
Investor Half Day

IFRS Financial and Business Impacts

Geoff Steel

Executive Manager, Group Finance

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Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 19 October 2004. It is information given in summary form and does not purport to be complete. It is not financial product advice and is not intended to be relied upon as advice to investors or potential investors. It does not take into account the investment objectives, financial situation or needs of any particular investor.

Agenda

- IFRS Project Overview
- Technical Accounting Environment
- Key Financial and Business Impacts
- Non-Financial Impacts

IFRS Project Overview

- Project on track for 1 July 2005 implementation date
- Involves over 100 employees worldwide
- Currently in Implementation Phase
- The Bank is adopting a conservative and pragmatic approach to conversion

Technical Accounting Environment

- IFRS is a move to US GAAP principles, but with simpler rules.
- Australia following a 'pure' approach to adoption.
- European Union – heavy political effort for dilution of IAS 39: Financial Instruments (ability to macro-hedge core deposits; and removal of fair value option).
- Ongoing changes to 'stable platform' that may be early adopted e.g. fair value option.



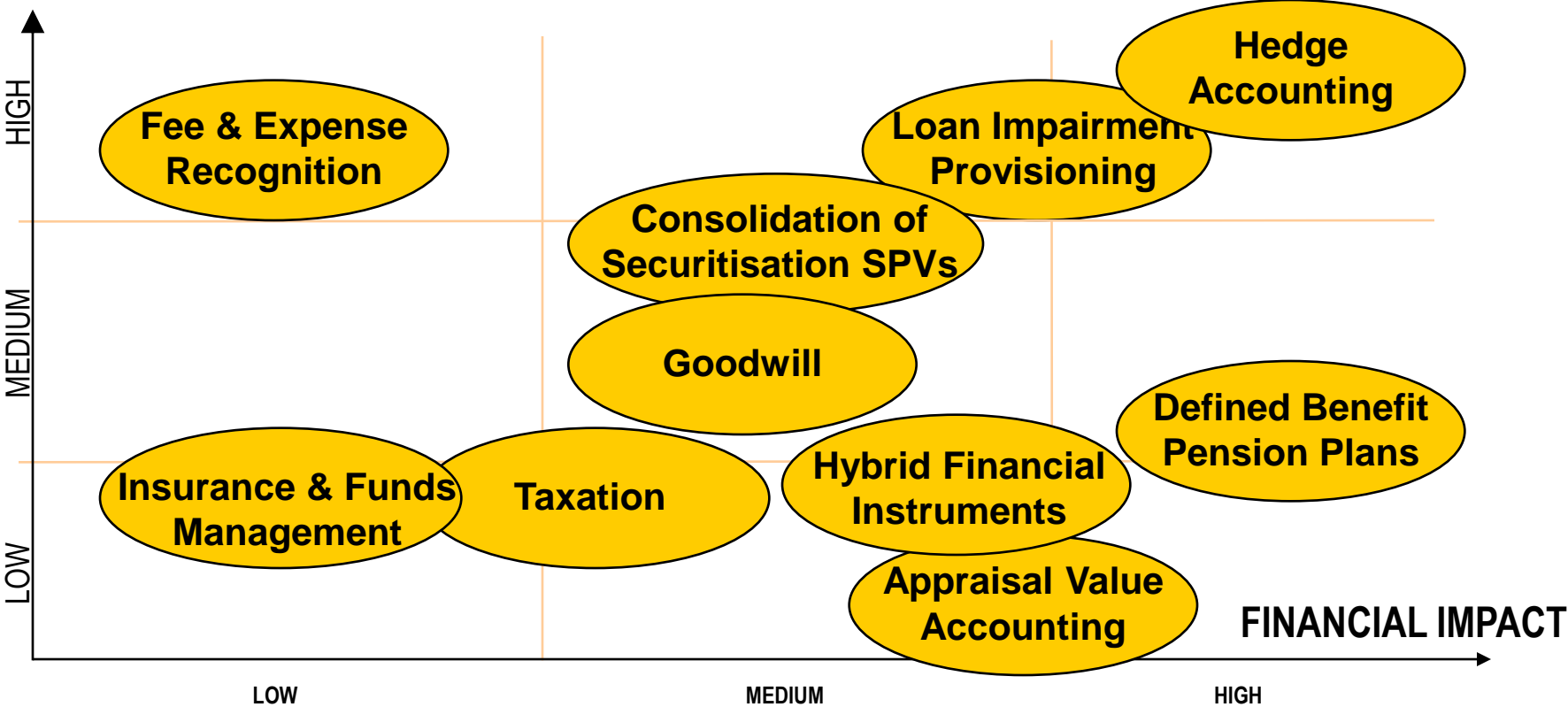
Technical Accounting Environment (cont'd)

- Interpretations on some key issues are still fluid e.g. loan provisioning and treasury shares.
- Global accounting firms still to arrive at 'firm-wide' views.



Key Financial Impacts for CBA

COMPLEXITY



Key Financial and Business Impacts

Key Issues	Financial Impact	Business Impact
Hedge Accounting*	<p>High</p> <ul style="list-style-type: none"> ■ Significant equity volatility through 'cash flow hedge reserve'. ■ Some hedge ineffectiveness through profit. 	<p>High</p> <ul style="list-style-type: none"> ■ Refinement of in-house hedging system – not a significant spend. ■ Simplified hedging products.
Employee Benefits	<p>High</p> <ul style="list-style-type: none"> ■ Large defined benefit plan surplus. ■ Significant volatility in surplus through profit. 	<p>Low</p> <ul style="list-style-type: none"> ■ 'Non-cash' item. ■ Potential capital management benefit.
Loan Impairment Provisioning*	<p>High</p> <ul style="list-style-type: none"> ■ Potential reduction in general provisioning with 'incurred loss' basis. ■ Increased volatility in P&L. 	<p>Medium</p> <ul style="list-style-type: none"> ■ Developing in-house database and modelling system.

Key Financial and Business Impacts

Key Issues	Financial Impact	Business Impact
Consolidation of Special Purpose Vehicles	Medium <ul style="list-style-type: none"> Probable consolidation of all 'own-asset' securitisation SPVs. Minimal profit impact. 	Low <ul style="list-style-type: none"> Provided APRA continue capital relief.
Hybrid Financial Instruments*	Medium <ul style="list-style-type: none"> Reclassified from equity to debt. Dividends treated as interest expense – reduction in NIM. 	Low <ul style="list-style-type: none"> Provided APRA continue capital treatment.
Revenue and Expense Recognition*	Low <ul style="list-style-type: none"> Capitalise and amortise yield-related origination fees and incremental expenses. Reduce other income and expense – change in NIM. 	Medium <ul style="list-style-type: none"> Improve data capture process. Widespread effect on internal reporting and budgeting.

Key Financial and Business Impacts

Key Issues	Financial Impact	Business Impact
Appraisal Value Accounting*	High <ul style="list-style-type: none"> ■ This accounting ceases and internally generated AV uplift is reversed against General Reserve. ■ Acquired AV reclassified as goodwill. 	Low <ul style="list-style-type: none"> ■ 'Non-cash' item. ■ AV calculation will continue to be performed to support the goodwill carrying value.
Goodwill	Medium <ul style="list-style-type: none"> ■ Amortisation ceases, replaced by annual impairment test. 	Low <ul style="list-style-type: none"> ■ 'Non-cash' item.
Insurance*	Low <ul style="list-style-type: none"> ■ Insurance contracts definition change will affect DAC level. ■ Change in discount rate assumptions on policyholder liabilities. 	Low <ul style="list-style-type: none"> ■ No significant impact on business processes. ■ More detailed information will be disclosed.



Key Financial and Business Impacts

Key Issues	Financial Impact	Business Impact
Funds Management (corporate)*	Low <ul style="list-style-type: none"> ■ Introduction of deferred acquisition costs for responsible entities. 	Low <ul style="list-style-type: none"> ■ No significant impact.
Taxation*	Medium <ul style="list-style-type: none"> ■ Flow on tax effects of above changes. ■ Move to balance sheet approach. 	Low <ul style="list-style-type: none"> ■ No change to tax legislation.

* No transition adjustment disclosure at 31 December 2004. Other items may be disclosed.



Key Non-Financial Impacts

- Operational / Business Changes
 - New processes for credit 'breach mediation' given likelihood for increases in client technical breaches of loan covenants;
 - Simplified products for clients e.g. hedging;
 - Capital management implications – still awaiting formal APRA guidance;
 - Granular approach to data-capture & data-tagging at contract level e.g. hedging, loan impairments and fees and expenses; and
 - Changes to financial KPIs / budgeting.
- Education of internal and external stakeholders
 - Targeted & tailored education sessions required:
 - Management & Staff
 - Analysts & Institutional Investors
 - Retail Investors

Summary

- IFRS accounting is LIVE for the Bank from 1 July 2005.
- Potential significant volatility in profits and reserves:
 - Cash Flow Hedge Reserves
 - Defined Benefit Pension Plan Surplus
 - Loan Impairment Provisions
- Downstream effects on client loan covenants and capital management.
- Education of internal and external stakeholders will be a focus over the next 6 to 12 months.

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