

Commonwealth Bank

Commonwealth Bank of Australia
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Secretariat

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J Hatton
Company Secretary

19 December 2008

Mr Ben Wachter
Adviser, Issuers (Sydney)
ASX Markets Supervision Pty Ltd
20 Bridge Street
Sydney NSW 2000



Dear Mr Wachter

Commonwealth Bank of Australia (the Company)

We refer to your letter dated 17 December 2008 relating to the Company's announcement on 16 December 2008 (the **Announcement**) advising that the Company had completed a \$2 billion capital raising and that the Company expects the full year loan impairment expense to gross loans and acceptances to be around 60 basis points, with the majority in the first half (**Impairment Expense**).

We respond to your questions as follows:

1. *Whether the Company considers that the information contained in the Announcement with respect to the Impairment Expense was material to the Company?*

The Company did not consider that the information contained in the Announcement with respect to the Impairment Expense was material to the Company.

However, the Company considered it appropriate to provide this information in the context of a proposed capital raising.

2. *If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Impairment Expense to be material.*

The Company did not consider that the information contained in the Announcement with respect to the Impairment Expense to be material because:

- it was an estimate which is made in the context of an uncertain economic environment;

- the deterioration in credit conditions, and the Company's exposure to various distressed entities, including ABC Learning, Allco Financial Group, Babcock & Brown and Centro, is generally available information upon which analysts were able to form their own estimates of the expected full year impairment expense;
- this is evidenced by the most recent analysts reports which were published on 10 December 2008. These four reports estimated loan impairment at \$2,490 million, \$2,308 million, \$2,096 million and \$1,658 million.

3. *If the answer to question 1 is "yes", when did the Company first become aware of the Impairment Expense?*

Not applicable.

4. *In relation to question 3 above, if this was before the Announcement, please identify any earlier announcement from the Company which disclosed the Impairment Expense.*

Not applicable.

5. *If there was no earlier announcement and the Company became aware of the Impairment Expense before the Announcement, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the Rule in listing rule 3.1A.*

The Company became aware of the information contained in the Announcement with respect to the Impairment Expense on 16 November 2008. The information was internal management information which was confidential because it was only in the possession of management or other persons who had received it on the basis that it was confidential and was information which a reasonable person would not expect to be disclosed. Therefore, even if the information was material, it was within the exception in listing rule 3.1A.

6. *Please confirm that the Company is in compliance with listing rule 3.1.*

The Company confirms it is in compliance with listing rule 3.1.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J D Hatton', with a long horizontal flourish extending to the right.

J D Hatton
Company Secretary