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# May-June 2002 Investor Roadshow

David Murray

Chief Executive Officer

Stuart Grimshaw

Group Executive Financial and Risk Management



# Disclaimer

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The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentations, 27 May 2002. 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

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



# Agenda

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- Introduction
  - Australian economy
  - Australian share market
  - History of Commonwealth Bank
  - Financial performance
- Strategy
  - Strategic issues
  - Competitive advantage
  - Strategic imperatives
- Looking Forward
  - Strategic plan



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# Introduction



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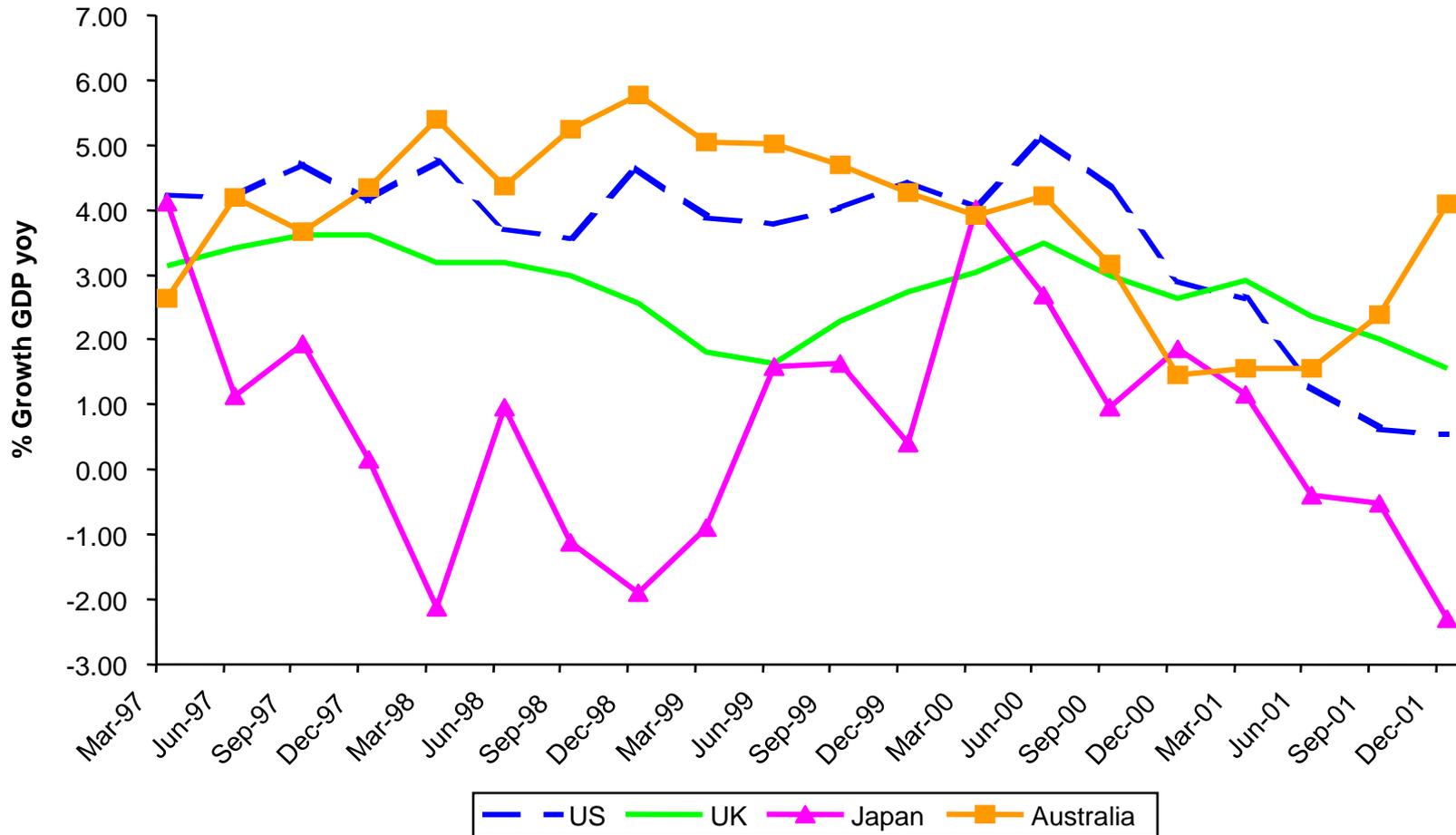
# Australian Economy & Share Market

- Relative GDP performance
- Credit growth
- MSCI index weighting

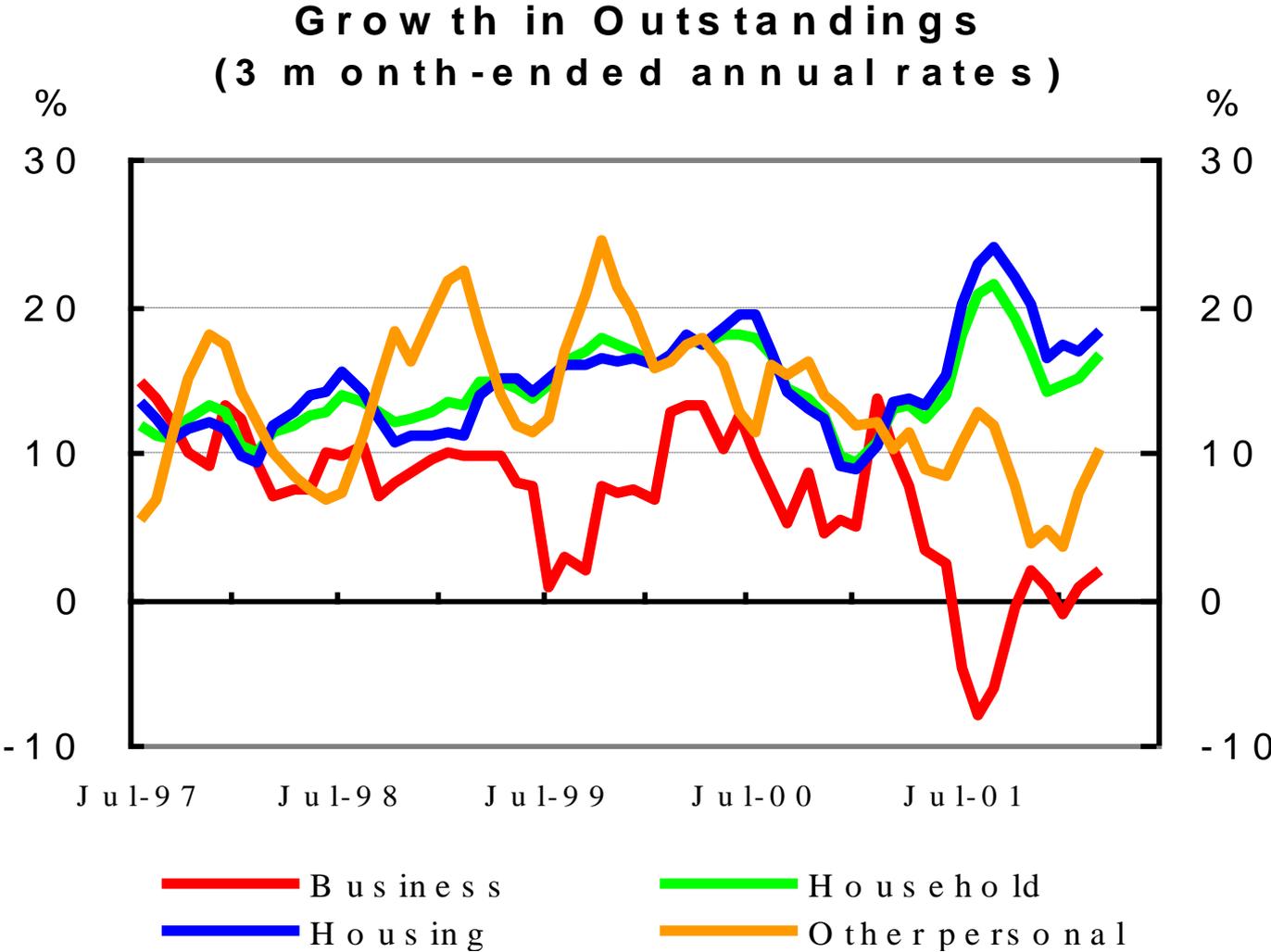


# Relative GDP Performance

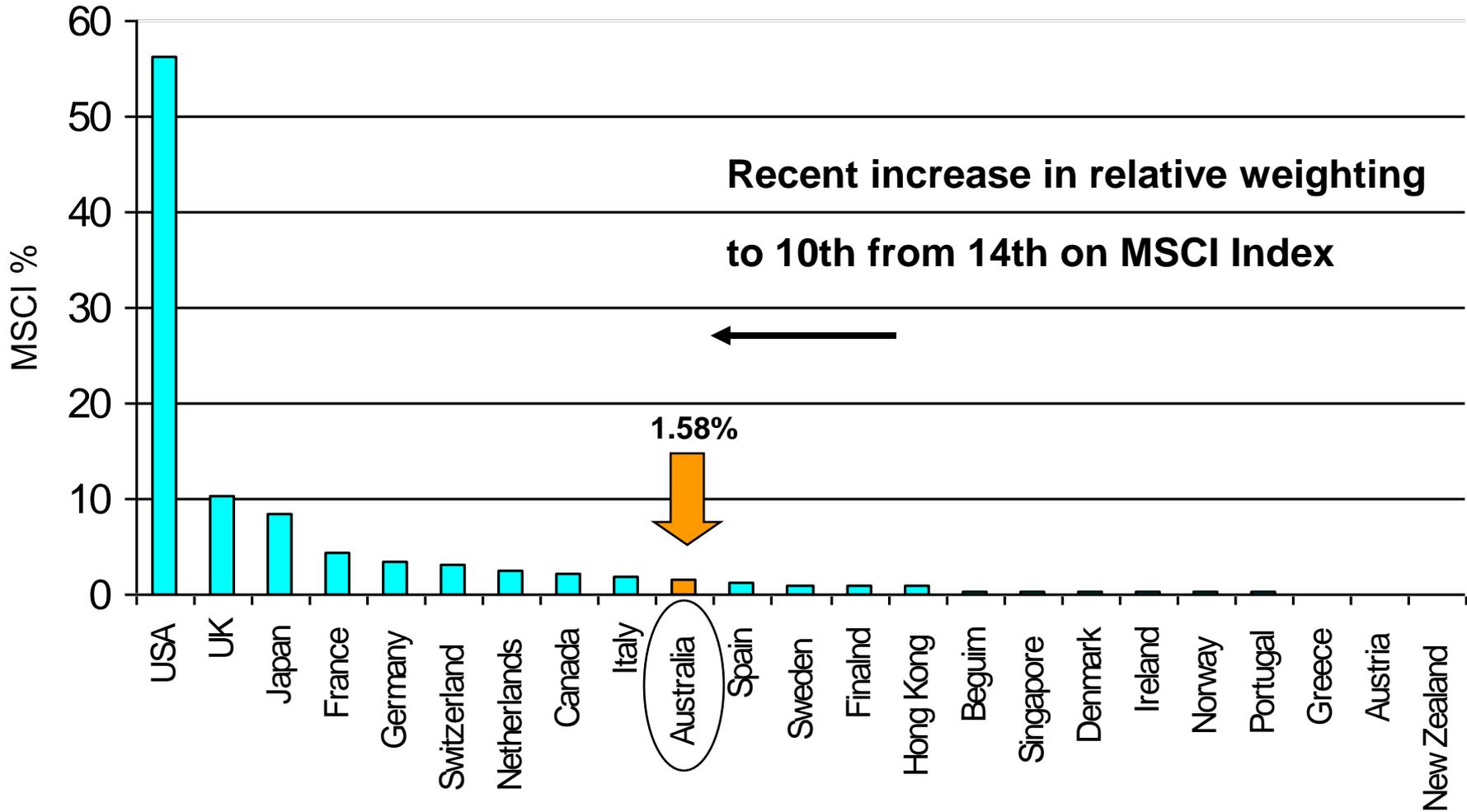
## GDP Growth



# Credit Growth



# MSCI % Weightings



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# Commonwealth Bank Group

- 10 Year Share Price Performance
- Full Year to 30 June 2001
- Half Year to 31 December 2001
- Asset Quality



# Commonwealth Bank Group Share Price Performance Last 10 Years



# Financial Performance : Full Year to 30 June 2001

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- Net operating profit after tax up 9% to \$2,262m ('cash basis'\*)
  - Banking up 12% to \$1,793m
  - Strong performance from Funds Management, up 34% to \$149m
  - Weaker life insurance operating margins & investment earnings below long term expectations
- Retail Integration completed ahead of time & to business case
- Home lending market share beginning to stabilise
- Operating expenses increased above expectations

\*before goodwill amortisation and appraisal value uplift



# Financial Performance :

## Half Year to 31 December 2001

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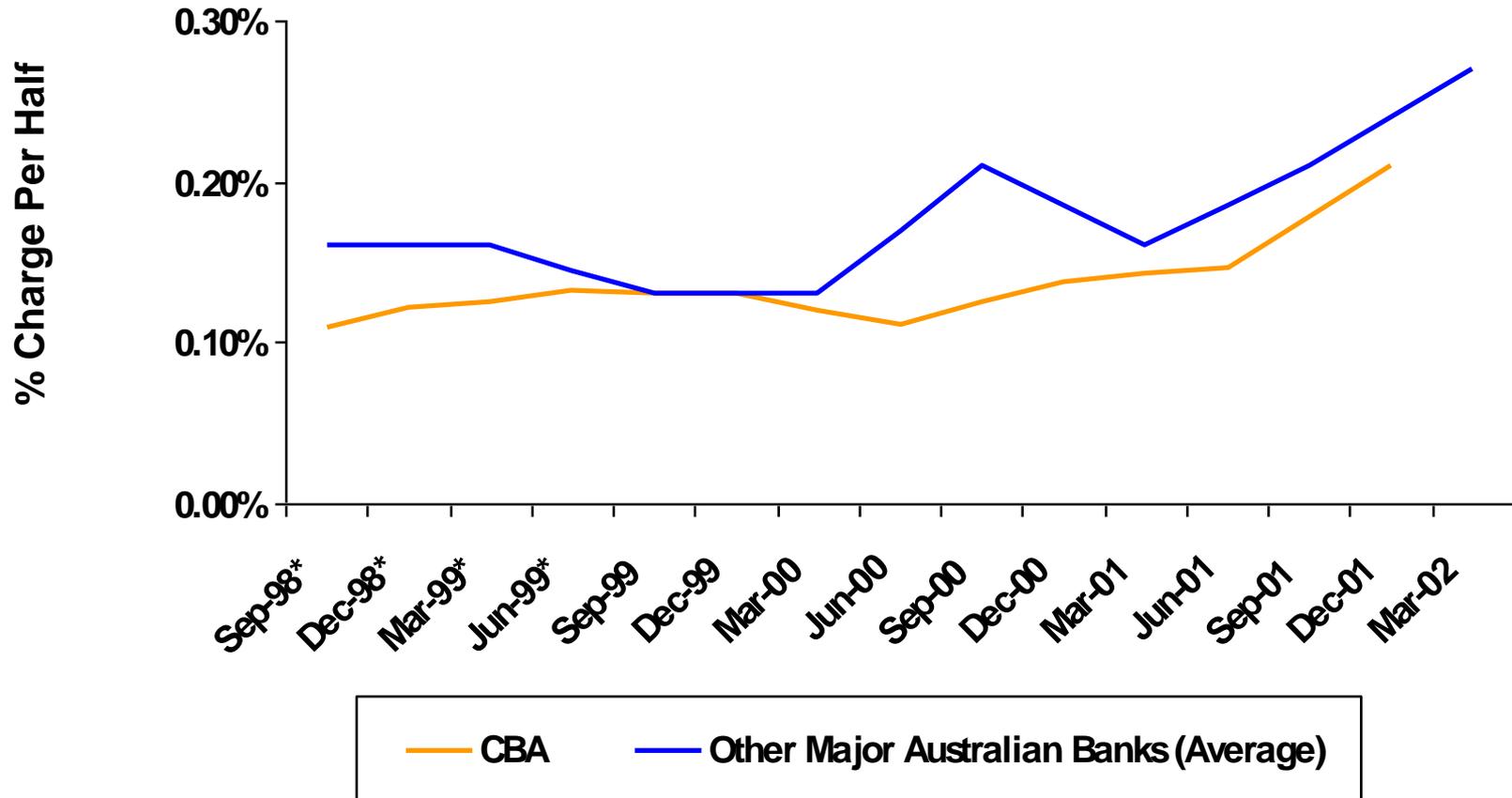
- Net operating profit after tax up 7% to \$1,192m ('cash basis'\*)
- Banking result up 11% driven by a steady net interest margin and growth in other banking income
- Funds under management result up 23% with strong momentum in funds inflow maintained through September 11
- Australian life insurance operating margin up 22% offset by a weak offshore life insurance result
- Increase in bad and doubtful debt expense, driven by two large impaired corporate exposures

\*before goodwill amortisation and appraisal value uplift



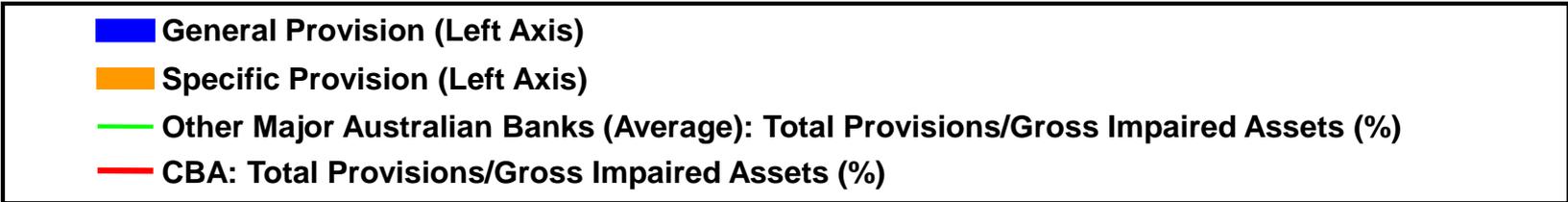
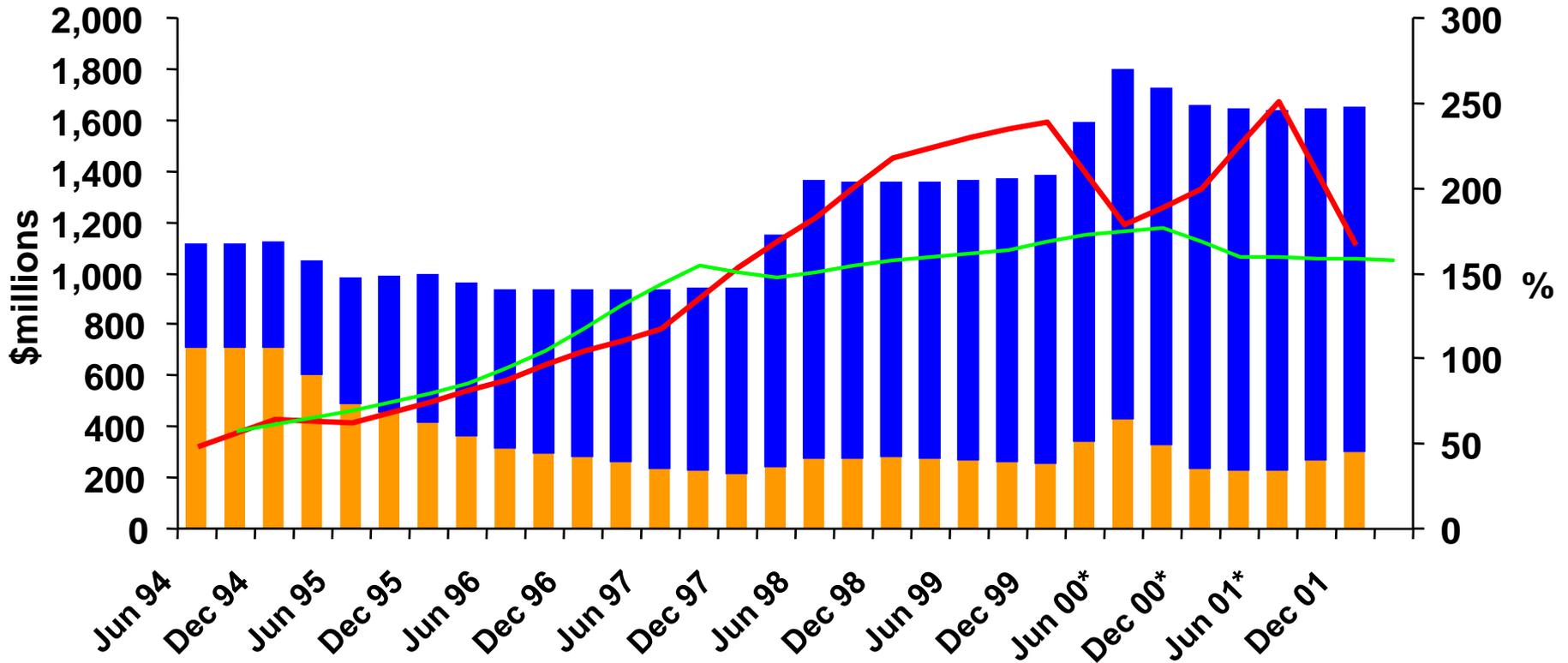
# Credit Risk: Historical P&L Charge

## Bad Debt Expense / RWA



\* Excludes Colonial

# Aggregate Provisions



\* Includes Colonial

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# Strategy

- Strategic Issues
- Competitive Advantage
- Strategic Imperatives



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# Strategic Issues

- Domestic Growth
- Wealth Management
- Distribution
- Technology & Productivity



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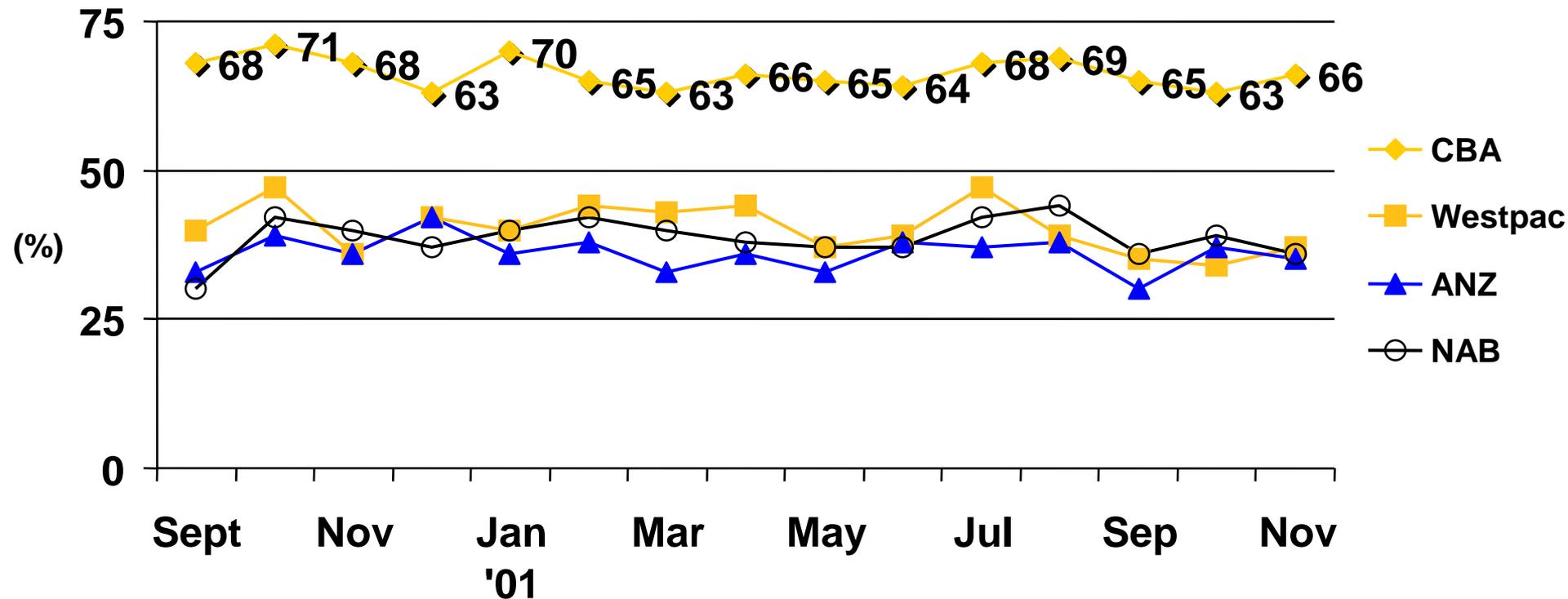
# Competitive Advantage

- Brand
- Scale
- Innovation



# Brand : Commonwealth Bank

## Share of Mind\*

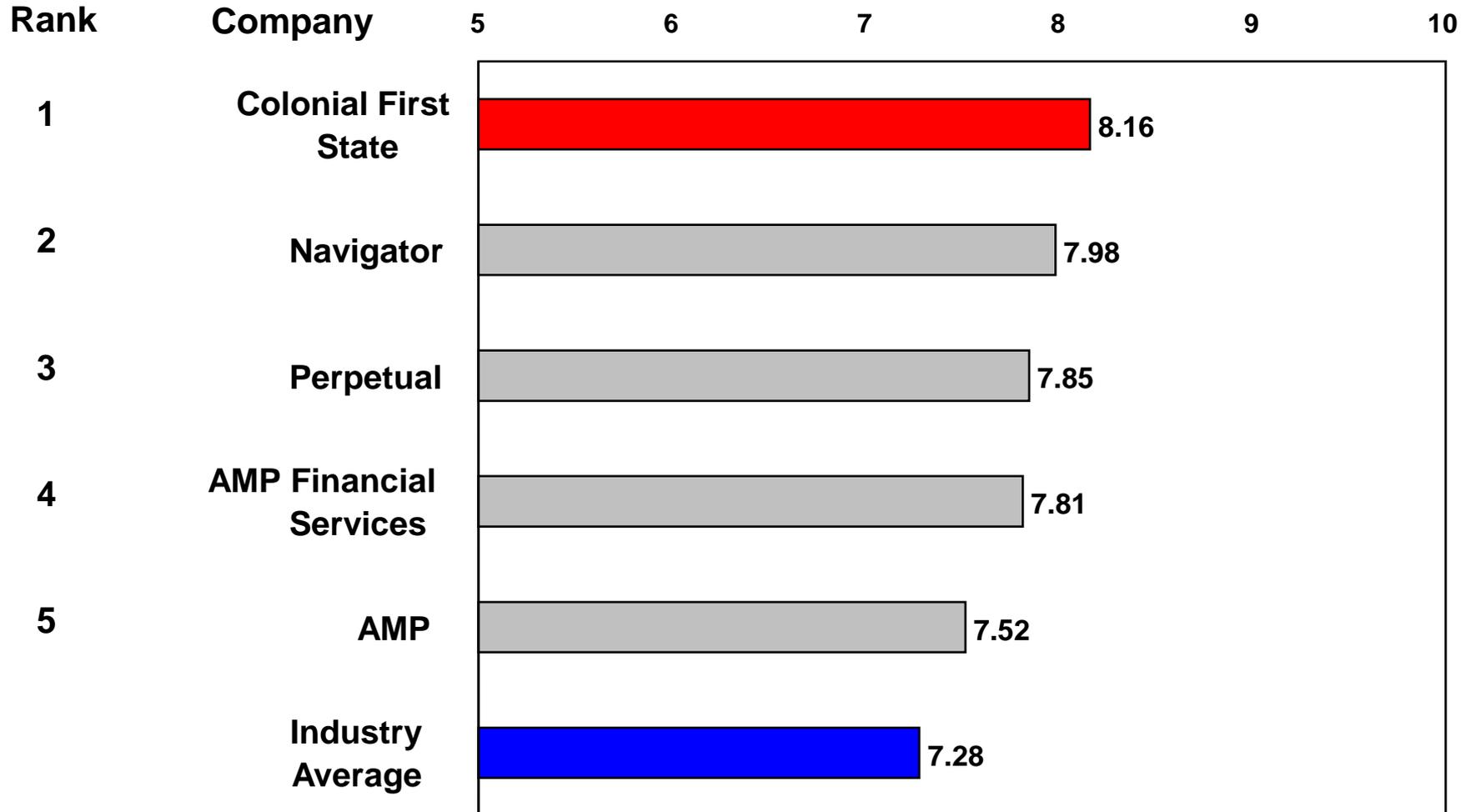


- CBA's share of mind remains at a consistent level, leading the Big Four.
- Share of mind for Westpac, ANZ and NAB continue to measure at similar levels.



# Brand : Colonial First State

## Adviser brand awareness - overall opinion of organisation



# Brand: CommSec

The screenshot shows the CommSec website in a Microsoft Internet Explorer browser window. The browser title is "Commonwealth Securities Limited - Microsoft Internet Explorer". The address bar shows "https://www.comsec.com.au/CommSecHome.asp". The website header features the CommSec logo, a telephone icon, and the date "13 15 19" with the time "Mon-Fri 8:00am-7:00pm EST". Below the header, there is a navigation menu with options like "Share Quotes", "Managed Funds", "Margin Lending", "Money Market", "International Securities", "Investor Education", "News & Research", and "About this Site". The main content area is titled "CommSec News" and lists several news items with "more" links. On the right, there is a section for "CommSec Direct Funds" and a "How to double your saving power" section. The bottom of the page shows a "Client log in" section with fields for "Account No" and "Password", and a "go" button. The browser status bar at the bottom indicates "Internet".

**Commonwealth Securities Limited - Microsoft Internet Explorer**

File Edit View Favorites Tools Help

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Address <https://www.comsec.com.au/CommSecHome.asp> Go Links

# CommSec™

Australia's Most Popular Broker

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visit other Commonwealth sites

Quick Find Index

## Visitor Access to

- Share Quotes
- Managed Funds
- Margin Lending
- Money Market
- International Securities
- Investor Education
- News & Research
- About this Site

## Client log in

Account No

Password  **go**

This is a secure logon

## CommSec News

- Complimentary Share Alerts for the month of May **more**
- Now Open – IAG Reset Preference Share Issue **more**
- Two New CEO Interviews **more**
- Advanced Options Strategies - ADL,BNE & MEL **more**
- New Long Dated Instalment Warrants Offer, Now Open **more**
- Intraday Audio & Video Market Reports **more**

## Become a client - it's free

**register now**

## CommSec Direct Funds

Managed Funds & Super made easy. Compare and select from 500 Managed Funds & Super Funds all in one place **more**

## How to double your saving power

Combine a regular saving plan with a safer level of

### All Ords

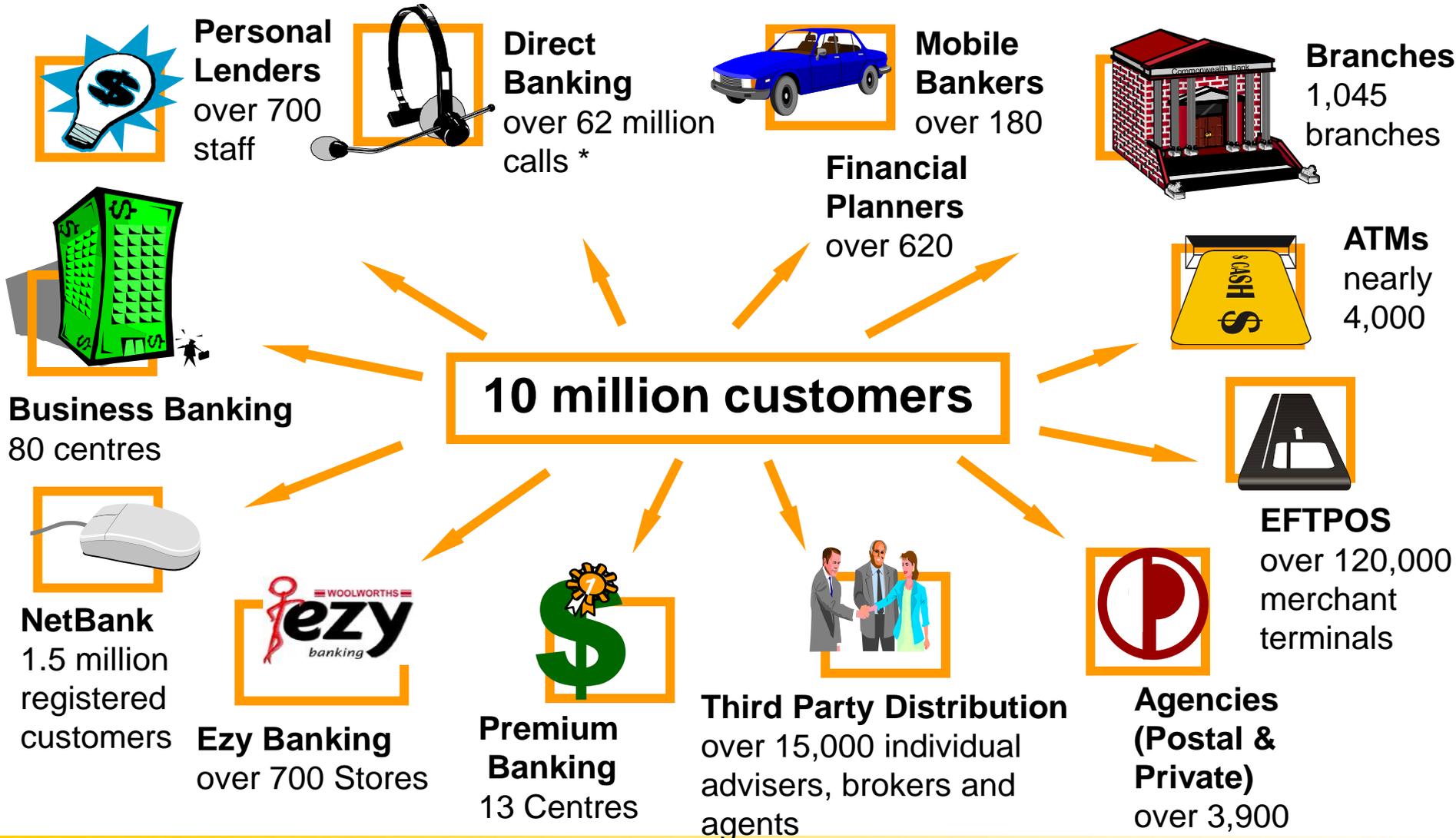
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3,340

### Market Indices

All Ordinaries	3328.6	-16.2
NASDAQ	1701.59	-39.80



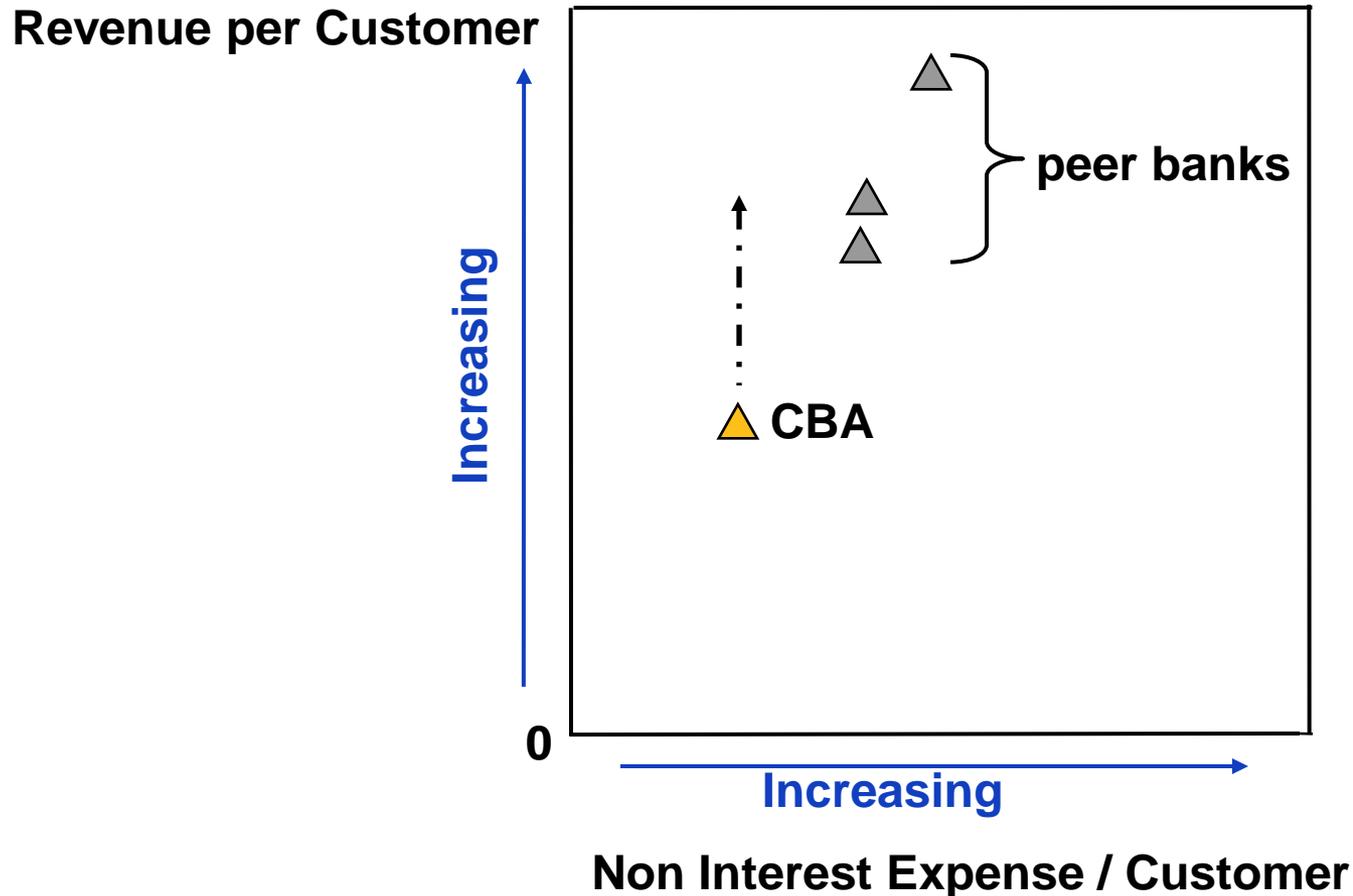
# Australia's Most Accessible Bank



Statistics as at 31 December 2001

\* for 6 months to Dec '01

# Scale : Low Cost per Customer



# Scale : Strong Market Share Positioning

## Australian Market Share

	Dec 2000	Jun 2001	Dec 2001	Rank
<b>Home Loans</b> (Residentially Secured)	20.8%	20.4%	20.1%	1
<b>Credit Cards<sup>^</sup></b>	21.9%	21.4%	21.4%	1
<b>Retail Deposits</b>	24.6%	24.0%	24.1%	1
<b>Retail FUM (Plan for Life)</b>	16.0%	16.5%	16.8%	1
<b>Superannuation/Annuities</b>	15.7%	15.8%	16.4%	2
<b>Retail Broking</b>	8.5%	8.7%	8.5%	1
<b>Inforce Premiums</b>	14.6%	14.4%	14.6%	2

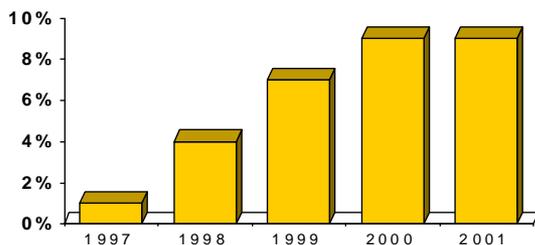
<sup>^</sup> Colonial data captured as part of market share calculation from June 2001



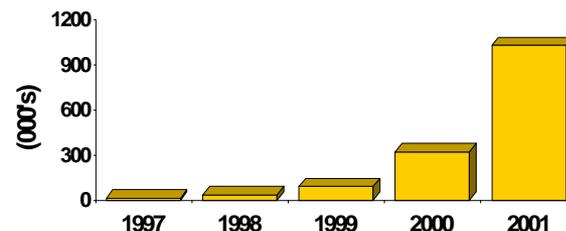
# Innovation : Commsec & NetBank



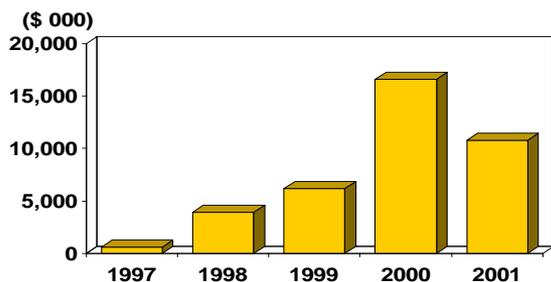
### Market Share of ASX Transactions



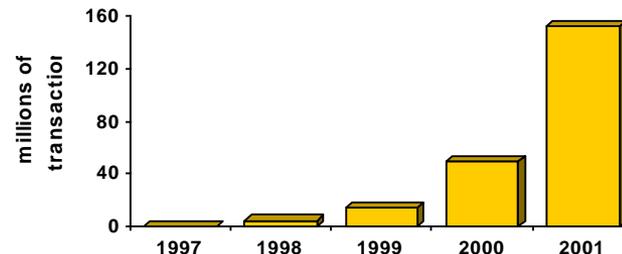
### Growth in Customer Numbers



### Profitability of CommSec

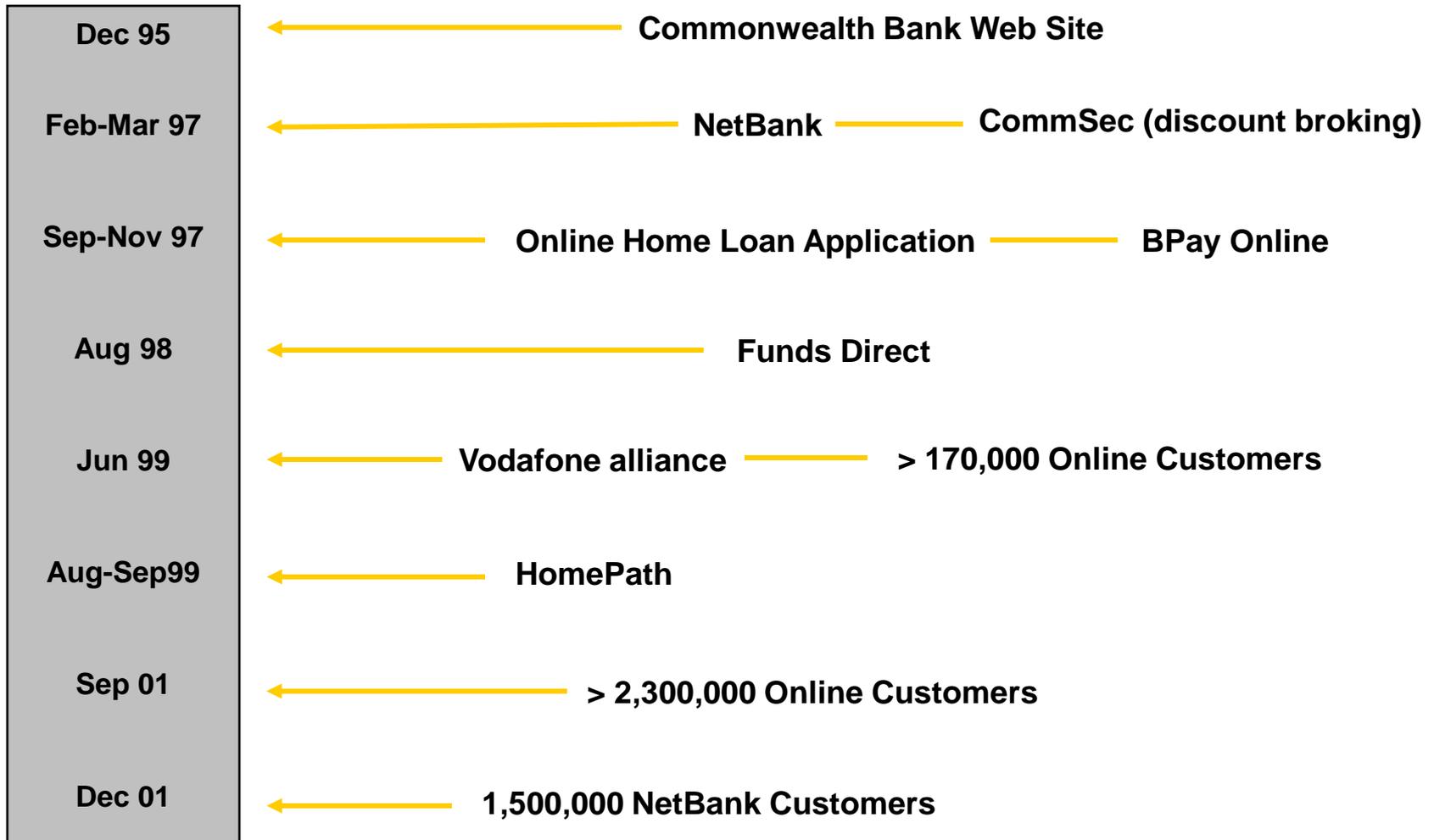


### Growth in Transaction Volumes



# Innovation : e-Commerce footprint

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# Strategic Imperatives

## Strategic Issues

- Domestic Growth
- Wealth Management
- Distribution
- Technology & Productivity



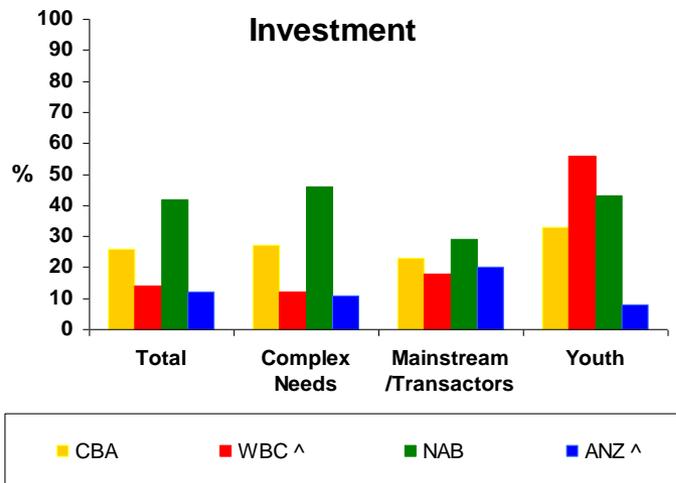
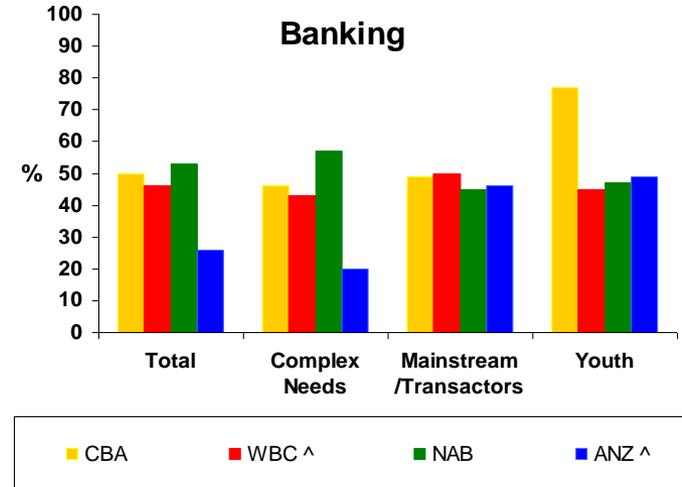
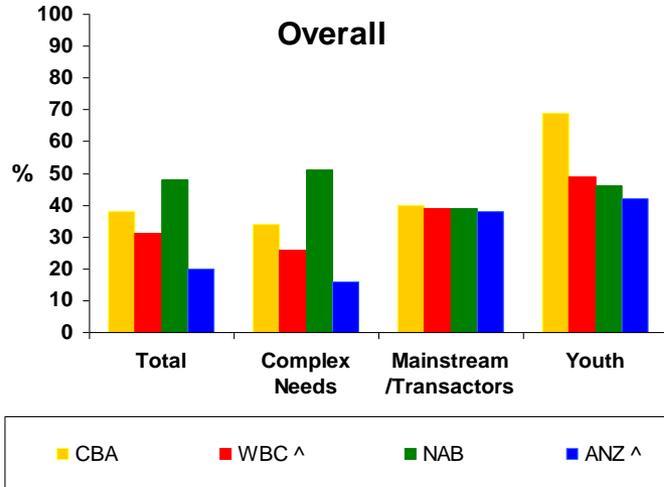
- Segmentation
- Productivity



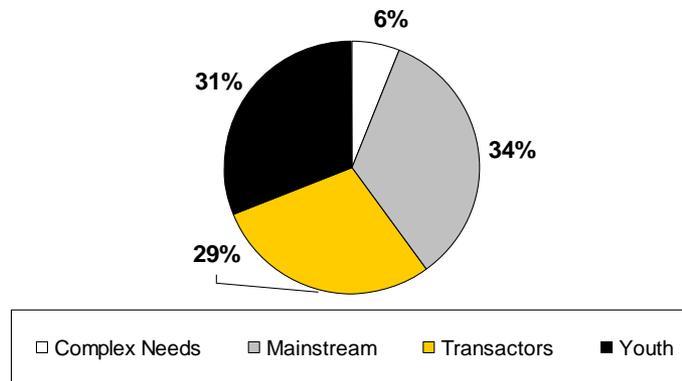
# Segmentation: Aligned Domestic Structure with Customer Needs

	<b>Retail Banking Services</b>	<b>Premium Financial Services</b>	<b>Investment &amp; Insurance Services</b>	<b>Institutional &amp; Business Services</b>
<i>Customer Group</i>	Personal banking customers, Small business banking customers	Premium clients including professionals and business	Agents, Brokers, Financial Advisers	Institutional, Corporate, Commercial business customers
<i>Channels</i>	Branch, Ezy-Banking, ATM, EFTPOS, Phone, On-line, Mortgage brokers	Relationship managers, Premium investment centres, phone, on-line.	Agents, Branches, Brokers, Financial Advisers, Premium investment centres DirectDealerships	Relationship managers, Business centres
<i>Services</i>	Group Technology, Back Office Operations, Procurement, Shared Services			
<i>Support</i>	Finance, Risk Management, Human Resources, Strategy, Legal, Secretariat			

# Retail Share of Wallet and Cost to Serve

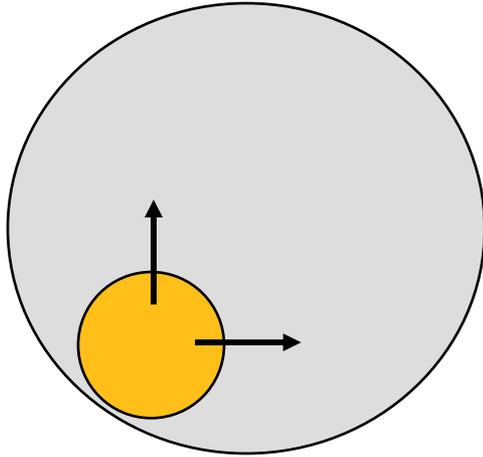


**CBA Personal Customers : Segment share**



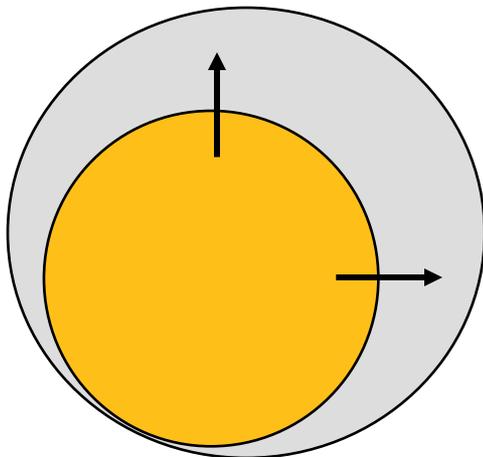
# Premium and Business Opportunity

## Premium Customers



- Current number of premium customers
- Potential number of premium customers

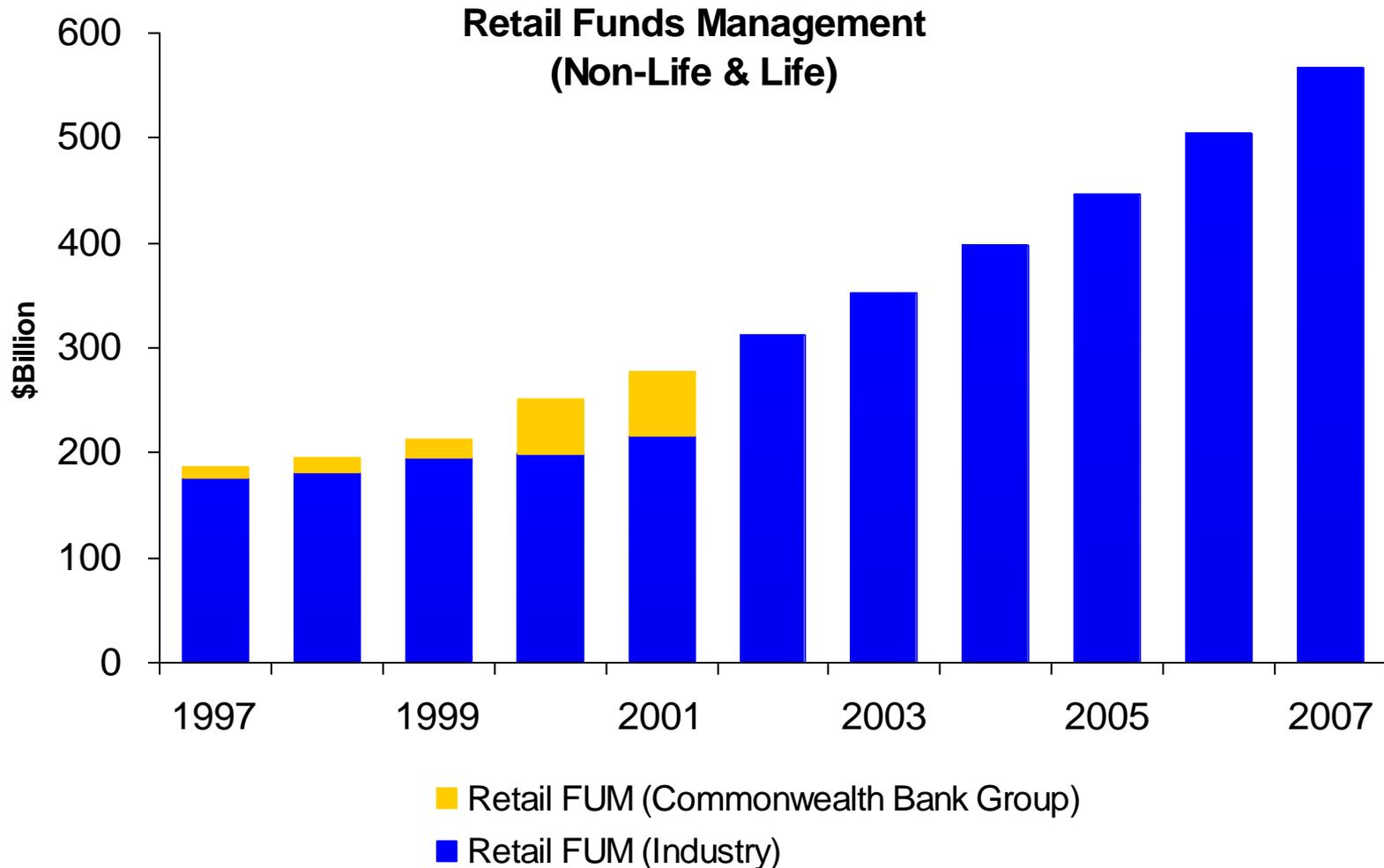
## Business (Middle Market)



- Current market share
- Natural market share

Source : Commonwealth Bank illustration

# Funds Management Opportunity



# Growth through Retail Masterfunds

## FirstChoice

Our new multi-manager solution

- wide investment choice
- value for money
- award winning service



### FirstChoice

INVESTMENT > More...

### FirstChoice

PERSONAL SUPER > More...

### FirstChoice

PENSION > More...



# Productivity

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- Segmentation : premium banking
- Simplified transaction accounts
- Browser based workflow enabled systems
- Credit risk architecture
- 7 level organisation structure
- Shared services : HR and finance

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# Looking Forward



# Strategic Plan to June 2006 is Underpinned by Growth Assumptions

<u>Business Driver</u>	<u>Profile</u>	<u>5 Year Plan</u>
Growth in Market Share	Funds under management Home Loans Credit Cards Life Insurance Credit Products Business Financing Retail Deposits	At or above market
Margins	Comparable for business mix	Continuing decline
Sources of Income	Comparable Financial Institutions	Rebalance toward non-interest income
Costs	Reduction in cost/income – Best practice	3%-6% p.a. productivity change
Capital Management	Optimise regulatory capital and maintain rating.	Rating AA-
Total Shareholder Return	Top quartile	Deliver top quartile TSR.

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