

Shareletter

APRIL 2010



Determined to be different

Dear Shareholder,

On 10 February 2010, Commonwealth Bank of Australia reported a cash net profit after tax of \$2,943 million, for the six months ended 31 December 2009 – an increase of 54 percent on the pro forma prior comparative period. Cash earnings per share increased 42 percent, to 191.7 cents per share and Return on Equity rebounded strongly to 18.5 percent.

A brief review of the Group's operations and an update on the progress of the Group's strategic initiatives are contained on page 2



This is likely to bring with it a gradual improvement in demand for credit in the 2010 calendar year. While it appears that the bad debt cycle has peaked, conditions still remain challenging for many of our customers. We are optimistic about the medium term outlook for the Australian economy and for the Group although there are still some risks from international volatility which could affect short term performance.

We would like to thank our customers and shareholders for their continuing support for the Commonwealth Bank.

John Schubert
Chairman

Ralph Norris
Chief Executive Officer

Dividend

The Board declared a fully franked interim dividend of \$1.20, up 6 percent on the 2009 interim dividend. This returns the interim dividend payout ratio to pre global financial crisis levels.

Outlook

Over the last six months, the outlook for the global and domestic economy has improved to the extent that Australia now appears to be on the road to a sustainable economic recovery.

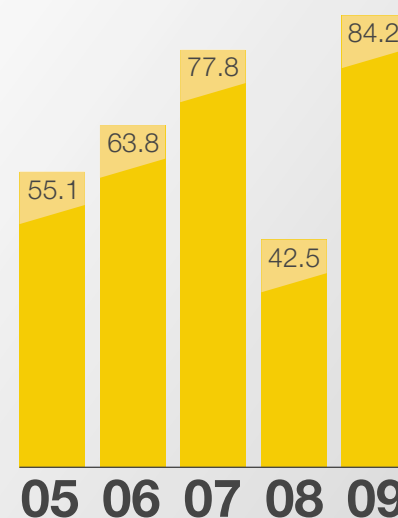
Farewell from outgoing Chairman

Having announced my retirement from the Board, this is my last opportunity to write to you as your Chairman. It has been a great privilege to have served on, and more recently led, the Board of the Commonwealth Bank. I am pleased to be able to hand over the Chairmanship to David Turner who,

I am sure, will find his tenure as Chairman as challenging and rewarding as I have.

John Schubert
Chairman

Market capitalisation (\$b)



All dates shown as of the 31st of December

First half NPAT (cash) (\$m)



Operations Review

The Group is ideally positioned to continue to outperform with well managed, diversified business portfolio and strong stable financial platform.

Key components of the result include:

- Strong income growth in the banking business with net interest income up 19 percent;
- Solid growth in lending balances with average interest earning assets up \$51 billion to \$547 billion;
- Strong growth in retail and business interest bearing deposits – up \$21 billion to \$362 billion;
- Improved earnings from Wealth Management (relative to the prior period) as investment markets begin to improve;
- A subdued result for ASB Bank reflecting difficult trading conditions in New Zealand;
- Bankwest's performance continues to improve;
- Net interest margin up 2 bps since June 2009;
- Continuing improvements in customer satisfaction;
- Operating expenses grew 1 percent compared with the prior period;
- Capital strengthened with the Group's Tier 1 ratio up 103 bps from 30 June to 9.10 percent; and
- Loan impairment expense declined 29 percent on the prior comparative period.



Strategic Initiatives

A disciplined and consistent execution of the key strategic priorities has delivered another good result.

Customer Service

The ongoing commitment to customer service has resulted in further improvements to customer satisfaction scores, recording the highest six monthly rolling average Main Financial Institution score in 13 years.

Business Banking

Business and Private Banking delivered a strong result with all business units reporting double digit income growth. This robust performance was assisted by continued growth in business lending, effective management of margins and increased equities trading volumes within CommSec.

Technology and Operational Excellence

Core Banking Modernisation remains on schedule at its half way stage and will achieve a number of key milestones this year including migration of all deposit and transaction accounts to the new system. Customer information for

20 million accounts has already been successfully transferred to the new system.

Trust and Team Spirit

With the commitment and collaboration of our people, we have maintained our internal engagement score (measured by Gallup) which continued to place the Group at the 80th percentile globally, which is world-best practice.

Profitable Growth

Twelve months since the acquisition, Bankwest is performing well with its people, risk and finance systems well integrated into those of the Commonwealth Bank.

Reinvigoration of School Banking and Financial Literacy

For nearly 80 years the Commonwealth Bank has been teaching young Australians about the importance of saving and smart money management through a range of financial literacy programs.

We are proud to say that we have taught more children about the value of money than any other organisation. This determination to improve the financial literacy of young Australians was recently recognised when we received the 2009 Australian Business Award for Community Contribution.

We have also announced our commitment to improving the financial literacy of more than one million students in Australia over the next five years. This ambitious target will be supported with an investment of \$40 million.



STUDENTS FROM BLACKWELL PUBLIC SCHOOL PICTURED WITH PLATY AND SPEN, THE DOLLARMITES CHARACTERS.

As part of this initiative, we have reinvigorated our School Banking program to help promote regular savings behaviour through an exciting Rewards Program. To provide additional advice and support to School Banking Co-ordinators we have also introduced 45 School Liaison Officers. Our aim is to have 300,000 students at over 4,000 schools actively participating in the program.

In addition, the Commonwealth Bank Foundation will be extending its leading financial literacy program, StartSmart. This program, currently run in secondary schools, has now been extended to primary schools as well and is currently being rolled out across the country. StartSmart Primary is free for schools and has been developed by education experts. It is delivered by world class facilitators with the aim of reaching up to 60,000 students across Australia.



Bankwest integration update

Integration of Bankwest and St Andrew's into the Group is progressing smoothly since the acquisition in December 2008.

The initial phase is focused on aligning the operations of Bankwest and the Group across the country through a range of initiatives.

The operations of St Andrew's are now run as part of the Group's Wealth Management business. The integration of St Andrew's will enable existing customers to benefit from a wide range of the Group's investment platforms and product offerings.

Several key integration milestones have been achieved to date, including:

- Numerous organisational restructuring initiatives, including integration of Group property and procurement teams.
- Reciprocal ATM access giving customers access to more than

4,000 ATMs, the largest network of any bank nationally, without paying any additional fees;

- Establishing Bankwest and Group IT interoperability links;
- Aligning of various IT and business contract arrangements, including cheque processing supplier; and
- Establishing strong and collaborative cross divisional working arrangements and building firm foundations for the future.

With the smooth progression of the integration initiatives, the program is on track to achieve anticipated cost synergies of \$250 million per annum.

Sustainability

There are many achievements across our five foundations; People, Customers, Community, Governance, and Environment.

People

We continue to foster a culture that supports our people to achieve their goals and feel engaged in their role, passionate about the organisation and valued for their contribution.

During the period we launched the Indigenous Employment Strategy, which included a commitment to employ an additional 350 Indigenous staff across the Group over three years. In recognition of our cultural change and employee engagement initiatives we won the Special Award for Labour Relations/Human Capital Management at the Australian Sustainability Awards.

Customers

Our continued focus on designing innovative and market-leading products to satisfy our customers' needs, combined with our commitment to customer service, led to continued improvement in retail customer satisfaction results. Based on Roy Morgan data for December 2009, the Group improved for the fifth consecutive



STAFF AT THE COMMONWEALTH BANK'S OPERATIONS PROCESSING CENTRE IN LIDCOMBE SHOW THEIR SUPPORT AT A PINK-THEMED EVENT TO RAISE AWARENESS AND FUNDS FOR THE BREAST CANCER INSTITUTE OF AUSTRALIA.

month, up 0.4 percent to 73.8 percent on a 6 month rolling average.

Community

We demonstrated continued support for our long-standing partnerships with a combination of financial investments and staff fundraising and volunteering. In particular, we supported National Breast Cancer awareness month, Prostate Cancer awareness month, and deepened our support for community cricket.

Environment

We continued to implement a number of energy saving initiatives to help us reach our carbon reduction target of 20 percent by June 2013, off a 2008-09 baseline. These include automated overnight PC shutdown

for all staff, upgrades to lighting and air conditioning in offices and branches, and changes to the type of cars and fuel used in the Group's fleet.

The Group was also recognised by the Carbon Disclosure Project for the quality of our disclosure by achieving a place in the Climate Disclosure Leadership Index, comprised of the top scoring 10% of companies worldwide.

Governance

The launch of the Group's inaugural Sustainability Report demonstrated our commitment to disclosure and transparency. The report can be found online at www.commbank.com.au/sustainability.

Shareholder contact information

To change your address or sign up for electronic shareholder communication and direct credit dividend options, please contact Link Market Services Limited or visit www.linkmarketservices.com.au/public/investors

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