December 19, 2008

**Commonwealth Bank of Australia**
**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 (the "US Investor Website"). This Recent Developments supplements and, to the extent inconsistent with any information on the US Investor Website (including, without limitation, the "Recent Developments as of October 23, 2008"), amends and supersedes such information.*

## Capital Raising and Market Update

On December 18, 2008, the Bank announced that it finalized its A$2 billion capital raising through the issuance of new ordinary shares. The settlement of the offering, which is subject to customary closing conditions, is expected to occur on December 23, 2008. The Bank intends to use the proceeds from the raising to redeem its PERL II hybrid securities, strengthen its balance sheet and allow it to take advantage of organic growth opportunities arising in the current market. In addition, it will allow the Bank to maintain its capital position throughout the current economic slowdown and deteriorating credit conditions.

In deciding to conduct the capital raising, the Bank took the following factors into account:

- Volume and revenue growth in both lending and deposits has remained strong over the two months since the September quarterly update described below under "September Quarter 2008 Trading Update". However, the Bank expects credit conditions to continue to deteriorate and its full financial year loan impairment expense to gross loans and acceptances to be approximately sixty basis points (or approximately A$2.5 billion), with the majority in the first half of the financial year (including a A$365 million write-off for the ABC Learning hybrid notes). This represents an increase over the Bank's previously advised 40 to 50 basis point loan impairment expense, which would have been approximately A$1.7 billion to A$2.1 billion.

- Demand for the Bank's balance sheet is expected to remain strong into 2009 as a result of international banks reducing their exposure to the Australian domestic market. Decisions to extend funding will need to meet the Bank's normal lending criteria.

- Hybrid capital markets continue to be challenging, making the ability to raise capital in these markets uncertain.

As a result of the capital raising, the Bank expects the Tier 1 capital ratio for the Bank and its subsidiaries (collectively, the "Group") to be approximately 8.5% at December 31, 2008.

The Bank will not underwrite its next Dividend Reinvestment Plan. The Bank expects to offer a Share Purchase Plan to its shareholders, final details of which will be provided by the Bank at its interim results announcement in February 2009.

**Recent Trading Conditions**

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, which include greater volatility, significantly less liquidity, widening of credit spreads and a lack of price transparency in certain markets, reached unprecedented levels of disruption in September and October 2008 and have resulted in continuing illiquid credit markets. These market conditions have resulted in the failures of a number of financial institutions and other businesses around the world and in unprecedented action by governmental authorities and central banks. Since September 2008, the governments in Australia, Europe, the United Kingdom, the United States and other countries 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.

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 guarantee program (the "Guarantee") 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. On November 21, 2008 the Government released the final details of, and rules relating to, the Government guarantee scheme, which took effect from November 28, 2008. Australian ADIs will have the benefit of the Guarantee upon application and approval by the Reserve Bank of Australia for senior unsecured liabilities with a term of up to 60 months, which are "not complex" and are issued domestically or off-shore. A fee in respect of the Guarantee will apply based on the applicant ADI's current rating, which fee will be 70 basis points (or 0.7%) per annum in respect of the Bank. The Government has announced that the Guarantee scheme will be reviewed on an ongoing basis and revised if necessary. Further, the Government has announced that it will withdraw the Guarantee scheme once market conditions have normalized.

Also on October 12, 2008, the Government announced that it would guarantee deposits in eligible Australian ADIs (including the Bank) for a period of three years from such date, and that no fee was payable by an ADI for the deposit guarantee. From November 28, 2008, the free deposit guarantee applies to deposits in conventional deposit accounts (supervised by APRA) for which the ADI has applied and obtained approval under the Guarantee Scheme. The guarantee applies per customer per eligible Australian ADIs (including foreign branches of eligible Australian ADIs) up to an aggregate of A$1 million, by all types of legal entities, regardless of where the depositor resides or the type of account through which the deposit is made, in any currency. An eligible ADI can also apply for the Commonwealth to guarantee deposits in excess of A$1 million under the terms of the Guarantee and the rules relating thereto.

## September Quarter 2008 Trading Update

### *Overview*

On November 13, 2008, the Bank provided an update of the trading performance of the Group for the first quarter of the Group's 2009 financial year. In that update, the Bank reported that market conditions remain challenging, with problems in global credit markets now flowing into the wider economy. Notwithstanding the intervention of governments and regulatory bodies world-wide (as summarized above), global credit markets remain constrained and funding costs remain high. While the Australian economy has been relatively resilient, domestic economic activity is showing evidence of slowing.

Despite these difficult market conditions, the Bank reported that the underlying business performance of the Group was relatively strong through the quarter ended September 30, 2008, although the financial performance of the Group for the first half of the 2009 financial year (which will end on December 31, 2008), will be negatively impacted by significantly higher loan impairment expense.

### *Credit Quality and Loan Impairment Provisions*

Over the September 2008 quarter, home loan arrears over 90 days increased marginally, with signs of stress in certain demographic and geographic segments of Australia. Arrears over 90 days in the unsecured portfolio remained stable over the quarter.

Loan impairment expense increased during the quarter and is expected to increase further in the second quarter, reflecting the impacts of a slowing economy and the Group's exposure to a number of "single names". The Group's loan impairment expense for the six months ending December 31, 2008 is expected to increase significantly, reflecting provisions for the Group's exposures to Lehman Brothers (approximately A$150 million), Allco Finance Group Limited ("Allco Finance") (approximately A$170 million) and ABC Learning Centres Limited ("ABC Learning") (approximately A$686 million). Each of these exposures are discussed further below. Total loan impairment expense for the financial year ending June 30, 2009 is expected to be higher than that for the 2008 financial year, with a majority of the increase expected to be incurred in the first half of the 2009 financial year.

The Group has a total exposure to Lehman Brothers of approximately A$150 million, including a loan of A$115 million to a Japanese subsidiary of Lehman Brothers. All derivative exposures to Lehman Brothers have been closed out.

Allco Finance was placed into receivership on November 5, 2008. The Group has total exposure to Allco Group of approximately A$170 million.

ABC Learning was placed into receivership on November 6, 2008. The Group has total senior debt exposure to ABC Learning of approximately A$240 million. In addition, the Group holds A$446 million in ABC Learning convertible notes, which have a carrying value of approximately A$220 million following the A$100 million post-tax write-down in the September 2008 quarter announced on October 8, 2008.

***Trading Update – Key Operations***

Performance outcomes for key areas of the Group's operations are summarized below.

*Retail Banking — Australia*

The Retail Bank achieved a strong result over the September 2008 quarter despite the challenging domestic and global economic landscape. Home lending and deposits grew at annualized rates of approximately 12% and 23%, respectively. Branch home loan sales performance was also strong over the quarter. Credit cards maintained a leading market share position, growing balances without participating in the "zero balance transfer" market.

The Retail Bank has taken a considered approach to recovering part of its increased funding costs through re-pricing its products. However deposit margins have come under pressure as competition remains fierce.

Operating expenses continue to be tightly managed with strategic investment in the business and higher staff costs, offset by process and back office efficiencies.

*Retail Banking — New Zealand*

The New Zealand banking market continues to face challenging economic conditions, as evidenced by two consecutive quarters of negative GDP, rising inflation and unemployment and falling house prices. ASB Bank ("ASB"), the Group's New Zealand banking subsidiary, grew retail deposits slightly ahead of system-wide growth for the twelve months ended September 30, 2008. ASB's lending book also grew at a slightly higher rate than system for the twelve months ended September 30, 2008, lead by business and rural lending.

ASB increased its loan provisions during the quarter ended September 30, 2008, reflecting an increase in arrears over 90 days. Approximately 15% of ASB's home loans have a loan-to-value ratio of greater than 80% and 4% have a loan-to-value ratio of greater than 90%, in each case as at September 30, 2008.

*Premium Banking Services*

Premium Banking Services ("PBS") provides wealth and relationship management for the Bank's premium clients (personal, business, corporate and institutional). Deposit growth at PBS remained strong during the September 2008 quarter, with business deposits increasing by 6.5% compared to system growth of 3.7%. Credit growth continued to slow. Margins across the PBS lending portfolio remained stable during the quarter. CommSec experienced increased trading volumes from the recent volatility across equity markets. Margin lending volumes continued to decline during the quarter.

*Wealth Management & Insurance*

The Wealth Management segment conducts Australian funds management business comprising wholesale and retail investment, superannuation and retirement funds. The Wealth Management segment also provides Australian term insurance, disability insurance, annuities, master trusts, investment products and general insurance.

The Wealth Management businesses were negatively impacted by the continued deterioration in investment markets. Wealth Management's funds under administration ("FUA") as at September 30, 2008 was A$178 billion, down 3.8% from FUA as at June 30, 2008, due primarily to falls in Australian and global equities markets and the outflow of short term cash mandates. Retail net flows were down A$266 million, due primarily to deteriorating investment markets and the long term run-off of closed legacy products. FirstChoice and Avanteos achieved positive net flows during the quarter, albeit at lower levels than the June 2008 quarter.

Investment markets continued to decline during the month of October 2008, with the ASX 200 falling 13% over the month. FUA by Wealth Management fell a further 7.7% during October to A$164 billion. For the four months to October 31, 2008, average FUA has declined 8% compared to the six months ended June 20, 2008. This decrease in FUA will flow through to lower fee revenue and lower profits for Colonial First State ("CFS") and CFS Global Asset Management for the six months ending December 31, 2008.

In CommInsure, the life insurance business attracted strong new business volumes in both retail and wholesale lines, driving a 5.2% growth in in-force premiums for the September 2008 quarter. While revenue growth was strong for the quarter, lower investment returns on shareholder funds had an unfavorable impact on profitability.

***Funding, Liquidity and Capital***

Global credit markets remain significantly constrained, and funding costs remain very high. Despite the disruption in credit market conditions, the Group has continued to raise funding in both the domestic and international markets.

Through November 13, 2008, the date of the announcement of our first quarter trading results, the Group had raised A$11 billion in long term funding, which represented approximately 40% of the Group's anticipated wholesale term funding program of A$28 billion for the 2009 financial year, including the long-term funding required for the acquisition of Bank of Western Australia Limited ("BankWest") and St Andrew's Australia Pty Ltd ("St Andrew's") (announced on October 8, 2008) and the BankWest business following acquisition by the Bank. The weighted average maturity of long term funds fell from 3.5 years as at June 30, 2008 to 3.2 years as at September 30, 2008.

The total funding requirement for BankWest for the financial year ending June 30, 2009 is approximately A$16.5 billion, of which A$2 billion was raised in the Group's October 2008 institutional offering of ordinary shares. The short term component of the BankWest funding requirement is approximately A$8.5 billion, which is currently intended to be funded through the Group's liquid assets and commercial paper and negotiable certificates of deposit issuances. The remaining A$6 billion required in long-term funding is intended to be accommodated within the Group's existing term-funding program.

As at September 30, 2008, retail funding represented approximately 57% of total funding, short-term wholesale funding represented approximately 22% of total funding, long-term wholesale funding maturing in greater than 12 months represented approximately 11% of total funding, long-term wholesale funding maturing in the next 12 months represented approximately 5% of total funding, securitization represented approximately 3% of total funding and structured funding with first call of less than 12 months represented approximately 2% of total funding.

The Group increased its liquidity position as a contingency in difficult market conditions, with liquid assets held by the Group at November 13, 2008, the date of the announcement of our first quarter trading results, of approximately A$66 billion. This amount represented an excess liquidity buffer above the minimum prudential requirement of A$39 billion, or 59% of total liquid assets. If market conditions improve, the Bank expects that this excess would be progressively reduced. The Group's liquidity position includes a portfolio of residential mortgage backed securities which, if required, can be used for repurchase arrangements with the Reserve Bank of Australia, up to A$26 billion.

The Group's Tier One capital ratio as at September 30, 2008 was 7.5%.