Investor Half Day

Investment and Insurance Services Division

19 October 2004

Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 19 October 2004. 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.

Discussion Outline

Stuart Grimshaw Group Executive Investment & Insurance Services	Key Achievements, Strategic Direction and Distribution Overview
John Pearce Chief Executive Officer Colonial First State	Asset Management and Platform Overview
Peter Beck Managing Director CommInsure	Insurance Overview
Michael Cant Chief Financial Officer Investment & Insurance Services	Financial Performance
Stuart Grimshaw Group Executive Investment & Insurance Services	Conclusion

Market trends shaping the wealth management industry

Funds Management:

- Decline of retail and the rise of platform
- Margin squeeze
- Slowing, but healthy projected growth in funds management
- Rising popularity of blend and model portfolios

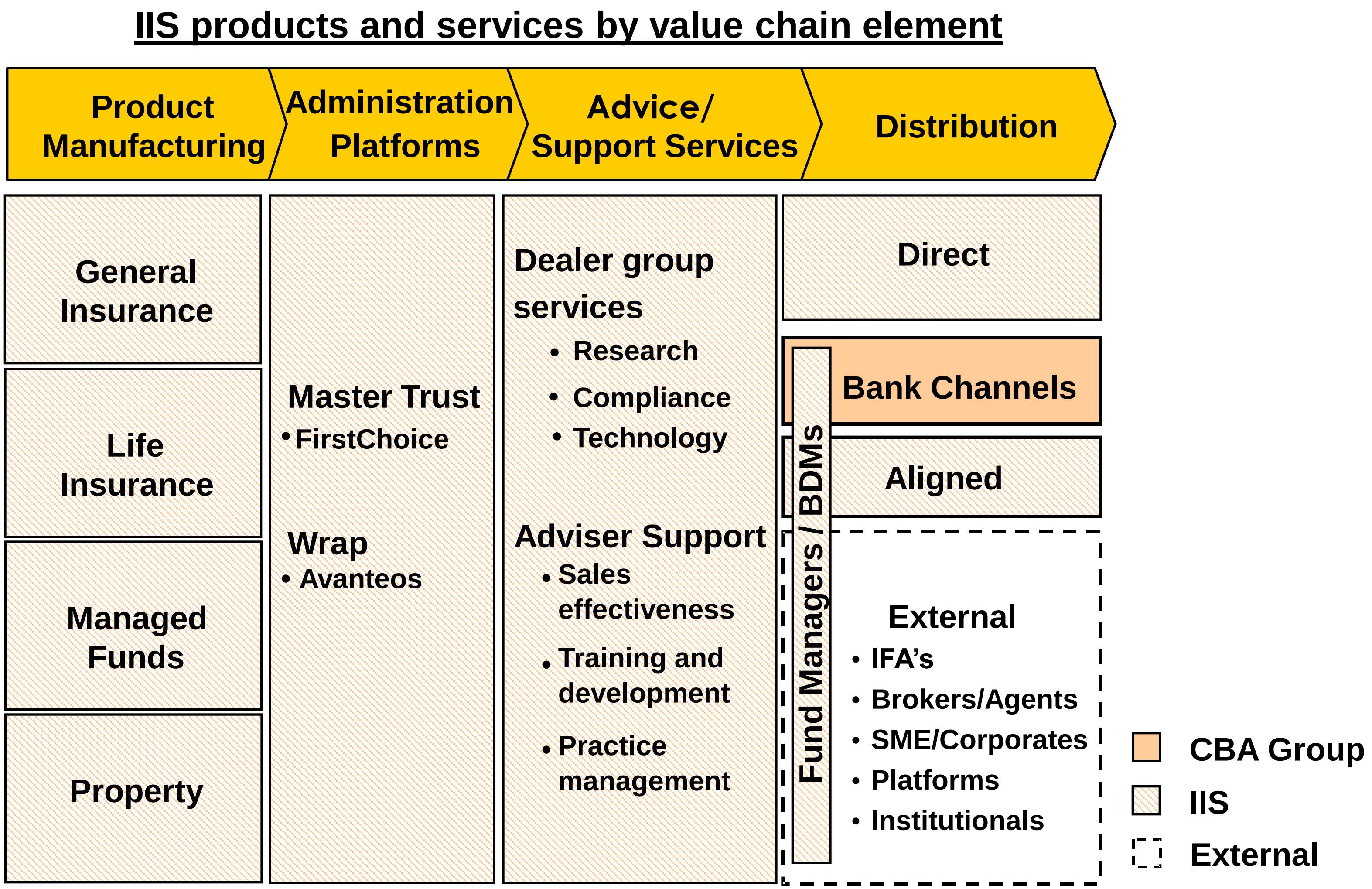
Insurance:

- Strong long-term growth
- Rational approach to pricing
- Underinsurance and the need for further education

Advice:

- Independence of advice
- Continuing consolidation of distribution
- Soft dollar benefits
- Quality of advice

Our business model involves competing across all elements of the value chain



Our strategy is to foster a leading wealth management business

Distribution	Continue to strengthen and improve our multi-channel distribution capabilities
Efficiency	Focus on cost effective ways to deliver investment and insurance services
Platform	Build market leading platform capabilities and leverage the scale and efficiency of our technology
Innovation	Strengthen our standing as a provider of innovative products and services
Service	Continued focus on a world-class customer service culture
Performance	Lead in all parts of the wealth management value chain

Recent achievements and current focus

Distribution

- Centre for Adviser Development
- Launch of Enterprise121
- Increased productivity and number of planners

Efficiency

- IIS organisational restructure
- Legacy rationalisation program on target
- Cost to income ratio improvement

Platform

- Market leading platform inflows through FirstChoice
- Growth in Avanteos net flows since acquisition
- FirstChoice enhancements

Innovation

- Launch of 5D
- Boutique alliances
- Launch of new CommInsure products

Service

- Award winning service
- CommInsure service quality improvement

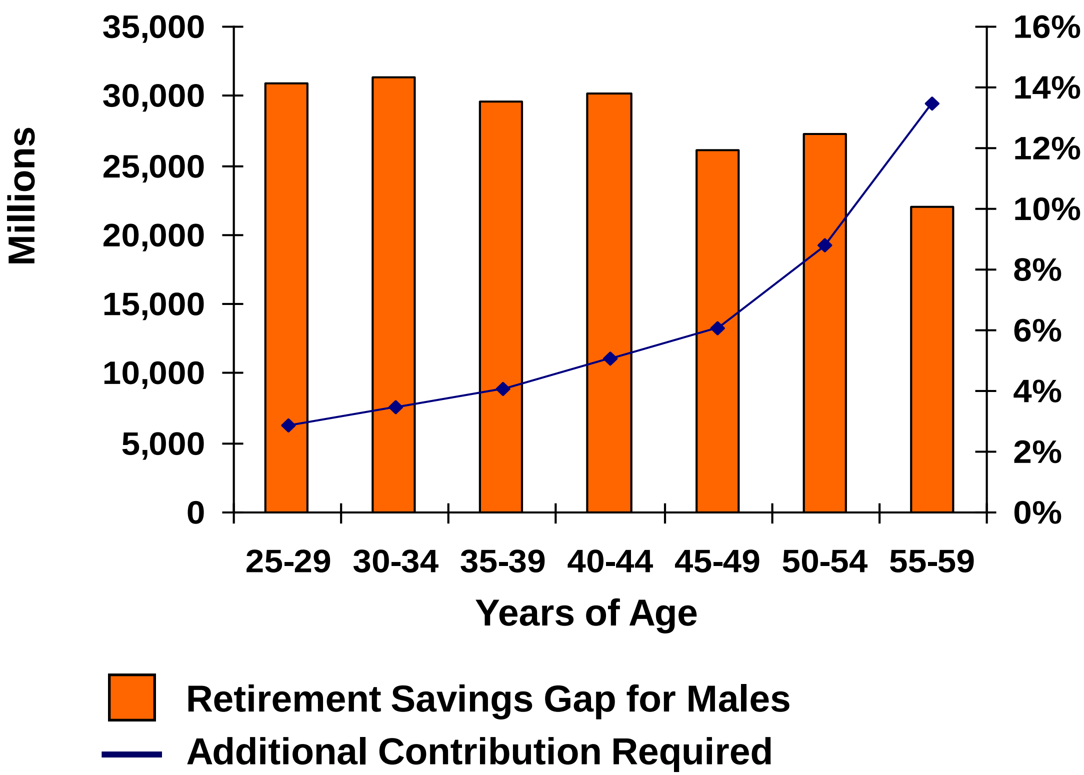
Performance

- Strong FUM flows in First State International
- CommInsure strong financial results
- Fixed Interest and Credit and Global Resources fund performance

Distribution challenges and opportunities

Retirement Savings Gap by Age

August 2003



Source: IFSA Retirement Savings Gap, August 2003;

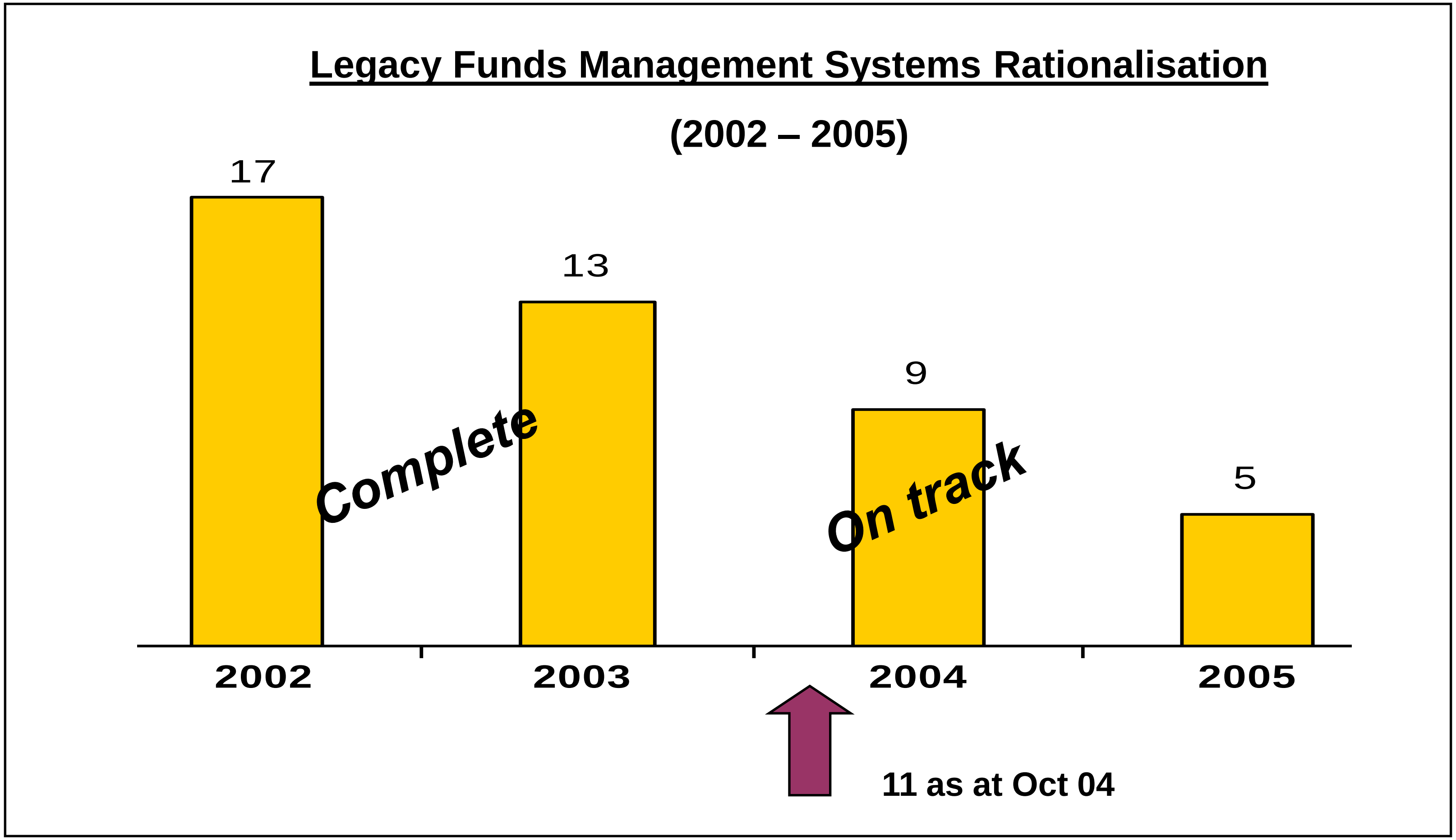
Challenges/ Opportunities:

- Ageing population with inadequate savings
- Choice for investors and advisers
- Growth in DIY products
- Regulatory environment:
  - Quality of advice
  - Greater fee transparency
  - Independence

We are continually strengthening our distribution footprint

- **Centre for Adviser Development**
  - Over 200 trained
  - Feedback very positive
- **Launch of Enterprise121**
  - Opportunity in the market to offer advice, platform and dealership services to HNW practices.
- **Increased productivity of network advisers**
  - 26% improvement
- **Recruitment of advisers**
  - Network and aligned

Legacy system rationalisation is on track



Source: Internal Projections. Policy Administration Systems rationalisation by calendar year end

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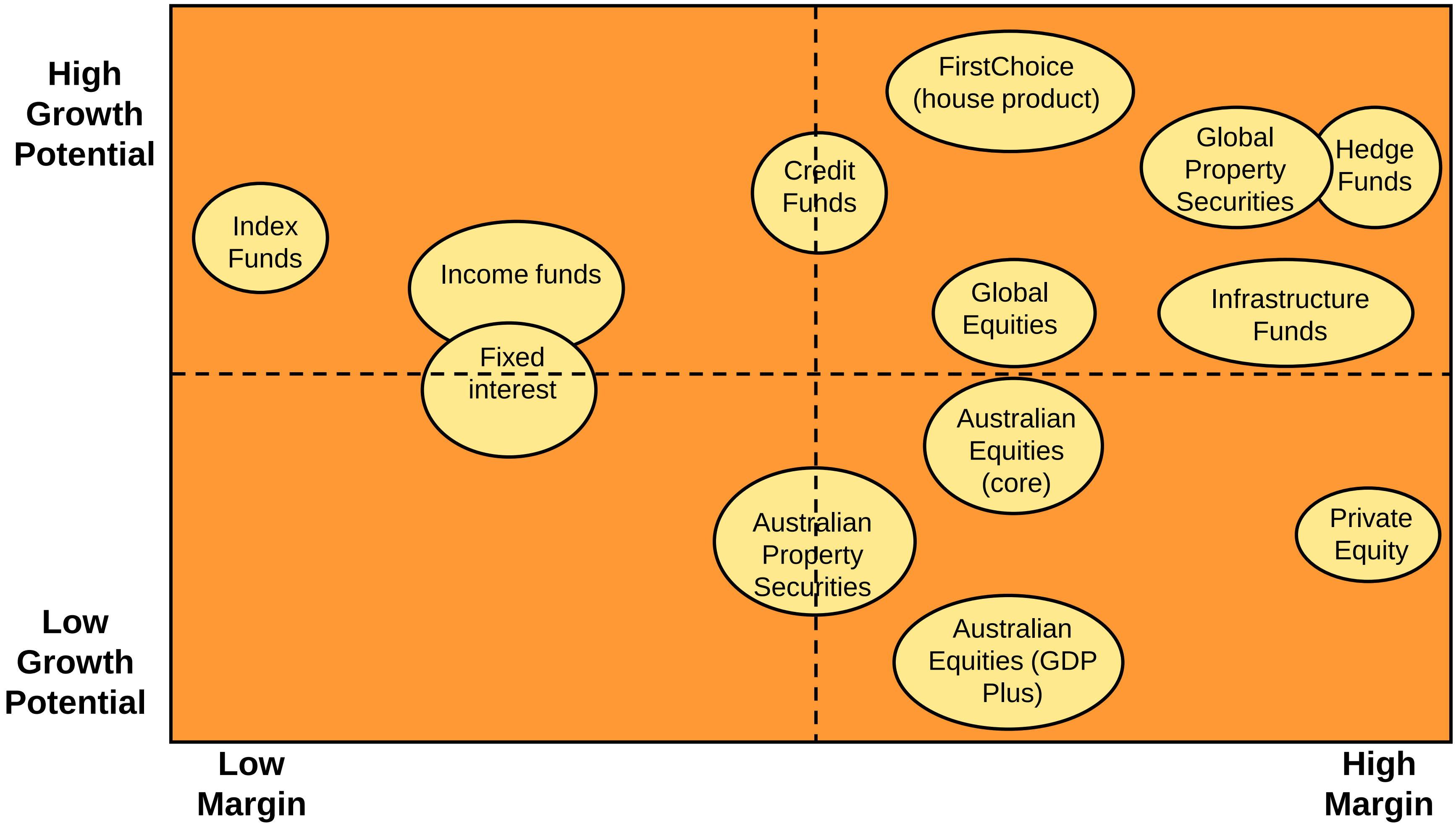
Outline

- The value chain
- Asset management
- Platforms

The only segment with universal downward pressure in margins is platforms / administration.

	Asset Management	Platform / Marketing / Administration	Distribution	Customer Pays
Revenue Margins	10 – 100bps	50-120bps	40-100bps	200bps
Margin Trends				
Drivers	• “perceived” commoditisation • high alpha providers will maintain pricing power – capacity is an issue • increasing variation in range of fees	• commoditisation • intense competition • consolidation	• least commoditised • move to fee for service	

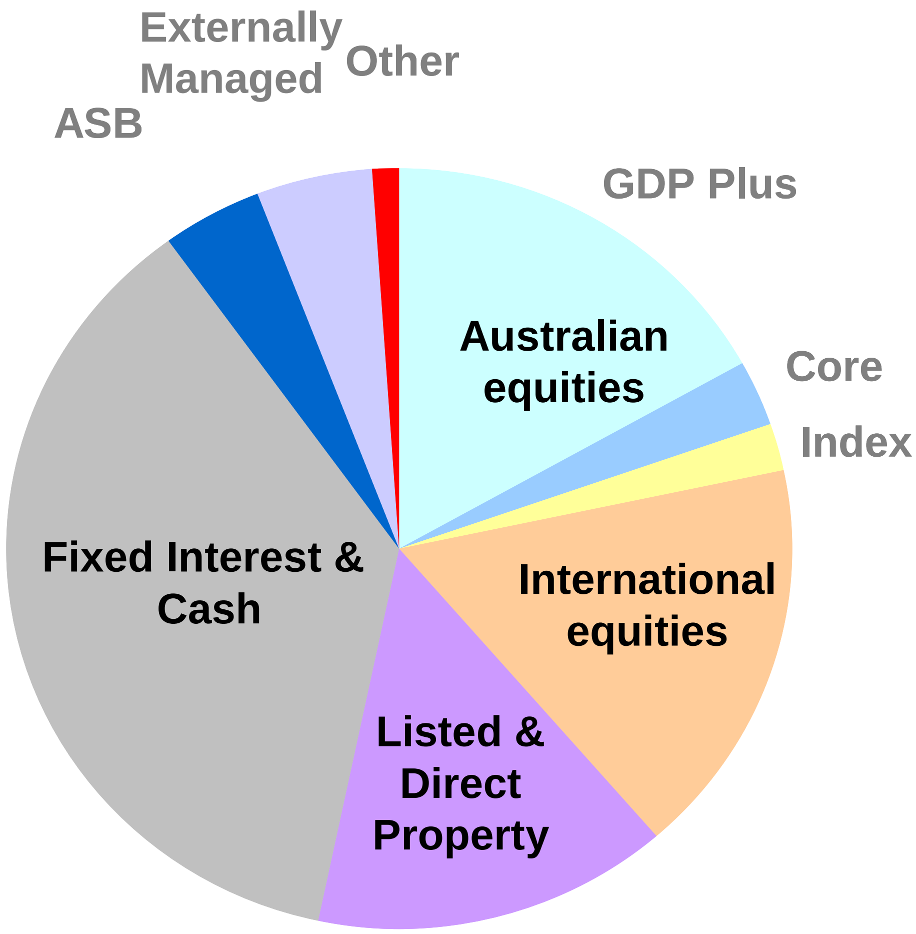
Our diversified asset management base provides growth opportunities.



Source: CBA Internal Analysis and Market Forecasts

Australian Equities (GDP-Plus) is now only 17% of FUA

FUA: $109.8bn
as at June 2004



Australian equity GDP+ investment performance in perspective.

Year by year out-performance

Growth bias market		*Value bias market*	
1997	12.04%	2001	7.71%
1998	4.41%	2002	-0.03%
1999	13.39%	2003	-0.07%
2000	7.48%	2004	-4.86%
4 Yr Avg.	9.10%	4 Yr Avg.	0.70%

Source: Wholesale Imputation Fund, excess performance before fees and taxes. Year to 30 June.

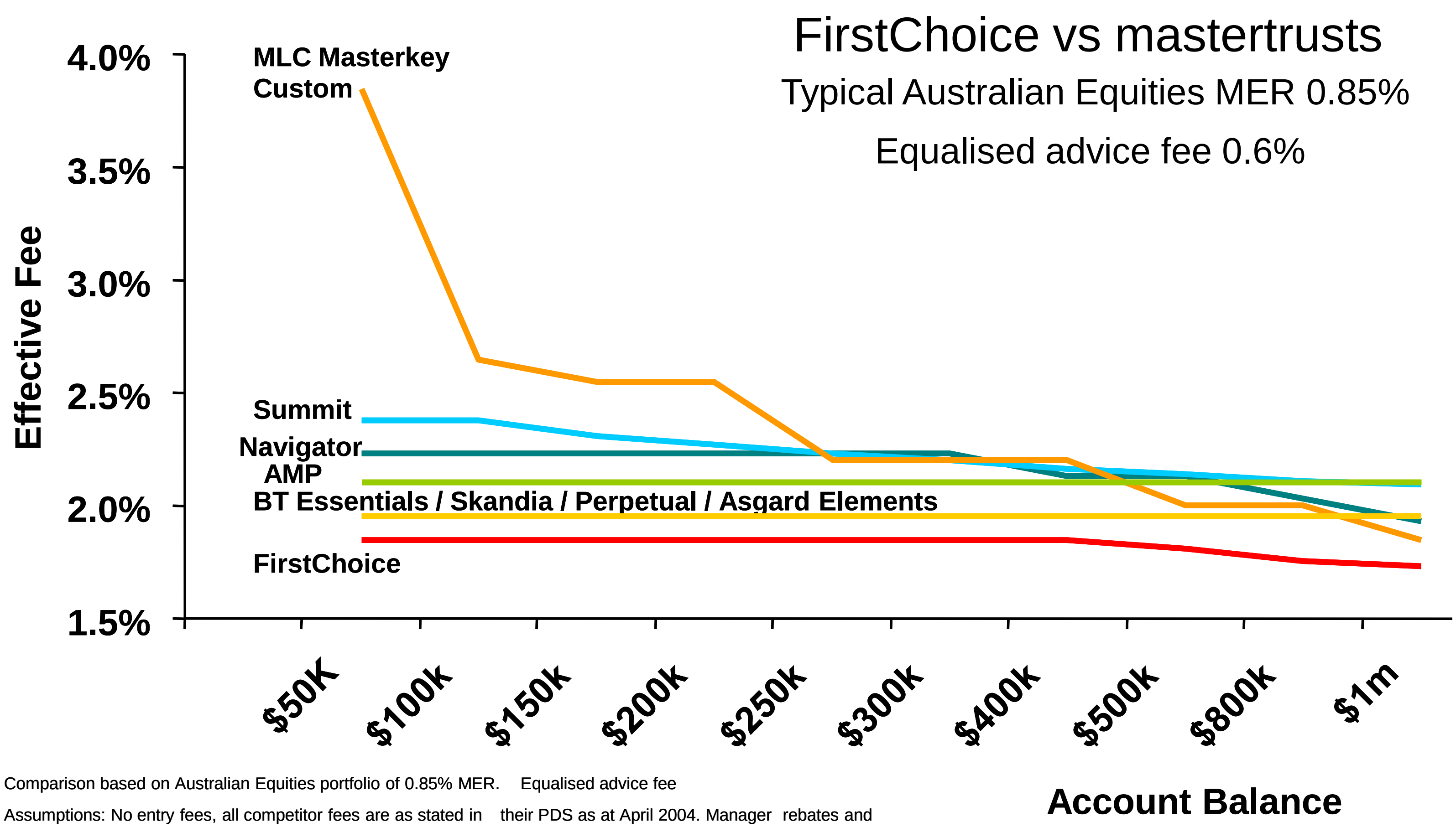
Investment performance has been generally strong over the medium term.

Asset Class	Performance Vs Benchmark (1 yr)	Performance Vs Benchmark (3 yr)
Fixed Interest	✓	✓
Global Credit	✓	✓
Australian Equities GDP+ Large Cap	×	×
Australian Equities GDP+ Small Cap	✓	✓
Australian Equities Core Large Cap	✓	✓
Australian Equities Core Small Cap	✓	✓
Global Equities	×	×
Global Resources	✓	✓
Australian Listed Property	×	✓
Global Listed Property	✓	✓
Hedge Funds	✓	✓
Infrastructure	✓	✓
Private Equity	✓	✓
Mortgage Funds	✓	✓

Platform strategy

Avanteos:	White-label custodial wrap solution for wholesale platform market - ‘feature-rich’ for high net-worth market
FirstChoice:	Non custodial masterfund for “Mass Market Retail” Value proposition: 1. Best value for money 2. Great service 3. Enough choice

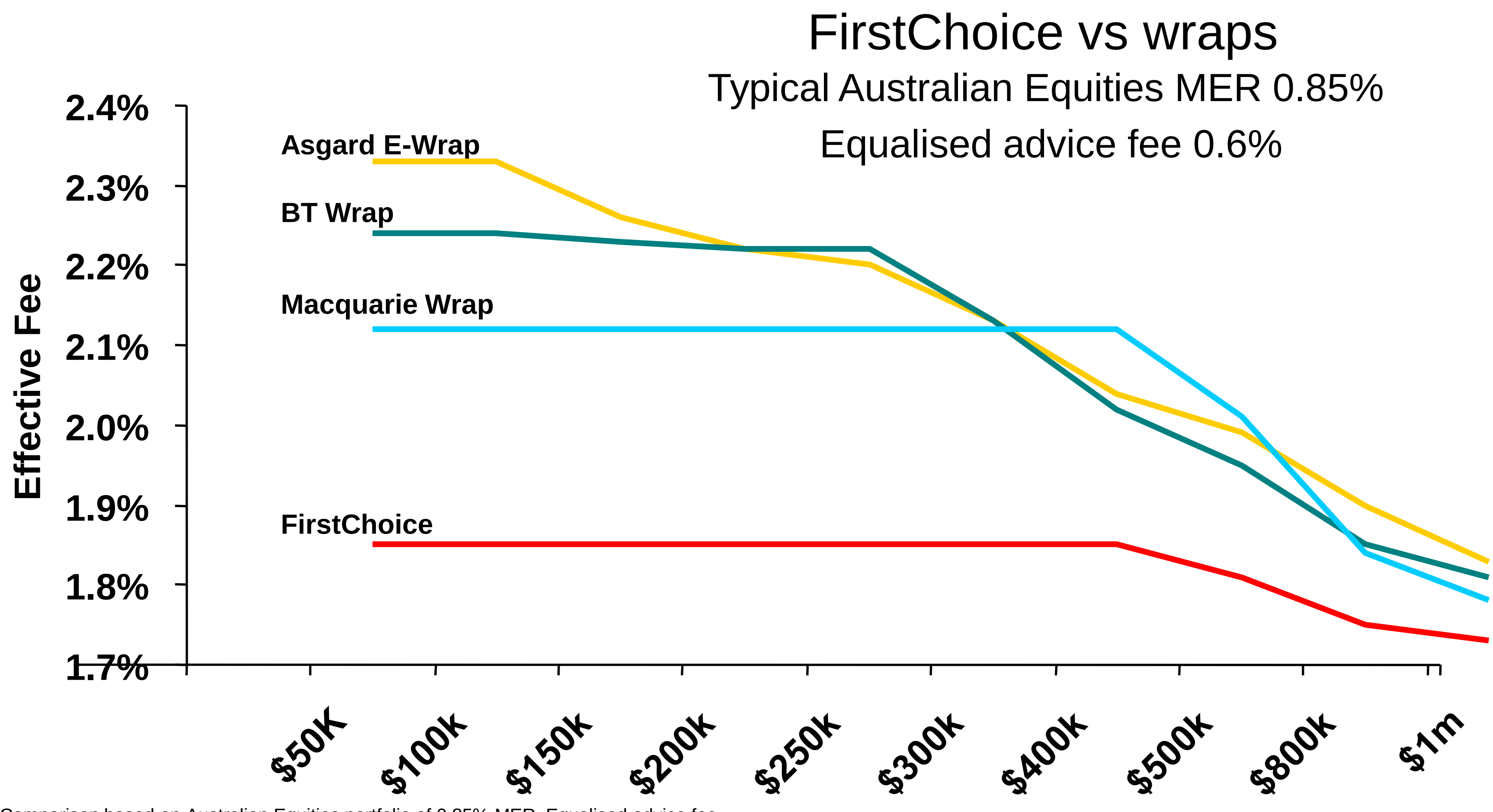
The Value Proposition - FirstChoice vs mastertrusts



Comparison based on Australian Equities portfolio of 0.85% MER. Equalised advice fee

Assumptions: No entry fees, all competitor fees are stated in their PDS as at April 2004. Manager rebates and volume discounts are not accounted for.

The Value Proposition - FirstChoice vs wraps



Comparison based on Australian Equities portfolio of 0.85% MER. Equalised advice fee

Assumptions: No entry fees, all competitor fees are as stated in their PDS as at April 2004. Manager rebates and volume discounts are not accounted for.

Which new Bank

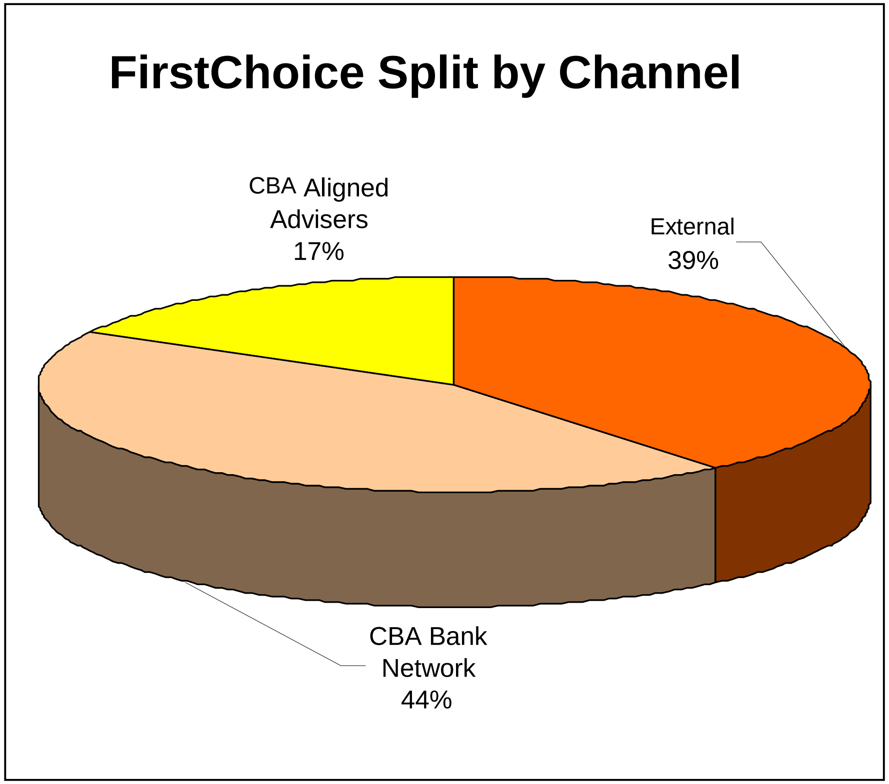
CommonwealthBank

How can we offer lower fees and still earn healthy margins?

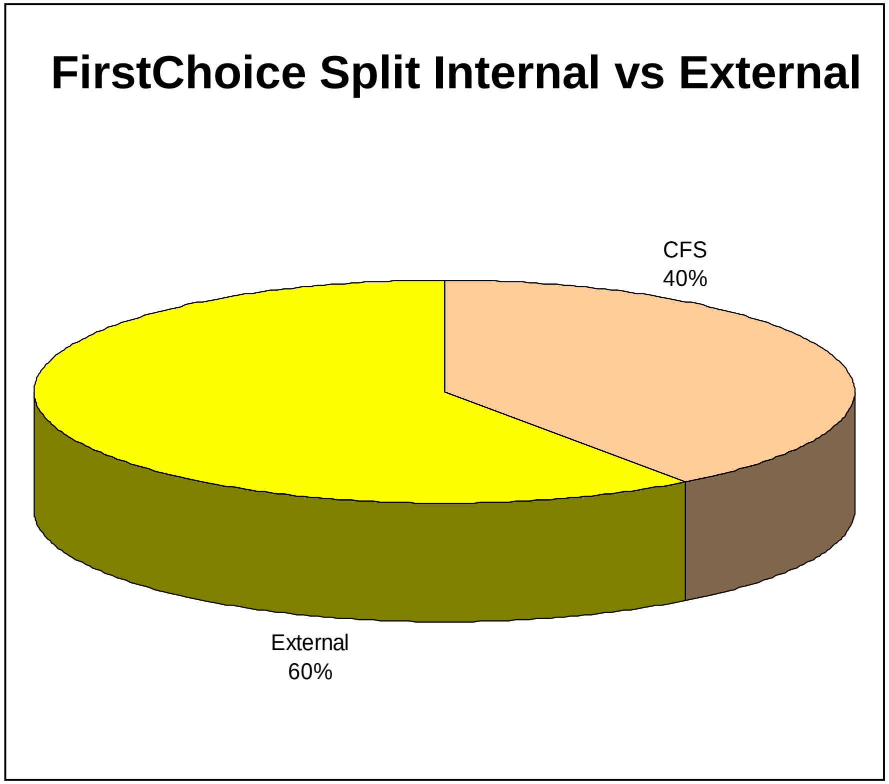
- Simple model catering to mass market
- Manufacturing margin capture
- Ability to leverage scale and administration efficiency
- Mandate structure

FirstChoice: well diversified support and healthy CFS flows.

Inflows:

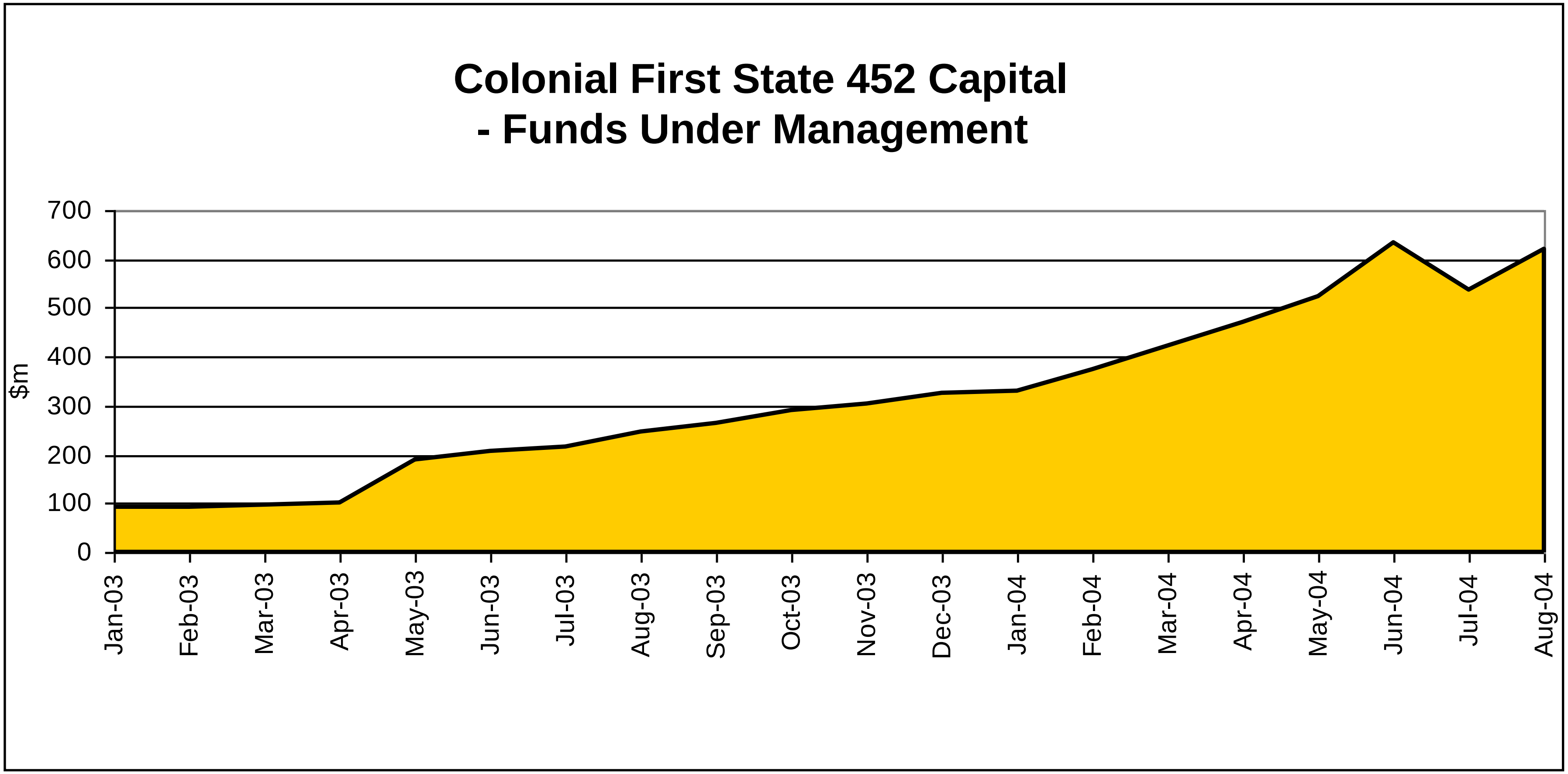


Managing the FUM:



Source: internal data; channel split based on flows for 6 months ended 31 August 2004; Manager split based on FUA at 31 August 2004

Boutique alliance strategy has delivered strong FUM growth.



Source: internal data, retail sourced FUM

Conclusion – in a tough environment, we are very well positioned.

Asset Management	■ Strong, well diversified, asset management capability with growth opportunities ■ 70% of sector funds outperformed their 3 year benchmark
Platforms	■ Combination of Avanteos and FirstChoice provides comprehensive admin capability ■ Superior value proposition has underpinned FirstChoice success ■ Boutique alliance strategy has been very successful

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Agenda

- Industry Trends and Issues
- Achievements
- Opportunities

Summary

Insurance underlying profit grew 107% last year. Further growth is a significant opportunity for the Group

In the 03/04 year the Insurance business:

- Reduced Costs & Increased Profit
- Improved Service

Insurance represents an opportunity to:

- Materially expand the Bank's business and support growth
- Deepen relationships / aid retention in the Bank's core banking portfolio
- Leverage distribution infrastructure & scale
- Significantly increase cross-sell

The insurance industry outlook has improved as predicted last year

Industry Outlook

A maturing industry:

- Favourable long term growth
- Commoditised products
- Lower investment returns
- Competitive and consolidating
- Increased regulatory focus
- A time of 'surprises': Sept 11, Canberra, Bali, HIH
- Low penetration

Implications

- Scale is critical
- Rising re-insurance premiums
- Industry & legislative shake up
- Return to rational pricing
- Requires cost focus as well as revenue
- Importance of broad based distribution
- Commoditisation - difficult to differentiate
- Uncertainty - increasing importance of good corporate governance and security

The "Winners"

Winner will be larger players, who maintain profitability by:

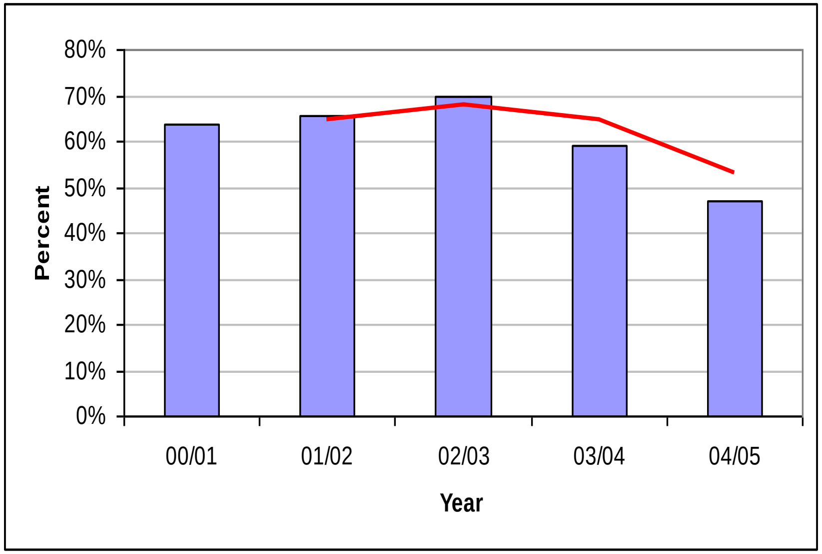
- ✓ Leveraging scale
- ✓ Driving out efficiencies
- ✓ Building revenues through:
  - ✓ Cross sell / bundling
  - ✓ Multi-channel distribution
  - ✓ Brand and reputation

Whilst maintaining a service culture built around:

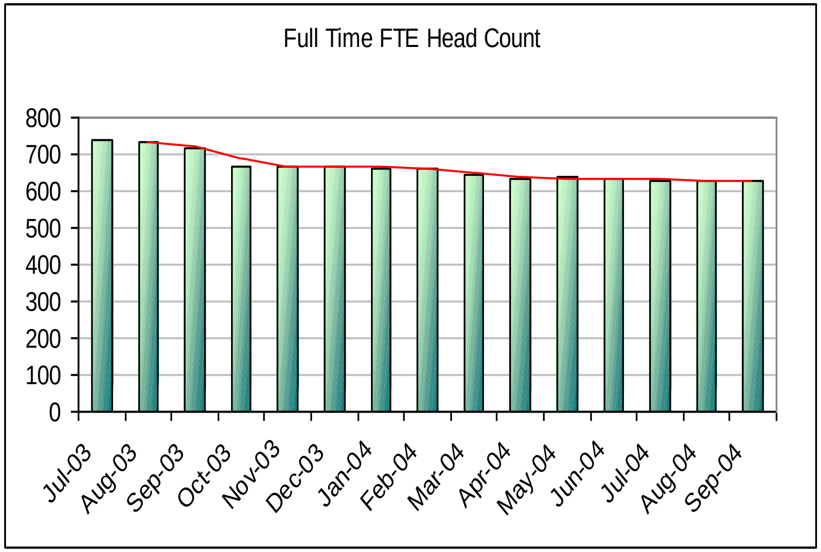
- ✓ Service focus
- ✓ Innovation
- ✓ Simplicity
- ✓ Platforms

Achievements

Claims Cost (H&C)



Staff Numbers

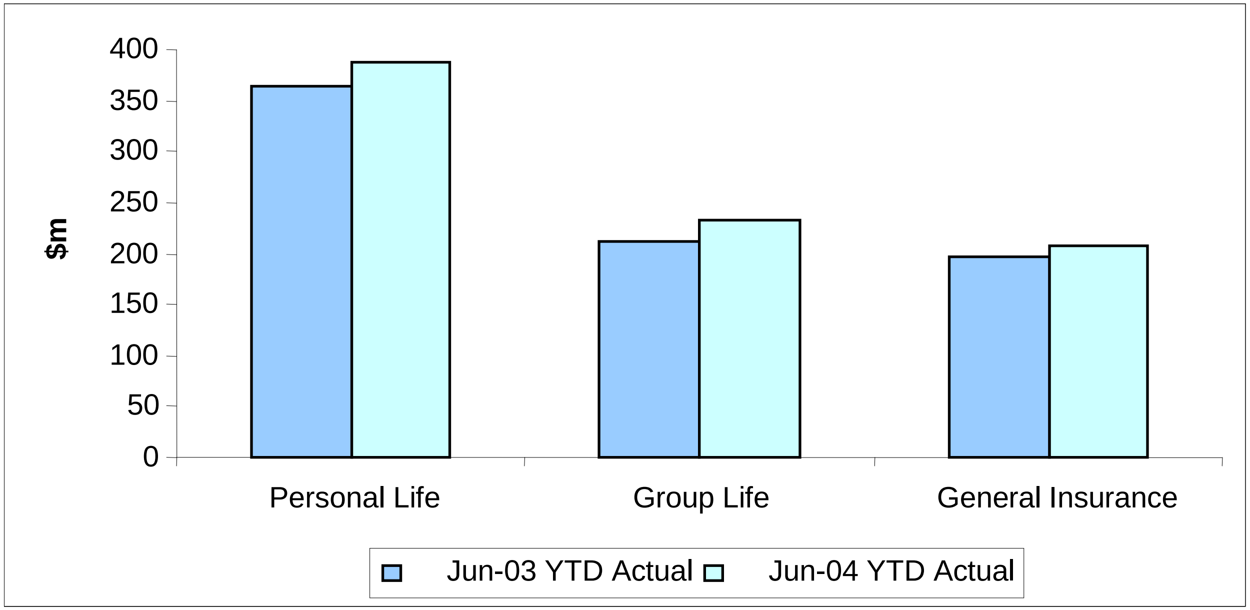


Improvement in Service levels and strong staff engagement:

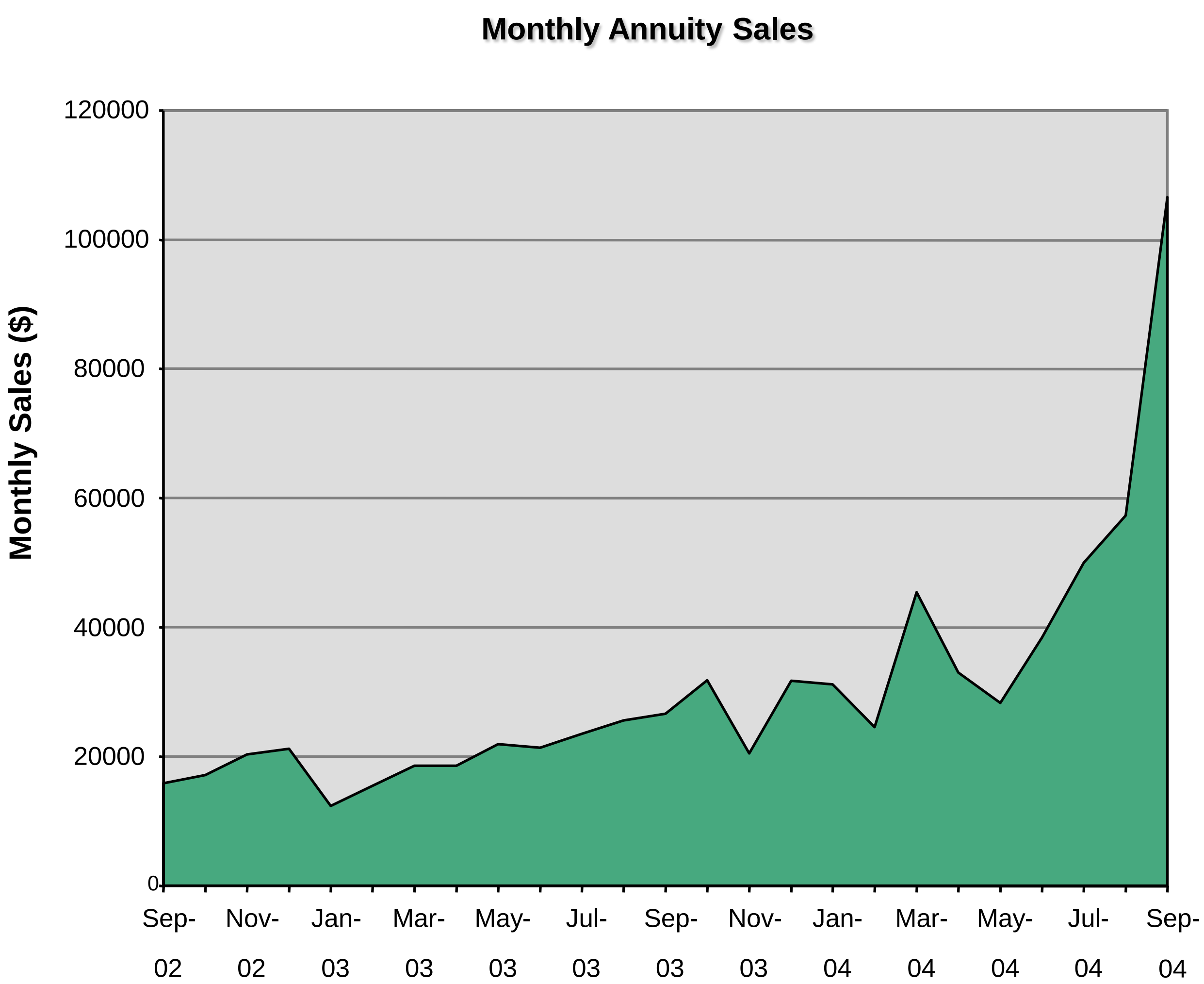
- Internal service level measures have improved by up to 20% over the last 18 months
- Staff cultural surveys measuring staff engagement and satisfaction across a range of areas have improved significantly over the last year

Insurance Inforce Premiums (Australia) continue to grow

- Continued growth in network channel
- Strong GI premium growth with further upside
- Price increases on income protection impacted individual life sales
- Good growth in mastertrust segment
- Multiple product holders demonstrate increase retention across all portfolios



Achievements - Annuity Sales - Leveraging a return to rational pricing and market opportunities.



How is improvement being delivered

People

- Restructure to provide end to end service
- Cultural Measurement
- Reward & recognition
- Leadership Development
- Training (e.g. Risk Claims Competency assessment)
- Breakthrough Service Performance

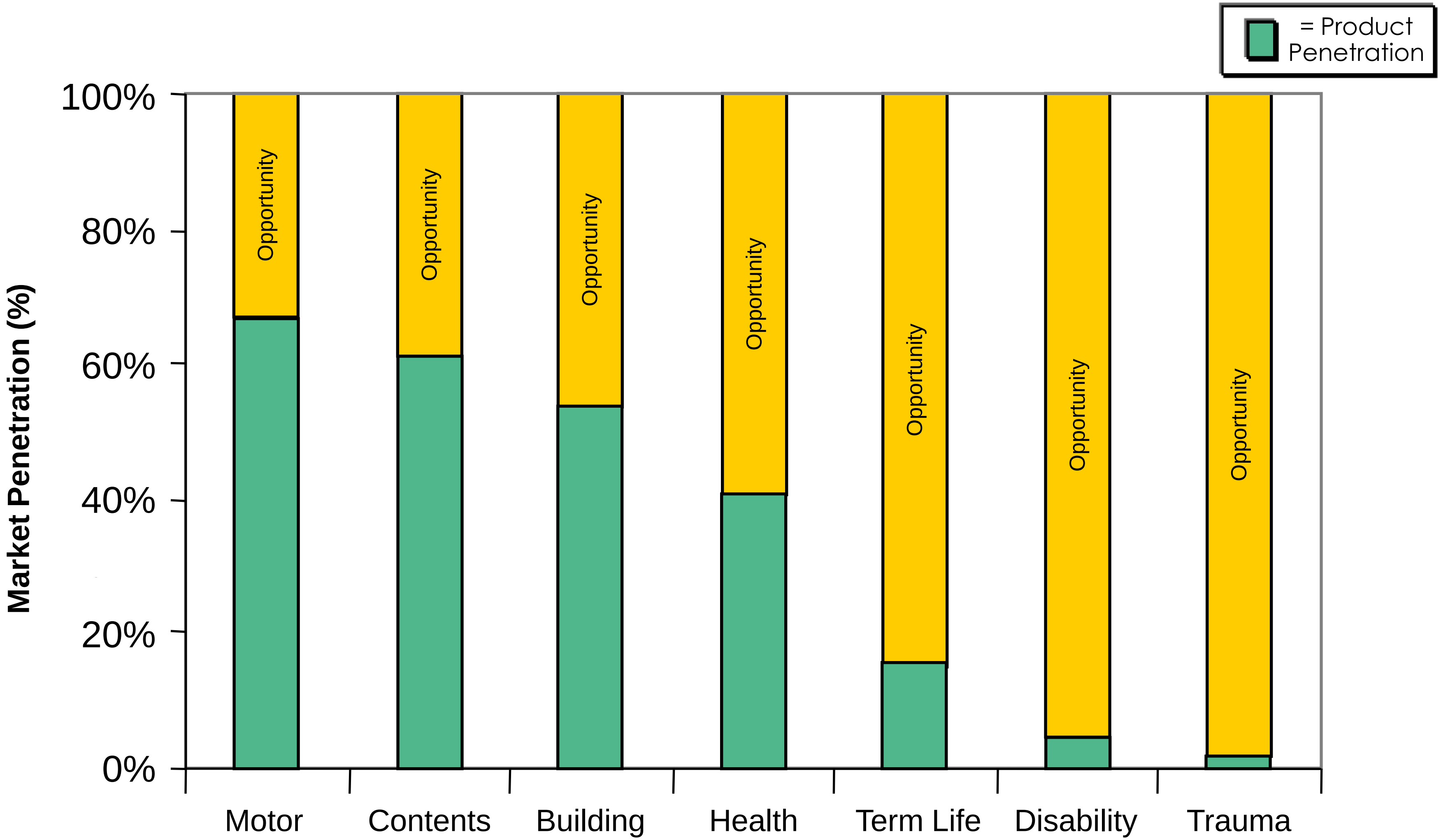
Process

- Simplified Life Insurance Underwriting
- Quote and Fulfil in all Branches
- Cross Sell Embed in Process
- GI & Risk Claims Reengineering
- Tele Follow Up
- End to End Process Simplification
- First Point Resolution

Technology

- Fineos - Work Flow
- Genesys - Call Centre
- Dialogue - Document Management

Significant Revenue Opportunities - Product Penetration



Insurance Cross Sell Opportunity

- Home Loan Cross Sell - 36%
- Credit Card Cross Sell - 17%
- Managed Funds Cross Sell - 17%
- Savings & Transaction Cross Sell - 11%

Conclusion

- Significant progress was made in the 2003/ 2004 year

- Insurance represents a significant opportunity for the Group going forward

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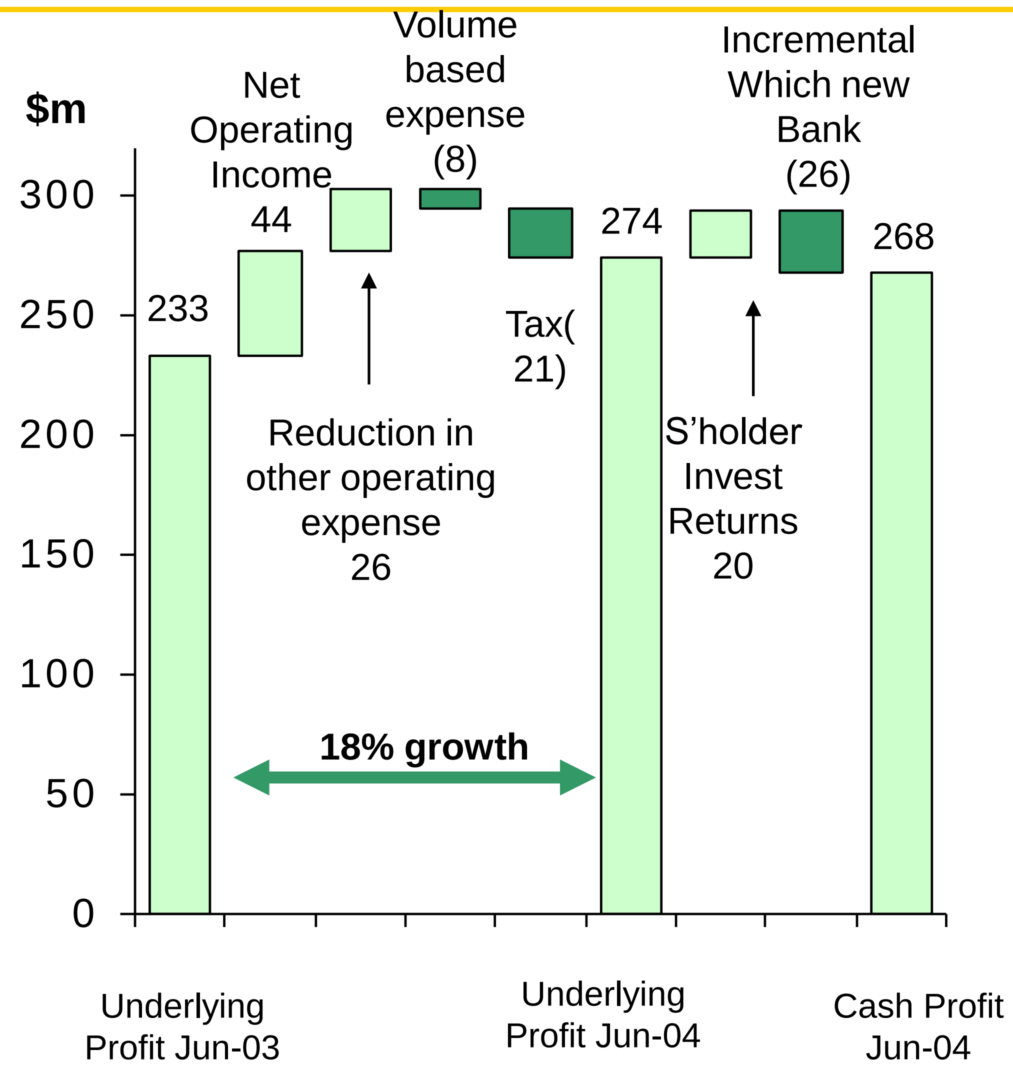
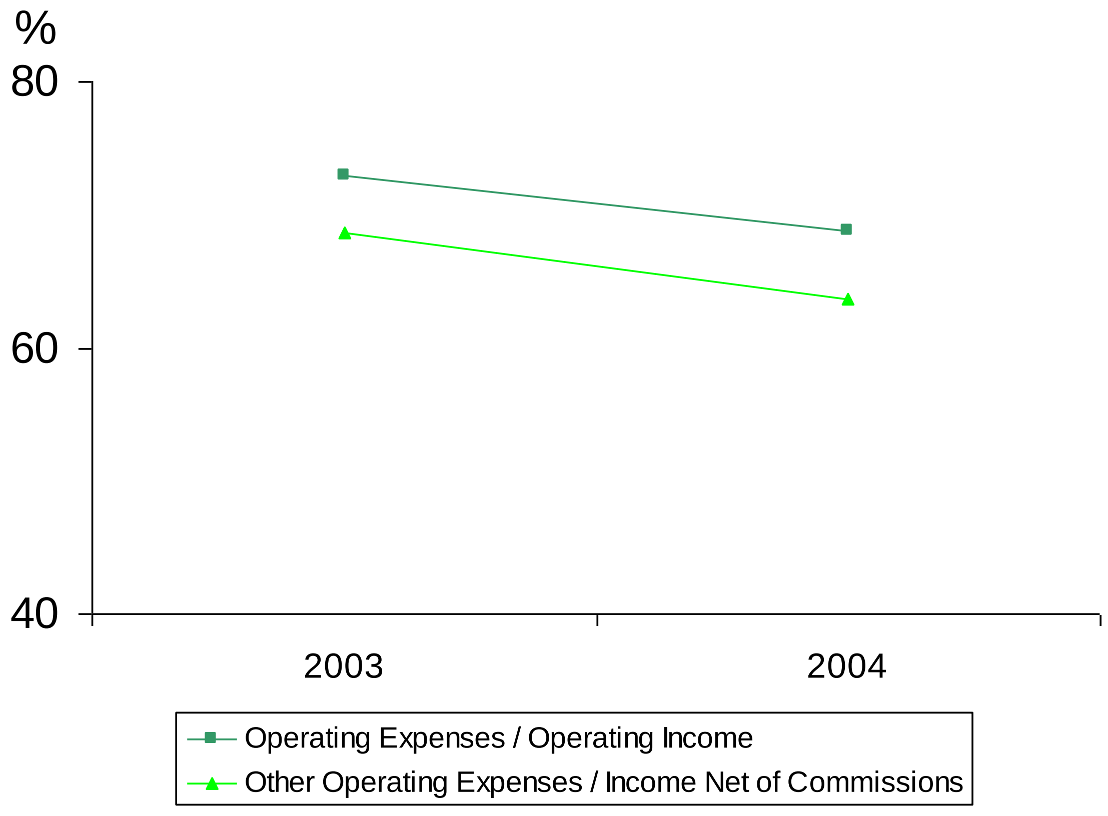
We saw an 18% growth in underlying profit for our Funds Management businesses

- Strong investment markets underpinned revenue growth
- Income to average FUA ratio maintained
- Focus on tight cost control resulted in operating expenses falling 2% year on year
- Revenue growth negatively impacted by FX movements and sale of custody business



Significant improvement in Cost to Income Ratio

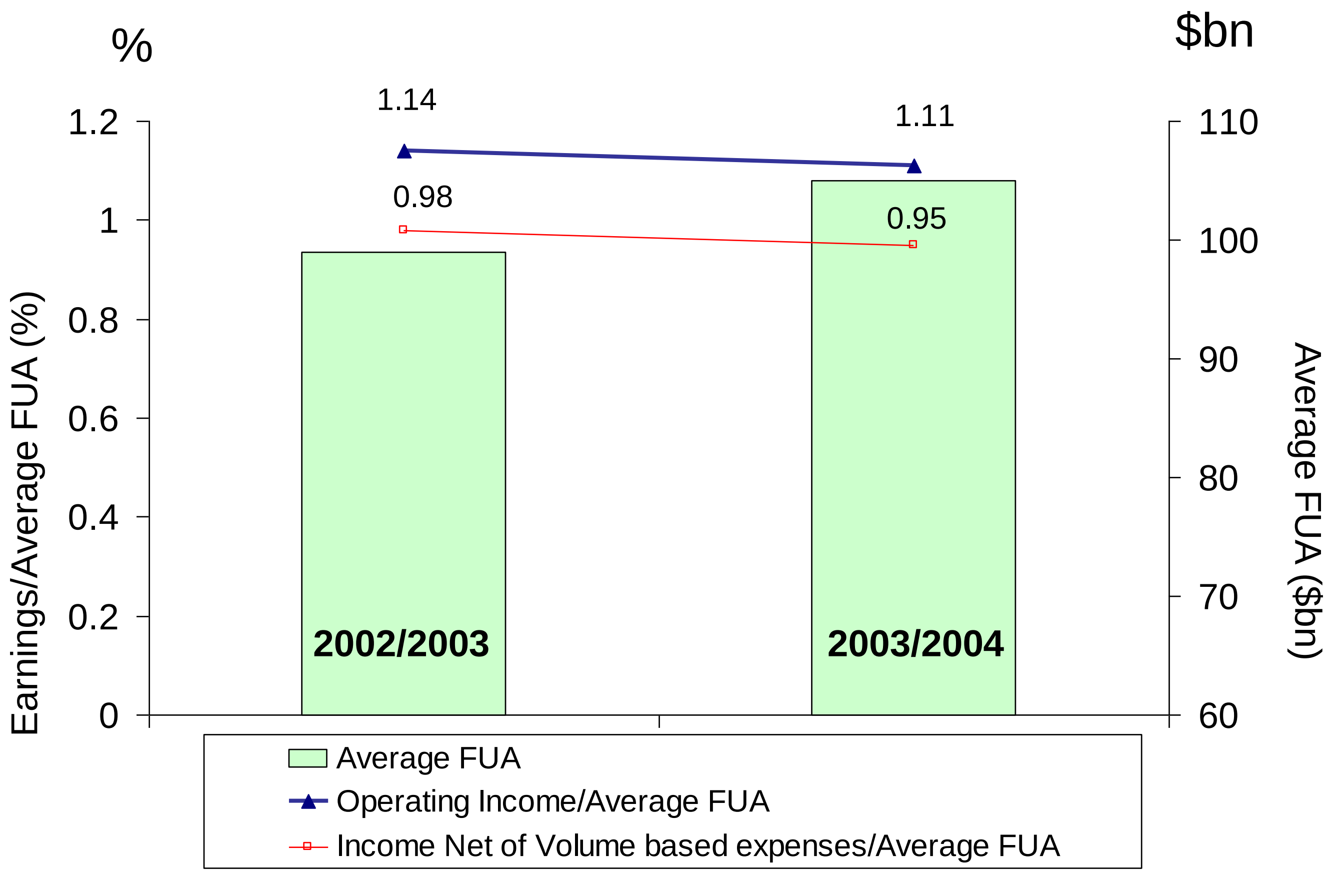
- Leverage to growing FUA
- Back-office efficiencies
- Support function rationalisation
- Rationalisation of UK product range
- Product rationalisation and system migration



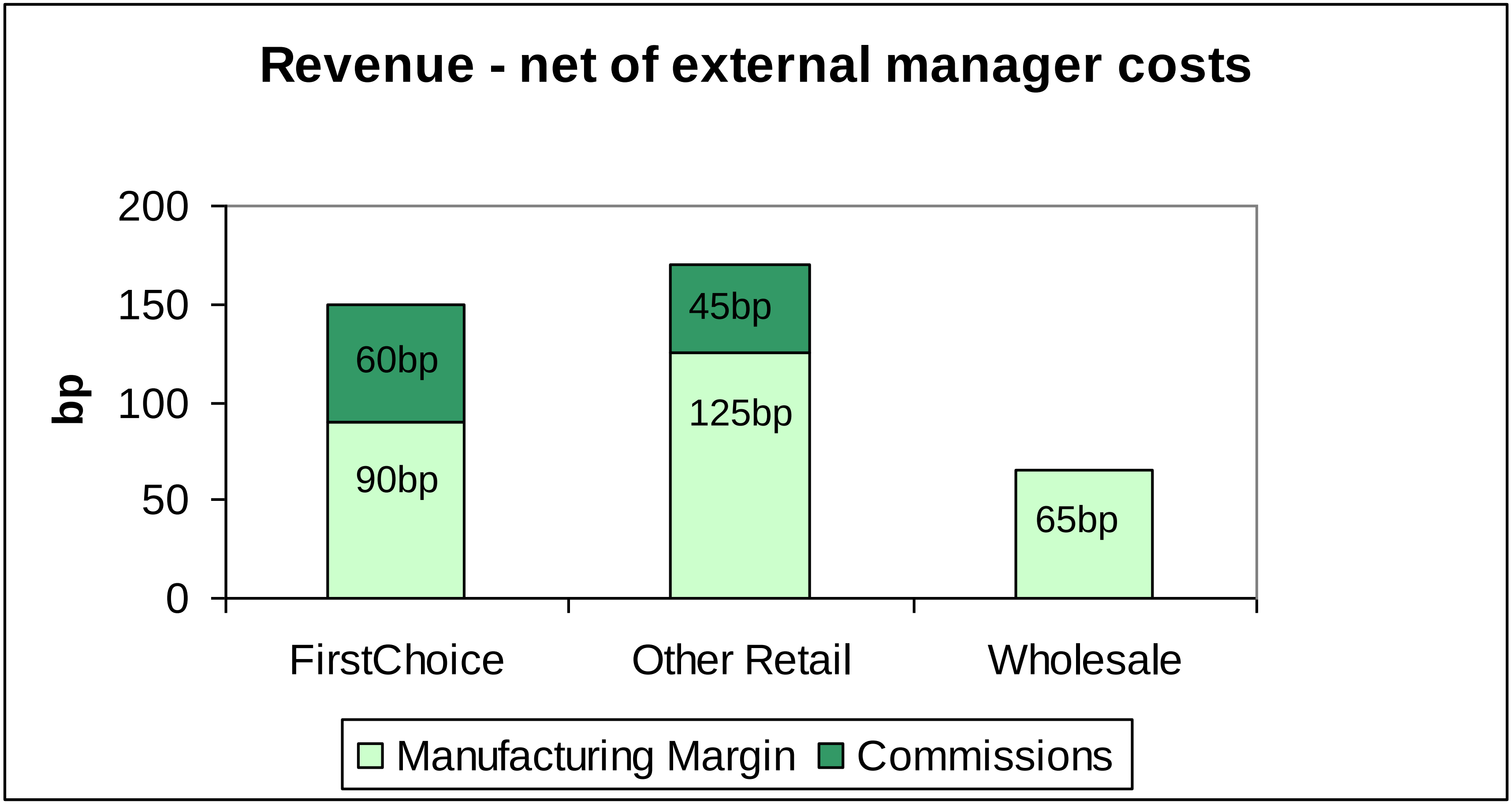
*Excludes WnB Costs

Margins declined slightly

- Run off of higher margin legacy business
- Shift in mix of retail business toward platforms
- Increased payments to distributors
- Increase in margins in UK business

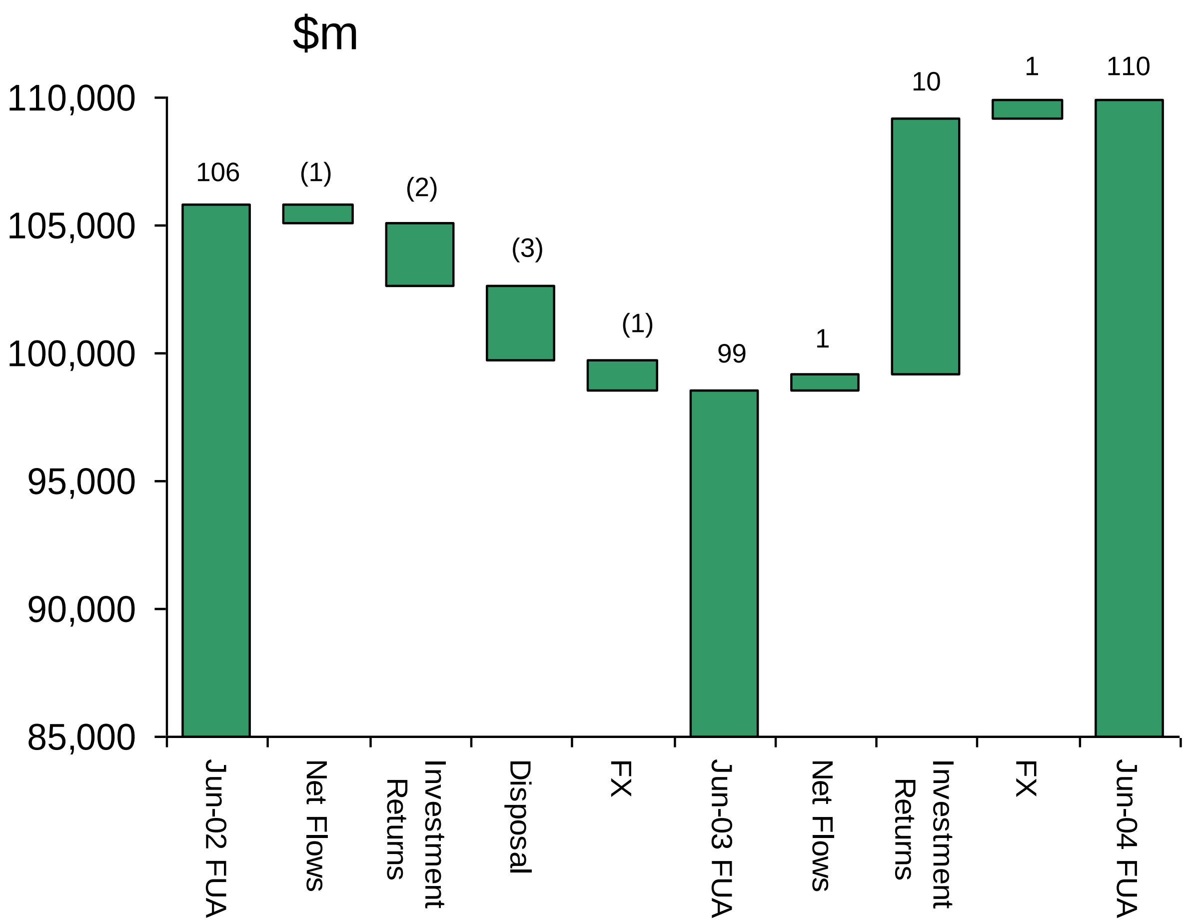


FirstChoice margins are attractive, albeit less than our other retail products

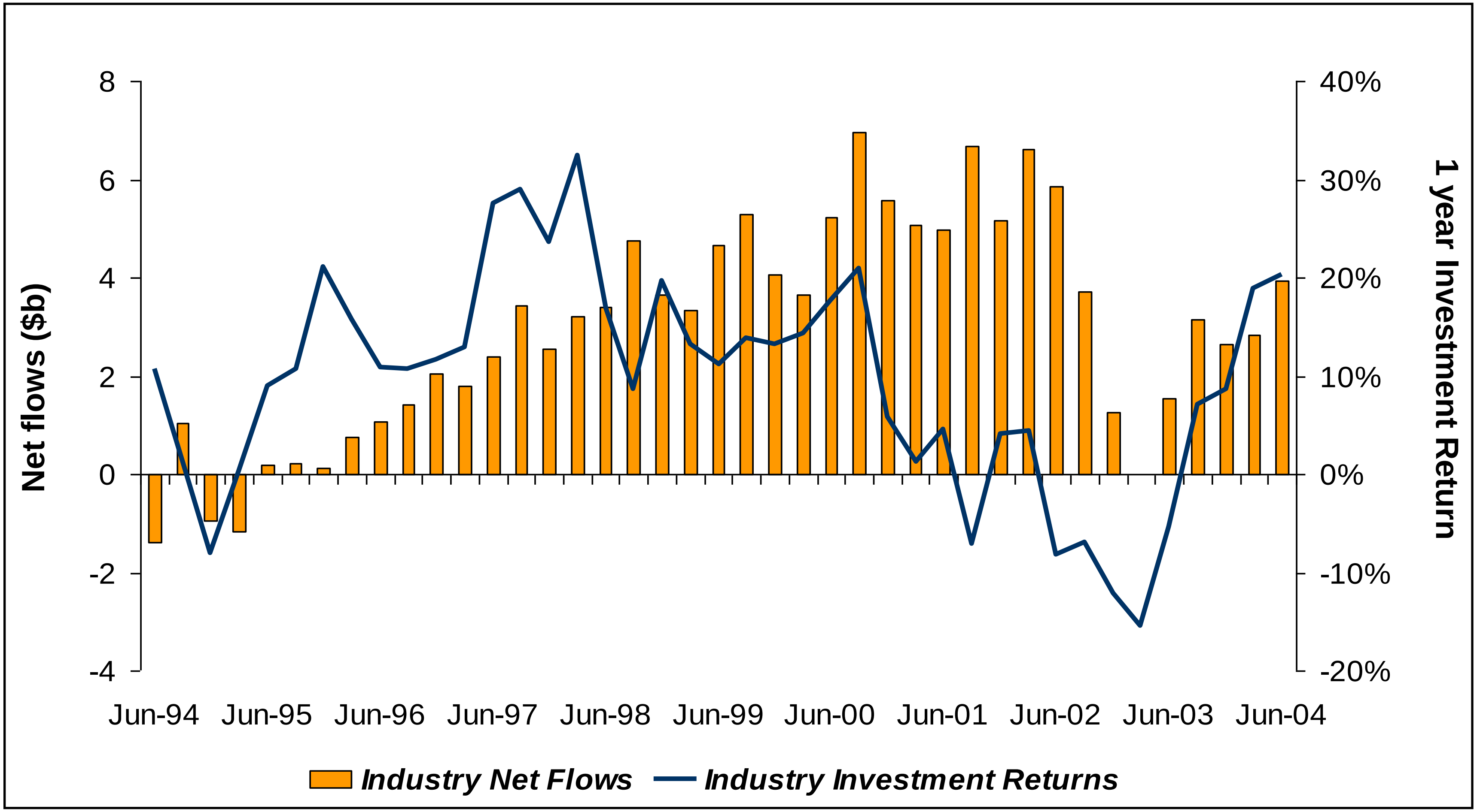


Strong turnaround in FUA with 11% growth

- Strong turnaround in net flow position from 2003 underpinned by FirstChoice and International flows.
- Outflows driven by:
  - ⇨ Industry shift away from traditional balanced funds
  - ⇨ Legacy products
  - ⇨ Fund closures
  - ⇨ Performance of flagship funds
  - ⇨ Industry shift to platforms

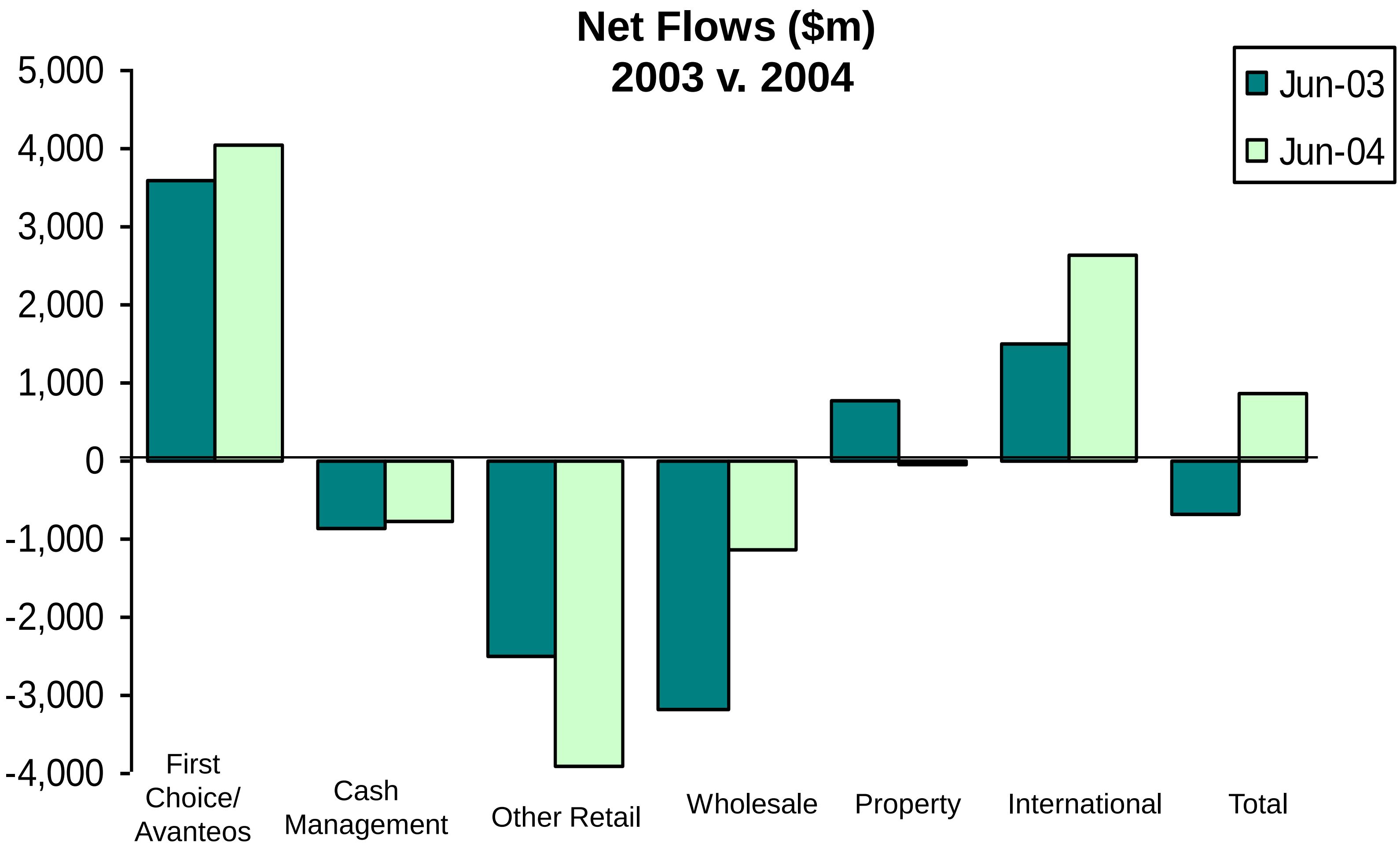


Across the industry investment returns have improved and flows have responded, but not to previous levels.

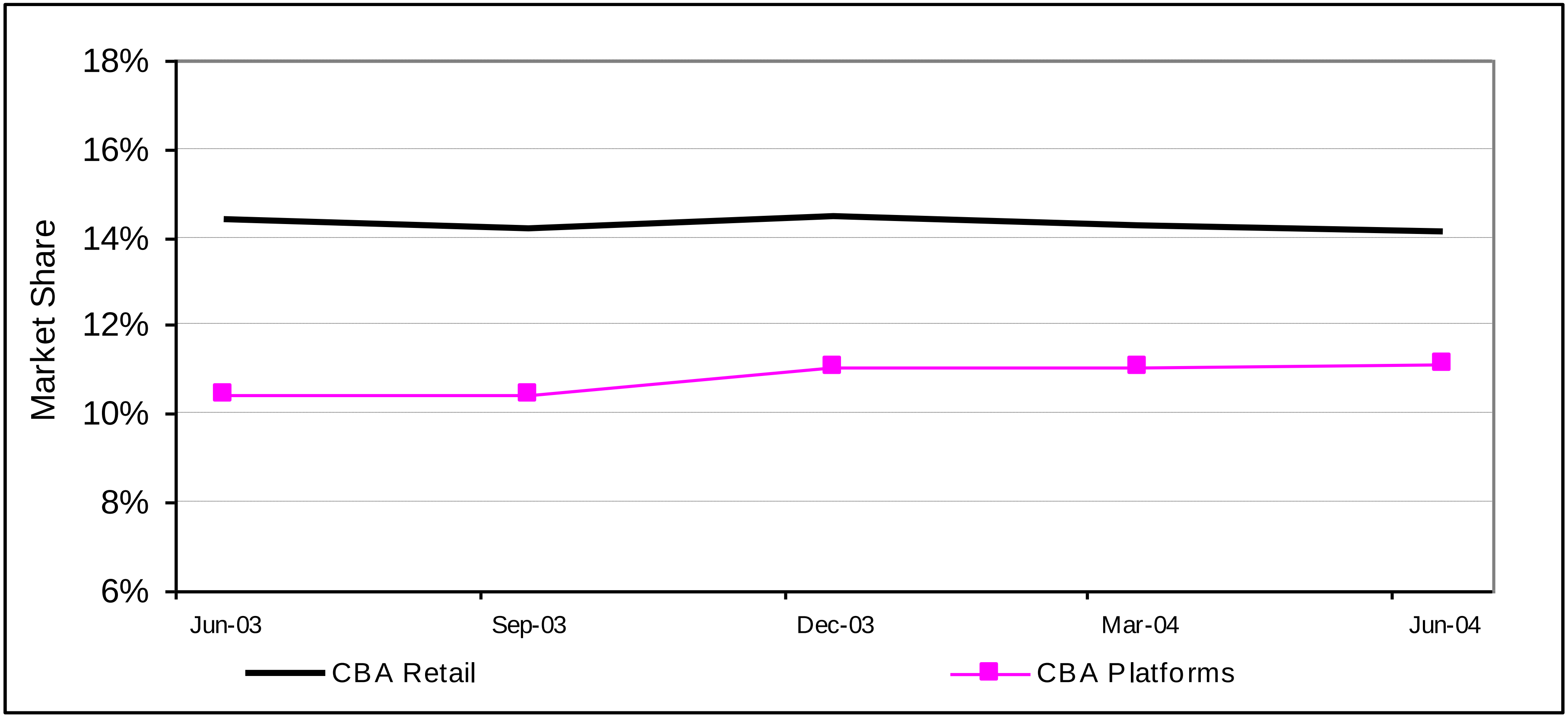


Source: Investment returns: rolling annual returns based on a composite index made up of Australian Shares (50%), International Shares (35%), Property Securities (15%)
Net flows: Plan for Life retail flows (ex-cash)

Net Flows show turnaround in 2004

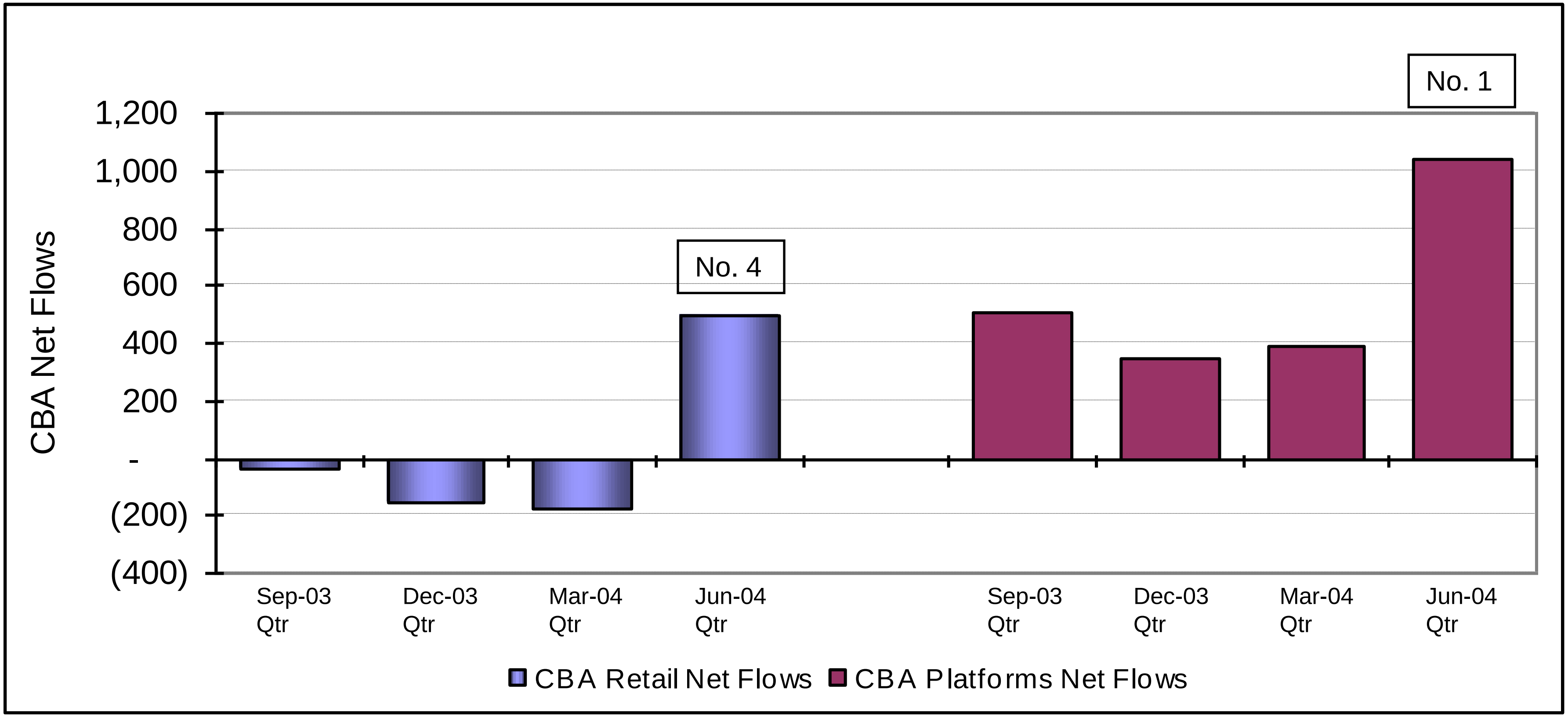


We are gaining market share in the platform market



Source: Plan for Life, Fund Source Research

We have experienced a very good June quarter

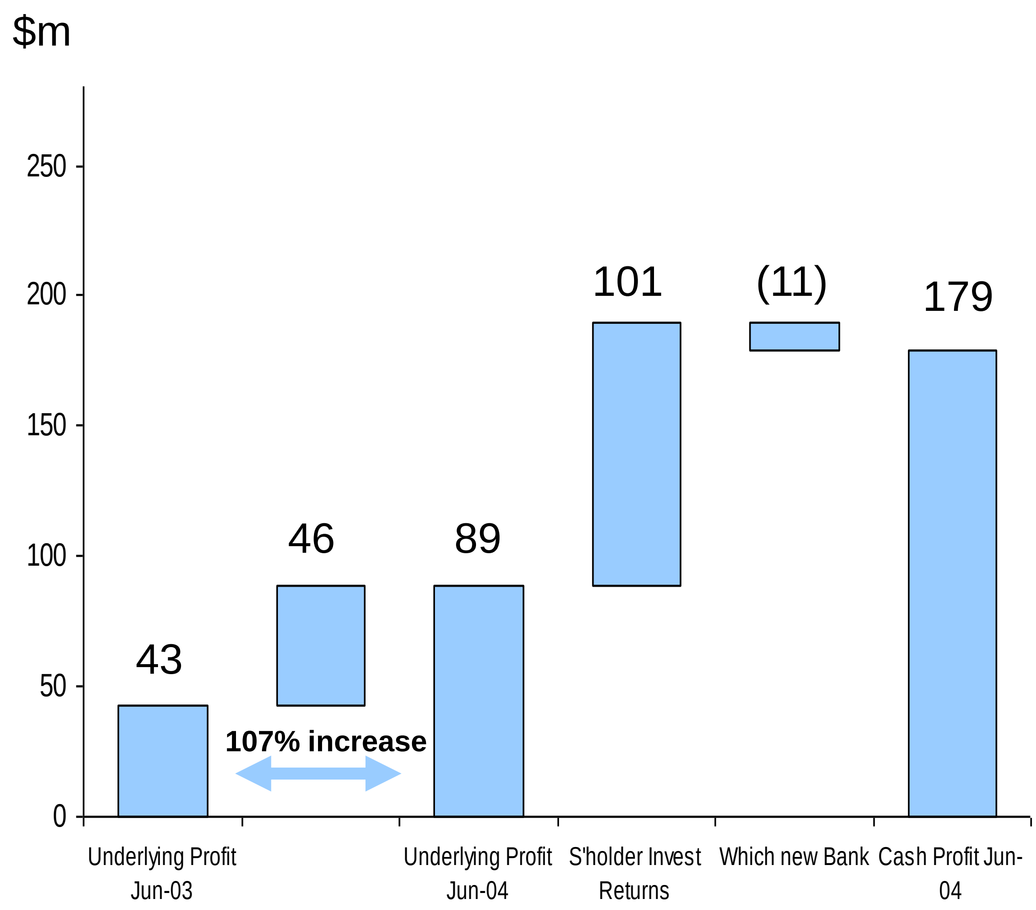


Source: Plan for Life, Fund Source Research

Insurance - improved operating margins and strong investment returns

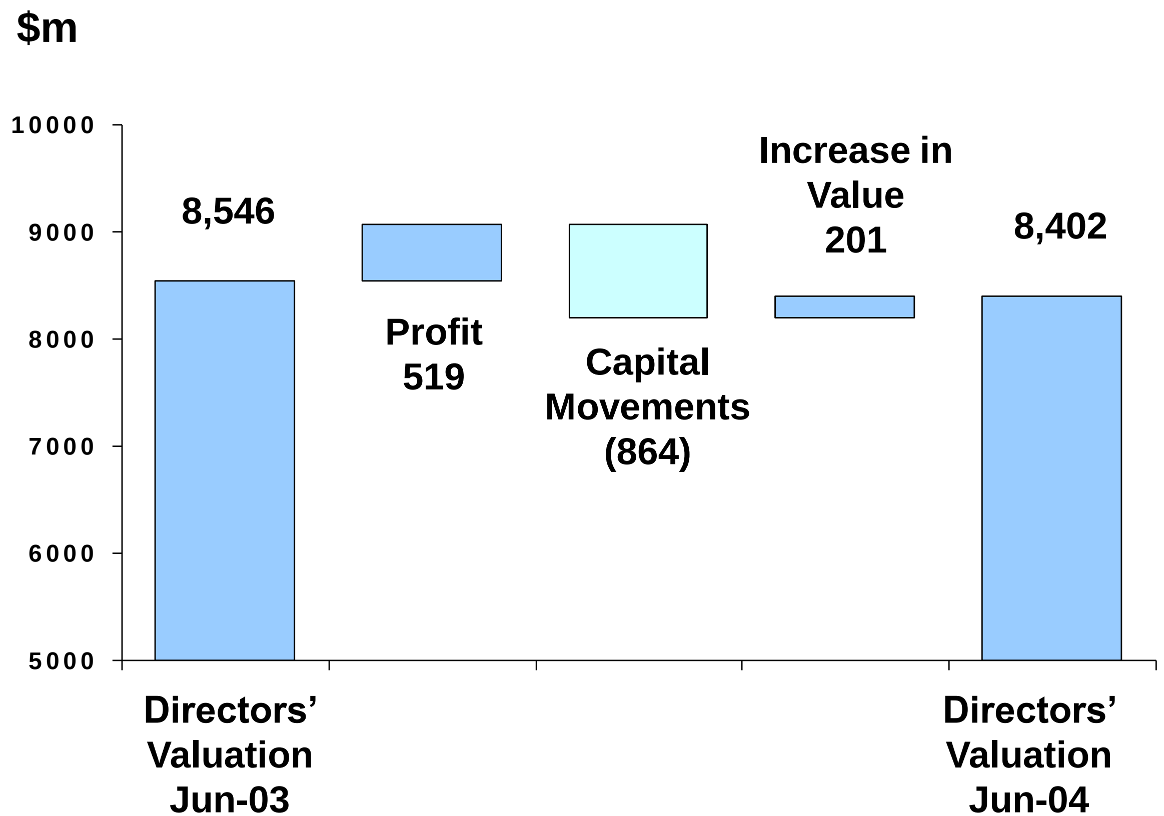
Australia

- Market leader in life insurance in Australia
- 8% growth in risk inforce premiums
- Improved General Insurance claims ratio
- Tight expense controls – expenses flat
- Strong improvement in shareholder investment returns
- Improved margins on annuity business
- Portfolio re-pricing (in particular Disability and Wholesale Life)



Business Valuation

- 16.2 x earnings multiple
- Uplift of $201m
  - higher FUA
  - improved lapses
  - lower costs
  - More conservative future sales assumption
- Capital Reduction
  - change in asset allocation
  - reduction in capital adequacy margins



Summary

- Strong profit result
- Reduced capital
- Growth in overall business valuation

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  Investment & Insurance Services

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  Managing Director
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Significant opportunities to achieve strong growth

External/ market factors creating growth opportunities:

- Improved market returns
- Superannuation guarantee

Internal opportunities to drive growth:

- Continuing product expansion and innovation
- Distribution capacity and productivity improvements
- Rationalisation and further efficiency gains
- Capital efficiency improvements

Investor Half Day

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