

Determined to offer strength in uncertain times.

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Managing interest rate risk

9 September 2009

Commonwealth Bank of Australia ACN 123 123 124



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Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 9 September 2009. 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.

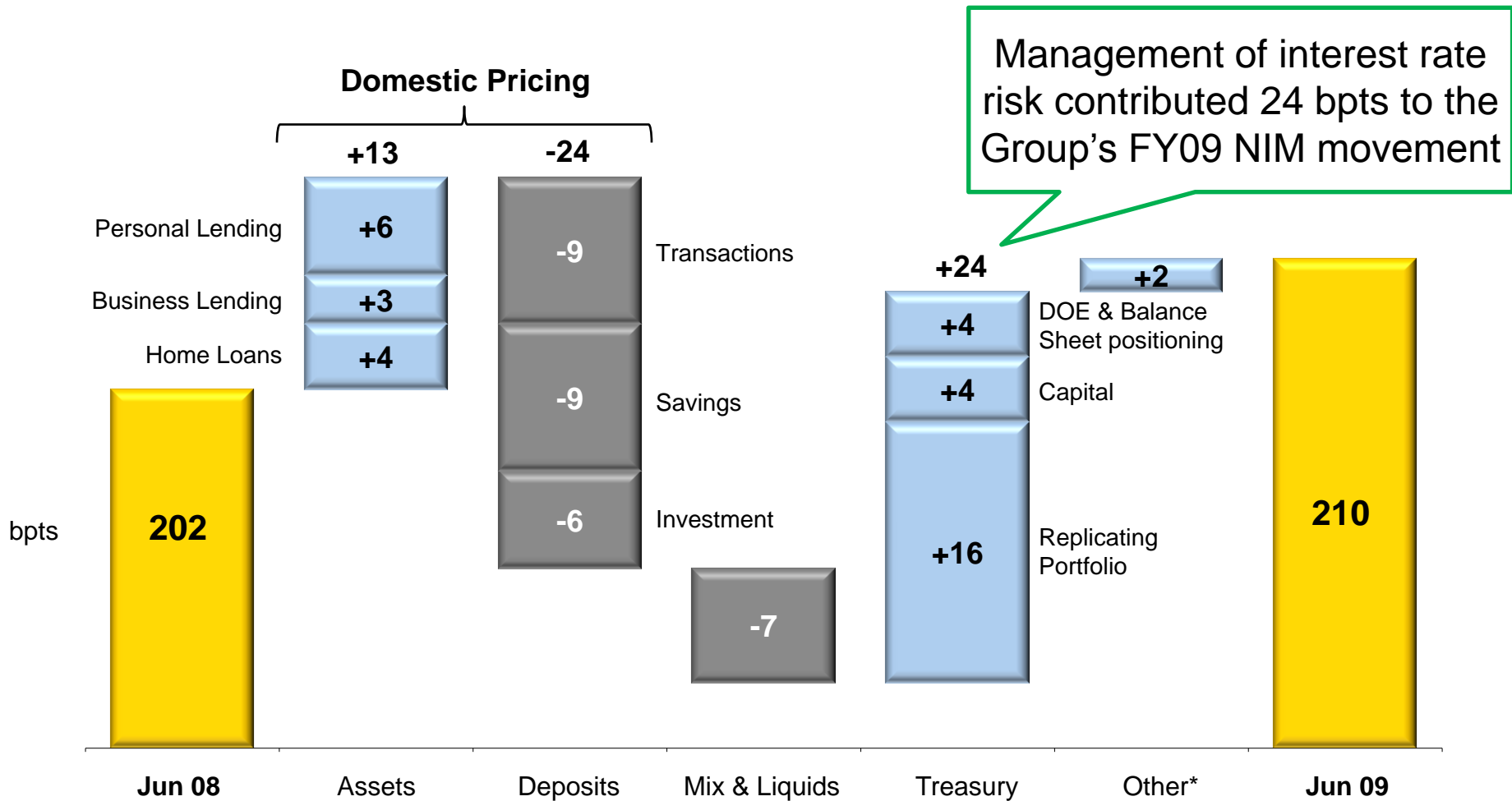


Agenda

- Introduction David Craig
- Replicating Portfolios Lyn Cobley
- Balance Sheet Lean and Duration of Equity Alden Toevs
- Questions & Answers Panel



Group NIM FY09

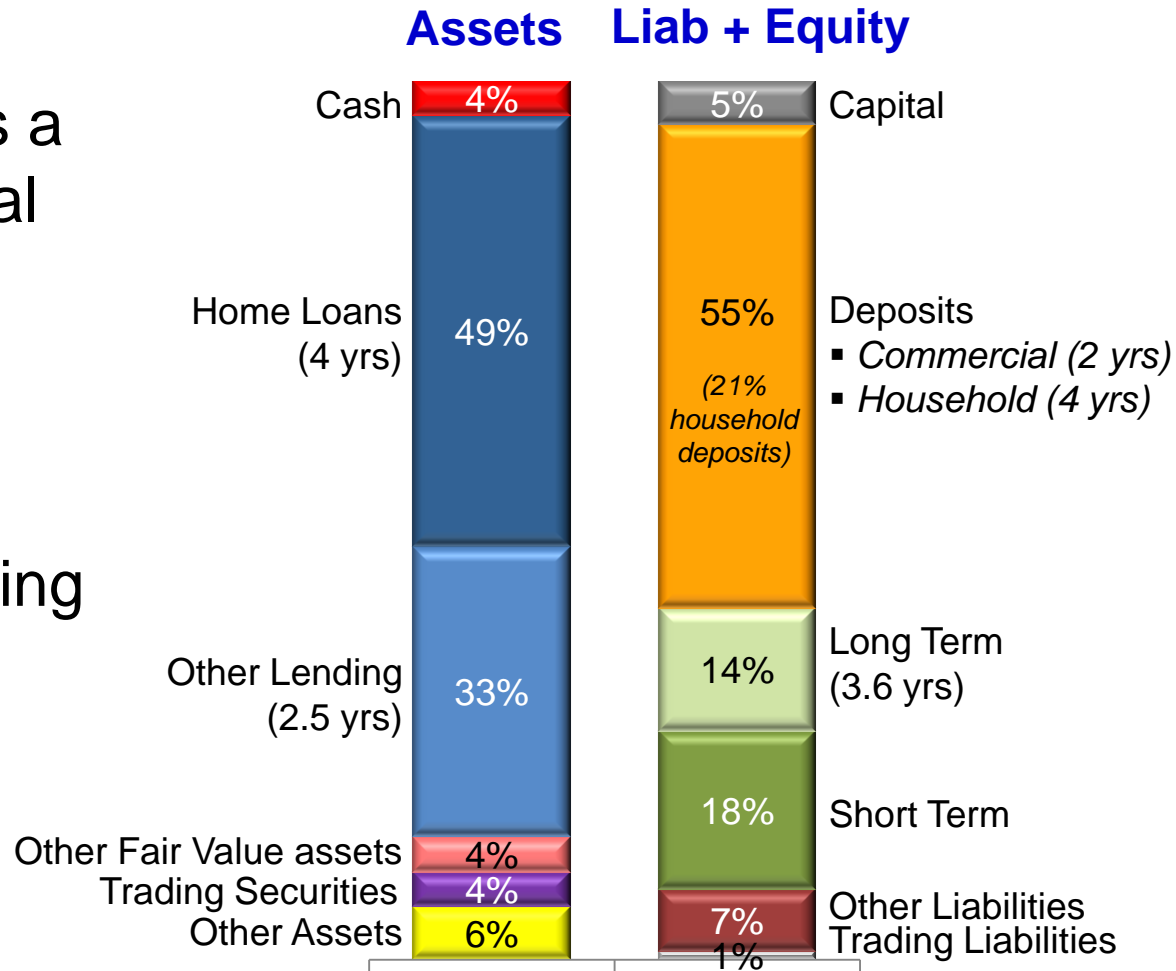


* Includes ASB and other offshore



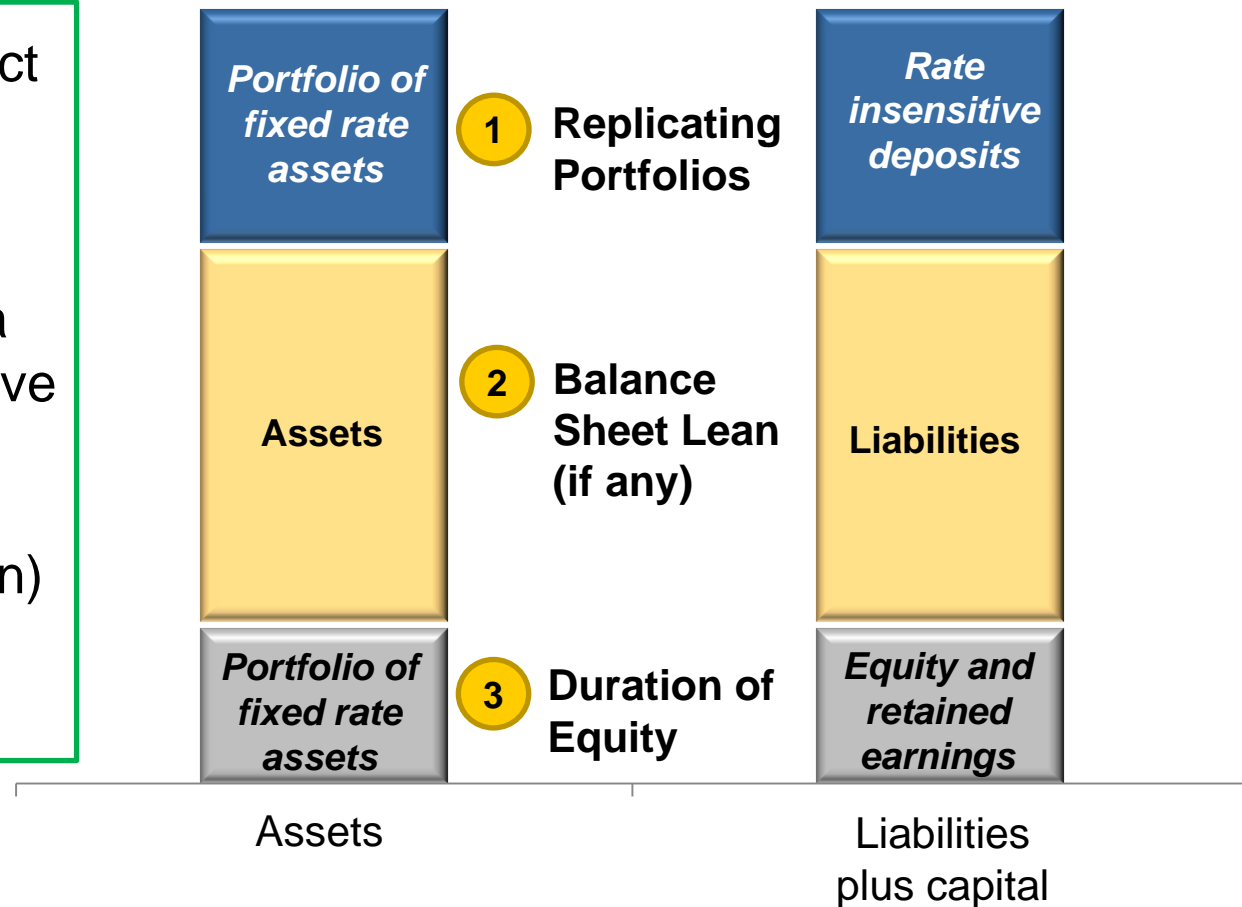
CBA Balance Sheet - Overview

- Balance sheet has a high level of natural hedging
- Interest rate risk arises from re-pricing characteristics



Managing interest rate risk

To smooth the impact of interest rate volatility on the Group's NIM and earnings through a combination of passive (RP, Duration of Equity) and active (Balance Sheet Lean) management strategies



Illustrative only. Not drawn to scale.



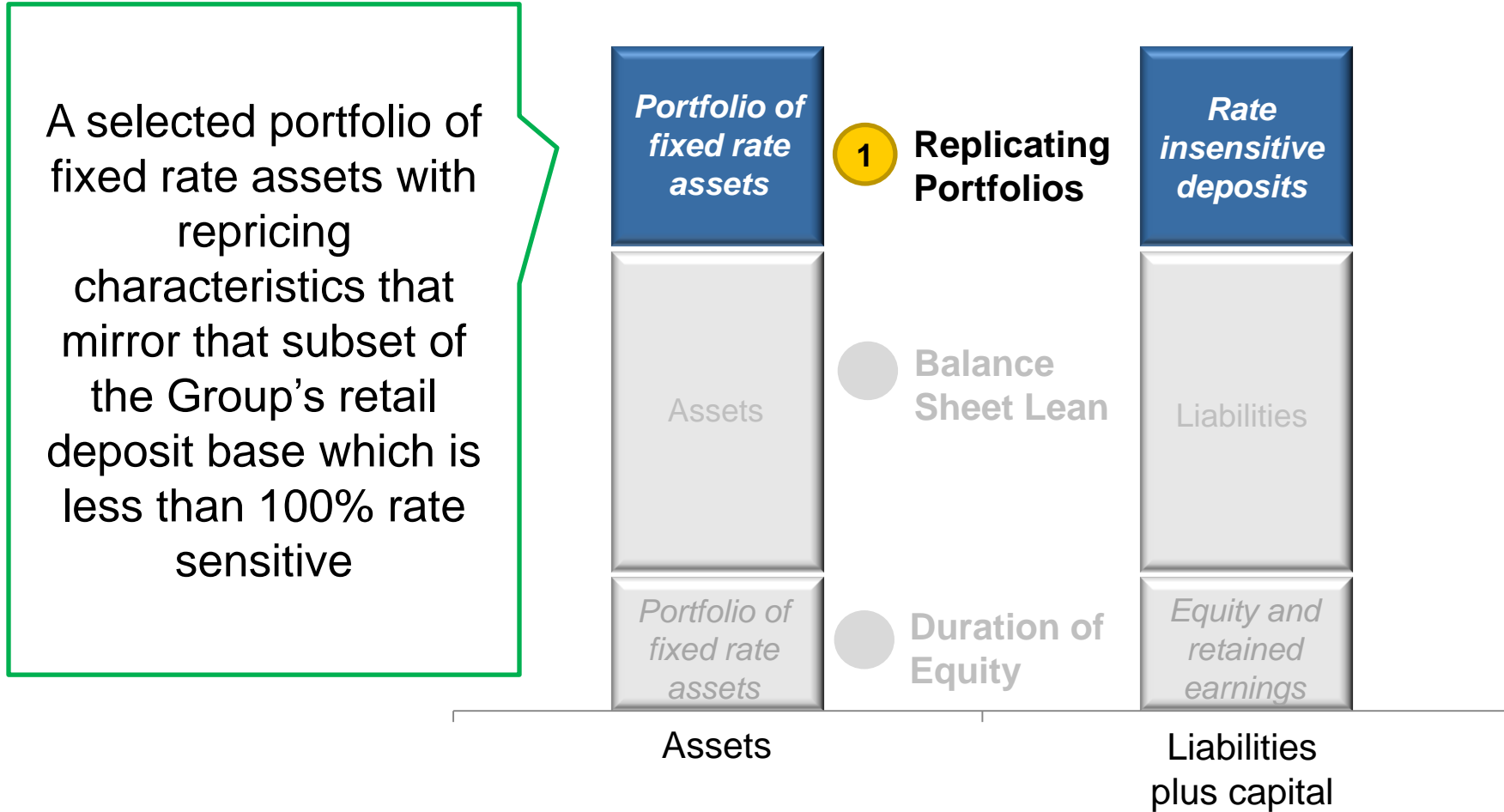
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Replicating Portfolios



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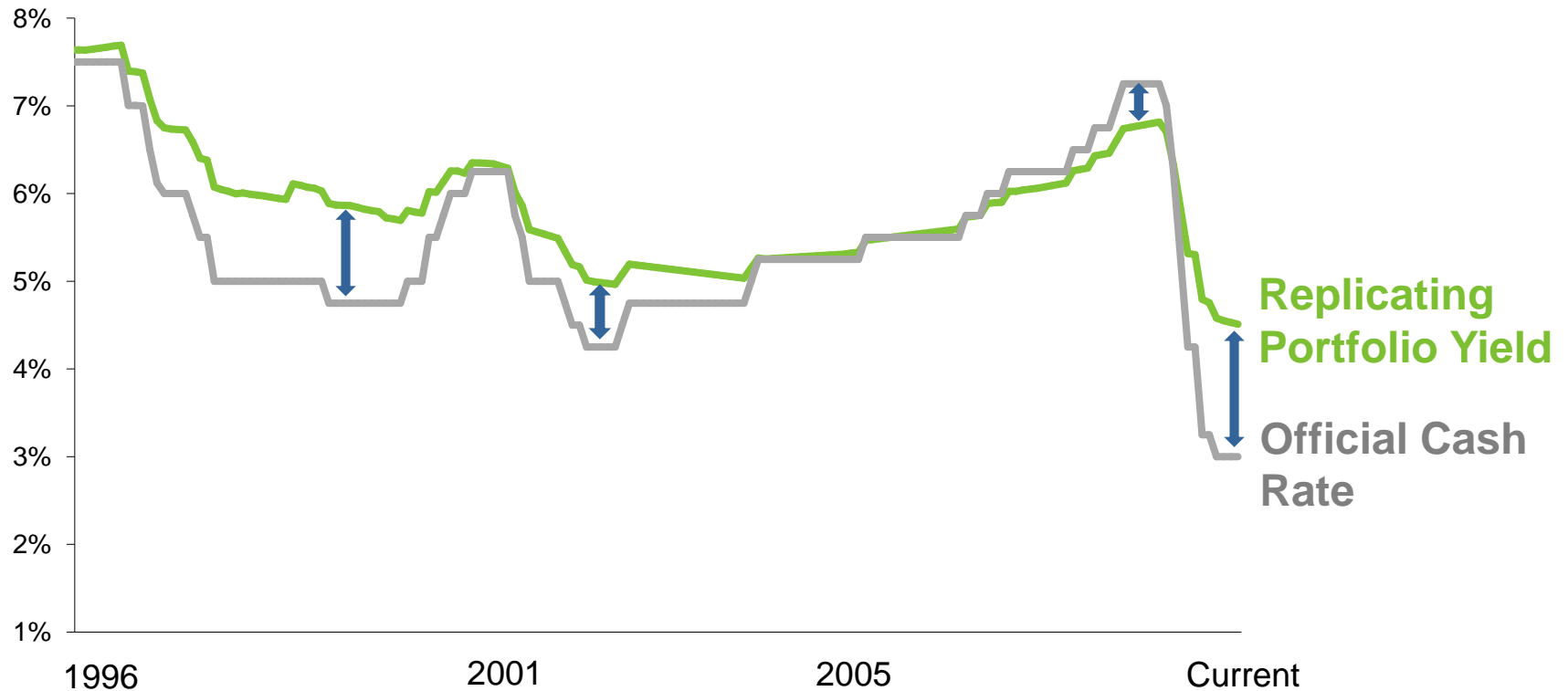
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Replicating Portfolios

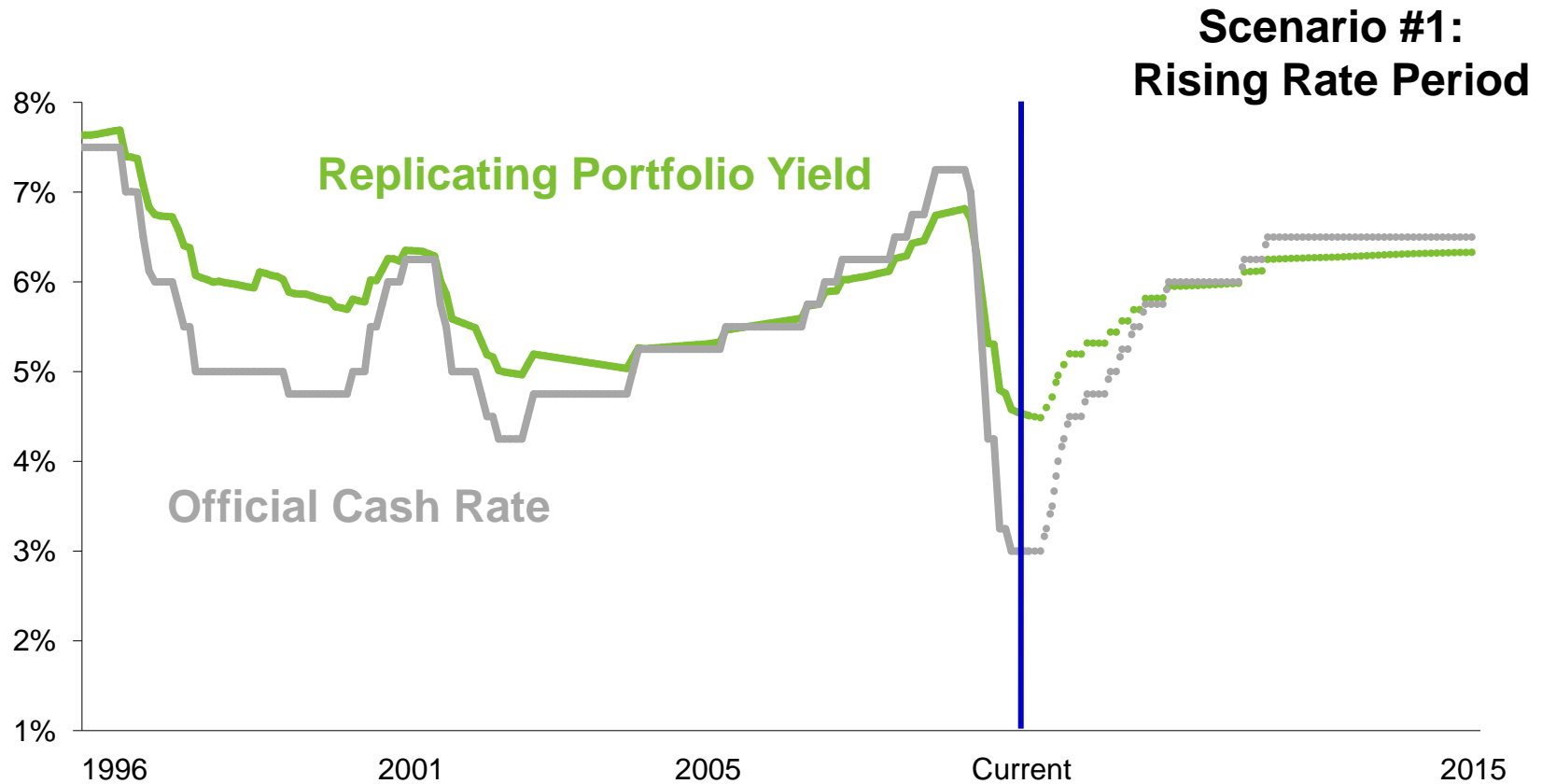
- In place for over 15 years – a consistent strategy
- Represents approximately \$70bn of retail deposit balances
- Includes 15 different deposit products
- All products individually assessed
- Formal annual review, ongoing monitoring, APRA oversight
- No executive discretion – predetermined, modelled approach
- Smooths NIM/earnings volatility through the cycle



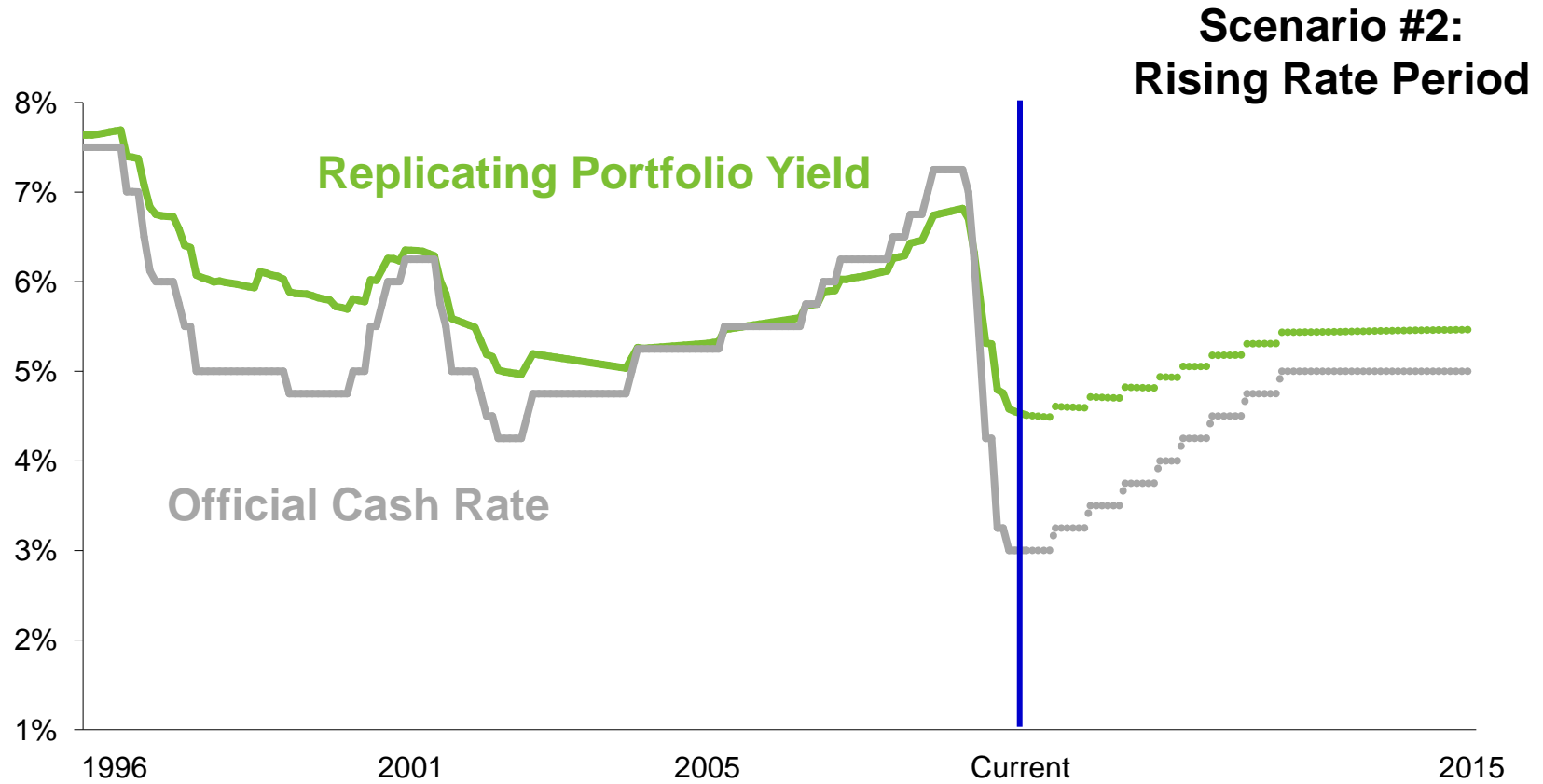
Replicating Portfolio over time



Rising Rate Scenario #1



Rising Rate Scenario #2



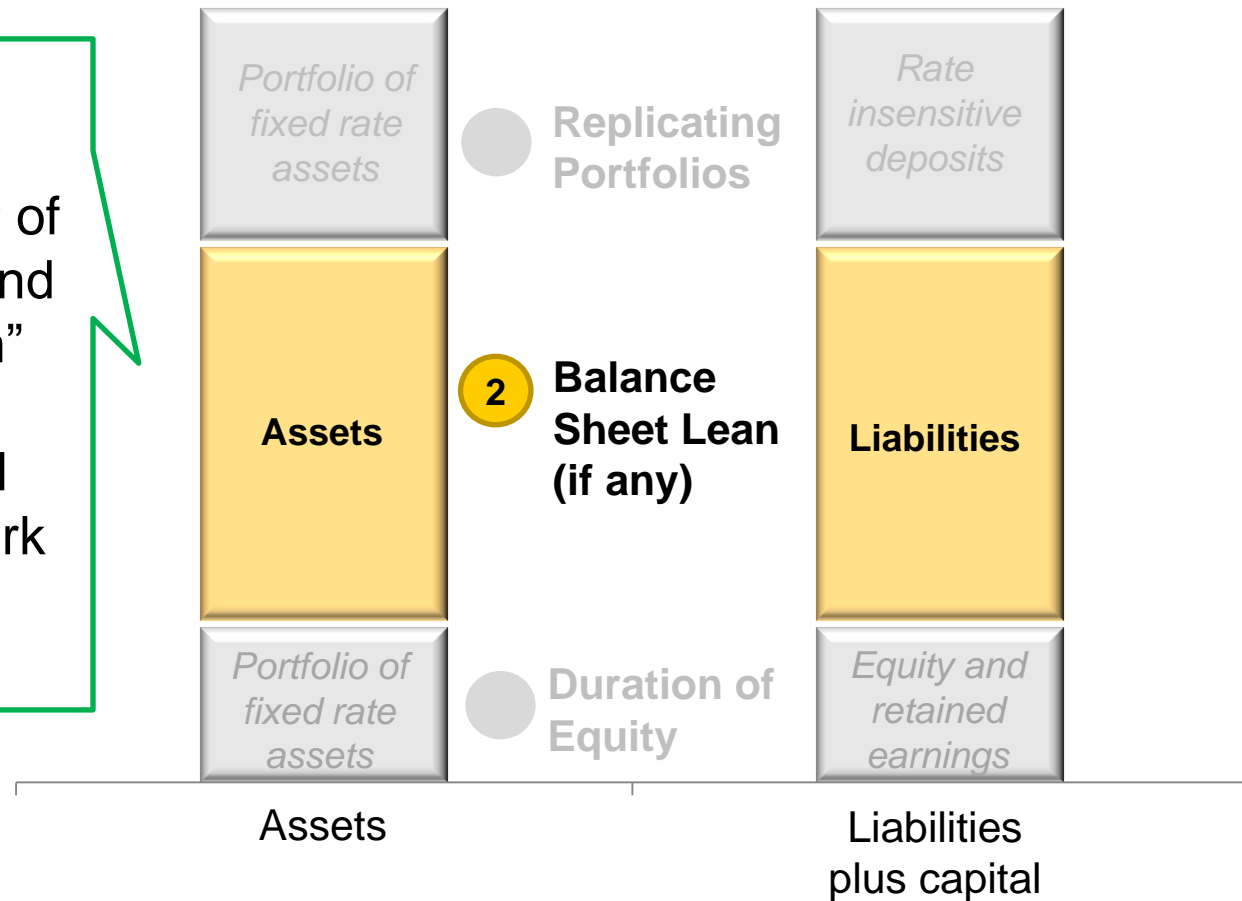
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Balance Sheet Lean

Active management of the Group's asset and liability "mis-match" within a carefully managed risk and regulatory framework

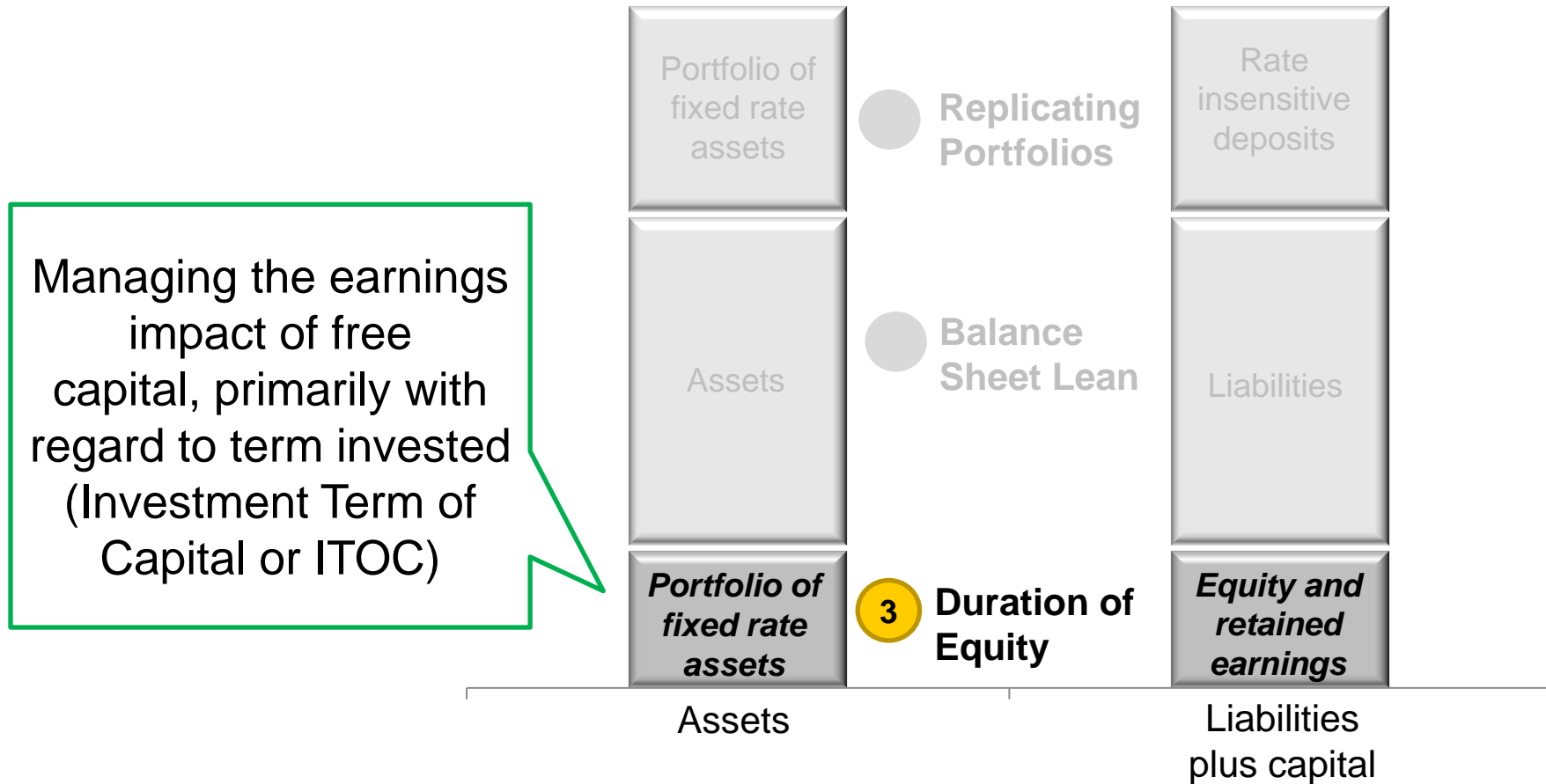


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Duration of Equity

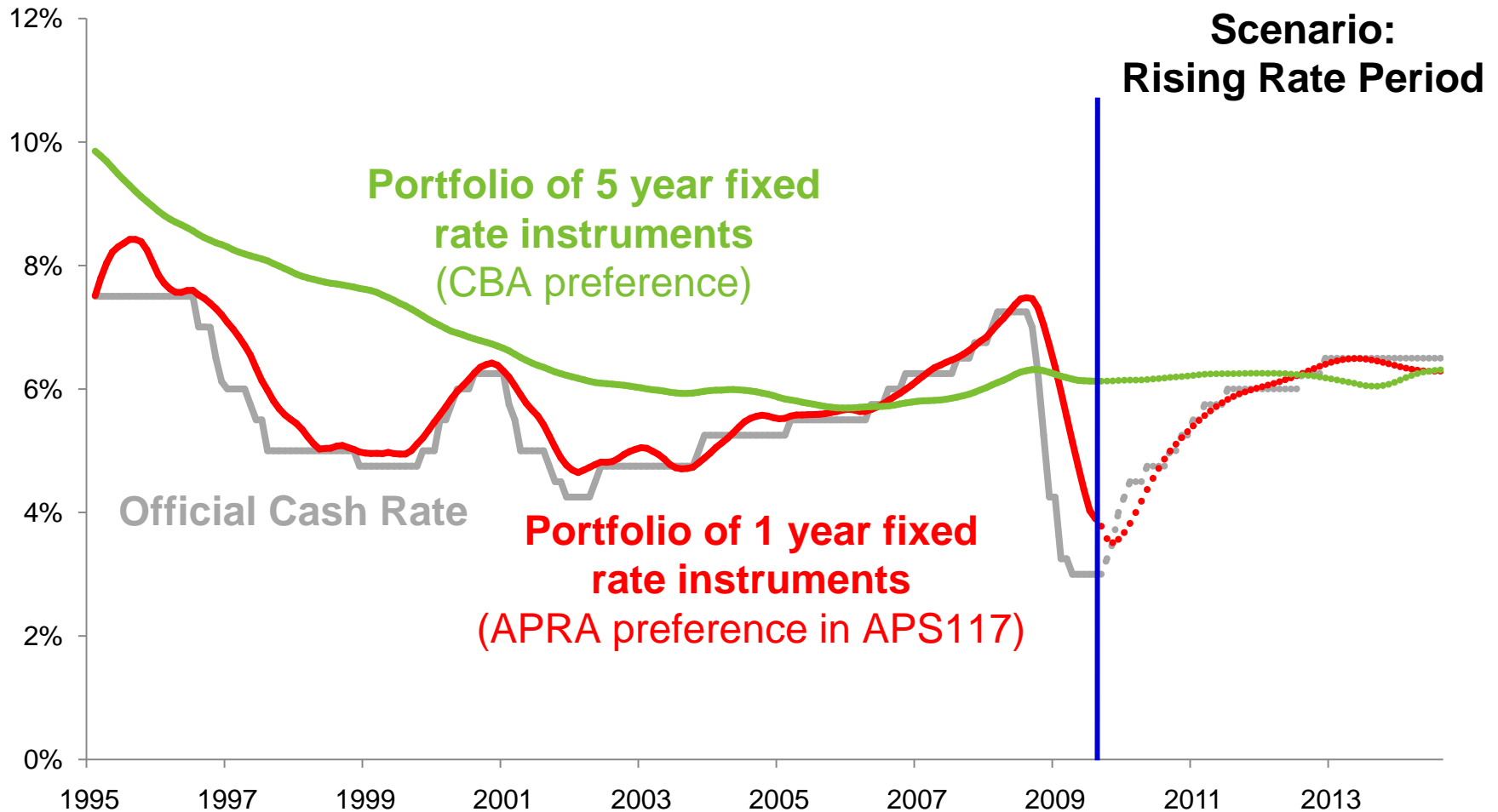


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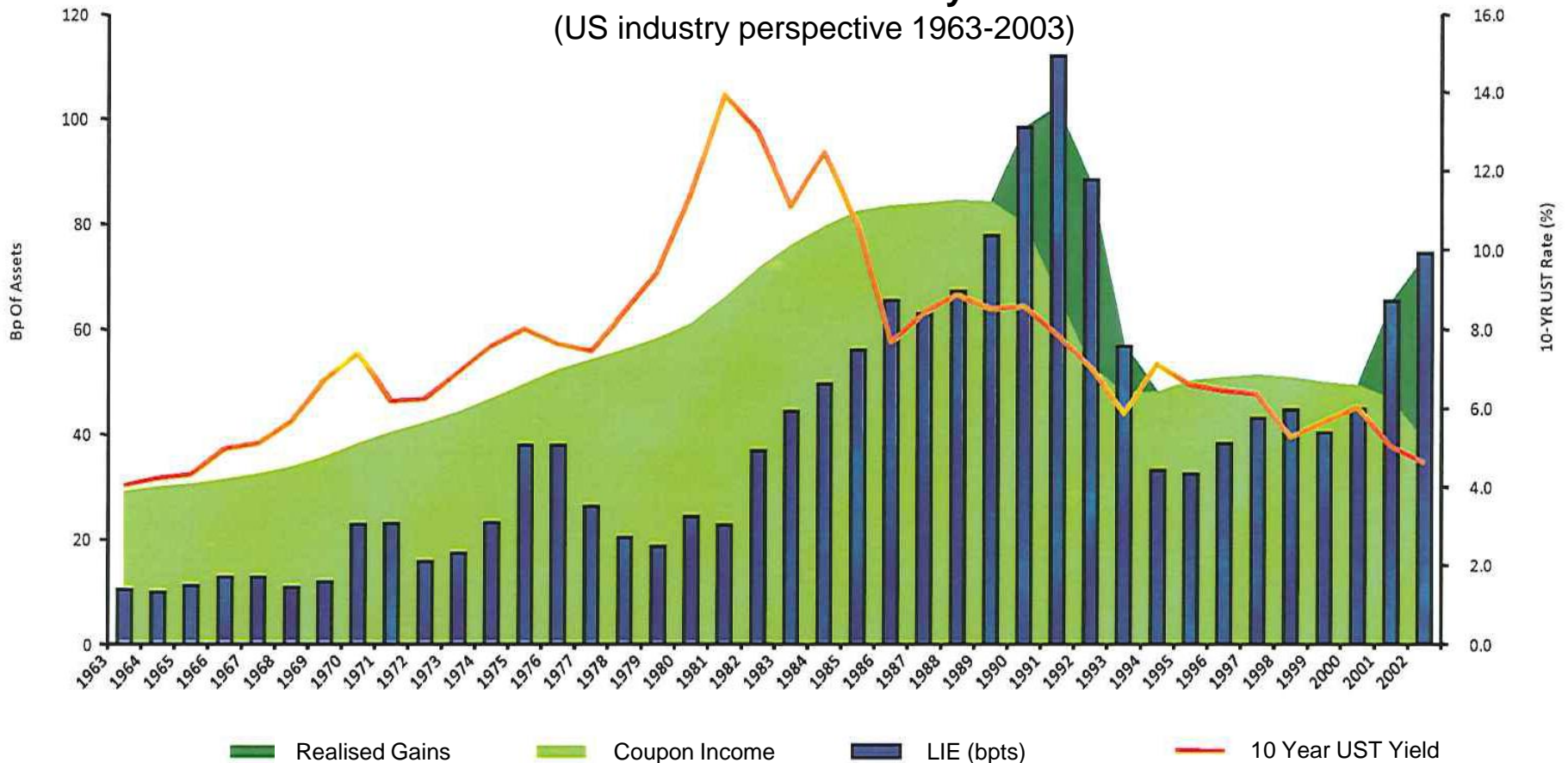
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Duration of Equity



Duration of Equity

Potential Offset to Credit Cycle Losses
(US industry perspective 1963-2003)

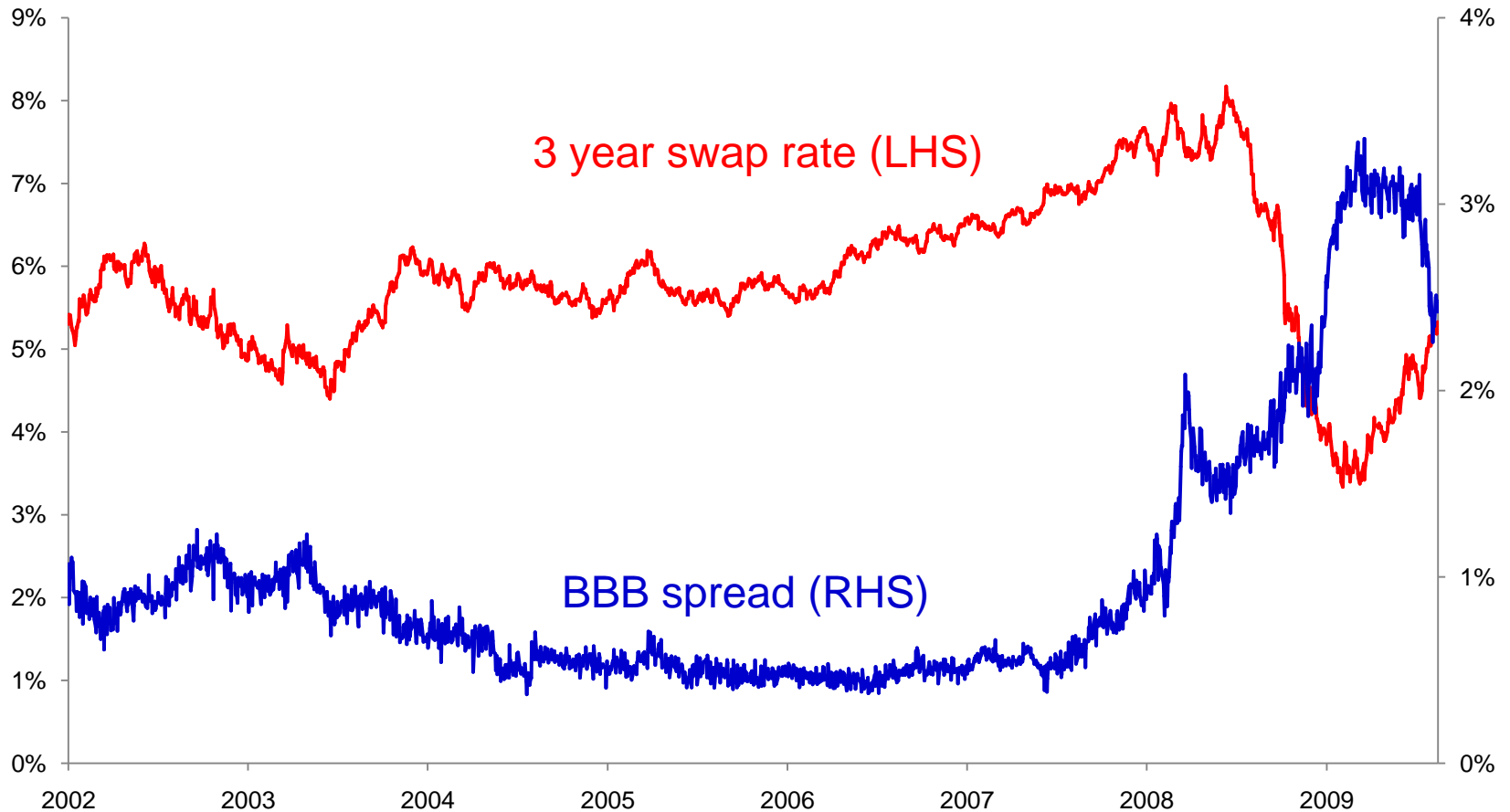


Source: Historical interest rates from Federal Reserve data. Net charge-offs data from FDIC (weighted average for all FDIC-insured commercial banks)

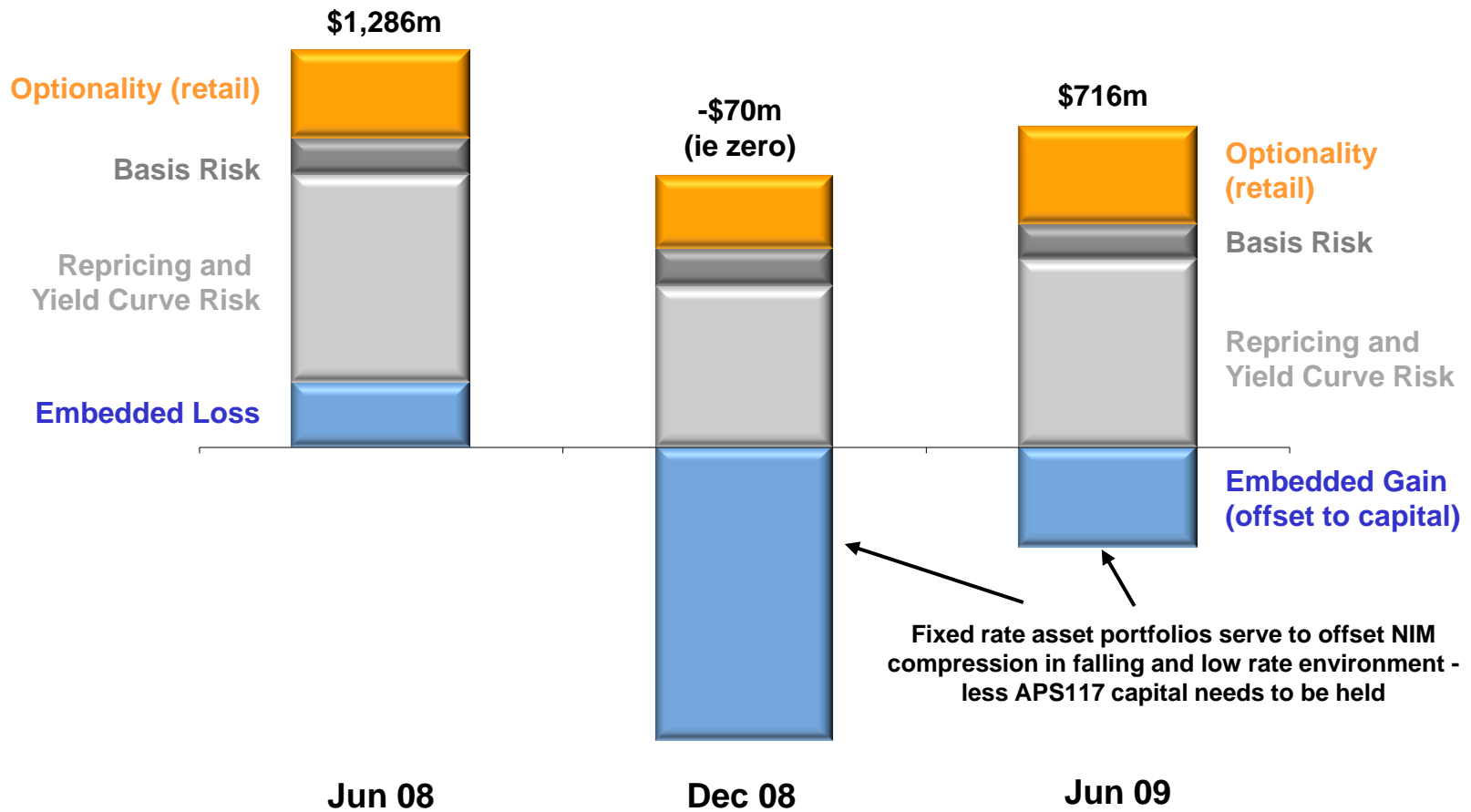


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Interest rates vs credit spreads



Capital Impacts - APS117



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Questions & Answers



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