

Morgan Stanley Asia Pacific Summit

Commonwealth Bank

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Investment and Insurance Services Division

2 November 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, 2 November 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

- **Commonwealth Bank's Footprint**
- **Market Conditions and Current Trends**
- **Our Business Model**
- **Key Achievements**
- Overview of our Business Operations
 - Insurance
 - Asset Management
 - Platforms
 - Distribution
- Conclusion



Overview of Commonwealth Bank Group

Banking

- Largest Australian retail bank with over 8 million retail customers
- No.1 in retail deposits, No.1 in home lending
- Over 1,000 branches, around 4,000 agencies and 3,000 ATMS
- Strong positions in each segment of business banking

Funds Management

- No.1 in retail FUM
- No.1 in platform inflows

Insurance

- No.1 in inforce premiums

International

- Strong presence in NZ, and smaller scale operations in Asia and the UK

Tier 1 ratio	7.43%
Credit ratings	
- Moody's	Aa3
- S&P	AA-
- Fitch	AA
Total assets	A\$306bn
Market cap	A\$38bn

Market trends shaping the Australian 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:

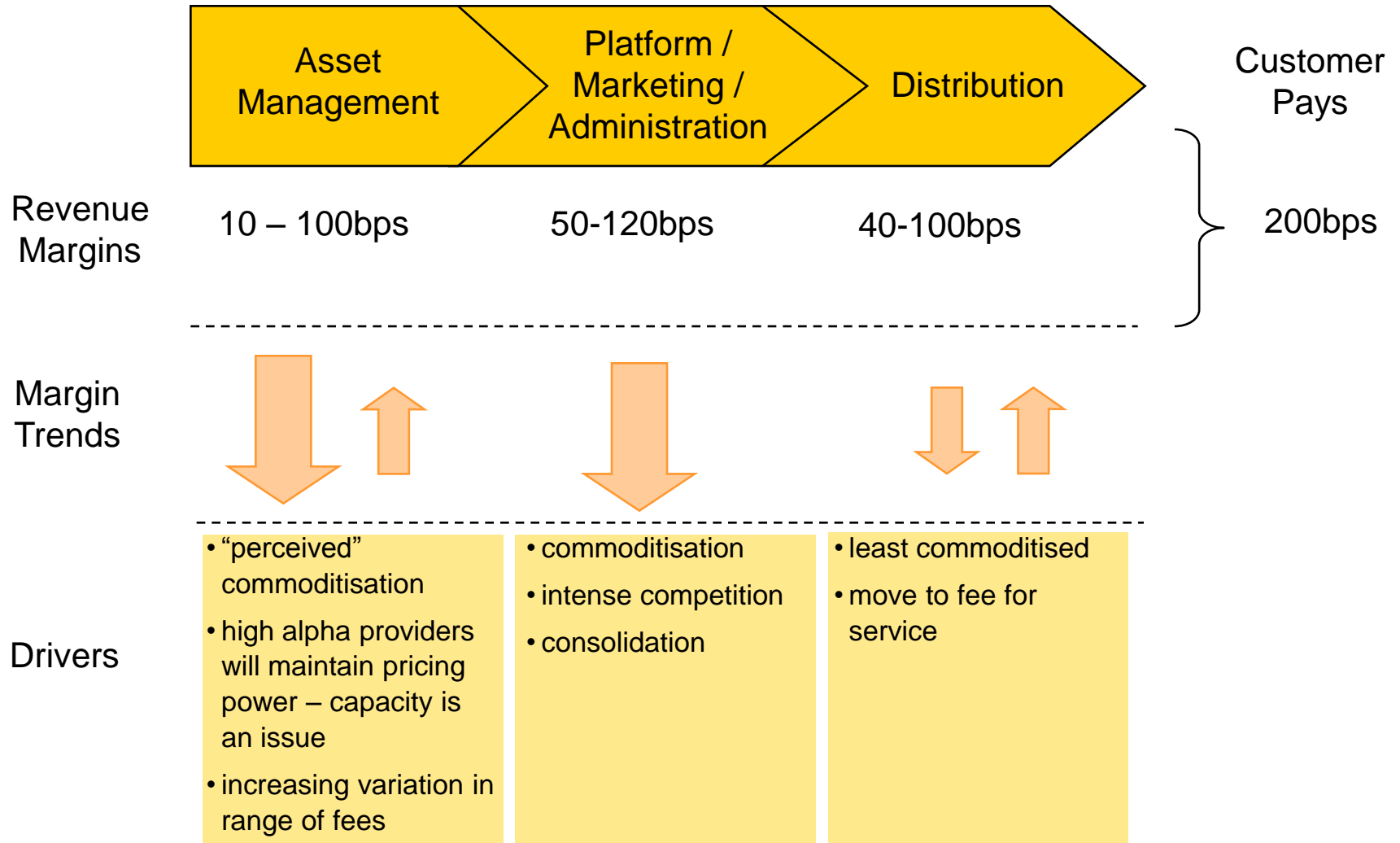
- Strong long-term growth
- Rational approach to pricing
- Underinsurance and the need for further education

Advice:

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

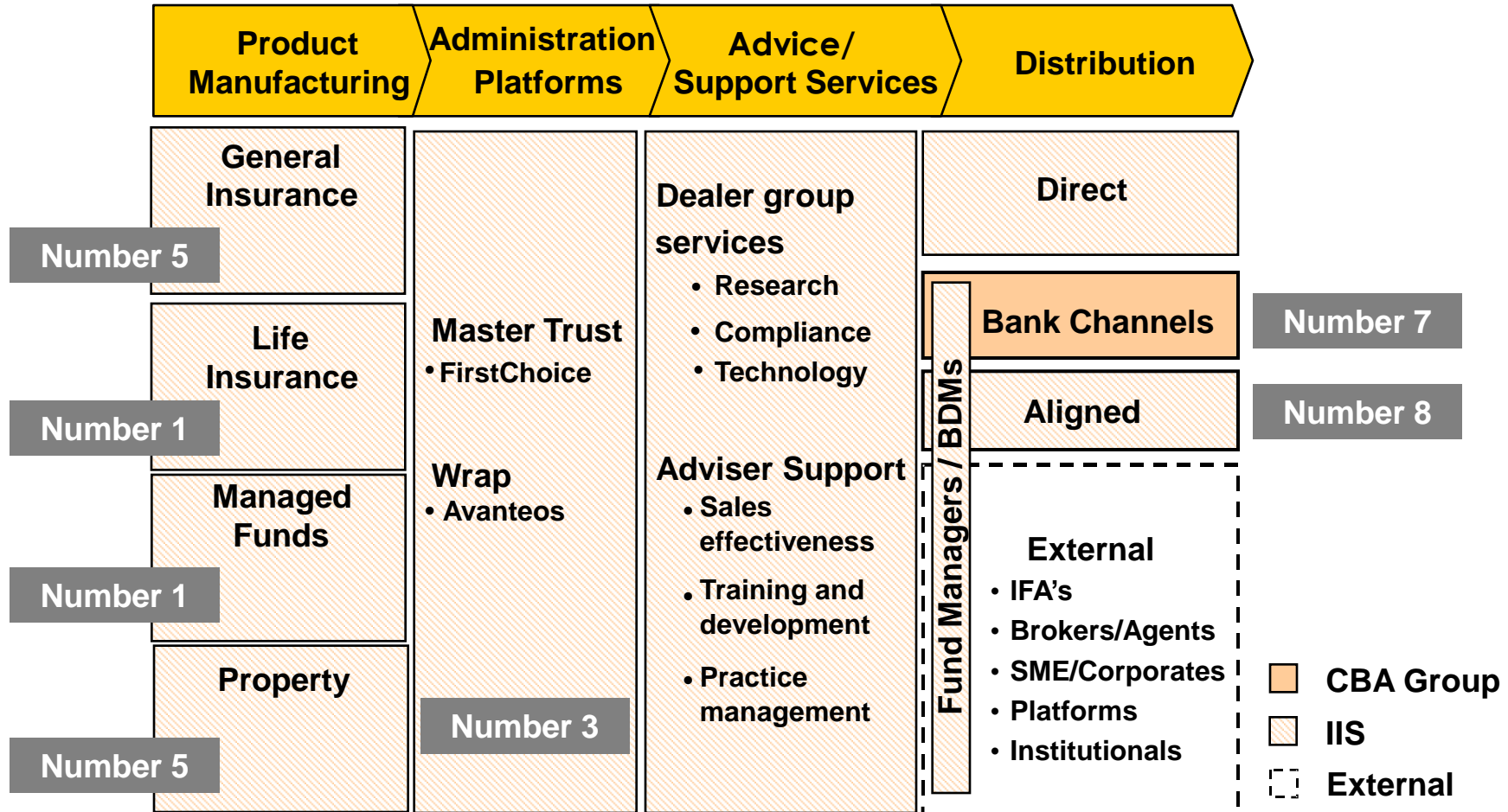


The only segment with universal downward pressure in margins is platforms / administration.



We are well positioned in all the elements of the value chain to take advantage of market conditions

IIS products and services by value chain element



Our strategy is to foster a leading Australian wealth management business

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 Commlnsure products

Service

- Award winning service
- Commlnsure service quality improvement

Performance

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



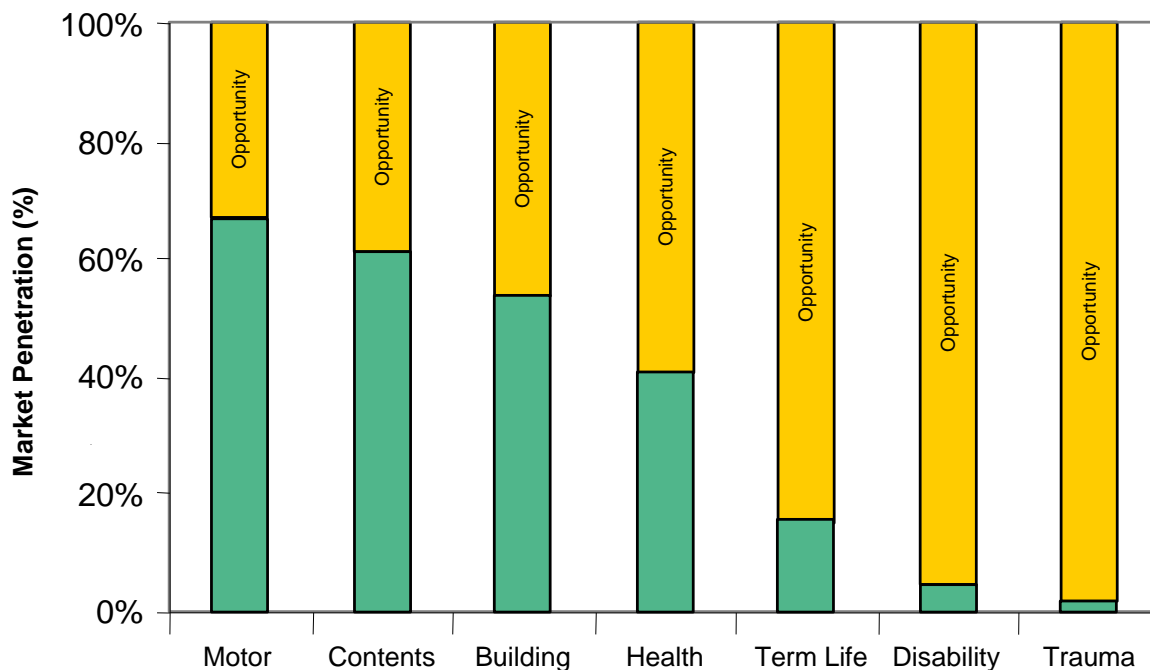
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There remains a significant level of underinsurance in Australia, particularly life insurance

Market Penetration by insurance product



Market Environment

- Under-penetration of the industry
- Strong growth 10%pa
- Increasing importance of corporate governance
- Return to rational pricing
- Need for further education
- Hard to differentiate in market

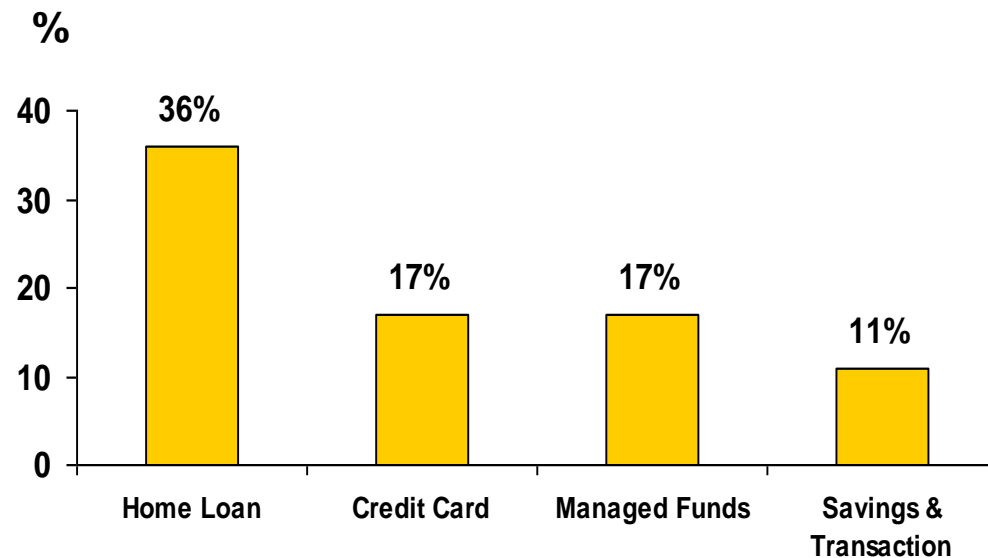
Source: Roy Morgan 2004



We believe there is significant opportunity to build revenues through cross-selling

- 8% growth in risk inforce premiums
- Improved General Insurance claims ratio
- Tight expense controls – expenses flat
- Continued growth in network channel
- Simplified life insurance underwriting
- Claims re-engineering
- Portfolio re-pricing (in particular Disability and Wholesale Life)
- Significant service improvement

Commlnsure Cross Sell Penetration
December 2003



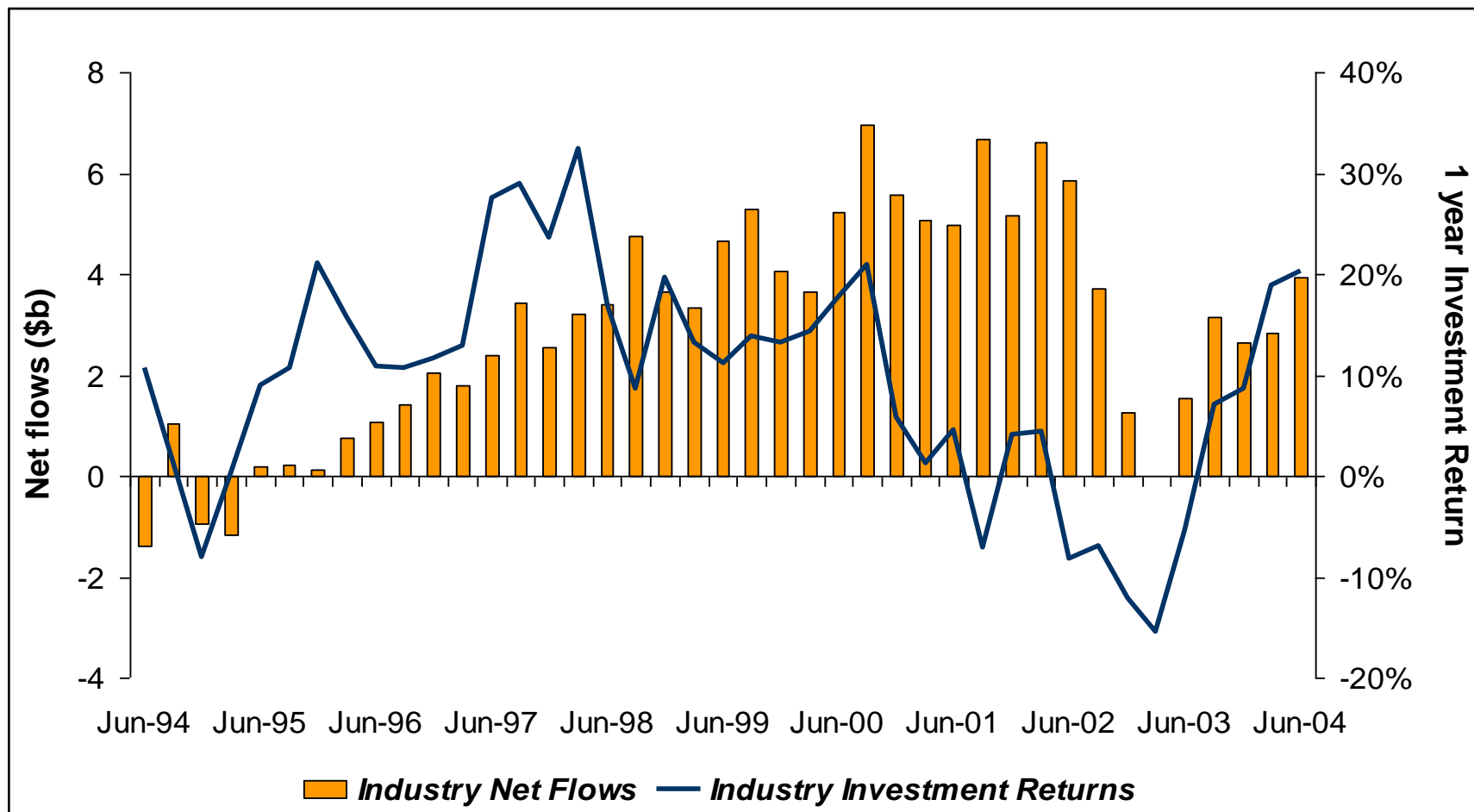
Source: Roy Morgan 2004

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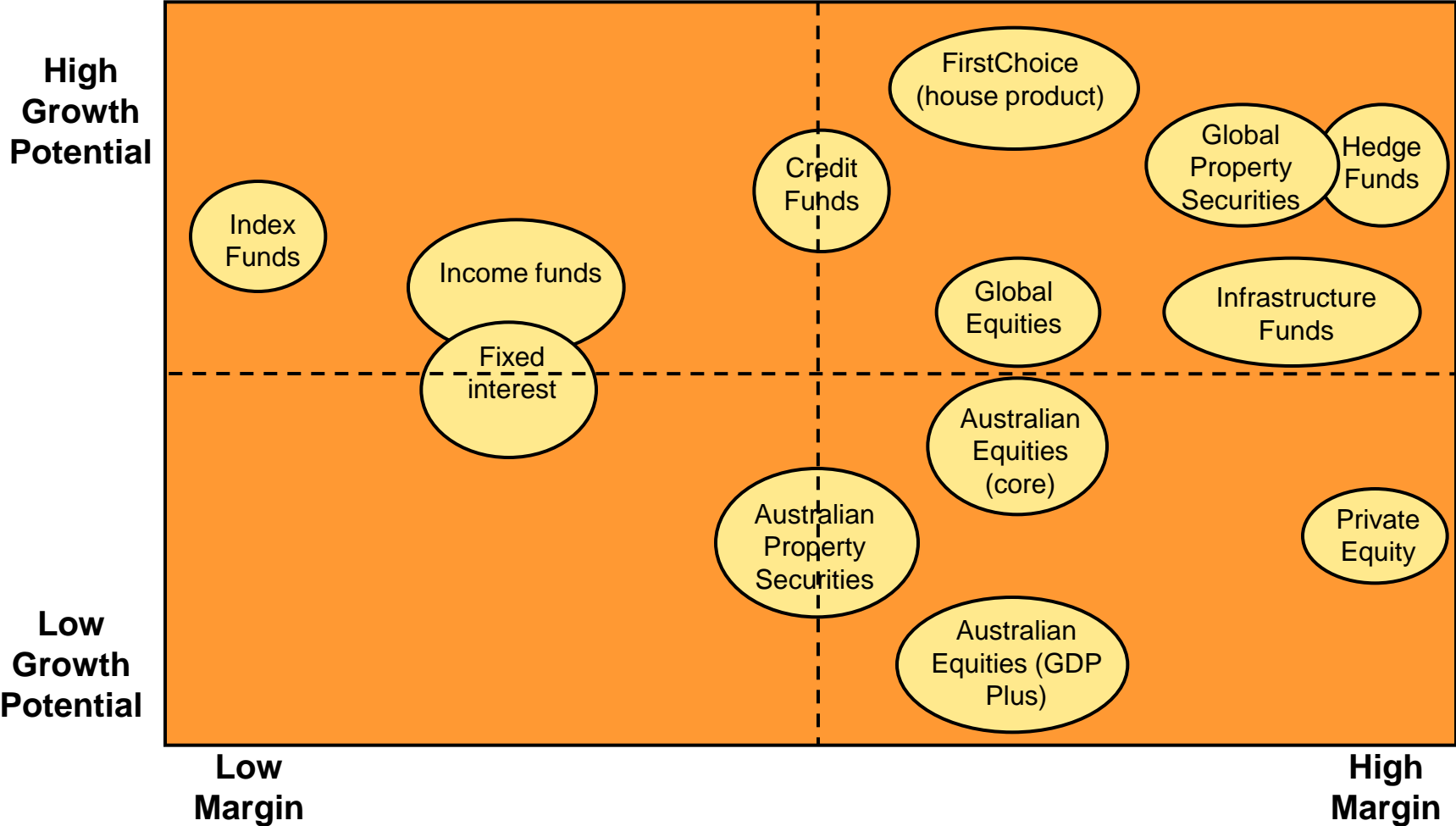


Across the industry investment returns have improved and flows have responded, but not to previous levels.



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)

Our diversified asset management base provides growth opportunities.

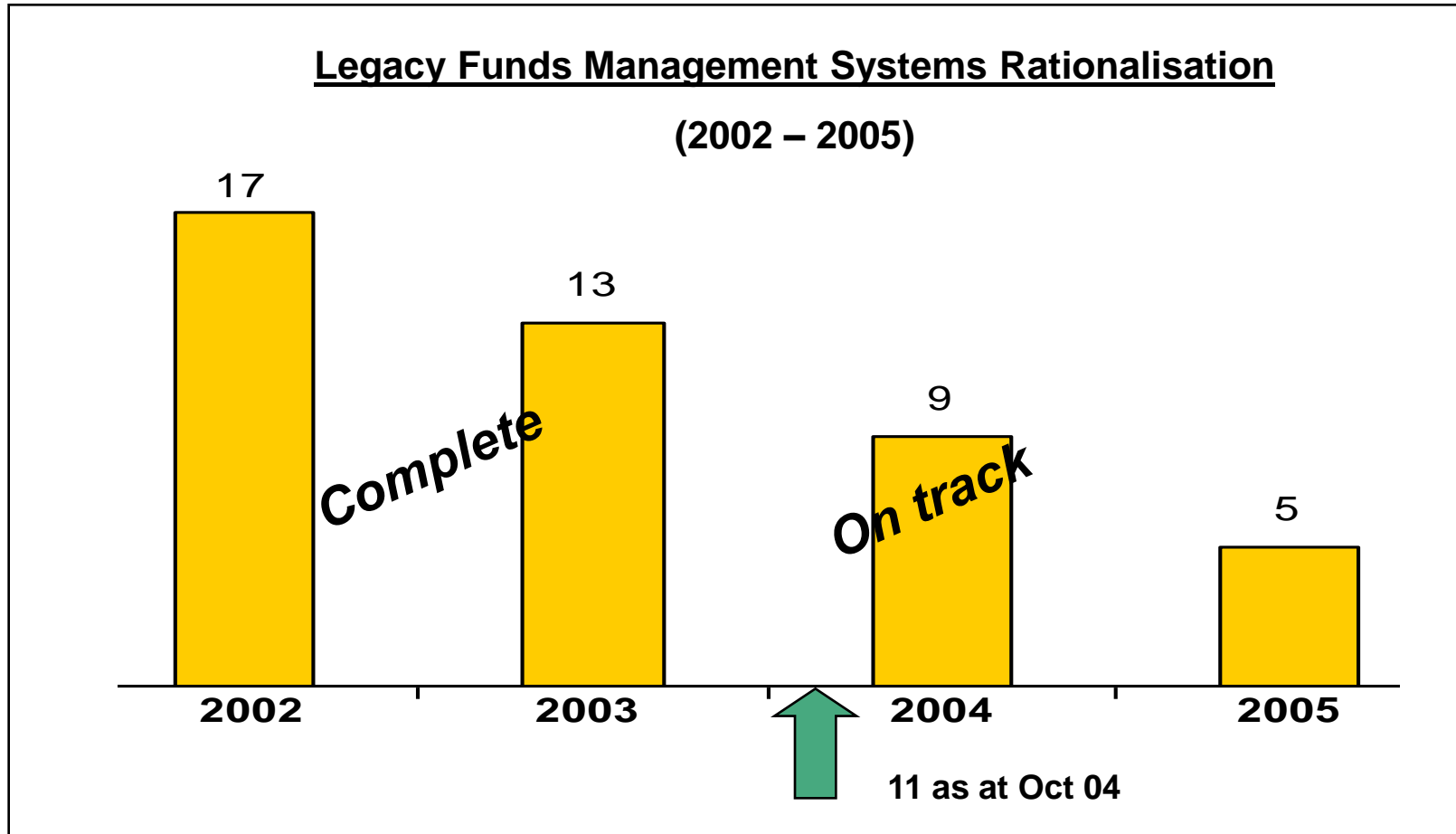


Source: CBA Internal Analysis and Market Forecasts

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	✓	✓

Legacy system rationalisation is on track and delivering savings



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



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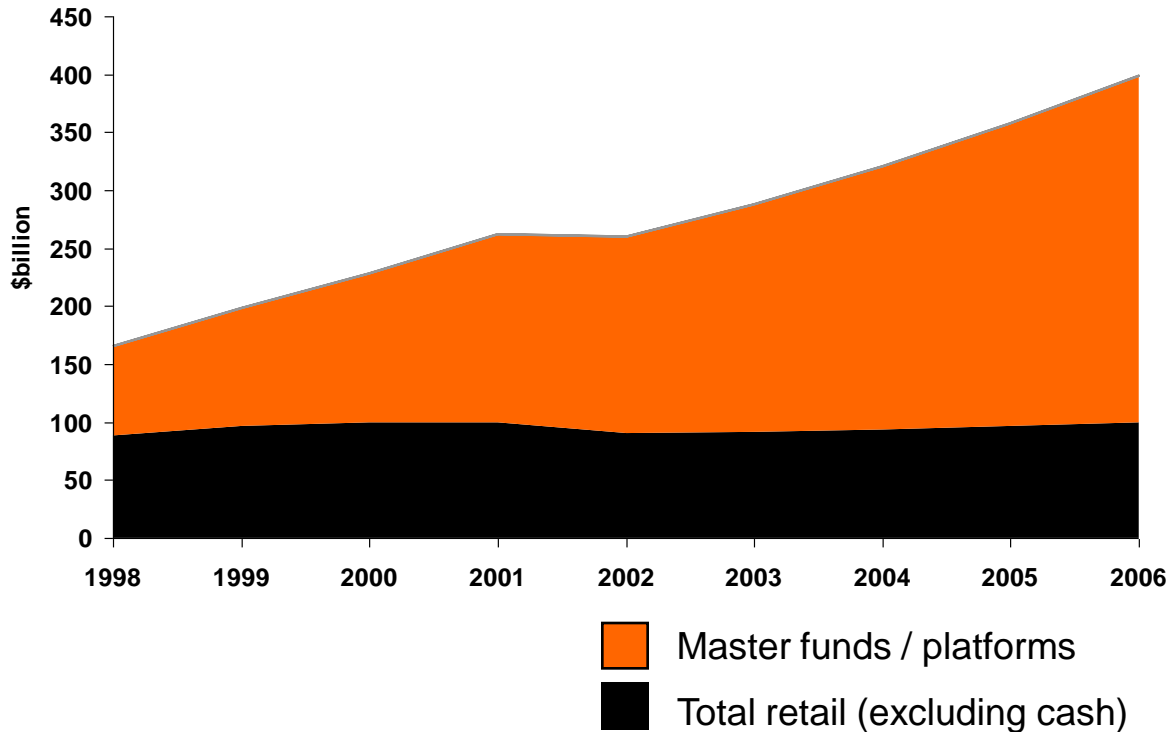
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Platforms now capture 80% of retail funds

Retail Market Flows

1998 to 2003 actuals, 2004 to 2006 forecasts



Market Trends

- Platform success driven by:
 - Adviser productivity improvements
 - Greater choice for investors and advisers
 - More convenience
 - Creation of new margins
 - Consolidated reporting

Source: Plan for Life, DEXX&R

We are well represented in the platform market to capitalise on this market opportunity

FirstChoice

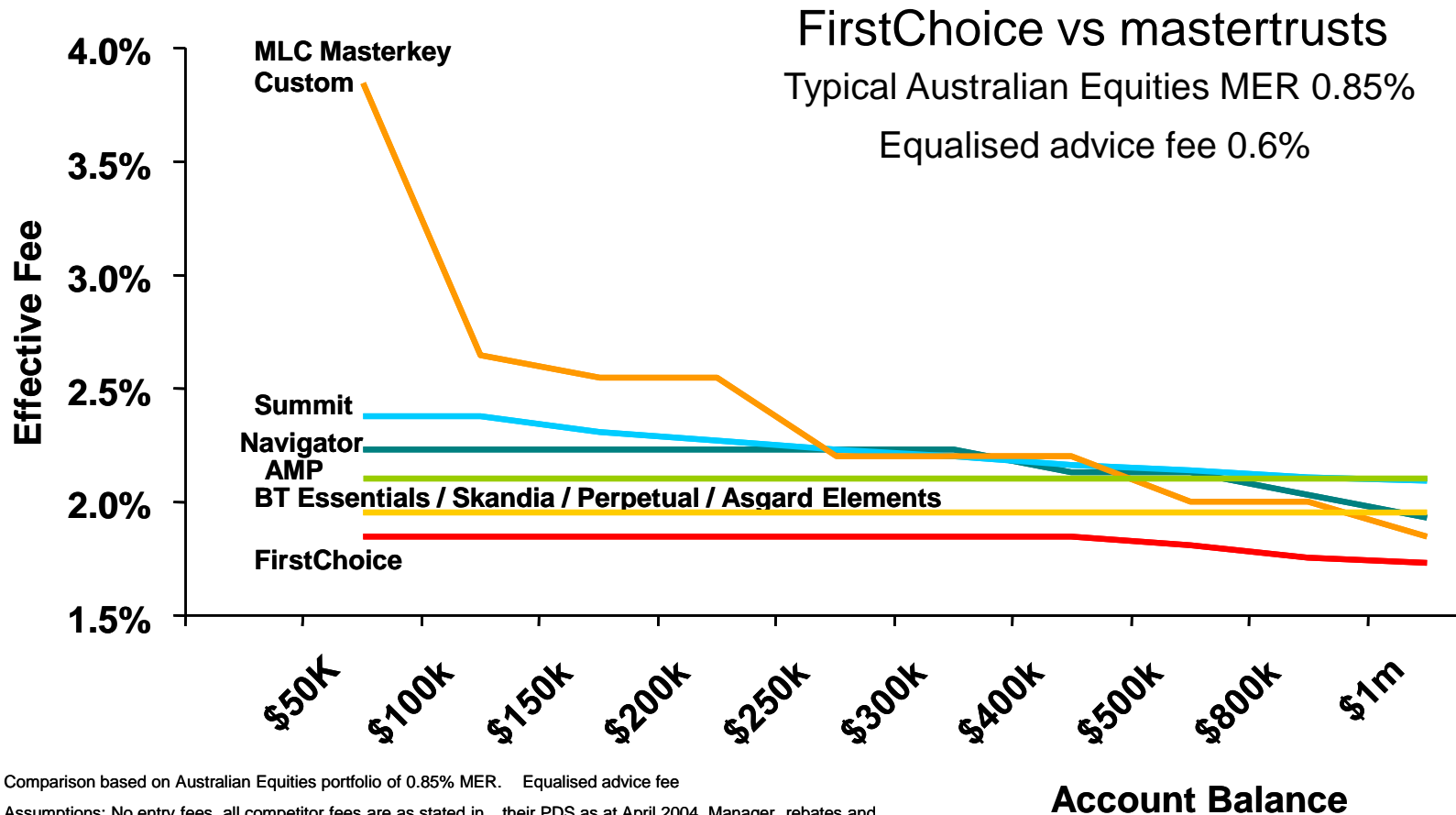
- **FirstChoice** has been the fastest growing platform in the market since its launch two years ago
 - Over \$8 billion FUA (Oct 2004)
 - Competitive pricing
 - Award-winning service
 - Recent enhancements offering more functionality and investment options
 - New wholesale offering

Avanteos

- Strong growth in **Avanteos** business through acquisition of new clients
 - Telstra Super Financial Planning
 - FSP Group
 - Symetry
- \$2.3 billion FUA (Oct 2004)
- Improved adviser and dealer group functionality



The Value Proposition - FirstChoice vs mastertrusts



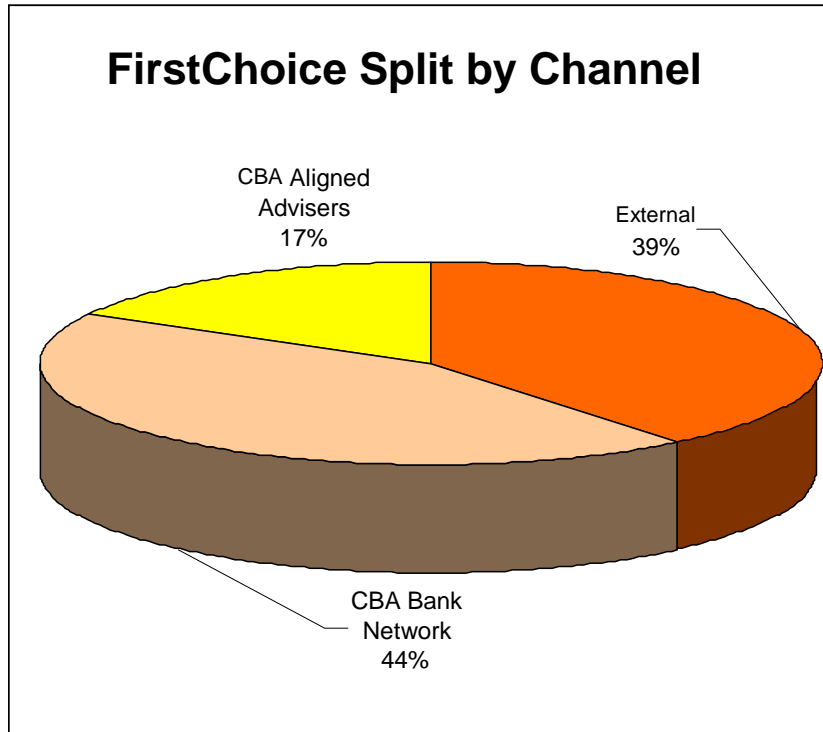
Comparison based on Australian Equities portfolio of 0.85% MER. Equalised advice fee

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

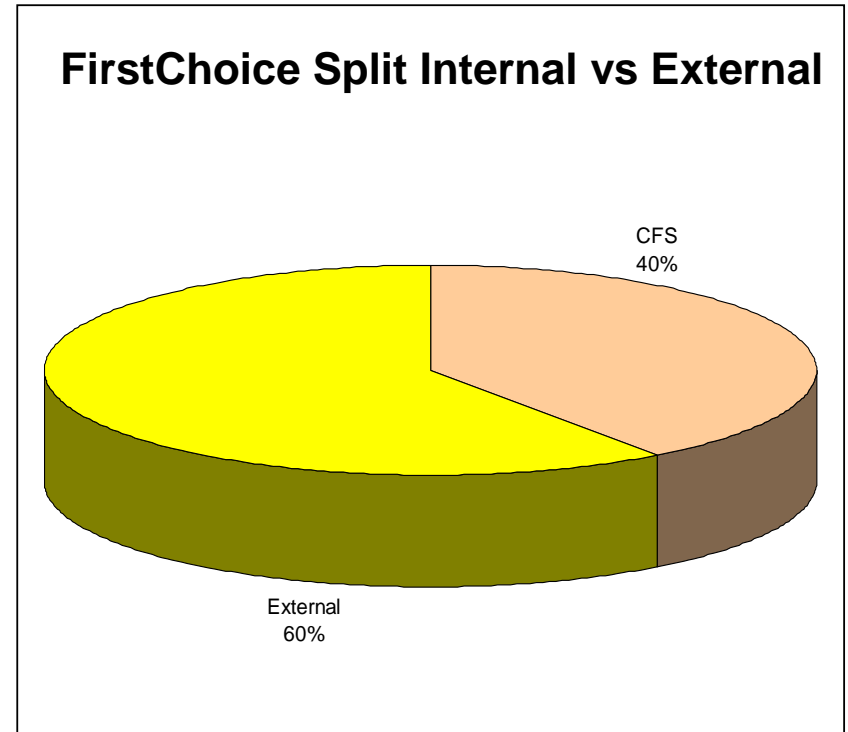
Account Balance

FirstChoice: well diversified support and healthy CFS flows.

Inflows:

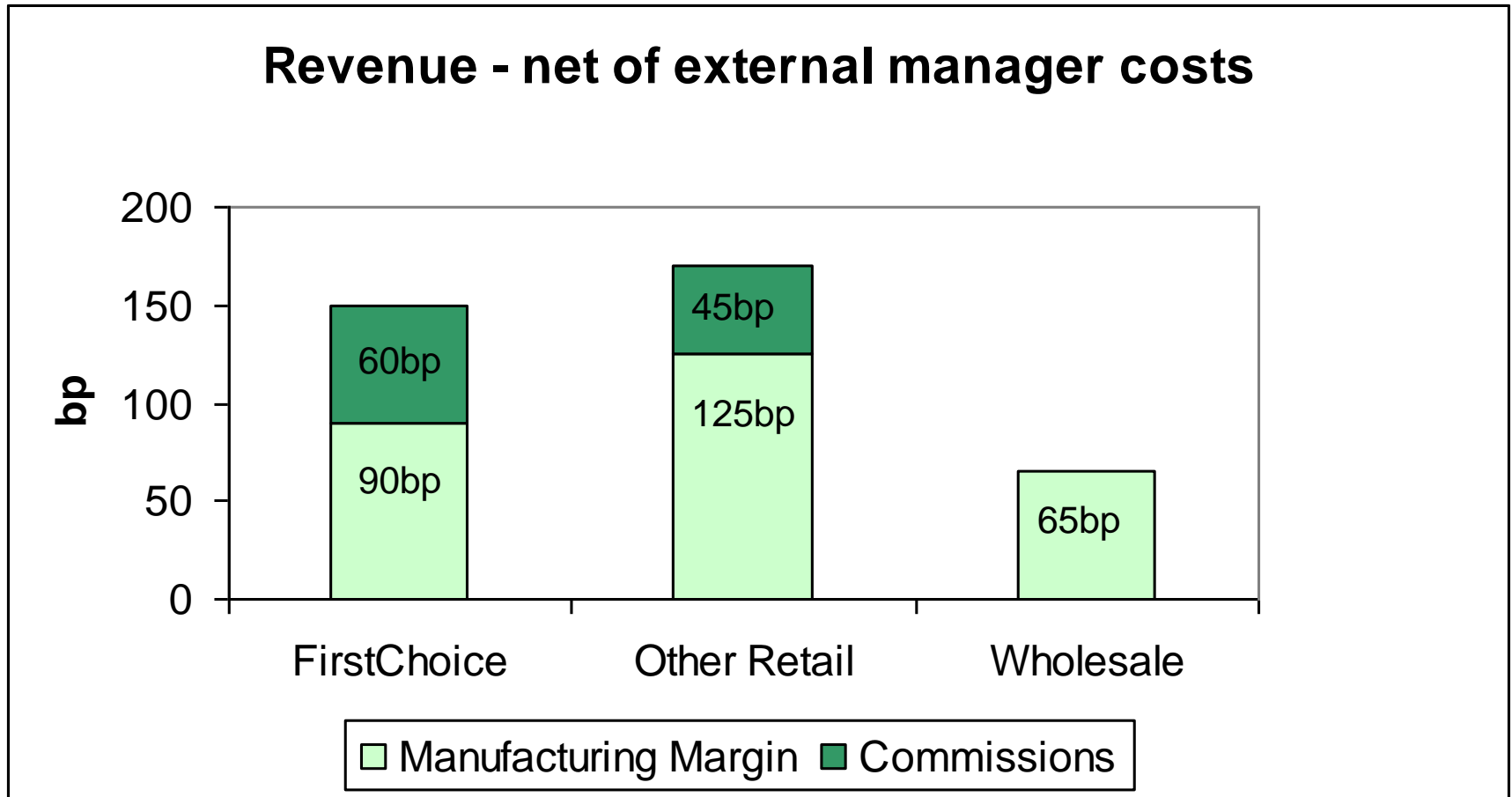


Managing the FUM:



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

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



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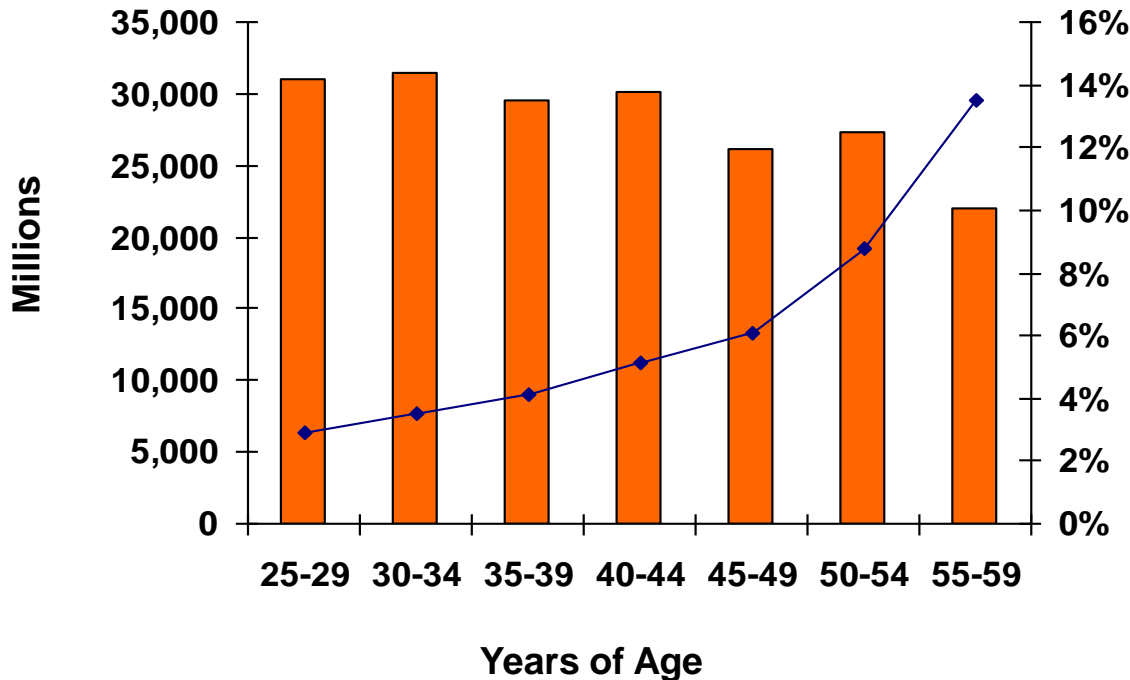
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Australian distribution challenges and opportunities

Retirement Savings Gap by Age

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

Source: IFSA Retirement Savings Gap, August 2003;



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 high net worth practices.
- **Increased productivity of network advisers**
 - 26% improvement
- **Recruitment of advisers**
 - Network and aligned



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There are 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



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