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# JP Morgan Investment Conference

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Commonwealth Bank of Australia

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**Commonwealth** Bank



# 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, 1 October 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.

# Agenda

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- Overview of Commonwealth Bank
- Commonwealth Bank's Wealth Management Model
- Wealth Management Industry Trends
- Commonwealth Bank's Strategic Response

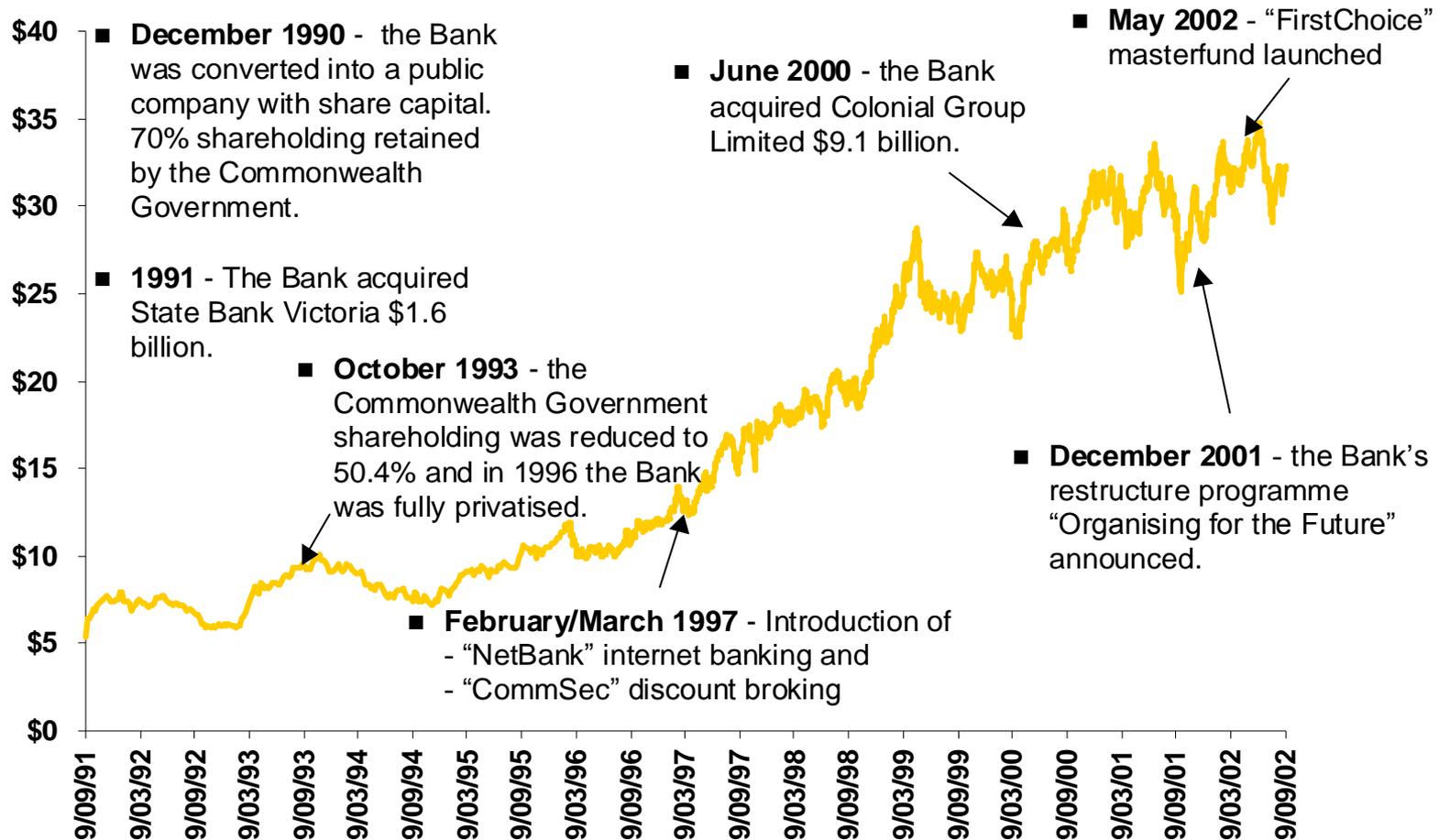
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# Overview of Commonwealth Bank



# Commonwealth Bank: An Overview

## Share price performance last 10 years

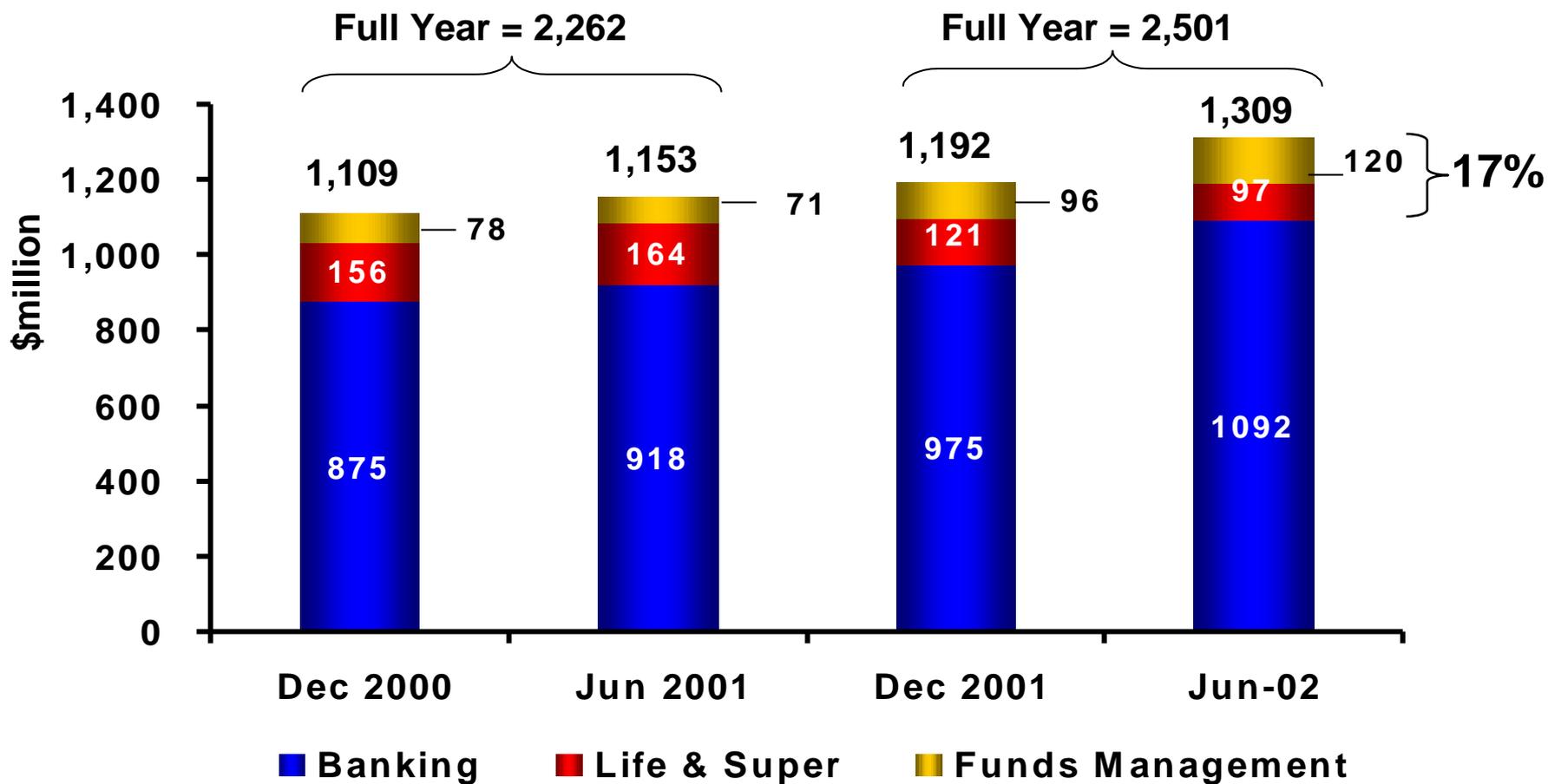


# Recent Result Highlights

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- Solid Earnings Growth
  - Reported Profit up 10.7% to \$2,655m
  - Cash Profit up 10.6% to \$2,501m
  - Cash EPS up 10.1% to \$1.97
- Costs steady year on year
  - Improved productivity and cost to income ratio
- High dividend payout ratio relative to peers
- Capital position remains strong
- Credit Quality and Provisioning remains strong

# Net Profit by Segment\*



\* Net Profit after tax and outside equity interest - cash basis.  
Excludes appraisal value uplift and goodwill amortisation.

# 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, Institutional Clients | Relationship managers, Business centres                 |
| <i>Support</i>        | Finance, Risk Management, Human Resources, Strategy, Technology, Legal, Secretariat |  |   |   |

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# Commonwealth Bank's Wealth Management Model



# Commonwealth Bank's Wealth Management Model

## Product Manufacturer

Investment Products

Commlnsure

Banking Products

Sales Teams / BDMs

Sales Teams / BDMs

Sales Teams

## Commonwealth Bank Retail Distribution Channels (Sales & Advice)

Retail Banking Services (Branch Network)

Third Party

Premium Financial Services

Institutional & Business Services

Online

Direct (Mail & Telemarketing)

## Non Commonwealth Bank Channels

Third Party

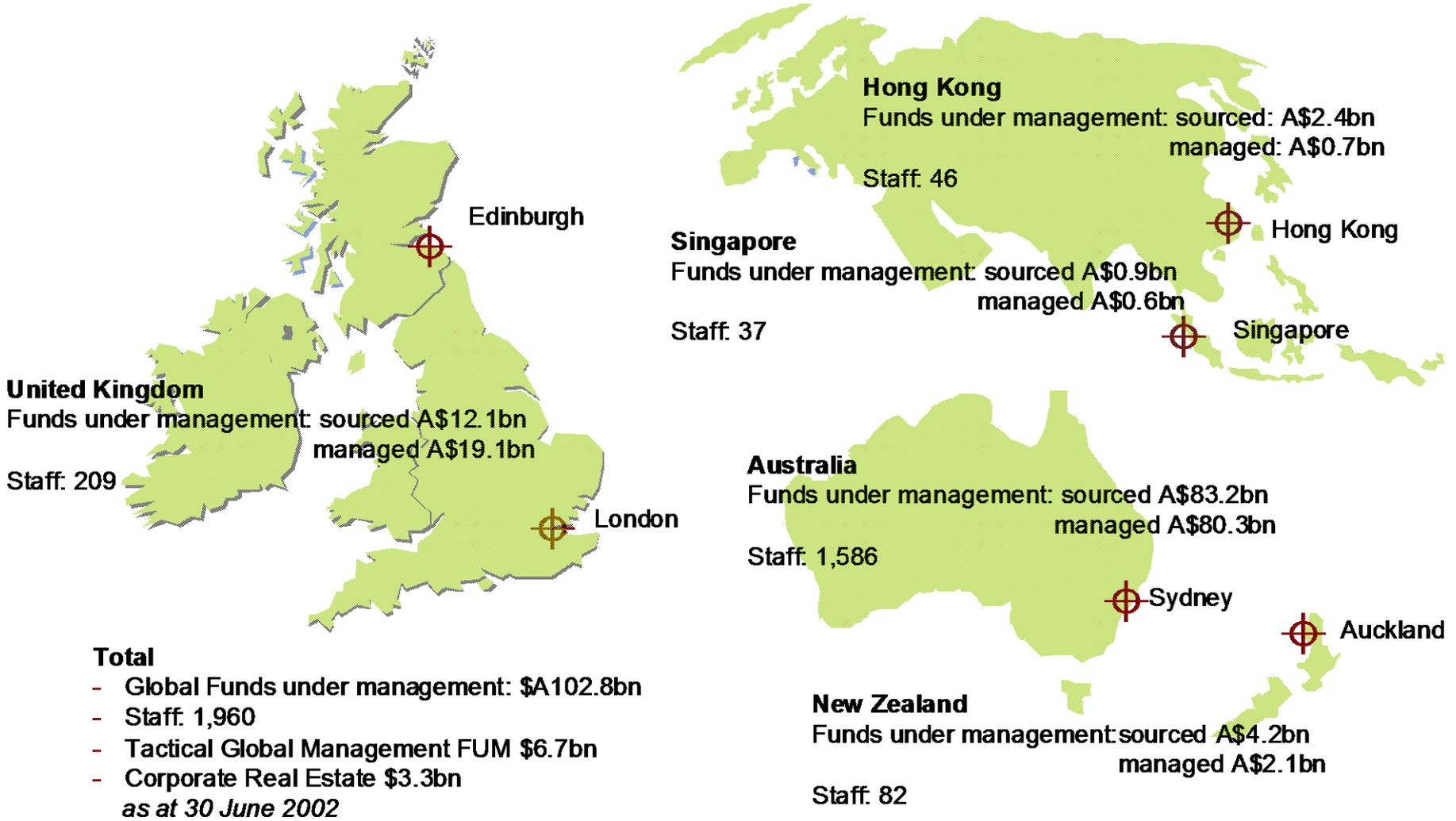
Customers



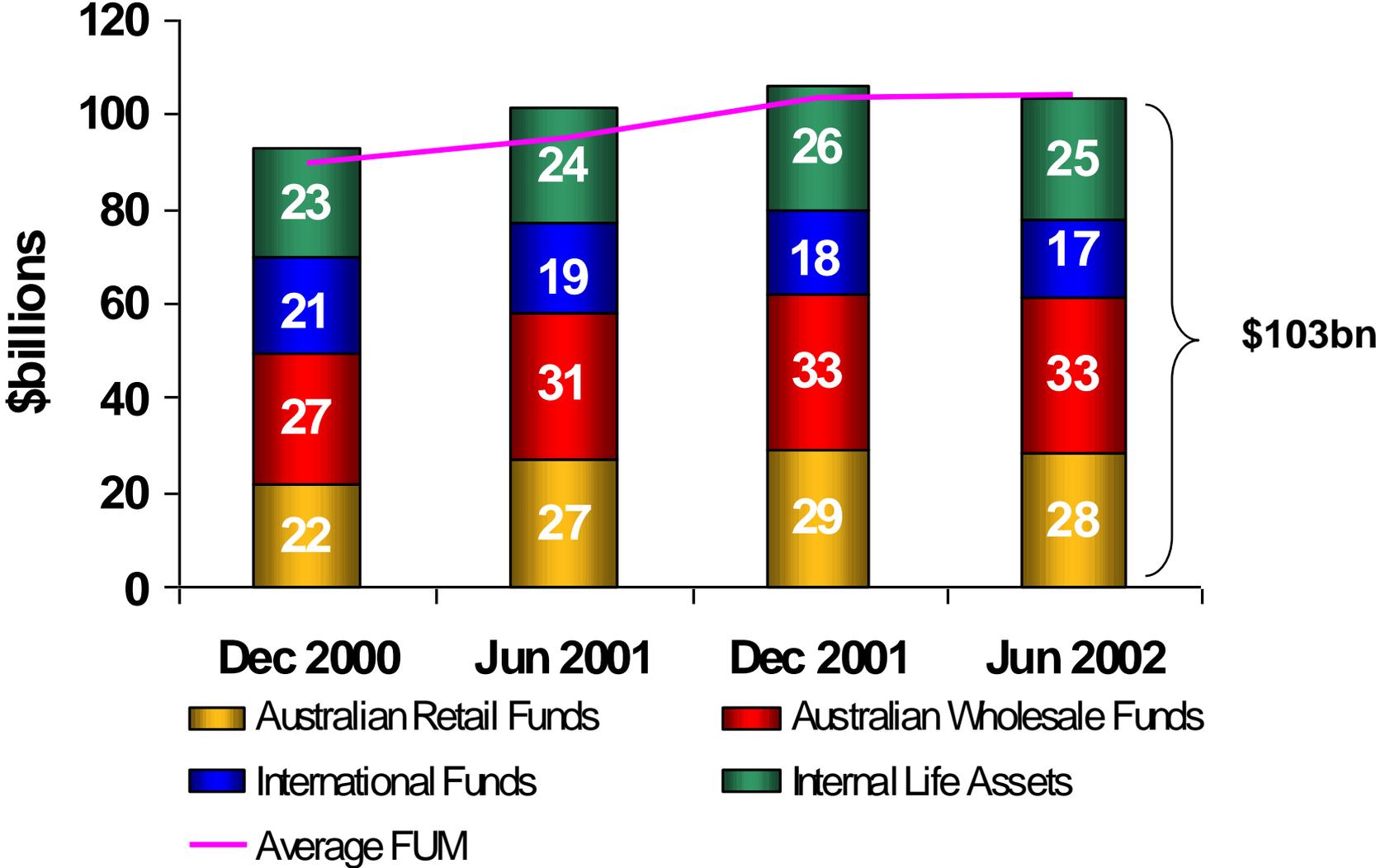
# Investments and Insurance within Commonwealth Bank

| Business   | Activity  | Country  |
|--|---|--|
| <p><b>Investment Products</b></p> <ul style="list-style-type: none"> <li>• Colonial First State Australia</li> <li>• Colonial First State Property</li> <li>• First State Asia</li> <li>• First State UK</li> </ul> <p><b>Insurance</b></p> <ul style="list-style-type: none"> <li>• Commlnsure</li> </ul> <p><b>Financial Planning &amp; Advice</b></p> <ul style="list-style-type: none"> <li>• Financial Wisdom</li> <li>• Commonwealth Financial Solutions</li> <li>• Bank Branch Network</li> </ul> | <ul style="list-style-type: none"> <li>• Asset management &amp; Masterfunds</li> <li>• Direct property asset management</li> <li>• Asset management</li> <li>• Asset management</li> </ul><br><ul style="list-style-type: none"> <li>• General &amp; life insurance</li> </ul><br><ul style="list-style-type: none"> <li>• Third party distribution</li> <li>• Third party distribution</li> <li>• Distribution of investment/insurance products</li> </ul> | <p>Australia/NZ</p> <p>Australia/NZ</p> <p>Asia</p> <p>UK, Europe, USA</p><br><p>Australia</p><br><p>Australia</p> <p>Australia</p> <p>Australia</p> |

# Investment Management - Overview



# Scale: Funds Under Management

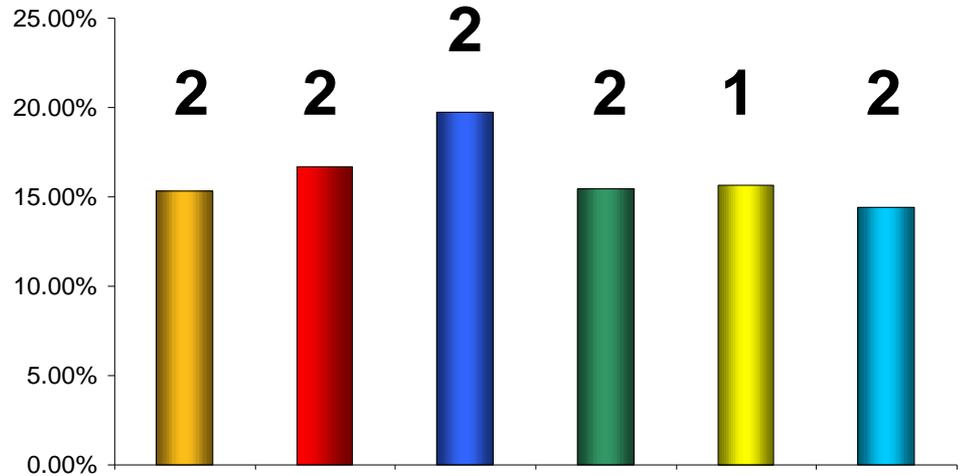


# Retail Australian Market Share - Investment Products

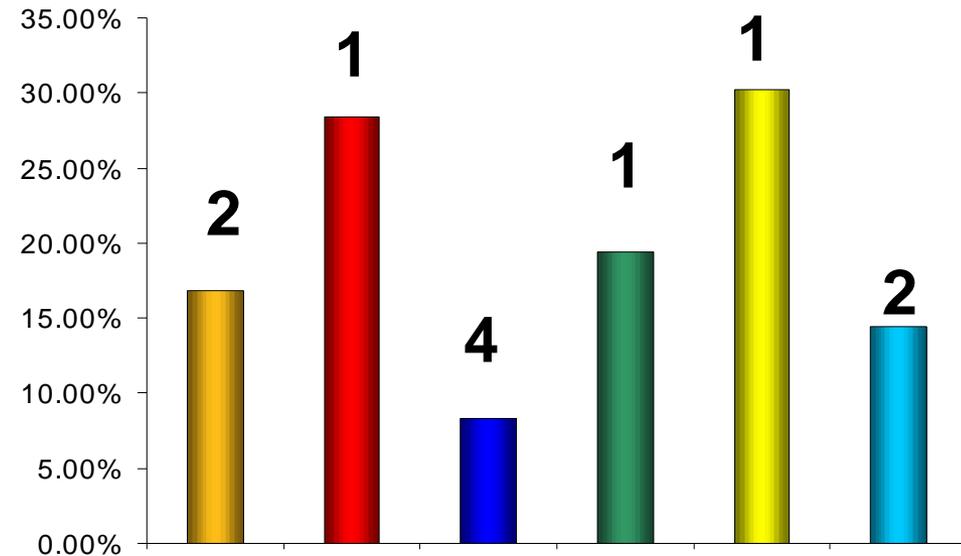
## Market Share and Rank by Product Category



\*CMT = Cash Management Trust



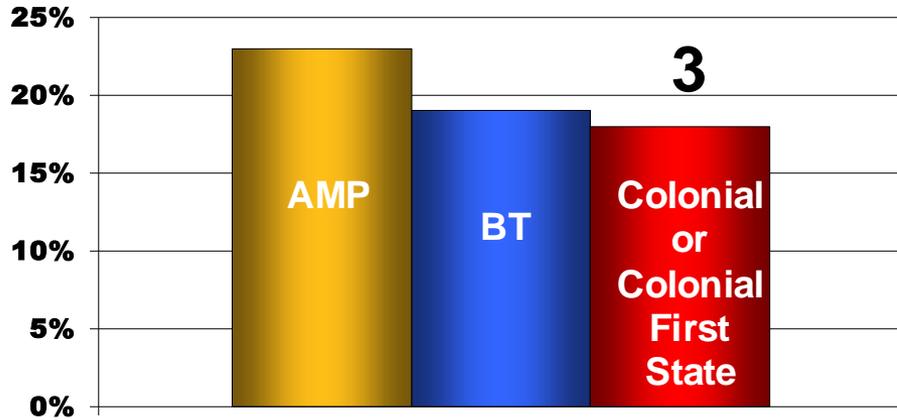
## Market Share and Rank by Asset Class



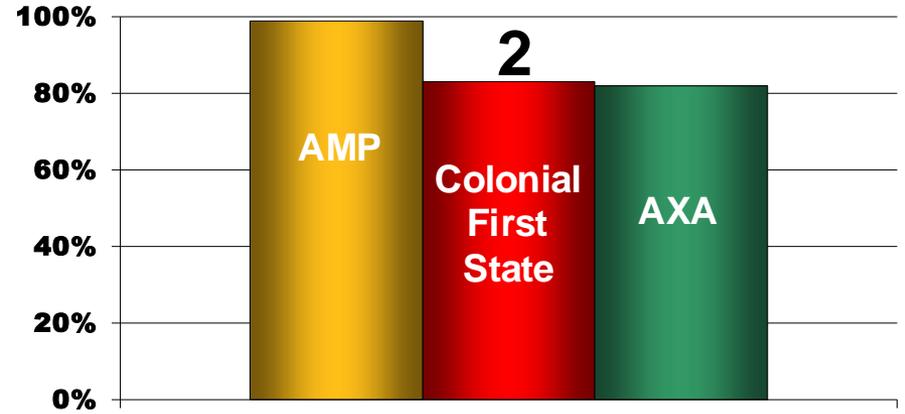
Source: Plan for Life June 2002

# Brand - Colonial First State

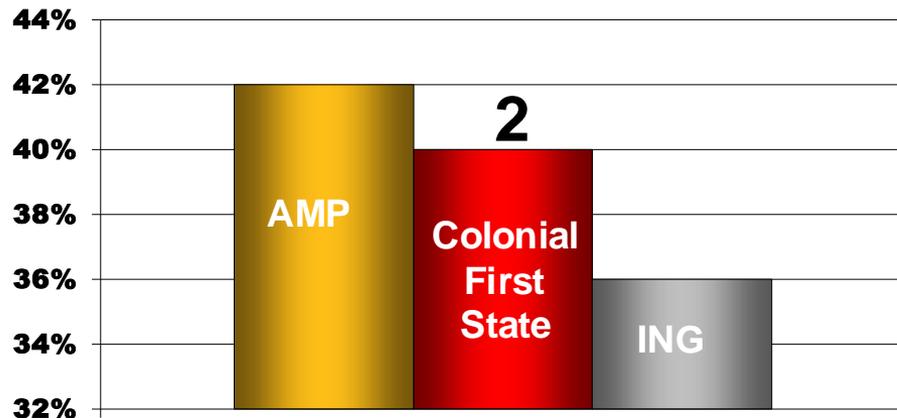
Consumer Brand Awareness - Unaided



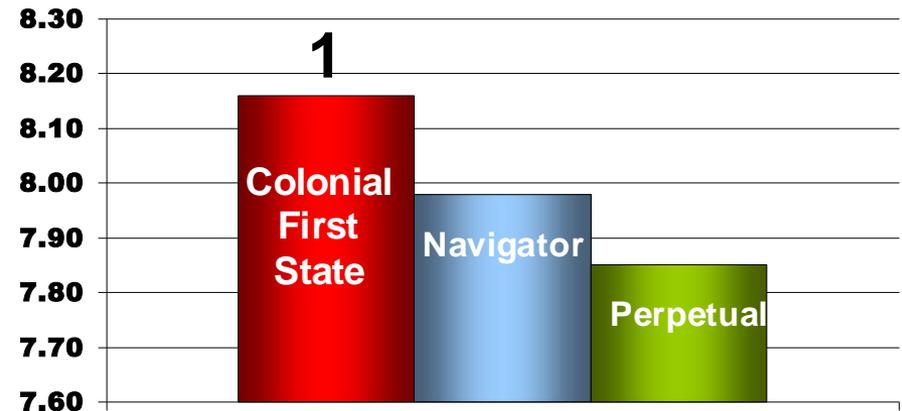
Consumer Brand Awareness - Total



Consumer Purchase Intention



Adviser Brand Awareness - Overall Opinion of Organisation

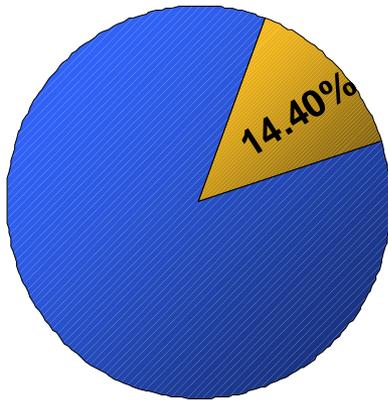


# Commlnsure - Overview

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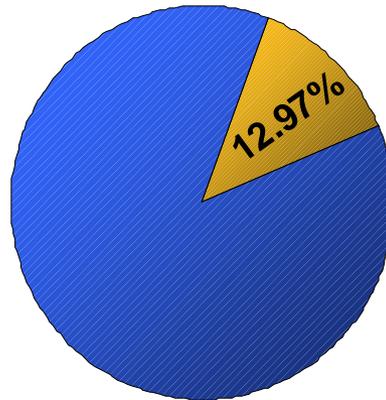
## Life Insurance:

- Market Inforce \$3.4bn
- Commlnsure rank: 2



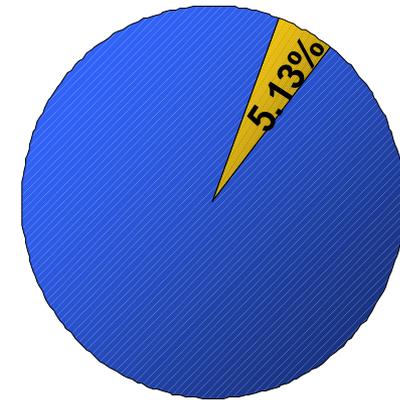
## Annuities:

- Market FUM \$10.7bn
- Commlnsure Rank: 3



## House & Contents Insurance:

- Market GWP\* \$2.5bn
- Commlnsure Rank: 6



\*GWP: gross written premium

Source: Plan for Life, APRA adjusted

# Financial Planning & Advice Services - Overview

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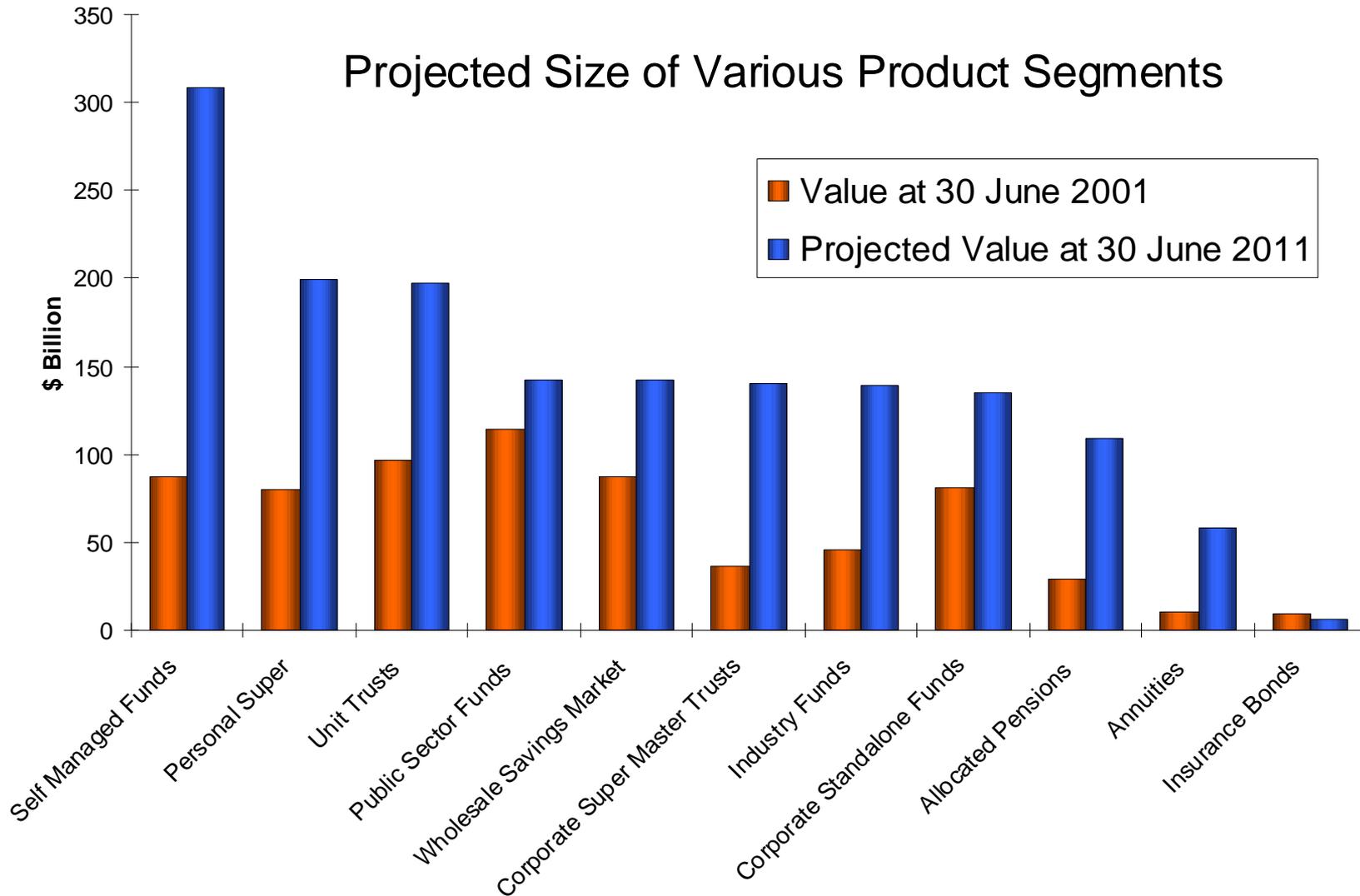


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# Wealth Management Industry Trends

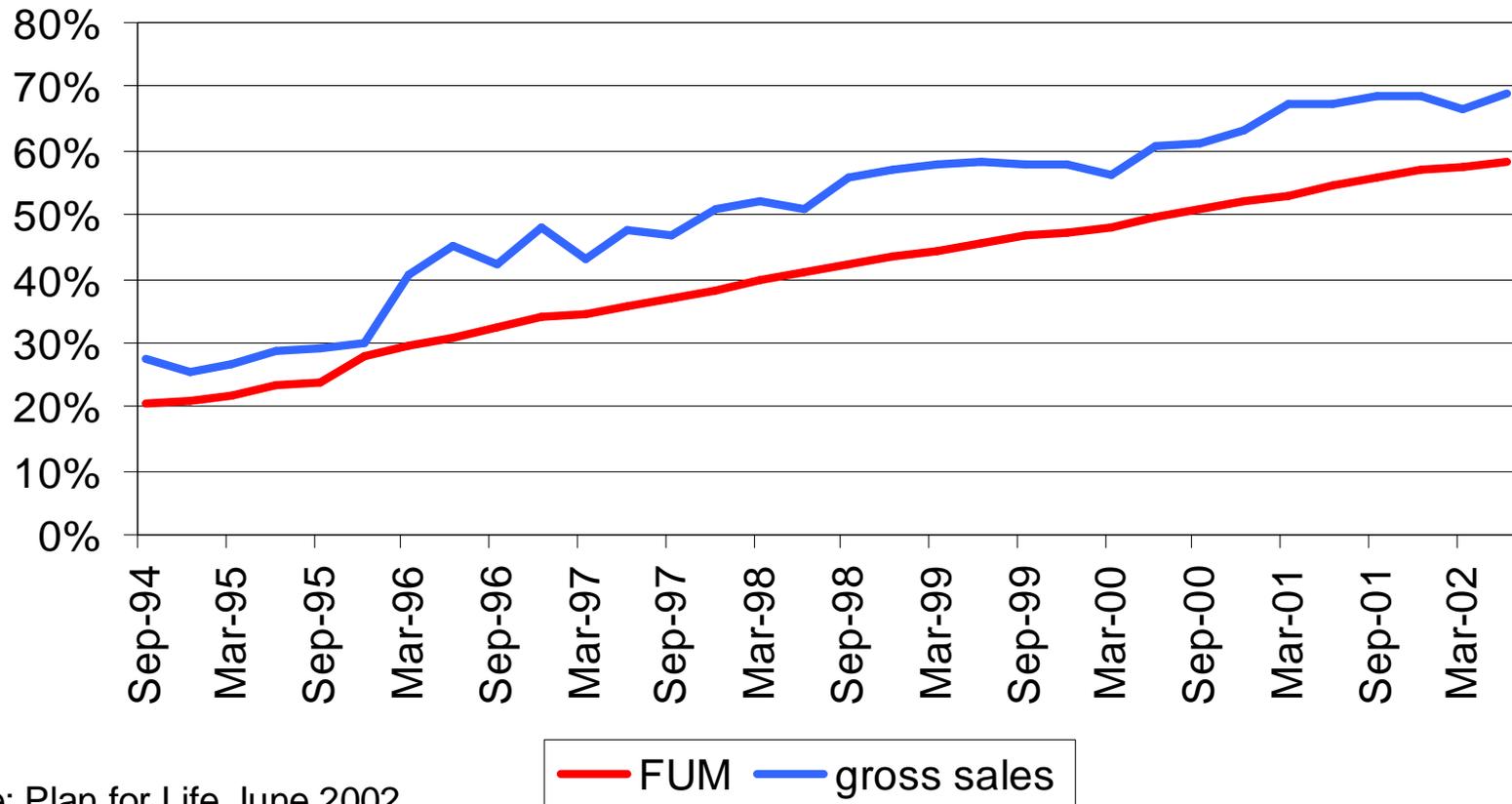


# Australian Market Prospects - Product Segment Growth



# Growth in Master Trusts

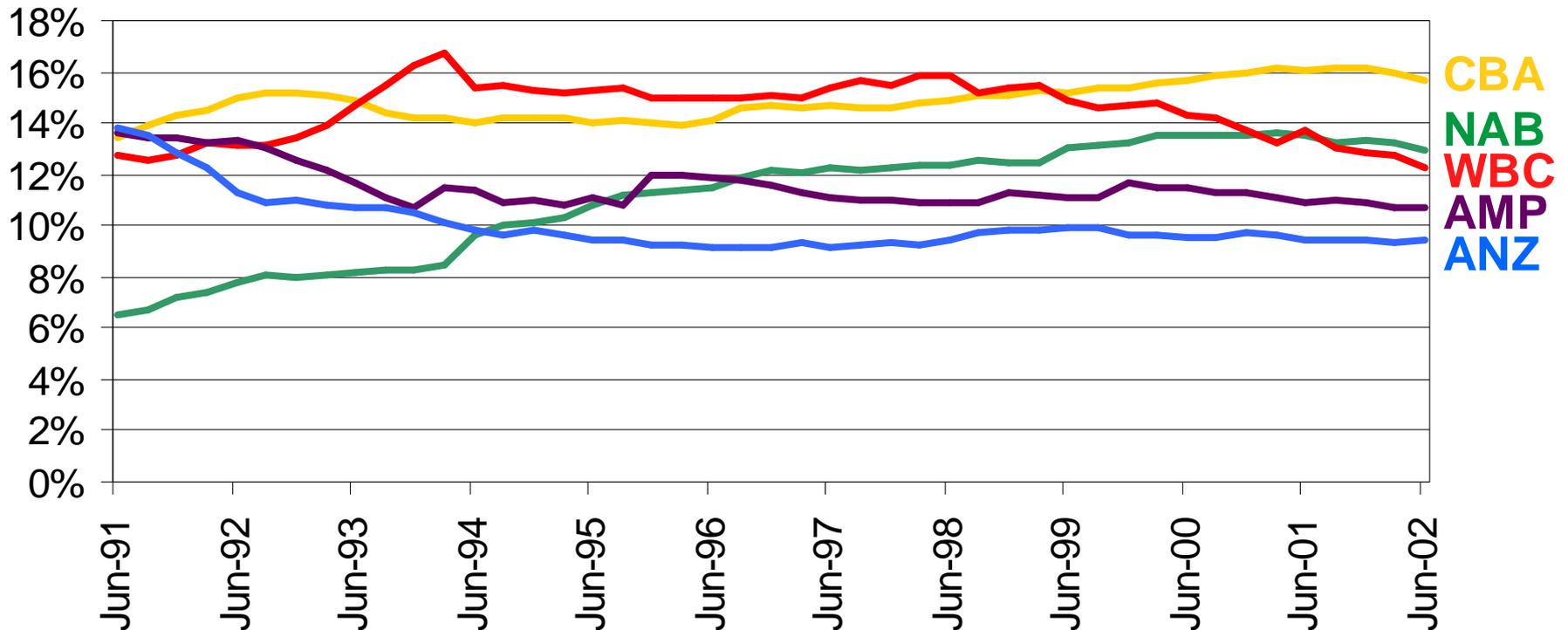
## Master Trust Market as a Percentage of Total Retail (ex cash)



Source: Plan for Life June 2002

# Australian Market Prospects: Other Trends

## Top 5: Trends in Share of Retail FUM



Source: Plan for Life June 2002

# Commonwealth Bank Wealth Management: Our Competitive Advantage

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- Distribution - internal and external
- Brand
- Innovation
- Flexibility to vary margins across value chain
- Efficient administrator with strong service culture
- Broad manufacturer across broad product base
- Scale

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# Commonwealth Bank's Strategic Response



# Investment Products - Key Strategies

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- Realise benefits of integration
- Establish Colonial First State as key player in:
  - mastertrusts
  - corporate superannuation
- Leverage internal distribution opportunities
- Increase reputation as manager of international shares
- Strengthen retail brand
- Grow alternate asset classes



# Investment Products - Key Strategies

## Global Business

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- Expand global investment manufacturing capabilities
- Gather assets in the UK and Europe
  - UK retail: IFAs, fund supermarkets, life companies
  - Europe: sell product via European financial services companies
  - Wholesale/Institutional
- Explore distribution opportunities in Asia

# Growth through Retail Masterfunds

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## 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...

# FirstChoice Corporate Superannuation

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There's a new player  
in the corporate  
superannuation game...

FirstChoice.

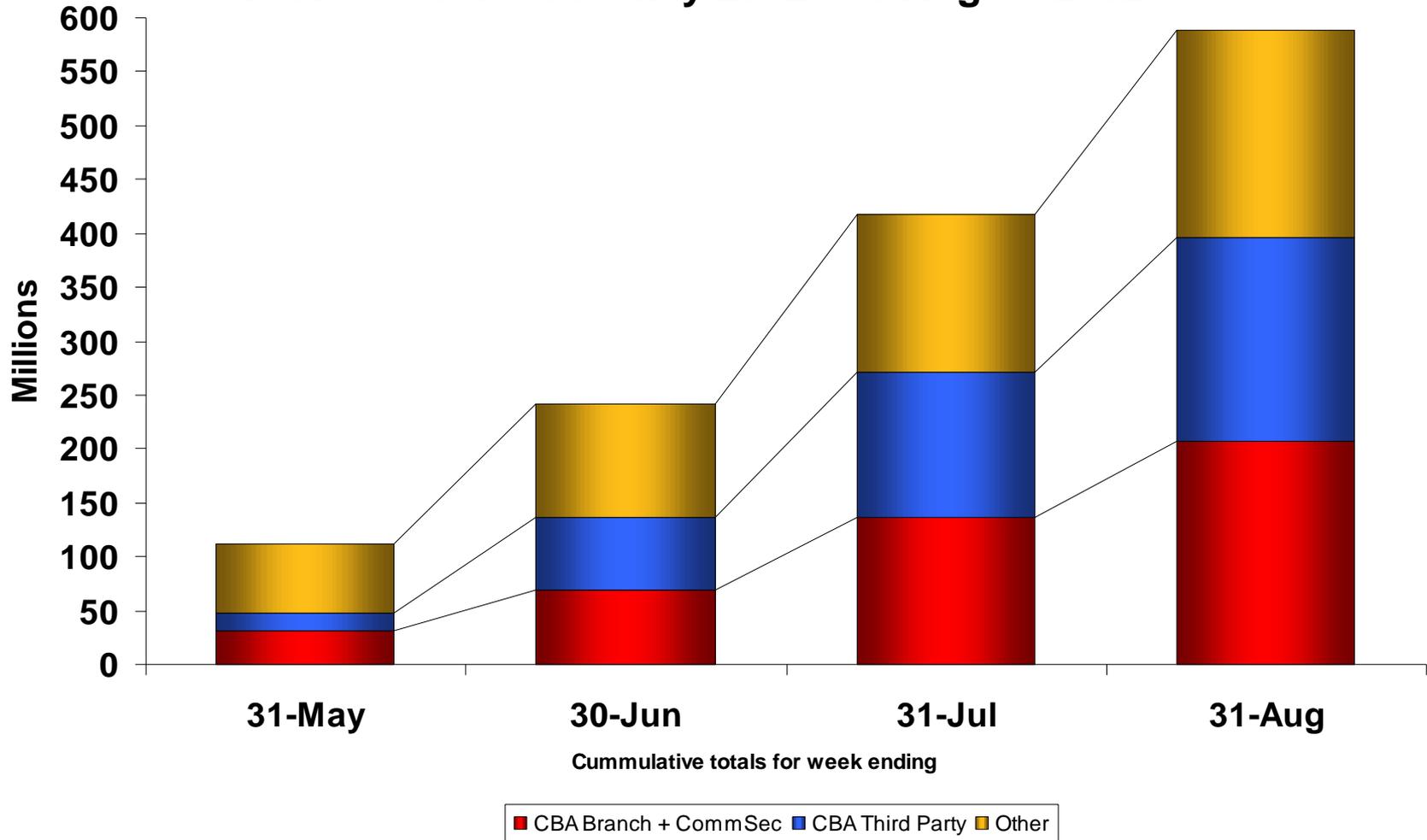
**Colonial**  
**First State**

Partners in business



# FirstChoice: Retail Net Contribution by Channel

Period covered: 13 May 2002 - 31 August 2002



# Insurance - Key Strategies

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- Insurance environment has been restructured to increase focus. Key actions going forward are:
  - product rationalisation
  - migrate to modern systems architecture
  - actively promote the CommInsure brand
  - customer service and pricing improvements
  - improve sales through both internal distribution channels and IFAs
  - strong focus on capital management

# Financial Planning & Advice Services - Key Strategies

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- Review positioning of non-proprietary dealerships
- Confirm business model for proprietary dealerships
  - extent of Group manufactured product sold
  - role of technology (Avanteos)
  - appropriate performance metrics
- Assess operating model interfacing with bank distribution

# Summary

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The structure of the IIS Group reflects a strategy of growing value by being the manufacturer and distributor of high quality wealth management products

## Revenue Generation Strategies

- **Develop innovative new products**
- **Grow the FirstChoice Masterfund offering**
- **Expand international asset management capability**
- **Build strong links between manufacturing and distribution businesses**
- **Improve service and pricing for insurance business**

## Efficiency-Based Strategies

- **Remove investment product overlap to offer an integrated product suite**
- **Migrate to a single back office platform**
- **Eliminate duplicated functions**



# Conclusion

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- Commonwealth Bank's wealth management strategies are an integral part of the Group's vision:

To be chosen and respected  
as an excellent provider  
of financial services

# Questions

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