

Colonial First State Investments

Issue of Colonial First State Hybrid Securities (\$650 million)

Cumulative, Non-convertible, Preference Shares issued by Colonial First State Issuer No. 1 Limited

19 April 2005

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This information has been prepared by Colonial First State Issuer No.1 Limited ABN 66 111 804 329 (the "Company").

The offer of the Colonial First State Hybrid Securities is made in a prospectus lodged with ASIC on 18 April 2004. If you wish to acquire the securities, you should complete the application form that will be in, or will accompany, the prospectus (in paper copy or electronic form).

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Past performance is not a reliable indicator of future performance.

Agenda

- **Offer Summary**
- Overview of Colonial First State Investments Limited (“CFSI”)
- Colonial First State Hybrid Securities
- Offer Structure
- Appendices

Offer summary

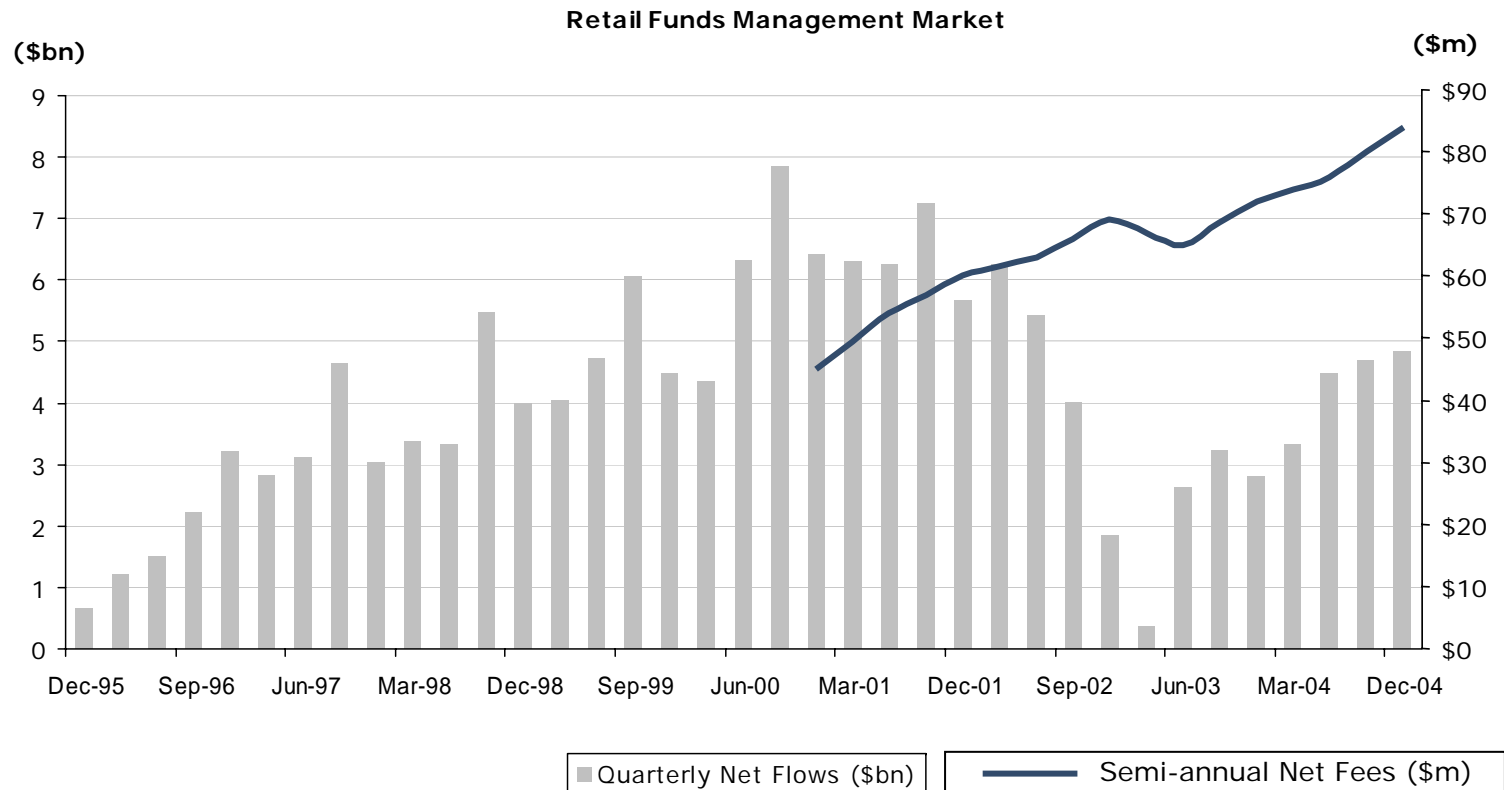
- Colonial First State Hybrid Securities (“Securities”) are cumulative, non-convertible, preference shares issued by Colonial First State Issuer No.1 Limited (“Issuer”)
- Offer of \$650 million
- Floating rate securities set at a margin of 100 – 120 basis points over 90 day BBSW
- Investor returns through a combination of cash dividends and franking credits
- Initial margin set by institutional and broker firm bookbuild
- Issue rating of A- (Standard & Poor’s)
- Issue undertaken as part of Commonwealth Bank of Australia’s (“the Bank’s”) capital management program
- Issuer is a special purpose company not controlled by the Bank and the Bank does not guarantee any payments on the Securities

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Industry context

- Industry is recovering from impact of bear market
- Growth will continue to be underpinned by superannuation
- Strong growth in Net Fees



Source: Colonial First State Investments

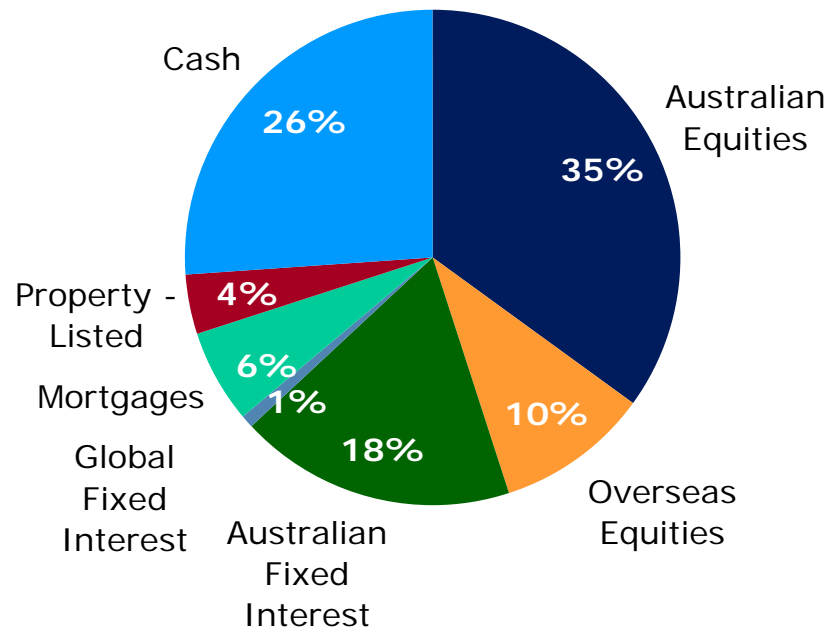


CFSI – business profile

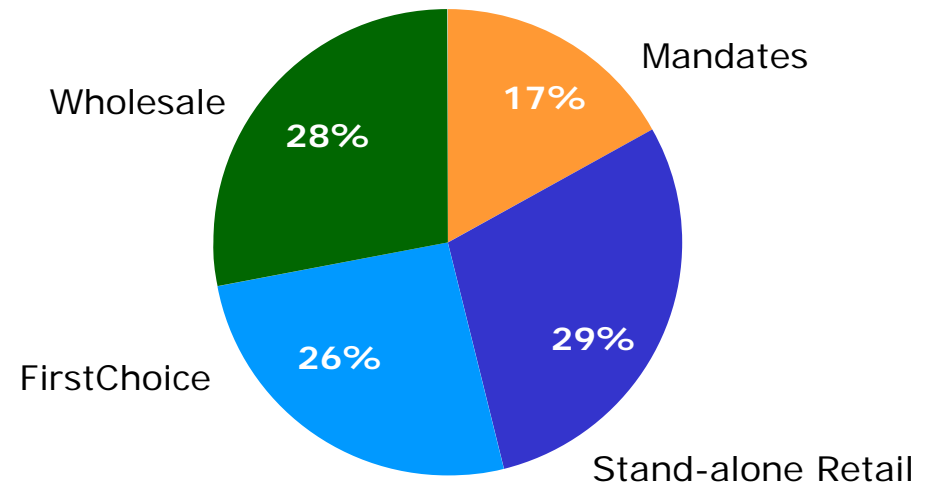
- Leading Australian funds manager with \$82.7 billion of funds under management and administration as at 31 December 2004
- Market leading presence across all parts of the value chain
 - High performing, diversified asset management
 - Rapidly growing master trust platform, FirstChoice
 - Broadest distribution reach in the wealth management industry

Diversified asset management capabilities and product mix

**CFSI FUMA – Split by Asset Class[^]
(31 Dec 04)**



**CFSI FUMA – Split by Product Type[#]
(31 Dec 04)**



Source: Colonial First State Investments

[^] International equities / fixed interest asset classes are managed in the UK by FSI UK under a transfer pricing arrangement

[#] Excludes funds managed on behalf of CBA Group entities



Investment performance has been strong across the board

Asset Class	Outperformance (1 Yr)	Outperformance (3 Yr)
Fixed Interest	1.01%	0.69%
Global Credit	2.17%	2.06%
Australian Equities GDP Plus Large Cap	4.10%	0.35%
Australian Equities GDP Plus Small Cap	3.46%	(2.96%)
Australian Equities Core Large Cap	2.88%	1.37%
Australian Equities Core Small Cap	21.85%	9.99%
Global Equities	(0.77%)	(2.08%)
Global Resources	2.07%	7.70%
Australian Listed Property	1.79%	0.44%
Global Listed Property	10.12%*	n/a
Hedge Funds	1.74%	4.54%
Infrastructure	4.25%	3.19%**
Private Equity	2.98%	0.60%
Mortgage Funds	0.95%	1.10%

Source: Colonial First State Investments

* Since inception – May 2004

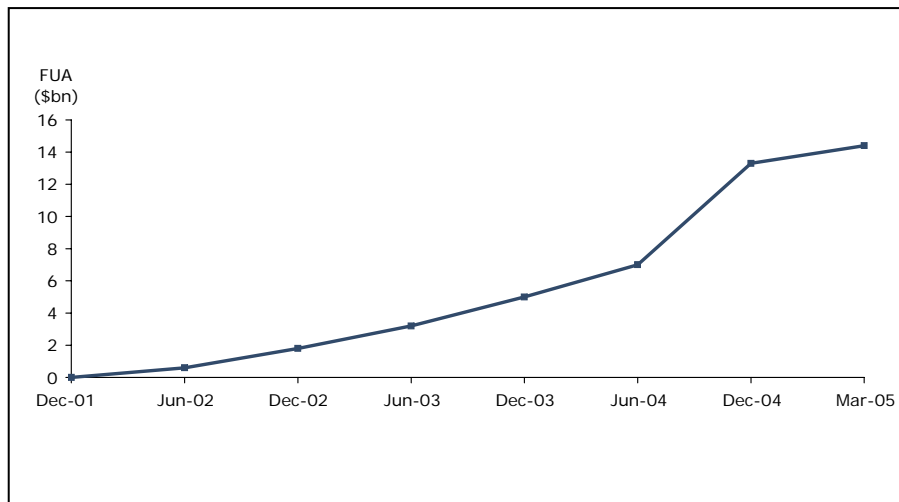
** Since inception – Feb 2004



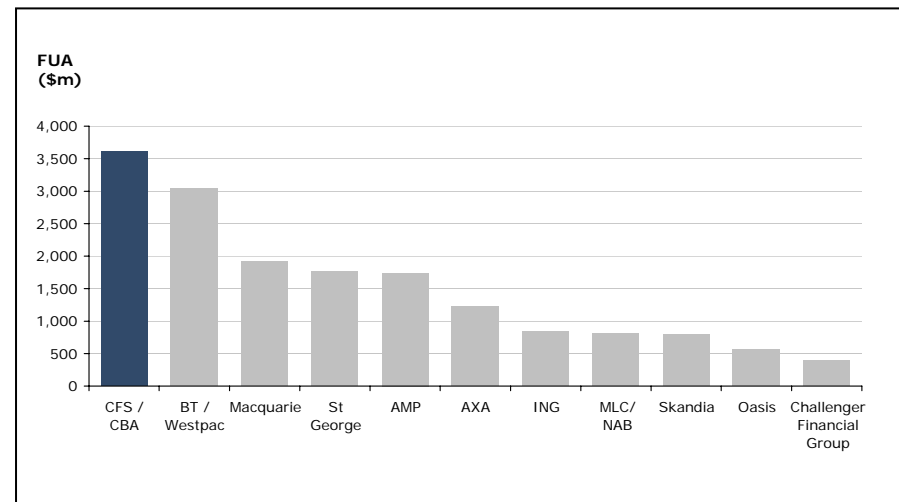
FirstChoice – successful business model

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

FirstChoice FUA#



Platform Net Flows[^]

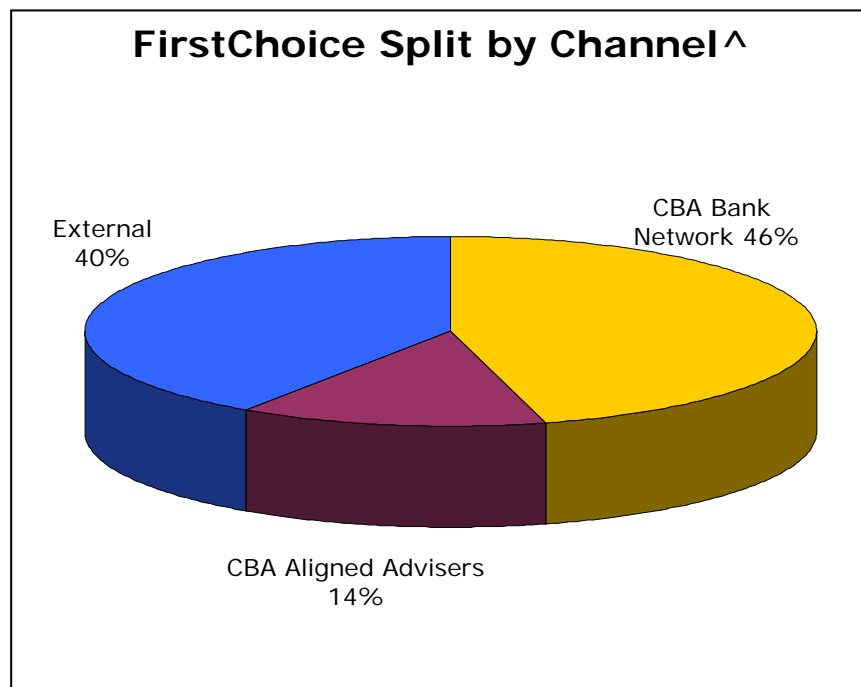


Source: Colonial First State Investments

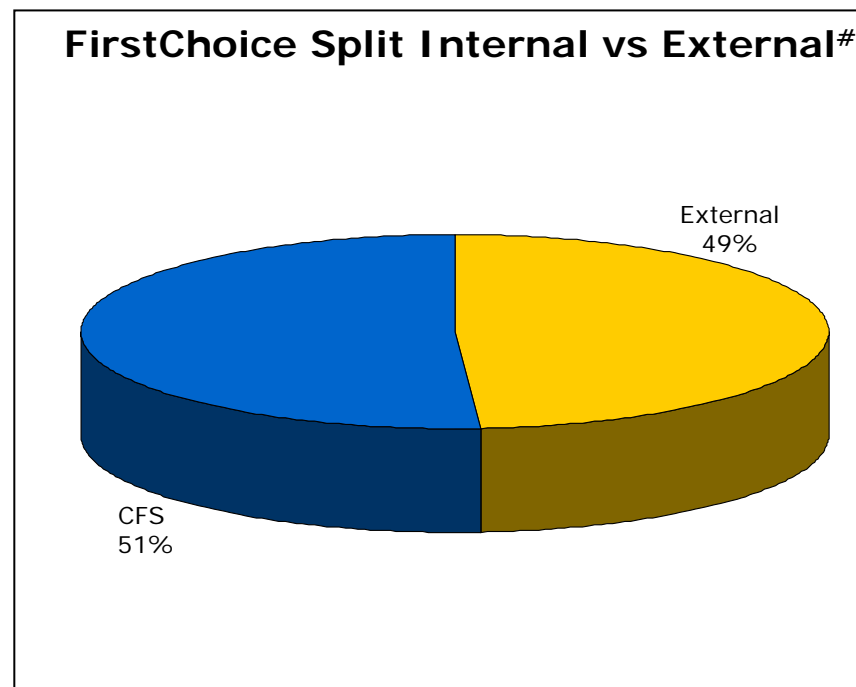
[^] Source: Plan for Life platform net flows (administrator view) year to 31 December 2004

FirstChoice – well diversified support

Inflows:



Managing the FUM:



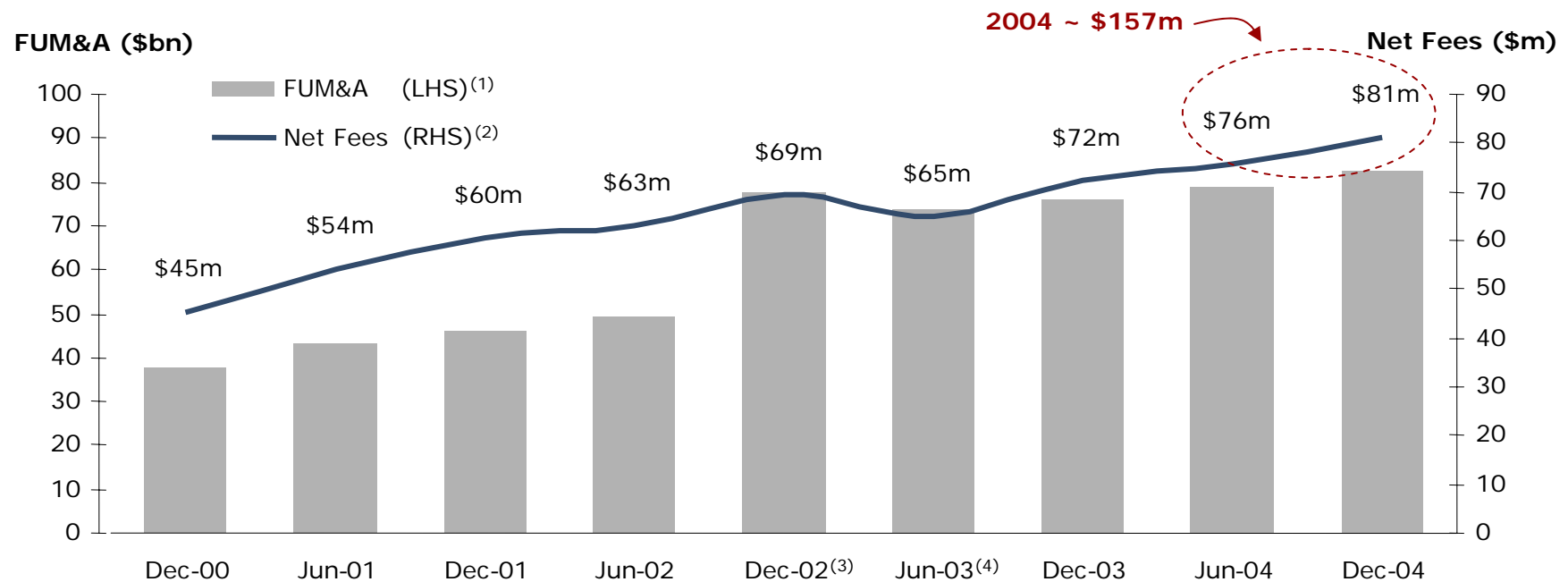
Source: Colonial First State Investments

[^] channel split based on flows for 6 months ended 31 January 2005

[#] manager split based on FUA at 31 January 2005

"Net Fees"

- Notwithstanding strong competition and volatile investment markets, CFSI continues to experience strong growth in fees



Source: Colonial First State Investments

(1) As at the last day of the month shown

(2) For the half year ending on the last day of the month shown

(3) In the December 2002 half-year, the merger of the Bank's own funds management business (known as Commonwealth Investment Management) with CFSI resulted in a large increase in funds under management and administration

(4) In the June 2003 half-year, funds under management and Net Fees fell when fund outflows exceeded fund inflows and investment earnings were negative



Key risks

- Fee reduction
- Reputation
- Change in investor preferences (eg., DIY super)
- Investment market performance

Future strategy

- Ongoing commitment to investment management
- FirstChoice development
 - Value
 - Service
 - Choice
- Distribution/Advice
 - Increased number and productivity of advisers
 - Improved quality of advice

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- **Colonial First State Hybrid Securities**
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Key terms

Issuer:	<ul style="list-style-type: none"> ■ Colonial First State Issuer No. 1 Limited ("Issuer")
Issue Price:	<ul style="list-style-type: none"> ■ A\$100.00 per Security
Offer Size:	<ul style="list-style-type: none"> ■ A\$650m
Maturity:	<ul style="list-style-type: none"> ■ Perpetual, subject to redemption
Dividend Rate:	<ul style="list-style-type: none"> ■ Floating rate quarterly dividend based on (90 day BBSW + Margin) x (1 – T) ■ Margin range of 100 – 120 basis points set pursuant to institutional bookbuild
Dividends:	<ul style="list-style-type: none"> ■ Cumulative ■ Payable quarterly in arrears (subject to Dividend Limit)
Franking:	<ul style="list-style-type: none"> ■ Dividends expected to be fully franked ■ If Dividends not fully franked, a gross-up amount is payable by Issuer (subject to Dividend Limit)
Step-up:	<ul style="list-style-type: none"> ■ Margin will increase by 100 basis points on first Dividend payment date after the fifth anniversary of issue
Dividend Limit and Net Fees:	<ul style="list-style-type: none"> ■ Dividend Limit calculated with reference to Net Fees ■ Net Fees are essentially the after-tax value of the Assigned Fees ■ Assigned Fees are essentially a portion of the fees (maximum of 50%) generated by the Australian funds management business currently conducted by CFSI (after deducting GST and third party expenses)

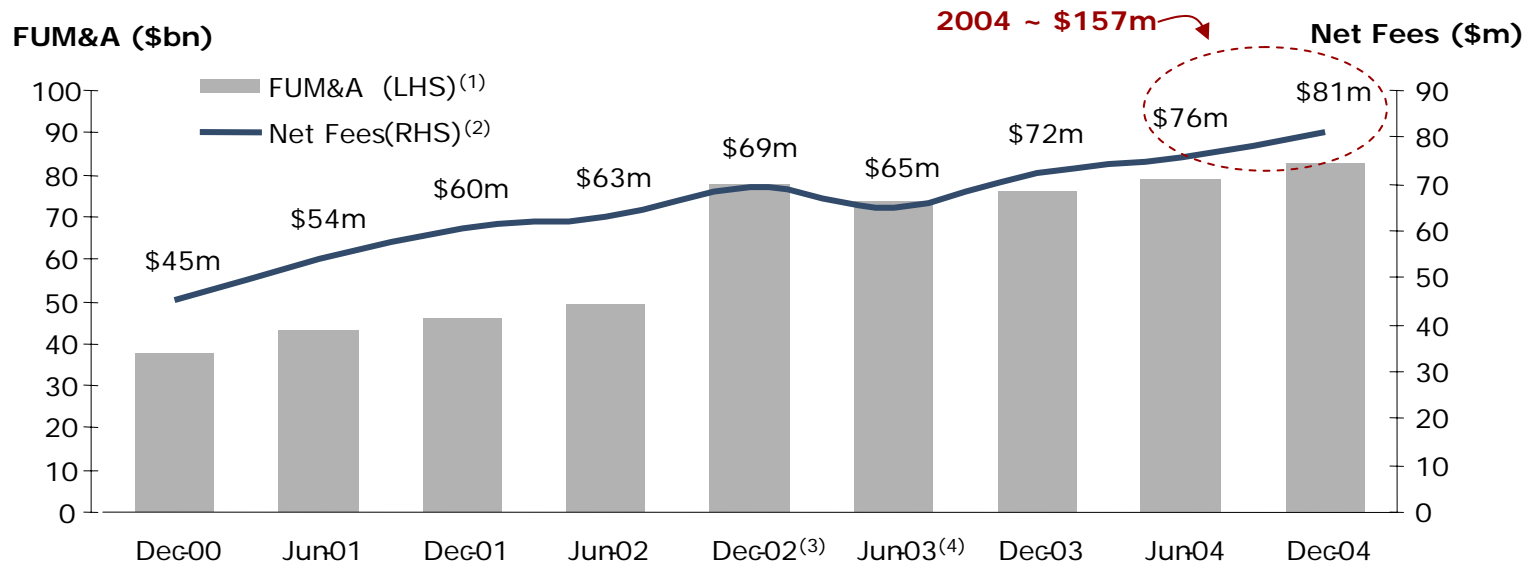
Key terms (Cont'd)

Redemption initiated by the Bank:	<p>If the Bank exercises an option held by it:</p> <ul style="list-style-type: none"> ■ after the fifth anniversary of issue; or ■ on occurrence of an Early Termination Event, <p>the Issuer will, as a result, be required to redeem in full the Securities with funds provided by the Bank.</p>
Retained Amount:	<ul style="list-style-type: none"> ■ If the Securities have not been redeemed after 5 years, a “dividend blocker” will require accumulation of distributable profits represented largely by Net Fees for the benefit of investors (the “Retained Amount”), rather than distribution of the Net Fees to the Bank group
Holder Redemption:	<ul style="list-style-type: none"> ■ Holders do not have an individual right to redeem the Securities ■ However, if Securities have not been redeemed after 9 years and 6 months holders may, by special resolution, initiate a process which may lead to redemption: <ul style="list-style-type: none"> ▪ if the Retained Amount is sufficient => full redemption ▪ if the Retained Amount is not sufficient => a “sale process” will be conducted to sell the rights to the Assigned Fees; this process may or may not generate sufficient proceeds to redeem the Securities in full
Credit Rating:	<ul style="list-style-type: none"> ■ The Securities have been rated “A-” by Standard & Poors
Listing:	<ul style="list-style-type: none"> ■ Issuer will apply for listing of the Securities on the ASX

Retention

- **During Retention Periods distributable profits represented largely by Net Fees must be retained for the benefit of holders of the Securities, rather than being distributed to the Bank group**
- A Retention Period occurs where:
 - the Securities are not redeemed after 5 years
 - when any dividends accrued on the Securities remain unpaid
 - when the actuarially determined value of future Net Fees is less than (120% x face value of the Securities) less the Retained Amount
 - where Net Fees for any quarterly dividend period are below \$37.5 million per quarter in years 1-4 or \$43.75 million per quarter in year 5
- **Retained Amounts are generally “locked up” for the benefit of holders i.e., to fund dividends and capital amounts on the Securities**

"Net Fees"



- Pro forma dividend coverage approximately 5x based on Net Fees of \$157 million for the year ending 31 December 2004[#]
- Trowbridge Deloitte have valued the Net Fees generated by CFSI at approximately \$2.4 billion as at 31 December 2004
 - 3.75x \$650 million offer size
 - 15.53x pro forma Net Fees for the year ending 31 December 2004

[#] Based on offer size of \$650 million, 90-day Bank Bill rate of 5.73% pa, and indicative margin range of 1.00 – 1.20%

Source: Colonial First State Investments

(1) As at the last day of the month shown

(2) For the half year ending on the last day of the month shown

(3) In the December 2002 half-year, the merger of the Bank's own funds management business (known as Commonwealth Investment Management) with CFSI resulted in a large increase in funds under management and administration

(4) In the June 2003 half-year, funds under management and Net Fees fell when fund outflows exceeded fund inflows and investment earnings were negative



Investor protections

- **Issue of additional securities against Net Fees**
 - The Bank may issue additional securities linked to Net Fees if:
 - rating of the Securities remains at A- or above; and
 - actuarially determined value of future Assigned Fees attributable to this series is greater than (150% x face value of Securities) less the Retained Amount



- **Sale of CFSI by the Bank**
 - CFSI must pay a termination amount equal to the face value of the Securities plus accrued Assigned Fees
 - the Bank undertakes that CFSI will make this payment

- **The Bank establishes another funds management business**
 - If the fees of the new business exceed 10% of the Assigned Fees (ie., the fees assigned for the benefit of holders) then the Bank must ensure that those fees form part of Assigned Fees

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Overview of offer structure

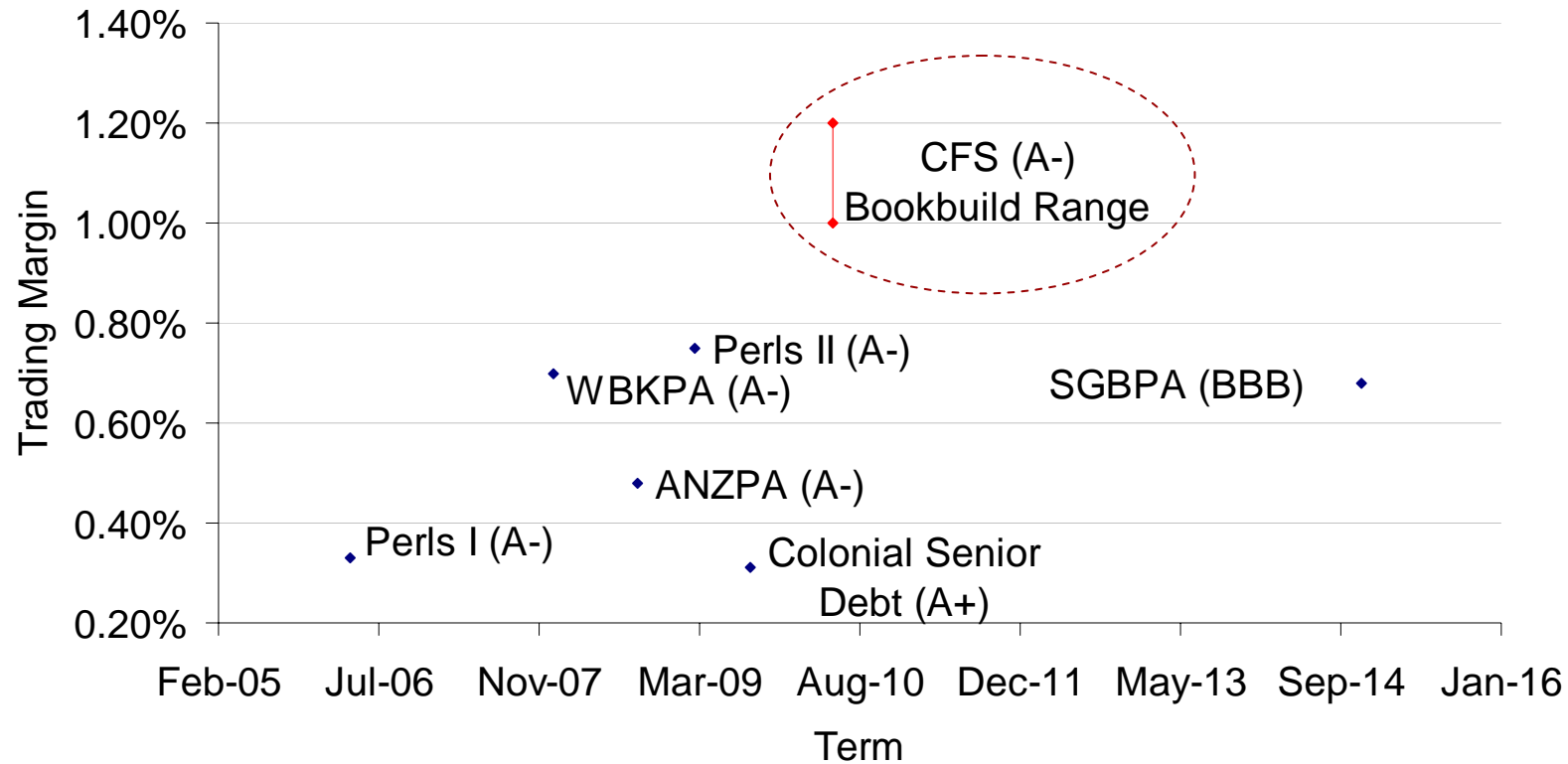
- Offer of \$650 million
- Offer to public through Prospectus lodged with ASIC
- Priority offer to CBA ordinary shareholders, PERLS and PERLS II holders, and Colonial Financial Advisory Group's clients
- Sole Underwriter & Bookrunner:  **Merrill Lynch**
- Arranger: **CommSec** 
- Co-Managers:
 - Commonwealth Securities Limited
 - Grange Securities Limited
 - Merrill Lynch Private (Australia) Limited
 - Ord Minnett Limited

Institutional bids can only be submitted to Merrill Lynch

Bookbuild process

- **The Margin will be determined through an institutional and broker firm Bookbuild**
 - Bookbuild range of 100 to 120 bps over the 90 day BBSW
- **Bookbuild will open at 9am on Friday 22 April 2005**
- Bookbuild will close
 - at 10am Friday 22 April 2005 for Co-Managers and participating brokers
 - at 3pm Friday 22 April 2005 for institutional investors
- **Investors advised of allocation and Margin by 5pm on Friday 22 April 2005**
- Bookbuild contacts:
 - Paul Harris (02) 9226 5519 (Merrill Lynch)
 - Aaron Lamshed (02) 9226 5707 (Merrill Lynch)

Pricing benchmarks



As at ASX close 18 April, 2005

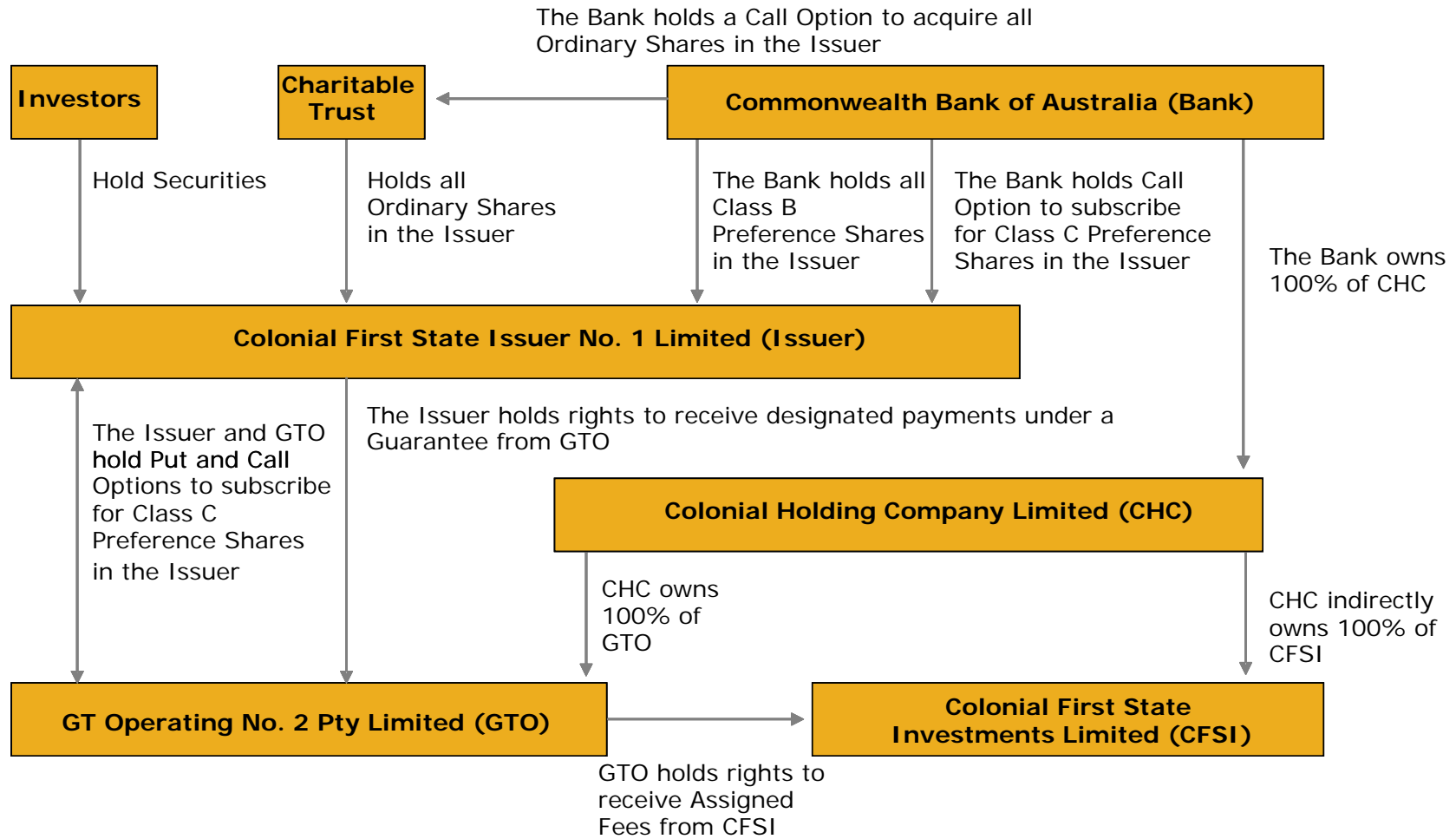
Key dates

Action	Date
Prospectus lodged with ASIC:	■ 18 April, 2005
Institutional bookbuild opens:	■ 9.00am 22 April, 2005
Retail syndicate bids due:	■ 10.00am 22 April, 2005
Institutional bookbuild closes:	■ 3.00pm 22 April, 2005
Margin announced:	■ 26 April, 2005
Public offer opens:	■ 27 April, 2005
Public offer closes:	■ 20 May, 2005
Allotment:	■ 27 May, 2005
Trading begins on a deferred settlement basis:	■ 27 May, 2005
Trading begins on a normal basis:	■ 2 June, 2005
First Distribution Payment Date:	■ 22 August, 2005
Step-Up Date	■ 20 August, 2010

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- **Appendices**

Transaction structure



Bank restructure

- In February 2005 the Bank announced a proposed restructure which will affect CFSI's Australian funds management business
- Under the restructure, which is expected to take place over the next 6 months:
 - the asset management operations of CFSI are to be transferred to another member of the Colonial group; and
 - CFSI will retain the product development and administration operations
- The new entity will assign to GTO a portion of its fees
- The Bank will confirm that the total Assigned Fees for the period in which the restructure occurs will be no less than what they would have been for that period had these revised arrangements not been entered into

Independent valuation of "Net Fees"*

Sensitivity	Value (\$m)	Change from base (\$m)
Base (Best Estimate) ^	2,438	
Discount Rate +1%		-274
Discount Rate -1%		352
Base Sales +10%		192
Base Sales -10%		-192
Sales Growth +100 basis points		169
Sales Growth -100 basis points		-149
Lapse Rates +10%		-182
Lapse Rates -10%		208
Fee squeeze increased (Ultimate rates 10% lower)		-207
Fee squeeze decreased (Ultimate rates 10% higher)		229

* Undertaken by Trowbridge Deloitte

^ Assumptions include discount rate of 12% (other assumptions included in prospectus)