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# **Deutsche Bank - Asia-Pacific Financial Institutions Conference**

**Stuart Grimshaw**

**Group Executive Financial and Risk Management**

**8 July 2002**



# 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 presentation, 8 July 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 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."



# Agenda

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- Introduction
  - Australian Economy & Commonwealth Bank Group
- Strategy
  - Strategic issues
  - Competitive advantage
  - Strategic imperatives
- Looking Forward
  - Strategic plan



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# Introduction



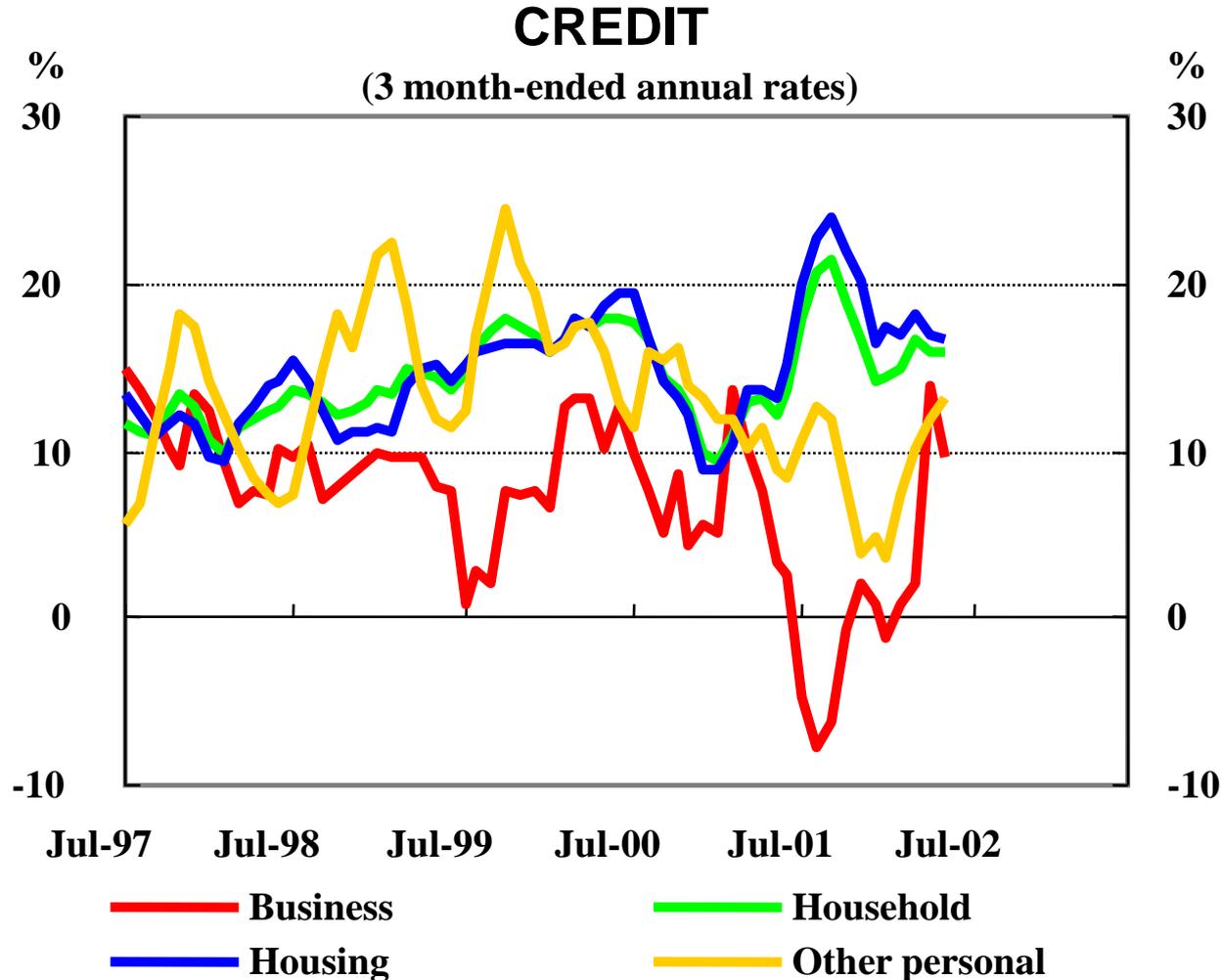
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# Australian Economy & Commonwealth Bank Group

- **Credit Growth**
  - Current position
  - Housing market
- **Commonwealth Bank Group**
  - Asset quality

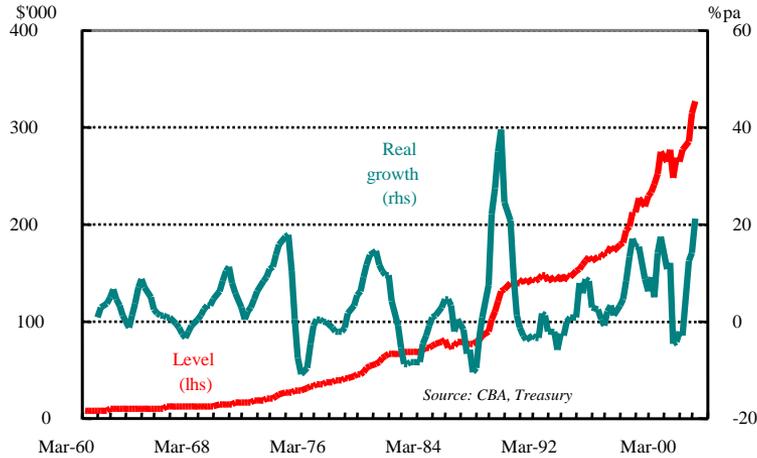


# Australian Economy: Credit Growth

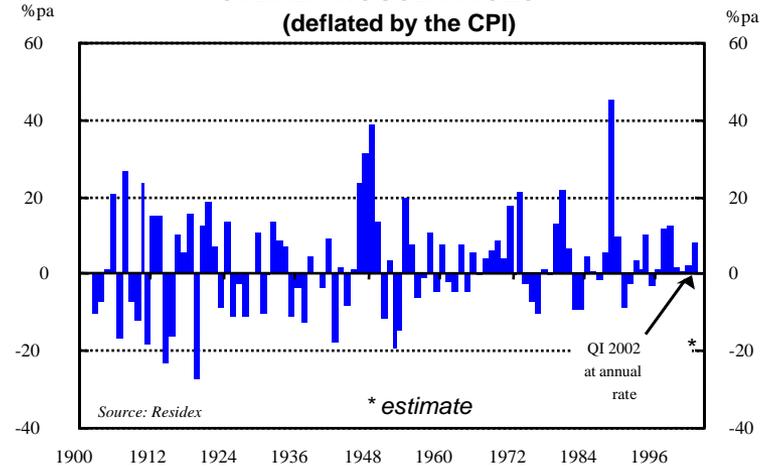


# Housing Market

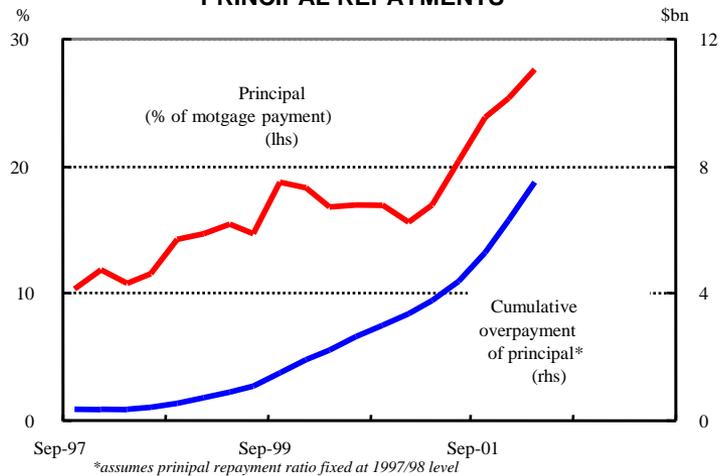
## HOUSE PRICES



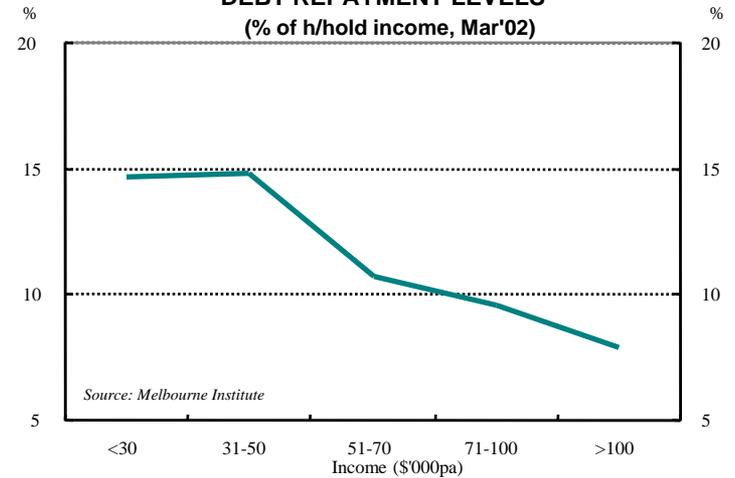
## SYDNEY HOUSE PRICES (deflated by the CPI)



## PRINCIPAL REPAYMENTS



## DEBT REPAYMENT LEVELS (% of h/hold income, Mar'02)



# Commonwealth Bank Group: Low Credit Risk Profile

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## ■ Housing Loans

- 48% of total loan book\*
- Loan loss rate of < 3bps in 17 of last 20 years
- 55% average loan to valuation ratio
- Conditional acceptance of First Home Owners Grant as deposit

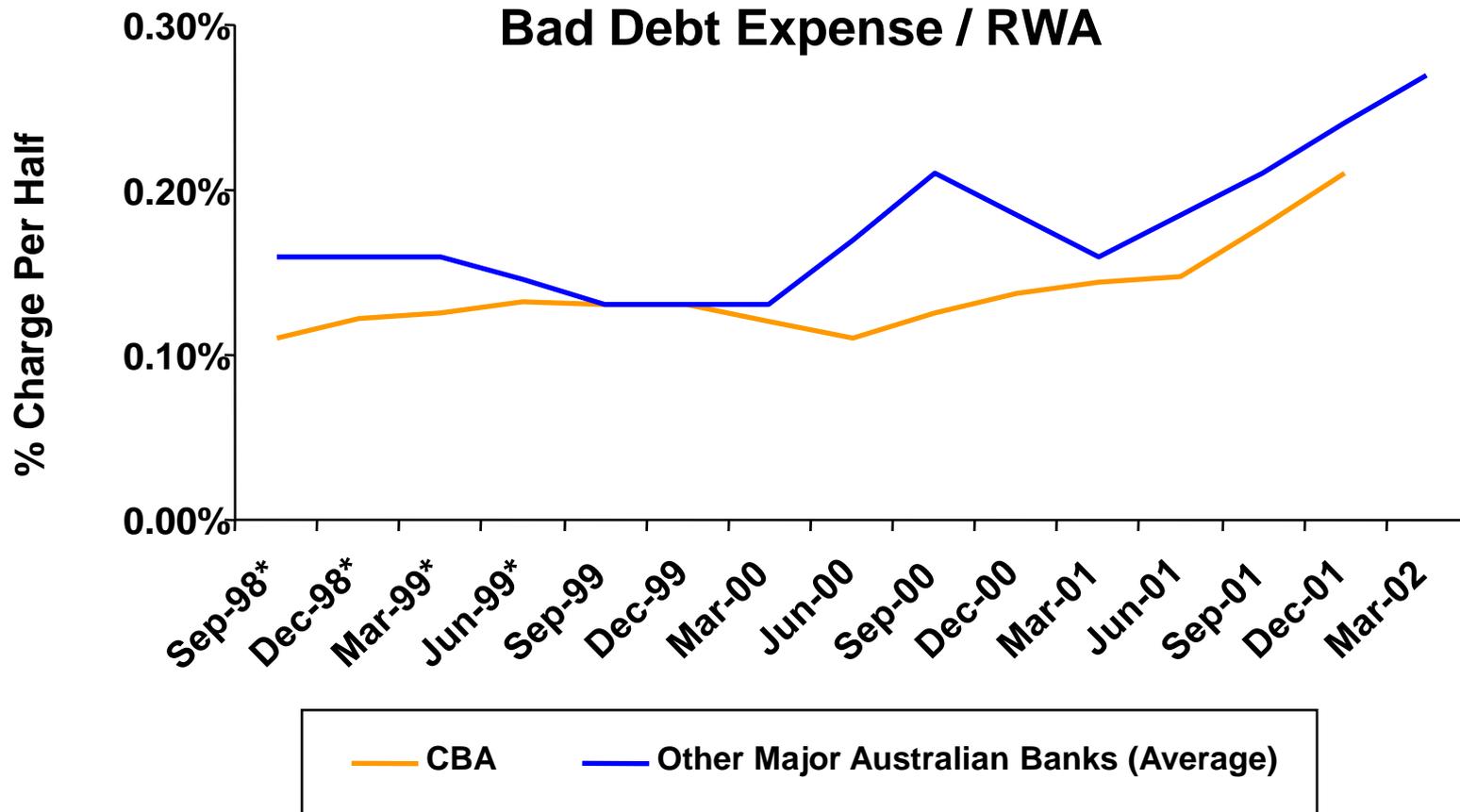
## ■ Asset Quality

- Impaired assets to risk weighted assets of less than 1% in line with domestic peers
- Relatively low bad debt expense
- Well provisioned

\* Excluding securitisation (or 52% including securitisation)

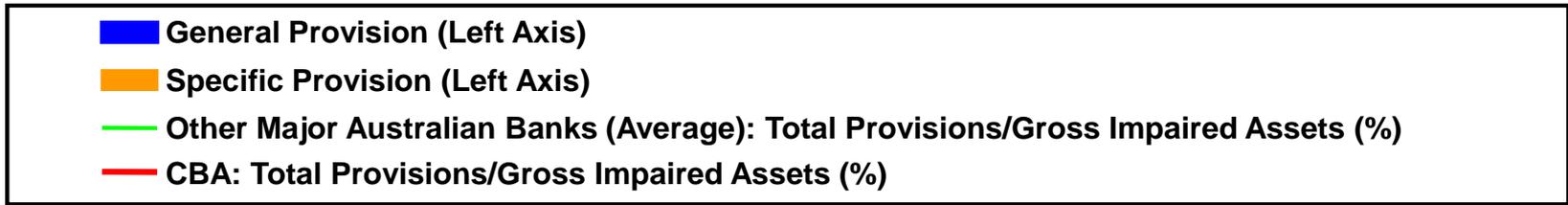
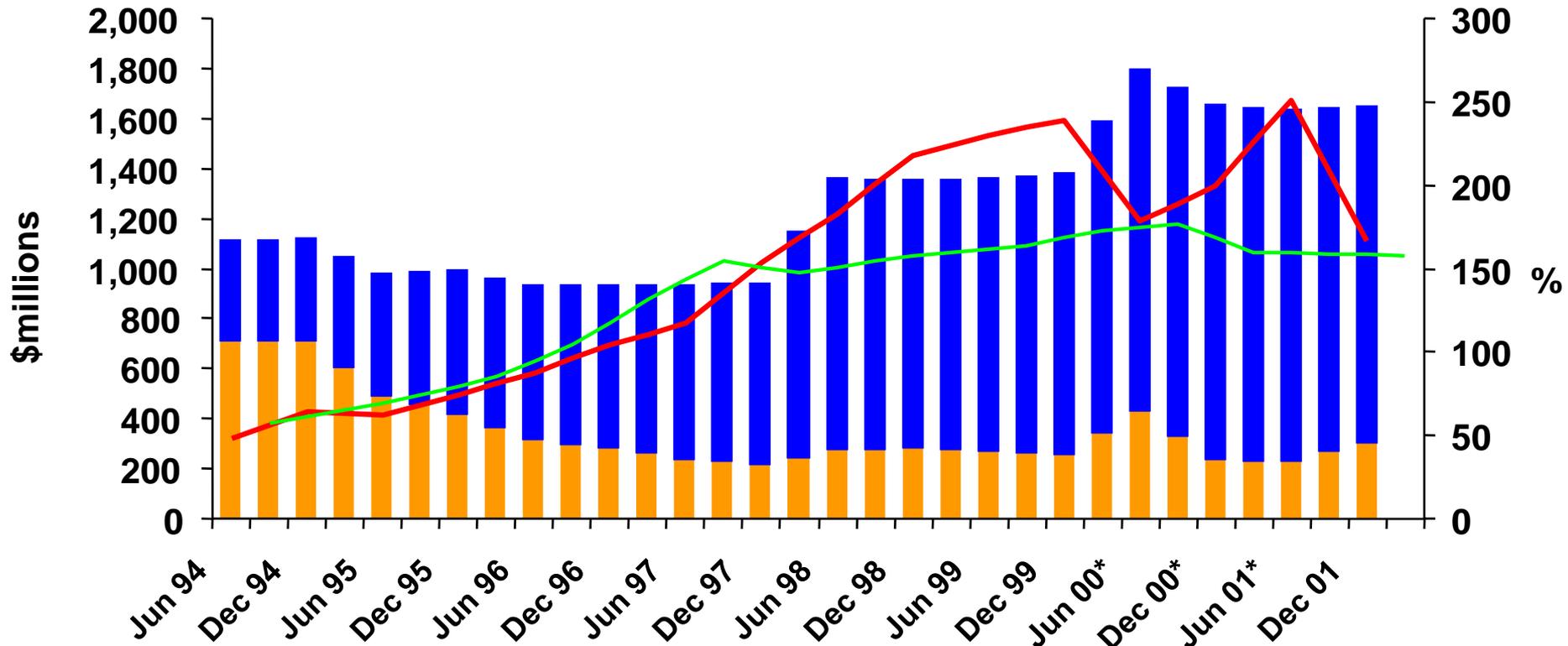


# Credit Risk: Historical P&L Charge



\* Excludes Colonial

# Aggregate Provisions



\* Includes Colonial

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# Strategy

- Strategic Issues
- Competitive Advantage
- Strategic Imperatives



# Strategic Issues

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

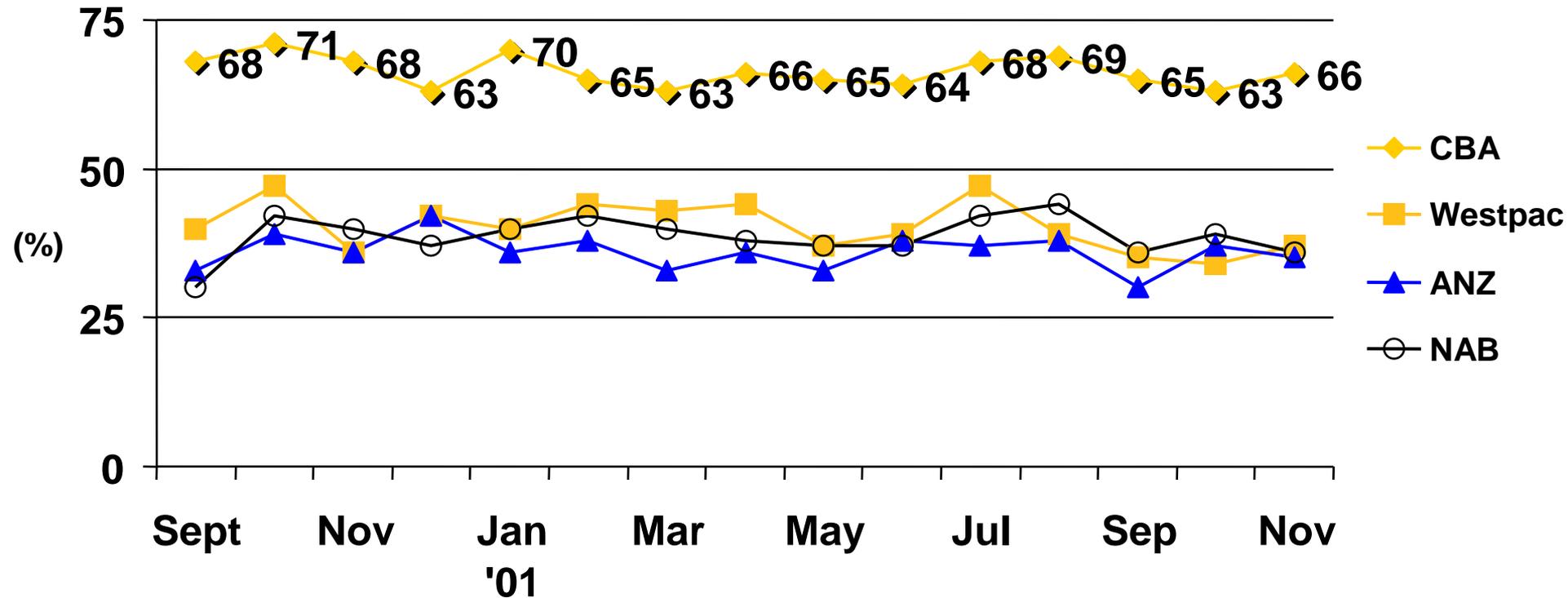
# Competitive Advantage

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- Brand
- Scale
- Innovation

# Brand : Commonwealth Bank

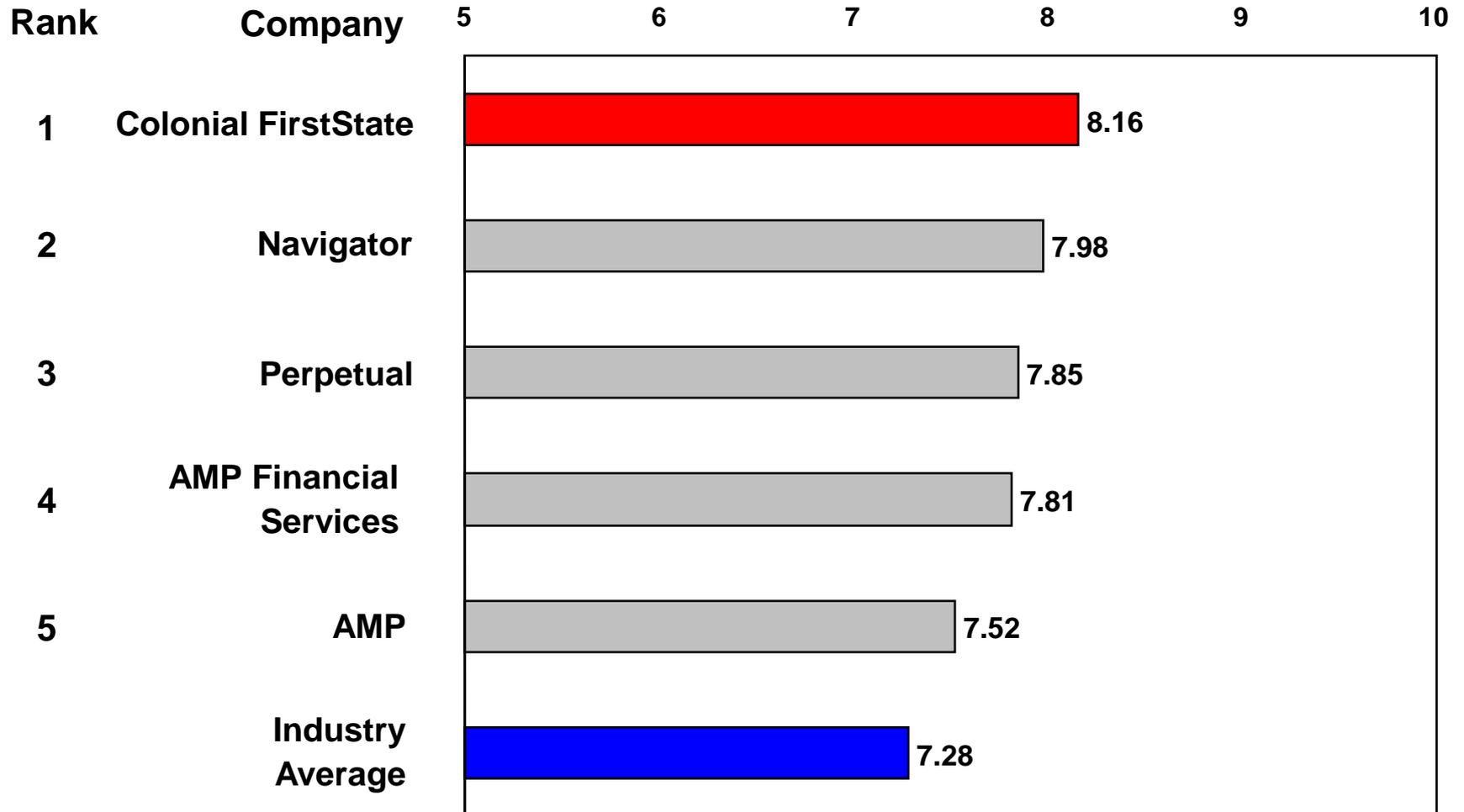
## Share of Mind\*



- 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



# Australia's Most Accessible Bank



\* for 6 months to Dec '01

<sup>^</sup> Also includes financial consultants and personal client advisers



# Scale : Strong Market Share Positioning

## Australian Market Share

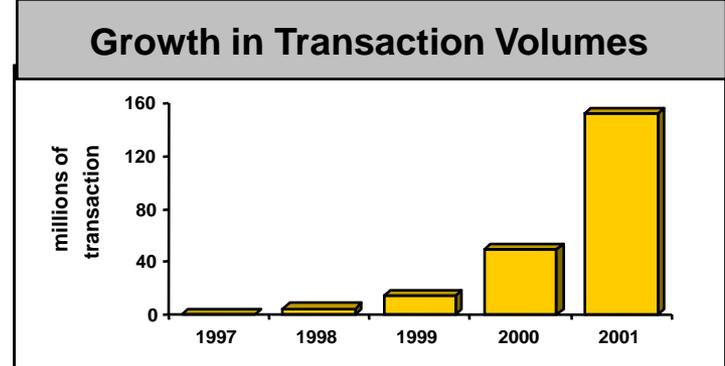
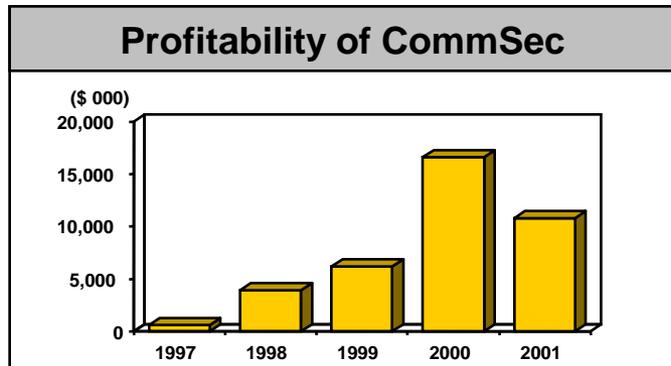
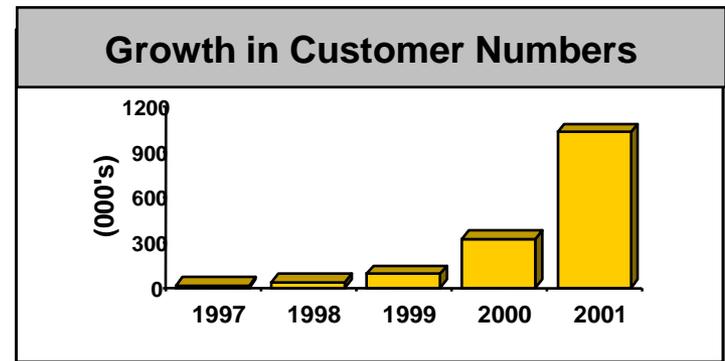
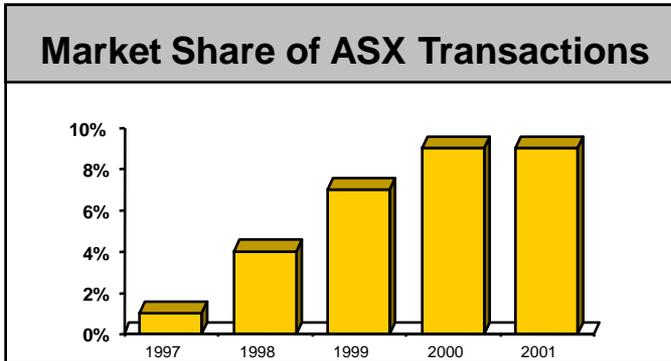
	Dec 2000	Jun 2001	Dec 2001	Mar 2002	Rank
<b>Home Loans</b> (Residentially Secured)	20.8%	20.4%	20.1%	20.1%	1
<b>Credit Cards<sup>^</sup></b>	21.9%	21.4%	21.4%	21.8%	1
<b>Retail Deposits</b>	24.6%	24.0%	24.1%	24.2%	1
<b>Retail FUM (Plan for Life)</b>	16.0%	16.3%	16.4%	16.3%	1
<b>Superannuation/Annuities</b>	15.7%	16.3%	16.4%	16.4%*	2
<b>Retail Broking</b>	8.5%	9.0%	8.5%	9.2%	1
<b>Inforce Premiums</b>	14.6%	14.4%	14.5%	14.5%*	2

\* Dec 2001 Data

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



# Innovation : Commsec & NetBank



# Strategic Imperatives

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## Strategic Issues

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

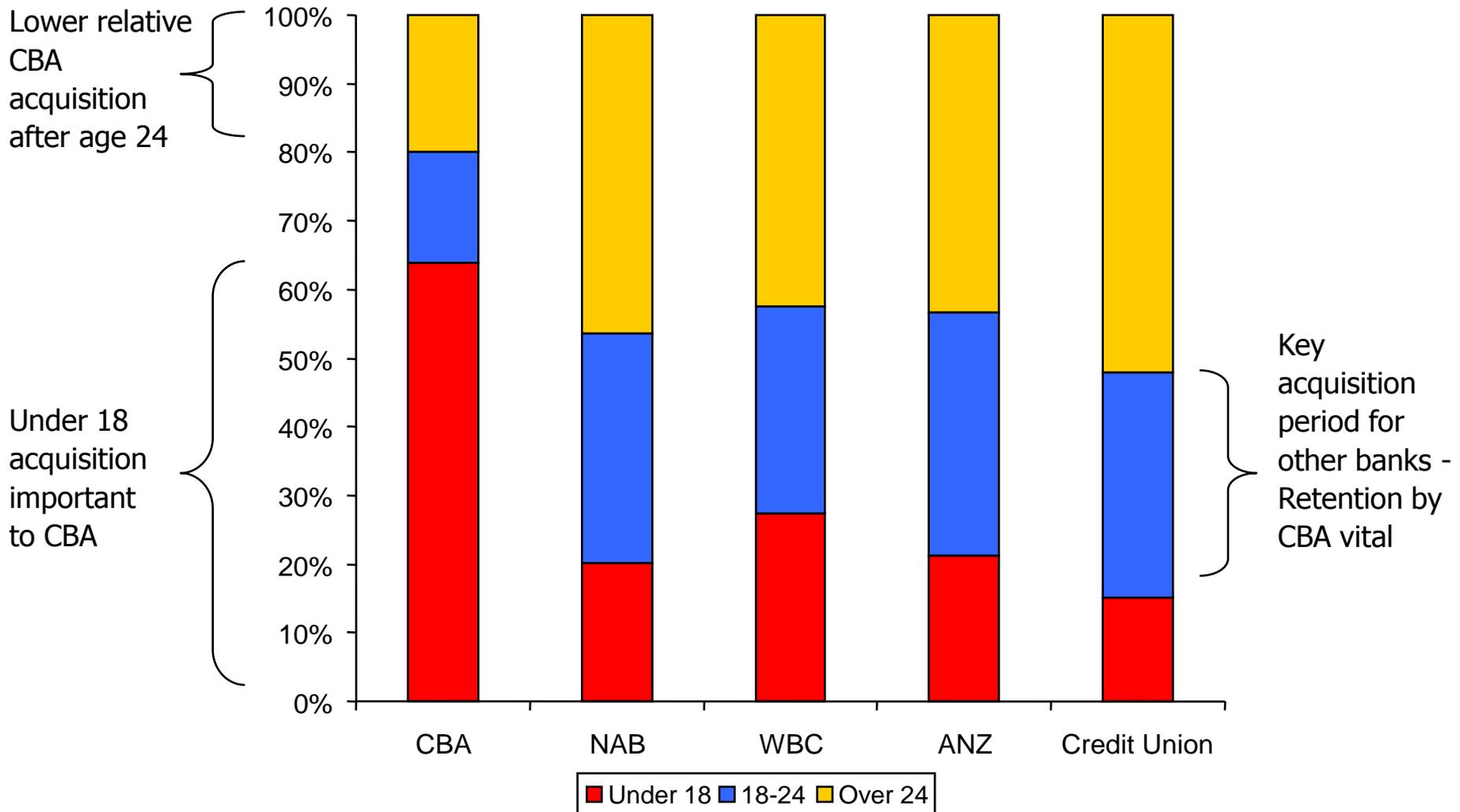


- Segmentation
- Productivity

# Segmentation: Aligned Domestic Structure with Customer Needs

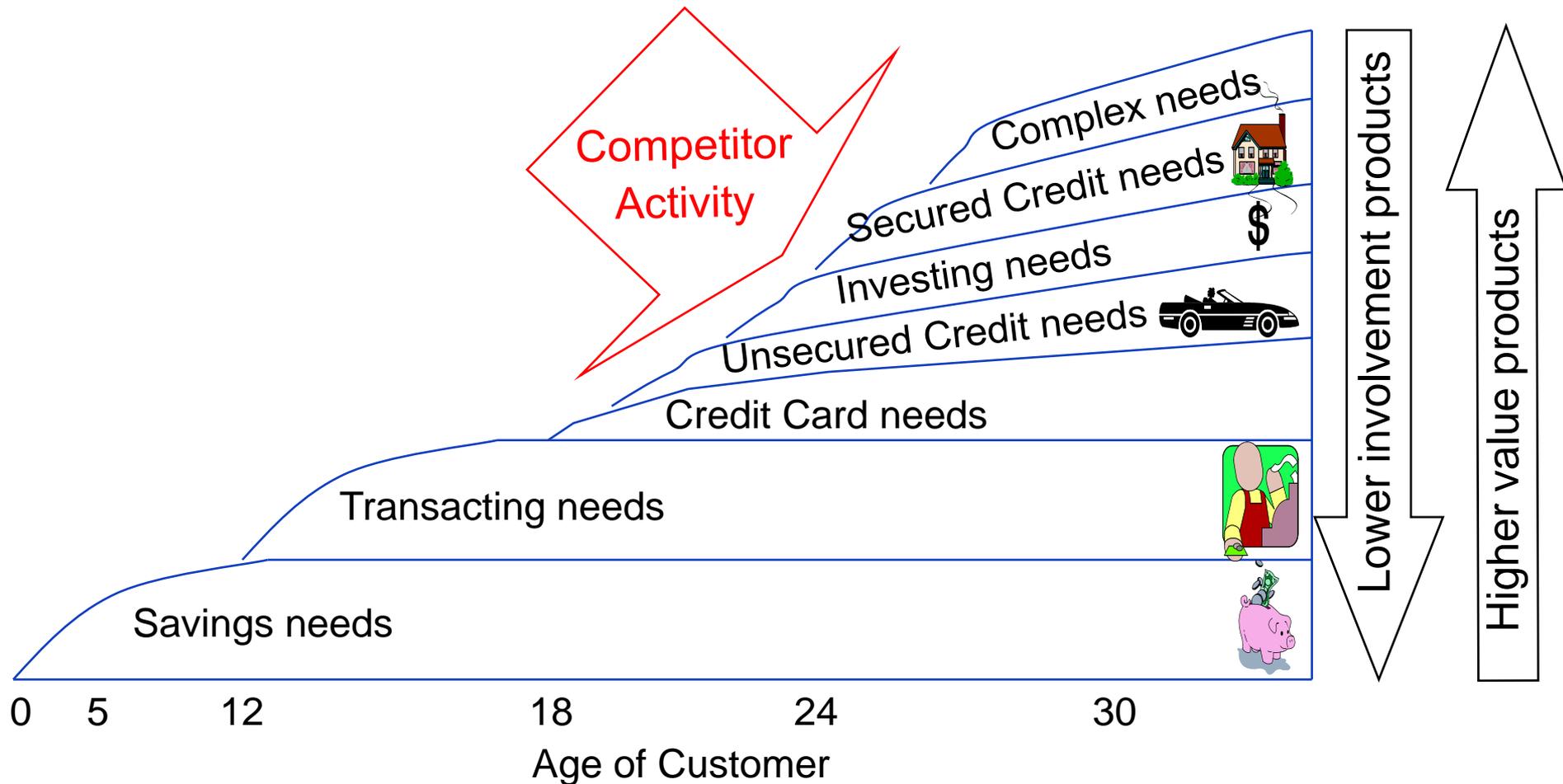
	<b>Retail Banking Services</b>	<b>Premium Financial Services</b>	<b>Investment &amp; Insurance Services</b>	<b>Institutional &amp; Business Services</b>
<i>Customer Group</i>	Personal banking customers, Small business banking customers	Premium clients including professionals and business	Agents, Brokers, 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			

# Youth: Age of Acquisition



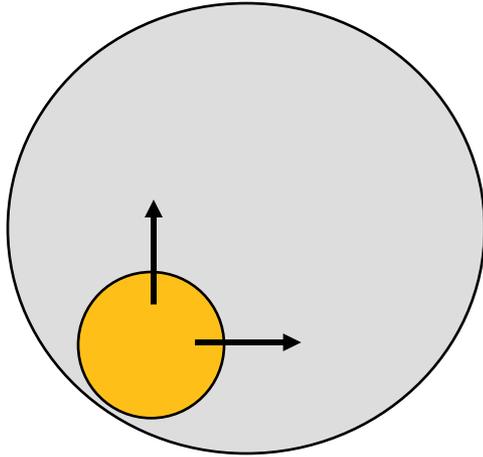
# Banking Needs

Banking needs change and grow as customers age and pass through different lifestages



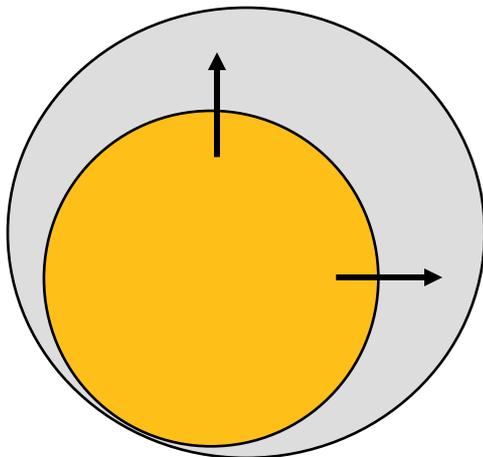
# Premium and Business Opportunity

## Premium Customers



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

## Business (Middle Market)

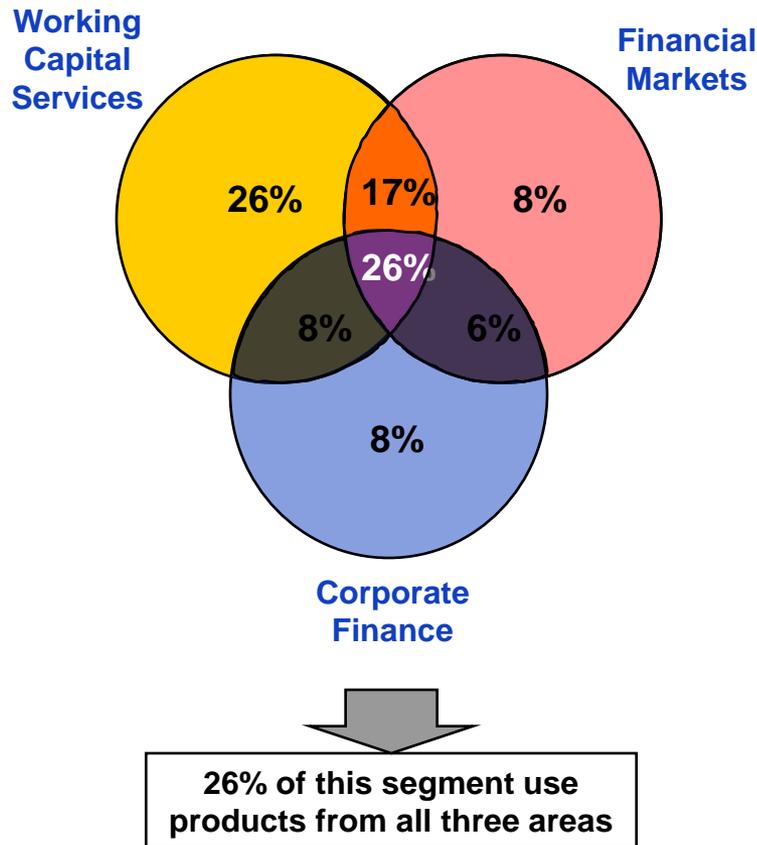


- Current market share
- Natural market share

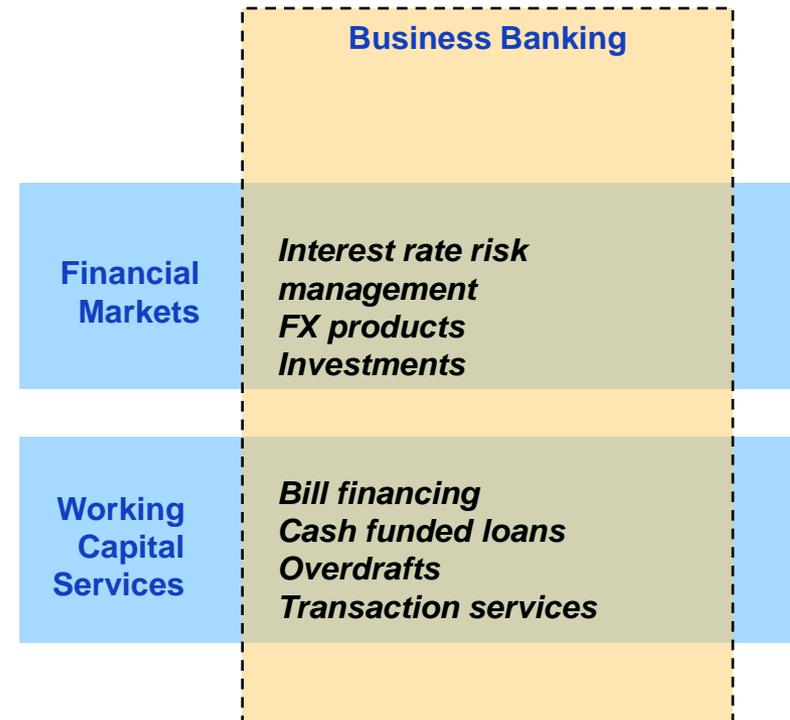
Source : Commonwealth Bank illustration

# Business: Increasing Cross-sell

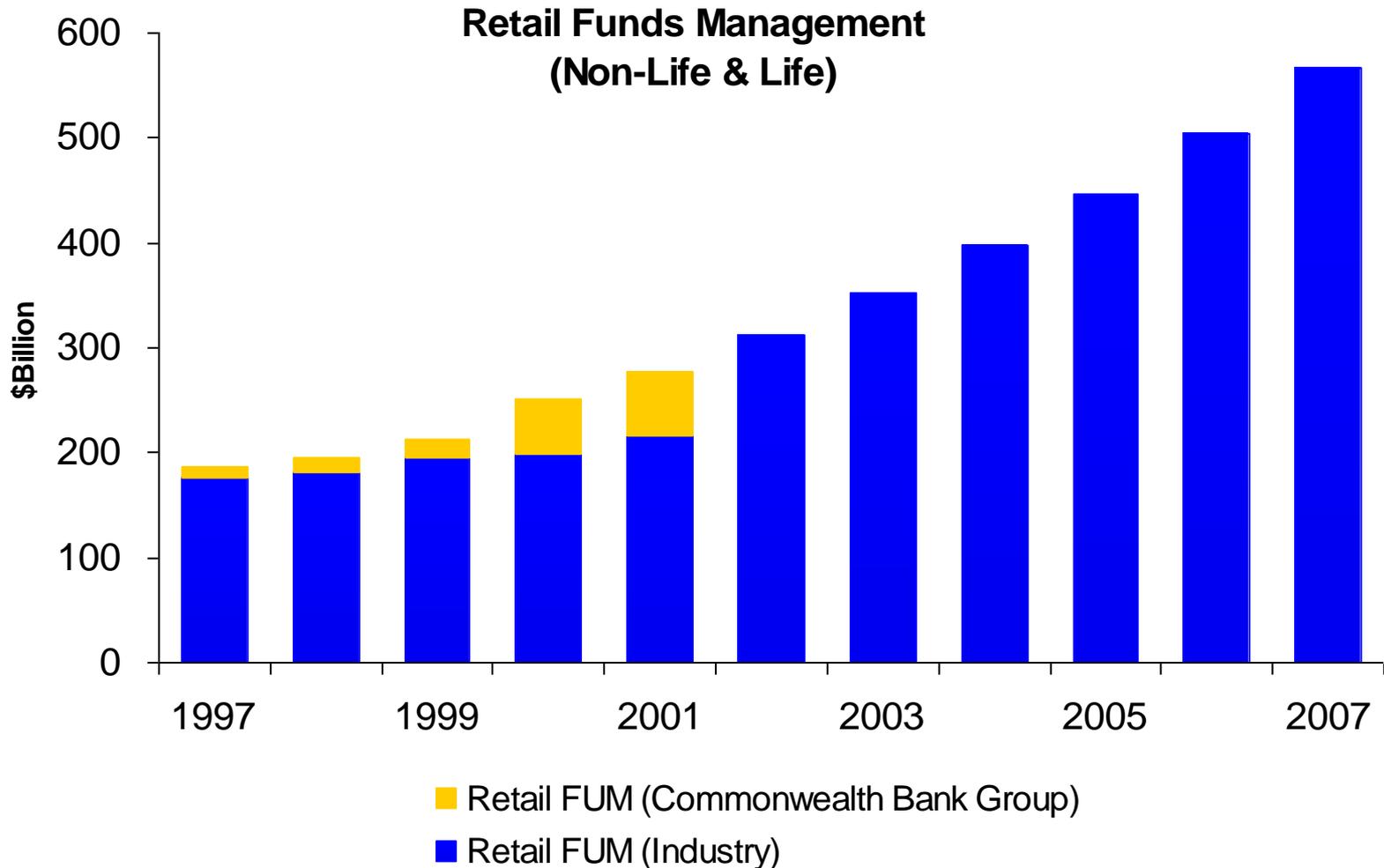
## Corporate Segment Example



## Example Bundled Products



# Funds Management Opportunity



# Growth through Retail Masterfunds

Colonial First State - Microsoft Internet Explorer provided by EDS CBA COE

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# What is different about FirstChoice?

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- Underlying Investment structure
- Superior service standards
- Value for money
- Simplicity

# 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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