
Commonwealth Bank

Investment and Insurance Services

Stuart Grimshaw

Group Executive, Investment and Insurance Services

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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, 28 April 2004. 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.



Outline

- Organisational Structure
- Business Model
- Strategy
 - Life Insurance
 - Funds Management
 - Platforms
 - Advice

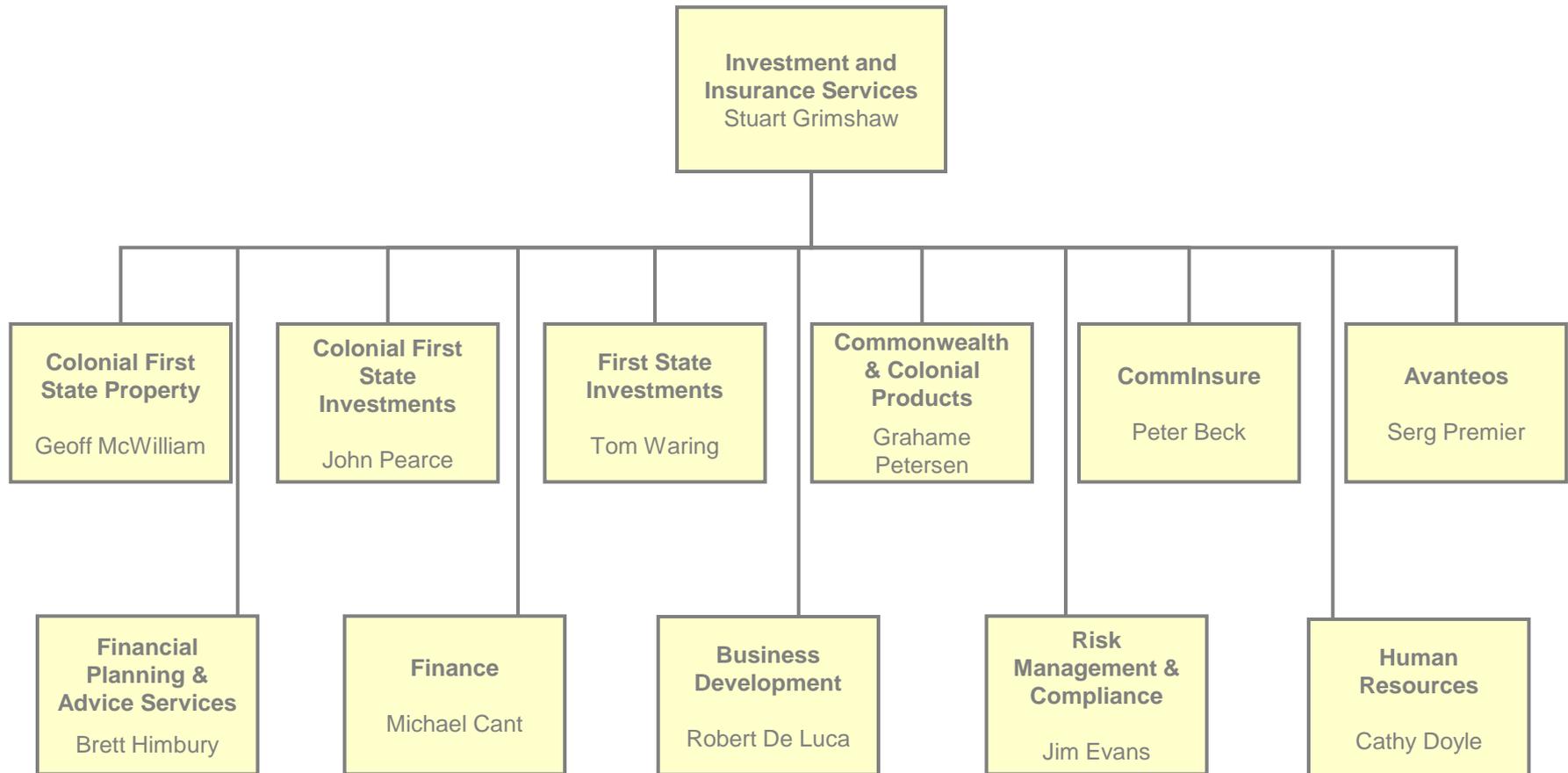


Key messages

- **Wealth Management** - We are building on our leading competitive position in the wealth management market
- **Life insurance** - Well positioned to leverage scale, brand and distribution
- **Funds Management** – Leveraging our strong brand, innovative products and award winning service and specialising in international niche categories
- **Platform** - We are capitalising on the fastest growing market in financial services by investing significantly in extending our offerings
- **Advice** - We are enhancing, leveraging and strengthening our distribution capabilities

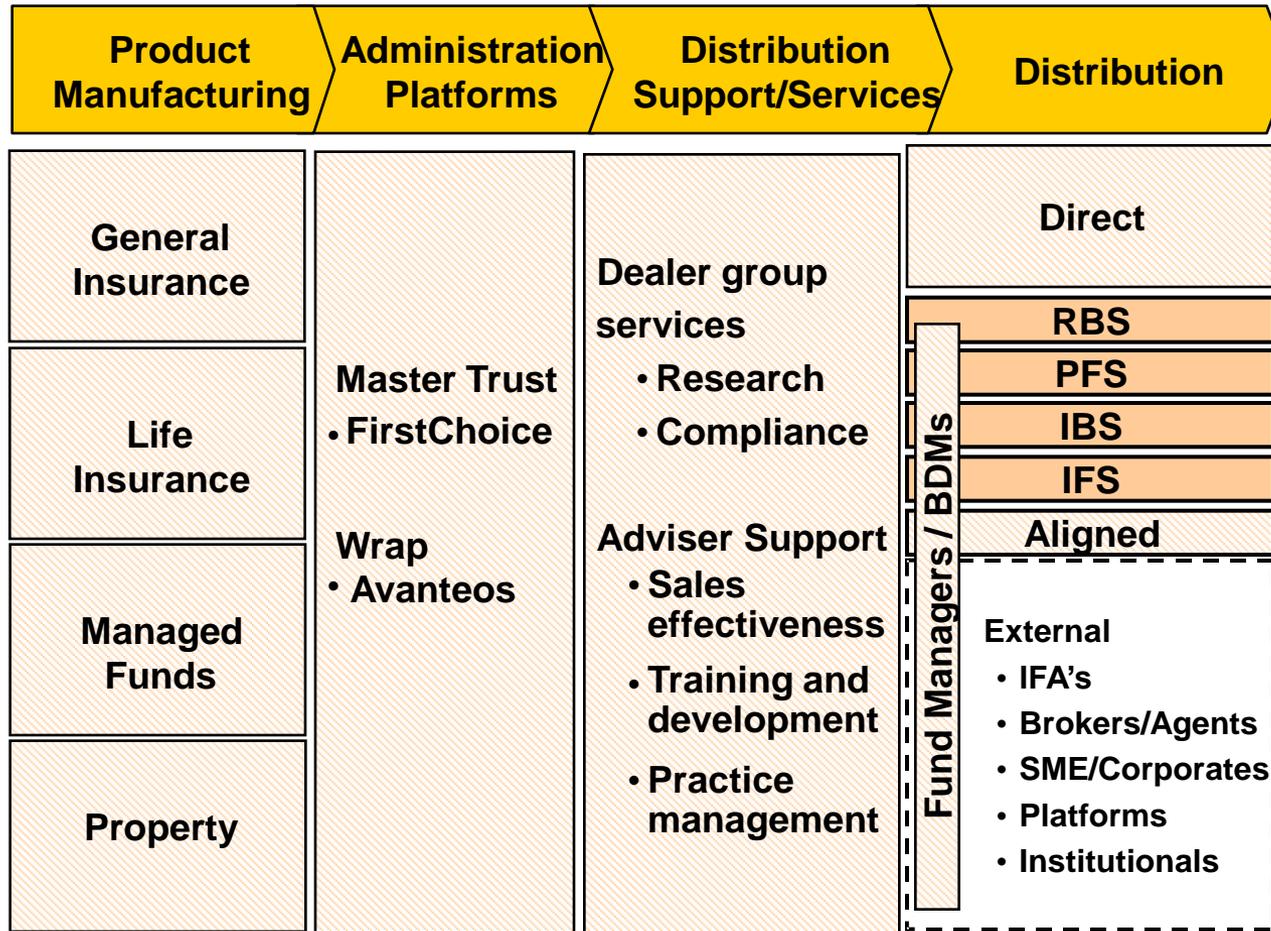


Investment and Insurance Services organisational structure



We benefit from an end to end presence

IIS products and services by value chain element



 External
 IIS
 CBA Group

Business Model Strengths

We are one of the market leaders in:

- Asset management
- Life insurance
- Platform inflows in FirstChoice
- Breadth and scale of banking network and 3rd party distribution

Strengths of our model:

- Flexibility in pricing
- Capture all margins
- Serve broad range of customer needs

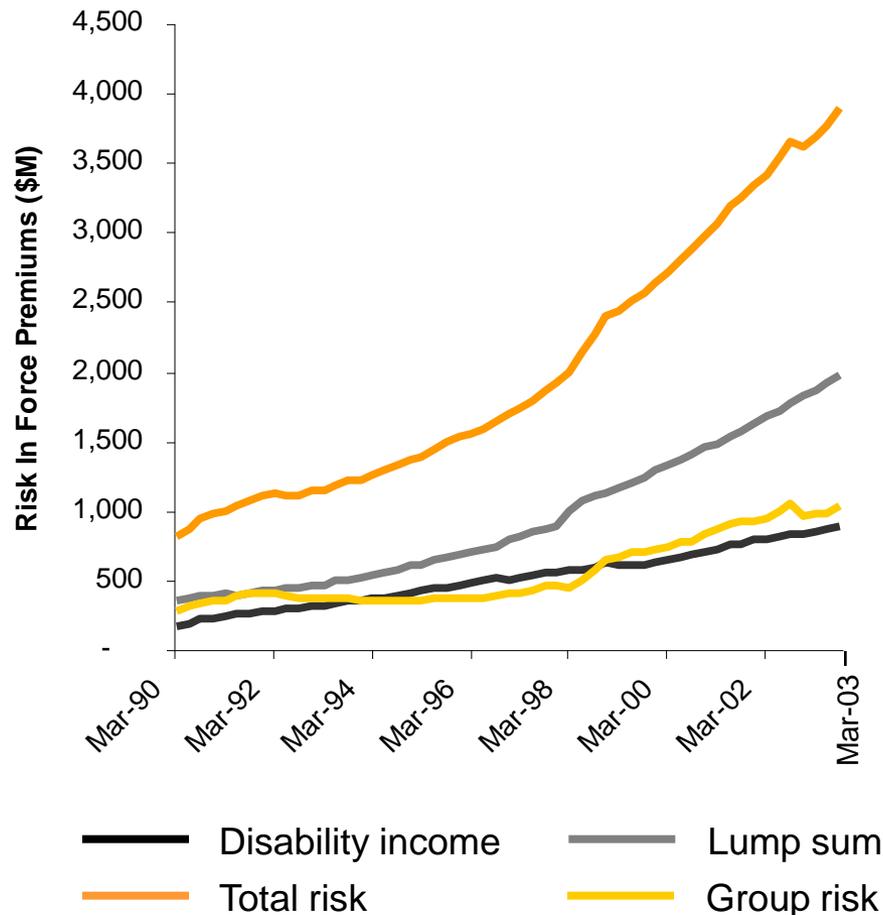
Investment and Insurance Services' strategies

- Achieve **performance** excellence in investments and insurance
- Drive efficiencies through improved **processes**
- Accelerate **platform** development
- Improve and grow our **distribution**



We expect continued strong growth in the life insurance market

Life Insurance In Force Premiums
March 1990 – March 2003



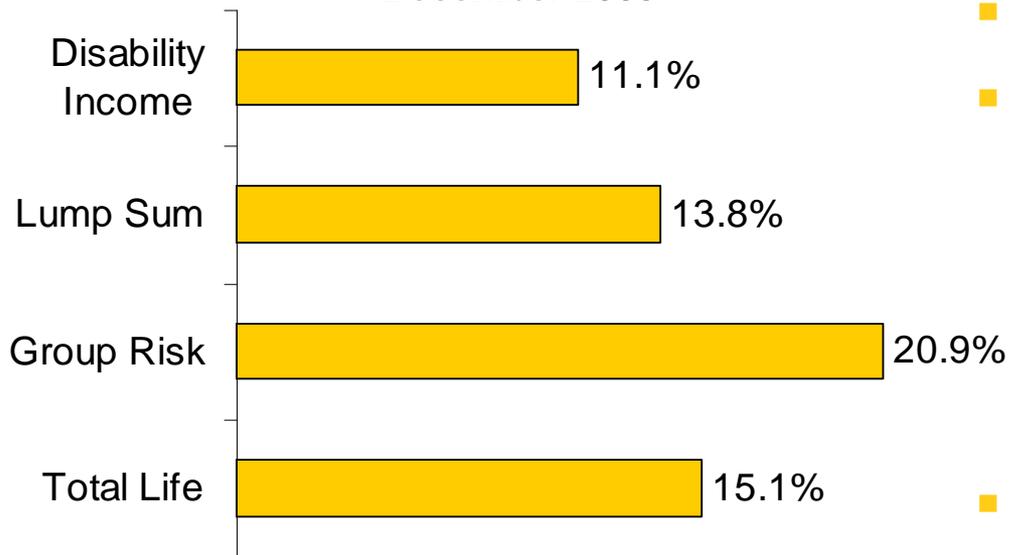
Observations

- Return to rational pricing
- Continued strong growth
- Fewer competitors
- Market still under-insured
- Flight to security / safety



We hold strong positions in all life insurance products

Product Category Market Share December 2003



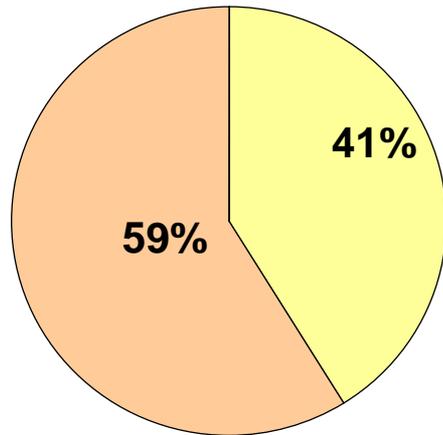
Positioning

- Number one in life insurance
- Improvement in margins underpinned by:
 - Scale
 - Rational pricing
 - Strong investment returns
- Continued growth from Bank channels



Our life insurance products are well supported by all channels

Distribution by Channel[^]



- Third Party
- Network & Direct*

* Network - Internal Bank Channels

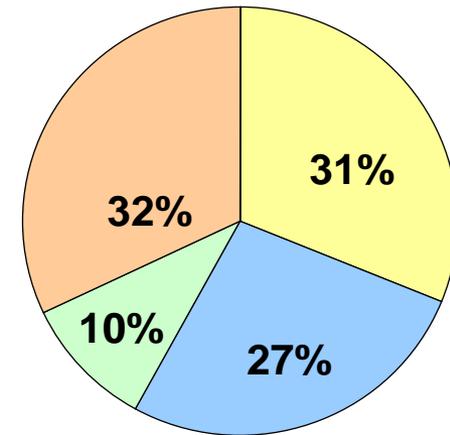
Direct - Telemarketing & Phone

[^] Excludes Group Risk and Masterfunds

Growth represented by

(\$bn)	Dec 2003	Jun 2003
Sales/New Business	91	83
Lapses	64	58
Net Growth	<u>27</u>	<u>25</u>

Product Sales

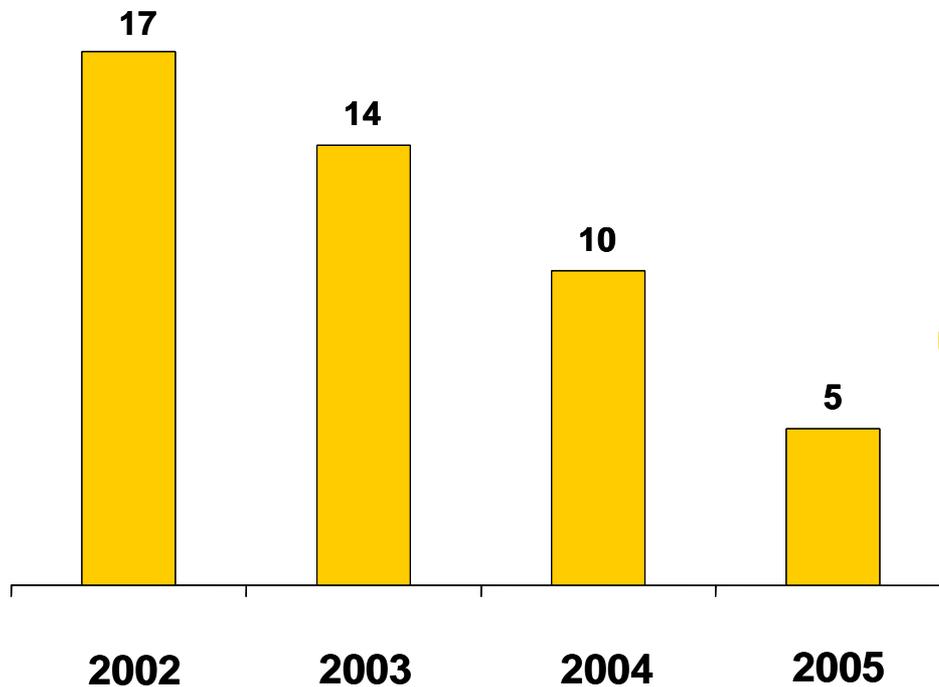


- Lump Sum
- General
- Disability Income
- Group Risk and Masterfund



Rationalising products and systems will allow us to realise further efficiencies

Legacy Systems Rationalisation 2002 - 2005



- Established one team to manage investments legacy products and systems:
 - Product rationalisation
 - Client migration
 - Systems decommissioning
- Key drivers of success:
 - Client retention and service
 - Realise cost efficiencies
 - Reduced operational risk
 - “Legacy” products reduced from 255 to 124 by year end 2005



We are continuing to selectively grow our international operations

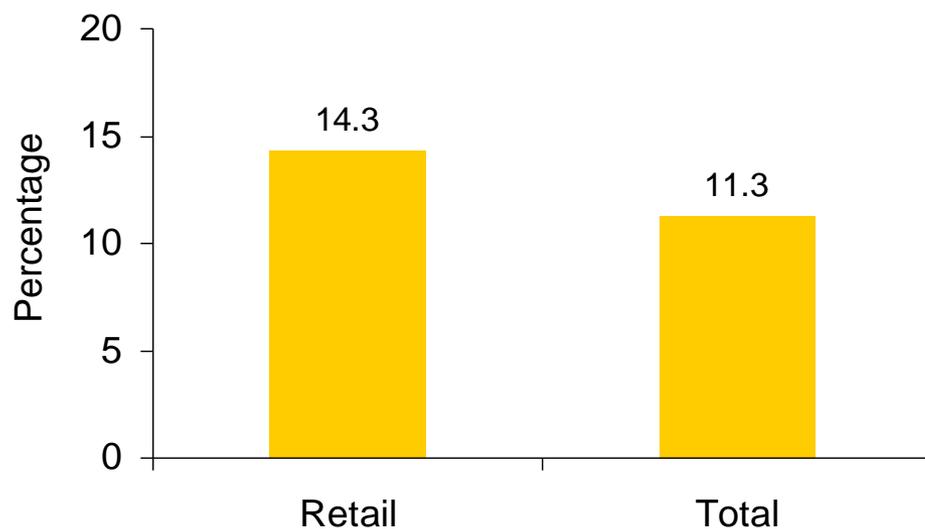
- **Asia**
 - Leveraging International Financial Services
 - Creating an all finance model – funds management, insurance, banking

- **United Kingdom**
 - Positioning as a specialist investment manager
 - Strong performing products - GEM and Asia-Pacific
 - Exiting UK and European All Companies equities, UK mid-cap equities, US and Japanese equities and health and biotechnology



We are well positioned in the Australian funds management market

Commonwealth Bank Market Share December 2003



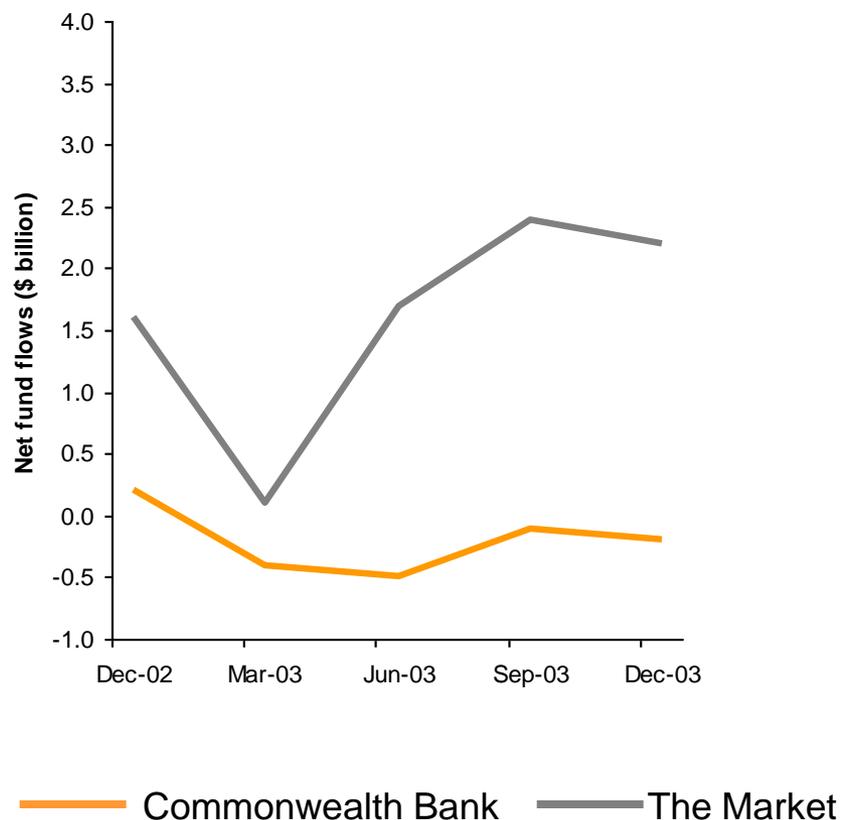
Key Initiatives

- Leveraging our strong assets in the investor and adviser market places
 - Brand
 - Scale
 - Services
- Distribution breadth
 - Independent Financial Advisers
 - Bank advisers
 - Aligned advisers



Retention is a key priority for retail funds

Net Funds Flow
Market versus Commonwealth Bank
December 2002 – December 2003



Drivers

- Staff changes
- Research ratings
- Correction of overweighting in Aussie Equities
- Legacy business

Mitigation Strategies

- Strategic alliances with boutique players including PM Capital and 452
- Investing in Group distribution
- Investment in platforms
- Retention strategies

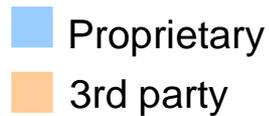
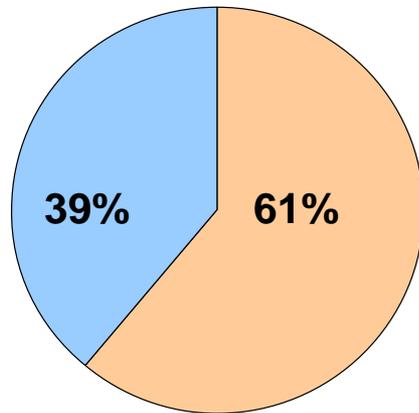


FirstChoice provides strong distribution and asset management benefits

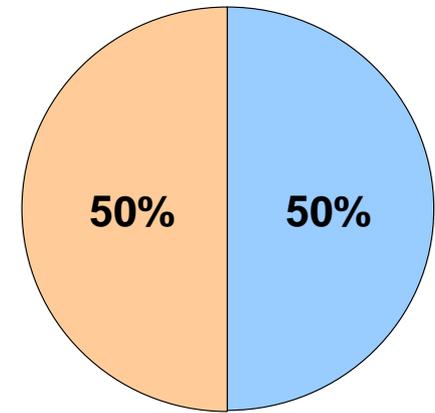
FirstChoice : Funds under Administration

\$5billion at 31 December 2003

Source



Destination



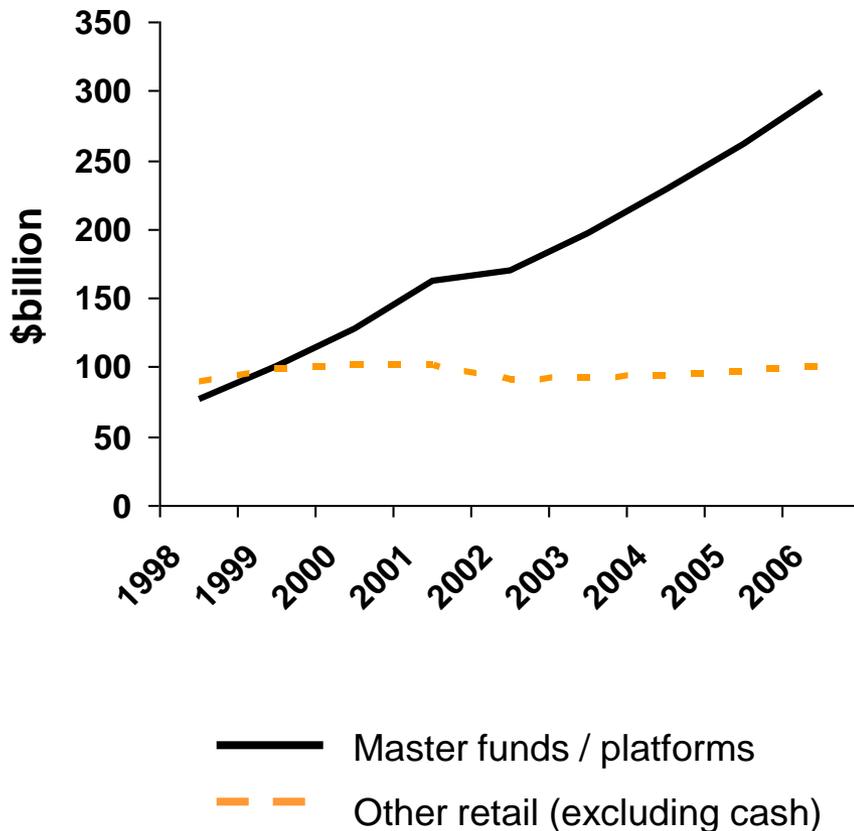
Half Year Growth represented by

(\$bn)	Dec 2003	Jun 2003
Inflows	2.2	1.6
Outflows	0.5	0.3
Net Growth	1.7	1.3



Platforms are the main source for capturing retail funds

Retail Market Flows
1998 – 2003a
2004 – 2006f



Observations

- Platform success driven by:
 - Adviser productivity improvements
 - Greater choice for investors and advisers
 - More convenience
 - Creation of new margins
 - Consolidated reporting



We are well represented in the platform market

RETAIL



- **FirstChoice** has been the fastest growing platform in the market since its launch two years ago
 - Over \$5 billion FUA (31 Dec 2003)
 - Competitive pricing
 - Award-winning service

WHOLESALE



- Strong growth in **Avanteos** business through acquisition of new clients
 - Telstra Super Financial Planning
 - FSP Group
 - Symetry

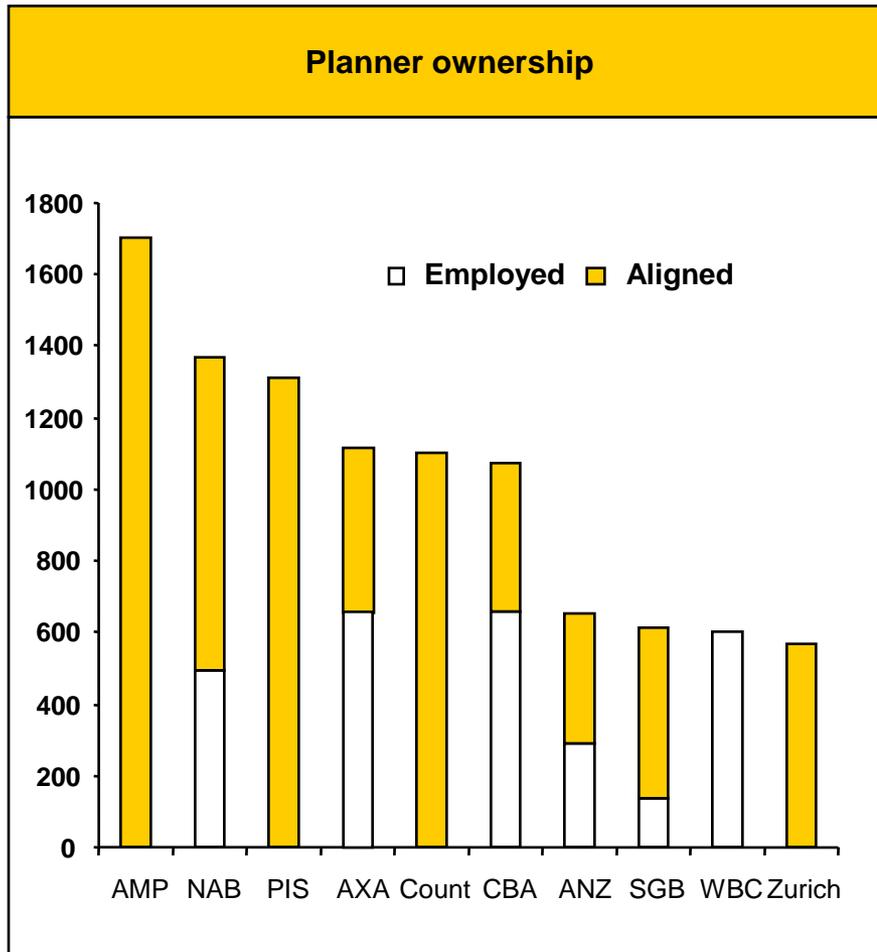


Continued investment in platforms is the key to success

- Future enhancement programs
 - **FirstChoice** (available 1 May 2004)
 - Leverage scale benefits to provide increased value to investors
 - 12 new investment options, including the CFS PM Capital fund, Geared 452 fund, and our Global Diversified Credit Fund
 - Enhanced on-line transaction and reporting functions for advisers.
 - **Avanteos**
 - Improved adviser and dealer group functionality
 - **Integration with adviser workbench**
 - Productivity improvement for advisers
 - Straight-through processing for product manufacturers



We predict further concentration in the advice market



Observations

- Highly concentrated market driven by:
 - Banks' significant investment into wealth management
 - FSRA and increased compliance costs
 - Access to capital investments in services and support



We are prepared for the challenges in financial planning

Market observations

- Rapidly ageing population
- Inadequate savings to support retirement
- Inadequate protection of investor's assets
- Access to product choice for investors and advisers
- Quality of advice
- Increasingly sophisticated investors wanting more DIY products
- Greater transparency of fees

We will continue to invest in our advice channel

- Our focus is on improving **productivity**, increasing **total sales** and enhancing our quality of **advice**
 - **Group Wide Advice Model**
 - Advice model based on needs of customer segments
 - Affordable advice
 - Productivity improvements through use of technology and process improvements
 - **Centre for Adviser Development**
 - Training, development and recruitment
 - **Multi-channel strategy**
 - Career development for advisers
 - All channels are important – minimise risk and maximise outcome
 - **Leverage and realise Commonwealth Bank assets**
 - Large customer base and distribution network
 - Meeting more customers insurance and investment needs



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