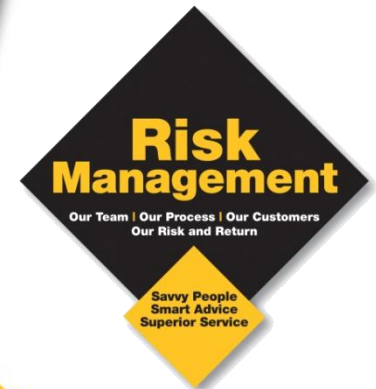


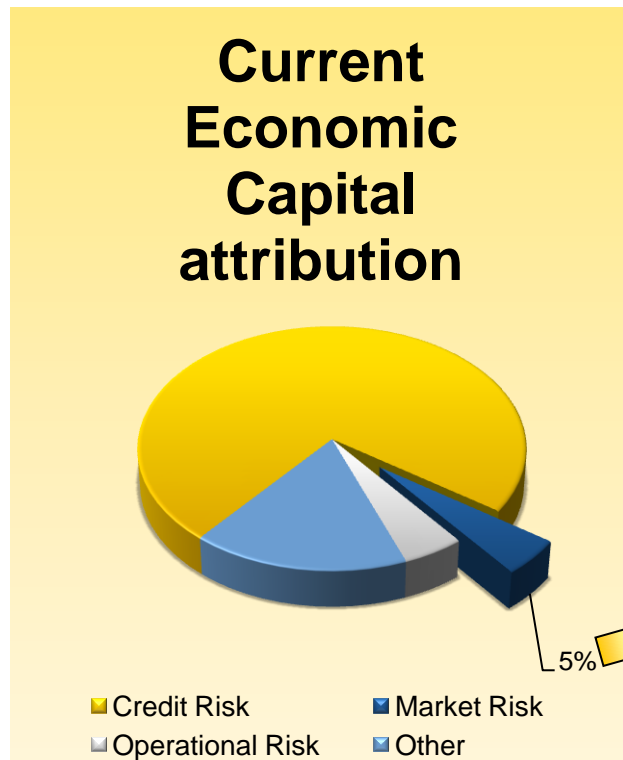
Market Risk Management

Hamish Treleaven,
Executive General Manager,
Market Risk Management

17 November 2010



The quantum of Market Risk at CBA



Note: 'Other' includes Strategic Business Risk, Insurance Risk and Fixed & Other Assets Risk

Current Market Risk Economic Capital Breakdown:

% of total	Sub-Risk Type	Primary Risk Measure
1%	Traded Market Risk	1 day VaR
1%	Non-Traded Interest Rate Risk in the Banking Book	20 day VaR
2%	Non-Traded Equity Risk (CFSGAM Warehoused Assets and Seed Trusts)	20 day VaR
1%	Market Risk in Life Insurance business	20 day VaR
>0.25%	Equipment Residual Value Risk	Residual Value Risk Measure
~5%	Total	

Risk Appetite & Policy Hierarchy

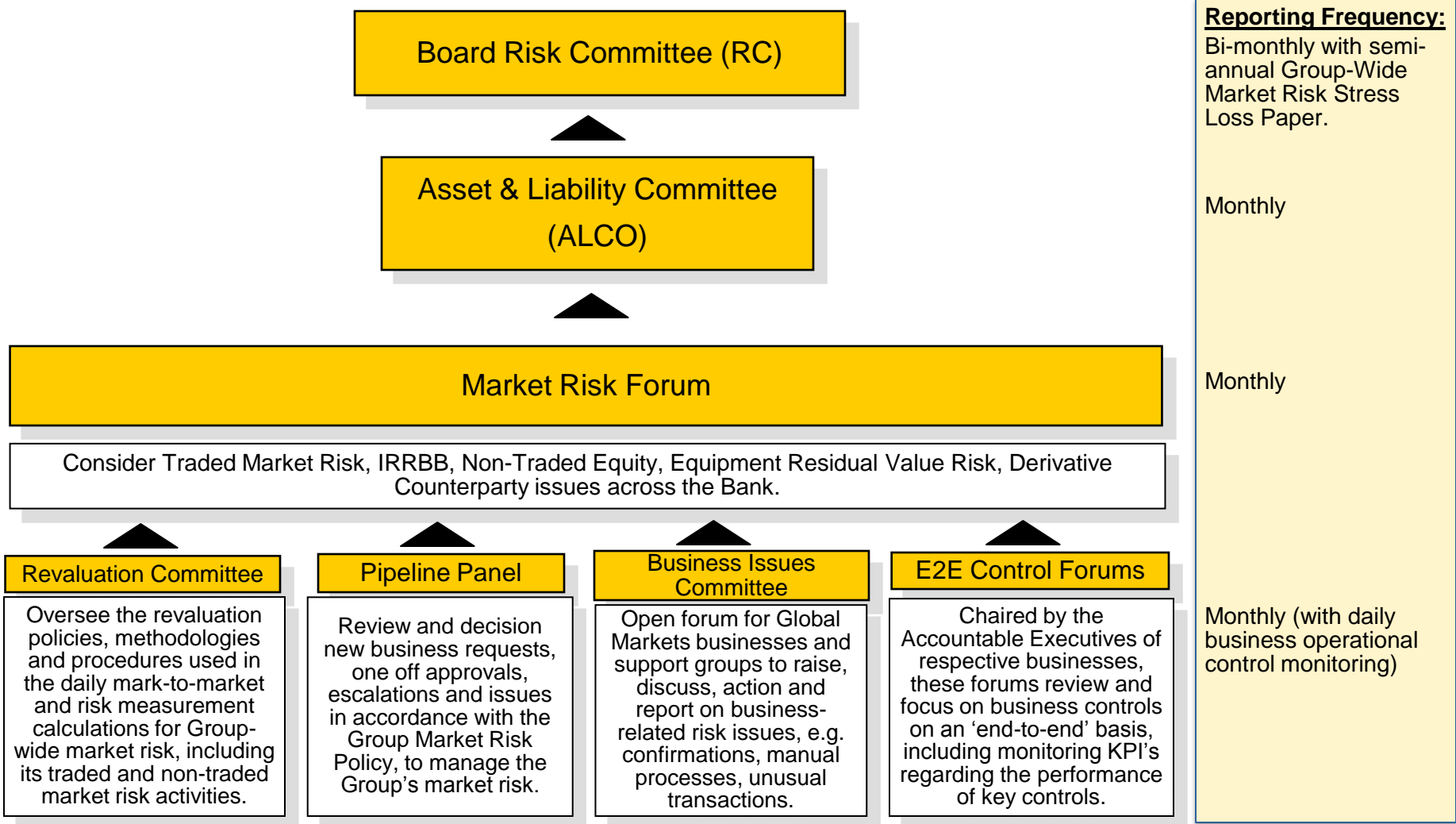
- Group Risk Appetite Statement
- Group Market Risk Policy
- Group Liquidity and Funding Policy
- Trading Book Policy Statement

Board approved

- Business Unit Risk Appetite Statement
- Market Risk Standards
- Business Unit Delegations & Manuals

Management approved

Governance Committee Structure



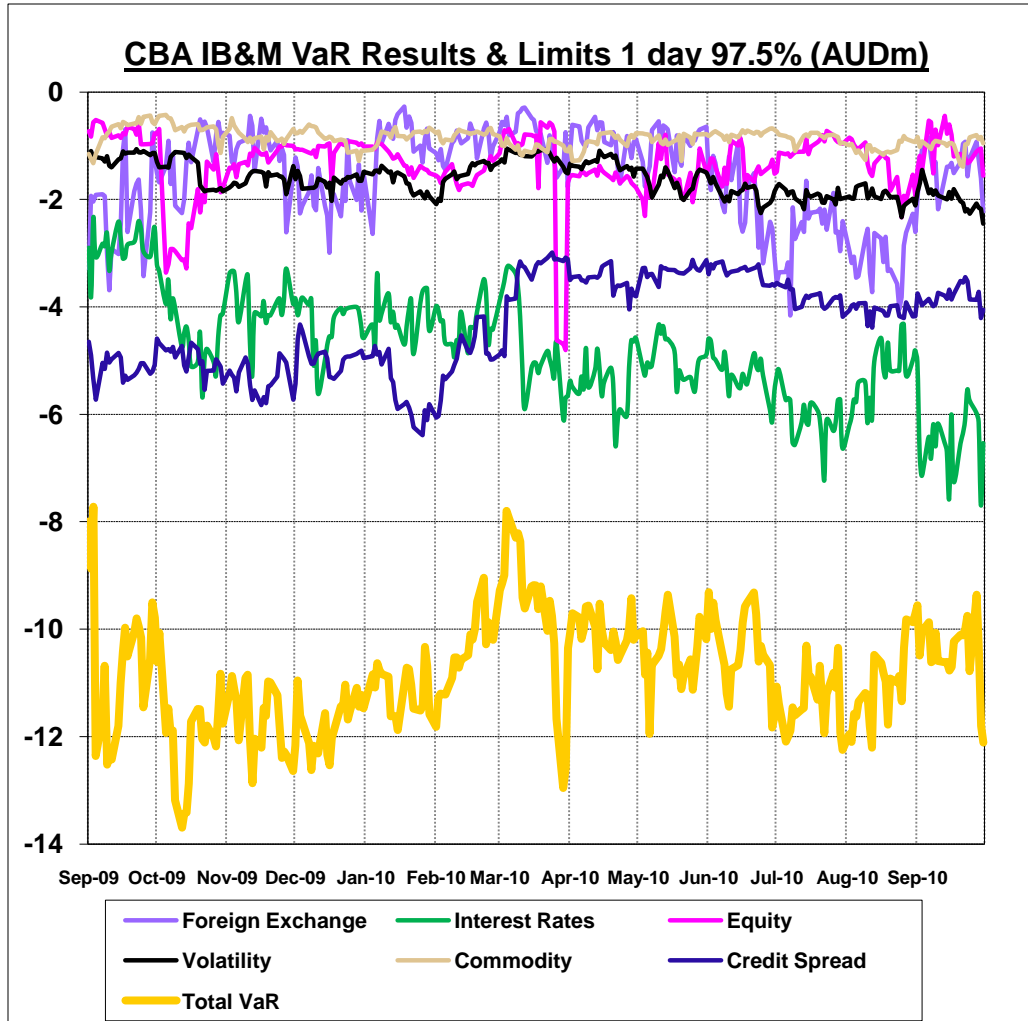
Governance Overview

Risk Type	Owned By	Oversight By	Group Oversight	Senior Management Oversight Committees	
Traded Market Risk	<u>CBA Domestic & Offshore:</u> • Institutional Banking & Markets • Group Treasury Liquidity Operations	Market Risk Management	Global review by Market Risk Management	<ul style="list-style-type: none"> • CBA ALCO • Market Risk Forum • ASB Executive Leadership Team - Risk & Control ("ASB ALCO") • PTBC ALCO • Bankwest ALCO 	
	<u>International & Domestic Banking Subsidiaries:</u> • ASB Treasury & Financial Markets (New Zealand) • PT Bank Commonwealth (PTBC) Treasury (Indonesia) • Bankwest (Australia)	<ul style="list-style-type: none"> • ASB Group Risk (Market Risk Unit) • PTBC Risk Management (Indonesia) & IFS Risk Management (Sydney) • Market Risk Management 			
Interest Rate Risk in the Banking Book	<u>CBA Domestic & Offshore:</u> • Group Treasury	Market Risk Management			<ul style="list-style-type: none"> • CBA ALCO • Market Risk Forum • ASB ALCO • PTBC ALCO • Bankwest ALCO
	<u>International & Domestic Banking Subsidiaries:</u> • ASB Treasury & Financial Markets (New Zealand) • PTBC Treasury (Indonesia) • Bankwest (Australia)	<ul style="list-style-type: none"> • ASB Group Risk (Market Risk Unit) • PTBC Risk Management & IFS Risk Management • Market Risk Management 			
Non-Traded Market Risk in Life Insurance	<u>Wealth Management:</u> • The Colonial Mutual Life Assurance Society Pty Limited (CMLA)	Wealth Risk Management			CMLA ALCO
Non-Traded Equity Risk	<u>CBA Domestic & Offshore:</u> • Wealth Management: Colonial First State Global Asset Management (CFS GAM) & Colonial First State Investments (CFSI) • Institutional Banking & Markets	<ul style="list-style-type: none"> • Wealth Risk Management • Market Risk Management 			<ul style="list-style-type: none"> • CBA ALCO • Market Risk Forum
Equipment Residual Value Risk	<u>CBA Domestic & Offshore:</u> • Institutional Banking & Markets	Market Risk Management			<ul style="list-style-type: none"> • Market Risk Forum • Residual Value Risk Committee
Seed Funding Risk	<u>Globally by:</u> • Wealth Management CFS GAM and CFSI	<u>Globally by:</u> • Wealth Risk Management	<ul style="list-style-type: none"> • CBA ALCO • Seed Trust Risk Committee 		

CBA Board Risk Committee and Subsidiary Boards



Traded Market Risk within CBA's Global Markets business



Key Points:

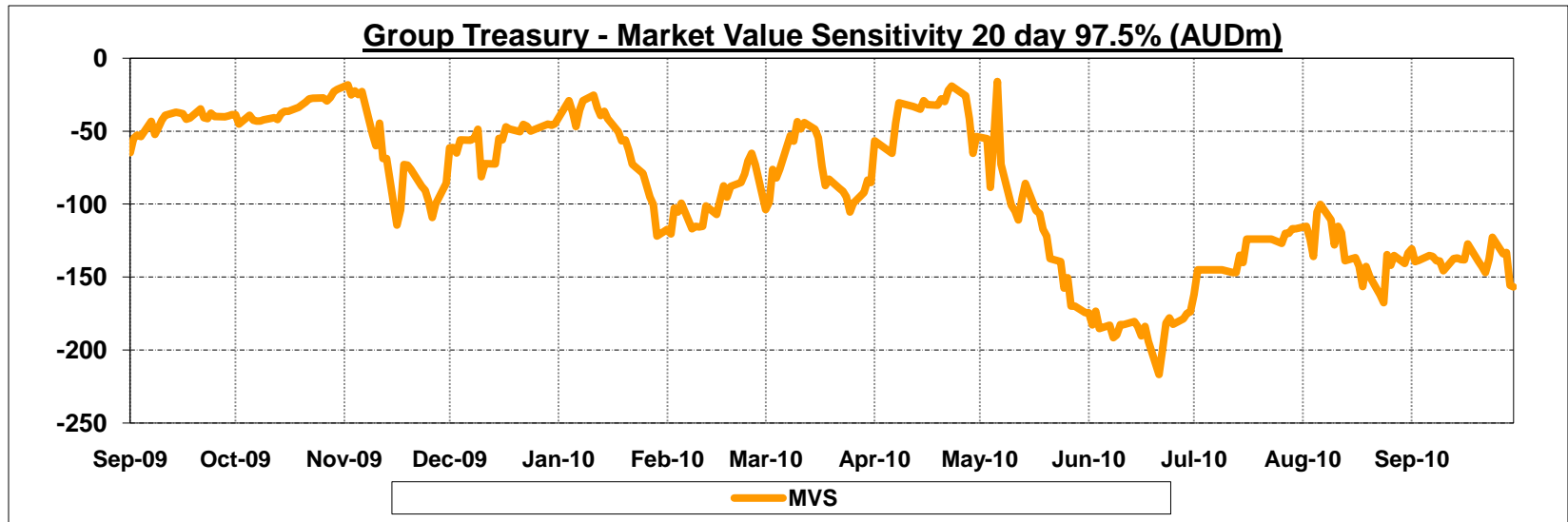
Regulatory Capital: APRA has accredited CBA to use an internal model to measure traded market risk and calculate regulatory capital in accordance with APRA's prudential standard (APS 116).

Limits and Measurement: The Group measures and manages traded market risk in a number of ways including:

- Value at Risk (VaR).
- Stress Testing.
- Risk Sensitivities (PV01, Basis, Delta, Gamma, Vega).
- Maturity Limits.
- Permitted Instrument restrictions.
- Position size limits.

Most of our customers prefer relatively vanilla products and so we have relatively few complex derivatives in our portfolios. The main drivers of risk in this business are therefore interest rate swap activity with liability managing customers, our holding of corporate bonds to service investor needs, and Foreign Exchange hedging activity.

Non-Traded Interest Rate Risk in the Banking Book within Group Treasury



Key Points:

Regulatory Capital: The Group uses an APRA accredited internal model to measure IRRBB regulatory capital in accordance with APRA's prudential standard (APS 117).

Limits and Measurement: The Group measures and manages IRRBB in a number of ways including:

- Economic Value – (Board VaR Limit measured using a 97.5% confidence interval and 20-day holding period);
- Next 12 month's earnings – (Risk to NIE from interest rate changes, measured using a 100bp parallel movement in interest rates across the yield curve);
- Stress-Testing, Risk Sensitivities, Permitted Instruments and Maturities; and
- Duration of Equity (DoE) – (target DoE of 2.5 years).

Group Treasury has a mandate to 'lean' CBA's balance sheet in a range around the Board approved 2.5 year strategic Duration of Equity. Over recent times, Group Treasury have generally leaned the portfolio shorter than the 2.5 year benchmark in order to benefit from increases in interest rates.

Other Non-Traded Market Risk

Life Insurance: Market risk principally arises in the Australian life business (Colonial Mutual Life Assurance Society Ltd) from the different product offerings and the investment of shareholder (Group) capital. As at 30 September 2010, the key contributing portfolios were:

Guaranteed Annuity Portfolio	AUD1.6b
'Traditional' Products	AUD1.4b
Investment Accounts	AUD0.6b
Risk Products	AUD0.1b

Non-Traded Equity Risk (including Seed Funding Risk)

is generated through strategic investments and business activities in divisions across the Bank. The risk is locally monitored and centrally aggregated. As at 30 September 2010, it generated an indicative VaR of \$140m (97.5% confidence interval and 20-day holding period).

As at 30 September 2010, the Group has a total of AUD 0.9b of investments in either PPP projects or Co-Investments in various Group funds.

The Group takes **Equipment Residual Value Risk** on assets such as industrial and mining equipment, rail, ships and shipping containers, aircraft, healthcare and IT equipment. The risk arises from movements in second hand asset prices. The risk is centrally monitored through a framework which includes asset, geographic and maturity concentration limits and stress-testing, along with independent market value assessments.

As at 30 September 2010, the Group has approximately AUD1b of outstanding notional Residual Value exposure maturing over the next 8 years on average.