
Morgan Stanley Asia Pacific Summit

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Commonwealth Bank of Australia

23 October 2002

Commonwealth Bank



Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 23 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.

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."

Agenda

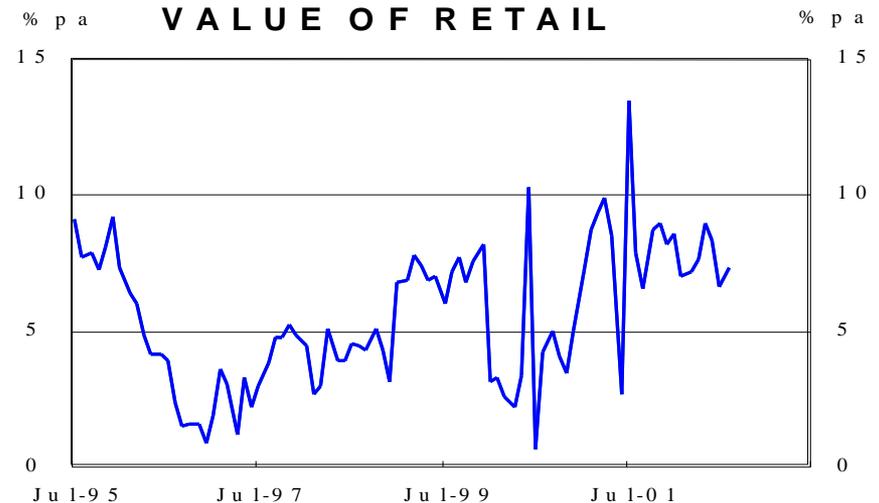
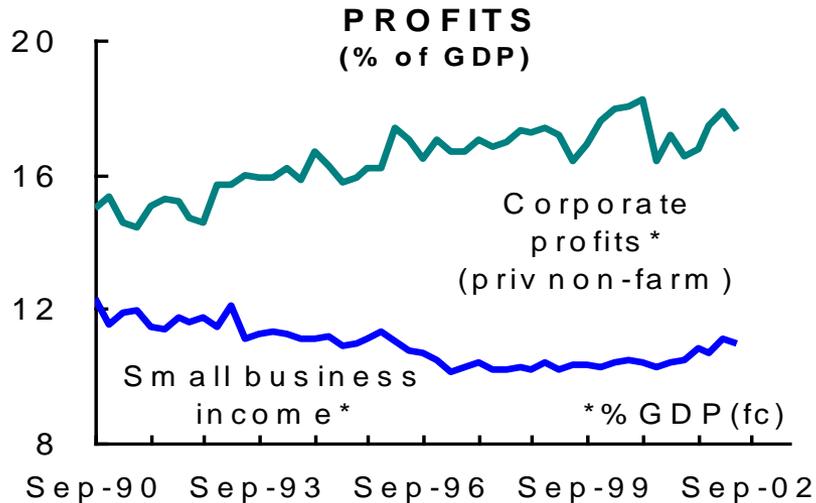
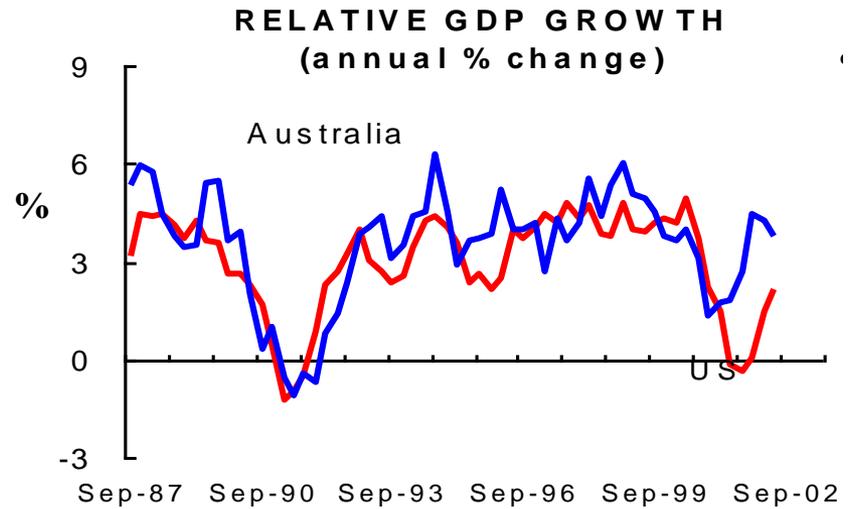
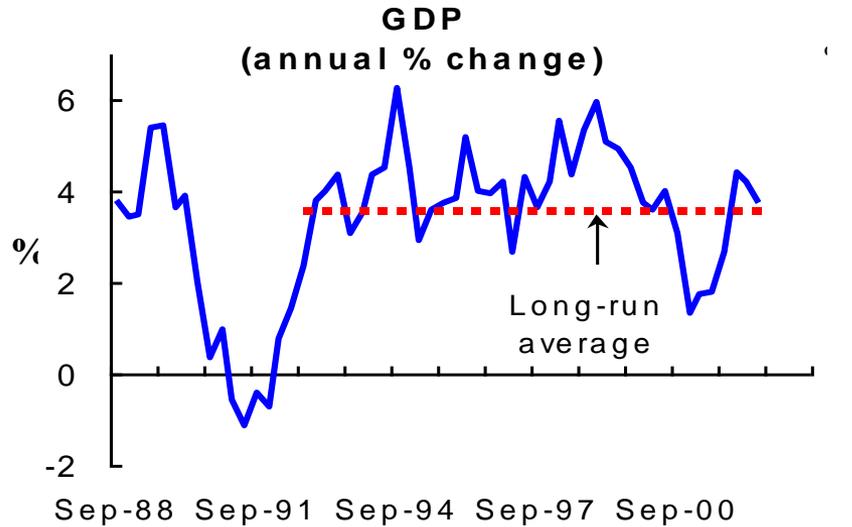
- The Australian Economy
- Why Invest in Commonwealth Bank?
- How is Commonwealth Bank Positioned Against the Current Outlook?

The Australian Economy

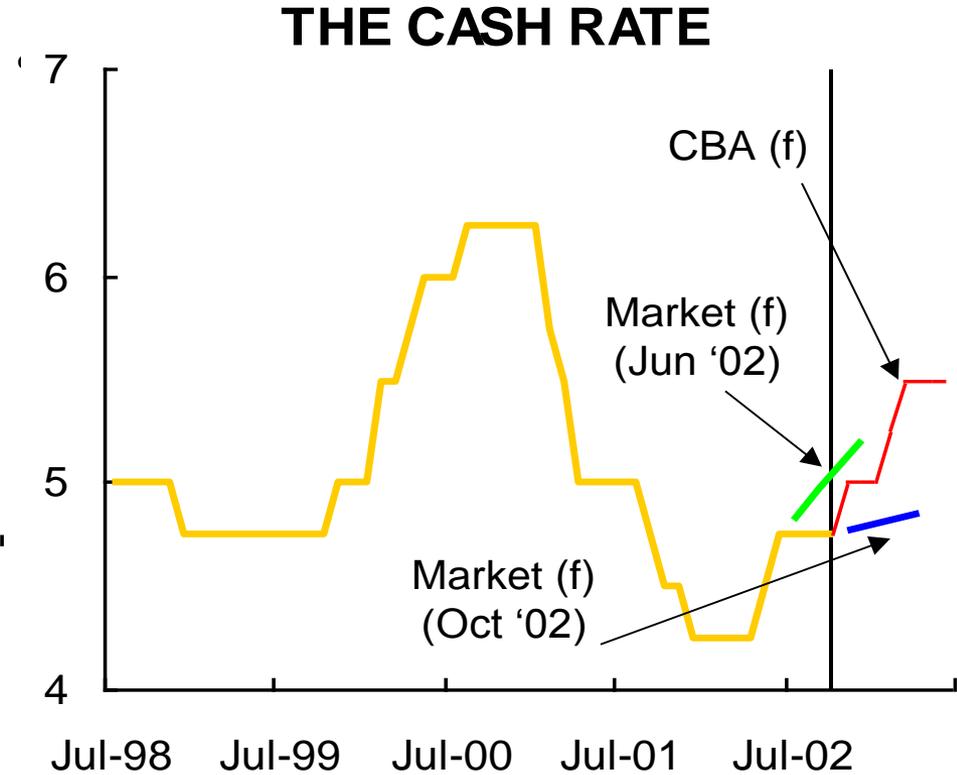
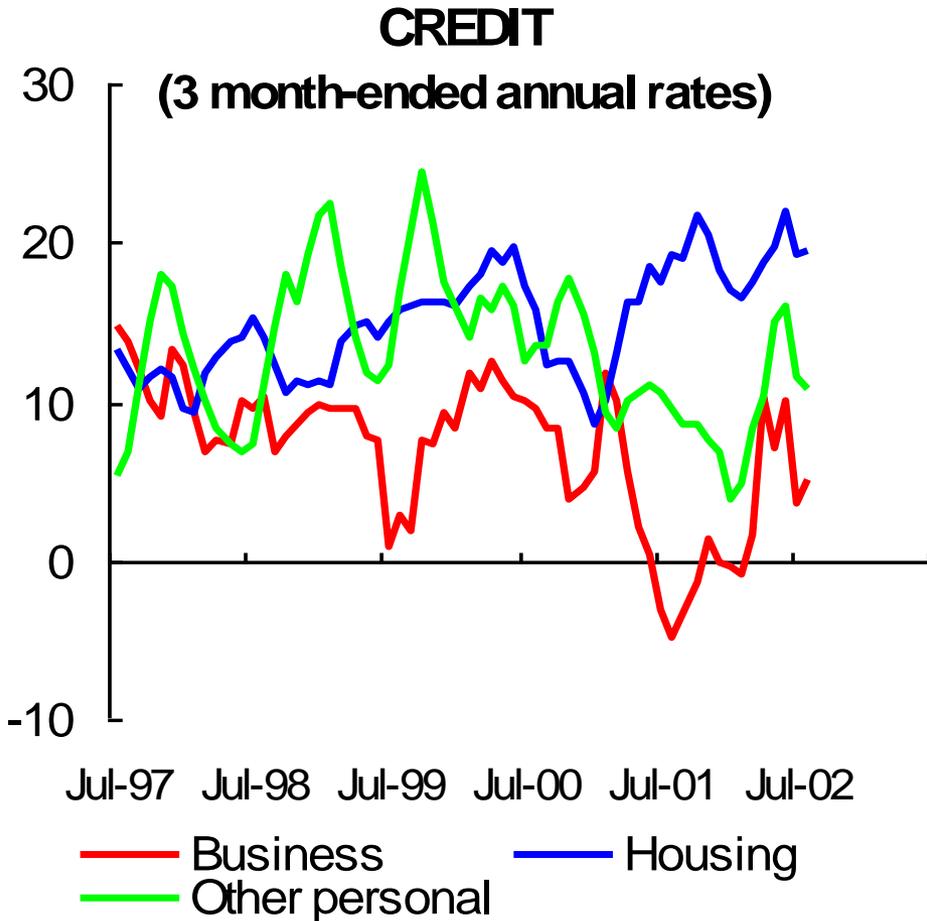
- Performance & Outlook
- Interest Rates & Credit Outlook
- Housing Market



Australia's Economy has been Resilient

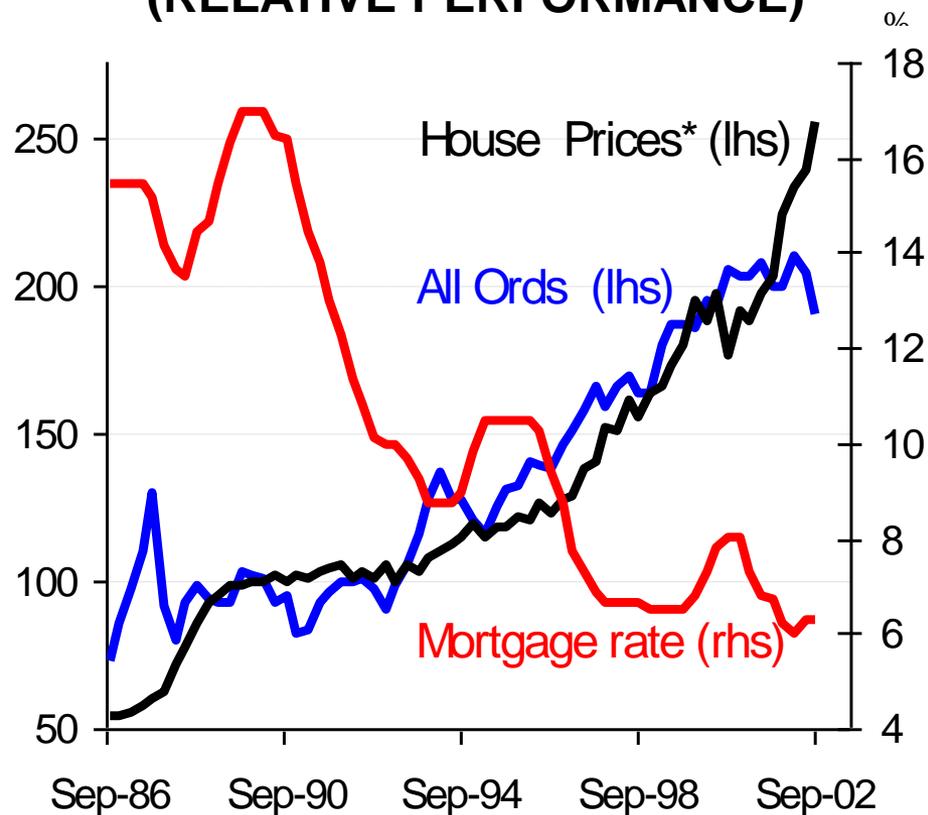


Interest Rates & Credit Growth

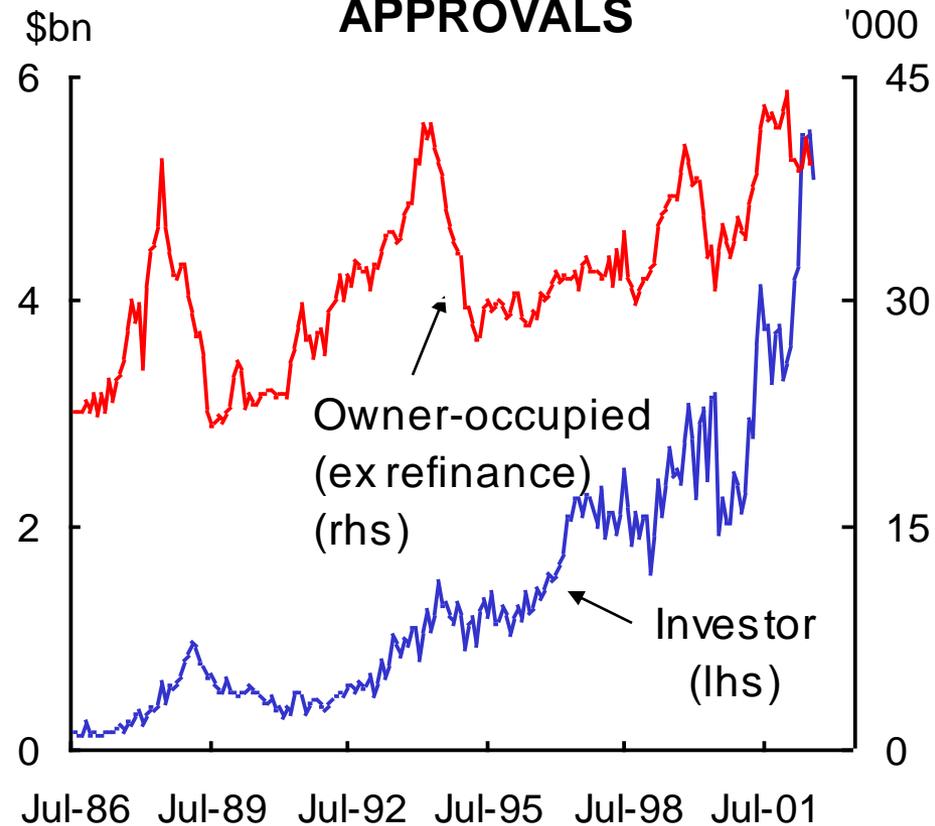


Housing Market

EQUITIES AND HOUSE PRICES (RELATIVE PERFORMANCE)

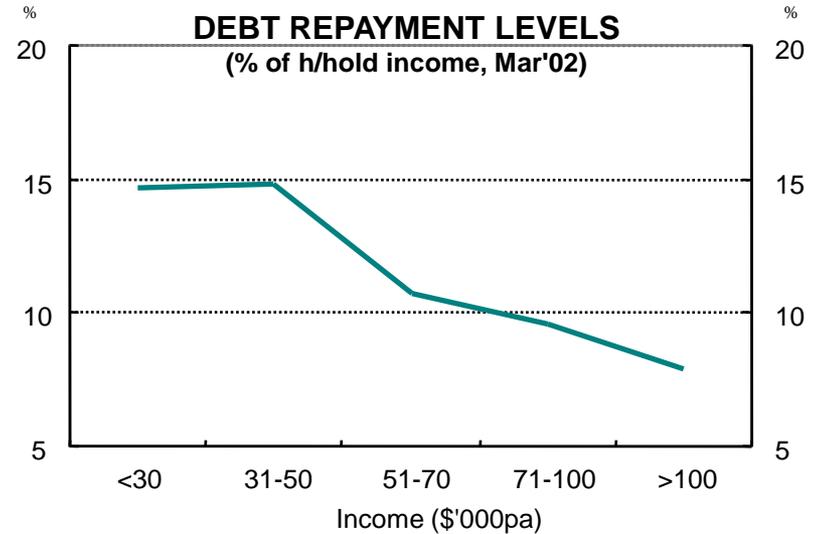
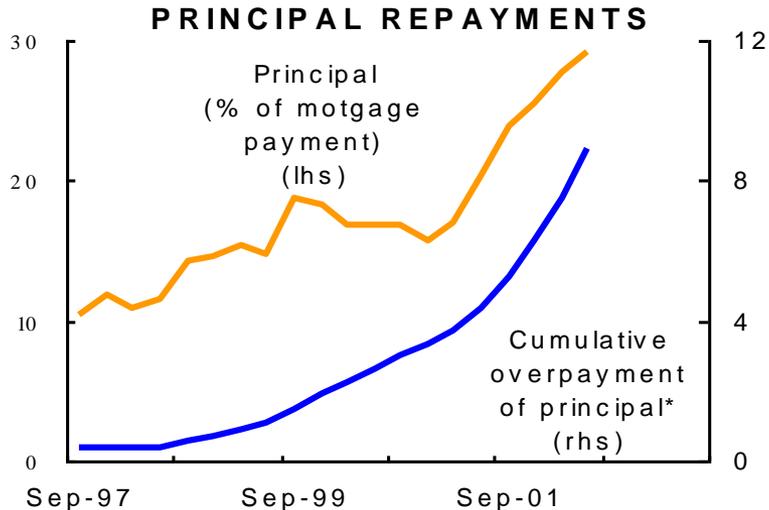
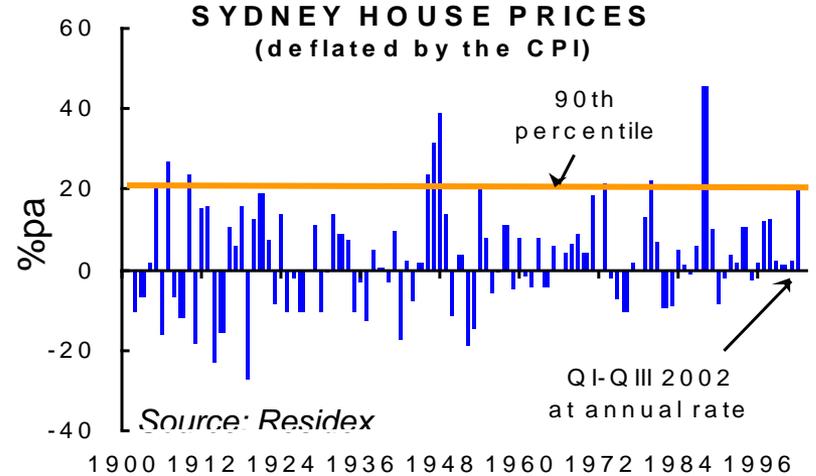
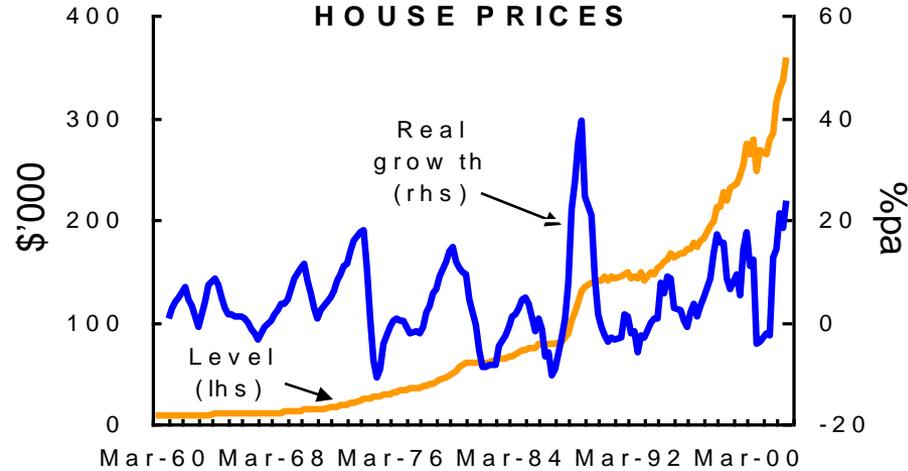


HOUSING LOAN APPROVALS



Compound Annual Growth Rate:	1986-2002	2000-2002
All Ordinaries Index:	6.2%	-3.5%
House Prices:	10.1%	20.5%

Housing Market



*assumes principal repayment ratio fixed at 1997/98 level

Source: Commonwealth Research

Why invest in Commonwealth Bank?

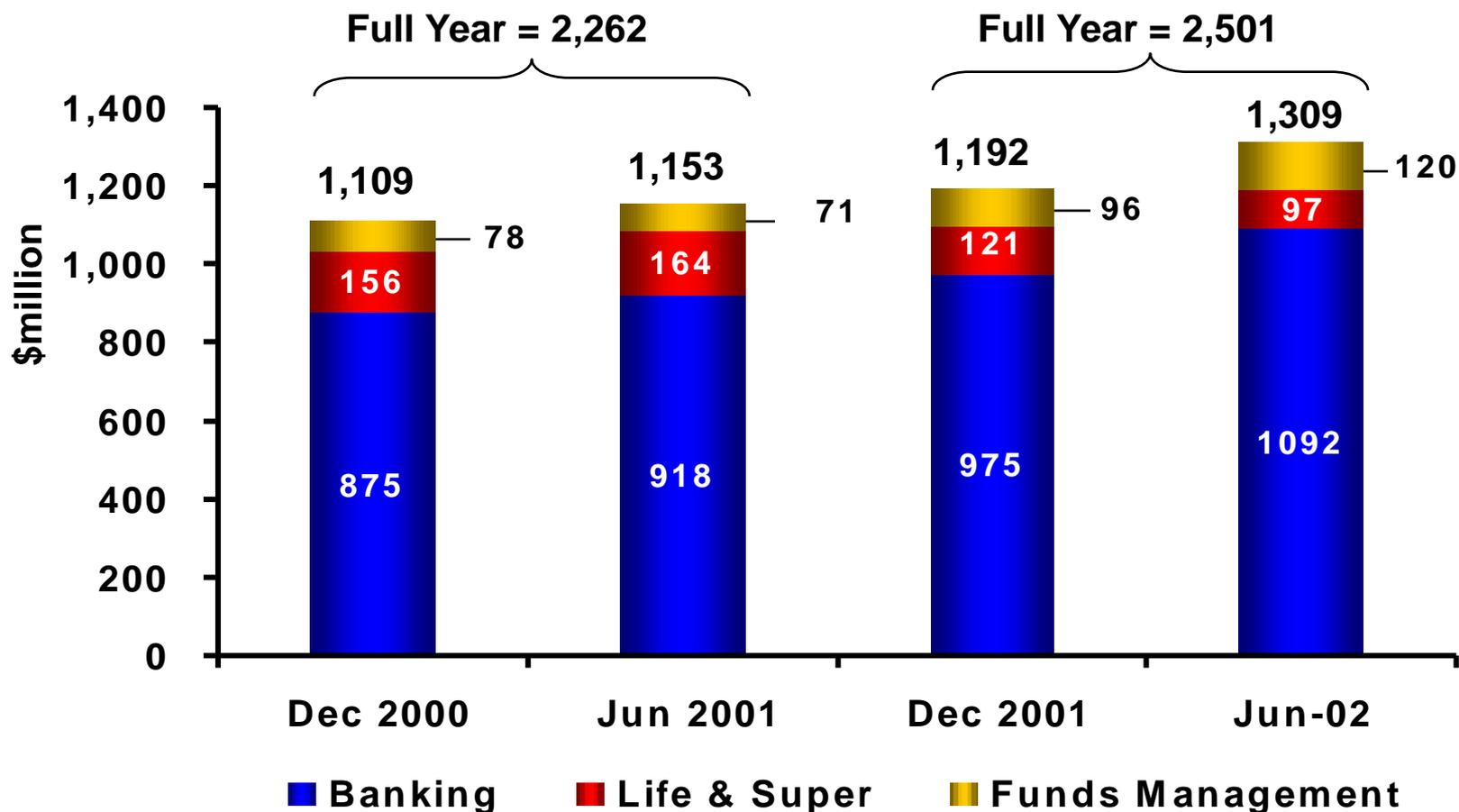
- Our Track Record
- Our Differentiators and Growth Drivers



Recent Result Highlights

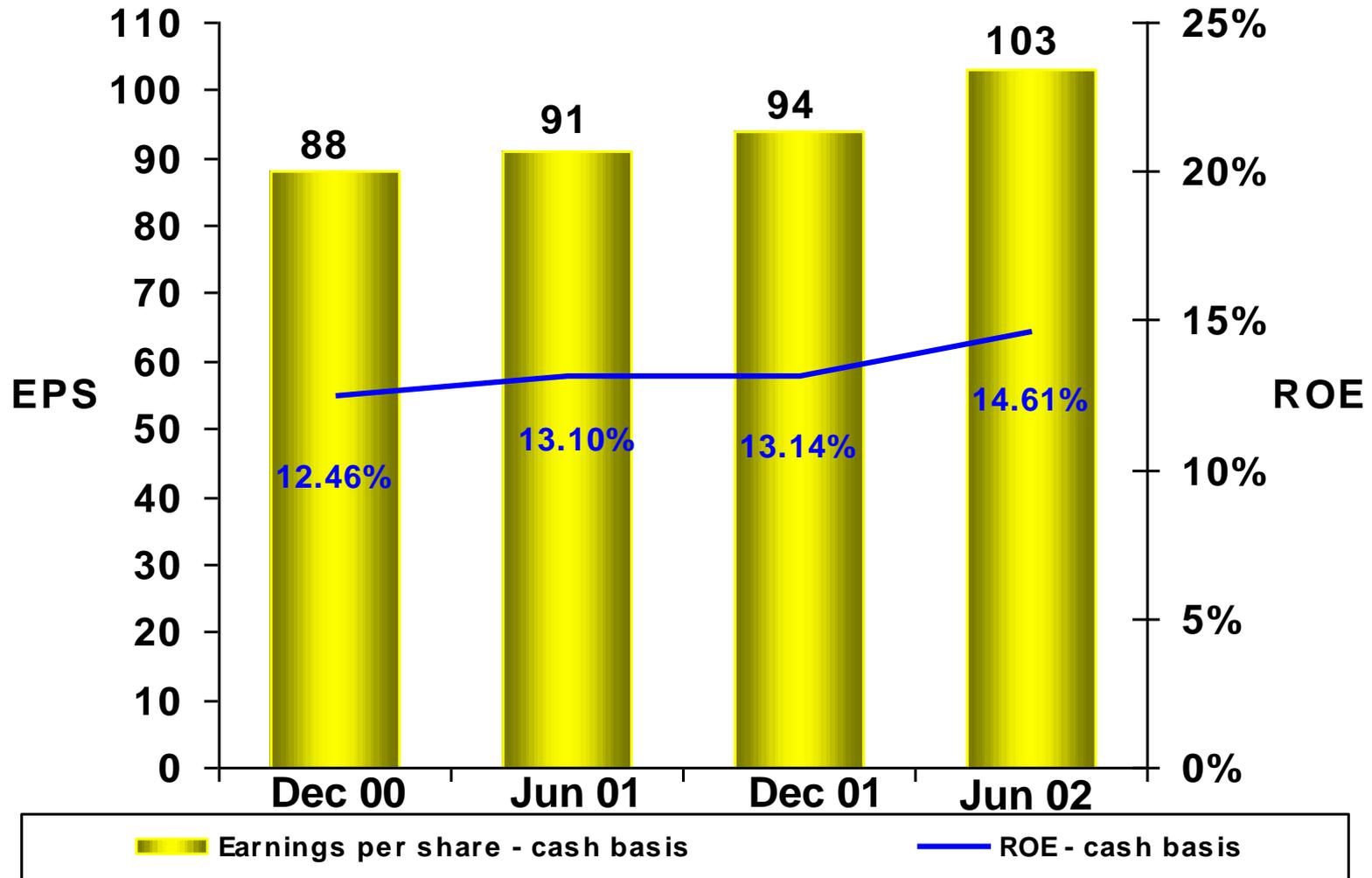
- Solid Earnings Growth
 - Reported Profit up 10.7% to \$2,655m
 - Cash Profit up 10.6% to \$2,501m
 - Cash EPS up 10.1% to \$1.97
- Costs steady year on year
 - Improved productivity and cost to income ratio
- High dividend payout ratio relative to peers
- Capital position remains strong
- Credit Quality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

Net Profit*

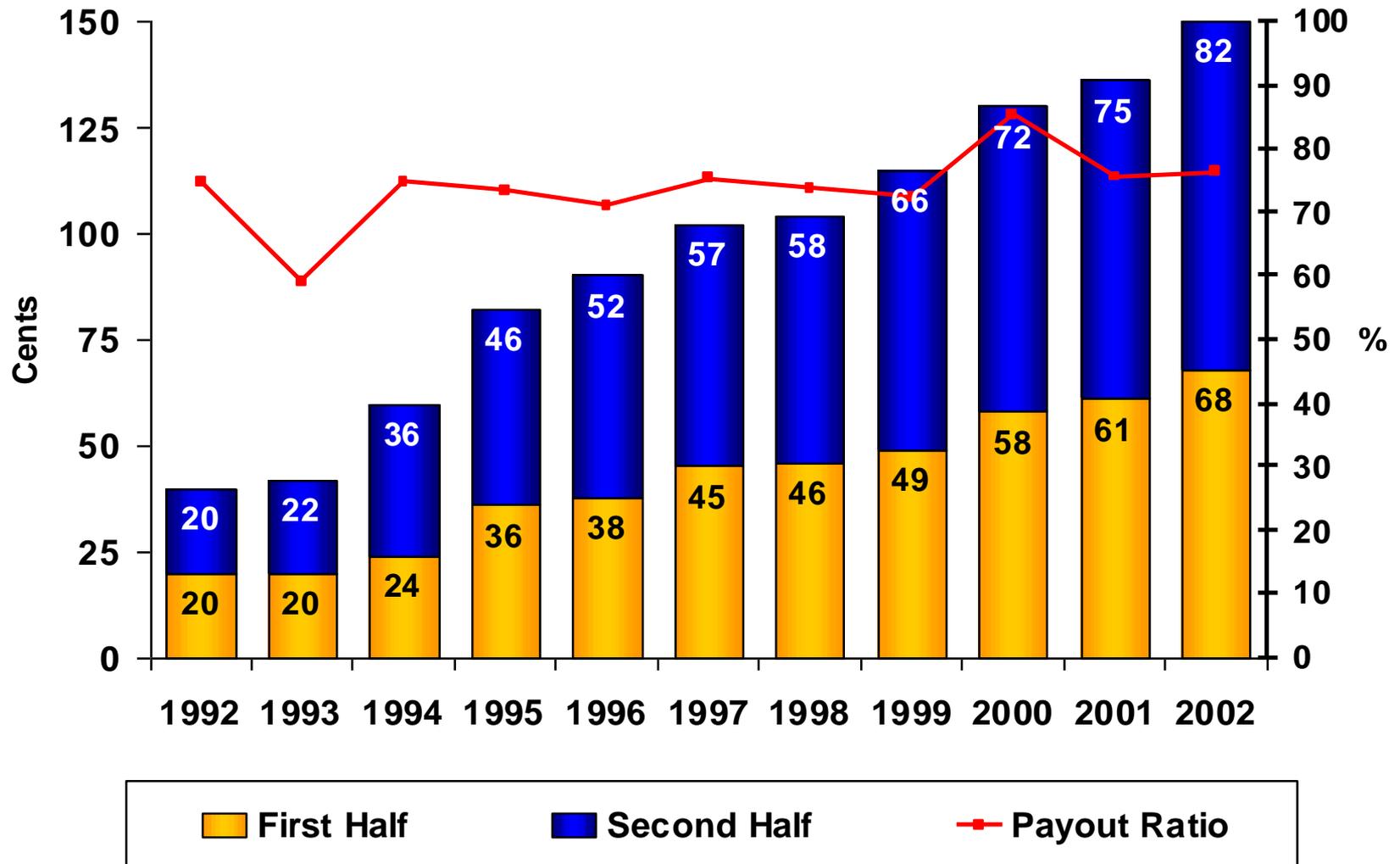


* Net Profit after tax and outside equity interest - cash basis.
Excludes appraisal value uplift and goodwill amortisation.

ROE and EPS



Dividend Growth



Asset Quality Overview

	First Half	Second Half
Charge for Bad & Doubtful Debts (6 months)	\$290m	\$159m
Charge for Bad & Doubtful Debts to RWA (annualised)	0.42%	0.23%
Impaired Assets (net of interest reserved)	\$983m	\$884m
Specific Provisions	\$309m	\$270m
General Provision	\$1,334m	\$1,356m
General Provision to RWA	0.96%	0.96%

Segmentation: Aligned Domestic Structure with Customer Needs

	Retail Banking Services	Premium Financial Services	Investment & Insurance Services	Institutional & Business Services
<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			

Scale : Strong Market Share Positioning

Australian Market Share

	Jun 2001	Dec 2001	Jun 2002	Rank
Home Loans[^] (Residentially Secured)	20.4%	20.1%	20.1%*	1
Credit Cards	21.4%	21.4%	21.6%	1
Retail Deposits[^]	24.0%	24.1%	24.2%*	1
Retail FUM (Plan for Life)	16.1%	16.1%	15.7%	1
Superannuation/Annuities	16.3%	16.4%	16.4%*	2
Retail Broking	9.0%	8.5%	9.2%	1
Inforce Premiums	14.4%	14.5%	14.4%*	2

* March 2002 data

[^] Due to delays in implementing new APRA reporting methodology, no market share data has been available since March 2002.

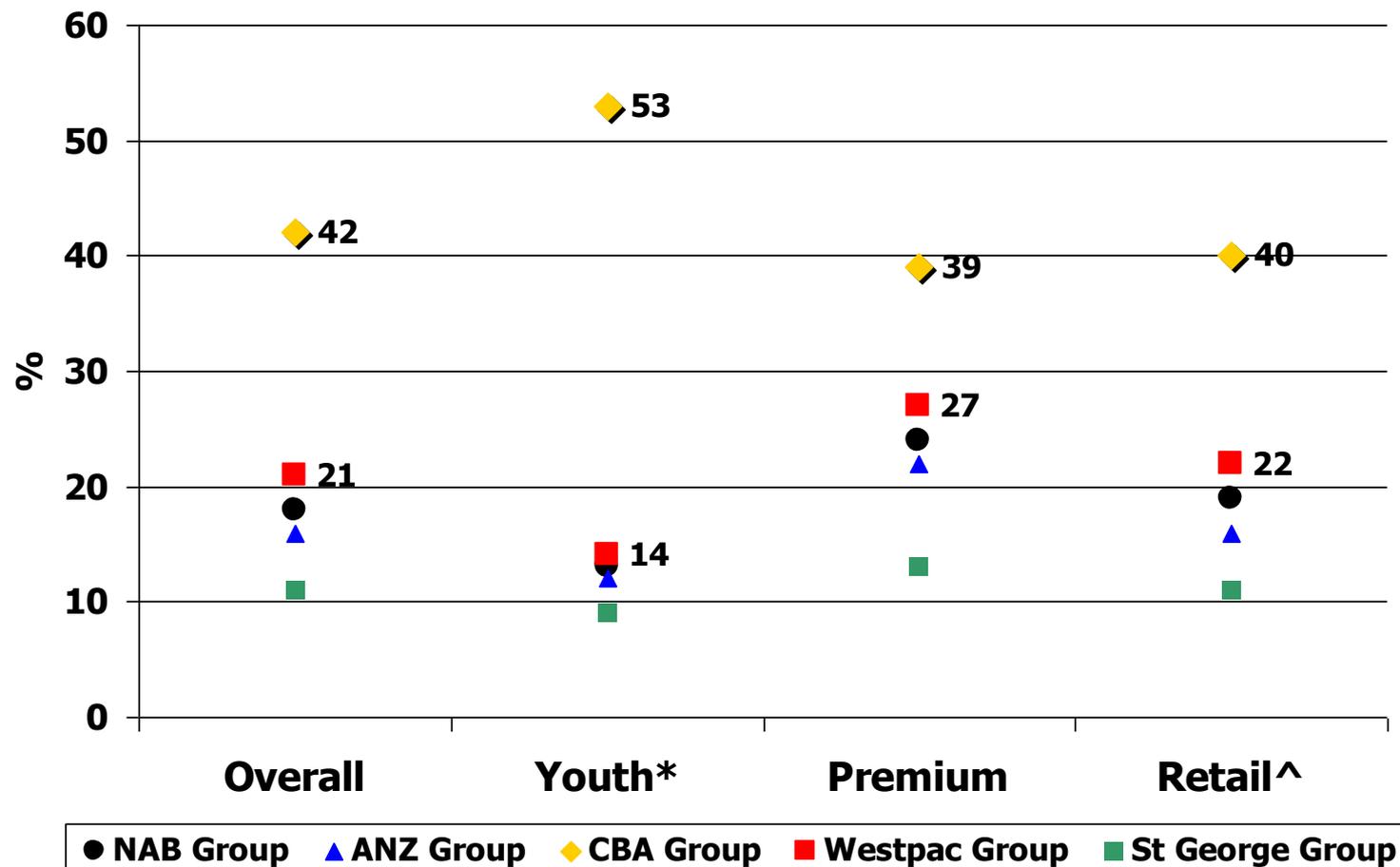
Australia's Most Accessible Bank



- Over 146m DirectBanking calls
- Almost 2m registered NetBank users
- Around 126,000 EFTPOS terminals
- Over 10,000 third party advisers, brokers and agents
- Around 4,000 ATMs
- Nearly 4,000 postal and private agencies
- Over 1,000 branches
- Over 700 EzyBanking store locations
- Around 700 personal lenders
- Over 700 financial planners
- Around 200 mobile bankers
- Over 70 business banking centres
- 13 premium banking centres

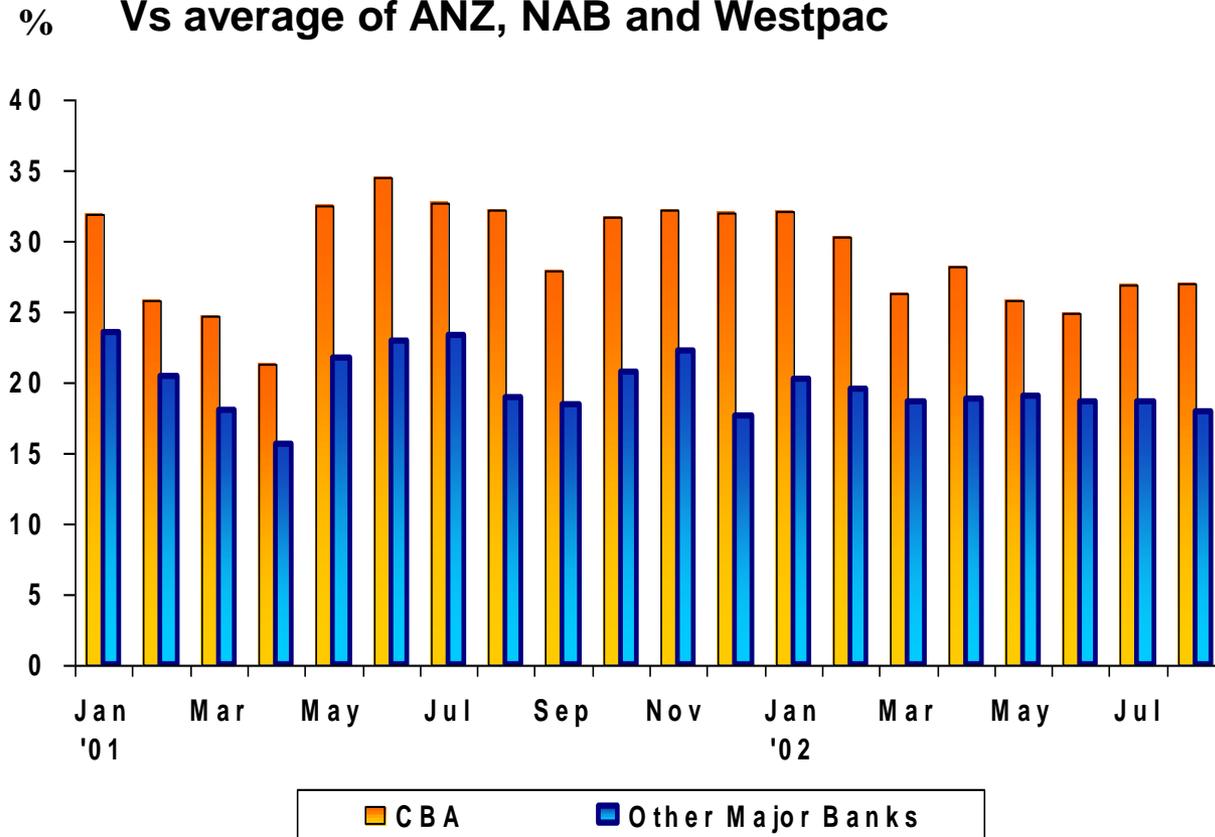
Brand: We Have More Relationships Than Any Other Financial Institution

Popularity of Australian Financial Institutions....



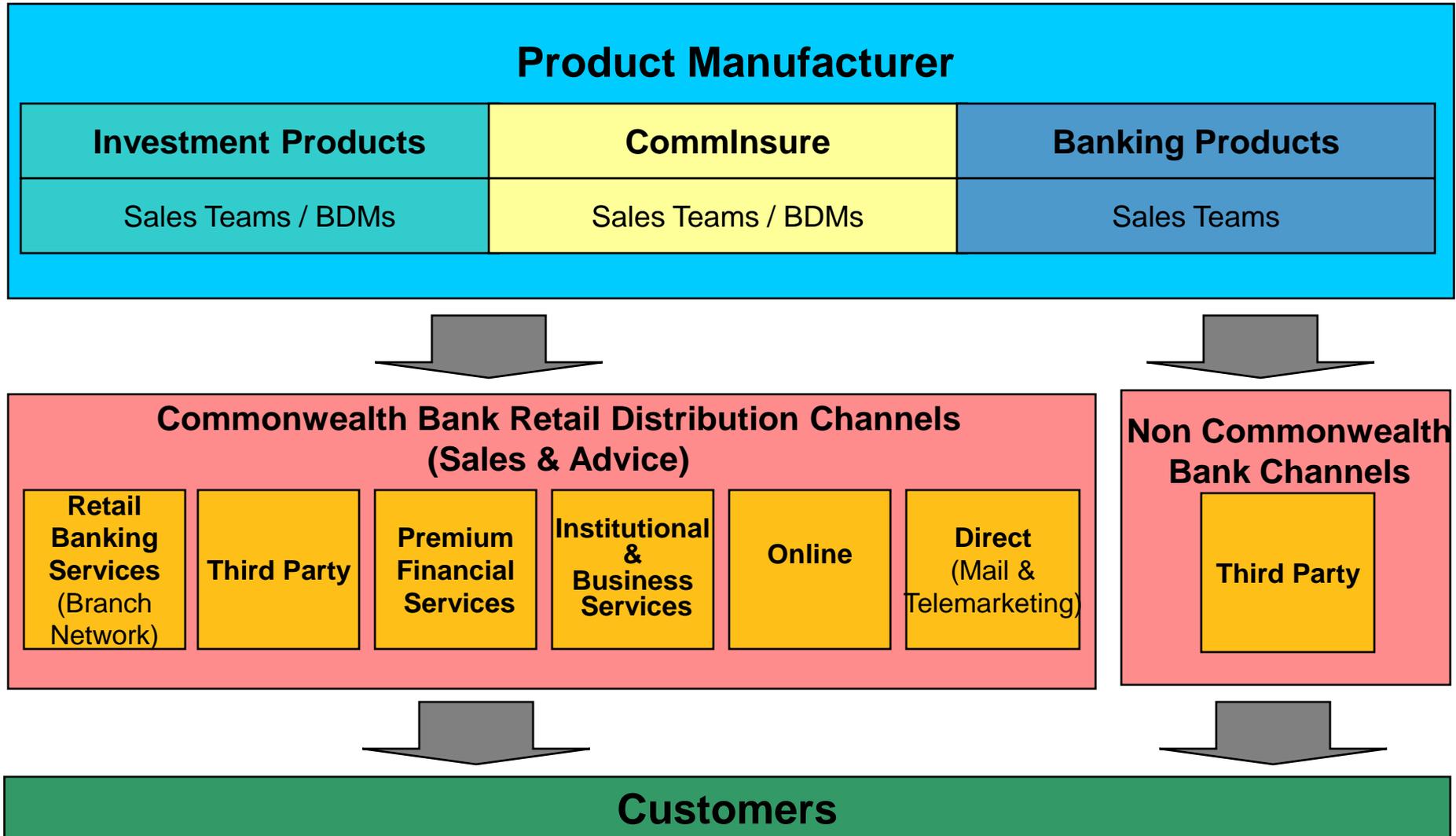
Brand: We Achieve Consistently High Ratings from Retail Customers

Average across all brand attributes for CBA
Vs average of ANZ, NAB and Westpac



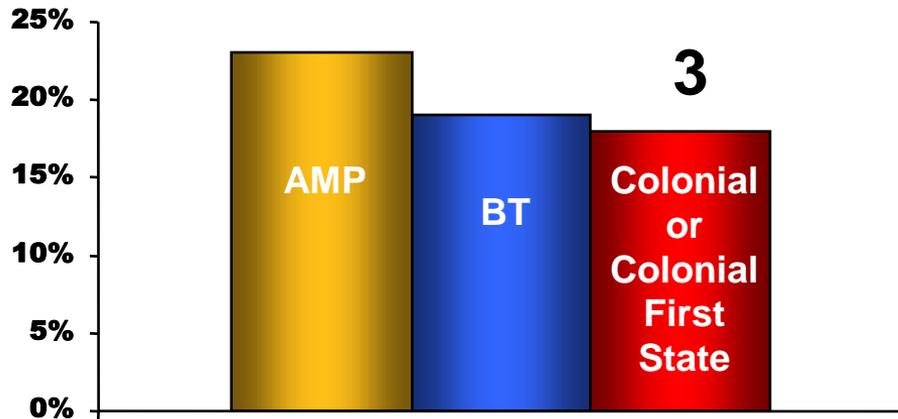
- In touch with its customers
- Is leading the way
- Is doing new and different things
- Has knowledgeable and competent staff
- Has friendly and reliable staff

Established in All Components of the Wealth Management Value Chain

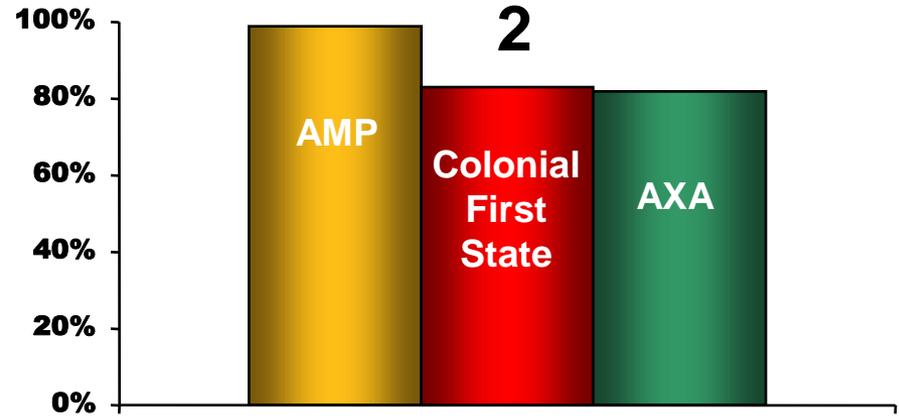


Brand - Colonial First State

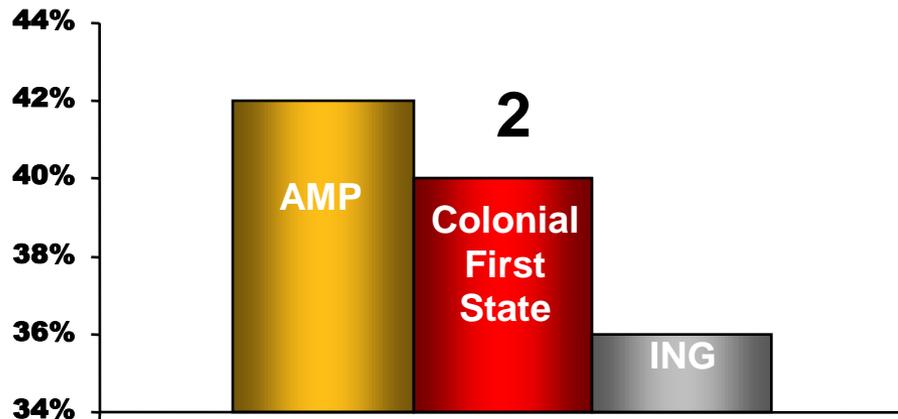
Consumer Brand Awareness - Unaided



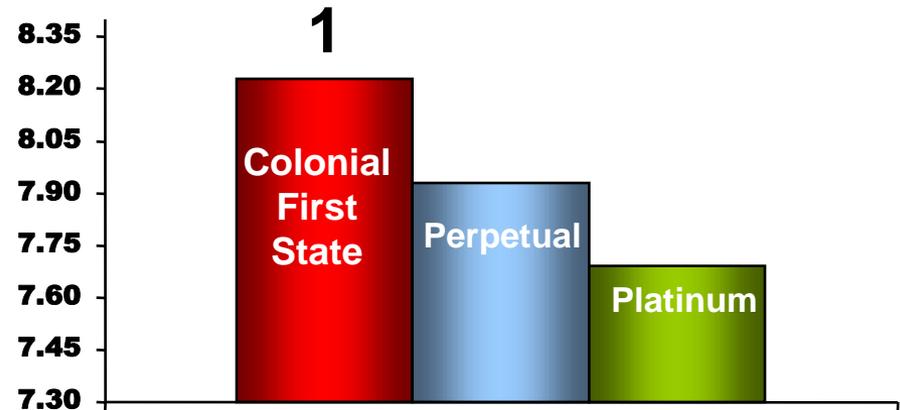
Consumer Brand Awareness - Total



Consumer Purchase Intention

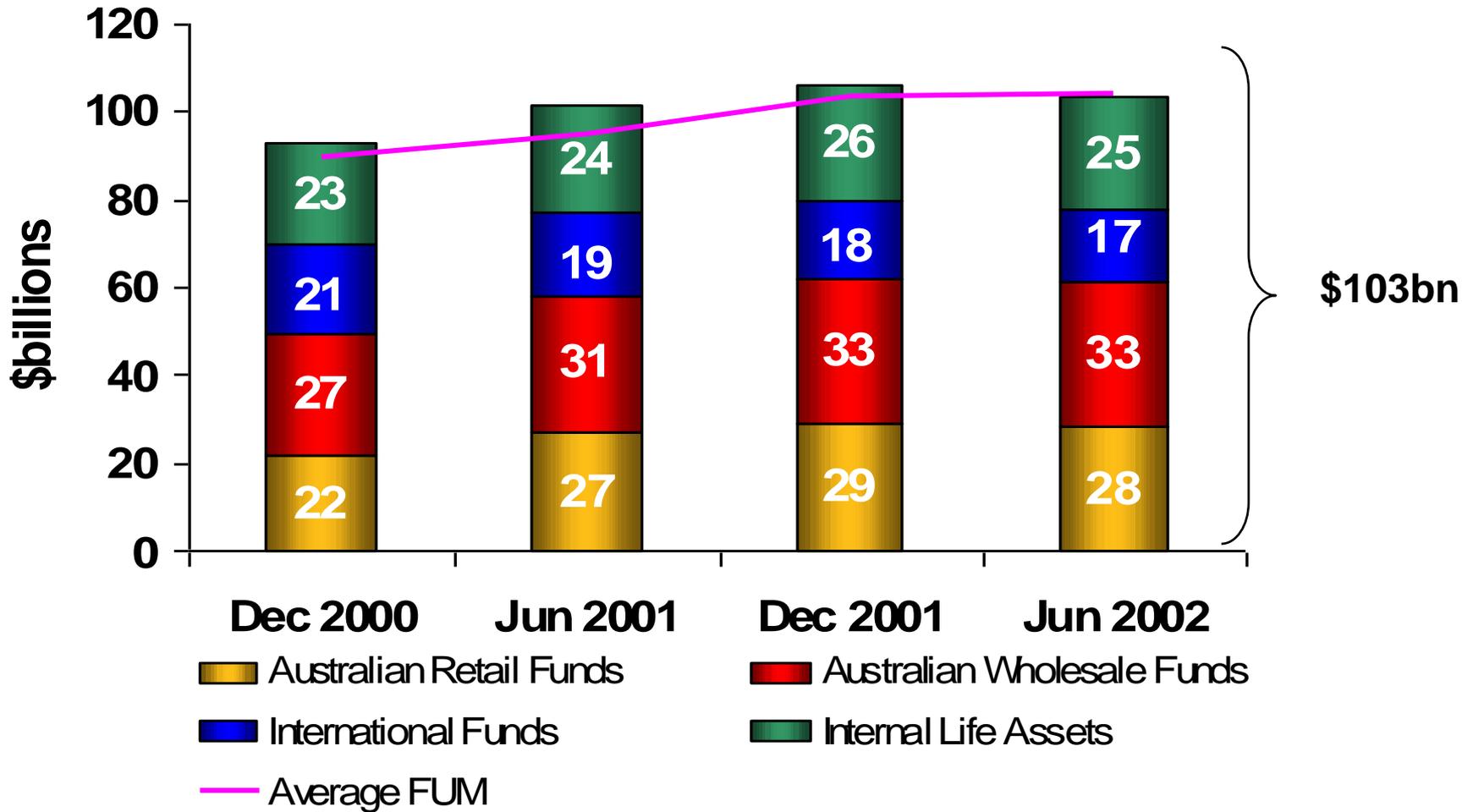


Adviser Brand Awareness - Overall Opinion of Organisation

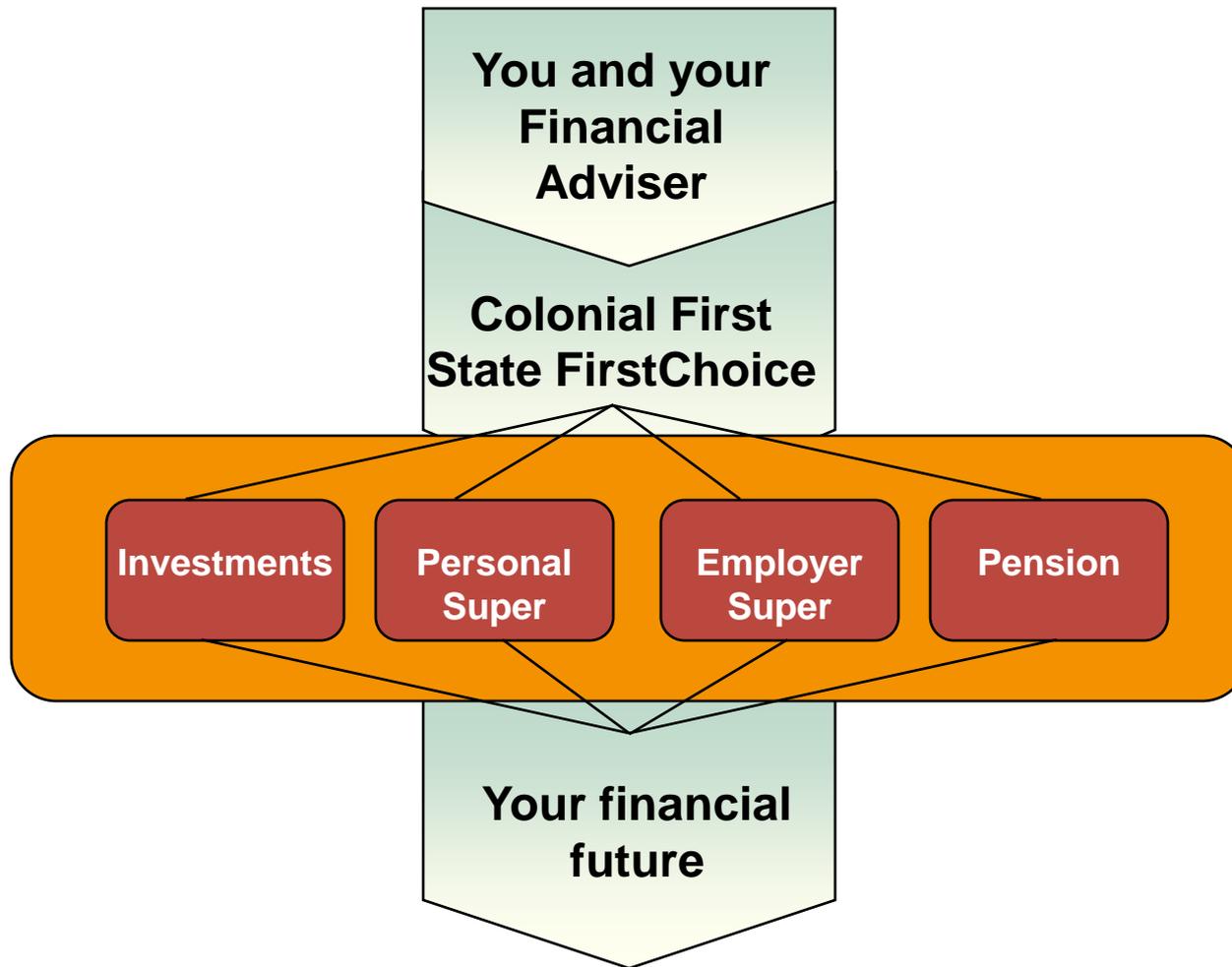


Source: Consumer Charts - Newspoll June 2002; Adviser Chart - ASSIRT Service Level Survey 2002

Funds Under Management



Innovation through FirstChoice Masterfund Product



✓ Structure

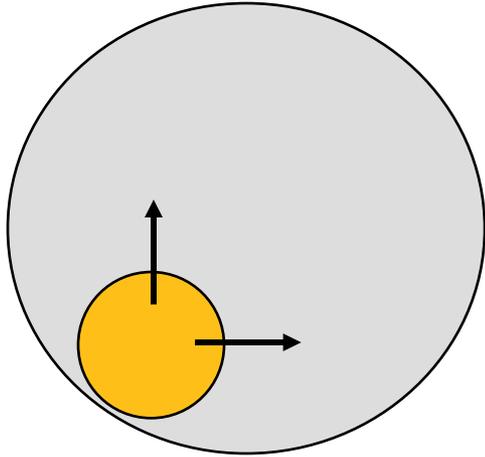
✓ Service

✓ Value

✓ Simplicity

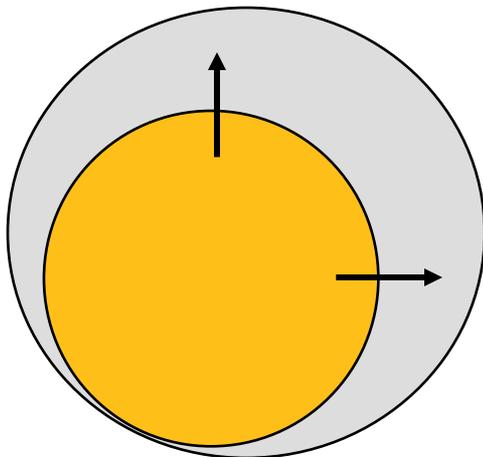
Premium and Business Opportunity

Premium Customers



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

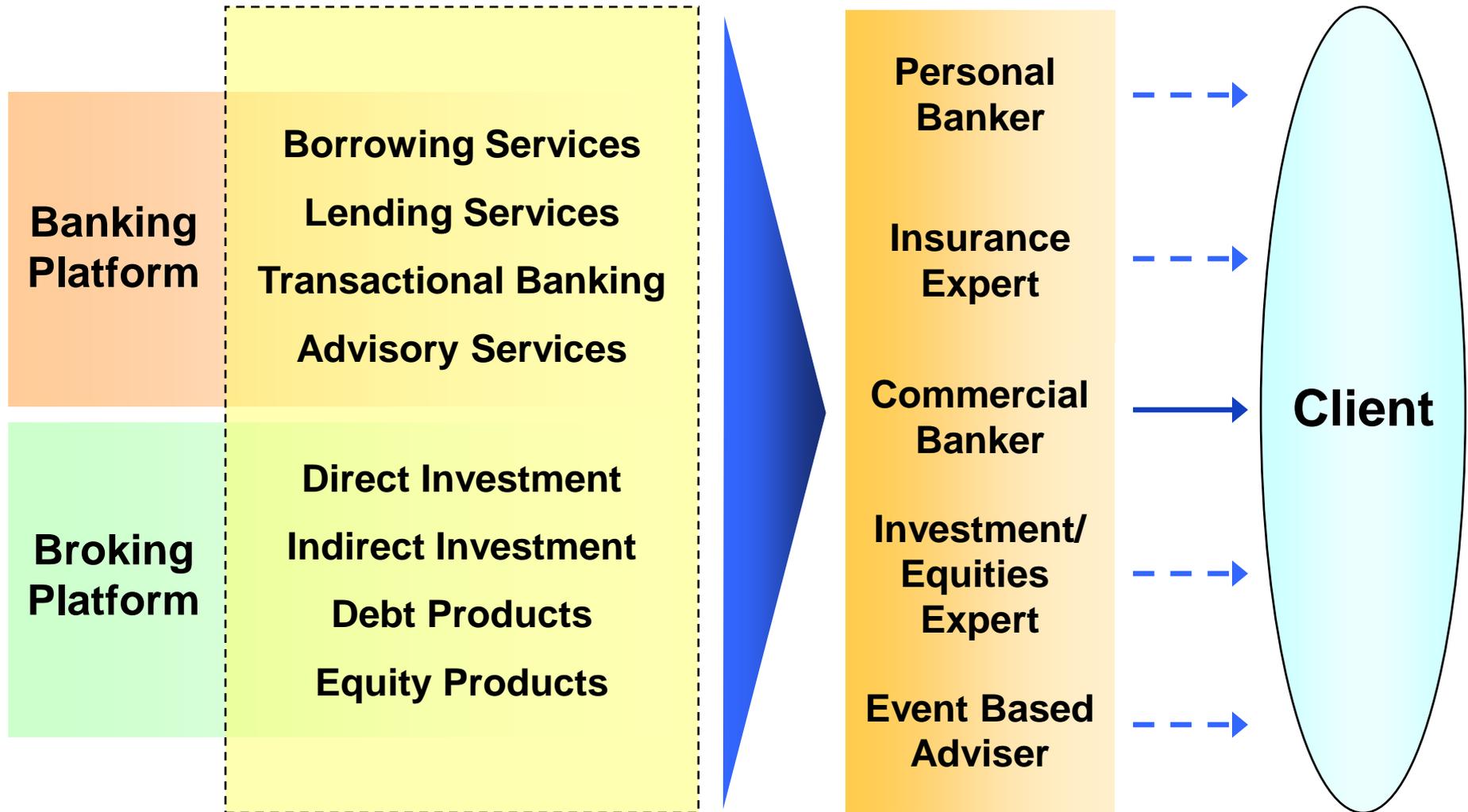
Business (Middle Market)



- Current market share
- Natural market share

Source : Commonwealth Bank illustration

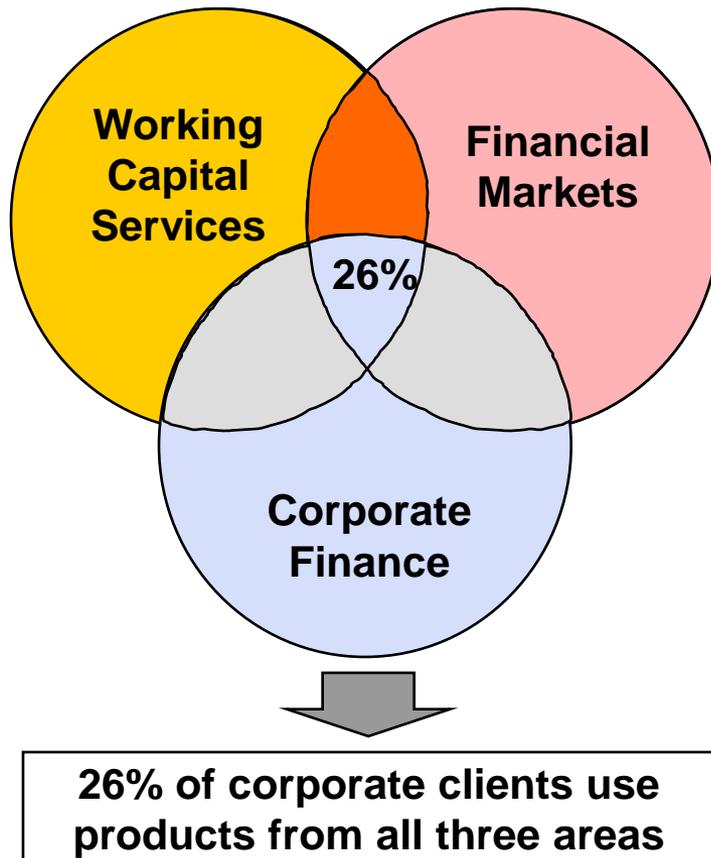
Premium: A Differentiated Business Model



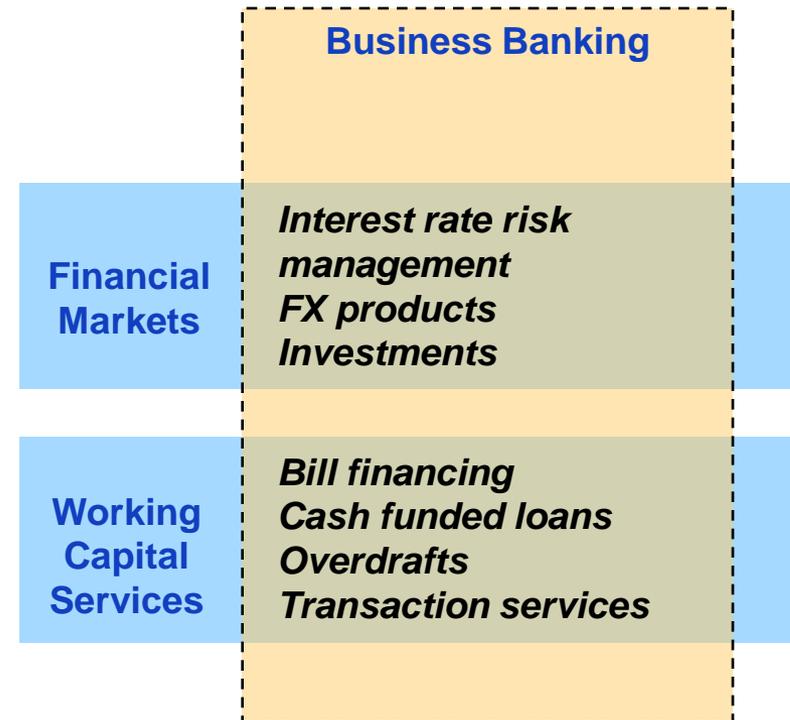
—————> Primary Relationship Manager
- - - - -> Secondary Relationship Manager & specialised advice

Business: Increasing Cross-sell

Corporate Segment Example



Bundled Products Example



Productivity: Focus on Efficiency

Five productivity initiatives...

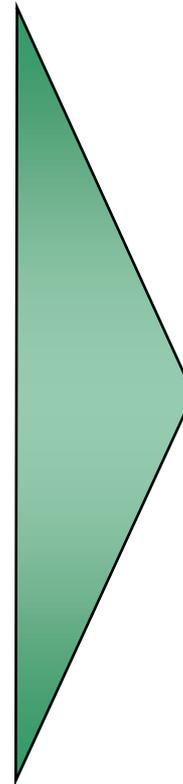
Remove all remaining back-office functions from branches

Streamline home loan processes

Streamline Business Banking processes

Rationalise investment products & systems

Organisational design



...to achieve:

- A better service experience for customers, through greatly improved turnaround times
- Elimination of duplication and inefficiencies
- Annual benefits from FY 2004, following an incremental net cost of ~\$120m in FY2003



How is Commonwealth Bank Positioned Against the Current Outlook?

- Credit Quality
- Capital Position
- Investment Market Volatility
- Productivity Focus



Commonwealth Bank Group: Low Credit Risk Profile

■ Housing Loans

- 53% of total loan book*
- Loan loss rate of < 3bps in 17 of last 20 years
- 55% average loan to valuation ratio
- Extensive stress testing of loan portfolio undertaken

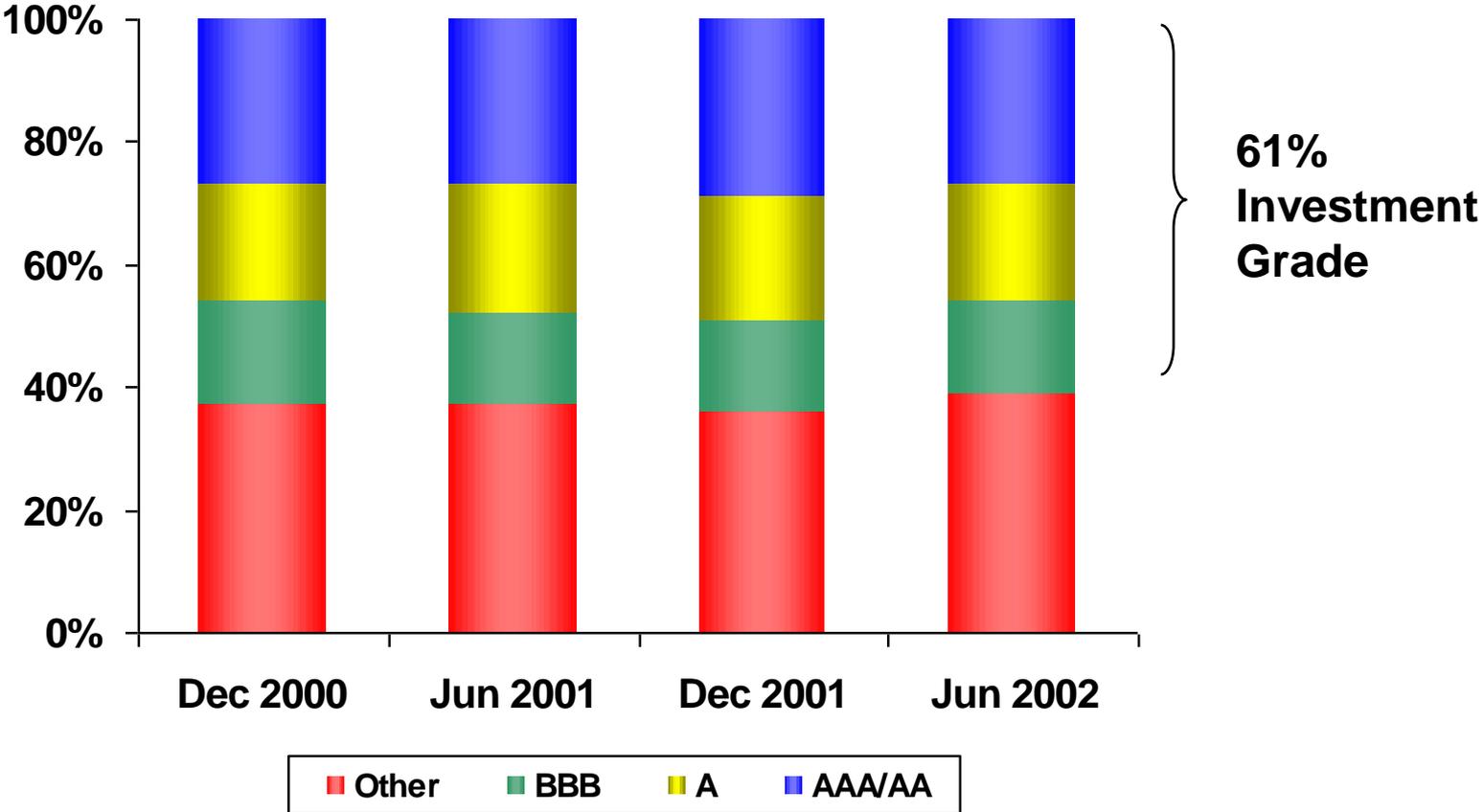
■ Asset Quality

- 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 57% including securitisation)*

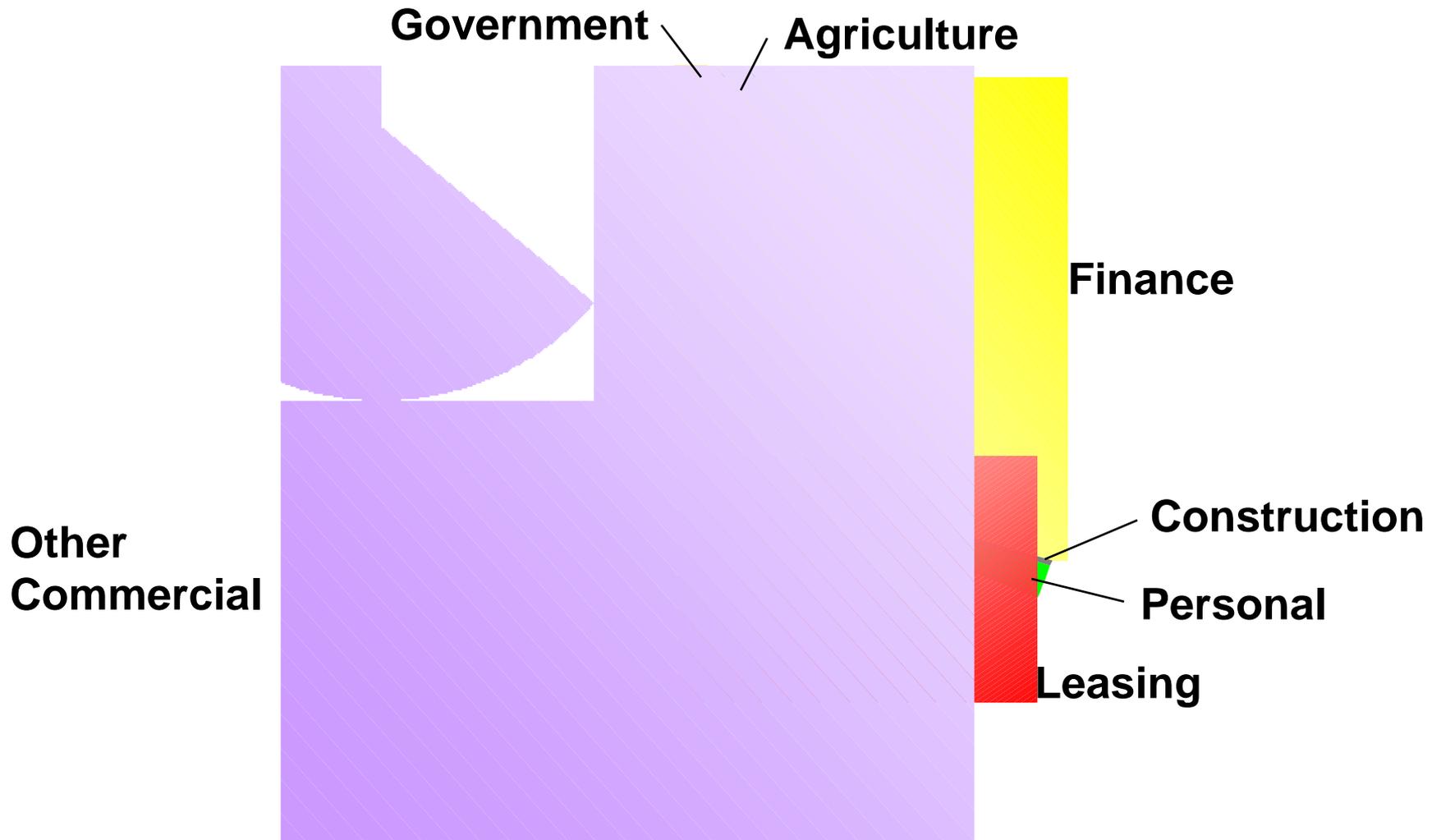
Credit Risk

Total Individually Rated* Exposures



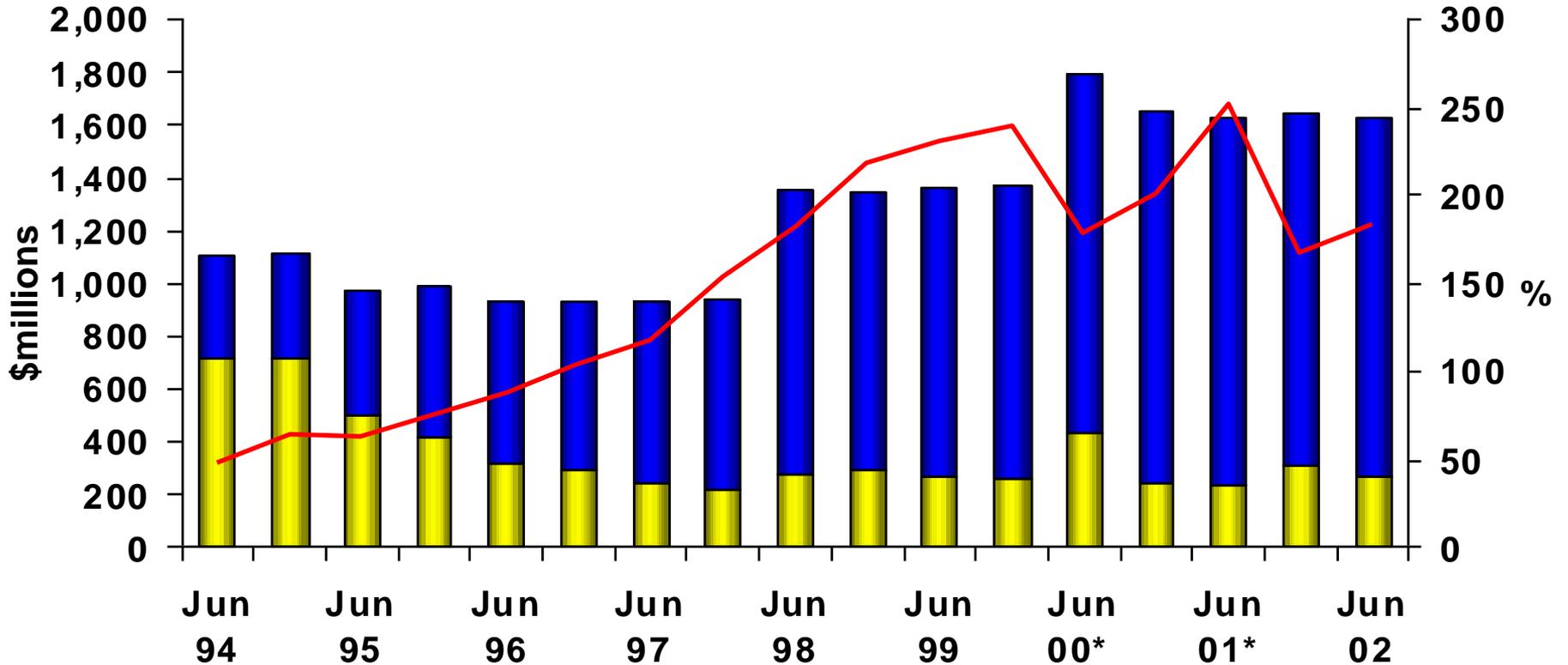
* Corporate and business lending

Offshore* Loans & Advances by Industry



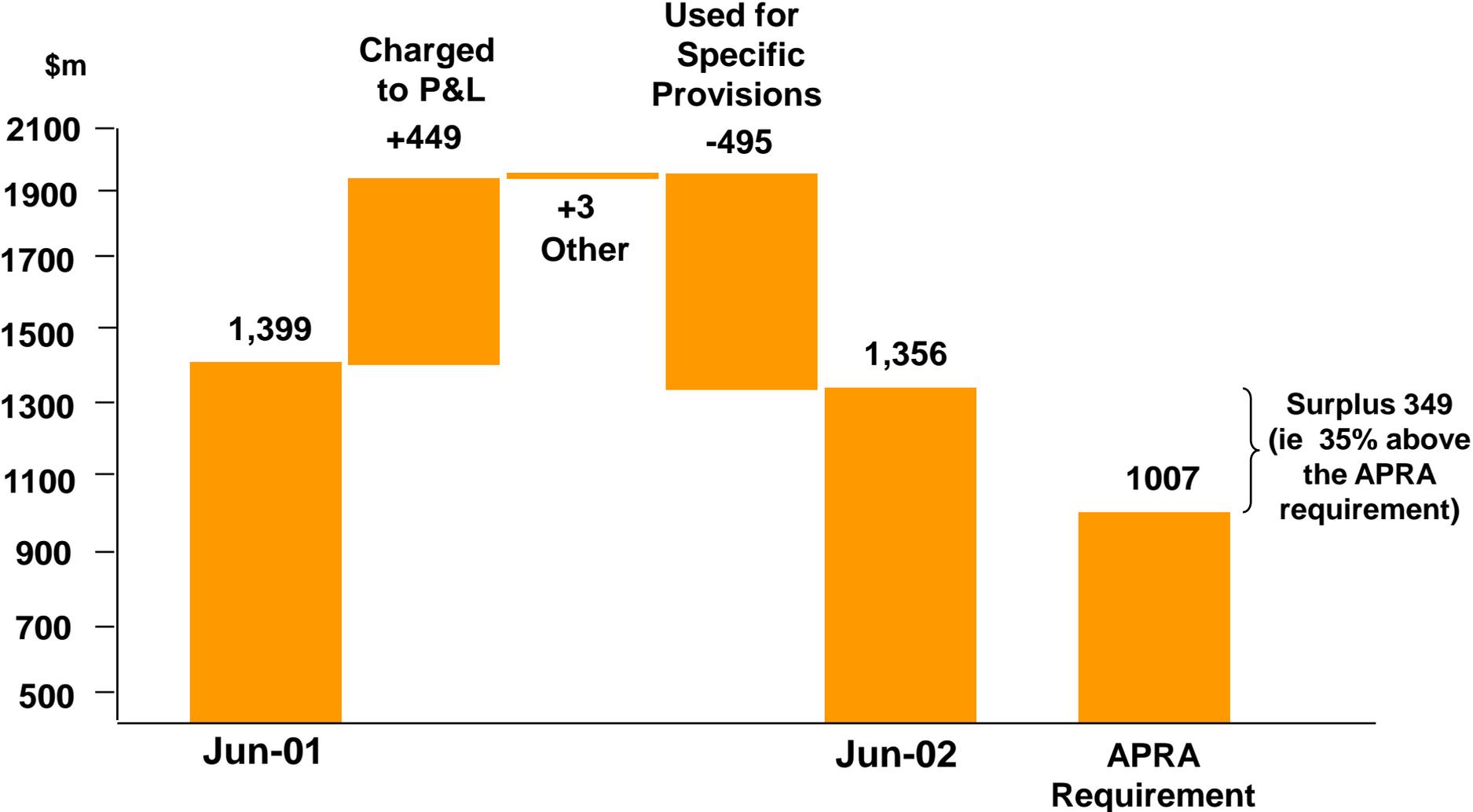
* Excludes New Zealand (ASB)

Aggregate Provisions

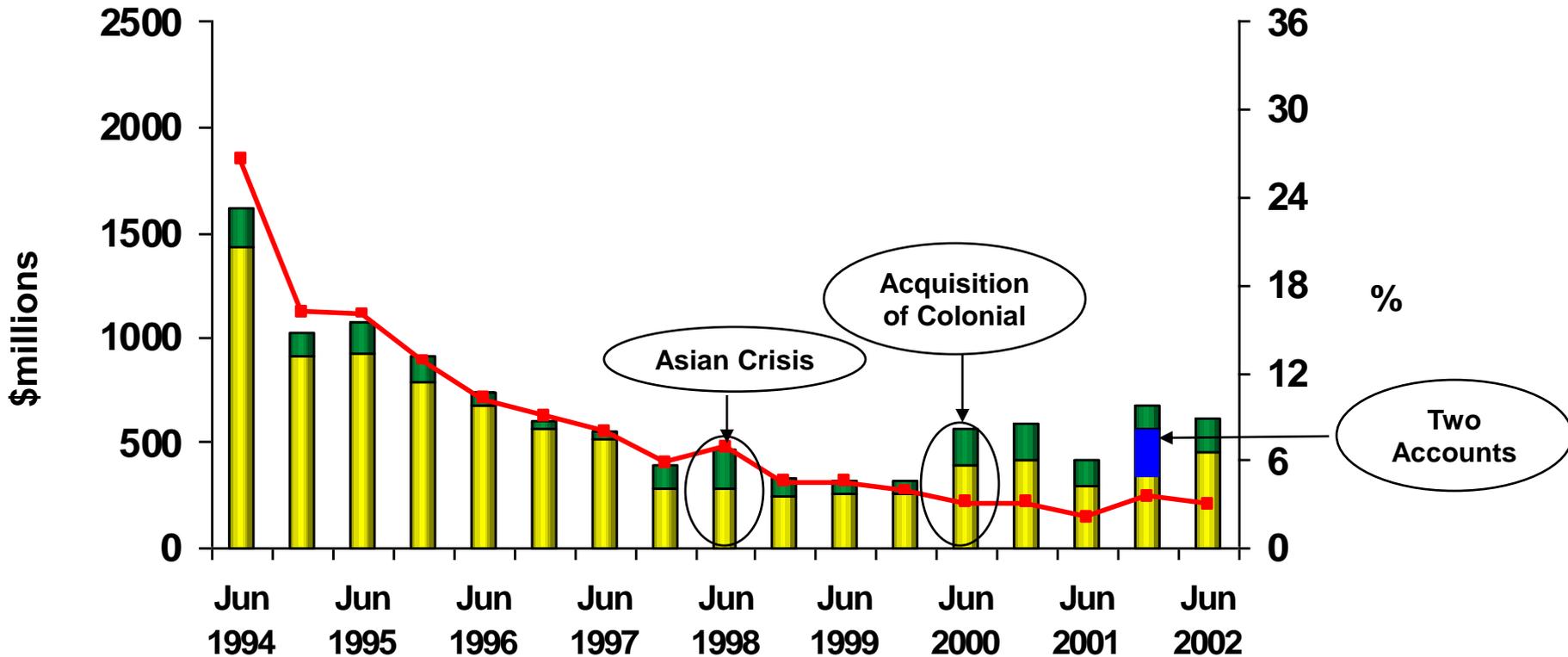


* Includes Colonial

General Provision



Net Impaired Assets



Commonwealth Bank Group (Other Countries)*

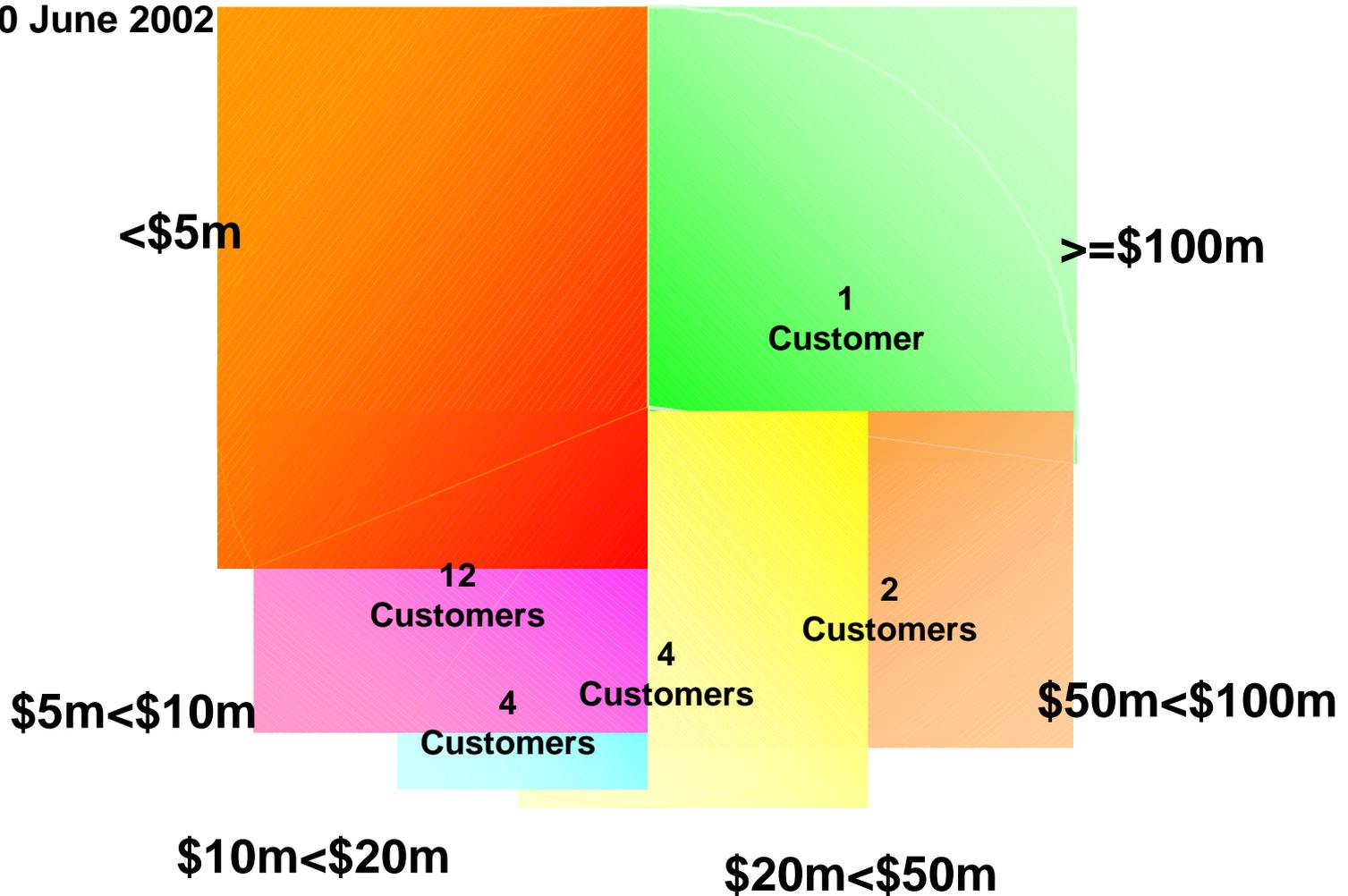
Commonwealth Bank Group (Australia)*

Net Impaired assets as % of Total Shareholder Equity* (axis on right)

* Excluding Colonial prior to 30 June 2000

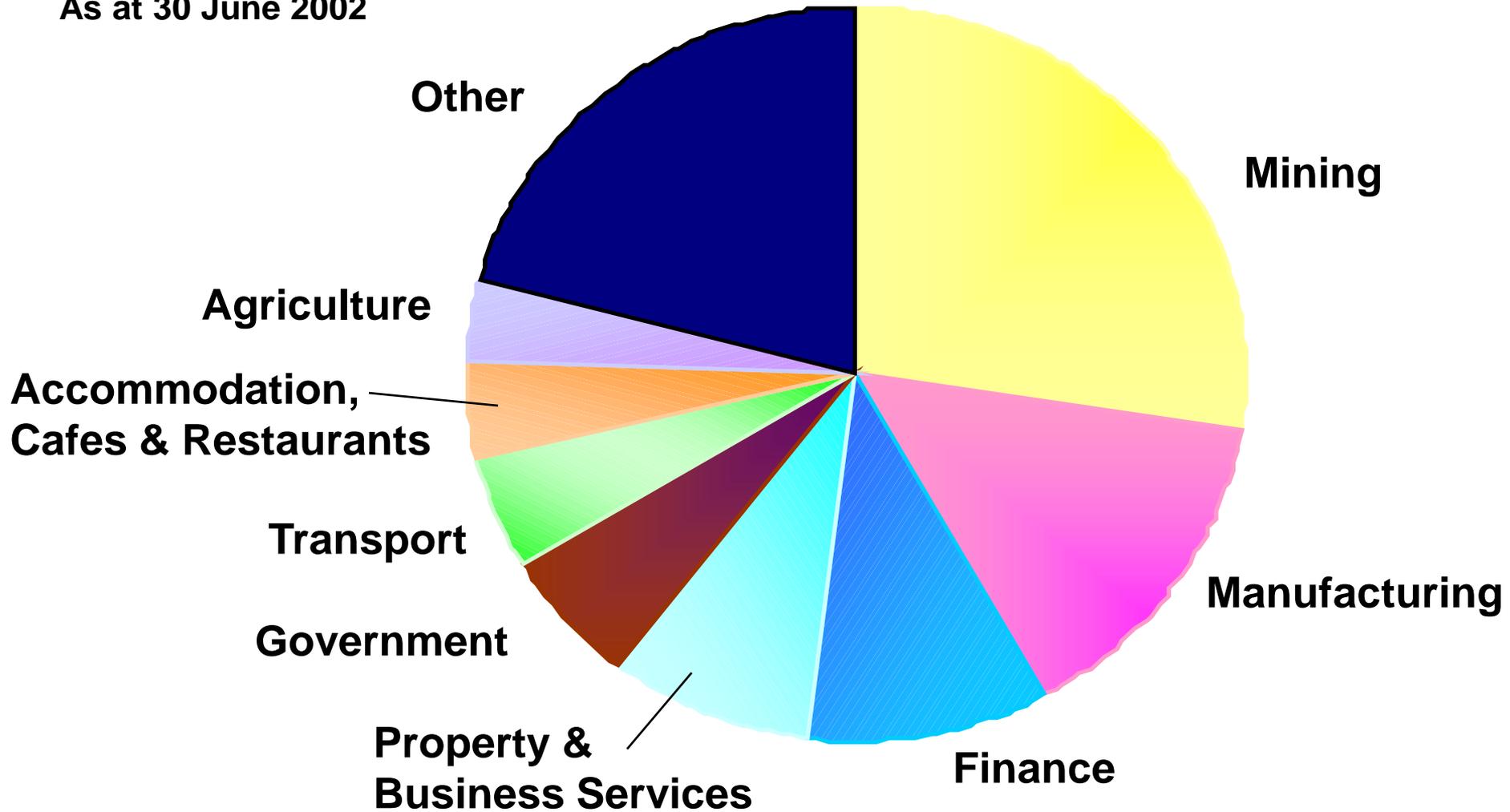
Non-Accrual Loans by Size

As at 30 June 2002



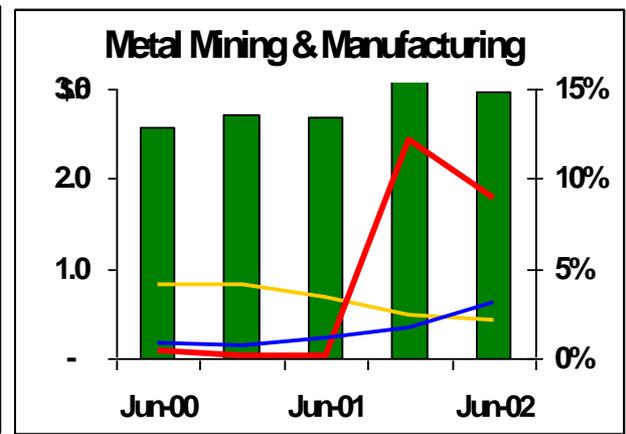
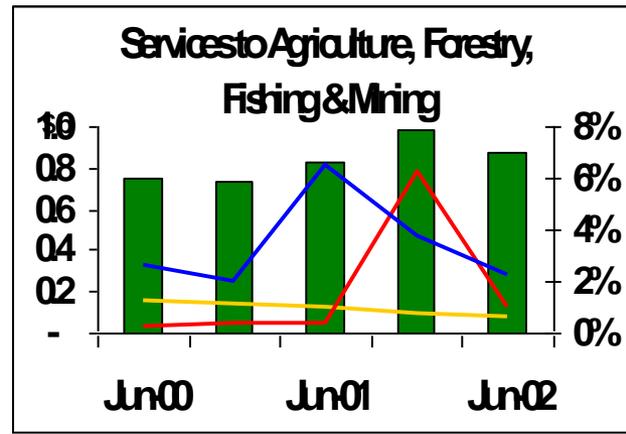
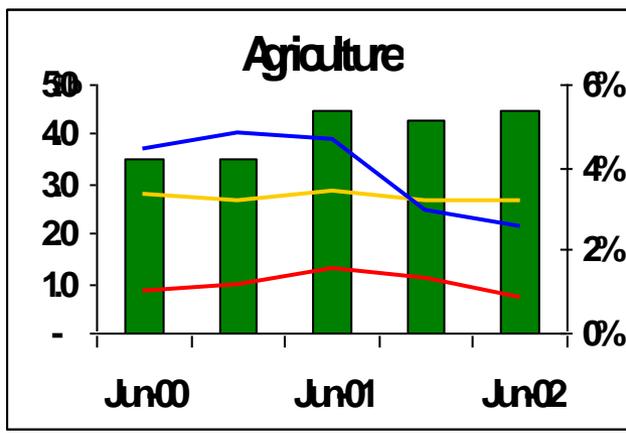
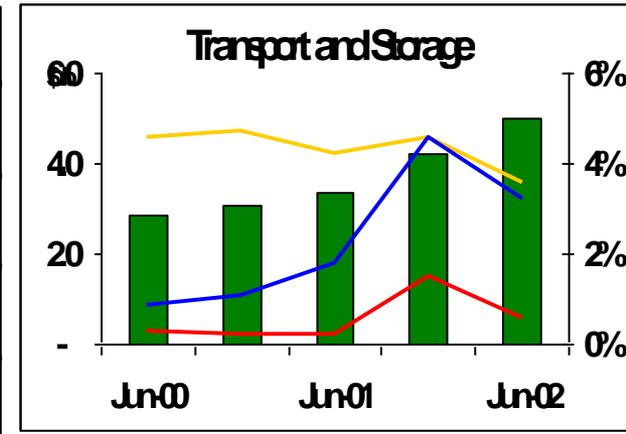
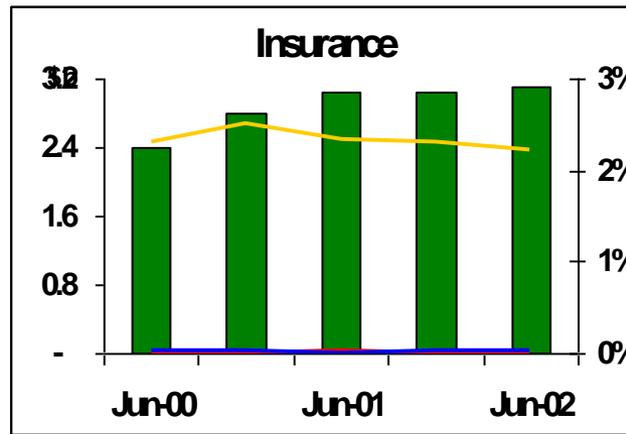
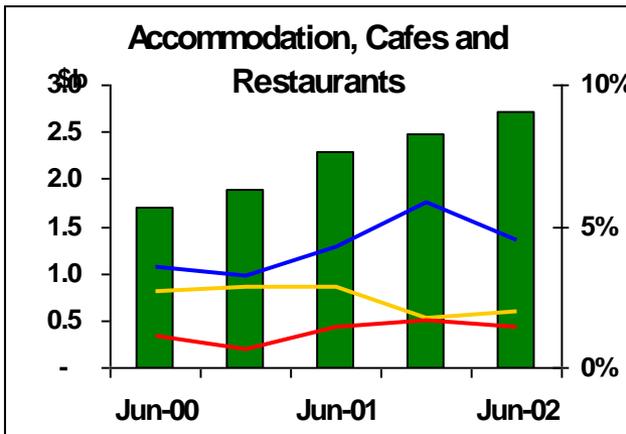
Non Accruals by Industry

As at 30 June 2002



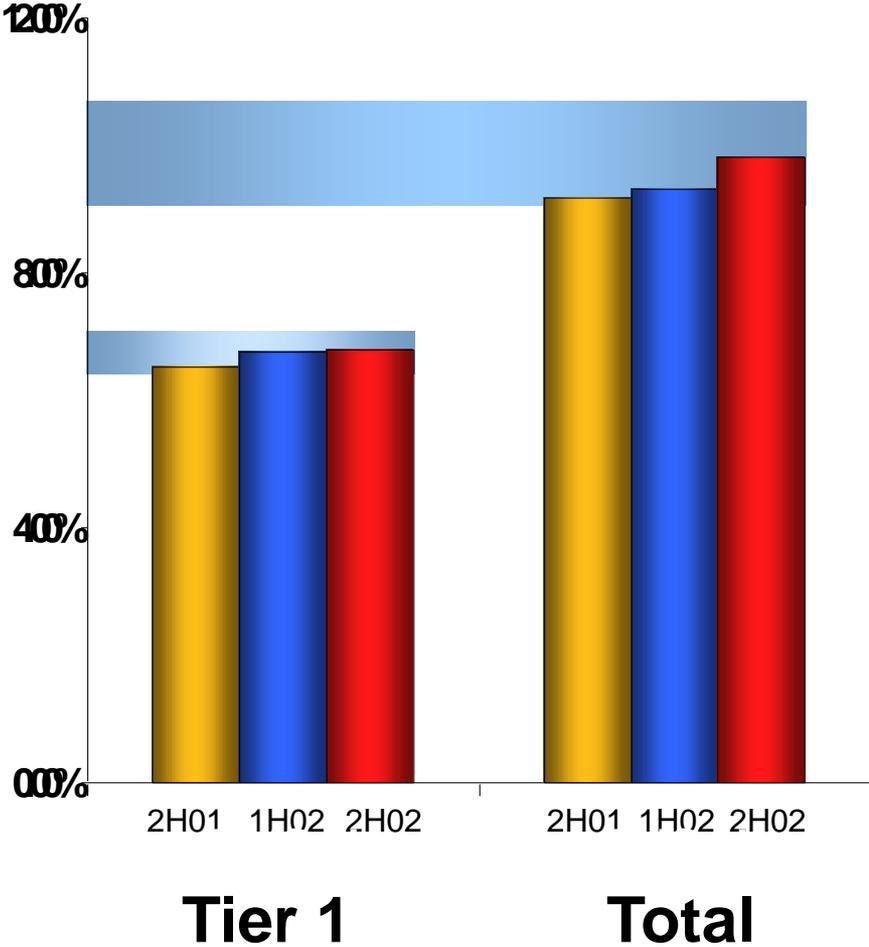
Industry Exposures

Exposure to selected industries



■ Balances \$m
 ■ % Portfolio
 ■ % Troublesome
 ■ % Impaired

Strong Capital Position



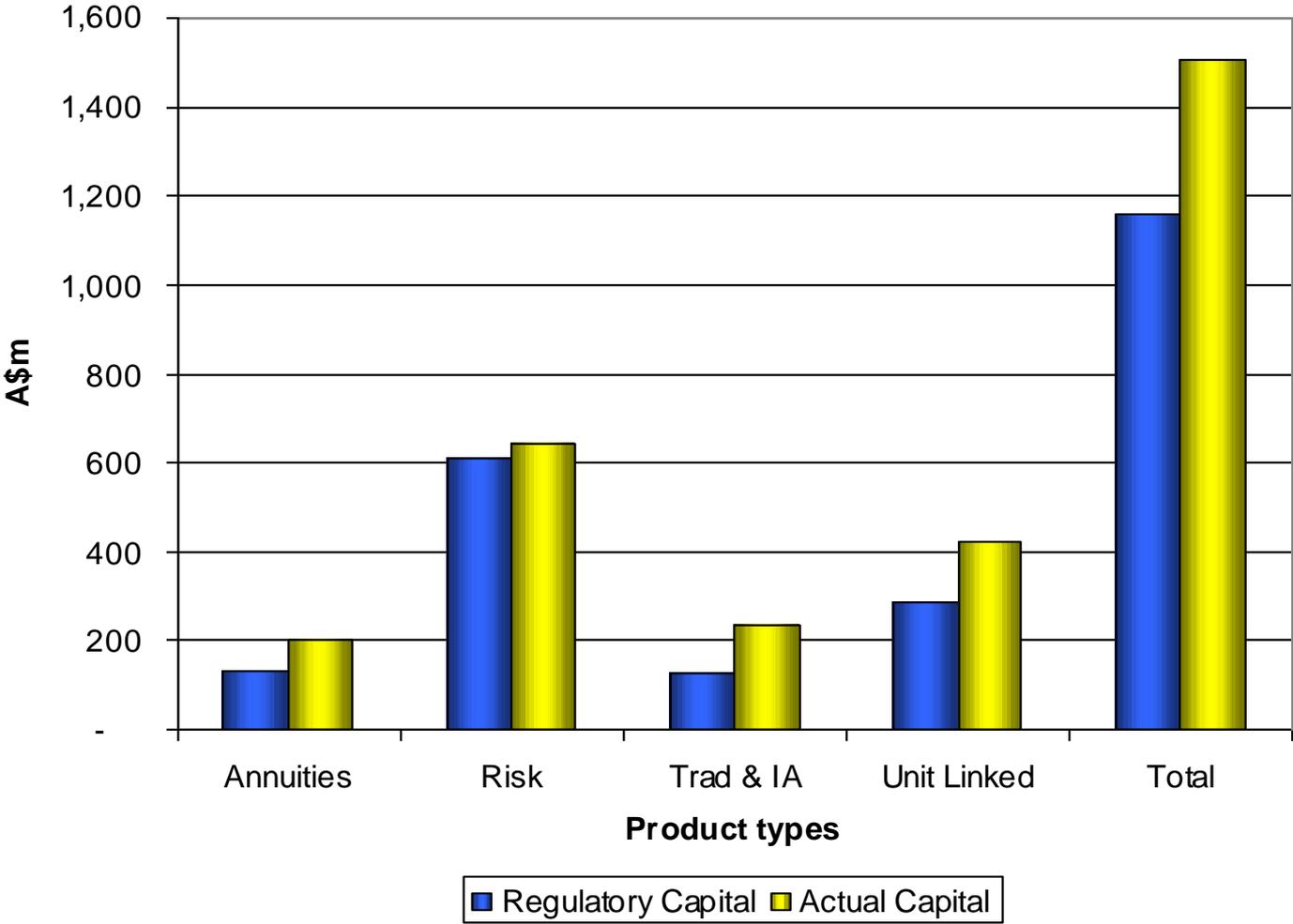
- Strong credit ratings
- Shareholders equity up \$637m
- Strong regulatory capital ratios
- Payments to shareholders of \$1,622m

CBA Target Range

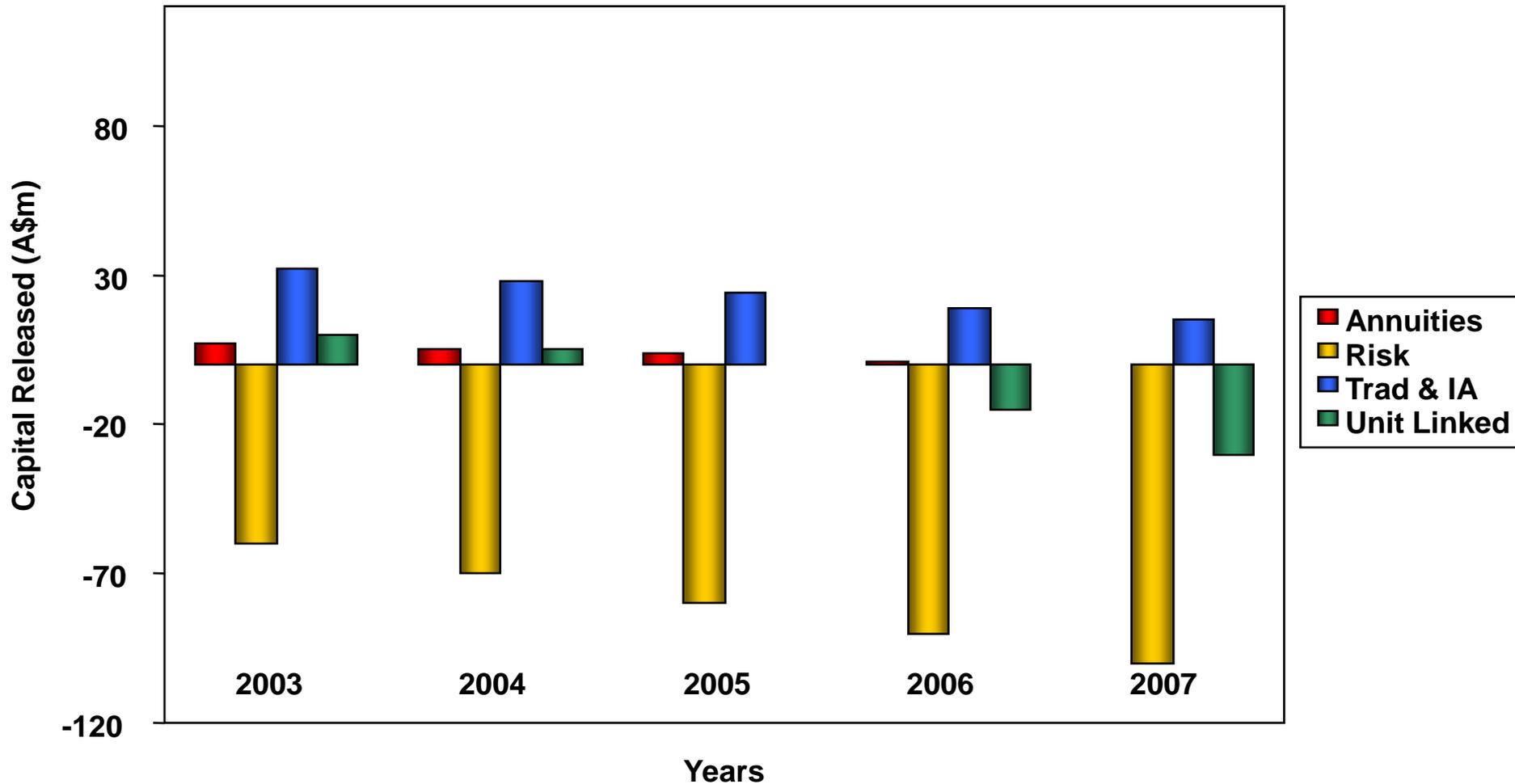
Economic Equity

- Regulatory capital ratios can be misleading:
 - Risk weights are not risk aligned
 - Capital required for residential mortgages is overstated
 - No operational risk charge
 - No value placed on earnings and risk diversification
- Internal models show the Group is strongly capitalised

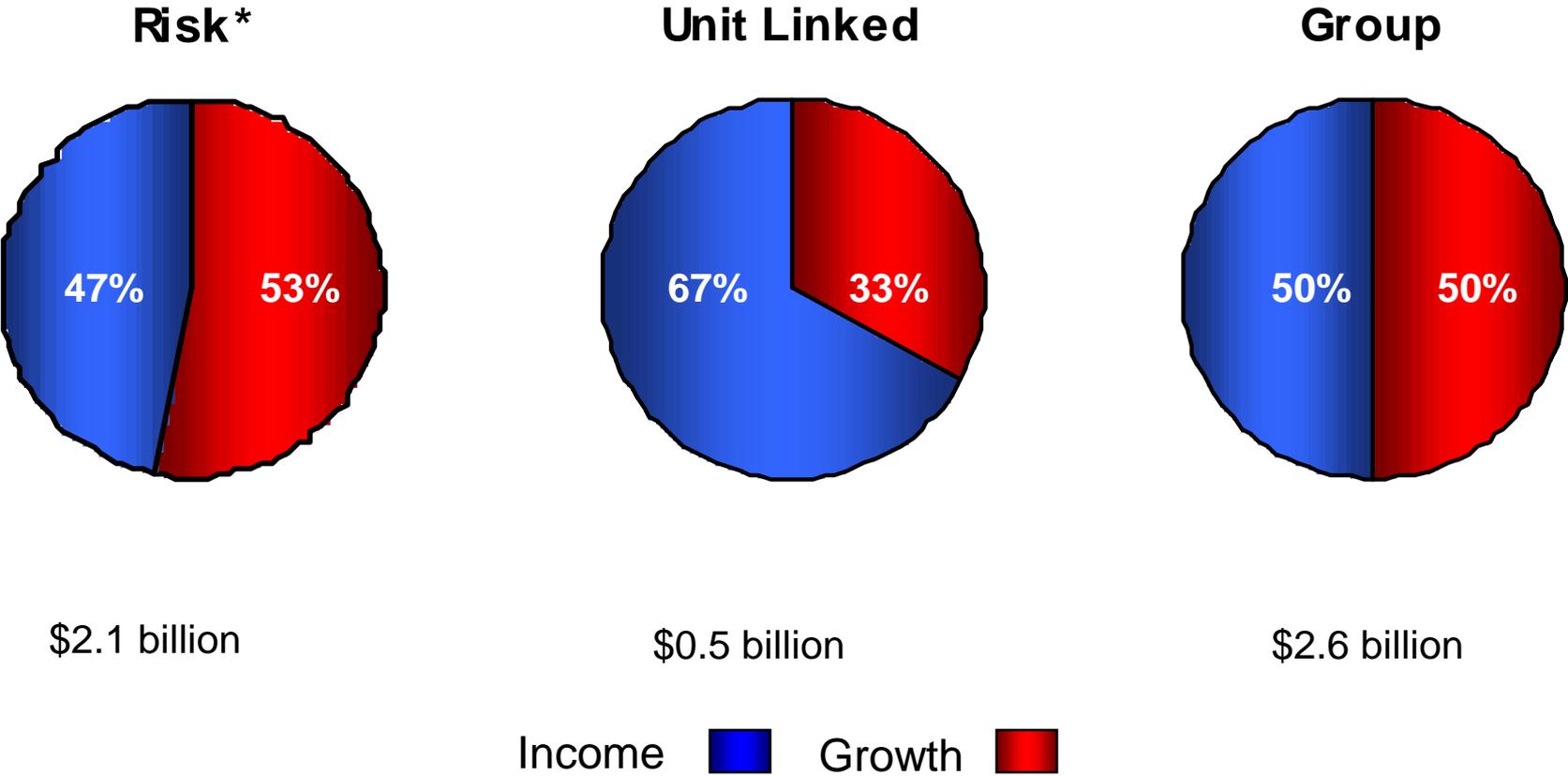
Shareholder Funds in Australian Life Insurance Companies



Australian life companies: Future capital requirements can be met by profit growth



Shareholder Funds in Life Insurance Companies

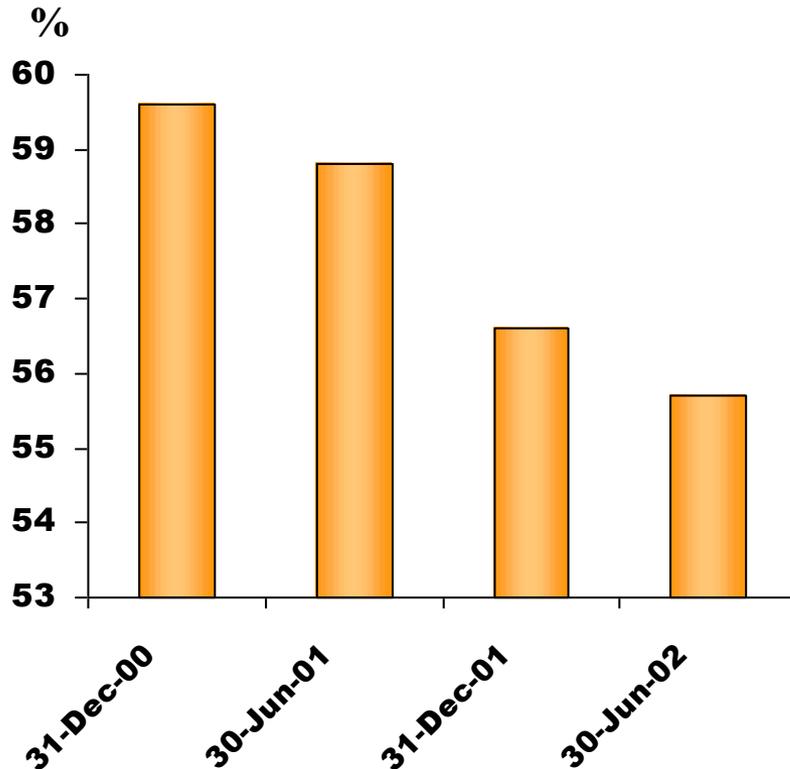


*Risk includes traditional, investment account, annuities, personal risk and group risk.

Greater Cost Control & Targeted Investment in Priority Areas

Focus on achieving further productivity improvements...

...by reducing costs and spending to improve service quality and drive revenue growth



■ Group Cost to Income Ratio (Normalised)

Upgrading infrastructure to improve service

Developing and managing relationships with all customers

Product simplification & rationalisation; packaging products for premium customers, and manufacture innovative new products



Summary

- The Australian Economy
 - *Has been resilient*
 - *Outlook remains positive in global context*
- Why Invest in Commonwealth Bank?
 - *Our track record*
 - *Our differentiators*
 - *Our growth drivers*
- How is Commonwealth Bank Positioned Against the Current Outlook?
 - *Low credit risk profile*
 - *Strong capital position*
 - *Productivity focus*



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