

Commonwealth Bank of Australia

March Quarter 2008 Trading Update

Investor Information Pack

15 May 2008



Determined to be different

Environment

- Global credit markets remain significantly constrained
- US economy continues to slow
- Domestic economic conditions remain resilient
- Credit growth slowing but still at reasonably high levels
- Domestic competitive conditions continue to favour larger players

Operating Performance

- Funding costs remain high, but with ongoing customer pricing adjustments
- FY08 funding programme completed mid-April - maturity duration maintained
- Good volume growth, but with system growth showing signs of slowing
- Market share outcomes remain positive
- Cost challenges continue in a tight labour market
- Continuing to invest for medium term growth and productivity
- No systemic issues in credit quality – ongoing management of “single names”
- Wealth Management results impacted by market conditions

Outlook

- Conditions in global credit markets likely to remain difficult through calendar 2008
- Domestic economy remains strong, but impact of global slowdown an issue
- Credit growth likely to moderate from high levels, but remain reasonably strong
- Changing competitive dynamics set to continue
- Material deterioration in credit cycle a key risk – no signs at this stage

CBA – strength in uncertain times



- Strong competitive position**

- Prudent funding and liquidity management

- Strong capital position

- Sound risk management

- Low-risk, domestically focussed strategy

Market share outcomes remain positive

<u>Market Shares</u>	Mar-07 %	Mar-08 %	Mvt %
Home Lending	18.36	18.97	0.61 ↑
Household Deposits	28.77	29.04	0.27 ↑
Business Lending	12.64	12.73	0.09 ↑
Business Deposits	12.46	13.84	1.38 ↑
FirstChoice	8.39	9.60	1.21 ↑

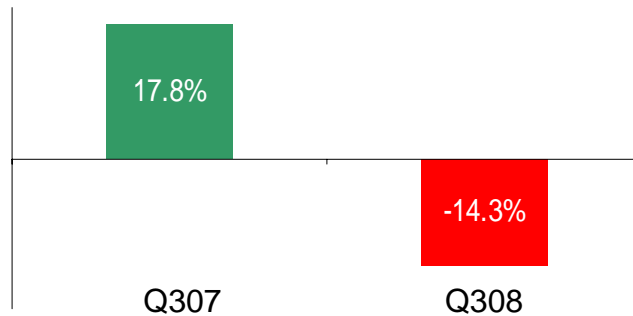
Note: FirstChoice data compares Dec-07 to Mar-07 (Mar-08 market share data not yet available)



Competitive snapshot

Non-bank share of home loan growth

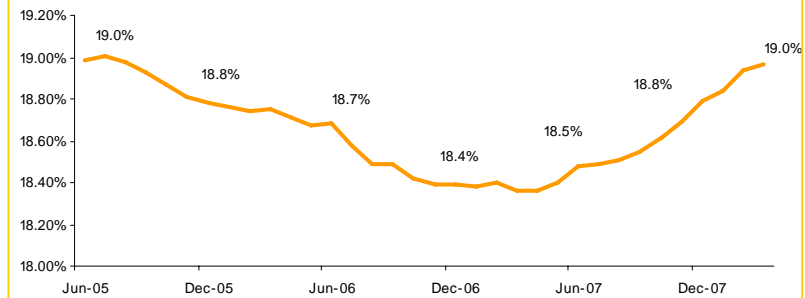
Non-ADI share of home loan system growth was negative in the quarter to March 2008



Source: RBA/APRA

CBA home loan market share

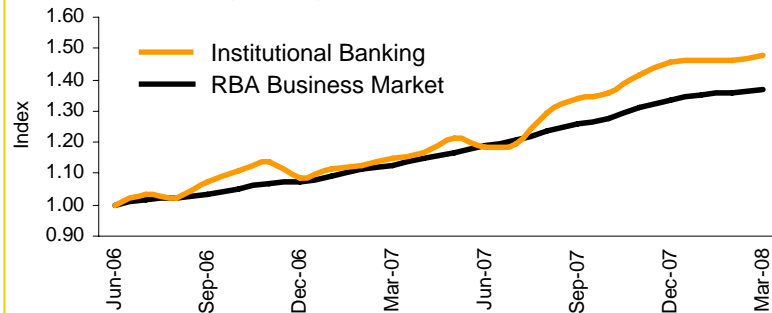
The Bank's home loan market share has increased in 12 consecutive months to Mar-08



Source: RBA/APRA

Institutional lending growth

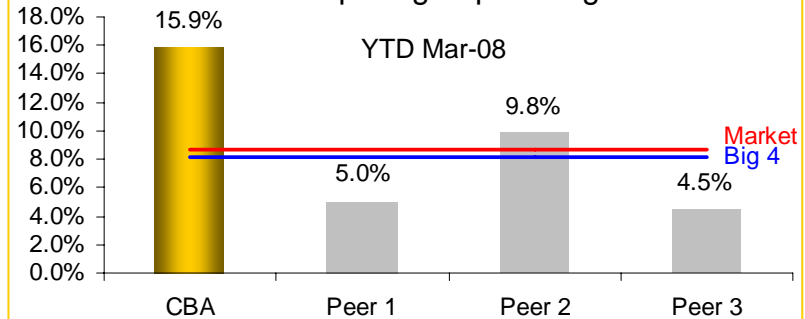
Institutional growth remains strong, assisted by both organic growth and re-intermediation



Source: RBA

Business deposits growth

Business deposits are growing at around twice the rate of the peer group average

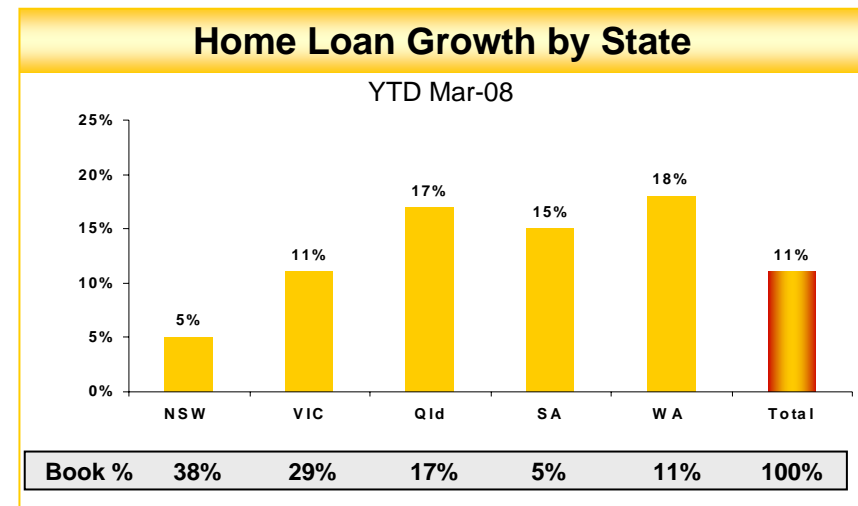
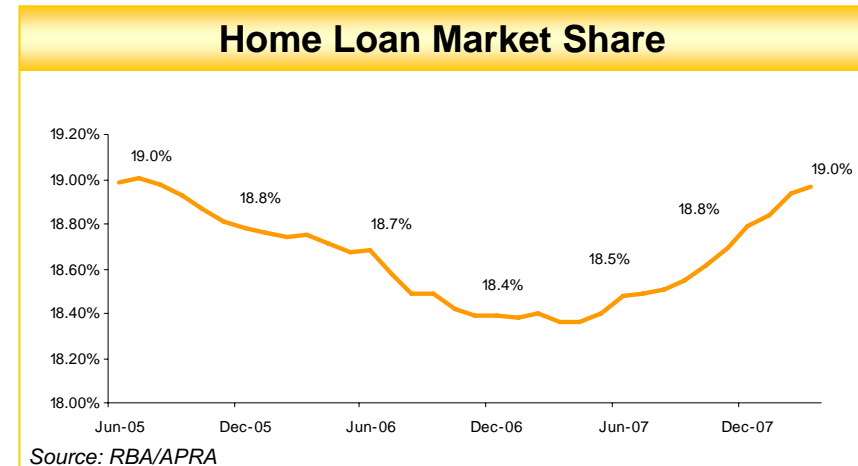


Source: APRA – Deposits non financial corporations

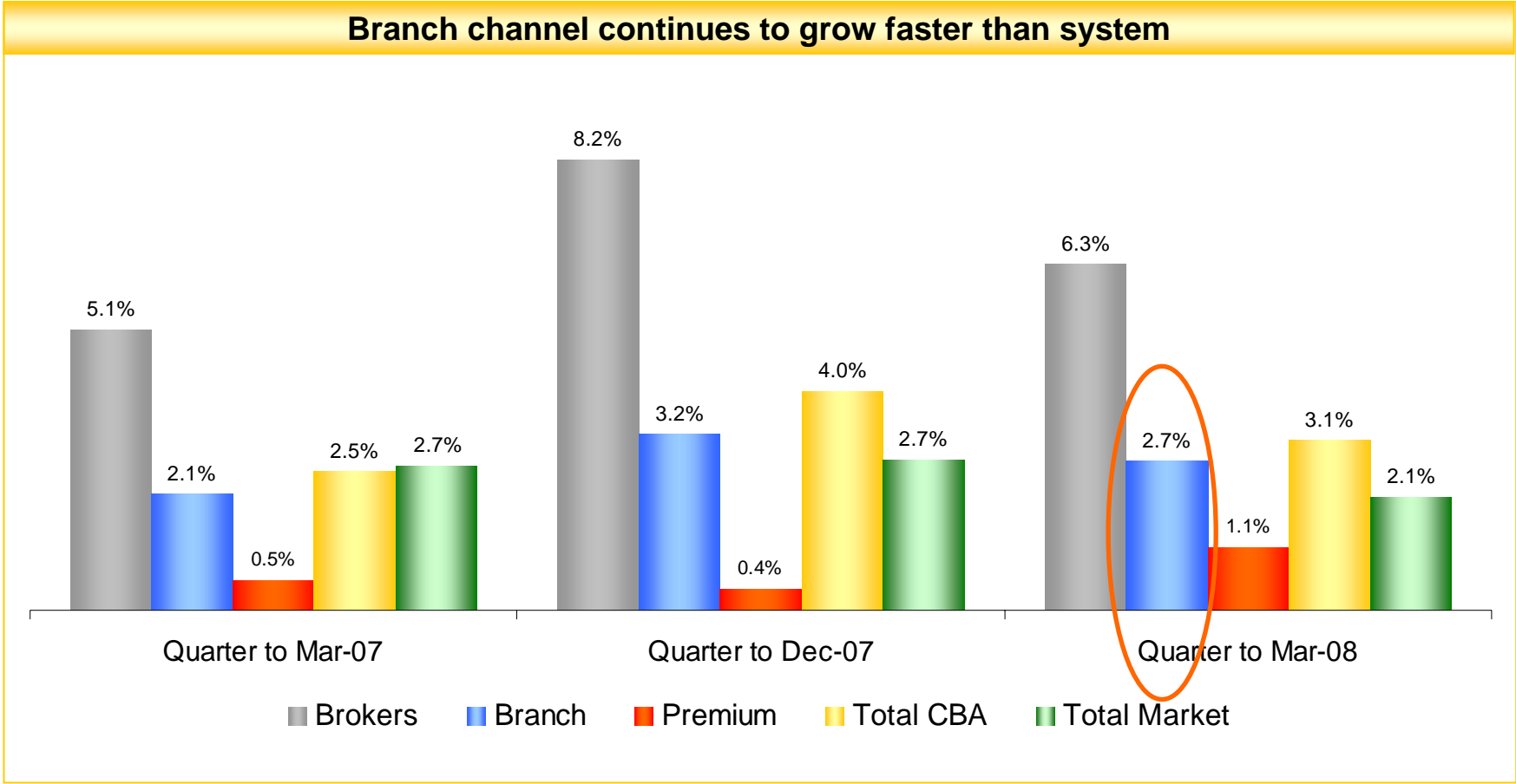
Home Lending

- Above system balance growth continued through March
- 12 consecutive monthly share gains
- Branch channel continues to grow faster than system
- Tier 1 branch sales outperforming
- Non-bank's experienced negative growth in March quarter

Balance Growth %	CBA	System
March Quarter	3.1	2.1
12 Months to March	15.2	11.3



Home Loan Growth by Channel

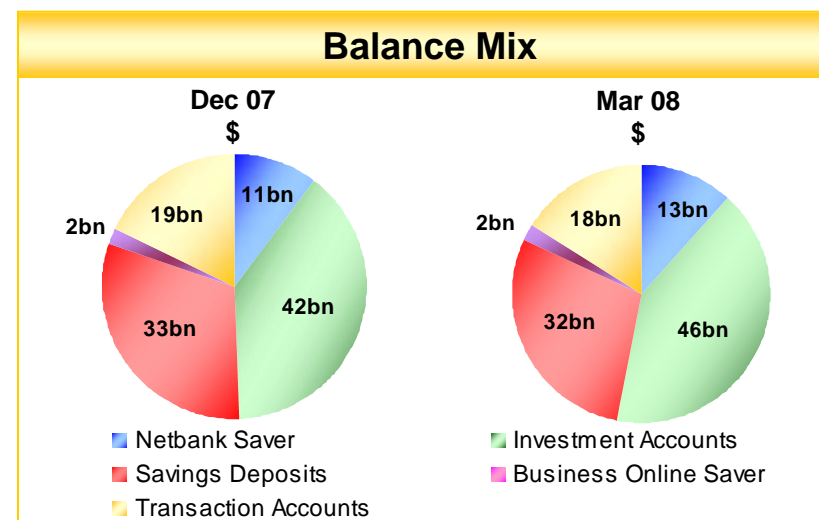
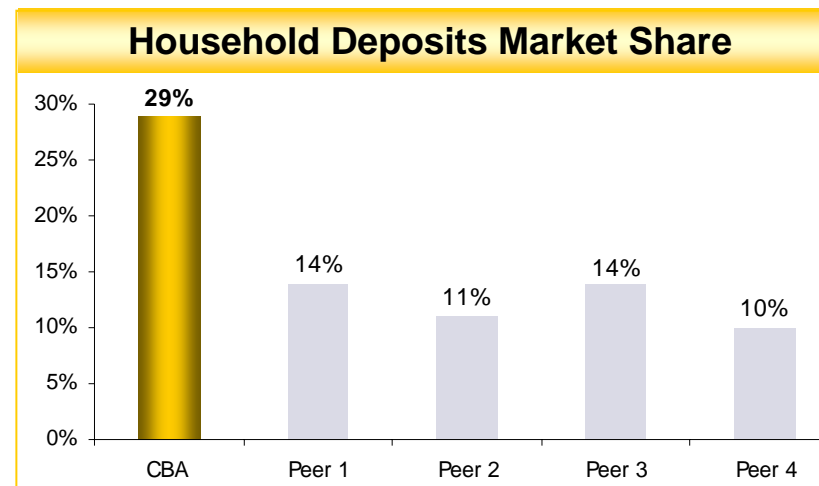


Note: Broker, Branch and Premium Channel figures exclude MISA balances

Retail Deposits

- Above system balance growth continues
- Market share now over 29% - twice that of next largest competitor
- Growth profile being maintained despite competitive environment – March quarter growth of 3.1% vs system 2.5%
- Minimal change in portfolio balance mix
- Frontline changes underpin performance:
 - “Deposit Specialists”
 - New KPIs
 - Branch Contribution Statements

Balance Growth %	CBA	System
March Quarter	3.1	2.5
12 Months to March	13.4	12.3

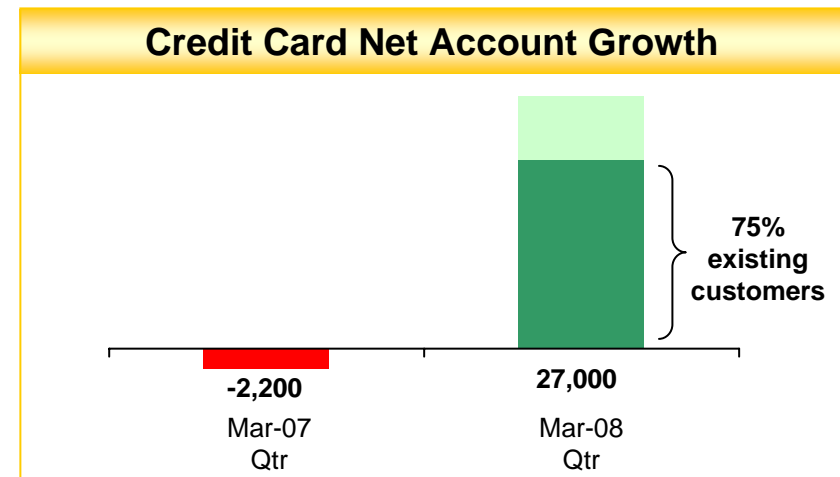
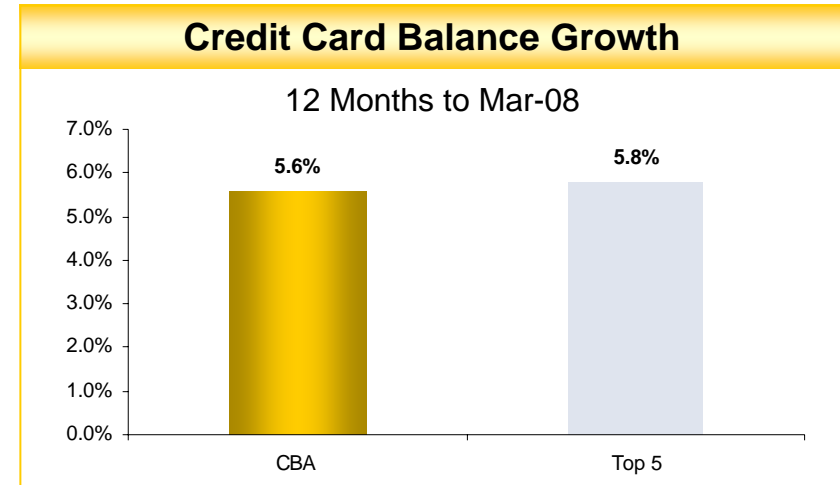


Source: APRA



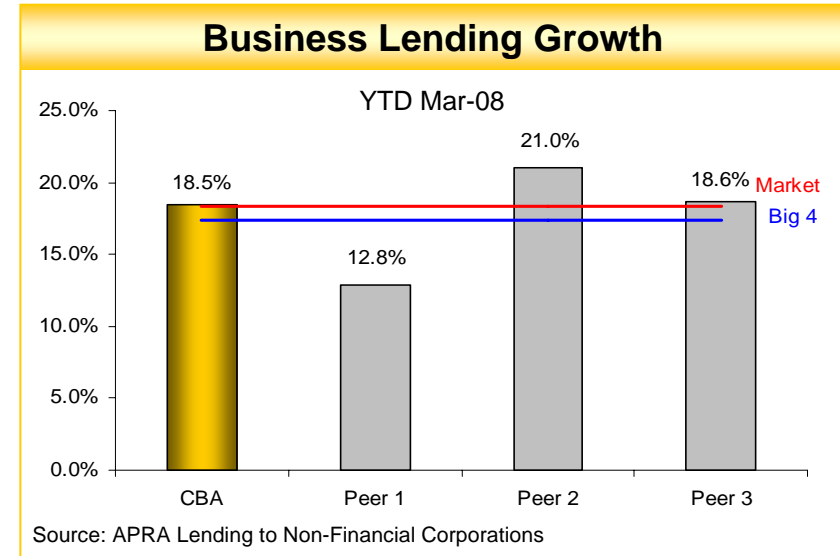
Unsecured personal lending

- Emphasis on profitable growth
- Avoiding higher risk segments such as zero rate balance transfers
- Pricing for risk – more sophisticated decisioning around volume/risk trade-offs
- Focus of credit card marketing on existing customer base - cross-sell opportunity to 9 million customers
- Enhanced data-base marketing and analytics driving stronger net account growth



Business Lending

- Balance Lending growth broadly in line with system
- Combination of organic growth and re-intermediation as debt markets have become constrained
- Emphasis on market share growth only at the right price
- Positive margin outcomes
- System growth showing signs of slowing

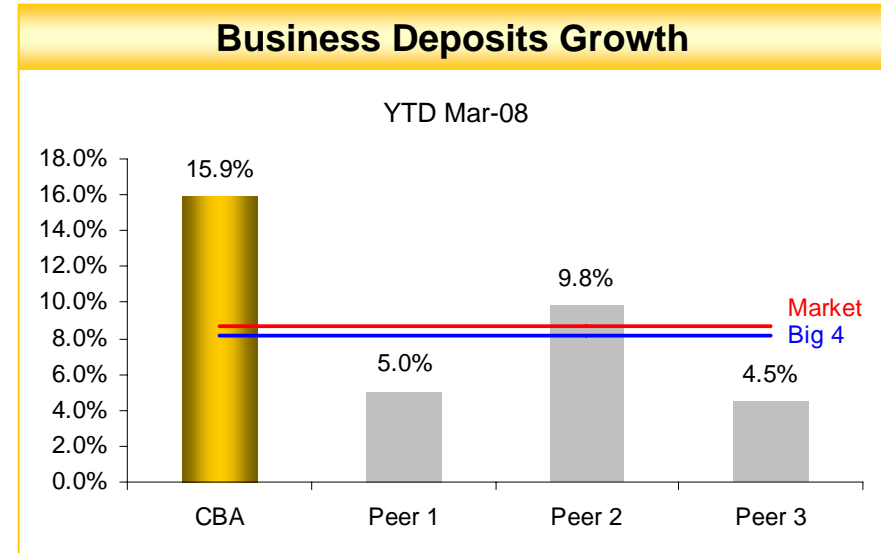


Balance Growth %	CBA	System
March Quarter	2.4	2.8
12 Months to March	22.2	21.4

Source: RBA Business Lending

Business Deposits

- Business Deposits continuing to grow ahead of system
- Particularly good growth from Local Business Banking
- System growth negative during the March quarter with signs of slowdown

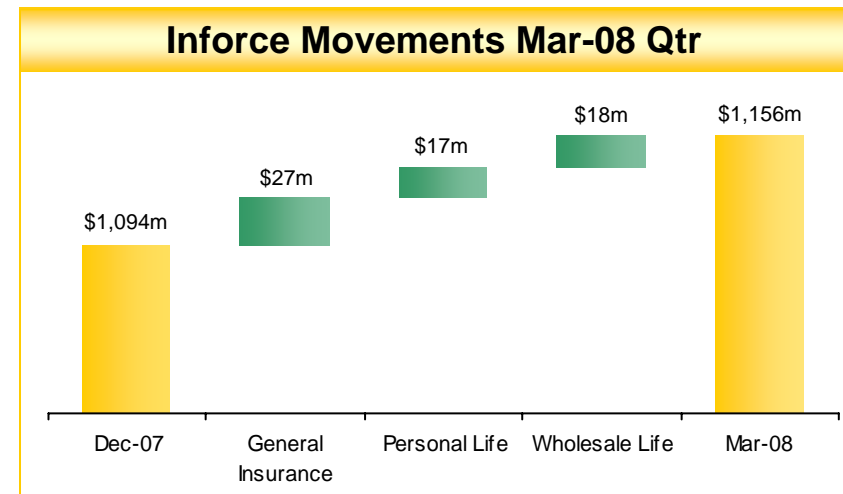
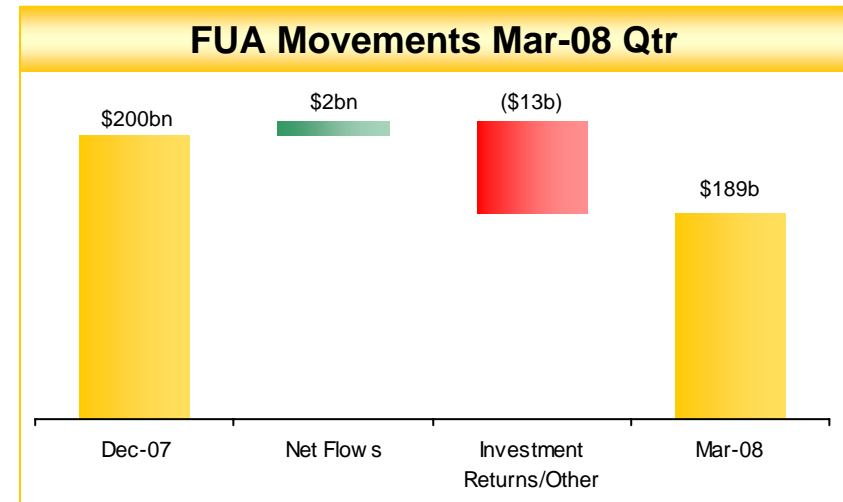


Balance Growth %	CBA	System
March Quarter	0.4	-0.5
12 Months to March	29.8	16.9

Source: APRA Deposits from Non Financial Corporations

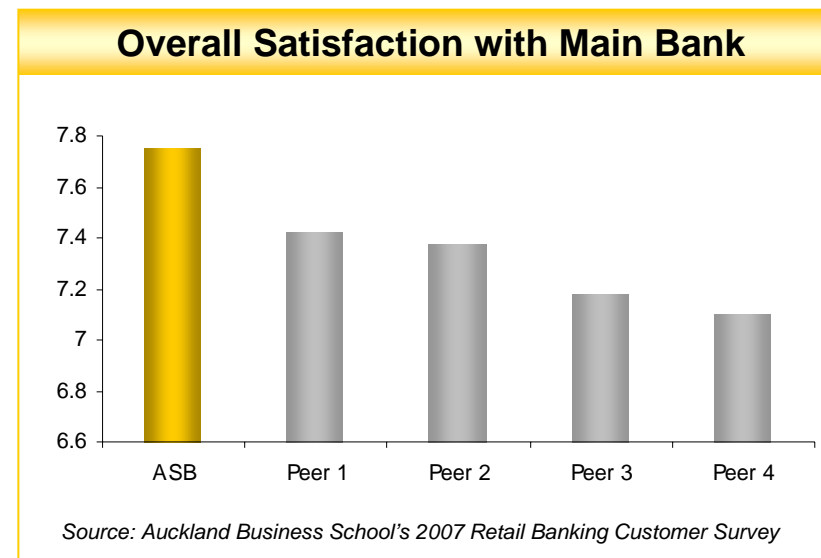
Wealth Management

- March Quarter FUA and FUM outcomes impacted by global market downturn
- Flows positive and relatively strong at \$2.1bn
- Funds Under Management declined 4.9% over the quarter with Australian and International Equities impacted by volatile markets (ASX200 down 16%, MSCI World Index AUD (net) down 13%)
- Funds Under Administration down 5.4%
- Inforce continues to grow solidly with General Insurance experiencing strong growth



New Zealand - ASB

- Home lending growth and share maintained in a slowing market
- Good retail funding volume and share growth as savers seek competitive products, higher interest rates, and lower risk
- Business and commercial lending share increased in a strong market
- Five new branches opened
- ASB strengthened position as number one on overall main bank satisfaction



12m Growth %	ASB	System
Retail Funding	13.8	12.0
Home Lending	11.4	11.1

CBA – strength in uncertain times

Strong competitive position

Prudent funding and liquidity management

Strong capital position

Sound risk management

Low-risk, domestically focussed strategy

Summary – funding & liquidity

Retail Funding	✓	At the upper end of the peer group
Long Term Maturity	✓	Portfolio duration maintained
FY09 Programme	✓	Similar to FY08 (no “bubble”)
Securitisation	✓	No reliance
Liquidity	✓	Surplus of almost \$10bn
Competitive Position	✓	“AA” credit rating – globally respected
Diversification	✓	Highly diversified wholesale funding

A disciplined approach in the current environment

- Funding & liquidity policies approved by CBA Board and agreed with regulator (APRA)
- Asset and Liability Committee oversees compliance
- Funding management framework:
 - Focus on diversity and flexibility
 - Multiple funding programmes across major domestic and international markets
 - Maturities managed to minimise future funding concentrations
 - Limits on FX forwards market and compliance with ratio based limits
- Liquidity management framework:
 - Limits based on scenario models calibrated with very conservative assumptions
 - Wide range of liquid assets held and managed in Group Treasury
 - Prudent liquidity buffer being maintained as a contingency in current environment

A respected name in global funding markets

- AA credit rating



“International Issuer of the Year” 2006
“International Issuer of the Year” Runner Up 2007

- Australia’s most recognised wholesale funding franchise



“Australian Issuer of the Year (International Bond Market)” 2006

- Market leading international funding programmes



“International Best Overall Borrower” 2007
“International Best Issuer of Structured MTNs” 2007
“International Best Financial Institution Borrower” 2007

- Award winning Medallion securitisation programme



“International Best Samurai Deal of the Year” 2007

- Wholesale funding approach widely recognised and highly awarded in Australia and internationally

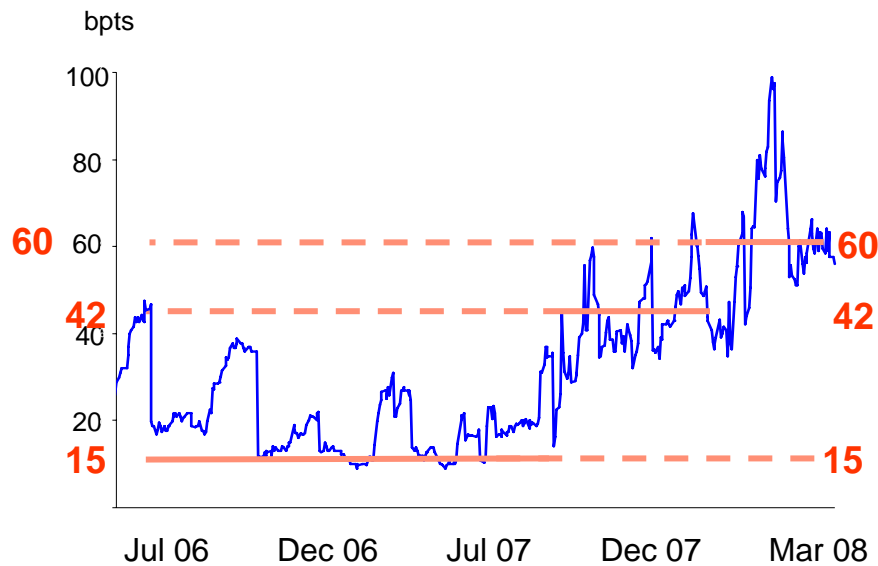


“Australian Securitisation Deal of the Year” 2006

Funding costs have remained high

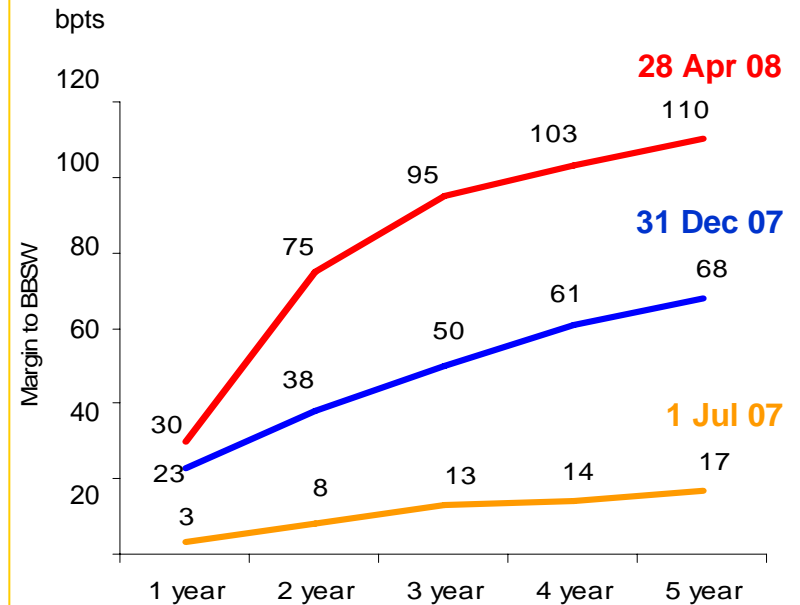
Basis Risk

After reaching a peak of 100bp's, basis spreads have settled at approximately 60bps



Long Term Funding Costs

Long term funding costs have increased significantly since December



FY08 funding programme completed

- Globally respected funding operation
- Continued favourable access to major domestic and international markets
- Total FY08 long term funding requirement of \$25bn - completed mid-April
- Continuing to execute structured deals to lower total funding costs + vanilla deals at levels considered reasonable
- Retail Samurai – CBA the first worldwide since 2003 – two transactions, over 20,000 investors
- FY09 funding task expected to be at similar levels to FY08
- Pre-funding FY09 commenced

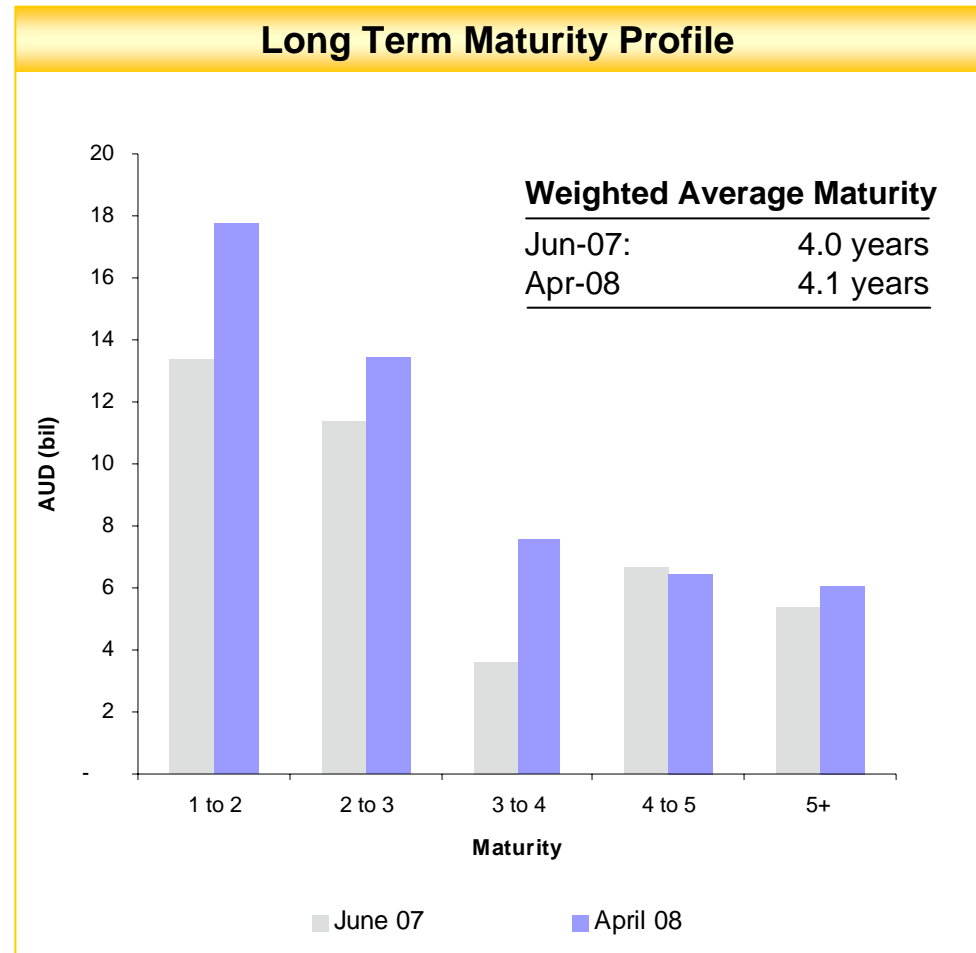
FY08 Key Deals				
Market	Investor	Tenor	Currency	m
EMTN Lower Tier 2	Canada	10yr non call 5	CAD	300
144A - Fixed	Global	5yr	USD	1,000
144A - Extendible	USA	5yr (min 16mths)	USD	2,500
Domestic Fixed & Floating Rate	Australia	1yr	AUD	1,750
Domestic Fixed & Floating Rate	Australia	3yr	AUD	1,500
EMTN Fixed Rate	UK/Europe/Asia	3yr	GBP	450
EMTN Floating Rate	Switzerland	3yr	CHF	325
Samurai Fixed & Floating	Japan W'sale	5yr	JPY	60,000
Samurai Fixed & Floating	Japan W'sale	5yr	JPY	107,100
Samurai Fixed	Japan Retail	3yr	JPY	80,000

FY09 Long Term Funding Programme				
		Retail Deposit Growth		
		8%	10%	12%
Asset Growth	\$bn			
	10%	27	25	22
	12%	28	26	24
	14%	29	28	25

Likely range

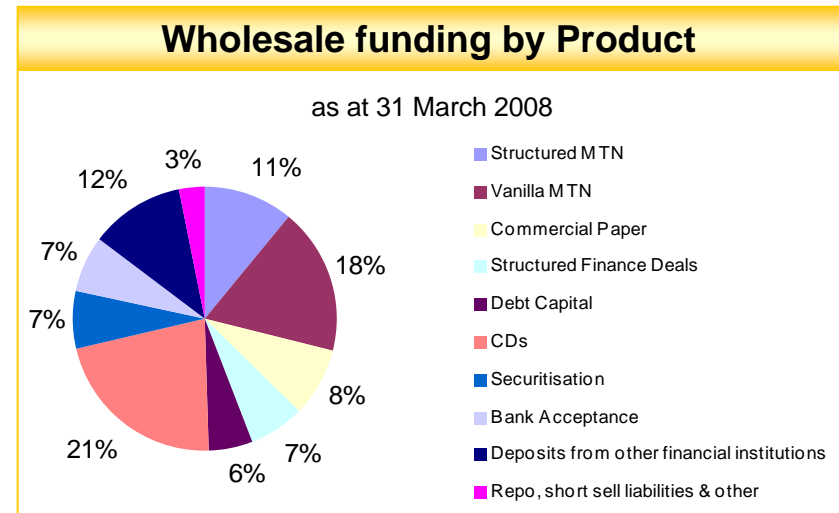
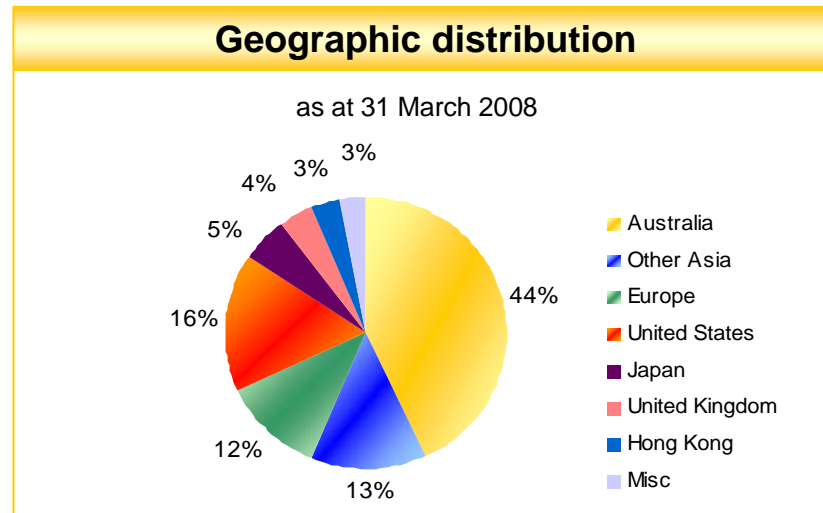
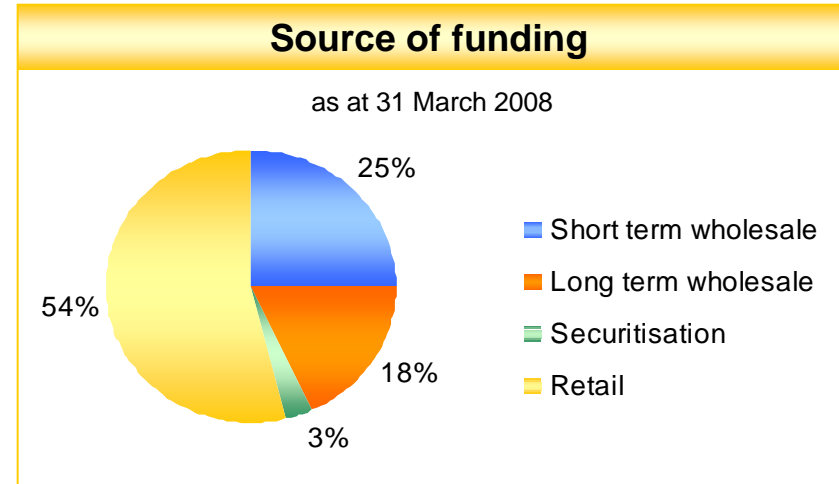
Long term maturity profile maintained

- Long Term Weighted Average Maturity Profile maintained (currently 4.1 years)
- Disciplined approach from “Day-One”
- Continuing to issue across a range of durations throughout the period – over 1,000 transactions completed
- No FY09 funding “bubble” – similar requirement to FY08.

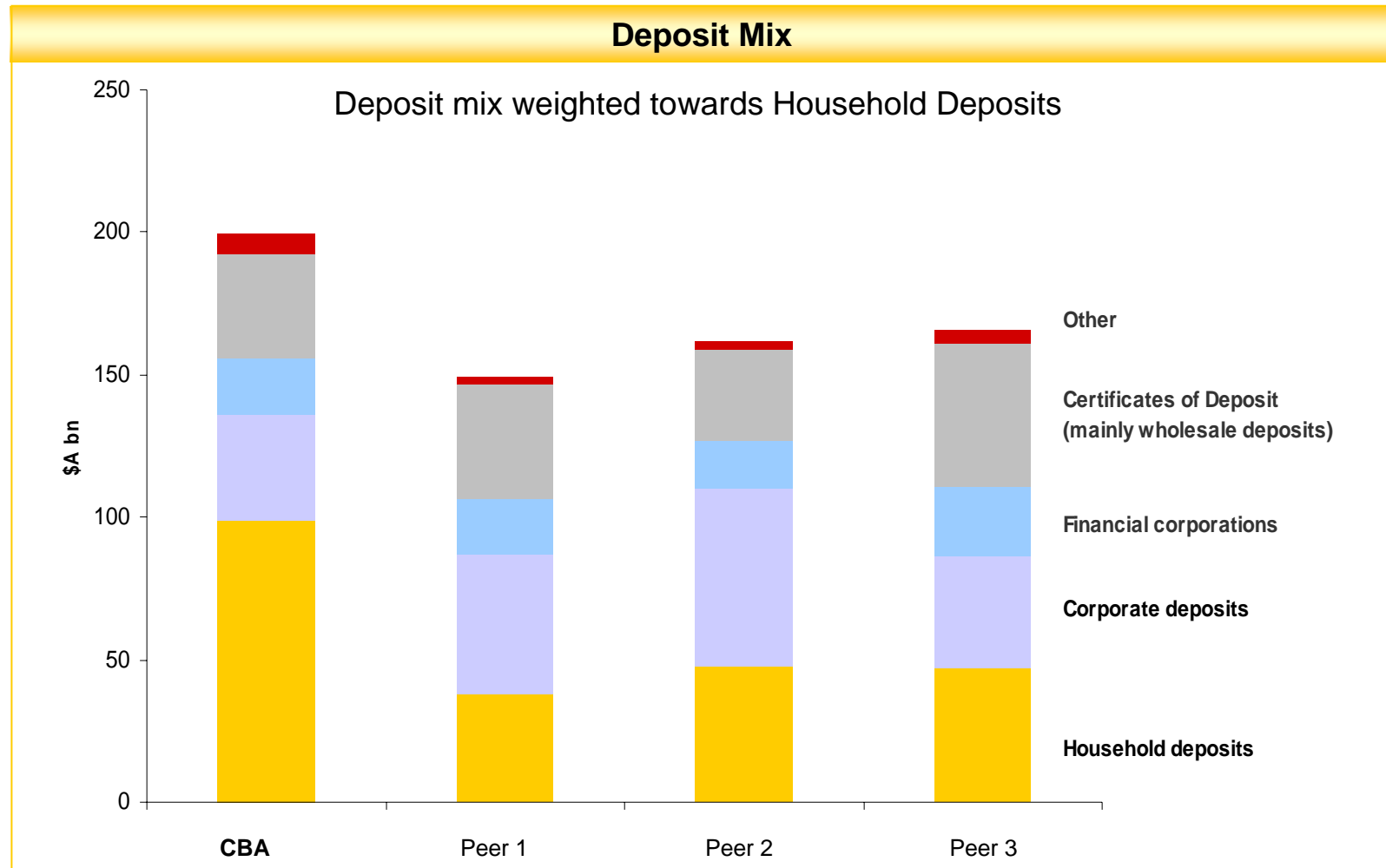


Continued focus on diversification

- Very strong retail funding position
- Highly diversified wholesale funding programme
- No reliance on securitisation
- Approx. 68% private deals, 32% public



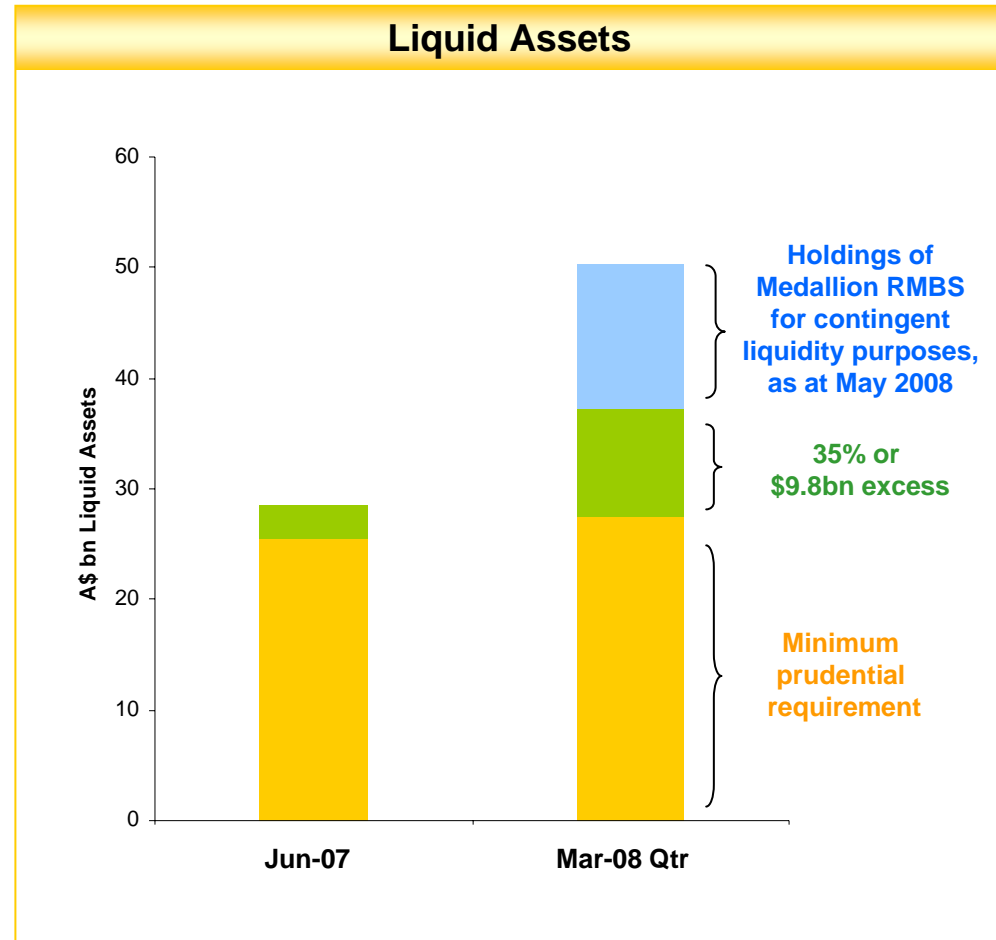
Very strong retail funding position



Source: APRA

Prudent liquidity buffer maintained as a contingency

- Holding approximately \$39bn in liquid assets, almost \$10bn surplus to prudential requirements
- Supplemented by \$12.25bn capacity within Medallion RMBS in May
- Nearly all liquid assets repo-eligible with RBA and BoE – applications pending with ECB and Fed



CBA – strength in uncertain times

☑ Strong competitive position

☑ Prudent funding and liquidity management

 ☑ **Strong capital position**

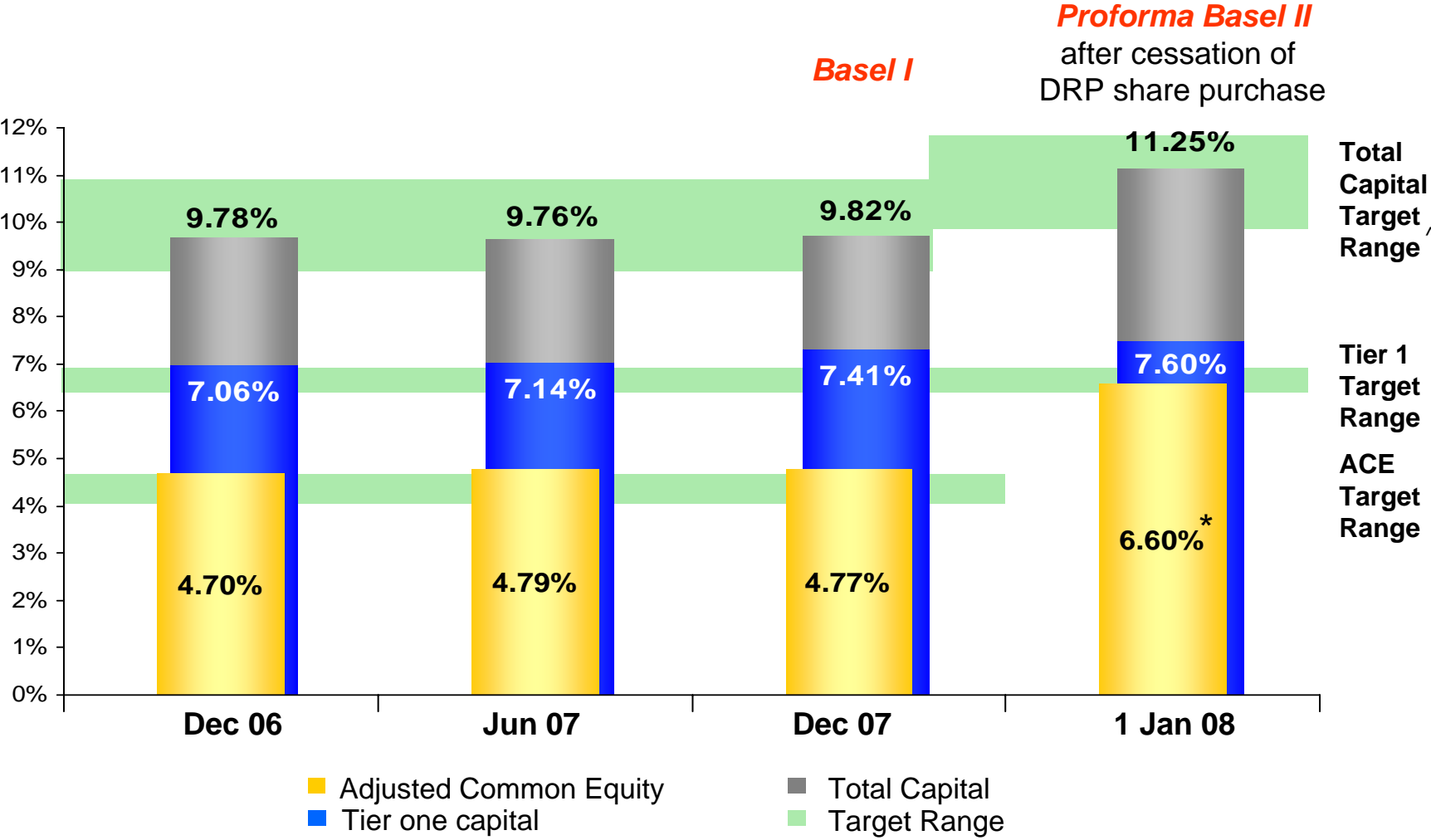
☑ Sound risk management

☑ Low-risk, domestically focussed strategy

CBA is in a strong capital position

✓	Basel II advanced accreditation
✓	Lower RWA's reflects favourable portfolio composition
✓	Capital ratios well above internal target levels
✓	Capital ratios above peer group
✓	No current plans to raise additional capital

Capital ratios are at the upper end of target ranges



^ Total Capital Target Range amended from 9-11% to 10-12% to align with US Financial Holding Company (FHC) requirements.
 * Pro-forma Basel II ACE ratio



ACE Ratios

- CBA continues to measure ACE under Basel I
- S&P do not measure ACE under Basel II
- S&P moving to a new methodology – timeframe unclear
- CBA ratio adjusted on a comparative basis (see table)

ACE Ratios	
	Ratio
CBA	6.6%
Peer 1	6.0%
Peer 2	4.8%

CBA as at 1 Jan-08. Peers as at Mar-08.

Ratios compare more than favourably to the peer group – even stronger on a “like-for-like” basis

	CBA Advanced Accreditation 1-Jan-08	Peer 1 Advanced Accreditation Mar-08	Peer 2 Advanced Accreditation Mar-08	Peer 3 Basel I Mar-08	Peer 4 Basel I Mar-08
Capital (\$m)					
Tier 1 Capital	16,199				
Total Capital	23,956				
Risk Weighted Assets (\$m)					
Credit Risk	181,836				
Market-Traded Risk	4,374				
Interest Rate Risk in Banking Book ¹	14,788				
Operational Risk	12,018				
Other					
Total Risk Weighted Assets	213,016				
Ratios					
Tier 1 Ratio (including ¹)	7.60%				
Tier 1 Ratio (excluding¹)	8.17%	6.9%	7.4%	7.0%	6.51%
Total Capital Ratio (including ¹)	11.25%				
Total Capital Ratio (excluding¹)	12.09%	10.1%	10.1%	10.1%	9.71%

1. Effective 1 July 2008 – refer next slide.

Note: CBA ratios reflect position after the cessation of the DRP share purchase.



Risk Weighted Assets

Interest Rate Risk in the Banking Book

- The Bank's Interest Rate Risk in the Banking Book (IRRBB) component of RWA as at 1 January 2008 was \$14,788m.
- This is built up from a risk assessment of the following items:
 - Yield curve repricing
 - Optionality
 - Basis Risk
 - Embedded gains and losses
- The Bank is awaiting advanced accreditation from APRA in relation to this measure (expected to be effective 1 July 2008).

Risk Weighting adjustments BI vs BII

\$m	Basel 1 31-Dec-07	Basel II 1-Jan-08	Diff
Credit Risk	268,235	181,837	(86,398)
Market Risk – Traded	4,374	4,374	-
Market Risk – Non-Traded	-	14,788	14,788
Operational Risk	-	12,018	12,018
Total	272,609	213,016	(59,593)

Regulatory Expected Loss in excess of Eligible Provisions

	CBA Jan 08 \$m
Regulatory Expected Loss (BII) - before tax	2,087
Eligible Provision	
Collective provision	1,084
Specific provisions	268
Other credit provisions	28
Fair value credit adjustments	22
	1,402
less tax effect impact	(421)
other	34
Total Eligible Provision	1,015
Regulatory Expected Loss in excess of Eligible Provision	1,072
Tier 1 deduction - 50%	536
Tier 2 deduction - 50%	536
Total Capital deduction	1,072

Reflects downturn LGD's and APRA requirements for regulatory capital

CBA – strength in uncertain times

- ☑ Strong competitive position
- ☑ Prudent funding and liquidity management
- ☑ Strong capital position

 ☑ **Sound risk management**

- ☑ Low-risk, domestically focussed strategy

Sound risk management

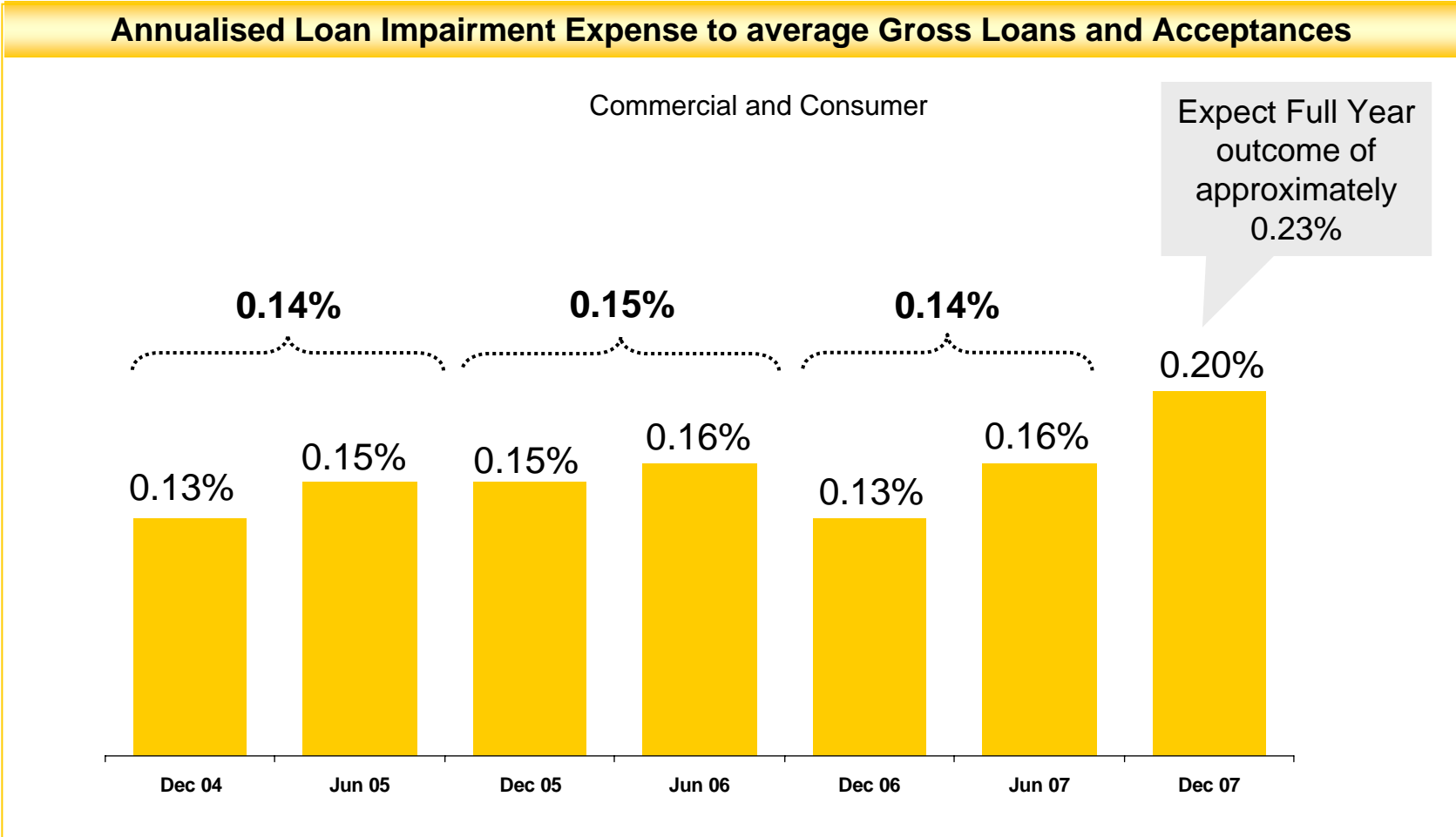
- Consumer:

- Portfolio quality remains sound
- Q3 arrears up-tick likely seasonal
- Indicators remain under close review

- Commercial:

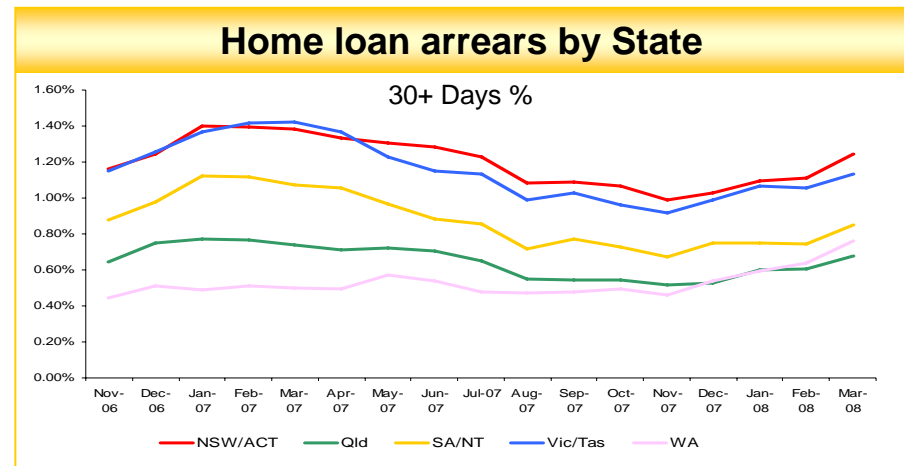
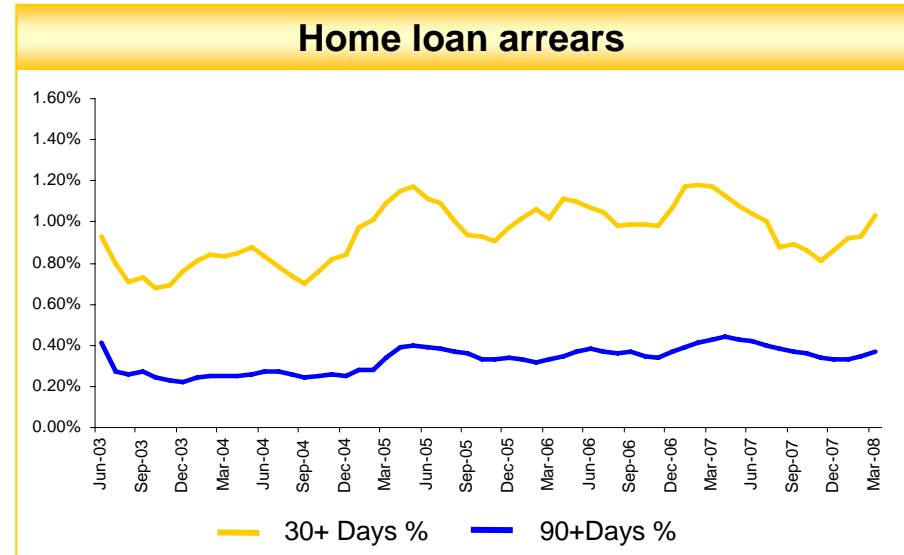
- Underlying portfolio quality remains sound
- No systemic or sector-specific issues
- Increased provisioning levels consistent with cycle
- Single-name exposures remain under close attention

Outlook



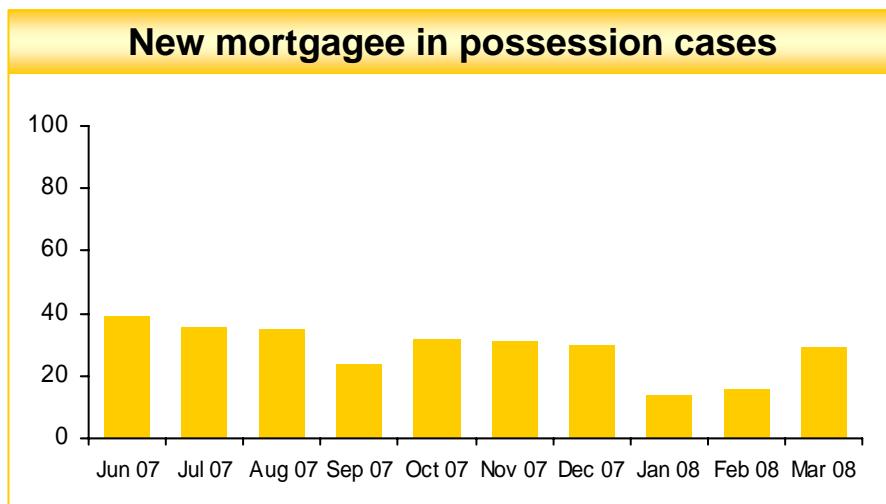
Home loan quality remains very sound

- Small up-tick in Q3 arrears rates consistent with seasonal trends – close monitoring for any further deterioration
- Up-tick broadly consistent across States
- Arrears rates remain low by historical standards
- Interest rate buffer built into all customer serviceability tests
- 60% of customers two or more payments in advance
- Not participating in higher risk segments
- No sub-prime or non-recourse mortgages



Home Lending

- Portfolio LVR ~50% based on original property value, or ~40% based on current property value. LVR on new loans ~65%
- Low-doc loans:
 - ~3% of portfolio balances
 - Loans >60% LVR must be insured
 - No loans >80% LVR

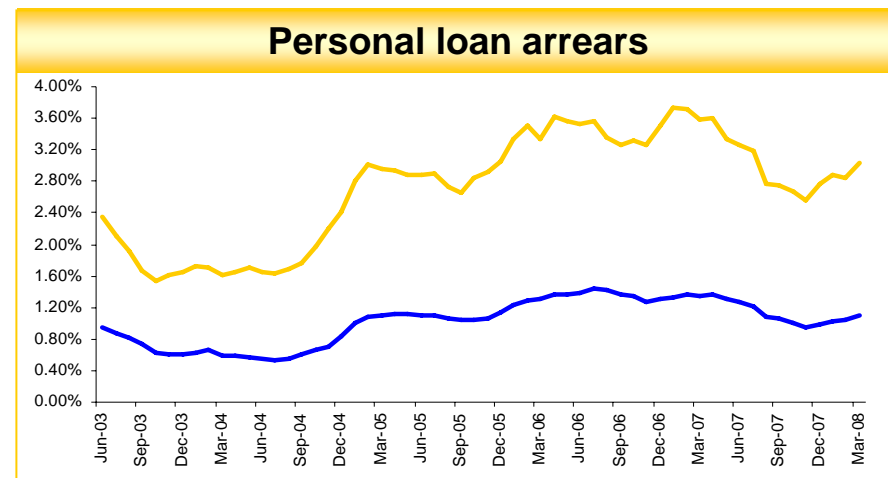
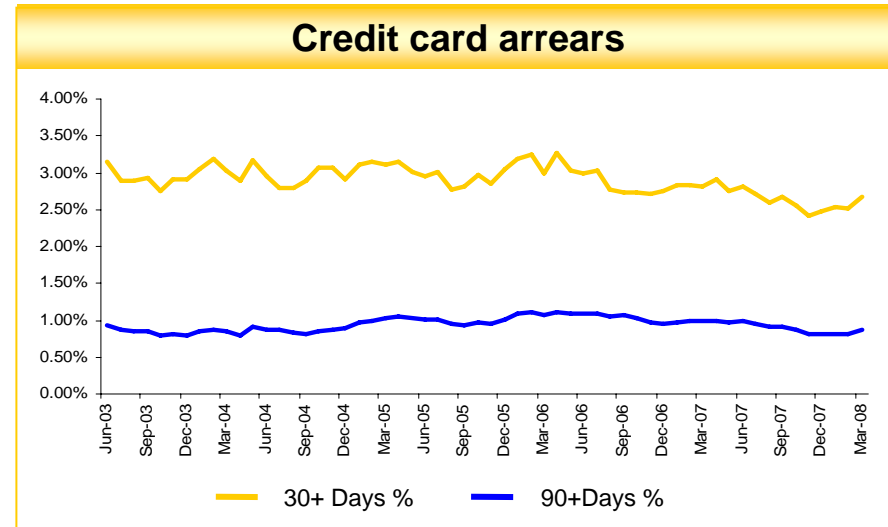


Portfolio Profile

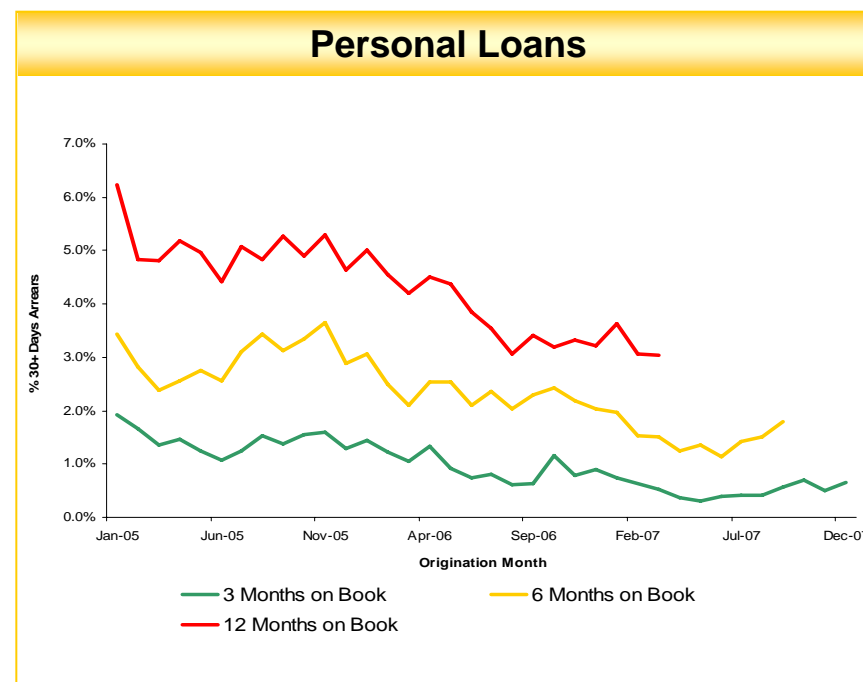
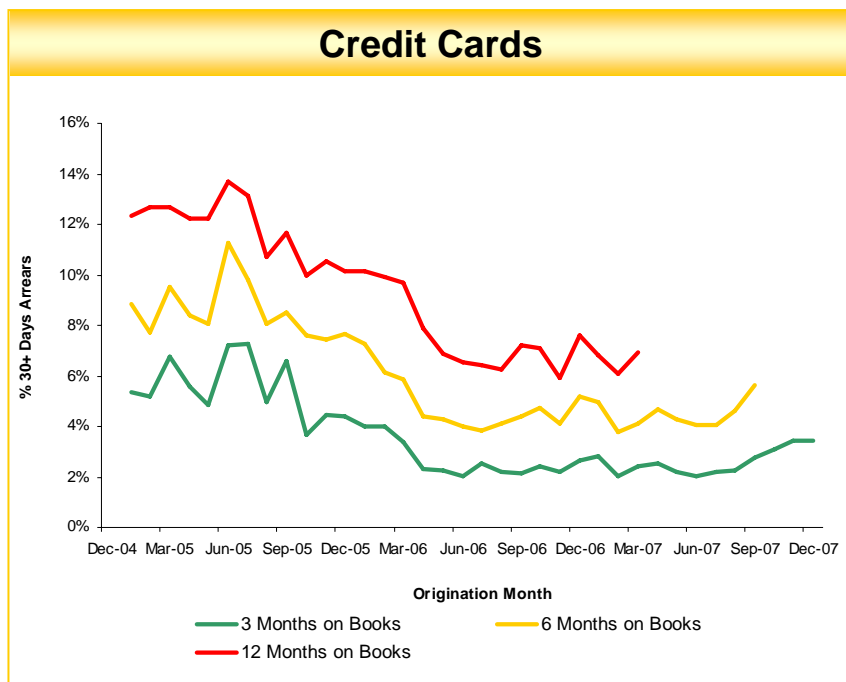
	Dec-07	Mar-08
Balance Mix		
Owner-Occupied	55%	55%
Investment	34%	34%
Line-of-Credit	11%	11%
Variable	65%	65%
Fixed	32%	33%
Honeymoon	3%	2%
Low Doc %	3%	3%
Originations		
Proprietary	61%	62%
Third Party	39%	38%

Unsecured personal lending

- Small seasonal increases in Q3 arrears rates in both the credit card and personal loan portfolios – close monitoring for any further deterioration
- Not participating in zero rate balance transfer segment
- Enhanced scorecards enabling more sophisticated risk/volume decisioning
- Pricing for risk providing volume upside without portfolio deterioration
- Poorer quality older accounts being replaced by better quality newer accounts



Unsecured personal lending – vintage analysis



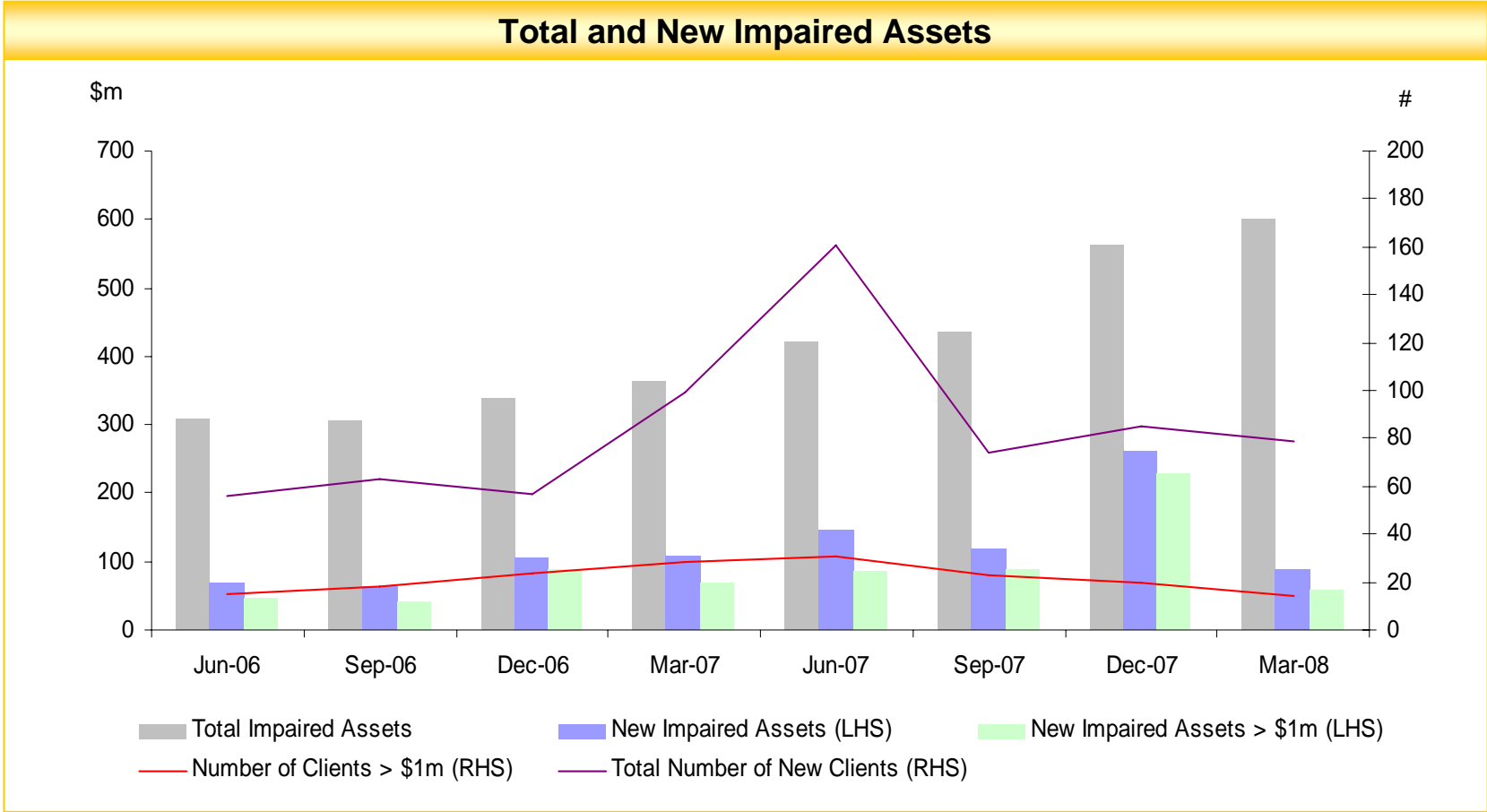
- General trend shows improved arrears rates over recent years
- Steepest declines in arrears correspond to dates new scorecards were introduced
- Analysis shows slight increase in early arrears from new business booked post Aug-07 – being closely monitoring

Margin Lending

- No exposure to stock lending sector
- In-house margin lending book is good quality - comprehensive portfolio review conducted mid-2007 with regular updates
- Robust processes and management systems in place
- Low gearing levels
- Margin calls Mar-08 Qtr:
 - Relatively small number
 - Few customers impacted
 - Forced sales in less than 4% of margin calls

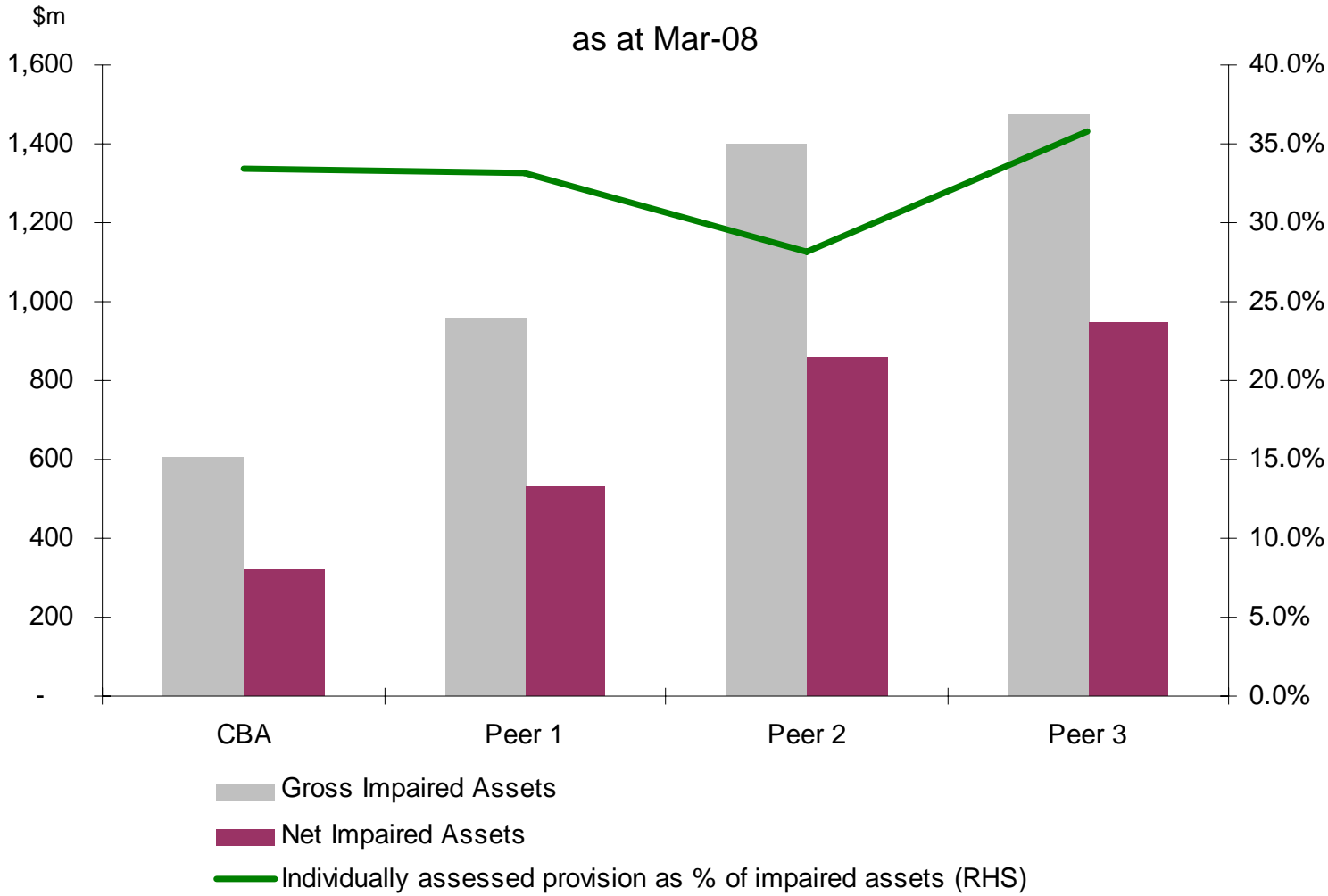
Margin Lending Summary	
Mar-08 Quarter	
Portfolio Size	~\$8bn
Aggregate Gearing	35%
Margin Calls	~16,000
Forced sales	<4%

Impaired Assets



Includes both Consumer and Commercial portfolios

Impaired Assets and Provision Coverage

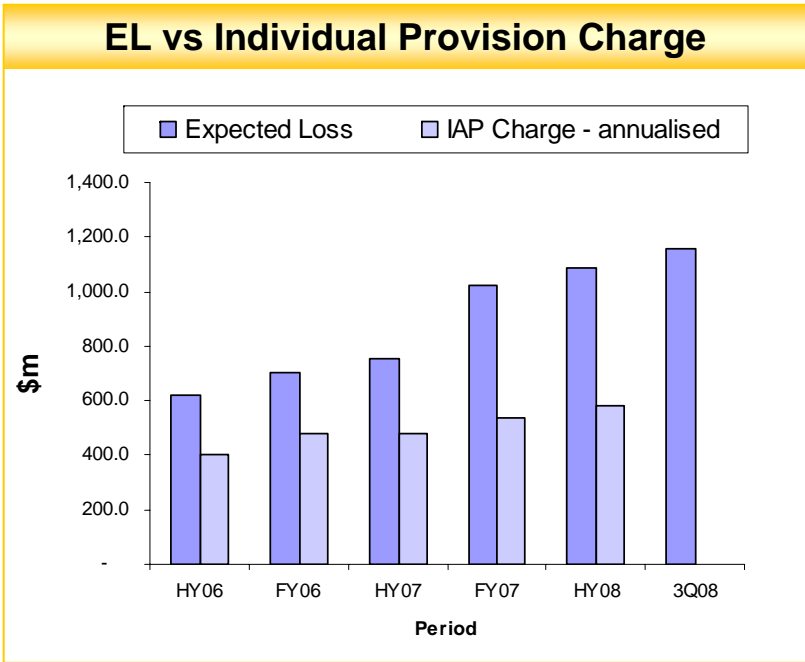


Portfolio Composition

	CBA	Peer 1	Peer 2	Peer 3
Unsecured Retail	3%	5%	4%	5%
Margin Lending	2%	1%	1%	1%
Australian Home Loans	46%	37%	33%	29%
Australian Commercial	18%	24%	23%	21%
Overseas and Other	30%	32%	39%	45%
Total	100%	100%	100%	100%

Expected loss

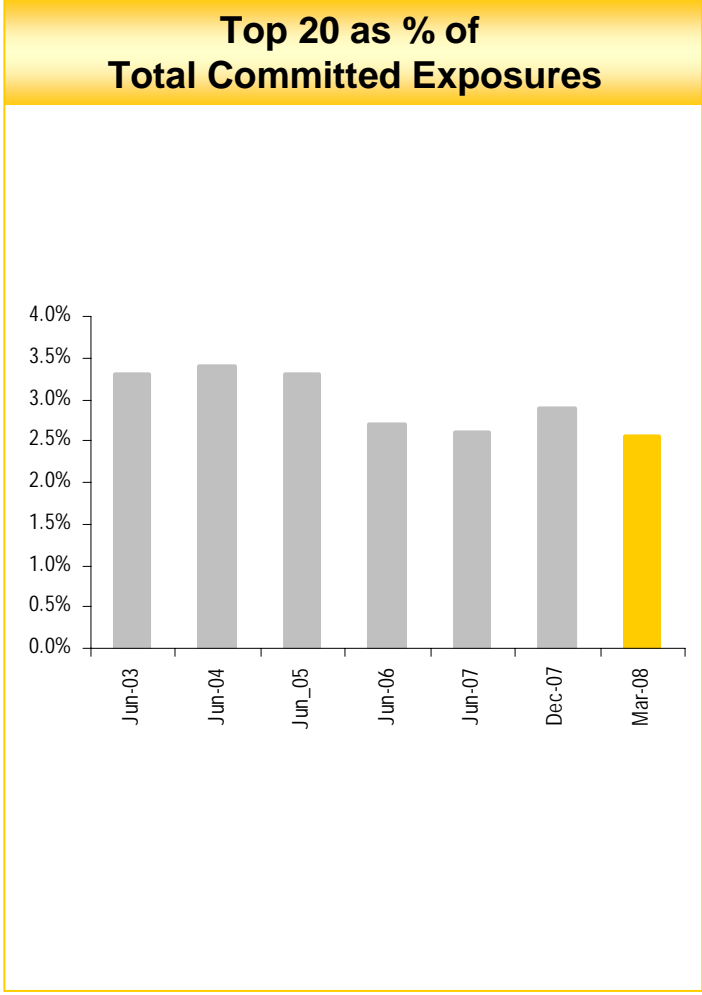
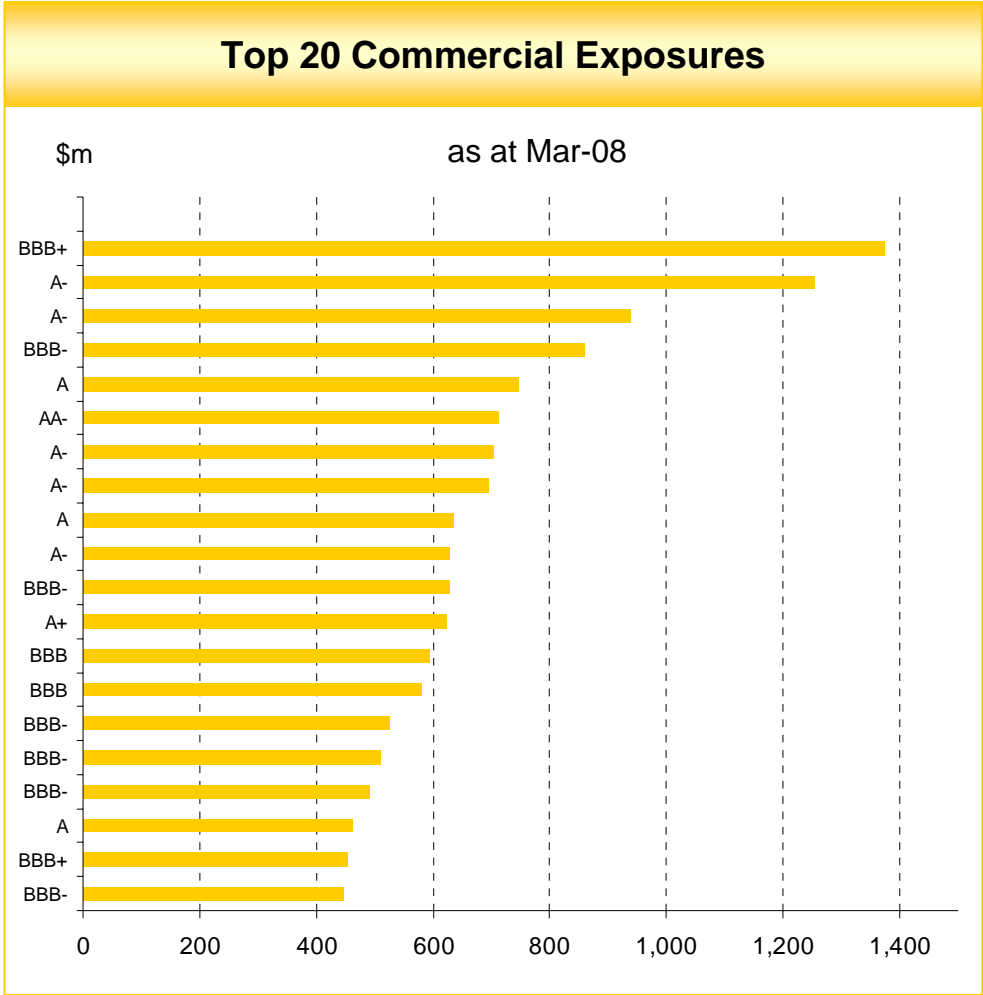
Expected Loss by Business Unit	
As at Mar-08	
Retail Banking Services	0.23%
Premium Business Services	0.27%
International Financial Services	0.21%
Group	0.24%



Note: Expected loss focuses on the anticipated longer term loss rates and is less volatile than IFRS credit loss provisioning. Factors are under review to further incorporate enhancements from Basel II work and modelling on through-the-cycle losses.

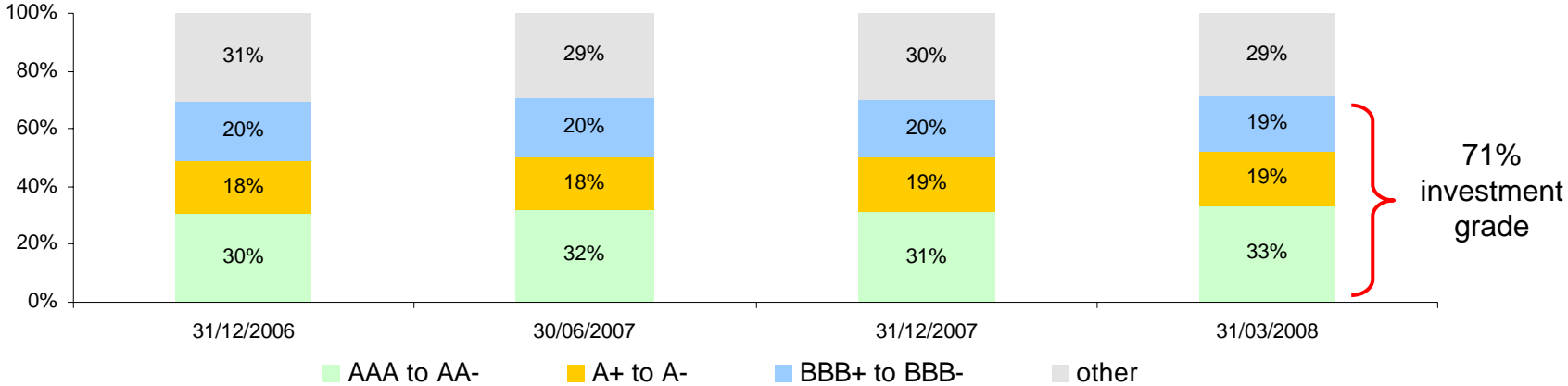
Reflects through-the-cycle average LGD's

Top 20 commercial exposures all investment grade



Over 70% of commercial risk-rated exposures are investment grade

Commercial Risk-Rated Exposures



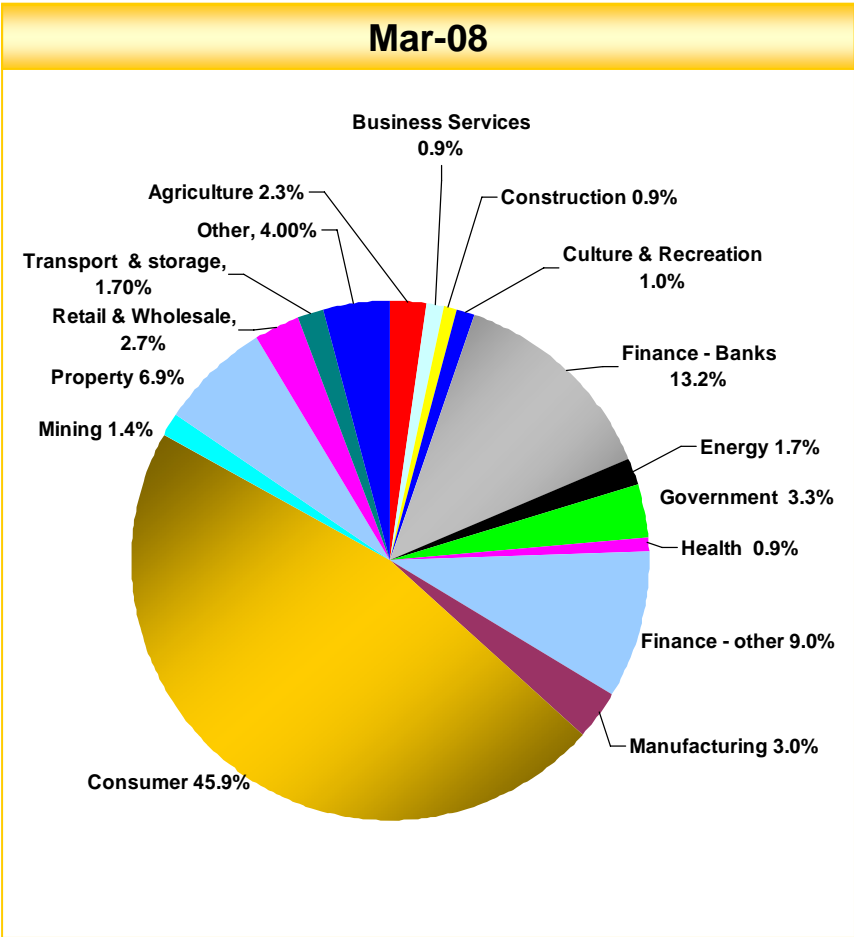
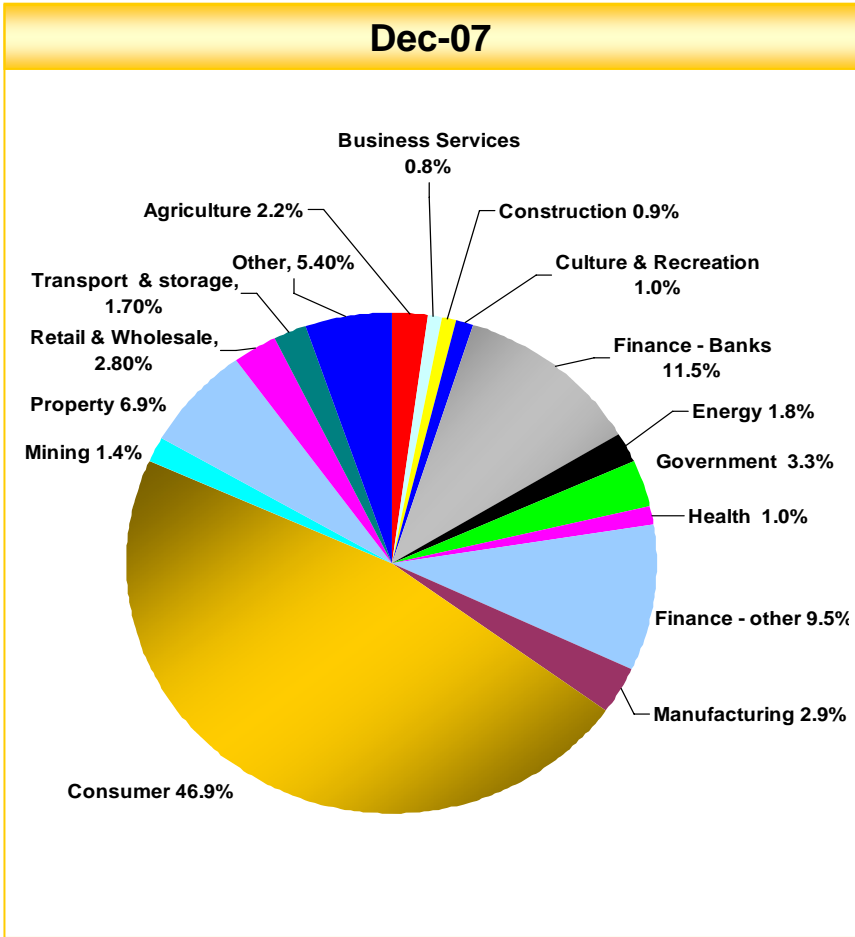
Total Exposures by Geography



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



Total exposures by industry



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



Counterparty and other exposures

US Sub-prime	<ul style="list-style-type: none"> ■ No direct exposures ■ Like peers, the Bank has an indirect exposure to Country-Wide in the U.S (~\$300m).
CDOs	<ul style="list-style-type: none"> ■ No direct exposure to unhedged CDO or CLO transactions ■ Small number of low \$ value exposures which are fully hedged ■ Single AUD\$75m AAA CDO held indirectly via its conduit, PIE, maturing Jun-08
Asset Backed Commercial Paper (ABCP) Conduits	<ul style="list-style-type: none"> ■ Two Bank sponsored ABCP conduits with standby facilities drawn to \$1.4bn ■ Highly rated assets – predominantly AAA, some AA ■ Standby facilities to other conduits of \$1.2bn, currently drawn to \$356m
Stock Lending	<ul style="list-style-type: none"> ■ No material exposure to stock-lending sector
Lenders Mortgage Insurance	<ul style="list-style-type: none"> ■ Mortgage insurance is outsourced to Genworth (98%) and PMI (2%) ■ Under “extreme stress” conditions, insured loan expected loss would be ~\$300m.
Hedge Funds	<ul style="list-style-type: none"> ■ No direct lending exposure to hedge funds ■ Limited exposure to hedge funds via FX and interest rate swap products ■ Fund of hedge funds – exposure to diversified funds that invest in hedge funds of ~\$160m

CBA – strength in uncertain times

- ☑ Strong competitive position
- ☑ Prudent funding and liquidity management
- ☑ Strong capital position
- ☑ Sound risk management

 ☑ **Low-risk, domestically focussed strategy**

Recent highlights

Customer Service

- ▶ Customer satisfaction continuing to trend higher through Mar-08
- ▶ Overall satisfaction at 10 year highs
- ▶ New design branches achieving peer group best practice satisfaction

Business Banking

- ▶ Good volume and market share outcomes
- ▶ Very strong customer satisfaction gains over 12 months to March
- ▶ Strong growth in business deposits

Technology and Operational Excellence

- ▶ IT cost savings and efficiency targets on track
- ▶ Core Banking Modernisation announced April 28

Trust and Team Spirit

- ▶ Culture survey gains consolidated
- ▶ Continued focus on engagement

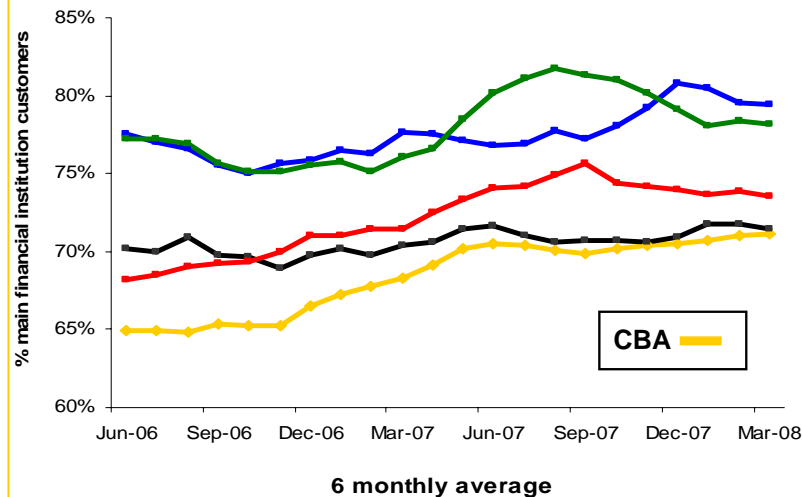
Profitable Growth

- ▶ Net FUM flows impacted by markets, but still relatively strong
- ▶ Encouraging improvements in group-wide referrals
- ▶ Branch licence in Vietnam

Customer satisfaction continues to improve

Overall Customer Satisfaction¹

Customer Satisfaction levels improving, but with significant scope for further gains



Business Customer Satisfaction²

Largest improvement over the past 12 months

	Customer Satisfied	Movement	
	Mar 08 %	6 Months	12 Months
ANZ	80.2	↑ 4.1	↑ 3.0
Commonwealth	71.1	↑ 9.3	↑ 11.9
NAB	73.3	↑ 2.7	↑ 4.2
Westpac	77.0	↑ 5.8	↑ 8.1
St George	84.2	↑ 4.2	↓ 4.9
All Financial Institutions	77.7	↑ 5.0	↓ 6.2

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

2. Source: TNS Business Finance Monitor Mar 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



Economic Indicators

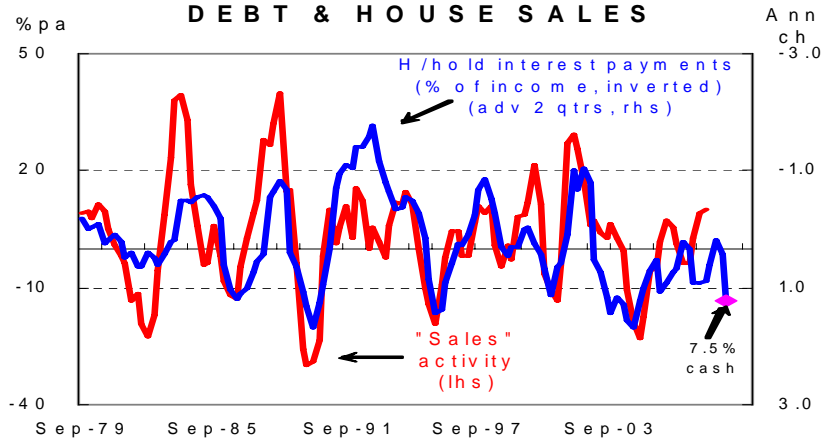
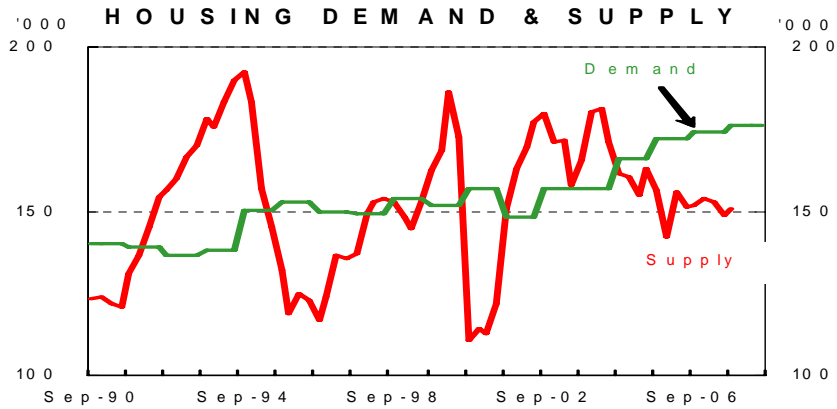
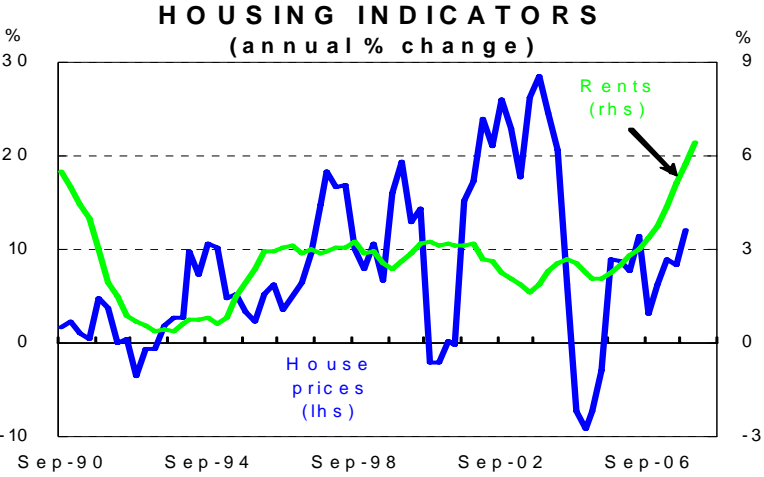
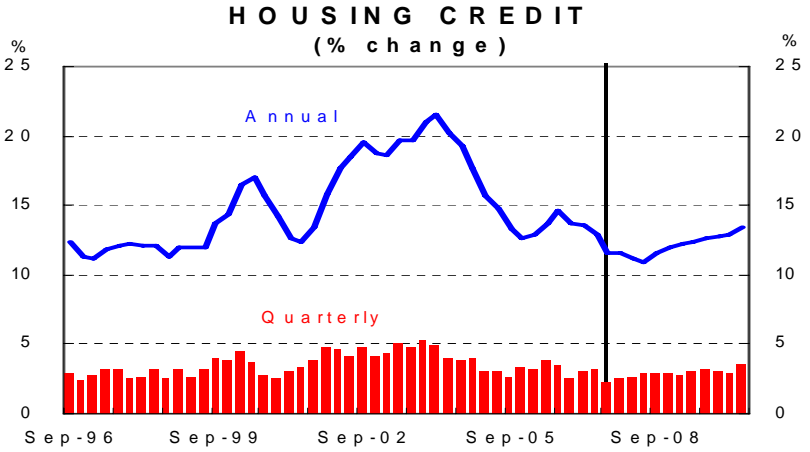


Key Economic Forecasts

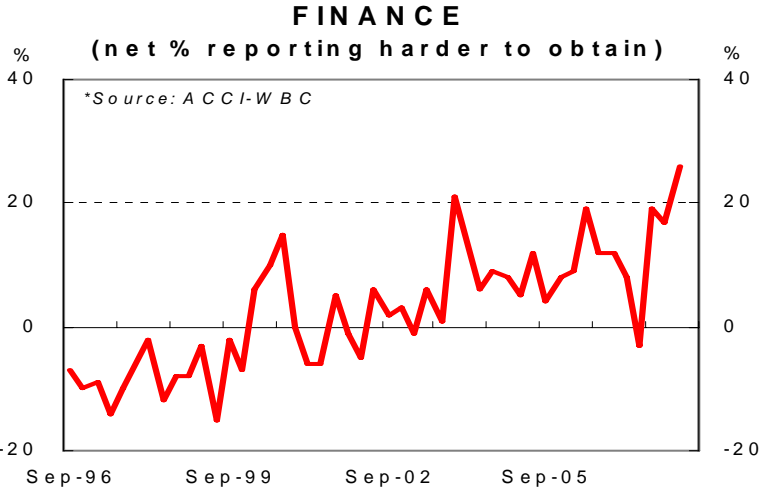
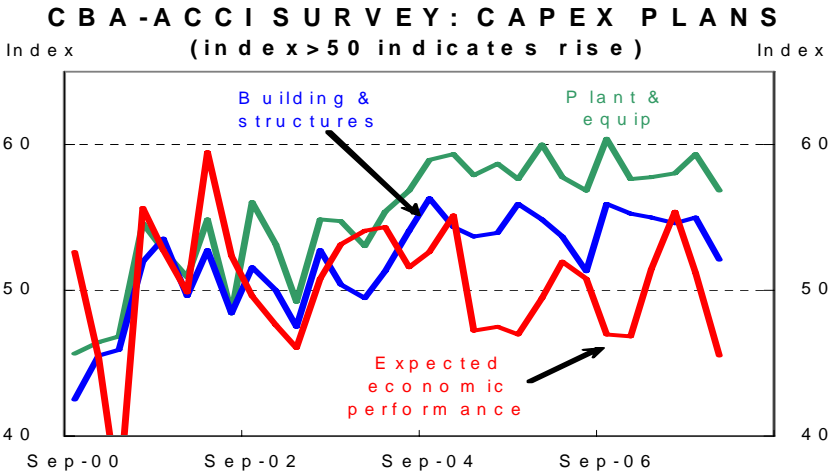
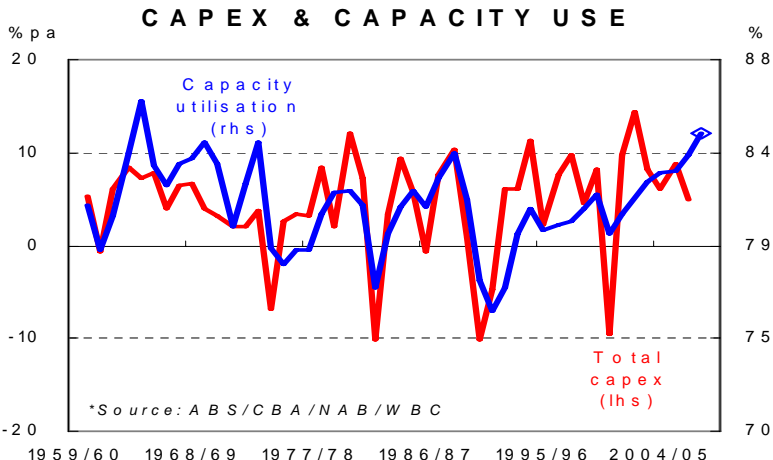
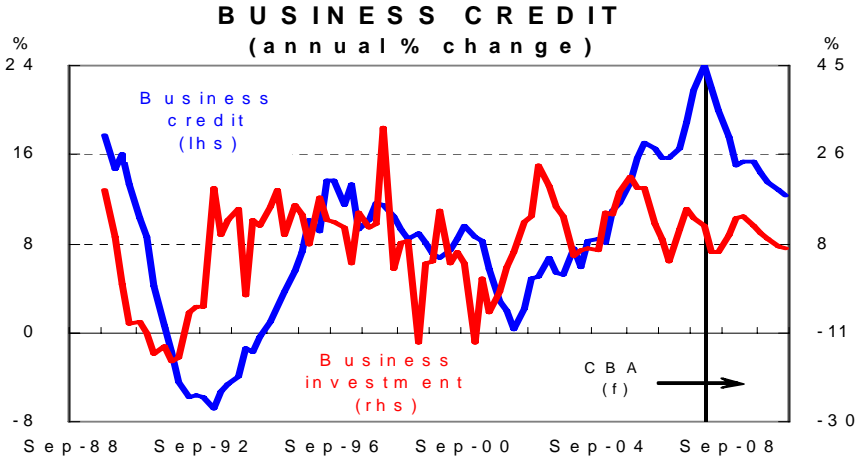
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	(a)	(a)	(a)	(a)	(f)	(f)
Economic Activity						
Private final demand	5.9	4.6	4.3	4.1	5.1	4.1
<i>Of which:</i> Household spending	5.4	4.4	2.6	3.6	4.5	2.5
Dwelling investment	3.1	-0.8	-4.3	2.4	3.1	6.8
Business investment	9.9	12.5	16.3	8.2	8.3	8.4
Public final demand	4.6	4.6	3.7	4.0	4.5	4.1
Domestic final demand	5.6	4.6	4.1	4.1	5.0	4.1
Inventories (contrib to GDP)	0.4	0.0	-0.6	0.2	0.4	-0.2
GNE	6.1	4.6	3.6	4.2	5.4	3.9
Exports	2.1	3.1	2.2	3.8	3.7	7.9
Imports	13.0	12.1	7.2	8.9	11.0	10.2
<i>Net exports (contrib to GDP)</i>	<i>-1.9</i>	<i>-1.7</i>	<i>-1.1</i>	<i>-1.2</i>	<i>-1.8</i>	<i>-0.9</i>
GDP	4.0	2.8	3.0	3.2	3.6	3.1
Prices & Wages						
CPI	2.4	2.4	3.2	2.9	3.1	3.0
Underlying CPI	2.6	2.5	2.6	2.9	3.5	3.1
AWOTE	4.9	4.6	4.8	3.6	4.5	3.9
WPI	3.6	3.8	4.1	4.0	4.2	3.9
Real h/hold disposable income	4.9	5.6	4.4	4.9	6.0	3.8
Labour Market						
Employment	1.8	2.8	2.4	2.7	2.5	2.0
Unemployment rate	5.7	5.2	5.0	4.5	4.3	4.6
External Accounts						
Current Account: \$bn	-46.2	-55.4	-54.5	-59.6	-70.7	-61.8
<i>% of GDP</i>	<i>-5.5</i>	<i>-6.2</i>	<i>-5.6</i>	<i>-5.7</i>	<i>-6.3</i>	<i>-5.1</i>



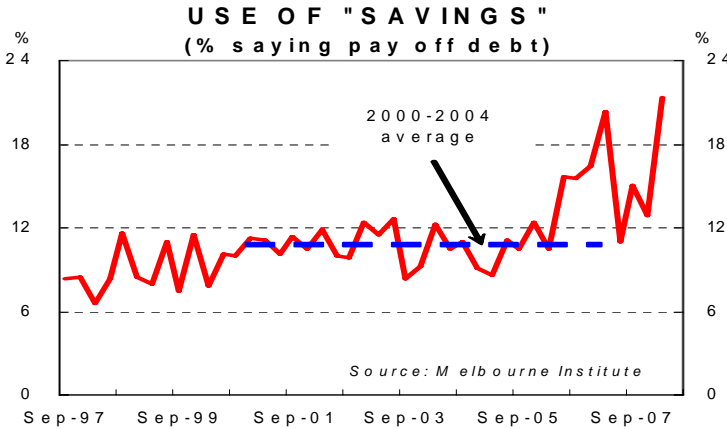
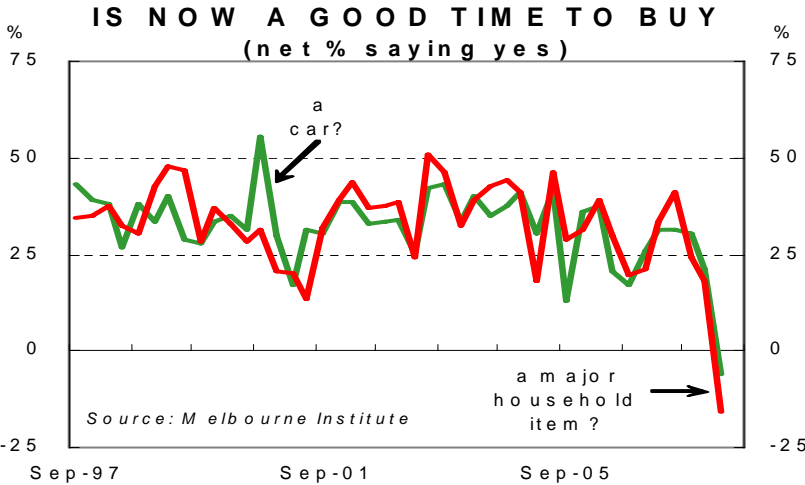
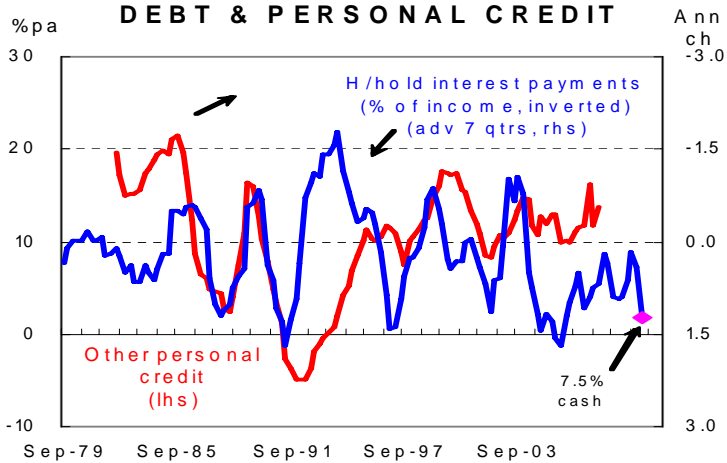
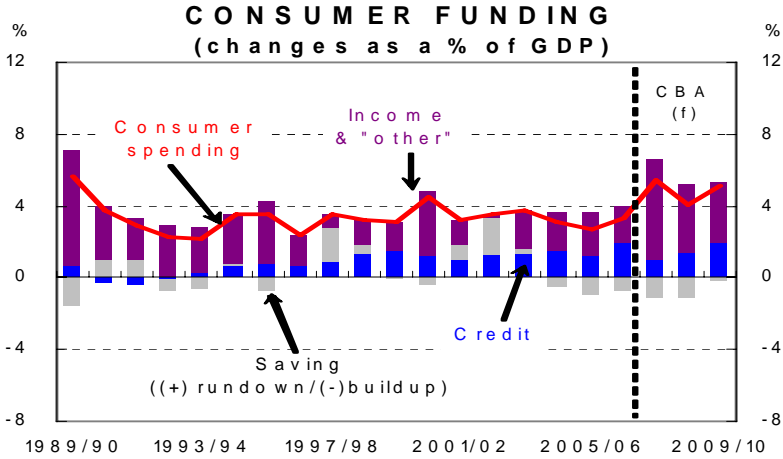
Economic Indicators - Housing



Economic Indicators - Business



Economic Indicators – Other Personal



Commonwealth Bank of Australia

March Quarter 2008 Trading Update

Investor Information Pack

15 May 2008



Determined to be different