

Strength in uncertain times

Why CBA is well positioned in this period of global financial markets uncertainty

Presentation to Macquarie Capital Securities Australia Conference

8 May 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, 8 May 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.

Strength in uncertain times

Agenda for today....

- Global uncertainty - current state-of-play
- CBA - well positioned
- Strategy update

Current state-of-playGlobally

- Crisis averted?
- (Reported) losses to date over \$200bn
- Credit Markets:
 - Concerted policy & central bank response
 - Some early signs of easing
 - Sustained recovery will take time
- Bank recapitalisation and balance sheet strengthening
- Broader contagion:
 - “Sub-prime” to “prime”
 - Slowing US growth
 - Bad Debts

Current state-of-play Australia

- Minimal direct sub-prime exposures
- Major impacts:
 - Higher funding costs
 - Single-name corporates
- Changing competitive dynamics:
 - Flight-to-quality
 - Non-bank models under pressure
- Economic conditions remain sound:
 - Robust labour market + strong income growth + high commodity prices
 - Generally healthy corporate profitability
 - Extent of US downturn the key risk

A return to stability....some prerequisites

- ▶ Full disclosure of all sub-prime and related losses
- ▶ Minimum two “clean” reporting cycles
- ▶ Central Bank intervention (success of)
- ▶ US house price stabilisation
- ▶ Positive surprises - US economic activity
- ▶ Asset quality risk – back to within normal parameters

Share price movements

Australia		%
CBA	▼	37
St George	▼	32
NAB	▼	30
ANZ	▼	27
Westpac	▼	25
Global		
Citigroup	▼	37
Merrill Lynch	▼	26
Credit Suisse	▼	23
HSBC	▼	16
Bank of America	▼	14

Movements reflect closing price 31 December 2007 compared to lowest closing price in the period to 31 March 2008

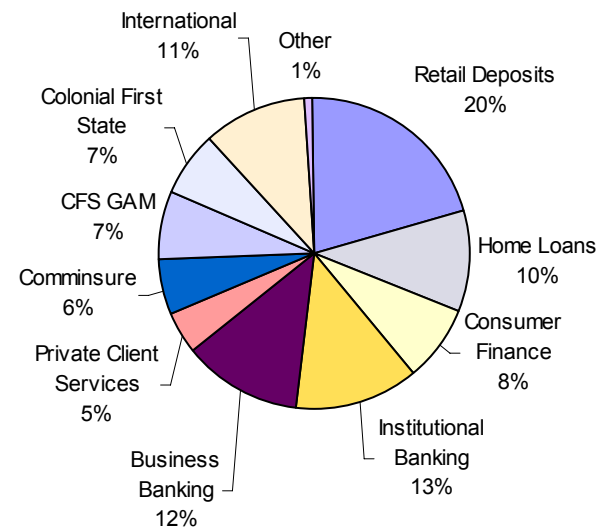
Why CBA is well-positioned

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

☑ Strong Competitive Position

- CBA brand a key strength
- Diversified earnings streams
- Volume & share growth at the right price
- Changing competitive dynamics:
 - Flight-to-quality response
 - Non-bank models under pressure
 - Shifting home loan channel dynamics
 - Re-intermediation
 - AA credit rating a key differentiator

Revenue % by Business Line*



* Six months ended Dec-07

✓ Prudent funding and liquidity management

- Market-leading retail funding position:

- 54% of total funding
- ~30% share of household deposits

- No reliance on securitisation

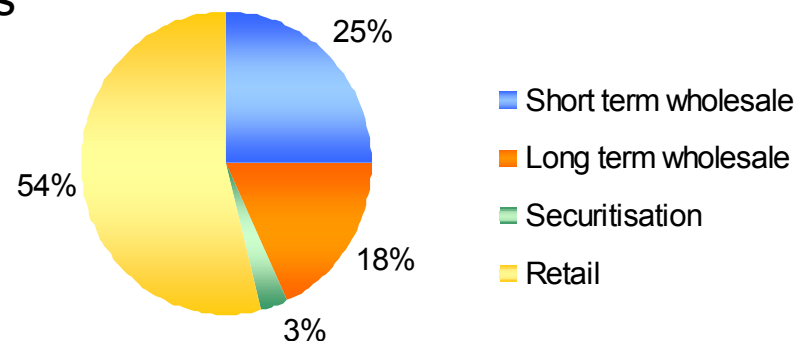
- Wholesale funding:

- Highly diversified
- FY08 program completed mid-April
- Long term maturity duration maintained

- Approximately \$39bn in liquid assets
(~\$10bn surplus)

Diversified Funding Mix

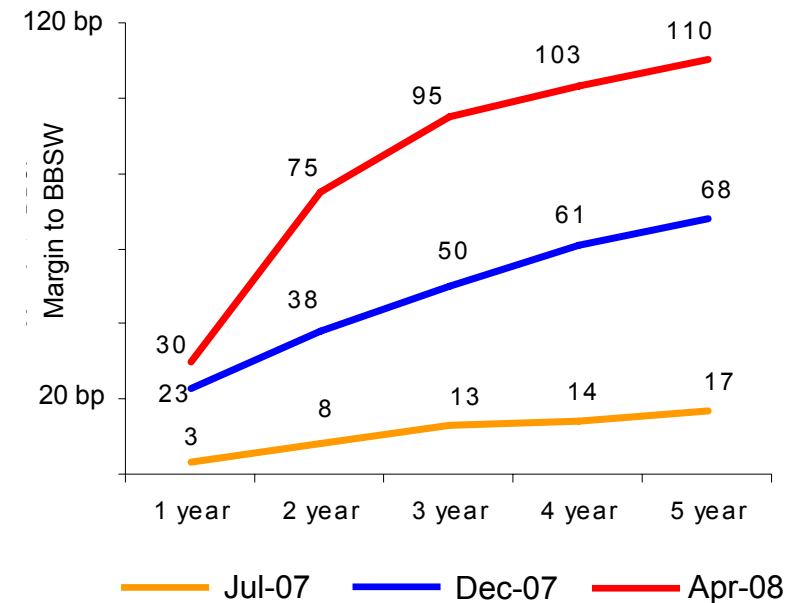
as at 31 March 2008



Higher funding costs – our response

- Dislocation expected to last through calendar 2008
- Costs of ~\$100m in 1H08 – no easing Q308
- Pricing response;
 - Product rates under constant review
 - Transfer pricing adjusted monthly
 - Customer pricing progressively adjusted
 - PACC-driven pricing models
- Funding response;
 - Highly diversified, surplus liquids, stable duration

Long term wholesale funding costs



☑ Strong capital position

- Basel II advanced accreditation:
 - More sophisticated internal systems
 - More flexible decision-making
- Very strong capital position:
 - Upper end of target range
 - Well-placed compared to peer group
- No current plans (or need) to raise additional capital

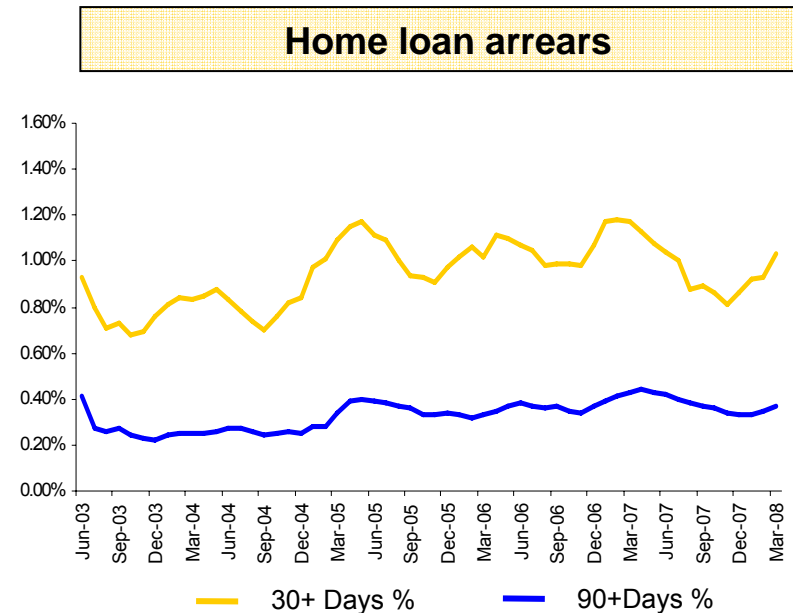
☑ Sound risk management....Consumer

■ Conservative policies and approach:

- Interest rate buffer
- Home loan portfolio LVR ~50%
- 60% two+ payments in advance
- Disciplined arrears management
- No zero-rate cards

■ Portfolio quality remains very sound:

- Up-tick in Q3 arrears consistent with seasonal trends
- Home loan arrears remain low by historical standards
- Few signs of stress in unsecured portfolios
- Resilient income/employment growth

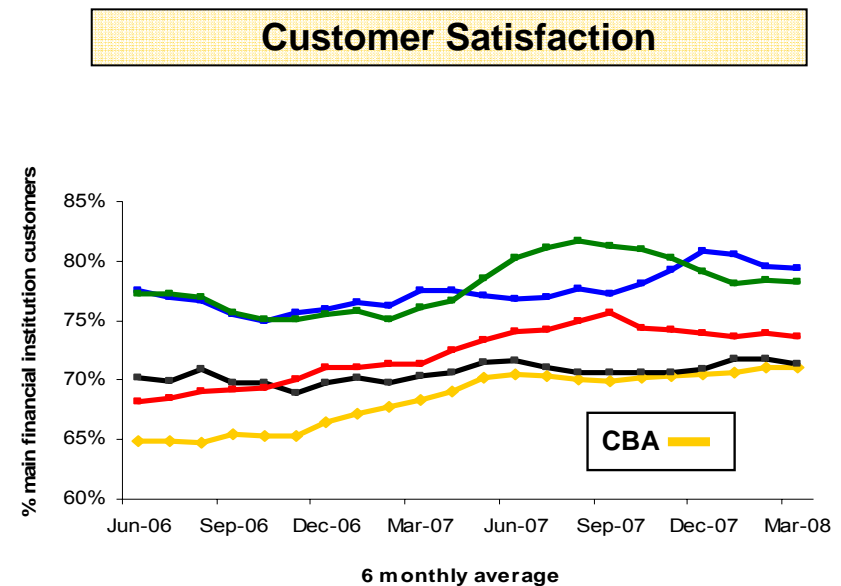


☑ Sound risk management...Commercial

- Healthy corporate profitability + low gearing
- CBA portfolio quality remains sound:
 - Two-thirds of exposures investment grade
 - Security over 82% of non-investment grade exposure
 - Financial and property exposures well diversified
 - No exposure to stock-broking sector
 - CBA margin lending book in very good shape
- Single-name exposures – not industry/sector specific

☑ Low risk, domestically focussed strategy

- Focus on core domestic franchise
- Significant organic growth potential:
 - Customer service upside
 - Cross-sell to 9m customers
 - Potential scale advantage
 - Disciplined investment program
- Selective Asian growth strategy:
 - Long term focus
 - Capability/knowledge transfer



Source: Roy Morgan Research.
Aust MFI Population 14+, % "Very" or "Fairly Satisfied"

Strategy ... key achievements to date

- ▶ Customer satisfaction at 10 year high
- ▶ Over 1,000 new frontline staff
- ▶ Sales & Service training – over 7,500 “Masters”
- ▶ New branch operating model and new design branches
- ▶ Market-leading front-end systems – CommSee, CommSec etc
- ▶ Ongoing IT efficiency savings
- ▶ Strong cultural gains
- ▶ Selective Asian expansion

Core Banking Modernisation - our next important step

Our Journey so far

- **Significantly improved “Front-End”:**
 - Sales & Service Training
 - Over 1,000 new frontline staff
 - Branch Improvements
 - Market-leading front-end systems;
 - CommSee
 - NetBank
 - CommSec
 - CommBiz
 - First Choice

CBM the next important step

- **“Back-End” systems and processes the key impediment to step-change in customer service**
- **The time is right:**
 - Next generation customer-centric systems have matured
 - Strong technical expertise (EIT, SAP, Accenture)
 - Over 2 years preparatory work
 - Initial integrated capability already built – “Steel thread”

A step-change improvement in customer service

- Improved customer interactions
- Real time, 24x7 processing removes hand-offs and improves service
- Introduction of common processes across businesses and segments
- Improved product functionality, agility and speed-to-market
- Efficiency improvements through system and process consolidation

Summary – strength in uncertain times

Strong competitive position



- CBA brand a key strength
- Flight-to-quality response in key markets
- Non-bank models under pressure

Prudent funding & liquidity management



- Diverse funding sources – market leading retail funding
- Globally respected funding operation. AA credit rating
- Long term funding maturity maintained
- Significant surplus liquid assets

Strong capital position



- Basel II advanced accreditation
- Strong capital ratios at upper end of target ranges
- No current plans (or need) to raise further capital

Sound risk management



- Conservative lending standards
- Sound consumer credit quality
- No systemic issues in commercial book

Low risk strategy



- Domestically-focussed
- Significant organic growth potential
- Core Banking Modernisation the next key step

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