November 22, 2011

Commonwealth Bank of Australia
Recent Developments

The information set forth below is not complete and should be read in conjunction with the information contained on the "Supplementary business and financial disclosure" page of the U.S. investor website of the Commonwealth Bank of Australia (the "Group") at http://www.commbank.com.au/usinvestors (the "U.S. Investor Website"). This "Recent Developments" release supplements and, to the extent inconsistent with any information on the U.S. Investor Website, amends and supersedes such information.

This "Recent Developments" release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements including economic forecasts and assumptions and business and financial projections involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in the Group's Annual U.S. Disclosure Document for the year ended June 30, 2011 (the "2011 Annual Report") included on the U.S. Investor Website.

Trading Update for the Quarter ended September 30, 2011

On November 15, 2011, the Group advised that its unaudited cash net profit after tax for the three months ended September 30, 2011 ("the quarter") were approximately $1.75 billion. The unaudited cash net profit after tax is prepared on a different basis from Australian equivalents to International Financial Reporting Standards ("AIFRS"). For a description of the difference between the basis for preparing cash net profit after tax and what would otherwise be required under AIFRS, see "Financial Information Definitions – Non-GAAP Financial Measures" in the 2011 Annual Report. Key outcomes for the quarter are summarized below.

Key Outcomes

- In an uncertain and volatile operating environment, the Group has retained its existing business settings, with capital, liquidity, funding and provisioning levels all remaining strong;
- In an environment of subdued credit demand, the Group's focus remains on profitable growth in each of its key markets;
- Revenue growth trends remain broadly consistent with those outlined in the Group's full year results in August, though market volatility impacted Trading Income, which was approximately $60 million below the long term average in the quarter;
- Underlying Group net interest margin (excluding the impact of AIFRS volatility on interest rate swaps) declined marginally in the quarter due to higher liquid asset holdings. Competitive intensity and the sustained elevation in wholesale funding costs continue to place pressure on margins;
- Expense growth in the quarter reflected the impact of salary increases from July and ongoing strategic investment in the business;

- Credit quality trends remained positive across key indicators, with further improvements in impaired assets, troublesome exposures and consumer arrears;
- Total impairment expense was lower at 19 basis points of total average loans, or $256 million in the quarter;
- Given ongoing economic uncertainty, economic overlays have been retained in the loan impairment provision, with total overlay provisions stable this quarter;
- Asset growth remains largely deposit funded, with household deposits growing strongly through the quarter;
- Liquid assets increased by $8 billion in the quarter to $109 billion;
- The Group's Tier 1 capital ratio was 9.85 percent as at September 30, 2011, compared to 10.01 percent as at June 30, 2011. Organic capital generation was offset slightly this quarter by the impact of higher risk-weighted assets, reflecting corporate lending growth, higher levels of liquid assets and foreign exchange impacts. The Group believes it remains well positioned for transition to Basel III capital requirements.

Business Commentary

Australia – Retail

The Retail Bank continued its focus on expense management and operational efficiency in the low credit growth environment. Margins remain under pressure from higher funding costs associated with current market volatility. Australian home loan growth was in line with system through the quarter. Deposit growth remains strong, particularly in investment and savings products. Consumer credit quality has improved, with a reduction in arrears rates across all lending portfolios. Bankwest experienced good growth in customer numbers and above system growth in home lending.

Australia – Commercial

Business confidence remains subdued given global economic uncertainty. Notwithstanding this, Institutional Banking & Markets results were driven by an increase in underlying activity underscored by improved momentum in lending balances and higher lending margins. Customer flows in the Markets business were solid, offset by lower performance on the trading book given challenging market conditions.

Business & Private Banking recorded modest growth in lending volumes and is growing ahead of system[1]. CommSec maintained its leading market share while equity trading volumes were flat reflecting subdued market volatility. Credit quality trends were favorable across the Australian commercial businesses. Bankwest continued to re-weight its commercial lending portfolio towards lower risk segments, whilst growing strongly in its target markets.

[1] Source: Reserve Bank of Australia.

Wealth Management and Insurance

Market conditions continued to create headwinds for Wealth Management in the September quarter. From June 30, 2011, Funds under Administration and Funds under Management declined by 2.7 percent and 3.7 percent respectively due to negative investment returns, partially offset by foreign currency gains as the Australian dollar pulled back from its recent highs. FirstChoice and Custom Solutions experienced positive net flows of $408 million and $321 million respectively for the quarter. Inforce premiums grew by 2.3 percent in the quarter, with good growth in Retail Direct Life and General Insurance.

New Zealand

The New Zealand economy showed some signs of improvement, despite the ongoing disruption caused by the Christchurch earthquake in February 2011. In the longer term, low interest rates, high commodity prices and reconstruction activity are expected to boost economic growth. ASB achieved steady income growth and continued strong discipline in cost management during the quarter. Margin continued to benefit from the repricing of the lending book, partially mitigated by price competition for retail deposits.

Conclusion

Commenting on the September quarter, Commonwealth Bank of Australia Chief Executive Officer Ralph Norris said: “As we indicated at our full year results announcement in August, operating conditions remain challenging. The global economic recovery remains fragile, highlighted by ongoing sovereign debt concerns in the Euro zone and an uncertain growth outlook in the US. Whilst the Australian economy continues to perform relatively well, consumer and business confidence remains fragile, most noticeably reflected in subdued system credit growth.

“Against this background, the Group continued to perform well, highlighted by solid financial outcomes and continued improvements in customer satisfaction scores. At a time of lower credit demand, the effective execution of our strategic agenda and our continued emphasis on profitable growth is driving consistently good financial outcomes, positioning the Group well for future growth.”

“Given the volatile operating environment and economic uncertainty, the Group continues to retain its conservative business settings, with capital, provisioning, funding and liquidity levels all remaining strong.”

Group to Acquire Count Financial Limited

On August 30, 2011, the Group announced that it entered into a Scheme of Implementation Deed with Count Financial Limited (“Count”), whereby the Group proposed to acquire all the shares of Count via a Scheme of Arrangement for approximately A$373 million to be paid in a combination of cash and ordinary shares of the Group. The acquisition is subject to a number of conditions precedent, including approval by Count’s shareholders and Australian federal court approval. The Group has received notification from the Australian Competition and Consumer Commission that it does not plan to oppose the proposed acquisition. The acquisition has an expected implementation date of December 9, 2011. Count is an Australian network of financial planning accountants and advisors.

APRA Guidance on Implementation of Basel III Capital and Liquidity Reforms in Australia

On September 6, 2011, the Australian Prudential Regulation Authority ("APRA") released its discussion paper, *Implementing Basel III Capital Reforms in Australia*. This discussion paper is subject to industry consultation until December 2, 2011, with a further discussion paper on counterparty credit risk expected in late calendar 2011 and draft standards are currently expected to be released in early calendar 2012. In the first discussion paper, APRA has indicated that, subject to industry consultation, it will adopt as a minimum for Authorised Deposit-taking Institutions ("ADIs") the capital framework proposed under the Basel III framework, which is described under "Capital Management – Regulatory Changes - Banking – Basel Committee Changes" in the 2011 Annual Report, with some additional conservatism. Prudential Capital Requirements ("PCRs") will be set by APRA for each ADI at or about the minima set out in the Basel III arrangements. The APRA discussion paper proposes that these capital requirements will need to be met in full from January 1, 2013. In addition, from January 1, 2016, ADIs will be required to hold a capital conservation buffer of up to 2.5%, comprised of Common Equity Tier 1. These deadlines do not include the phase-in arrangements contemplated by the Basel III arrangements. APRA also proposes to introduce the countercyclical buffer proposed by Basel III where APRA judges that excess credit growth has led to a build-up of system-wide risk. In its discussion paper, APRA proposes that the Basel III non-viability loss absorbency requirements be included in the terms of all Additional Tier 1 and Tier 2 instruments, and that the requirements be included in the contractual terms and conditions of each instrument eligible as regulatory capital from January 1, 2013.

On November 16, 2011, APRA released a second discussion paper, *Implementing Basel III Liquidity Reforms in Australia*, and a draft standard, *Prudential Standard APS 210 Liquidity ("APS 210")*. The discussion paper is subject to industry consultation until February 17, 2012 and the final standard is expected to be released in mid-2012. The discussion paper proposes to apply the quantitative requirements in the Basel III liquidity framework to larger ADIs, with minor modifications. The draft APS 210 includes proposed requirements for enhanced board oversight of an ADI's liquidity risk management framework and implementation. The Basel III liquidity measures include the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). The LCR aims to ensure that banks have sufficient high-quality liquid assets to survive an acute stress scenario lasting for one month and the NSFR aims to strengthen the longer-term resilience of an ADI by requiring it to maintain a sustainable maturity structure of assets and liabilities on an ongoing basis. APRA proposes to apply the Basel III liquidity measures with minor adjustments. For instance, since there are insufficient high quality liquid assets that comprise part of the LCR to meet the Australian dollar liquidity requirements of ADIs, APRA and the Reserve Bank of Australia ("RBA") propose to allow an ADI to use a secured committed liquidity facility with the RBA for a fee to cover any shortfall in Australian dollars between an ADI's liquidity needs and its holdings of high quality liquid assets. Consistent with the international timetable, APRA intends to implement the LCR from January 1, 2015 and the NSFR from January 1, 2018. APRA is proposing a standardized reporting framework of monthly LCR data and quarterly NSFR data for larger, more complex ADIs, such as the Group, that are required under current APS 210 to conduct their own scenario analysis under a wide range of operating conditions, and APRA is proposing that such ADIs provide quarterly LCR and NSFR reports on a best endeavors basis from January 2012. Formal reporting requirements will be subject to industry consultation in 2012. APRA also proposes to amend *Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information* to require key qualitative and quantitative liquidity information to be disclosed on a semi-annual basis.

Change of Audit Committee Chairman

Following the 2011 Annual General Meeting held on November 8, 2011, Fergus Ryan retired as Chairman of the Board’s Audit Committee and was replaced in that capacity by Brian Long. Fergus Ryan will continue as a Director of the Commonwealth Bank of Australia and will remain as a member of the Audit and Risk Committees. Brian Long has over 30 years of experience as audit partner with Ernst & Young, prior to his retirement in 2010.