

RECENT DEVELOPMENTS

The information set forth below is not complete and should be read in conjunction with the Annual US Disclosure Document for the Year Ended June 30, 2008 of the Commonwealth Bank of Australia (the "Bank"), the Bank's Financial Report for the year ended June 30, 2008 and the Bank's Financial Report for the year ended June 30, 2007, and the other information contained on the "Supplementary business and financial disclosure" page of the Bank's website at <http://www.commbank.com.au/usinvestors>.

Acquisition of BankWest and St Andrew's

On October 8, 2008, the Bank agreed to acquire the Bank of Western Australia Limited ("BankWest") and St Andrew's Australia Pty Ltd ("St Andrew's"), BankWest's wealth management business, through the execution of a sale and purchase agreement with United Kingdom-based HBOS plc. The purchase does not extend to HBOS's other Australian businesses - Capital Finance Australia Ltd, BOS International (Australia) Ltd and HBOS's Australian Treasury operations. The final purchase price will be determined following due diligence and will not exceed A\$2.1 billion, which is equal to approximately 0.8 times book value (ordinary shareholders' equity) as of December 31, 2007 and approximately 11.2 times profit attributable to equity holders, after dividends on redeemable preference shares, for the year ended December 31, 2007. In addition, the Bank will refinance approximately A\$18 billion of BankWest's intra-group funding and, under certain circumstances, BankWest will make a return of capital to HBOS above a specified amount held by BankWest at completion of the acquisition by the Bank. The purchase is conditional on the receipt of all necessary competition, regulatory and government approvals and will be completed following receipt of those approvals. Completion of the acquisition of BankWest and St Andrew's is expected to occur by end January 2009. The Bank intends to fund the purchase price largely through a A\$2.0 billion accelerated institutional equity placement which it settled on October 16, 2008 and maintained the Bank's APRA Tier 1 capital at 7.6%.

BankWest is the seventh largest bank in Australia based on total deposits¹ and it is a market leader in the State of Western Australia. It recorded an unaudited profit before income tax of A\$121.7 million for the six months ended June 30, 2008 and had unaudited total assets of A\$63.2 billion as at June 30, 2008. St Andrew's provides life insurance and wealth management products to the Australian marketplace. The Bank believes that its range of products will be complementary to the CBA group's existing wealth management business. As at August 31, 2008, St Andrew's had funds under management and advice of approximately A\$2.1 billion.

As with any acquisition, there are numerous risks that may arise in connection with the acquisition of BankWest and St Andrew's. These include the risk that the Bank may suffer a

¹ Source: Returns submitted to the Australian Prudential Regulation Authority for the month ended August 30, 2008. Total deposits is the sum of transaction deposit accounts, non-transaction deposit accounts and certificates of deposit and excludes intra-group deposits.

downgrade of its credit ratings, the Bank may not achieve expected synergies from the acquisition as a result of difficulties in integrating information and other systems, the Bank may achieve lower than expected cost savings or otherwise incur losses, the Bank may lose customers and market share, or face operational or management disruptions, or the acquisition may have other negative impacts on the Bank's results, financial condition or operations. The Bank regularly assesses acquisition opportunities (for example, see "Impact of Recent Market Volatility and Market Update" below) and, although there are no other acquisitions currently contemplated, if it were to undertake other acquisitions these risks may be exacerbated.

Impact of Recent Market Volatility and Market Update

Since the second half of 2007, disruption in the global credit markets, coupled with the repricing of credit risk, and the deterioration of the financial and property markets, particularly in the United States and Europe, have created increasingly difficult conditions for financial institutions, including Australian banks. These conditions include greater volatility, significantly less liquidity, widening of credit spreads and a lack of price transparency in certain markets. In recent weeks the volatility has reached unprecedented levels and credit markets have been illiquid. These conditions have resulted in the failures of a number of financial institutions around the world and resulted in unprecedented action by governmental authorities and central banks. Recently, the governments in Australia, Europe, the United Kingdom and the United States have announced measures to assist in strengthening their respective banking systems. It is impossible to predict how long the current financial turmoil around the world will persist and what effect it will have on the Bank's results of operation or financial condition.

On September 16, 2008, the Bank announced that it had less than A\$150 million of direct exposures to Lehman Brothers companies, which the Bank announced on October 8, 2008 is expected to have a potential adverse impact of approximately A\$100 million on the Bank's net profit after tax for its fiscal year ending June 30, 2009. The Bank may have additional indirect or counterparty exposures to these entities, however, as well as to other counterparties that have announced or may announce proceedings that would negatively impact the Bank's business.

On October 8, 2008, the Bank announced that the A\$754 million in ABC Learning exposure it holds would be marked down through a mark down of its A\$446 million holding of ABC Learning convertible notes. This mark down is expected to have a potential adverse impact of approximately A\$100 million on the Bank's net profit after tax for its fiscal year ending June 30, 2009.

On October 8, 2008, the Bank also announced that it had held a high level, exploratory discussion with Suncorp-Metway Limited, although the Bank is not currently involved in the sale process publicly announced by Suncorp-Metway Limited on October 6, 2008.

As part of consolidated global actions by various government agencies and central banks that are being implemented in order to provide capital, create market liquidity and open credit sources, on October 12, 2008, the federal government of the Commonwealth of Australia (the "Government") announced a new guarantee program aimed at supporting confidence in funding markets and continued lending by authorized deposit-taking institutions ("ADIs"), such as the Bank, to Australian corporations, businesses and households. The Government guarantee will be

offered on debt securities issued by Australian owned banks, Australian ADI subsidiaries of foreign banks, credit unions and building societies. The guarantee will be extended for a fee upon application on an issue by issue basis to eligible securities issued by ADIs with a term of up to 60 months and will be restricted to senior unsecured debt instruments. The details of the Government guarantee scheme have not yet been announced and the Bank has not determined whether it will apply for benefit of the guarantee in respect of any of its debt securities.

Also, on October 12, 2008, the Government announced that it will guarantee the deposits in Australian owned banks, Australian ADI subsidiaries of foreign banks, credit unions and building societies for a period of three years. The guarantee will apply to deposits held in eligible institutions by all types of legal entities in Australia, including individuals (including joint accounts), partnerships, businesses, trusts and government entities regardless of where the depositor resides and regardless of the currency of the deposit.

At the date hereof, the Bank continues to maintain capital levels above its target ranges and intends to continue to carry surplus capital due to the current volatile market conditions. Due to the challenging conditions in the global markets, the Bank also intends to maintain surplus liquidity, which it maintained at an average of approximately A\$10 billion for the six months ended June 30, 2008. Approximately 58% of the Bank's total funding (excluding excess liquid assets) was from retail sources at June 30, 2008, with Australian domestic deposits increasing by A\$12 billion or 5% in the two months ended August 31, 2008. During the 2009 financial year, the Bank has raised A\$10.8 billion in long term funding, which represents approximately 42% of the Bank's anticipated wholesale term funding program for the 2009 financial year, excluding wholesale funding required to fund the BankWest acquisition and BankWest business after acquisition. The Bank intends to continue to take what it believes to be a prudent approach to the management of credit and market risk.