future dividends (net of DRP)	0.3%	0.3%	0.3%
Value of in force (VIF) deductions ³	0.6%	0.6%	0.0%
Tax impact in EL > EP calculation	0.1%	0.1%	0.2%
Application of UKFSA Tier 1 hybrid limits	0.0%	0.6%	0.0%
Equity investments	0.4%	0.4%	0.2%
<i>Total Adjustments</i>	2.5%	3.5%	2.6%
September 08 Actual – Normalised - FSA	8.1%	11.0%	13.7%



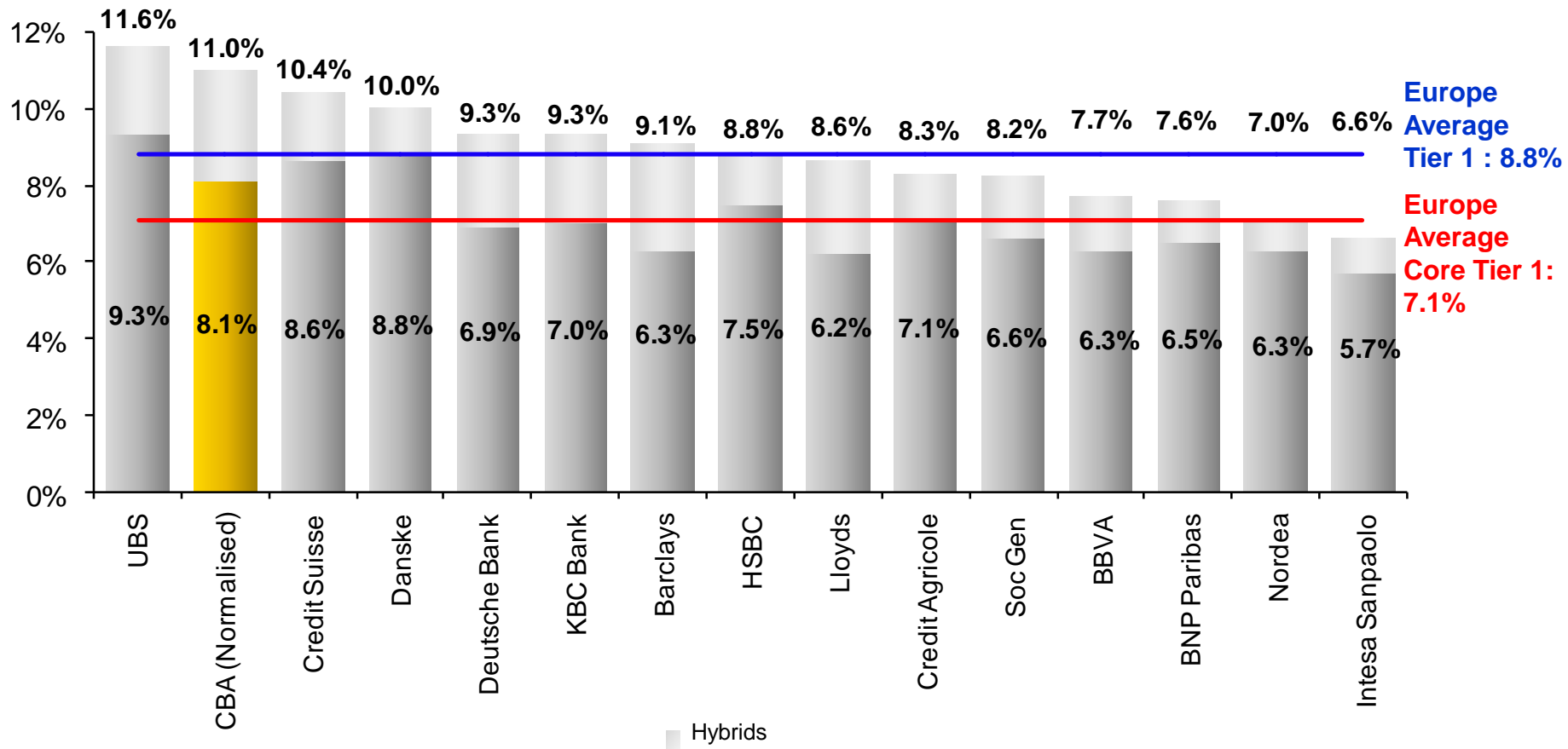
1. Represents Fundamental Tier One capital net of Tier One deductions
2. Based on APRA 20% loss given default (LGD) floor compared to FSA 10% and CBA's downturn LGD loss experience.
3. VIF at acquisition is treated as goodwill and intangibles and therefore is deducted at Tier 1 by APRA. FSA allows VIF to be included in Tier 1 Capital but deducted from Total Capital.



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Capital European capital levels

Basel II Tier 1 Capital



Top 14 European Banks by market capitalisation as at 28/10/2008, reporting under Basel II.
Source: latest publicly disclosed company reports.

1. Reflects Tier 1 Capital less hybrid Tier 1 instruments



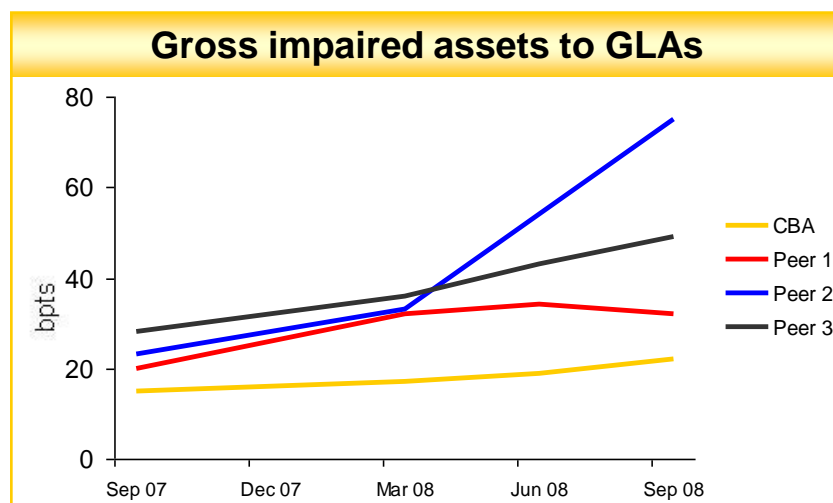
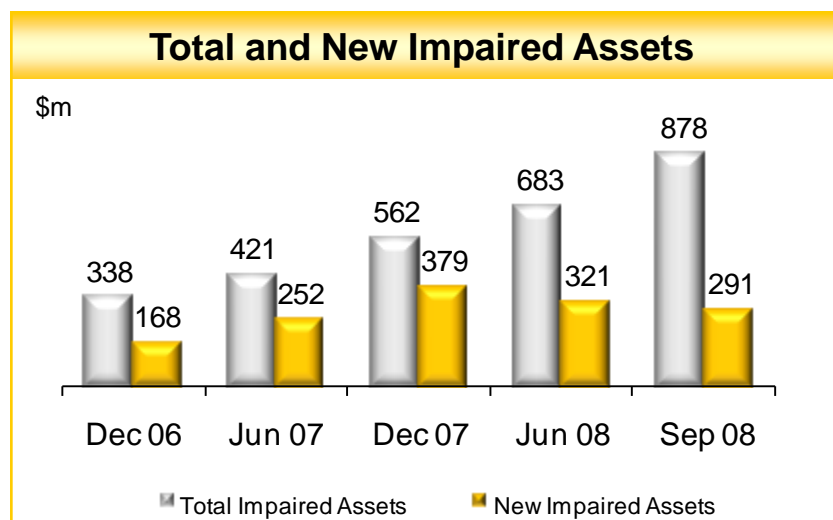
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- ✓ Strong competitive position
- ✓ Prudent funding and liquidity management
- ✓ Strong capital position
- ✓ **Sound risk management**
- ✓ Low-risk, domestically focussed strategy

Overview

Provisions taken for large existing single names - underlying credit quality remains sound

- Overall book quality remains sound
- Provisions taken for pre-existing single name exposures*
- Lower impaired assets than peers as at 30 September 2008
- No systemic issues
- Small uptick in consumer arrears but within expectations

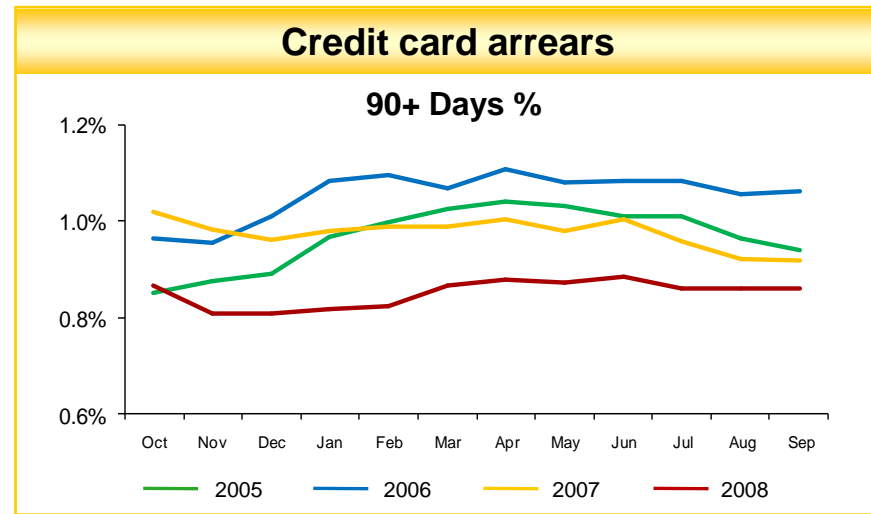
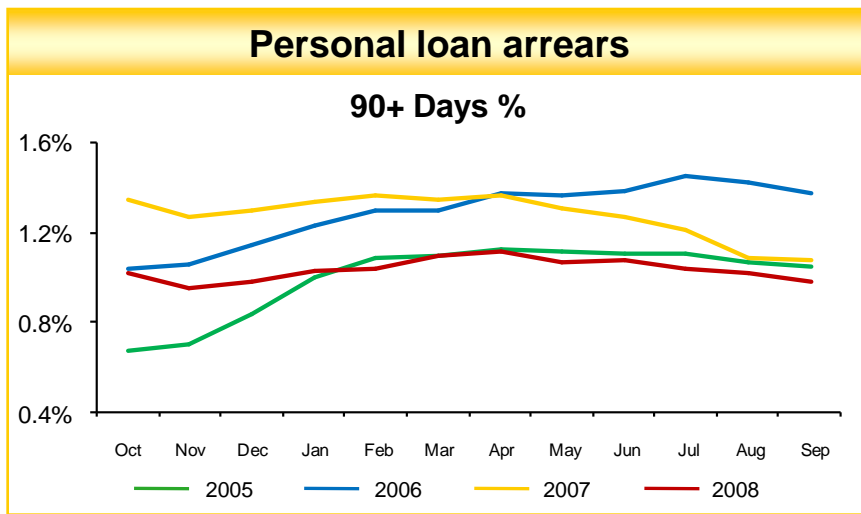
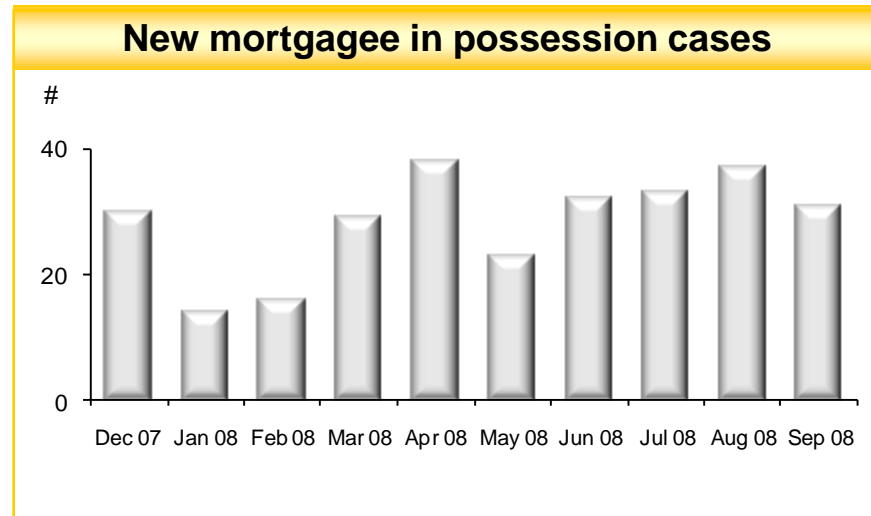
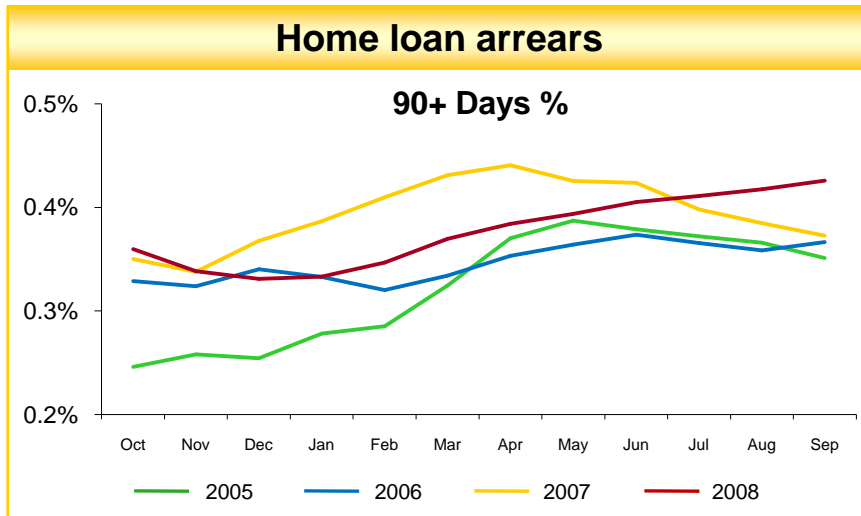


* Effective from 1 July 2008, the Group adopted the recent amendments to AASB 139 "Financial Instruments: Recognition and Measurement". This has led to a reclassification of mark to market trading losses on ABC Learning convertible notes from Other Banking Income to Impairment Expense (Available for sale investments).



Consumer

Small uptick in home loan arrears off a low base - unsecured arrears trending below prior years



Arrears graphs are 12 months to September



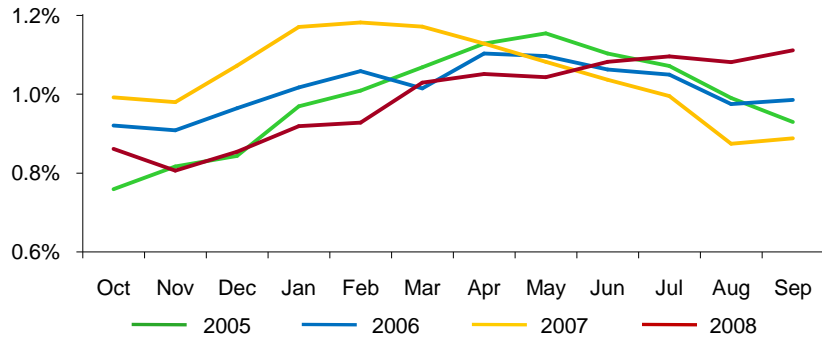
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Consumer

Home loan arrears uptick broadly consistent across States, but within expectations

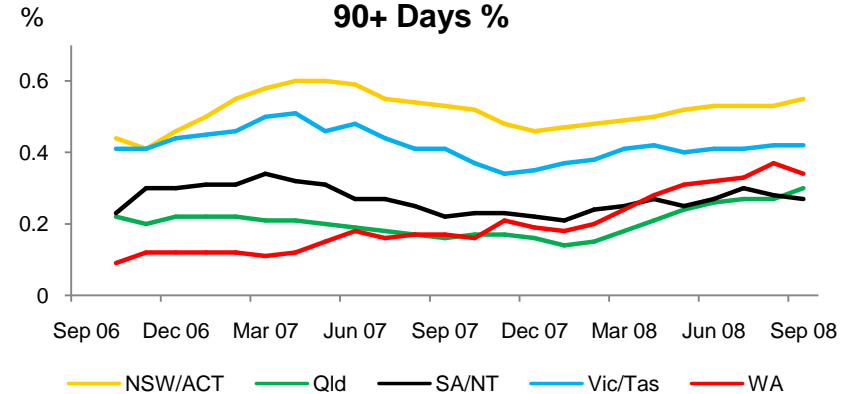
Home loan arrears

30+ Days %

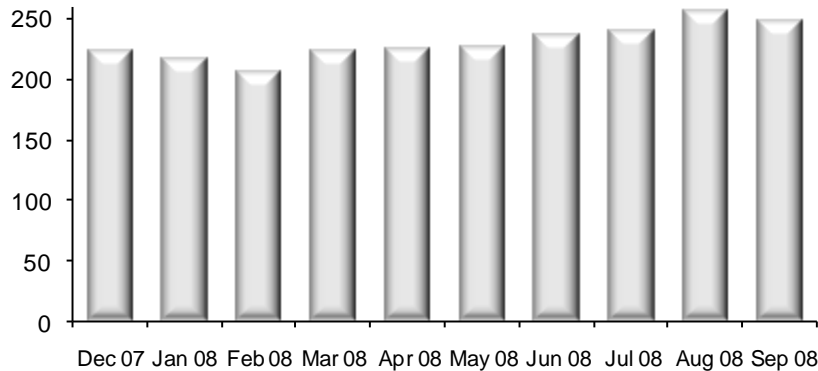


Home loan arrears by State

90+ Days %



Total mortgagee in possession cases



Home loan portfolio mix

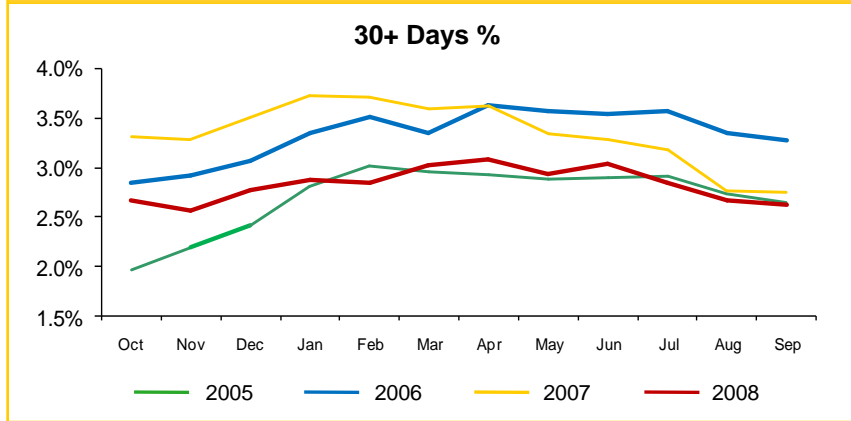
	Sep 08	Jun 08
Owner-Occupied	55%	55%
Investment	34%	34%
Line-of-Credit	11%	11%
Variable	68%	66%
Fixed	30%	32%
Honeymoon	1%	2%
Low Doc %	~ 4.2%	~ 3.7%
Originations		
Proprietary	60%	61%
Third Party	40%	39%



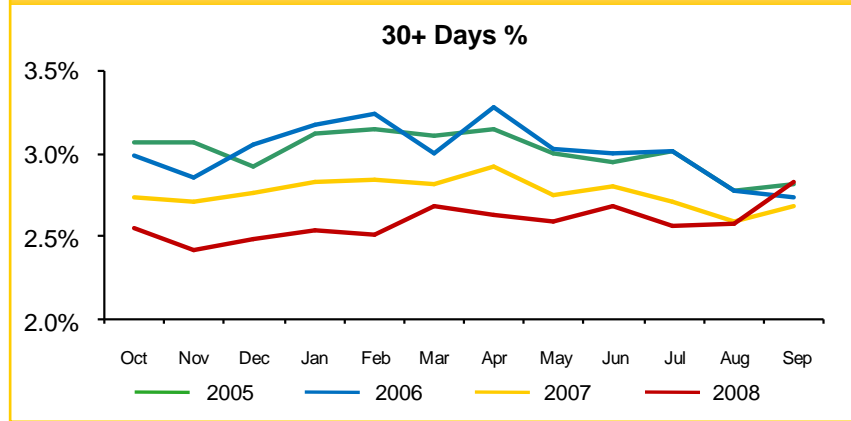
Consumer

Recent credit card 30 day arrears impacted by a one-off increase in minimum payment levels

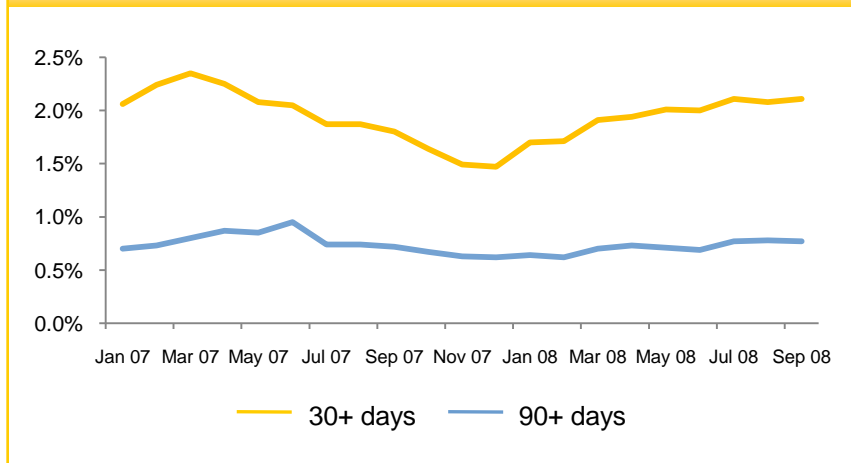
Personal loan arrears



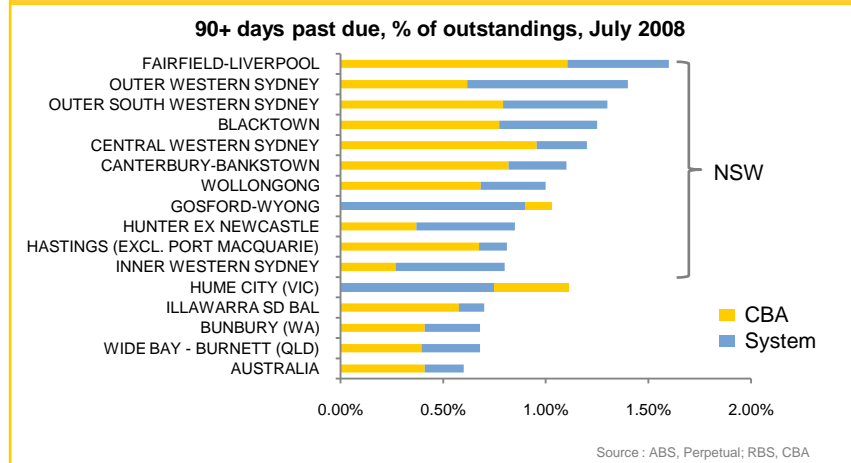
Credit card arrears



"Low doc" home loan arrears



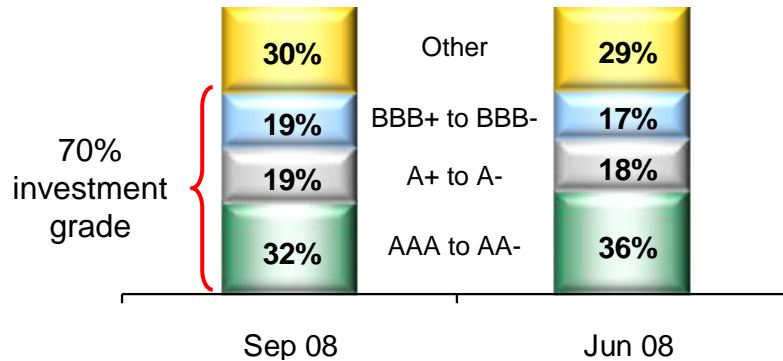
Housing loan arrears by region



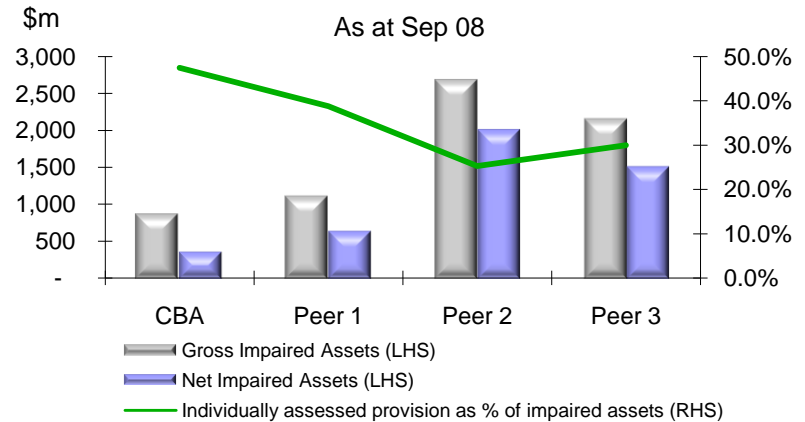
Commercial

Book quality remains sound - no systemic or sector specific issues

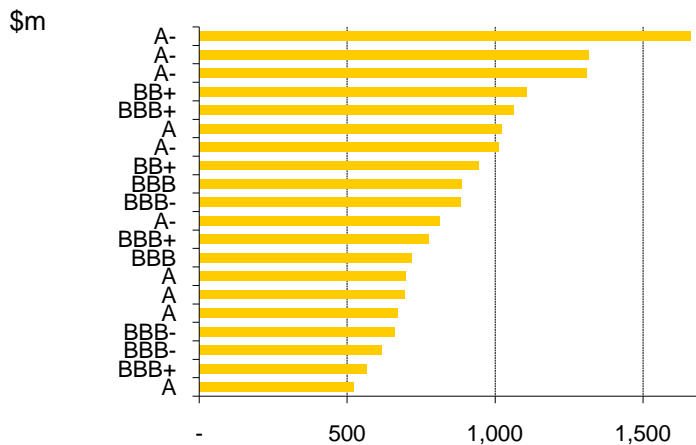
70% of exposures investment grade



Impaired Assets vs Peers



Top 20 Commercial Exposures*



Margin Lending portfolio in good shape

	Sep 08	Jun 08	Mar 08
Portfolio Size	~\$7.5bn	~\$8bn	~\$8bn
Aggregated Gearing	48%	42%	47%
Margin Calls:			
- Number	20,309	4,844	13,704
- Forced sales	< 4.3%	< 3.5%	< 3.2%
- Losses/Write-Offs	\$0m	\$5.7m	\$0m
- Loss % of Book	0%	0.06%	0%

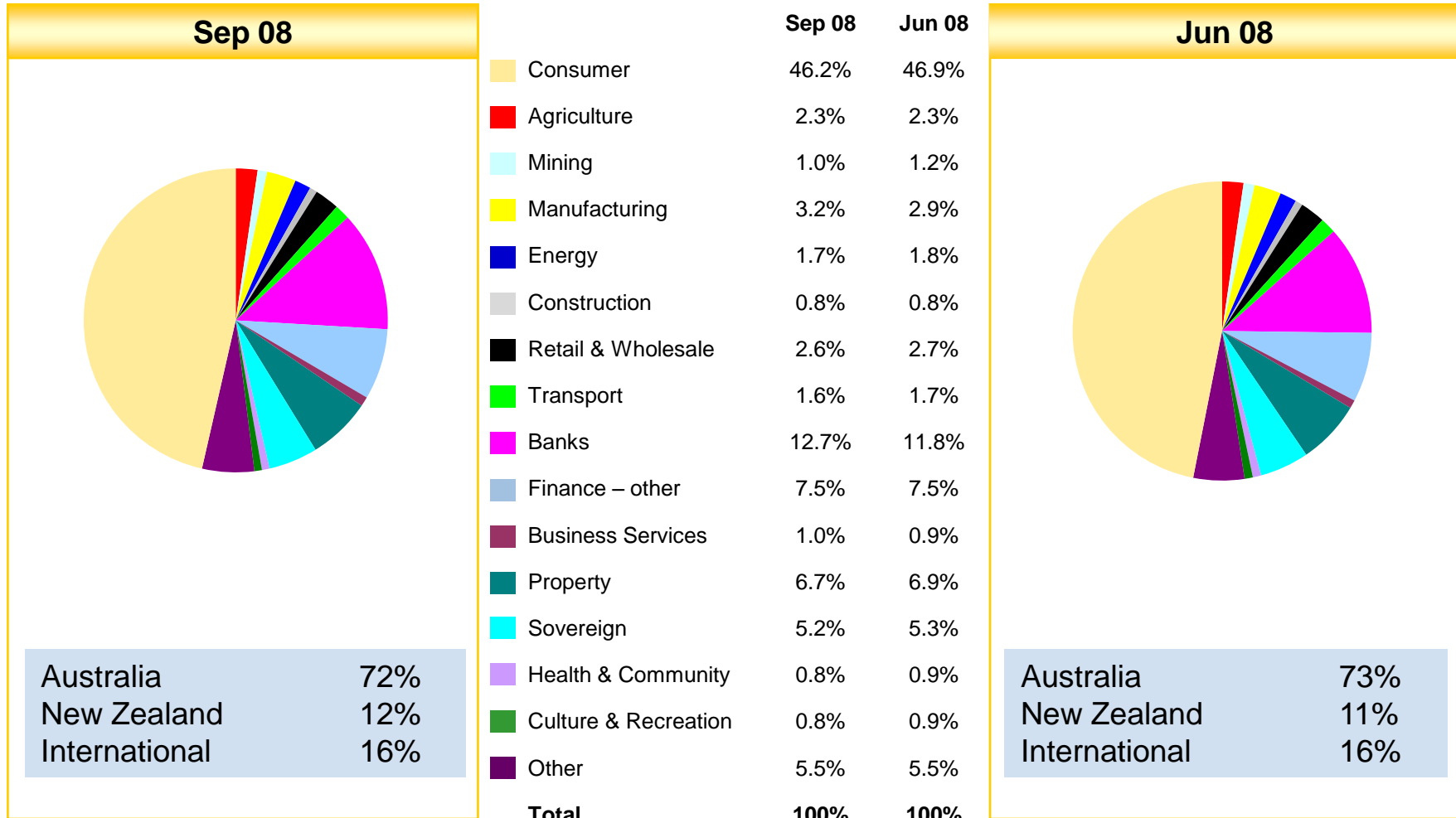


* Excludes finance and government. Rating reflects S&P's rating equivalent of internal grading for main borrower entity. Care: The nominal increase in exposure values represented in this graph relative to previous disclosures reflects a refinement to the Group's aggregation methodology, rather than any change in absolute exposure levels.



Sector Exposures

Portfolio remains well diversified across industry sectors



Total exposures = balance for uncommitted facilities; greater of limit or balance for committed facilities. Includes settlement risk.

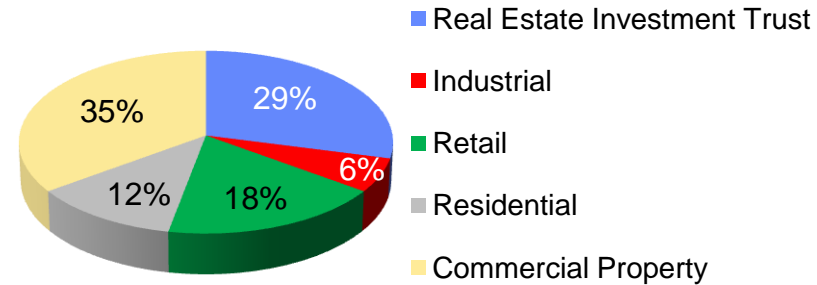


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Property

Well diversified portfolio with strong security cover and conservative LVR's

- Represents 6.7% of total exposures
- Well diversified across property classes and geographies
- Strong security cover;
 - 74% of the overall portfolio secured
 - 94% of below investment grade exposures secured
- Secured portfolio average LVR of 51%
- Unsecured portfolio largely listed entities with average gearing ratio of <35%



Property segments	Secured portion	Average LVR
Commercial	87%	52%
Industrial	77%	53%
Real Estate Investment Trusts	42%	52%
Residential	91%	53%
Retail	90%	48%
All segments	74%	51%



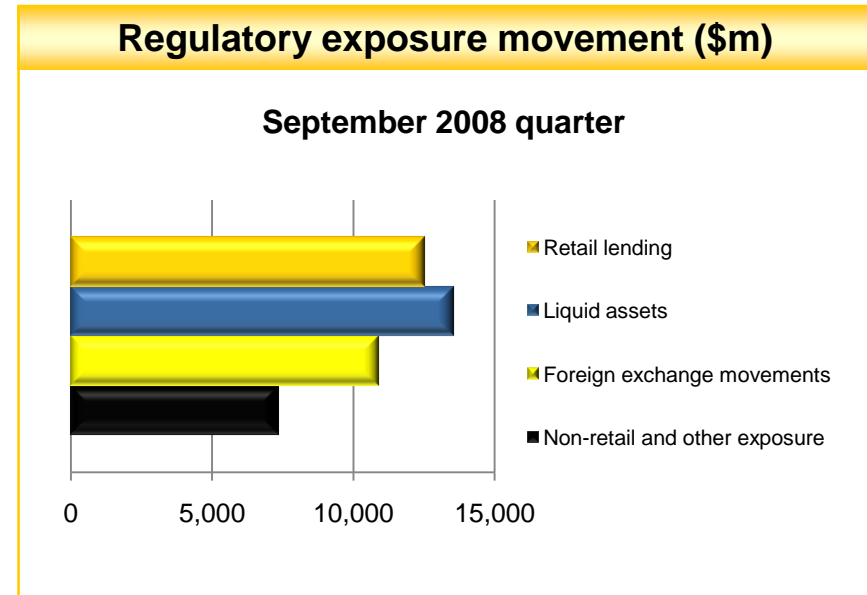
Total exposures = balance for uncommitted facilities; greater of limit or balance for committed facilities. Includes settlement risk.



Determined to be different

Pillar 3 Enhanced credit quality disclosures

- Enhanced disclosures/transparency
- Sep Quarter credit exposures up 9%;
 - “Flight to quality” in retail lending
 - Increased liquid assets
 - Exchange rate movements impacting derivatives/foreign currency related lending
- Increase in impaired assets during the quarter predominantly Lehman Brothers
- Additional impaired assets post September (as disclosed) – existing “single name” exposures



Counterparty & Other Exposures

Lehman Brothers	<ul style="list-style-type: none"> Total exposure of ~ \$AUD150m, including a loan of ~\$AUD115m to a Japanese subsidiary. All derivative exposures closed out .
Allco Finance Group Limited	<ul style="list-style-type: none"> Exposure of approximately \$AUD170m.
ABC Learning Centres Limited	<ul style="list-style-type: none"> Senior debt exposure of approximately \$AUD240m. Also 4.456 million hybrid notes – carrying value of approximately \$AUD220m following the \$100m post tax write down in the September quarter.
US Debt/Agency	<ul style="list-style-type: none"> No exposures to foreign sub-prime/Alt-A exposures. No exposure to Fannie Mae, Freddie Mac or Federal Home Loan Bank. Net exposure to Sallie Mae ~ \$AUD150m.
Non-Conforming Mortgage-Backed Exposure	<ul style="list-style-type: none"> ~AUD50m of Australian non-conforming RMBS. All investment grade with ~\$AUD30m AAA. Non-conforming securitisation warehouse exposures of ~AUD1.0bn covering a wide range of residential mortgage exposures. One warehouse is A rated, the balance are BBB rated. Risk mitigated via strict eligibility criteria, various forms of credit support separate from the underlying mortgages and recourse to underlying assets.
CMBS	<ul style="list-style-type: none"> Investment of GBP28m in AAA and AA rated notes where the underlying assets are mortgages over a portfolio of supermarket properties in the UK. Additional Australian exposure of ~AUD75m of CMBS related to the Centro Property Group and ~AUD4m of AAA exposure to a CMBS issuance by Illawarra Series 2004-1. Bank also provides securitisation warehouses to fund Commercial Mortgages intended to be ultimately refinanced through a debt capital markets issuance. Facilities drawn to \$AUD635m with 98% rated at least BBB.
Asset Backed Commercial Paper (ABCP) Conduits	<ul style="list-style-type: none"> One Bank-sponsored ABCP conduit (SHIELD) with its standby facility fully drawn to \$AUD800m. It holds AAA-rated Medallion assets. Standby facilities to other conduits of \$AUD800m, currently drawn to \$AUD254m. Conduits primarily fund Australian RMBS and one program funds NZ Auto Loans. All conduits have short term ratings of A-1+.



Counterparty & Other Exposures

Lenders Mortgage Insurance	<ul style="list-style-type: none"> ■ Mortgage insurance is outsourced to Genworth (98%) and PMI (2%). Under “extreme stress” conditions (decrease in house prices of 30% and 6 times current default rate), expected loss demand on LMI would be ~\$AUD480m.
CDOs	<ul style="list-style-type: none"> ■ Total Group CDO/CLO exposure of ~AUD90m, of which ~AUD45m is collateralised by cash and AAA Australian RMBS. Includes one contingent unhedged exposure of ~USD30m, supported by performing CDO. Balance a small number of low AUD value fully hedged exposures.
Stock Lending	<ul style="list-style-type: none"> ■ No material exposure to stock-lending sector. No exposure to Equity Finance
Leverage	<ul style="list-style-type: none"> ■ ~\$AUD1.1bn exposure to leveraged private equity owned counterparties which is well diversified across industries and private equity partners.
Hedge Funds	<ul style="list-style-type: none"> ■ No direct lending exposure . Uncollateralised exposure (MtM ~AUD204m) to hedge funds via FX and interest rate swap products. Fund of hedge funds – facility to diversified funds that invest in hedge funds of ~USD31m, currently undrawn.
Monoline Insurers	<ul style="list-style-type: none"> ■ Exposure of ~AUD250m to monoline insurers via securities wrapped by monoline insurers. Primary source of repayment to the Bank is the underlying debt instrument, rather than the monoline insurer. The underlying debt instruments range in rating from BBB- to A-.
Equipment Receivables	<ul style="list-style-type: none"> ■ Represents business equipment leasing and hire purchase receivables. The warehouses are structured on the basis of over collateralisation and some additional credit support. Facilities drawn to ~\$AUD300m with over 75% rated at least BBB.
Other Asset Classes	<ul style="list-style-type: none"> ■ ~AUD910m in warehouse style facilities provided principally to fund reverse mortgage assets and associated working capital facilities.



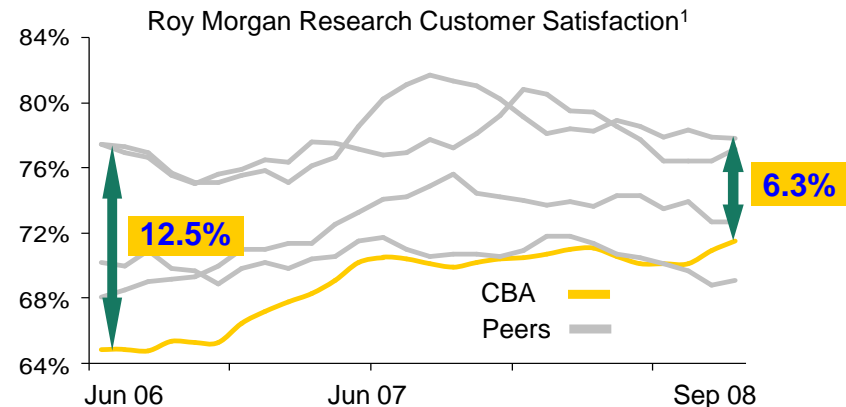
- ☑ Strong competitive position
 - ☑ Prudent funding and liquidity management
 - ☑ Strong capital position
 - ☑ Sound risk management
- ☑ Low-risk, domestically focussed strategy**

Strategy

Strategy on track and delivering - strongest customer satisfaction gains of the peer group

- Domestically focussed strategic agenda – underscored by BankWest acquisition
- Targeting No.1 in customer satisfaction by June 2010
- Gap to top-rated peer halved since Jun-06 (retail)
- Strongest gains in business customer satisfaction
- Core Banking Modernisation programme on track – step change improvement in service and efficiency

Halved the gap to the top rated peer



Strongest gains in business customer satisfaction

TNS Customer Satisfaction²

	12 months to Sep 08	Sep 08 Qtr
CBA	+16.2%	+4.1%
Peer 1	+7.7%	+1.5%
Peer 2	+6.1%	+1.1%
Peer 3	+9.8%	+1.1%
All Banks	+8.6%	+1.2%



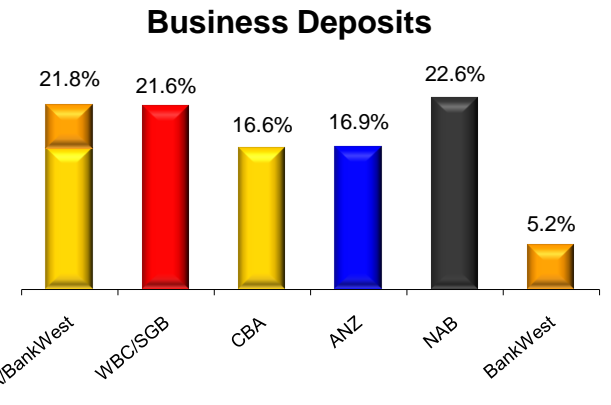
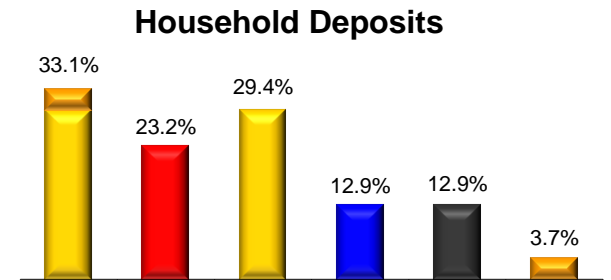
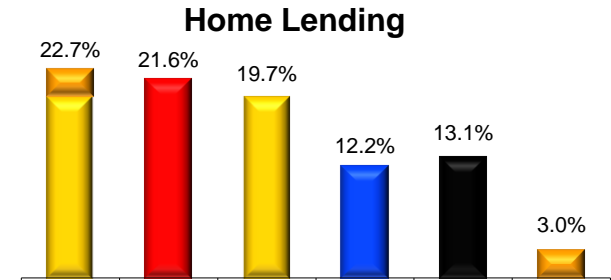
¹ Source: Roy Morgan Research Customer Satisfaction. Aust MFI Population 14+, % "Very" or "Fairly Satisfied". Six month rolling average.
² Source: TNS Business Finance Monitor Sep 08. Customer satisfaction with MFI – businesses with annual turnover to \$100m (ex Agribusinesses). All time periods refer to a 12 month rolling average. Percentage point change refers to the increase / decrease of each bank's customers who are satisfied. Satisfaction is based on business customers who said they were Very or Fairly Satisfied with their relationship with their MFI.



BankWest

A compelling strategic growth opportunity at an attractive price

- Increased exposure to fast-growing WA market
- Very attractive terms
- Completion dependant on regulatory approvals
- Other completion activities progressing well – very good engagement
- Acquisition balance sheet to be fully audited
- To operate as a standalone entity, similar to ASB – minimising disruption



Source: APRA/RBA



Determined to be different

Summary September 2008 Quarter

- Continuing dislocation in credit markets & economic conditions slowing
- Strong capital position maintained
- Very strong deposits growth
- Home loan market share gains helping to offset slowing system growth
- Provisions taken for pre-existing single-name exposures
- Overall credit quality remains sound
- \$11bn in funding completed (~40% of total 2009 task)
- Holding \$66bn in liquid assets
- Customer satisfaction gains continuing – highest of the peer group
- BankWest acquisition

