

Commonwealth Bank

David Murray

Half Year Results - December 2000

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Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 13 February 2001. 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.

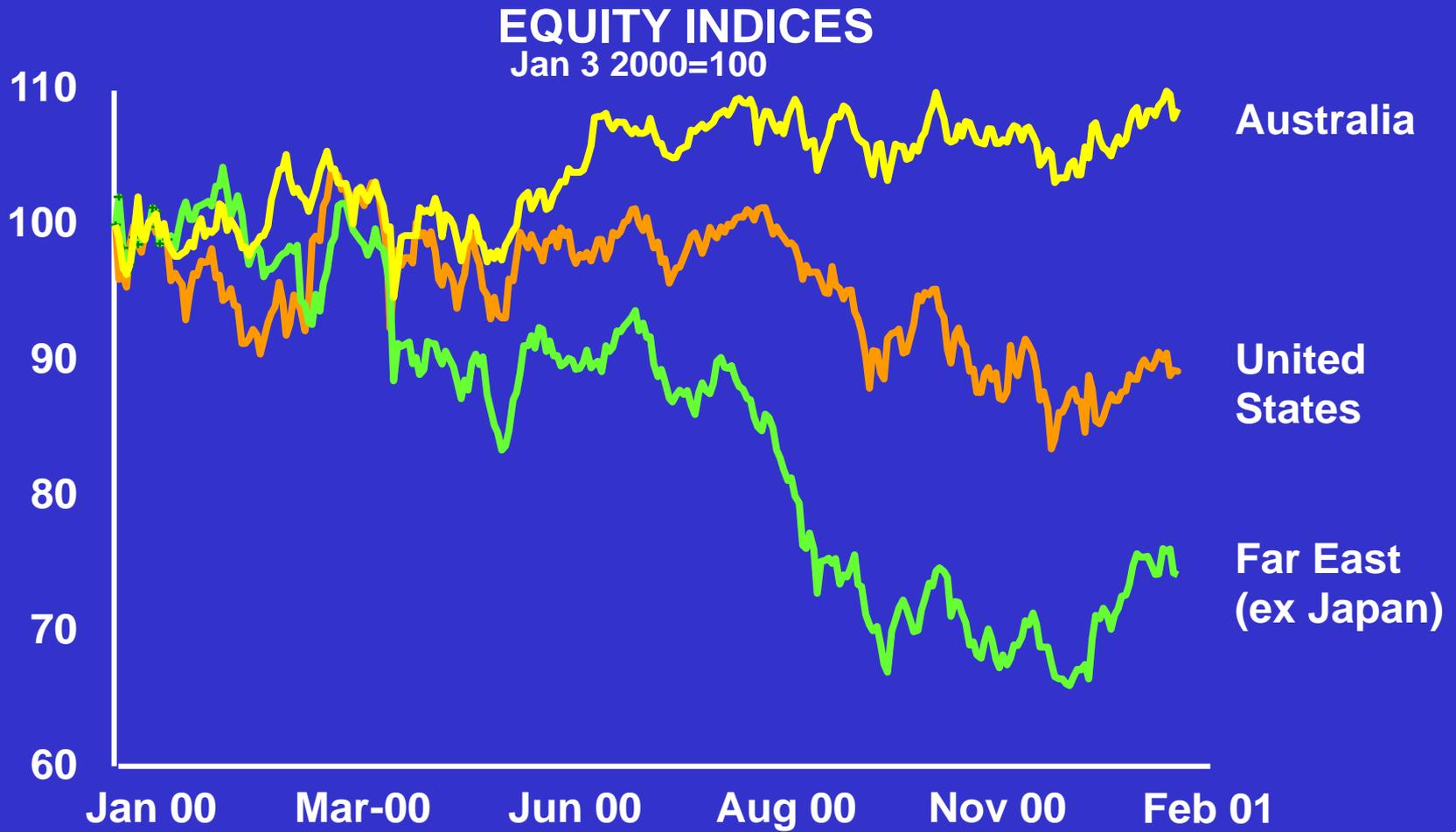


Speaker's Notes

- **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."**



The Setting



Using Morgan Stanley Capital International Index (MSCI). Rebased. Local currency terms.



Agenda

- 1. Progress on Strategy**
- 2. Integration Progress Report**
- 3. The Operating Environment**



Group Strategy

Strategic Vision

To be the best brand in helping customers manage and build wealth

Financial Goal

Top Quartile TSR

Business Goals

Attract more customers & more revenue per customer

Best value service through innovation & on-line leadership

Best Team

Develop offshore opportunities

Global best-practice costs

WHY?

Growth with low inflation

Major technology shift

Pace of change

Limited longer term domestic scope

Margin squeeze



Attract More Customers & More Revenue per Customer

- **Approximately 10 million personal customers**
- **Growth in customer numbers and/or revenue across all customer segments**
- **New sales management system implemented**
- **Service measurement system built**



Innovation and On-Line Leadership

Measure	Customers		Transactions [^]	
	No. (at 31 Dec)	Growth* (%)	Growth (No.)	Growth (%)
Retail Financial Services				
NetBank	535,689	67.5	24.2M	72.9
HomePath**	78,488	105.4	1,426	274.8
MobileBank	14,684	110.7	100,822	68.3
ComSec Online	175,100	13.0	(366,000)	(29.3)
Business Services				
Diamond/eCommCorporate	8,236	13.4	656,064	10.9
Quickline	40,992	14.6	7.1M	19.1
NZ				
Through ASB Bank (NZ)	85,944	48.7	1.6M	41.6
Electronic : Over the Counter Ratio		84:16 (Dec 00)		81:19 (Jun 00)

* From 30 June to 31 Dec 2000 ** Registered users ^Growth in transaction numbers for half year ended 30 June v. 31 December 2000



Best Team

- Leadership forums conducted for over 6,000 staff
- Retention of key skills and people from Colonial
- 20% of employees, mostly at management level, on individual contracts
- Increased performance component for key sales and service staff
- Performance based staff share plans extended



Develop Offshore Opportunities

Last 6 months

- Acquisition of remaining 25% of ASB Group
- Integration of Sovereign with Colonial Life well progressed

NZ

- Develop existing businesses

- Sale of Colonial Finance (UK)
- Sale of Colonial Life (UK)
- Entry into UK mortgage market
- Integration of Stewart Ivory & Colonial First State

Europe

- Funds management: Pursue growth in retail and wholesale funds under management
- UK mortgage market: Build market share

- Reviewed life insurance businesses
- China: commenced life insurance business

Asia

- Develop life insurance businesses
- Grow funds management operations in Singapore & Hong Kong
- Weight geographical mix toward North Asia

Global Best Practice Costs

- **Colonial integration on track**
- **Focus on technology driven productivity**
- **Leverage the increased scale from integration**

Integration Progress Report



Overall Targets

- **Expect majority of cost synergies to be achieved by year two whilst revenue synergies will progressively be realised over the next few years**
- **Funding benefits from anticipated improved ratings and capital management**
- **Maintain & improve service levels**
- **Maintain the momentum of Colonial First State Investments**
- **Continue strong relationships with independent distributors**



Outcomes to Date

Retail banking operations

	<u>Forecast</u>	<u>Completion</u>
• Network distribution model implemented	Dec Qtr	Oct 00
• Systems build complete	Dec Qtr	Dec 00
• Systems User Acceptance Testing commenced	Mar Qtr	Jan 01
• Transaction bridge operational	Mar Qtr	Jan 01
• Colonial non-branch ATM conversion program complete	Mar Qtr	Jan 01
• Launceston call centre site build (stage 1) complete	Mar Qtr	Jan 01
• Branch amalgamation complete (SA/WA)	Mar Qtr	Feb 01
• Detailed eastern seaboard branch amalgamation program now being executed	Mar Qtr	Feb 01
• Colonial customer retention on track	Ongoing	

Other

• All Centre functions and Institutional Banking integrated	Jun Qtr	Feb 01
• ASB product & systems changes complete	Jun Qtr	Feb 01



Planned Outcomes for 2001

- | | |
|-----------------|--|
| Jun Qtr | • Conversion Management System operational |
| Jun Qtr | • Launceston call centre operational |
| Sept Qtr | • Retail bank systems integrated |
| Sept Qtr | • Back office processing integrated |
| Dec Qtr | • Outsourcing contracts rationalised |
| Dec Qtr | • Branch amalgamation for eastern seaboard complete |
| Dec Qtr | • Systems decommissioning complete |
| Dec Qtr | • Stage 1 property rationalisation complete |
| Ongoing | • Service levels met & improved |

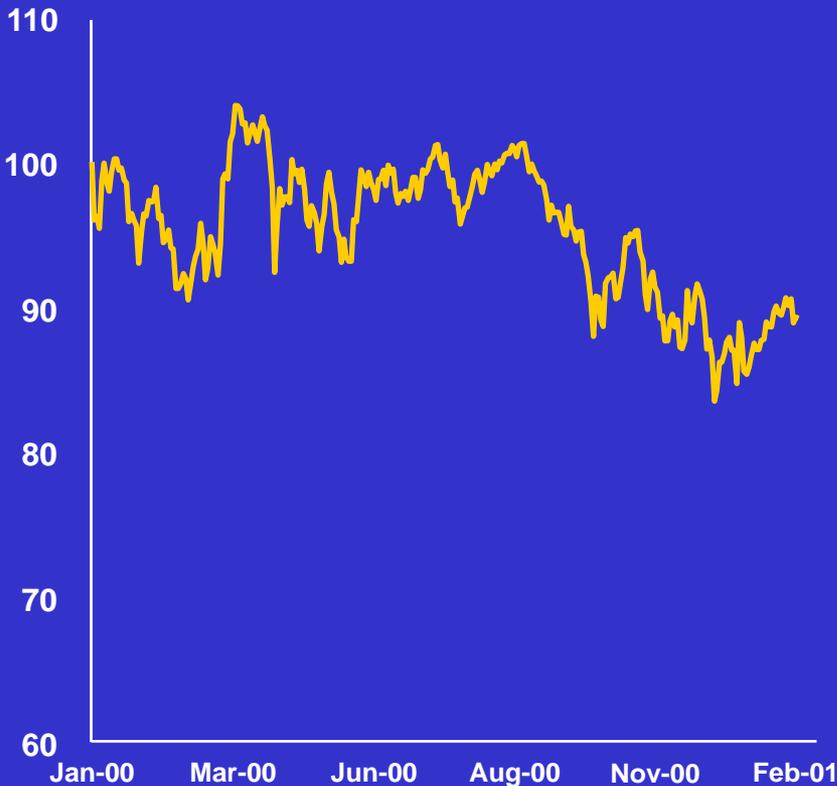
The Operating Environment



US Financial Snapshot

US Equities
Jan 3 2000 = 100

**5 Year US Corporate (Generic)
Curve to Spread over Libor**

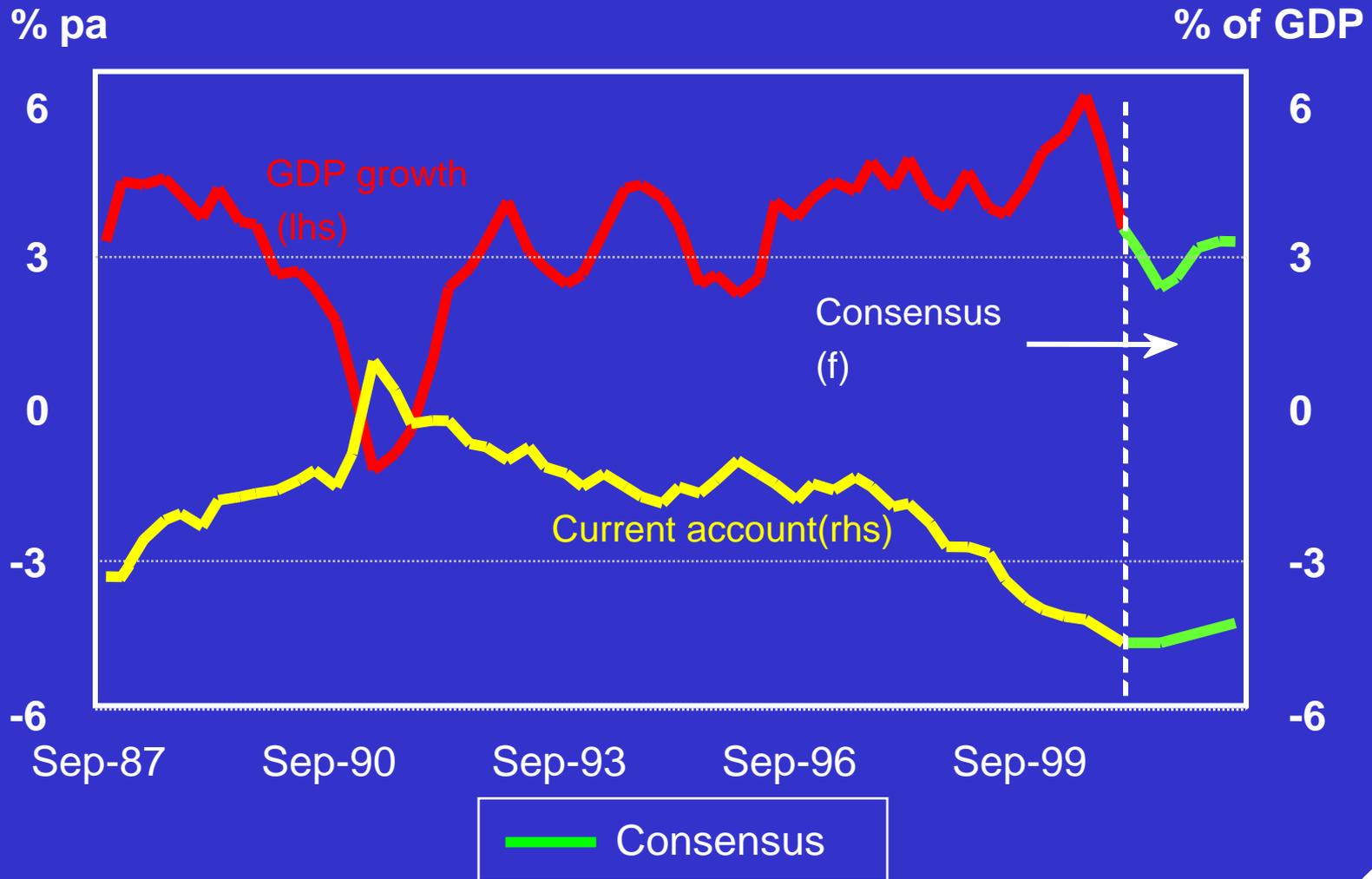


Using Morgan Stanley Capital International Index (MSCI).
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— AAA Rated — AA2 Rating — BBB1 Rating

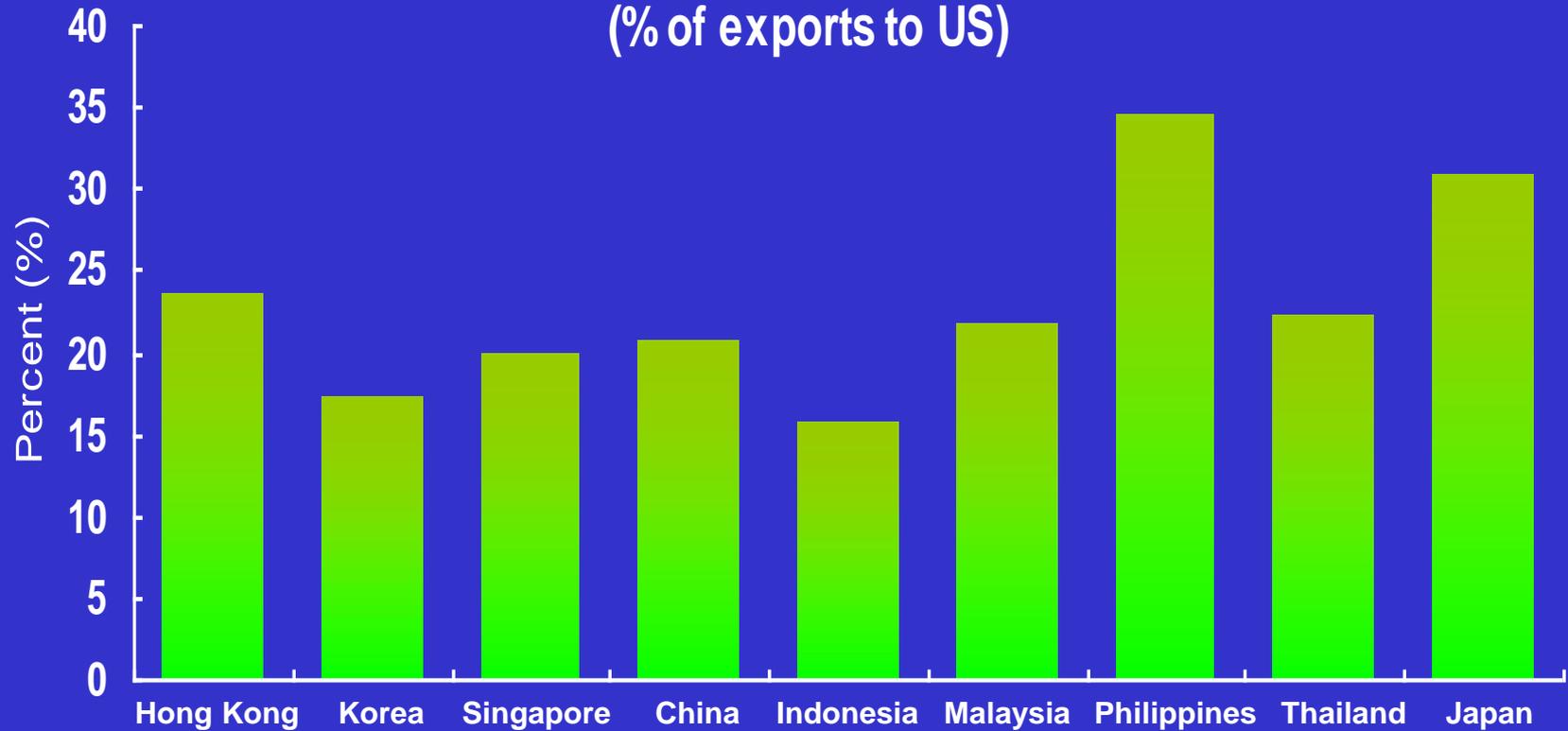


US Growth & Trade



Asia

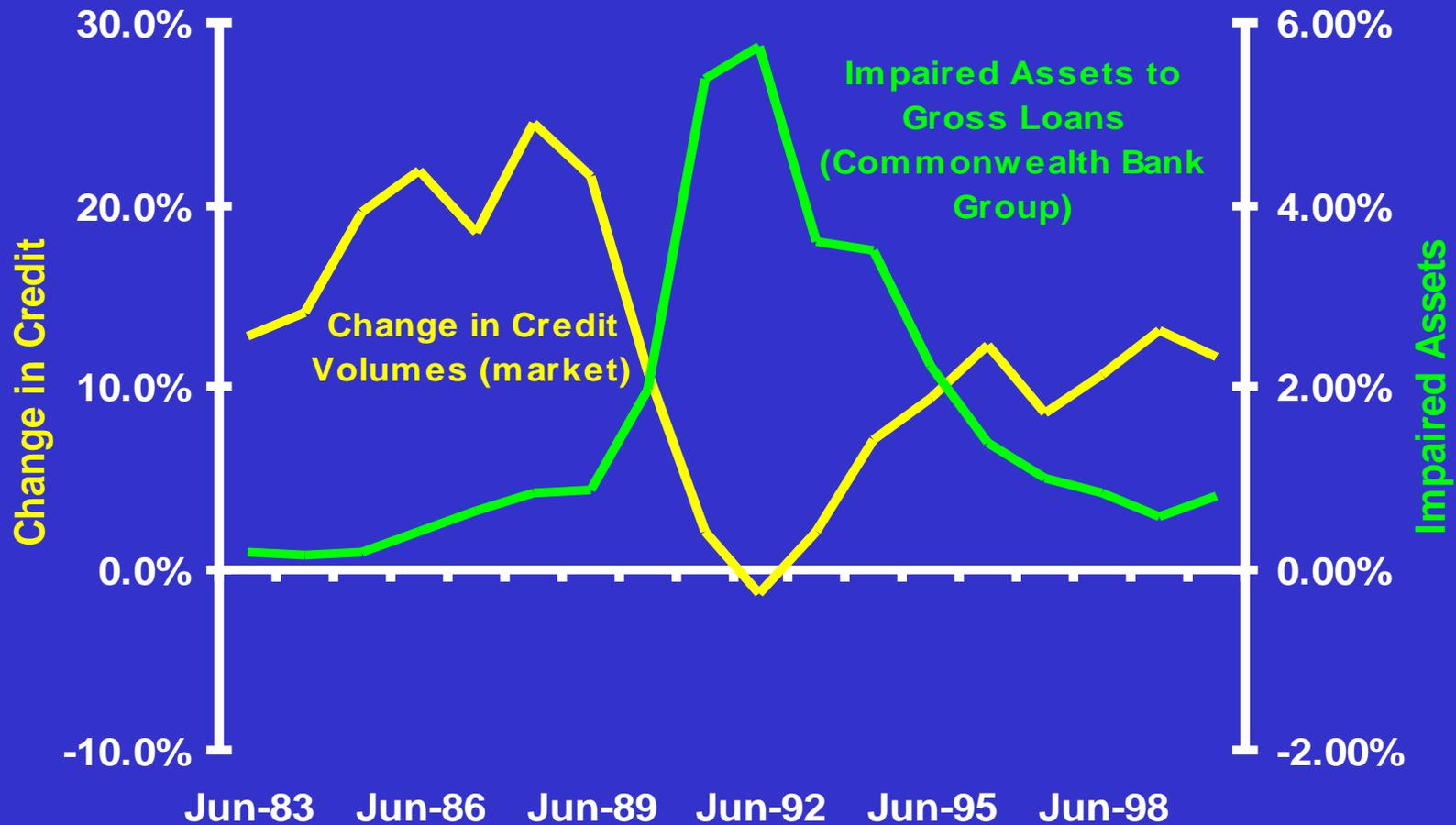
ASIAN EXPORTS (% of exports to US)



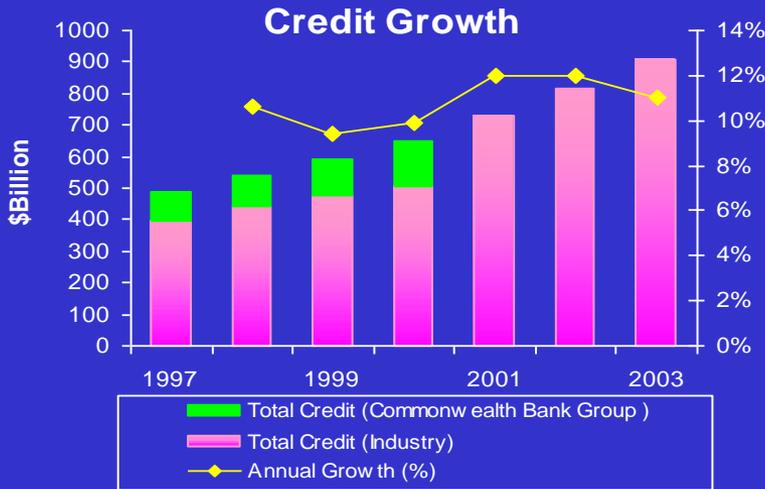
Source: IMF



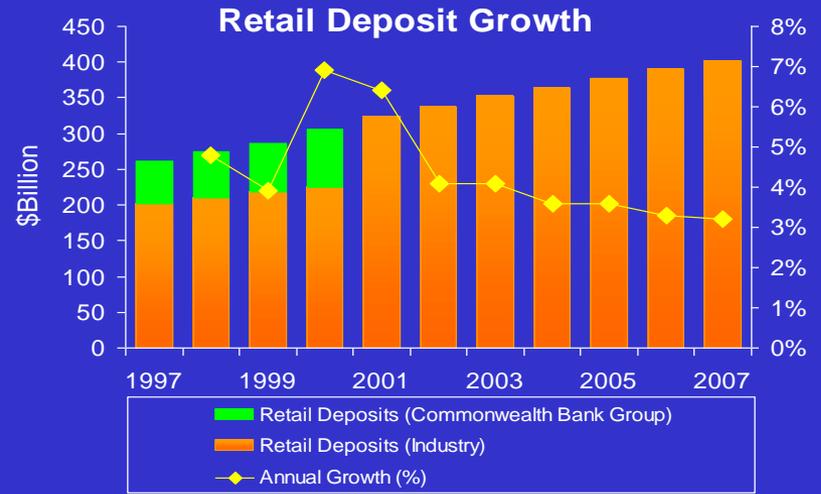
Australia - Credit Cycle and Asset Quality



Sector Growth



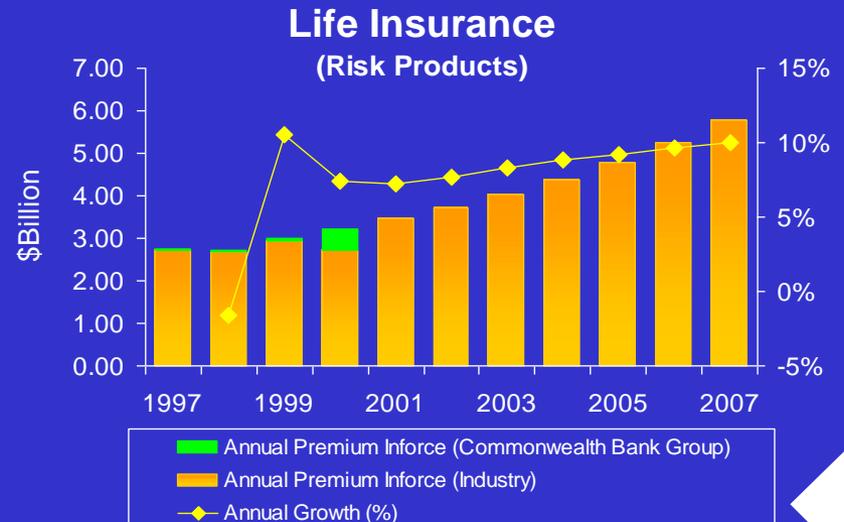
Source: ABS, Commonwealth Bank



Source: Salomon Smith Barney Estimates, APRA, Commonwealth Bank



Source: Salomon Smith Barney Estimates, ASSIRT, Commonwealth Bank

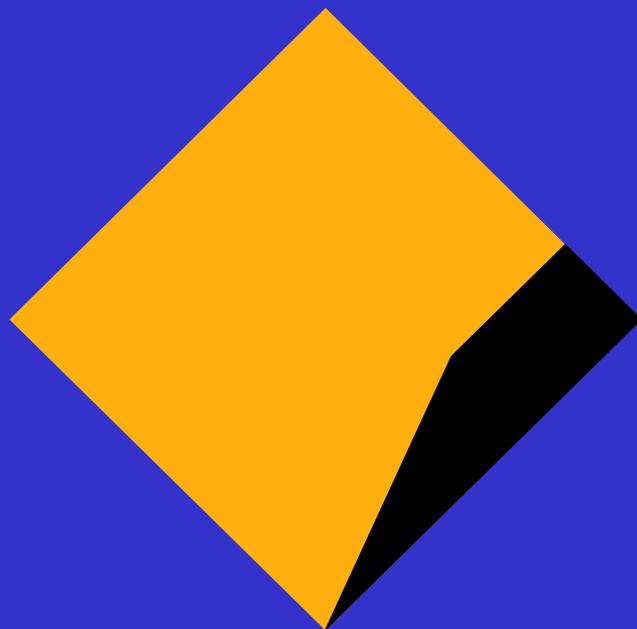


Source: Plan for Life, Commonwealth Bank



Areas of Strategic Focus

- **Rapid completion of Colonial integration**
- **Emphasis on domestic business growth**
- **Improvement in service levels**
- **Technology driven productivity gains**



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