UBS Presentation by David Murray, CEO

Title Slide: UBS Investment Conference

Good morning. Thankyou for attending today's presentation.

Slide 2: Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 20 November 2003. 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.

Slide 3: Speaker's Notes

- Speaker's notes for this presentation are attached below each slide.
- To access them, you may need to save the slides in PowerPoint and view/print in "notes view."

Slide 4: Agenda

Agenda:
Review operating environment in Australia
Review Bank's performance
Details of new transformation program

Happy to take questions at end of session.

Slide 5: The Operating Environment

No notes.

Slide 6: Australia's economy has been Resilient

- Australia's economy resilient in global context.
- Aus vs US - outperformed on a number of measures over last decade.
- Australia's economic growth FY30/06/03 was 2% (FY02: 3.8%, so some moderation but still travelling OK).
- RBA (Weary Dunlop Lecture, Oct 2003): Over last 20 years (1982-2002), Australia and US were the only two significant OECD countries to increase share of world output. When comparison is shifted to the last five years, Australian result still looks good.
- While downside risks do remain in the global economy in the near term, China and India appear to be emerging as important engines of future economic growth.

Slide 7: Credit growth has been strong, but banking margins have been squeezed

- Economic growth and low interest rates underpinning strong credit growth, particularly housing.
- Credit rose 13.7% over 12 months to August 2003.
- Expect moderation back to 7-10% - timing uncertain.
- Given competitive market, expect moderation to happen in environment of reducing operating margins, with NIM expected to reduce by 10bps per annum.
- Of 15 AAA rated countries, Australia has highest interest rates: more flexibility in monetary policy.
- However, the Government's Intergenerational Report also highlights the importance of ongoing productivity improvement by Australian industry through capital deepening and change management to take full advantage of the opportunities.

Notes to Chart - Total Controllable Assets refers to balance sheet assets + Funds under management and administration (excl. custody assets under administration)

Slide 8: Demographic changes place emphasis on self funded retirement

- Demographic changes: Australia's ageing population is living longer.
- That combined with 9% compulsory superannuation requirement puts emphasis on self funded retirement.
- In the coming decade, we expect funds management to grow at 8% pa and life insurance at 10% pa.
- Growth rates such as these emphasise the importance of being in wealth management.
- These demographic changes in essence create a new service dimension for our customers, where people will need better returns and better value than they are getting now. And more convenience.
- For us, this translates into a requirement to offer the best products and best customer service.

Slide 9: Performance

No notes.

Slide 10: FY03 results: 3% improvement in cash profit and 9% improvement in underlying profit

The Bank's recent profit result 30/06/03:

- Cash profit: 3% improvement to $2.6bn.
- Excluding first time expenses and investment returns, underlying NPAT was $2.69bn, up 9%.
- First time expenses:
  - $214m strategic initiatives
  - $45m: two years of ESAP costs
- Strategic initiatives implemented in FY2003:
  - program costs lower than target, and
  - annualised benefits above target. Benefits are $40m revenue and $125m costs.
- Underlying profit growth slightly ahead of peers.

Slide 11: Key shareholder ratios improved

- DPS and EPS up 3%. Dividend payout ratio of 76% remains high relative to peers.
- Cash ROE up 15bps to 13.27%. Underlying ROE: 13.8%, up 68bps.
- Tier 1 capital ratio further strengthened during the year to 6.96% - this is at the upper end of target.
- Tier 1 ratio does not reflect USD550m hybrid (effect 56 basis points).
- Ratings agencies have reaffirmed long term stable outlook. Unchanged since 1996.

Slide 12: September 203 Quarter: Performance

- In relation to performance for the 1st quarter of 2004, we have experienced:
  - Continued high levels of credit growth, particularly in the housing sector
  - Deposit growth above expectations
  - Strong investment returns
  - Increased FUM
  - Growth in insurance premium income
- If current market conditions continue for the remainder of this half year, growth in underlying cash earnings could be sufficient to offset transformation costs incurred in the half year.
- At this stage, there appears to be sufficient momentum in the economy to support solid underlying earnings growth for the full year, although the rate of growth may moderate in the second half.

Slide 13: Transformation

Let's now turn to the Bank's transformation program, which was launched in September 2003.

Slide 14: Why service transformation is necessary

Why is transformation necessary?

Earlier I referred to productivity improvement through capital deepening and change management as being integral to Australia's longer term economic growth, given the demographic changes shaping the environment. This shapes our customers' emerging needs and tell us what to do to ensure the Bank is well placed in this changing environment.

For our customers, transformation is about providing:

- Greater value creation through advice and investment.
- Greater value for money, and also more convenience.

Slide 15: There are three themes in our service transformation

Program called 'Which new bank'

Three themes: customers, people and processes:

- We want customers to experience service that is responsive, convenient and reliable. Customers are saying, "know me, give me what I want and do it reliably".
- Served by engaged people who are empowered, motivated and skilled to deliver, and
- People supported by simple processes that are fast, accurate and effective. Processes that are 'simply better'.

Slide 16: Customers: Initiatives predominantly drive revenue benefits

- Customer initiatives cut across product offerings, sales and service and distribution, using a number of technology enablers.
- Some examples of initiatives underway or about to be launched are on the slide.
- Where these initiatives were already underway pre-transformation, we are accelerating their implementation.
- Benefits expected in the region of $460m pre tax.

Notes to Reader:
RBS: Retail Banking Services
IBS: Institutional & Business Services
PFS: Premium Financial Services

Slide 17: Customers: Transformation outcomes

These are just some of the service outcomes we expect our customers to notice once program is implemented.

For example:

More than 10% of branches will be modernised each year to better meet the needs of local communities.
Branch managers will have more time to deal directly with customers and for training staff.
Customer service roles will be redefined to increase customer contact time by 50%.
Customers will have greater access to financial planning services and advice, through the training of more than 200 additional financial planners.

Slide 18: People: Transformation outcomes

Focus of people workstream is to implement a cultural change program that is performance driven.
Quantification of benefits have not been assigned directly to this program.
However, increased levels of engagement are expected to have a tangible impact on branch performance and customer service.

The main outcome we want from this program is a better experience for our people.
An example of this in practice is that we will be doubling the investment in the training and development of our people over the next years, using facilities such as a new adviser academy.

Slide 19: Processes: Initiatives predominantly drive cost benefits

Process initiatives cut across process/product simplification, support, IT efficiency, purchasing and property.
Some examples of initiatives underway or about to be launched are on the slide.
Where these initiatives were already underway pre-transformation, we are accelerating their implementation.
Benefits expected in the region of $440m pre tax - predominantly cost, some revenue.

Slide 20: Process improvement: Transformation outcomes

This slide sets out some of the process outcomes we expect to achieve from this program.

Underpinning all these outcomes is an aim of simpler, more effective processes that enable better customer service.

Just to give a couple of quick examples:

The work we are doing around our home loan processes will help to improve cycle times and increase our responsiveness. Our aim is to have 100% of applications conditionally decisioned within 4 hours, with the majority being decisioned on the spot.
The work we are doing around our business lending processes aims to cut business loans fulfilment time in half.

Slide 21: Financial impact and outcomes

Over the next three years, the financial impact will be significant.
Normal project spend ($200m x 3) will be redirected, together with extra $620m over three years, to fund transformation activities.
In addition, the investment required to accelerate the branch refurbishment will total $260m.
The financial prize is large: EPS growth >10% CAGR subject to market conditions.
Committed to 4-6% pa productivity improvement and profitable market share improvement.
Expect that the costs of transformation will not stop us from increasing our dividend each year.

Slide 22: Investments & Benefits

Slide sets out estimated spend and benefits for next three years.
The $1.2 billion of initiatives includes:
- technology and project expenditure including redundancies: $210m
- additional $100m for training, making $200m for training in total.

The investment spend on the branch refresh of $260m will be spread evenly over the three years.
Benefits broadly comprised 50% cost savings and 50% revenue improvement.
2006 benefits of $900 million are recurring and will continue to grow into the future.

Slide 23: Estimated financial impact of transformation costs

Transformation won't stop us from increasing the dividend each year, subject to market conditions.
Costs of the transformation will be added back to 2004 cash earnings when determining the dividend.

Slide 24: Investment spend

This heatmap provides a guide to the allocation of the investment spend and the expected timing of this spend.

Slide 25: Benefit analysis

This heatmap shows where the main benefits from the program are expected to be derived and the expected timing of these benefits.
Around 50% of all initiatives have a payback inside 2 years.

Slide 26: Productivity improvements of 4-6% pa CAGR over the next three years

This slide sets out our target ratios by major businesses.
Expense component of these ratios includes broker commissions.
Target is 4-6% pa improvement over the next three years.

Slide 27: Dividends & capital

Expect dividends per share to be in line with EPS growth, after adding back transformation costs (subject to market conditions).
Consistent with our peers, will issue shares to satisfy DRP.
Subject to necessary approvals, this should enable structured buy back to proceed.
Expect capital position to be within our target range and to maintain current ratings.

Slide 28: Customer service culture, the next transformation

Just to reiterate:

Our transformation program is about:
Customer Service

through
Engaged People

supported by
Simple Processes

Slide 29: Summary

In closing, the key points are:

In terms of the operating environment:
- Australia’s economy has been resilient.
- This has underpinned continuing growth in the home loan market.
- The outlook for funds management and life insurance is also favourable.

In this environment, CBA:
- recorded a 9% improvement in underlying profit growth for FY2003, and
- improved its credit quality and strengthened its capital position.
- We have also seen a good 1st quarter for FY2004.

Finally the Bank’s transformation program launched September 2003:
- represents a significant cultural transformation for the Bank, and
- offers significant cost and revenue benefits over coming years.

Thankyou - now take questions.

Slide 30: Title Slide

No notes