
Investor Half Day

Investment and Insurance Services Division

19 October 2004

Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 19 October 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.



Discussion Outline

- **Stuart Grimshaw**
Group Executive
Investment & Insurance Services
Key Achievements,
Strategic Direction and
Distribution Overview
- **John Pearce**
Chief Executive Officer
Colonial First State
Asset Management and Platform
Overview
- **Peter Beck**
Managing Director
CommInsure
Insurance Overview
- **Michael Cant**
Chief Financial Officer
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Investment & Insurance Services
Conclusion



Market trends shaping the wealth management industry

Funds Management:

- Decline of retail and the rise of platform
- Margin squeeze
- Slowing, but healthy projected growth in funds management
- Rising popularity of blend and model portfolios

Insurance:

- Strong long-term growth
- Rational approach to pricing
- Underinsurance and the need for further education

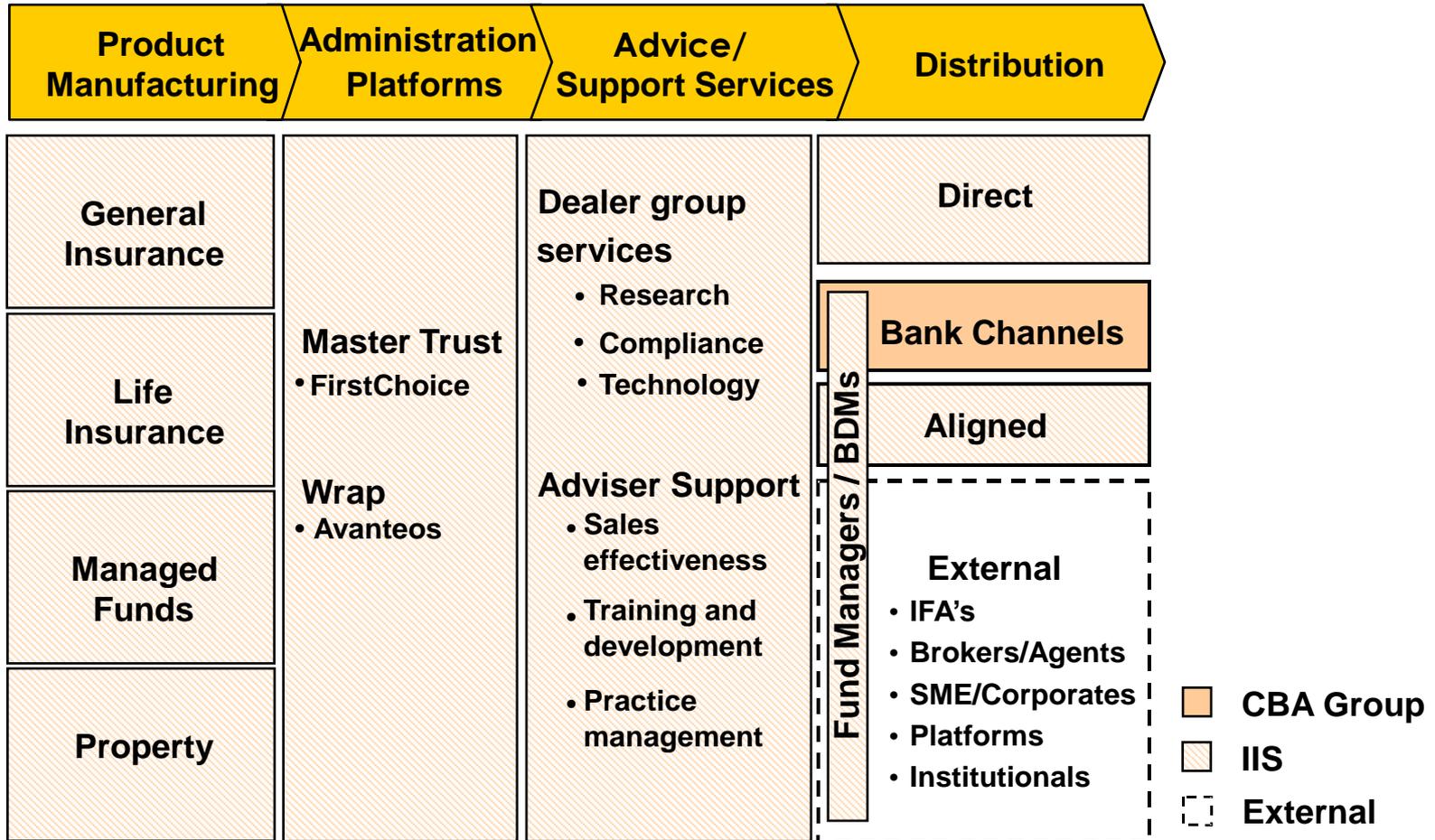
Advice:

- Independence of advice
- Continuing consolidation of distribution
- Soft dollar benefits
- Quality of advice



Our business model involves competing across all elements of the value chain

IIS products and services by value chain element



Our strategy is to foster a leading wealth management business

Distribution

- Continue to strengthen and improve our multi-channel distribution capabilities

Efficiency

- Focus on cost effective ways to deliver investment and insurance services

Platform

- Build market leading platform capabilities and leverage the scale and efficiency of our technology

Innovation

- Strengthen our standing as a provider of innovative products and services

Service

- Continued focus on a world-class customer service culture

Performance

- Lead in all parts of the wealth management value chain



Recent achievements and current focus

Distribution

- Centre for Adviser Development
- Launch of Enterprise¹²¹
- Increased productivity and number of planners

Efficiency

- IIS organisational restructure
- Legacy rationalisation program on target
- Cost to income ratio improvement

Platform

- Market leading platform inflows through FirstChoice
- Growth in Avanteos net flows since acquisition
- FirstChoice enhancements

Innovation

- Launch of 5D
- Boutique alliances
- Launch of new Commlnsure products

Service

- Award winning service
- Commlnsure service quality improvement

Performance

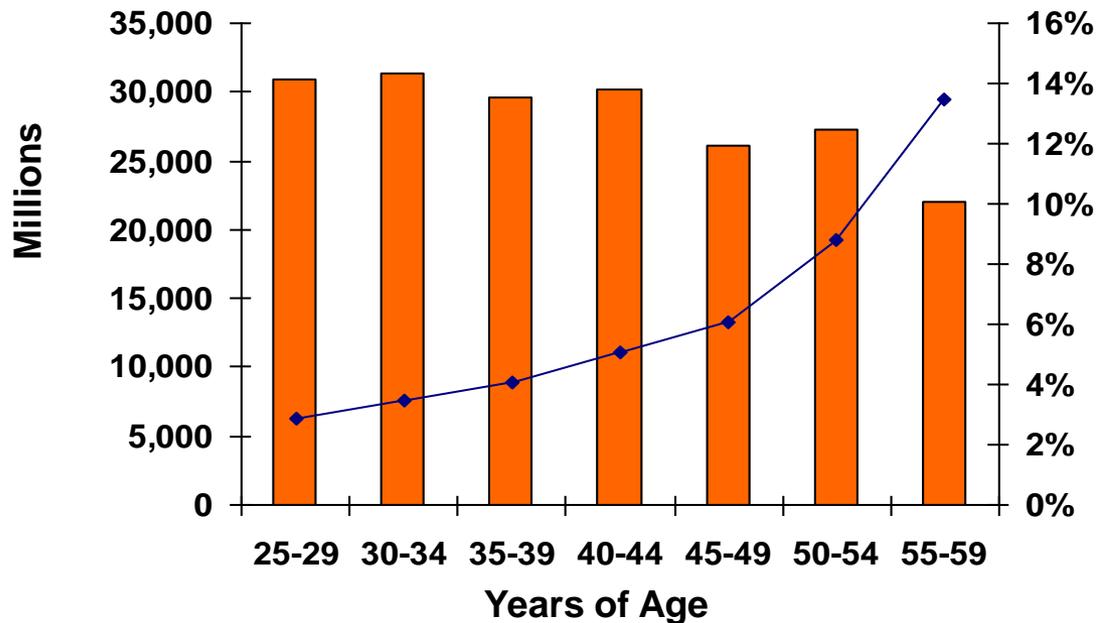
- Strong FUM flows in First State International
- Commlnsure strong financial results
- Fixed Interest and Credit and Global Resources fund performance



Distribution challenges and opportunities

Retirement Savings Gap by Age

August 2003



 Retirement Savings Gap for Males
 Additional Contribution Required

Challenges/ Opportunities:

- Ageing population with inadequate savings
- Choice for investors and advisers
- Growth in DIY products
- Regulatory environment:
 - Quality of advice
 - Greater fee transparency
 - Independence

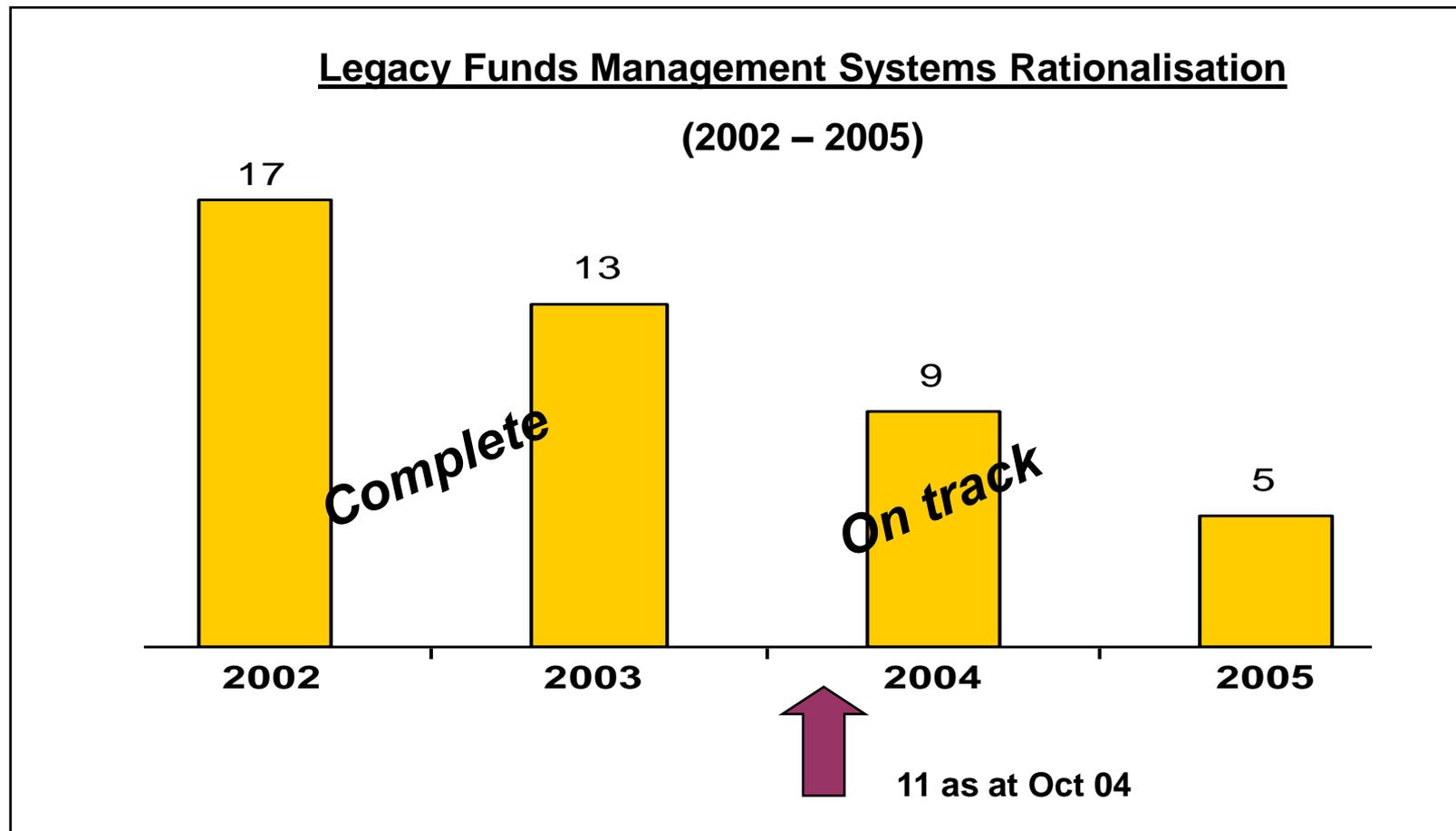
Source: IFSA Retirement Savings Gap, August 2003;

We are continually strengthening our distribution footprint

- **Centre for Adviser Development**
 - Over 200 trained
 - Feedback very positive
- **Launch of Enterprise¹²¹**
 - Opportunity in the market to offer advice, platform and dealership services to HNW practices.
- **Increased productivity of network advisers**
 - 26% improvement
- **Recruitment of advisers**
 - Network and aligned



Legacy system rationalisation is on track



Source: Internal Projections. Policy Administration Systems rationalisation by calendar year end

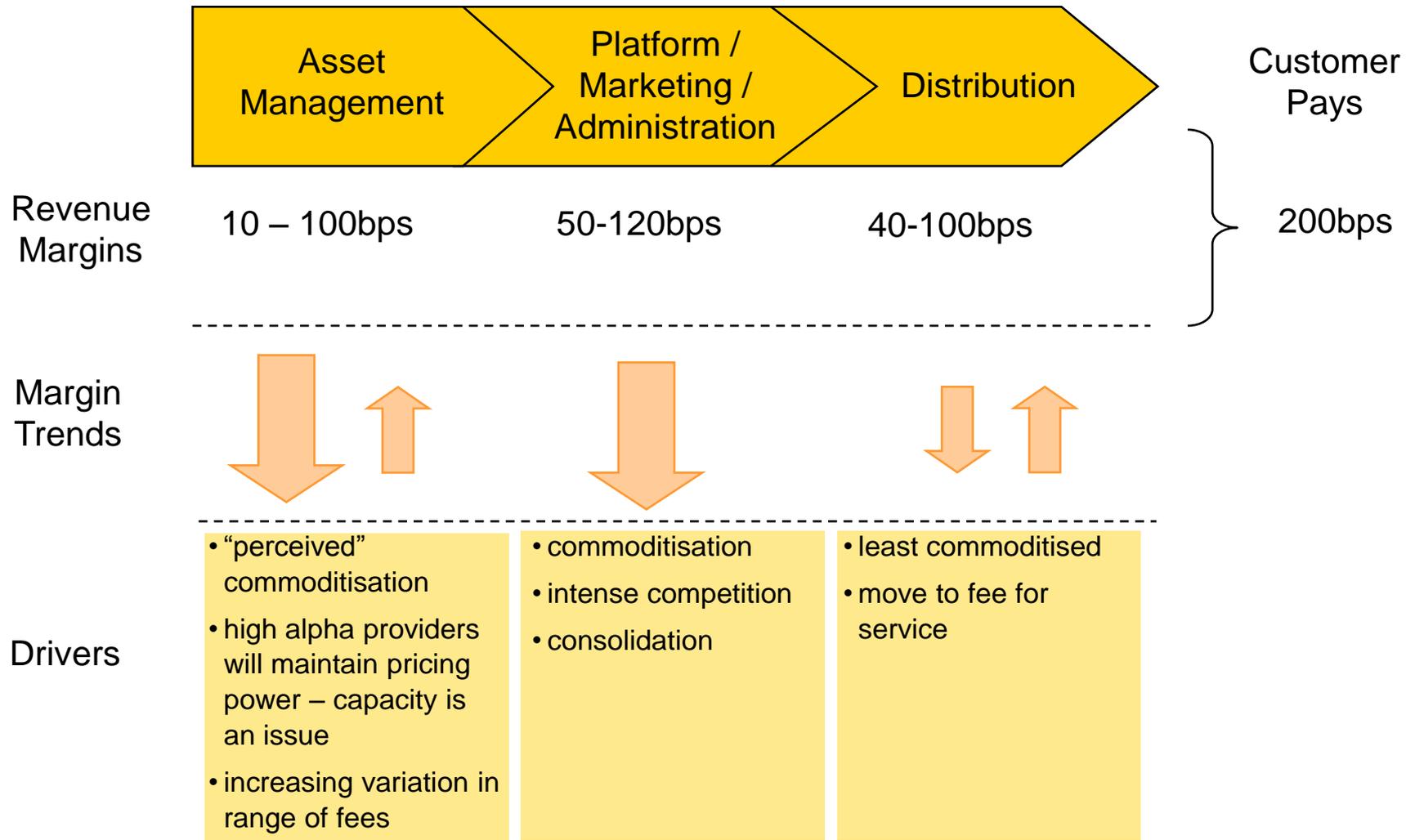
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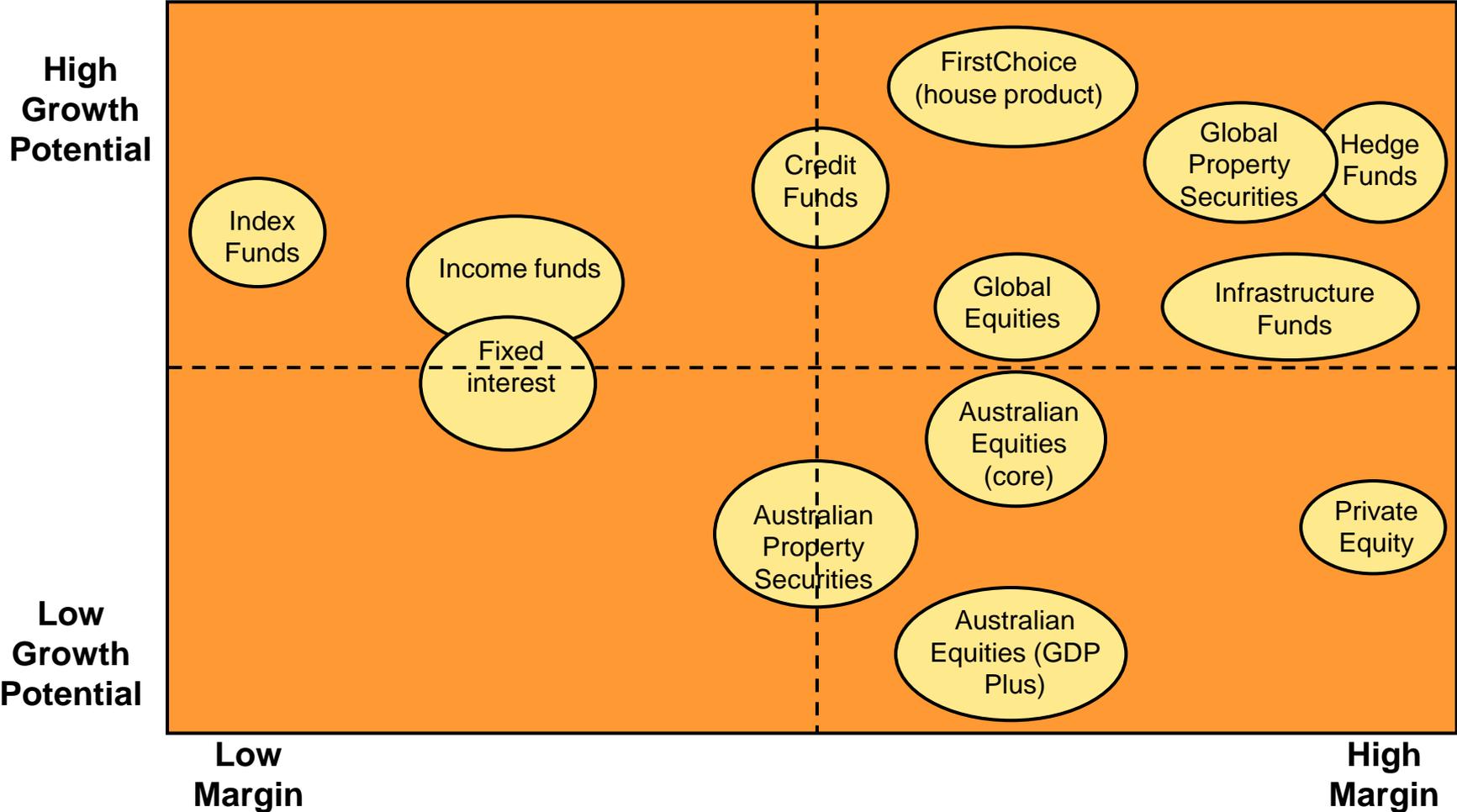
Outline

- The value chain
- Asset management
- Platforms

The only segment with universal downward pressure in margins is platforms / administration.



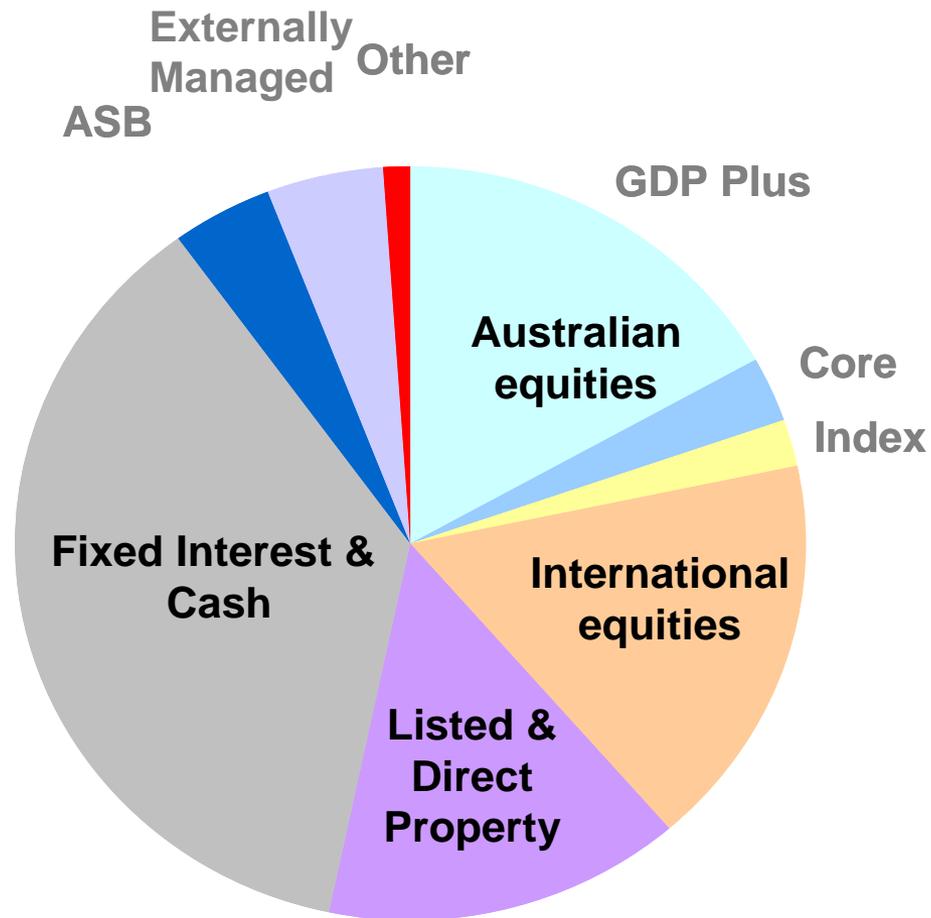
Our diversified asset management base provides growth opportunities.



Source: CBA Internal Analysis and Market Forecasts

Australian Equities (GDP-Plus) is now only 17% of FUA

FUA: \$109.8bn
as at June 2004



Australian equity GDP+ investment performance in perspective.

Year by year out-performance

<i>Growth bias market</i>		<i>Value bias market</i>	
1997	12.04%	2001	7.71%
1998	4.41%	2002	-0.03%
1999	13.39%	2003	-0.07%
2000	7.48%	2004	-4.86%
4 Yr Avg.	9.10%	4 Yr Avg.	0.70%

Source: Wholesale Imputation Fund, excess performance before fees and taxes. Year to 30 June.



Investment performance has been generally strong over the medium term.

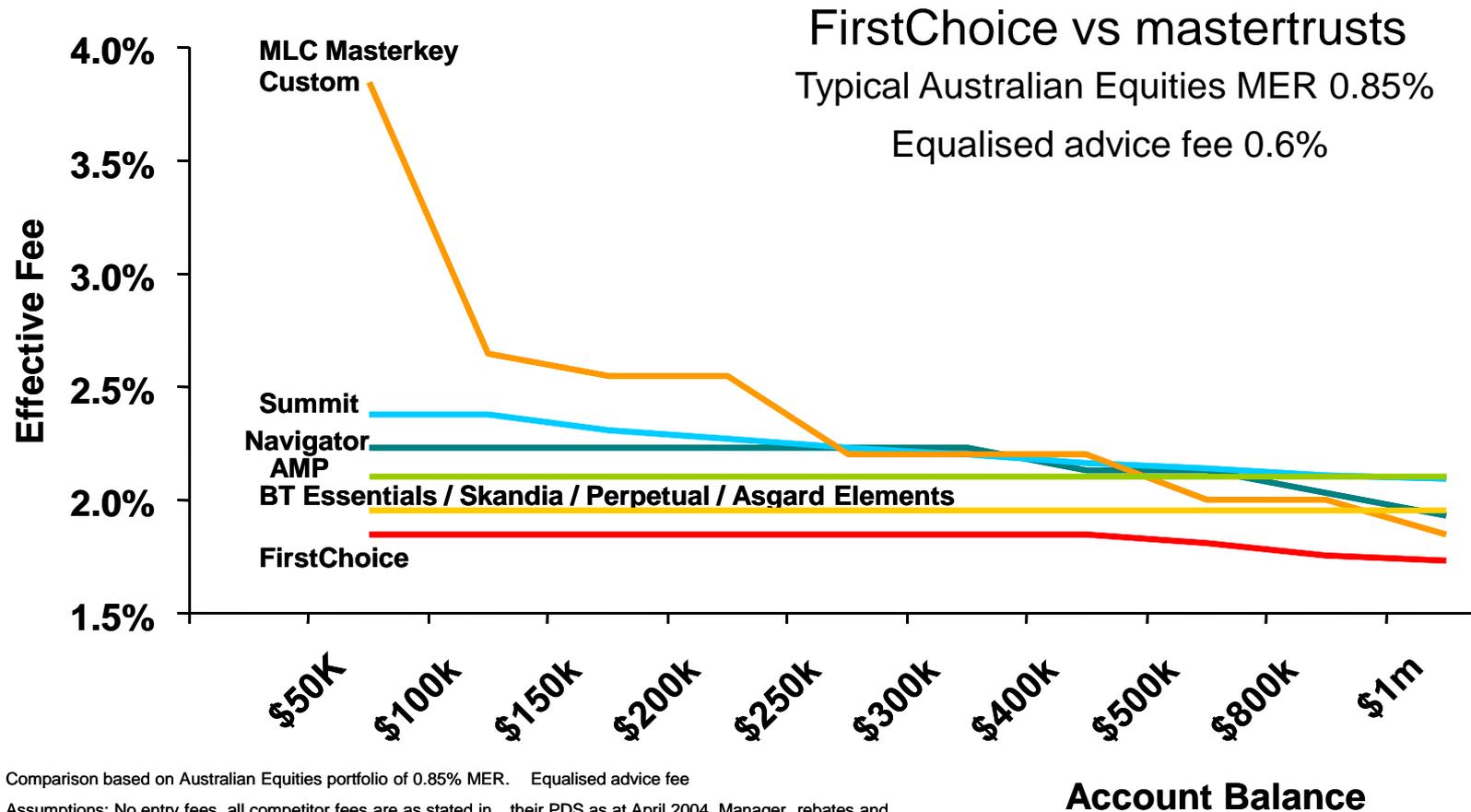
Asset Class	Performance Vs Benchmark (1 yr)	Performance Vs Benchmark (3 yr)
Fixed Interest	✓	✓
Global Credit	✓	✓
Australian Equities GDP+ Large Cap	✗	✗
Australian Equities GDP+ Small Cap	✓	✓
Australian Equities Core Large Cap	✓	✓
Australian Equities Core Small Cap	✓	✓
Global Equities	✗	✗
Global Resources	✓	✓
Australian Listed Property	✗	✓
Global Listed Property	✓	✓
Hedge Funds	✓	✓
Infrastructure	✓	✓
Private Equity	✓	✓
Mortgage Funds	✓	✓



Platform strategy

Avanteos:	White-label custodial wrap solution for wholesale platform market - 'feature-rich' for high net-worth market
FirstChoice:	Non custodial masterfund for "Mass Market Retail" Value proposition: <ol style="list-style-type: none">1. Best value for money2. Great service3. Enough choice

The Value Proposition - FirstChoice vs mastertrusts

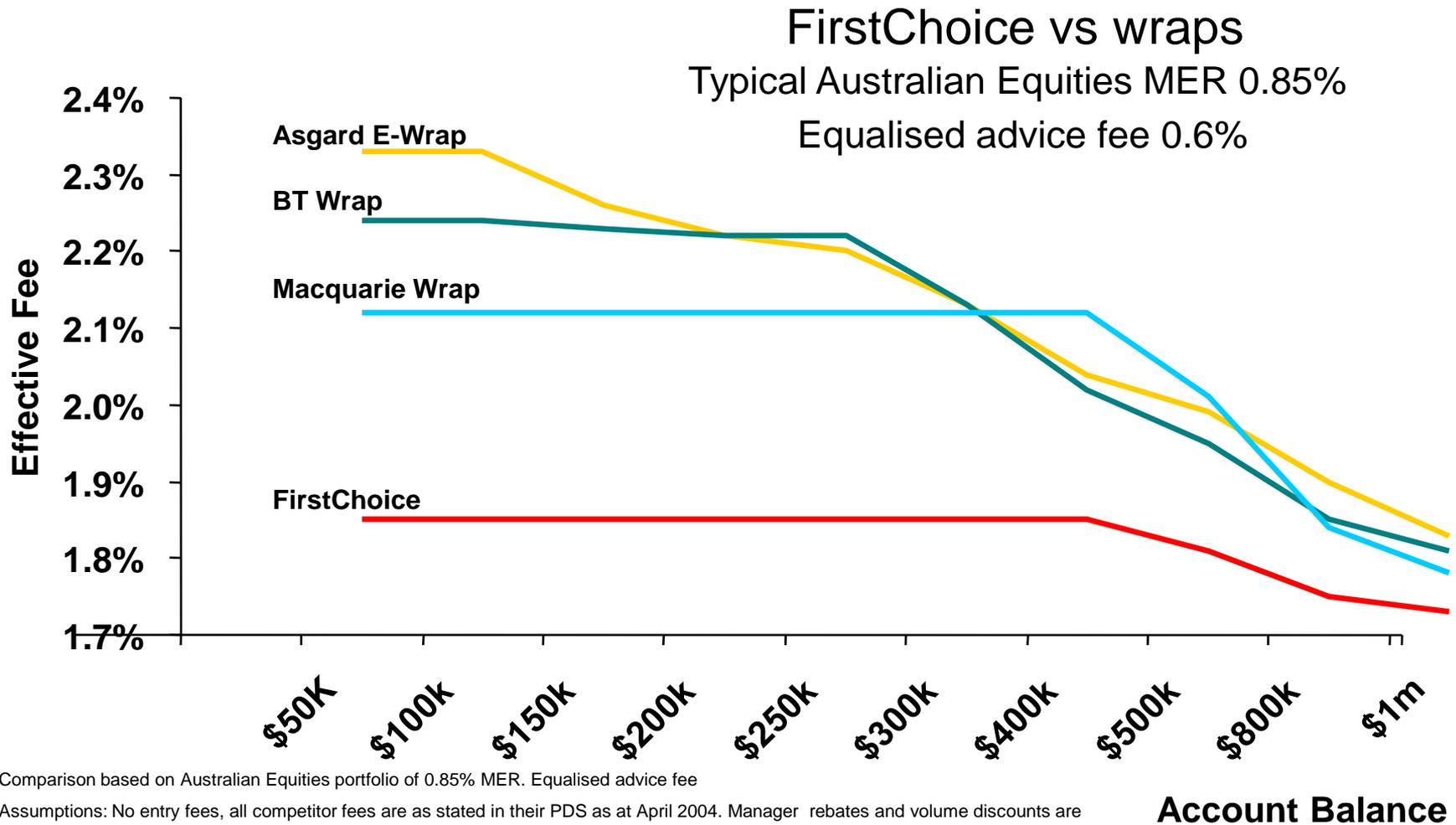


Comparison based on Australian Equities portfolio of 0.85% MER. Equalised advice fee

Assumptions: No entry fees, all competitor fees are as stated in their PDS as at April 2004. Manager rebates and volume discounts are not accounted for.

Account Balance

The Value Proposition - FirstChoice vs wraps



How can we offer lower fees and still earn healthy margins?

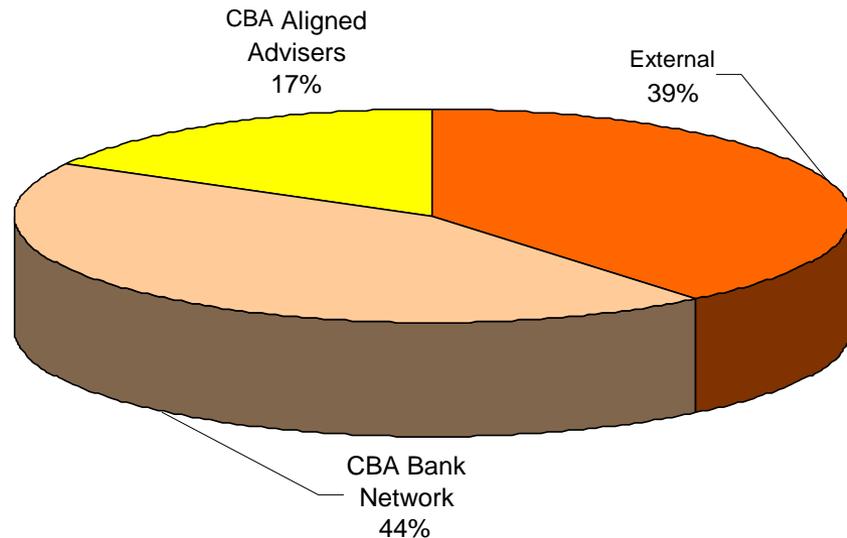
- Simple model catering to mass market
- Manufacturing margin capture
- Ability to leverage scale and administration efficiency
- Mandate structure



FirstChoice: well diversified support and healthy CFS flows.

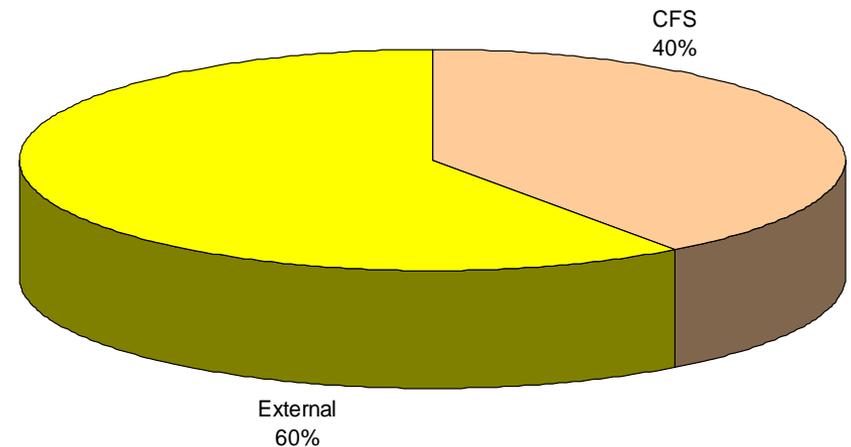
Inflows:

FirstChoice Split by Channel



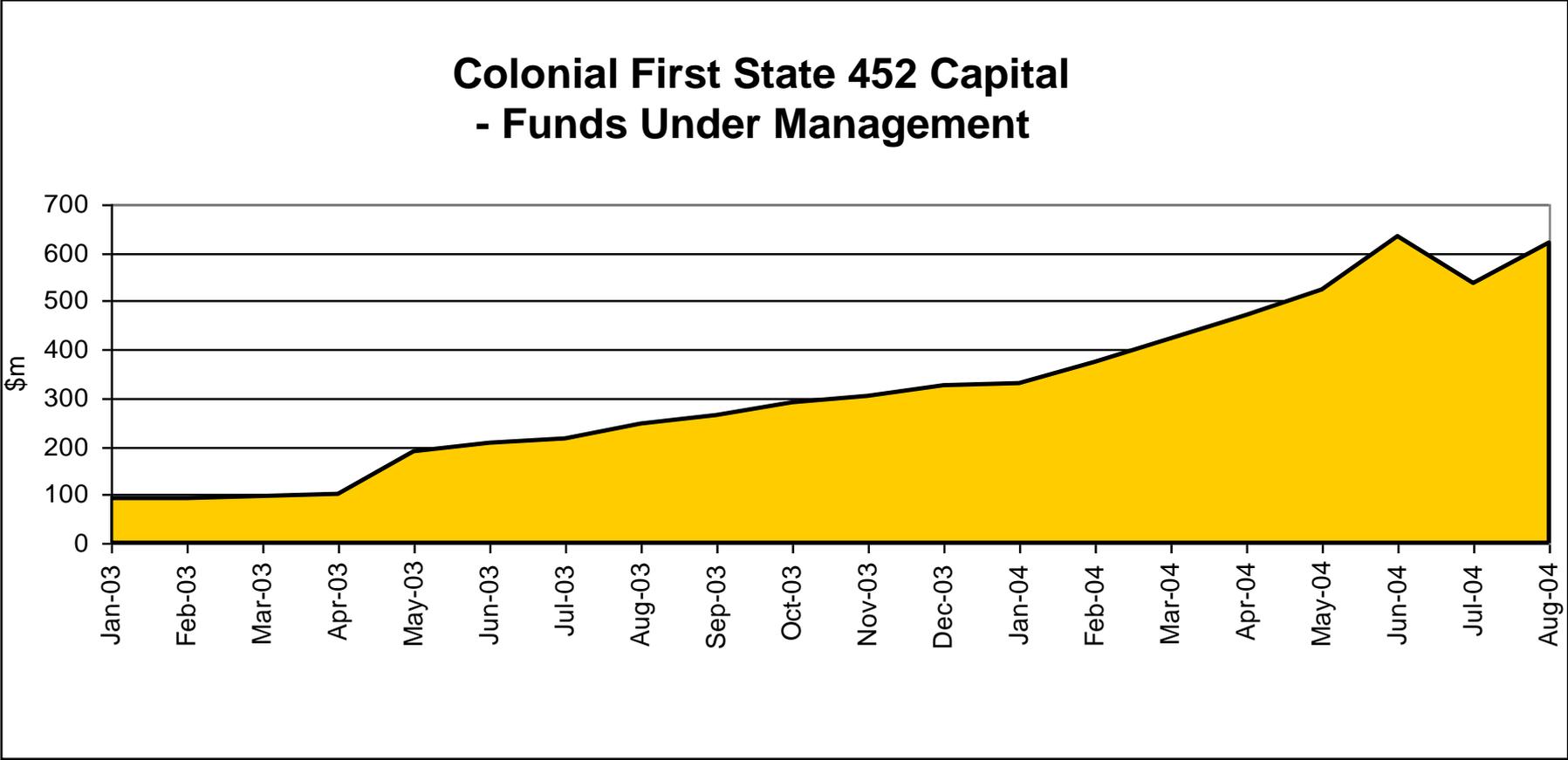
Managing the FUM:

FirstChoice Split Internal vs External



Source: internal data; channel split based on flows for 6 months ended 31 August 2004; Manager split based on FUA at 31 August 2004

Boutique alliance strategy has delivered strong FUM growth.



Source: internal data, retail sourced FUM

Conclusion – in a tough environment, we are very well positioned.

Asset Management	<ul style="list-style-type: none">■ Strong, well diversified, asset management capability with growth opportunities■ 70% of sector funds outperformed their 3 year benchmark
Platforms	<ul style="list-style-type: none">■ Combination of Avanteos and FirstChoice provides comprehensive admin capability■ Superior value proposition has underpinned FirstChoice success■ Boutique alliance strategy has been very successful

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Agenda

- Industry Trends and Issues
- Achievements
- Opportunities



Summary

Insurance underlying profit grew 107% last year. Further growth is a significant opportunity for the Group

In the 03/04 year the Insurance business:

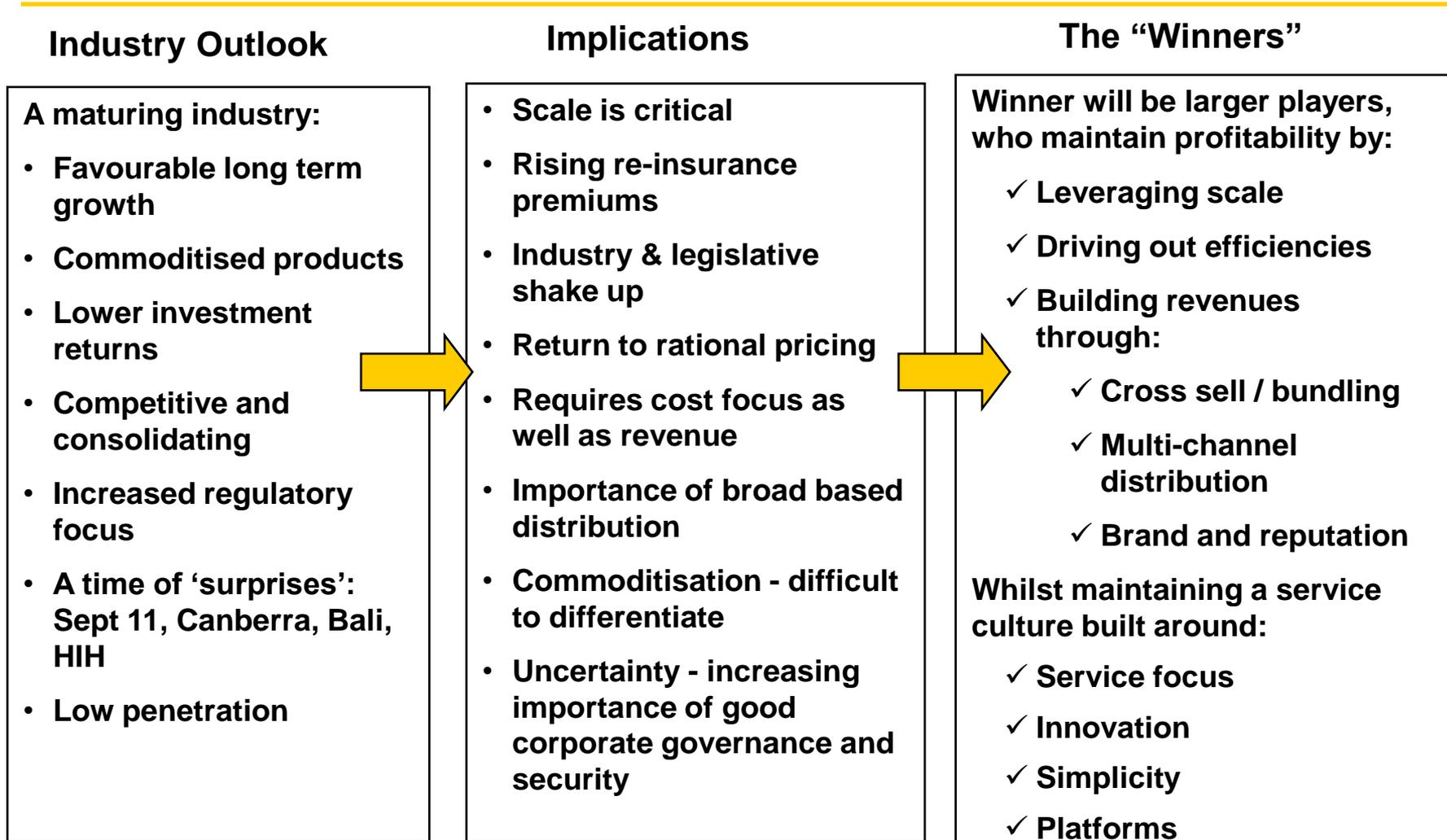
- Reduced Costs & Increased Profit
- Improved Service

Insurance represents an opportunity to:

- Materially expand the Bank's business and support growth
- Deepen relationships / aid retention in the Bank's core banking portfolio
- Leverage distribution infrastructure & scale
- Significantly increase cross-sell

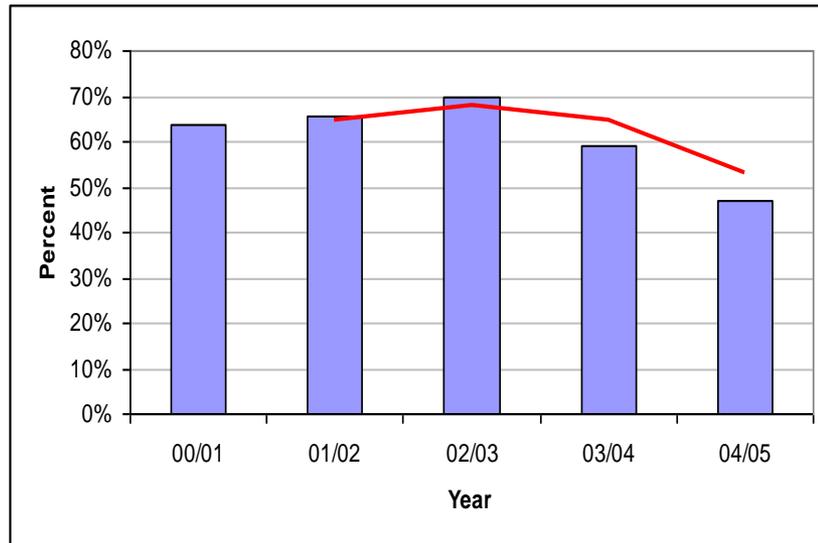


The insurance industry outlook has improved as predicted last year

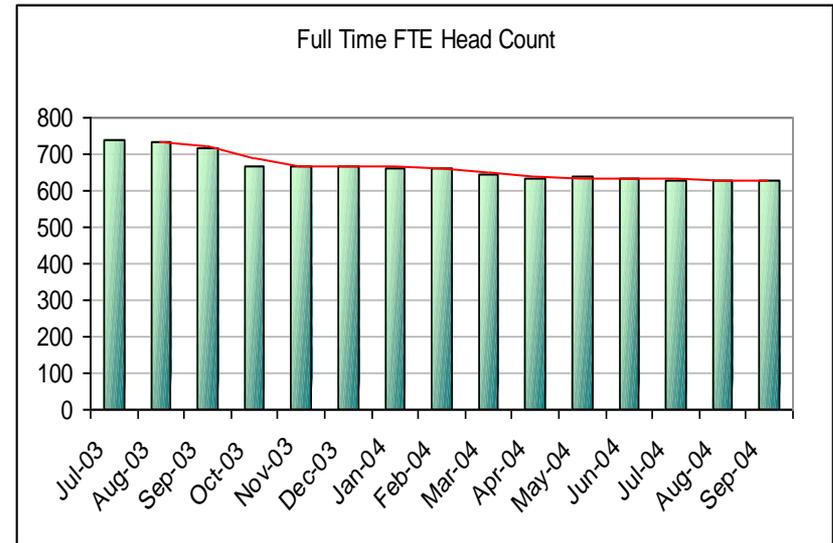


Achievements

Claims Cost (H&C)



Staff Numbers



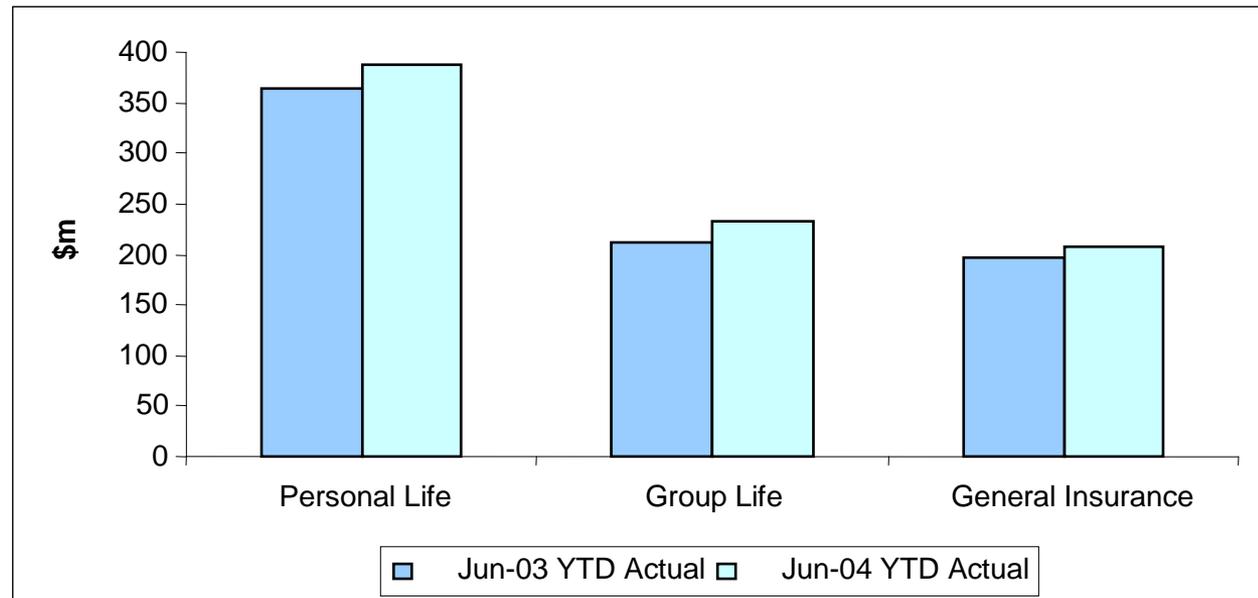
Improvement in Service levels and strong staff engagement:

- Internal service level measures have improved by up to 20% over the last 18 months
- Staff cultural surveys measuring staff engagement and satisfaction across a range of areas have improved significantly over the last year



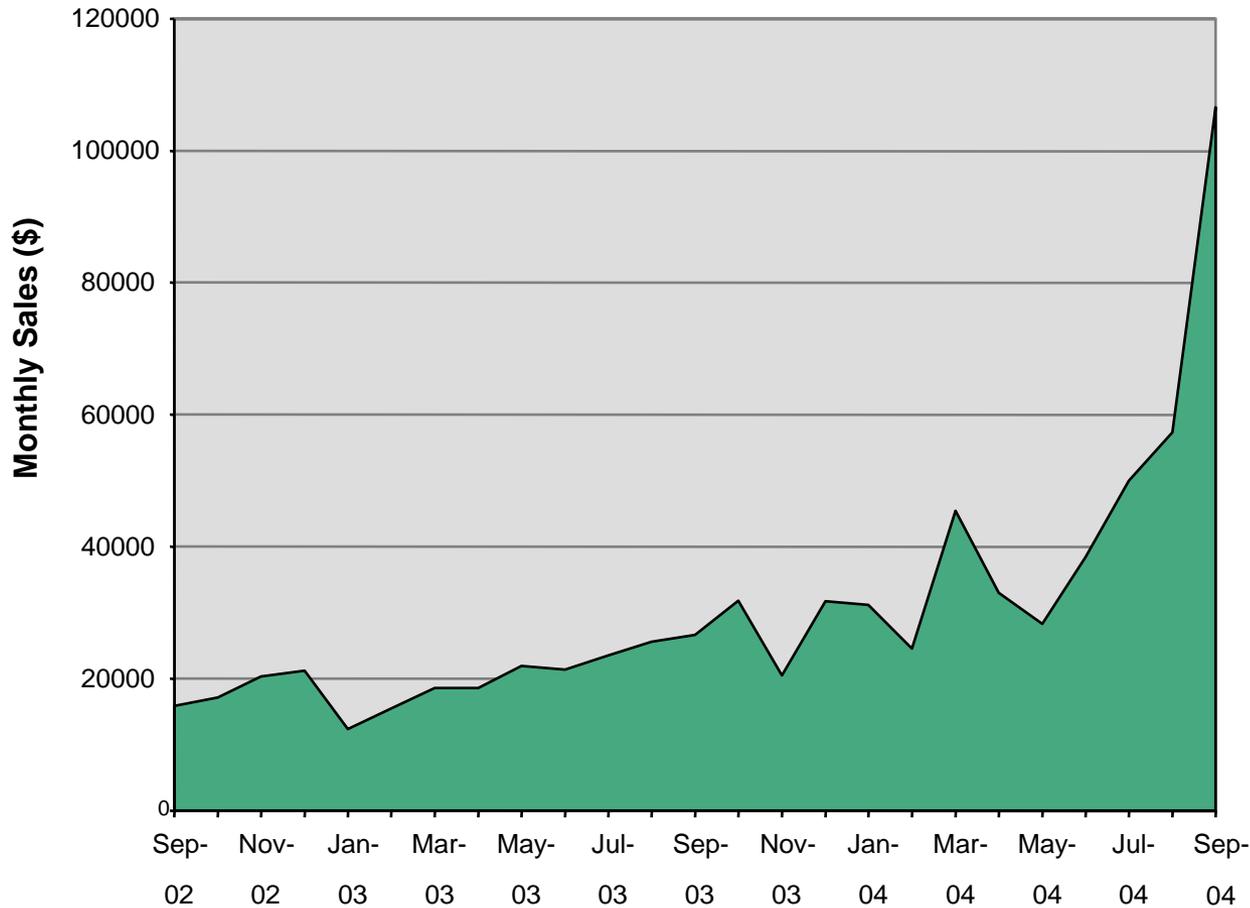
Insurance Inforce Premiums (Australia) continue to grow

- Continued growth in network channel
- Strong GI premium growth with further upside
- Price increases on income protection impacted individual life sales
- Good growth in mastertrust segment
- Multiple product holders demonstrate increase retention across all portfolios



Achievements - Annuity Sales - Leveraging a return to rational pricing and market opportunities.

Monthly Annuity Sales



Long Term Annuities

Annuity Provider of the Year
Gold Award 2003
Winner

Plan For Life • IFA

Short Term Annuities

Annuity Provider of the Year
Silver Award 2003
Winner

Plan For Life • IFA

Lifetime Annuities

Annuity Provider of the Year
Silver Award 2003
Winner

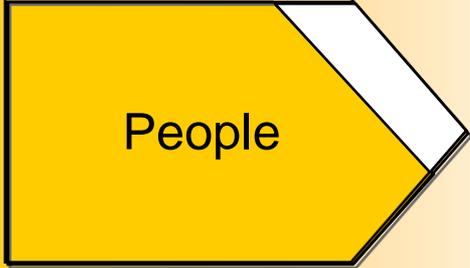
Plan For Life • IFA

Overall Winner

Annuity Provider of the Year
Silver Award 2003
Winner

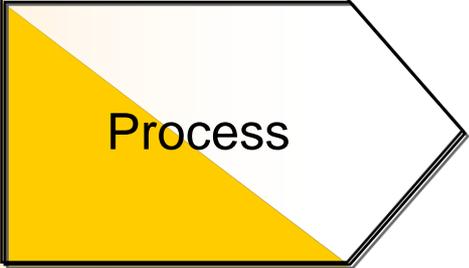
Plan For Life • IFA

How is improvement being delivered



People

- ❑ Restructure to provide end to end service
- ❑ Cultural Measurement
- ❑ Reward & recognition
- ❑ Leadership Development
- ❑ Training (e.g. Risk Claims Competency assessment)
- ❑ Breakthrough Service Performance



Process

- ❑ Simplified Life Insurance Underwriting
- ❑ Quote and Fulfil in all Branches
- ❑ Cross Sell Embed in Process
- ❑ GI & Risk Claims Reengineering
- ❑ Tele Follow Up
- ❑ End to End Process Simplification
- ❑ First Point Resolution

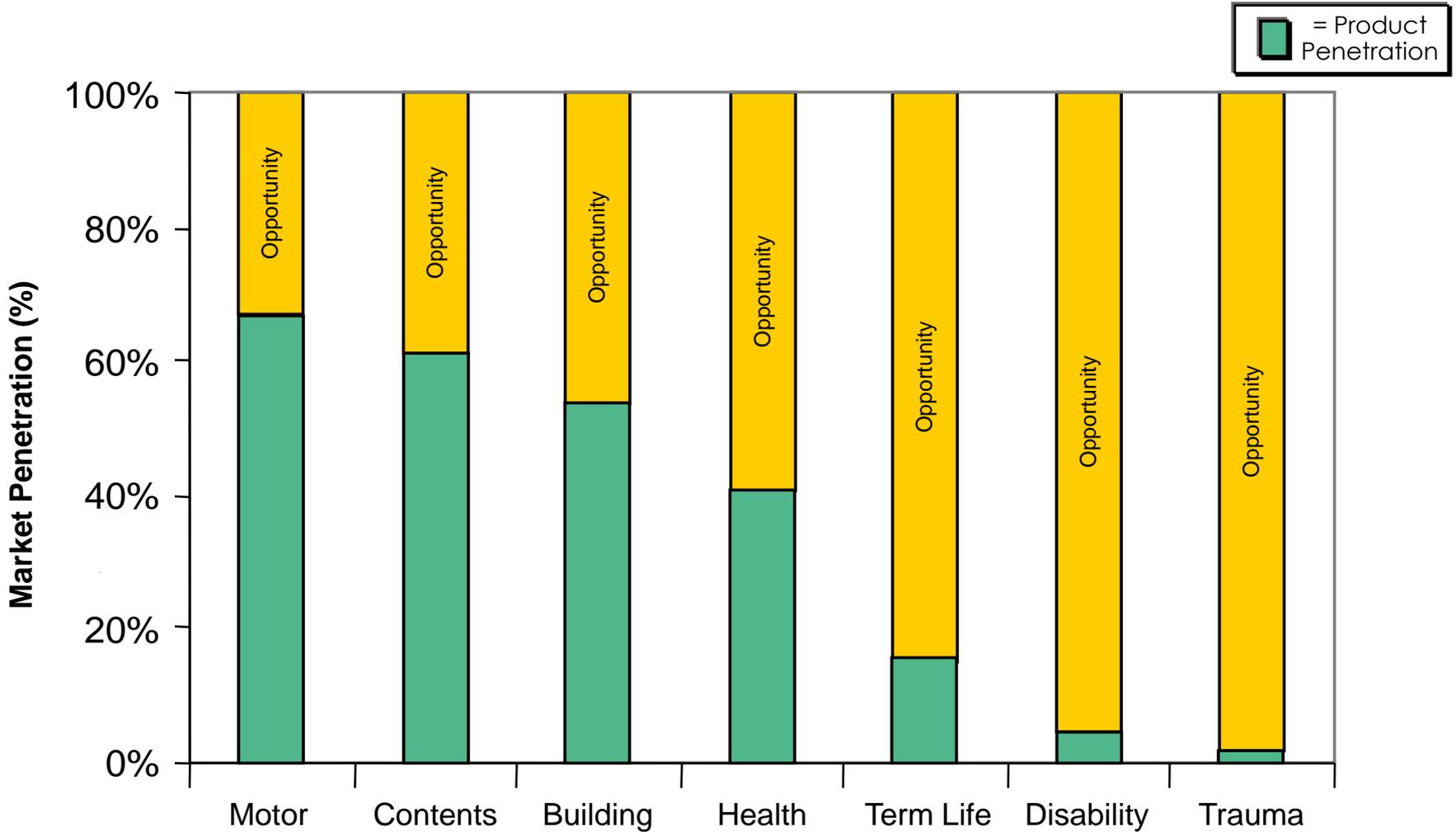


Technology

- ❑ Fineos - Work Flow
- ❑ Genesys - Call Centre
- ❑ Dialogue - Document Management



Significant Revenue Opportunities - Product Penetration



Insurance Cross Sell Opportunity

- Home Loan Cross Sell - 36%
- Credit Card Cross Sell - 17%
- Managed Funds Cross Sell - 17%
- Savings & Transaction Cross Sell - 11%



Conclusion

- Significant progress was made in the 2003/ 2004 year
- Insurance represents a significant opportunity for the Group going forward



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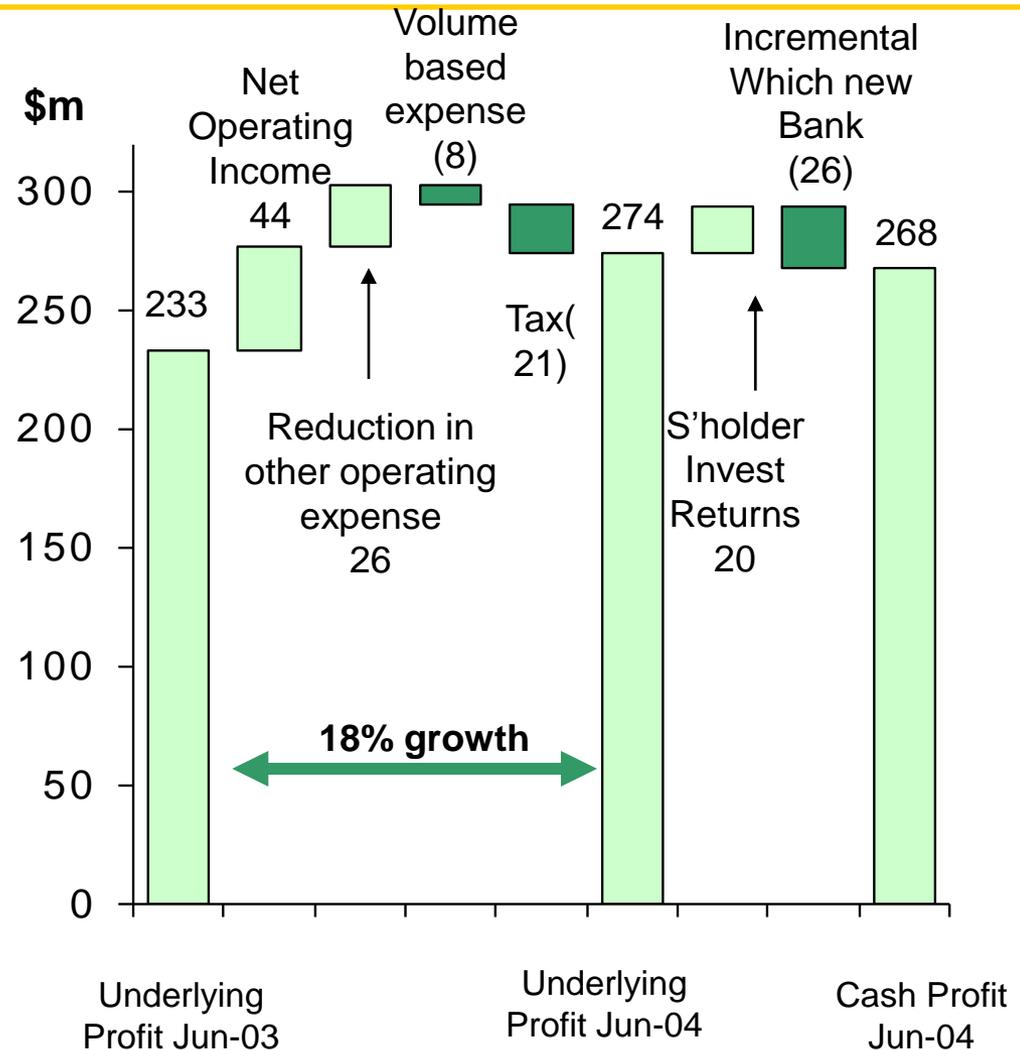
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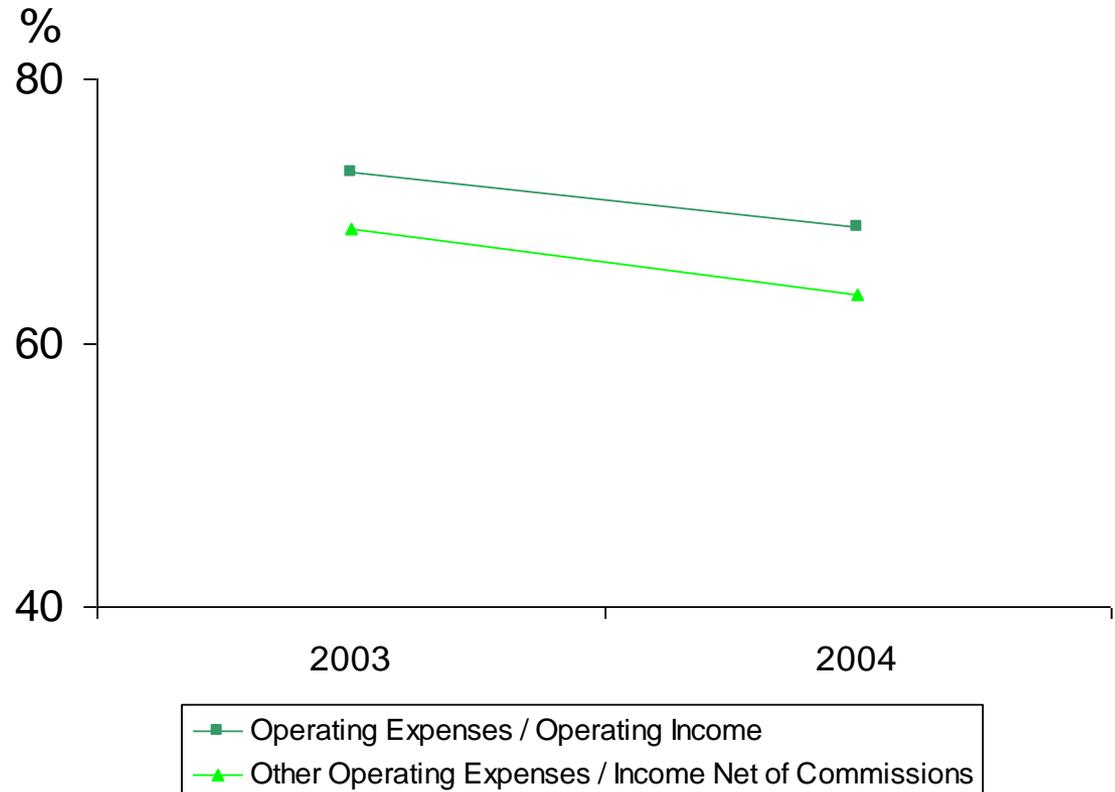
We saw an 18% growth in underlying profit for our Funds Management businesses

- Strong investment markets underpinned revenue growth
- Income to average FUA ratio maintained
- Focus on tight cost control resulted in operating expenses falling 2% year on year
- Revenue growth negatively impacted by FX movements and sale of custody business



Significant improvement in Cost to Income Ratio

- Leverage to growing FUA
- Back-office efficiencies
- Support function rationalisation
- Rationalisation of UK product range
- Product rationalisation and system migration

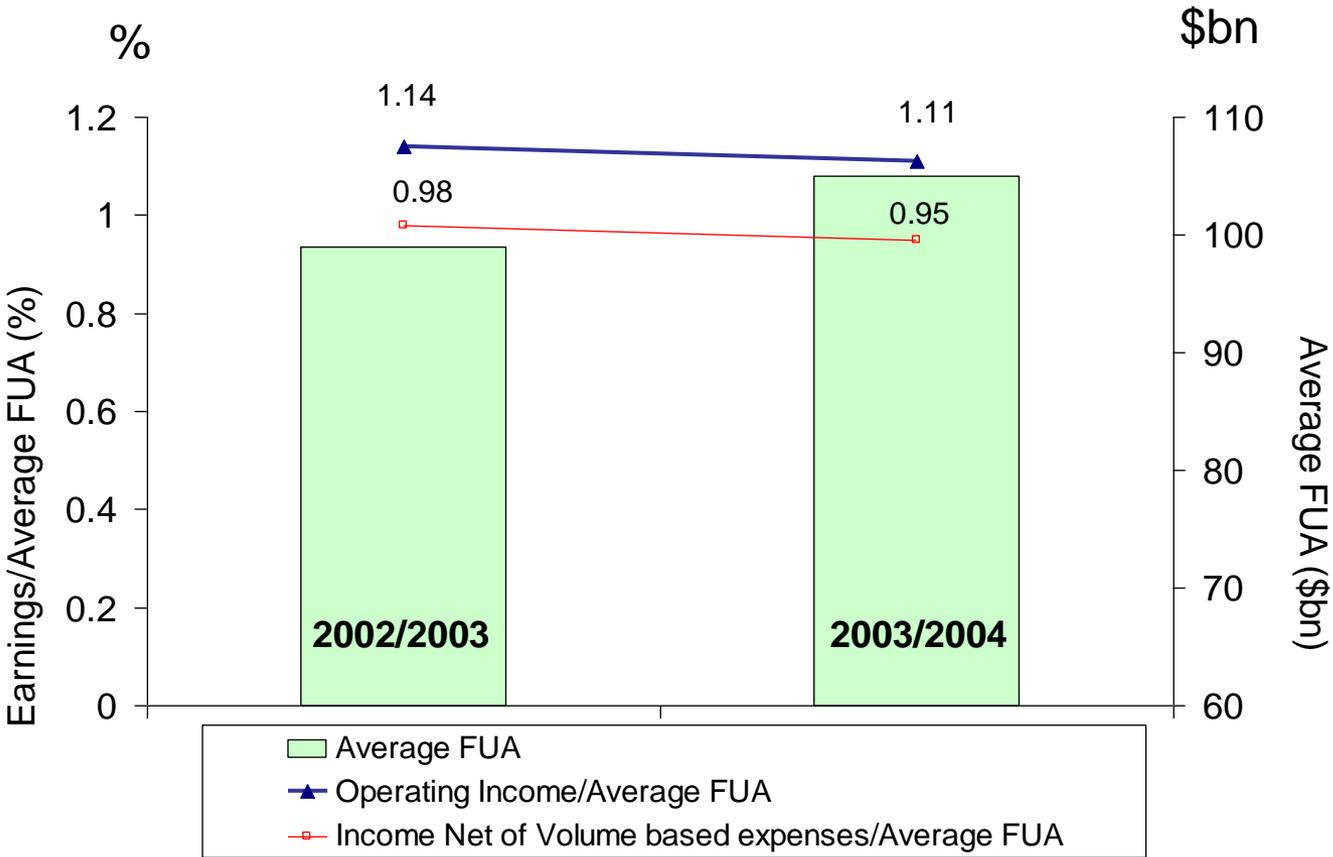


*Excludes WnB Costs

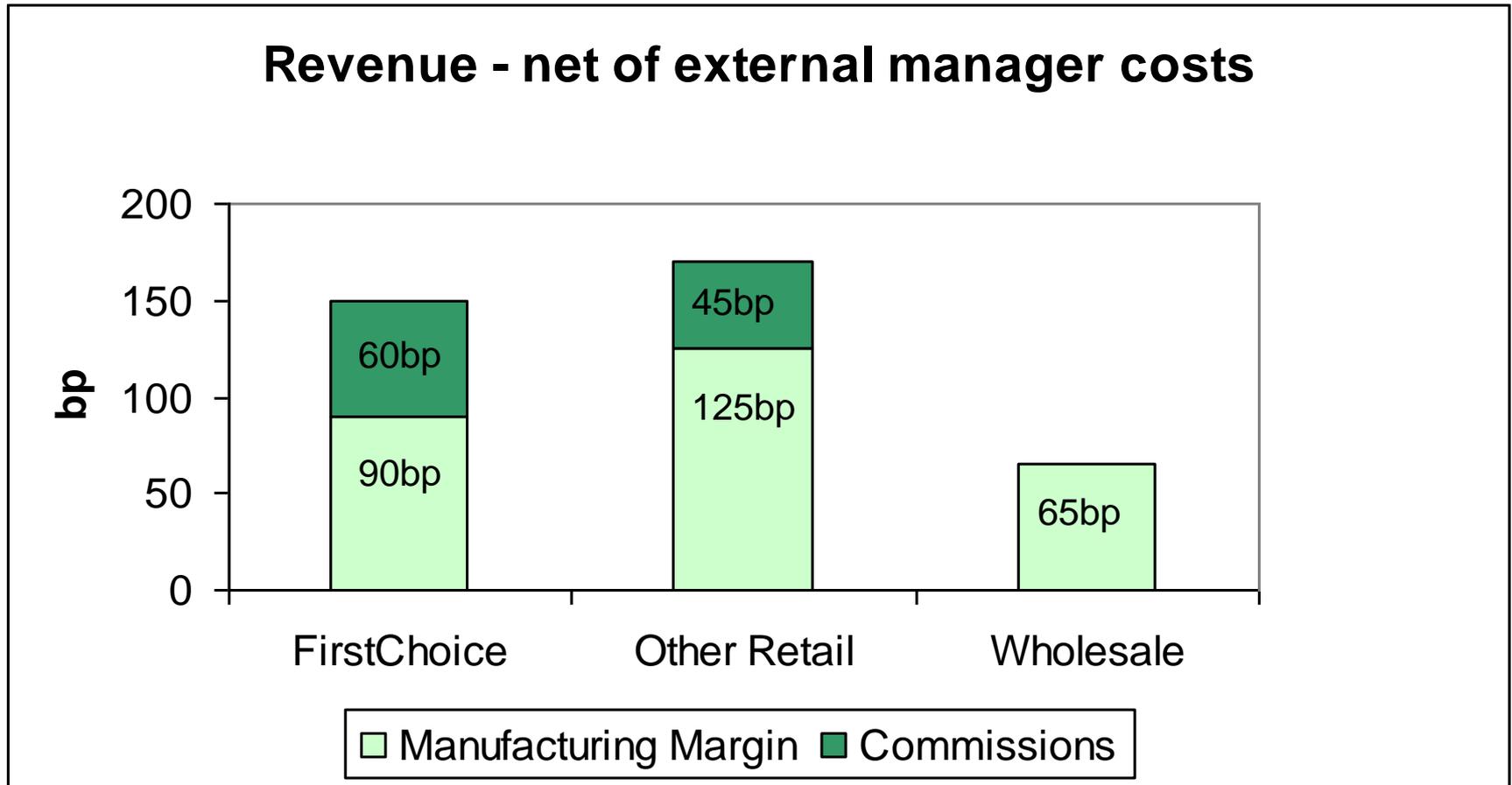


Margins declined slightly

- Run off of higher margin legacy business
- Shift in mix of retail business toward platforms
- Increased payments to distributors
- Increase in margins in UK business

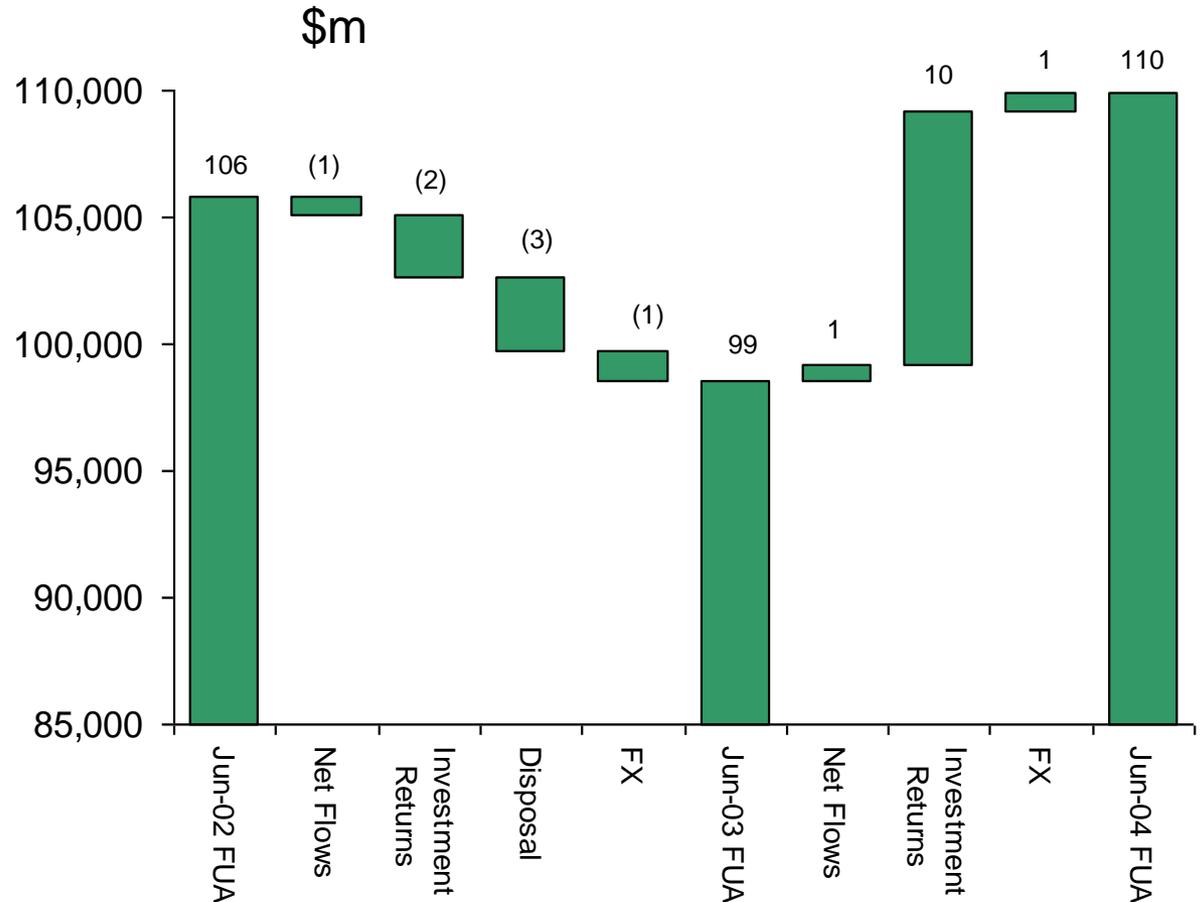


FirstChoice margins are attractive, albeit less than our other retail products

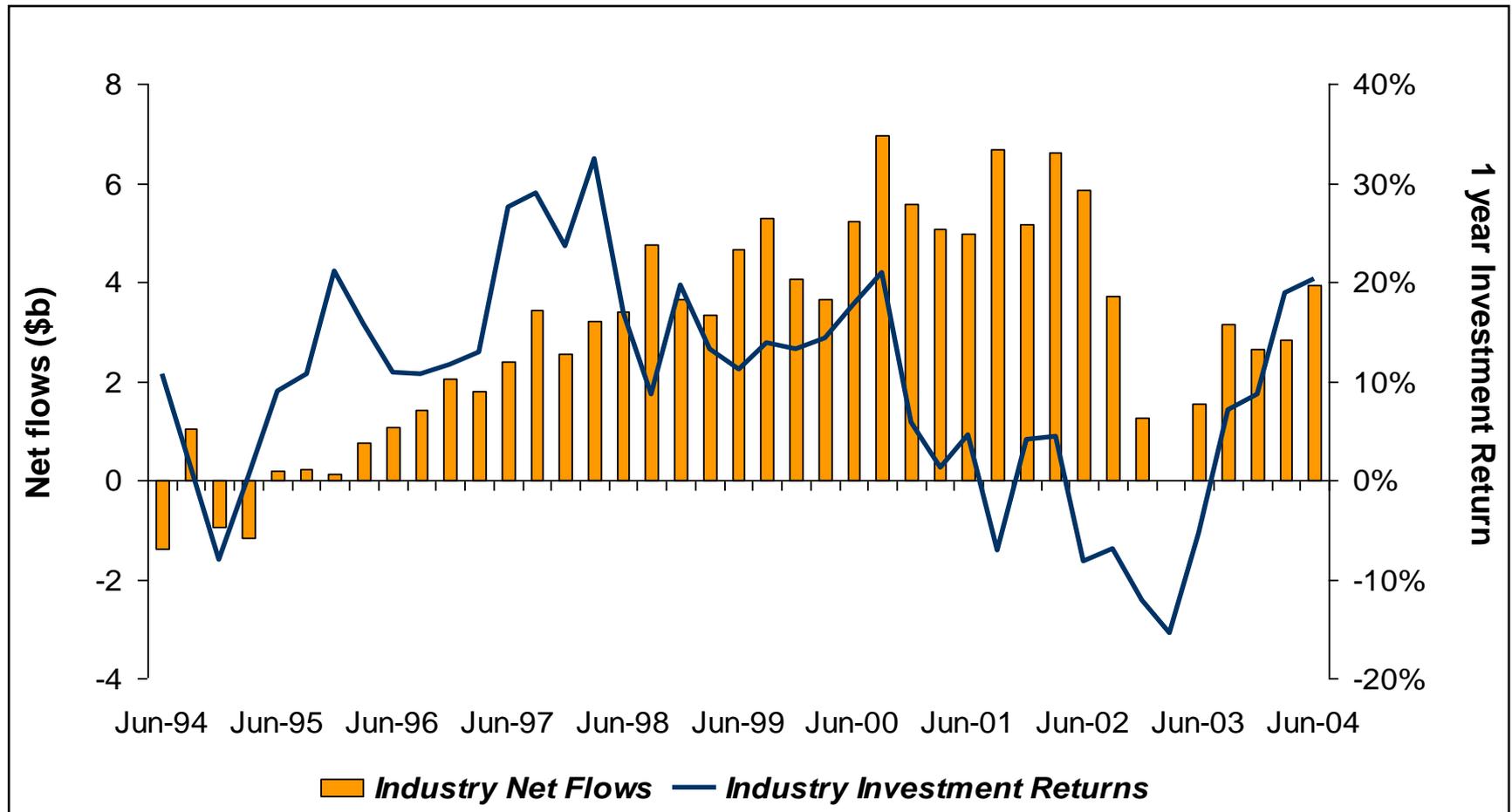


Strong turnaround in FUA with 11% growth

- Strong turnaround in net flow position from 2003 underpinned by FirstChoice and International flows.
- Outflows driven by:
 - ⇒ Industry shift away from traditional balanced funds
 - ⇒ Legacy products
 - ⇒ Fund closures
 - ⇒ Performance of flagship funds
 - ⇒ Industry shift to platforms

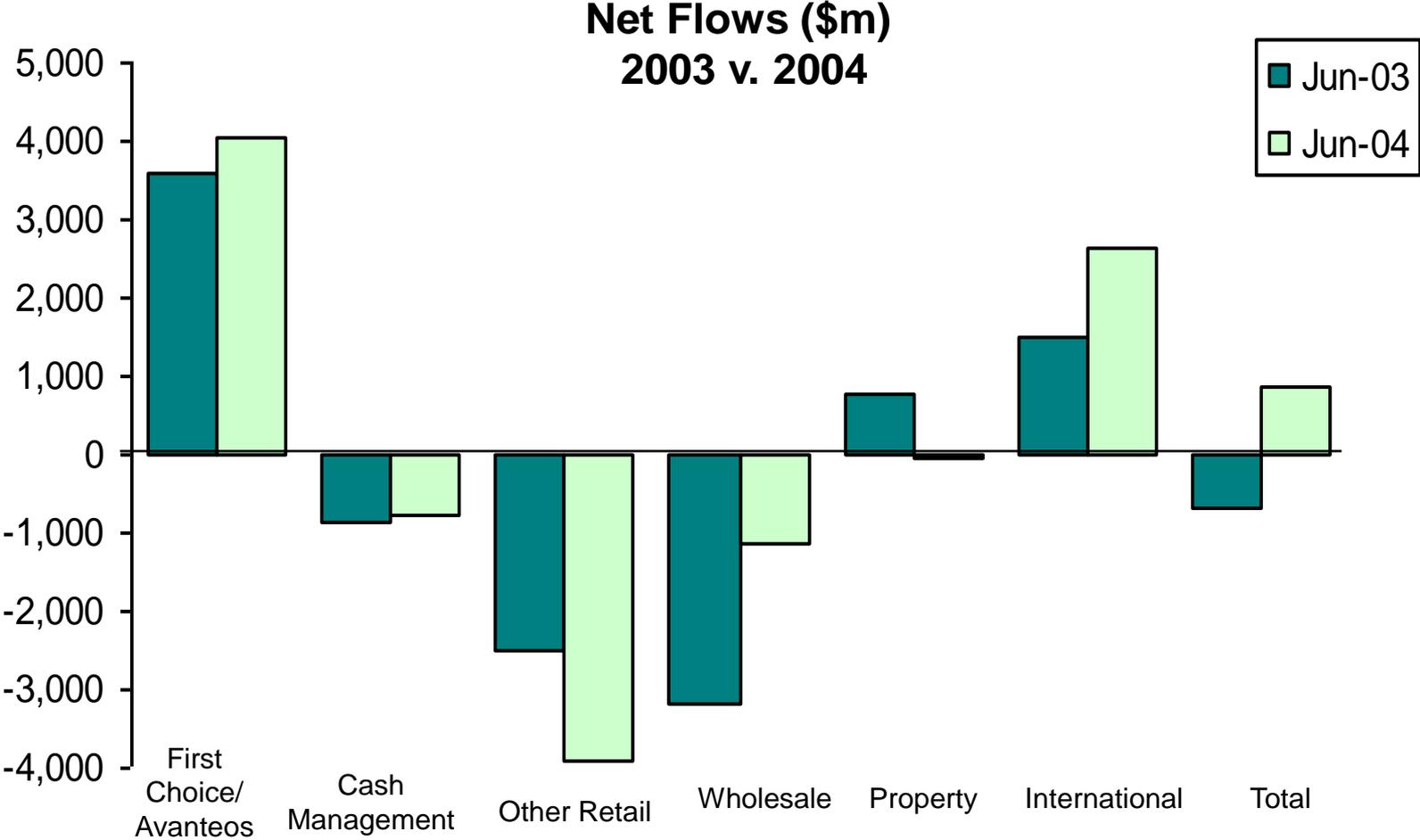


Across the industry investment returns have improved and flows have responded, but not to previous levels.

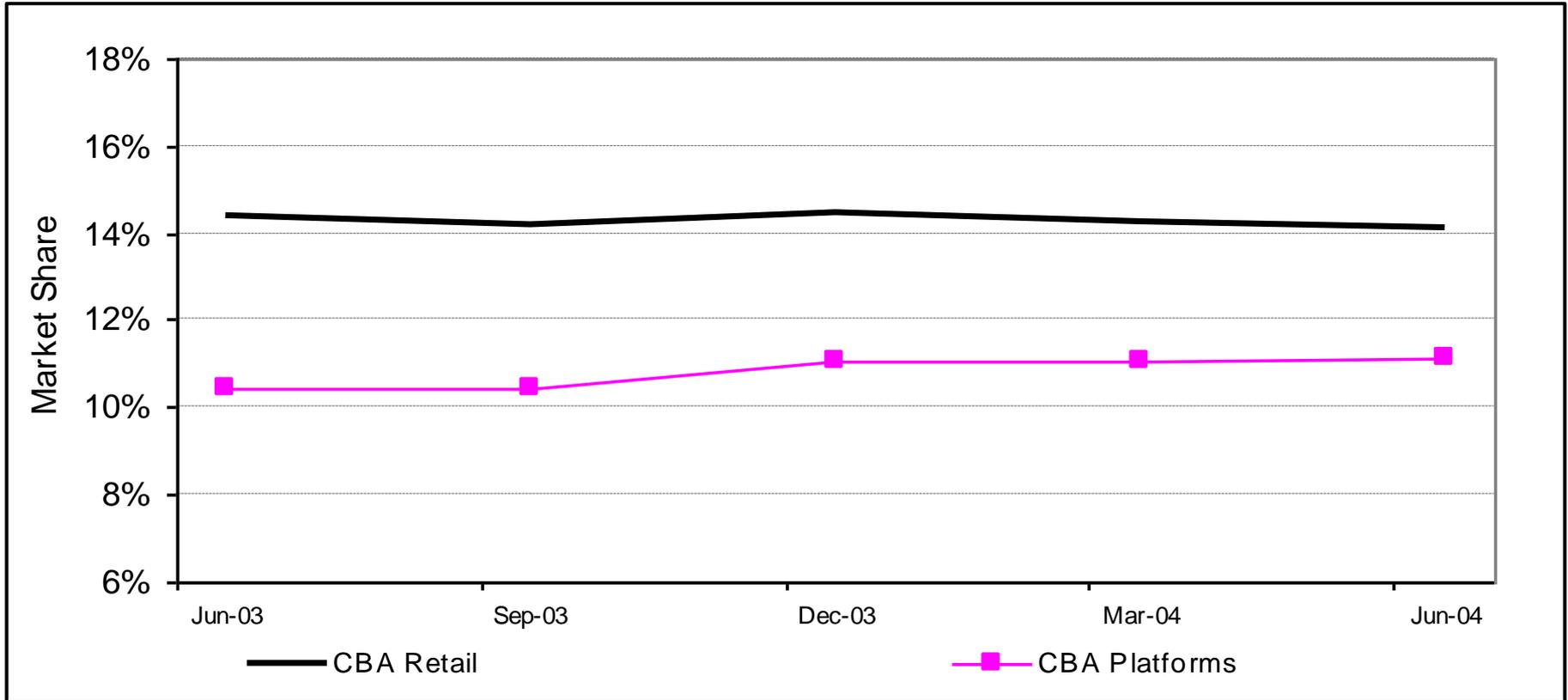


Source: Investment returns: rolling annual returns based on a composite index made up of Australian Shares (50%), International Shares (35%), Property Securities (15%)
 Net flows: Plan for Life retail flows (ex-cash)

Net Flows show turnaround in 2004

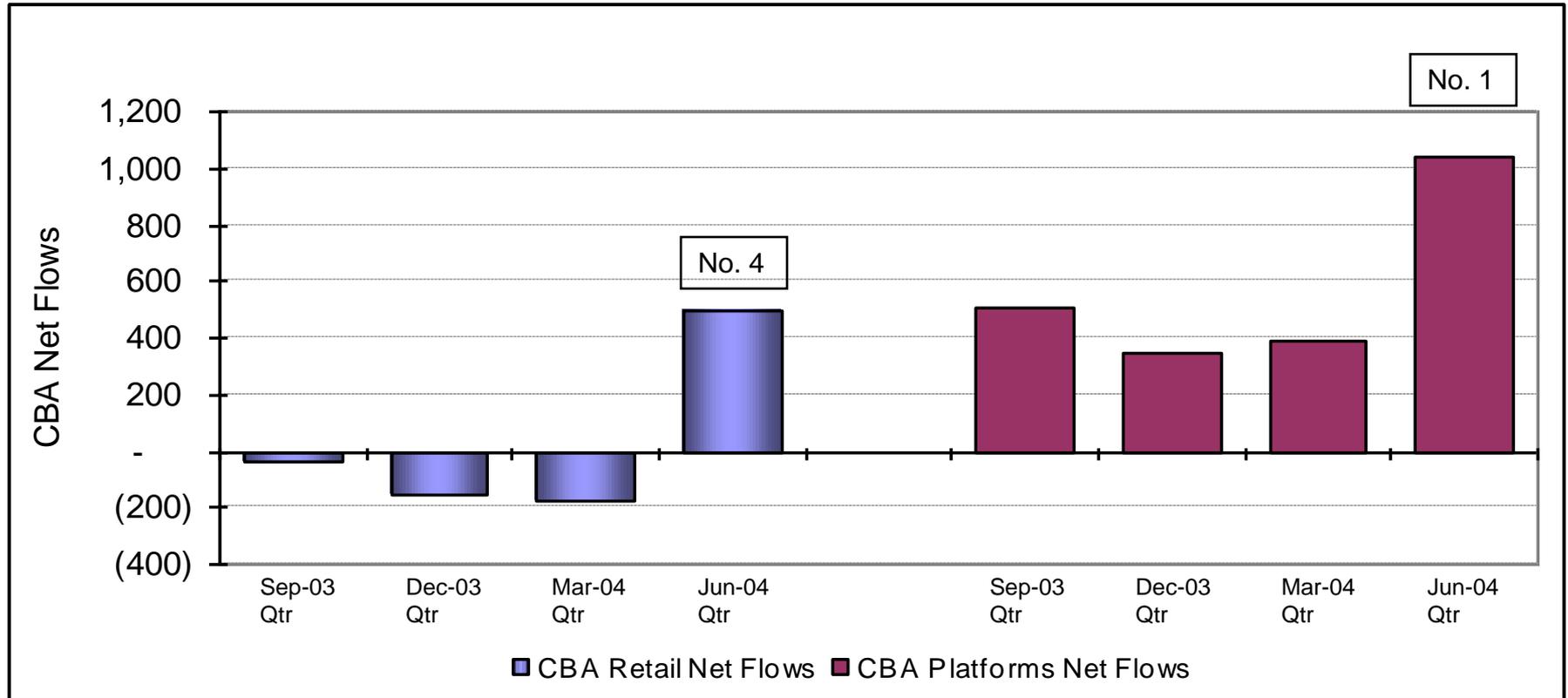


We are gaining market share in the platform market



Source: Plan for Life, Fund Source Research

We have experienced a very good June quarter

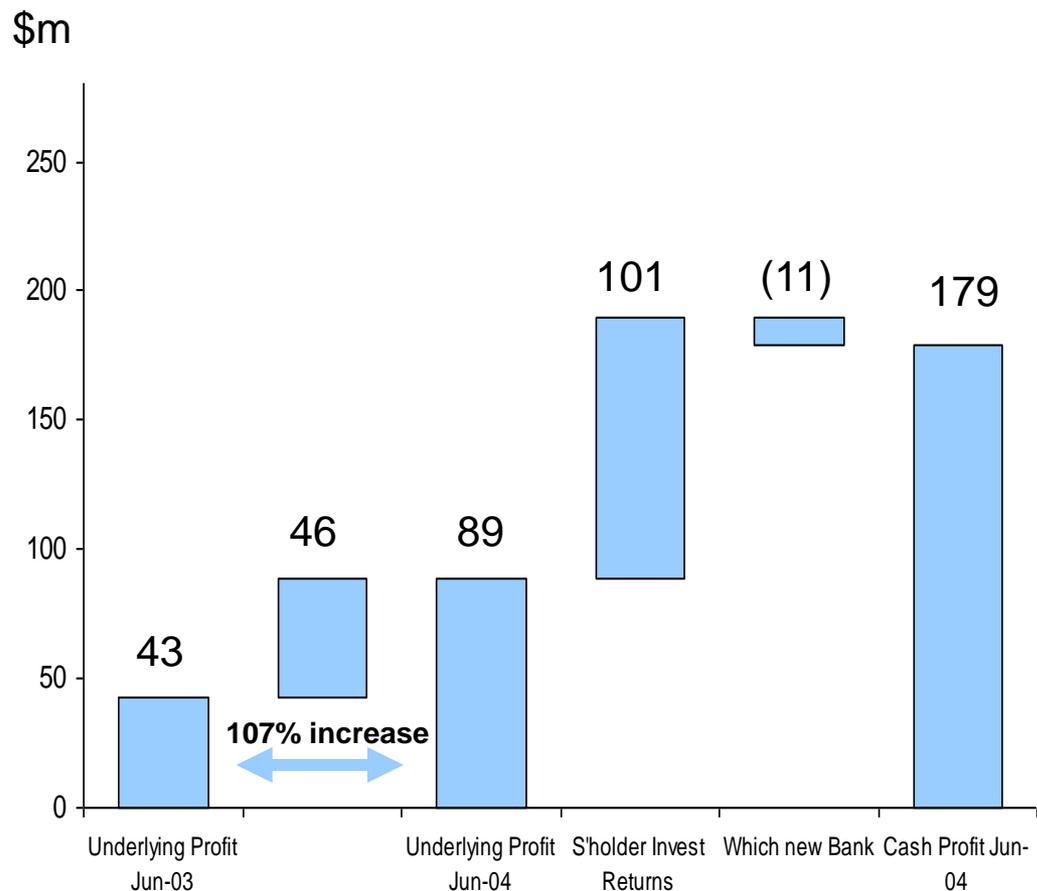


Source: Plan for Life, Fund Source Research

Insurance - improved operating margins and strong investment returns

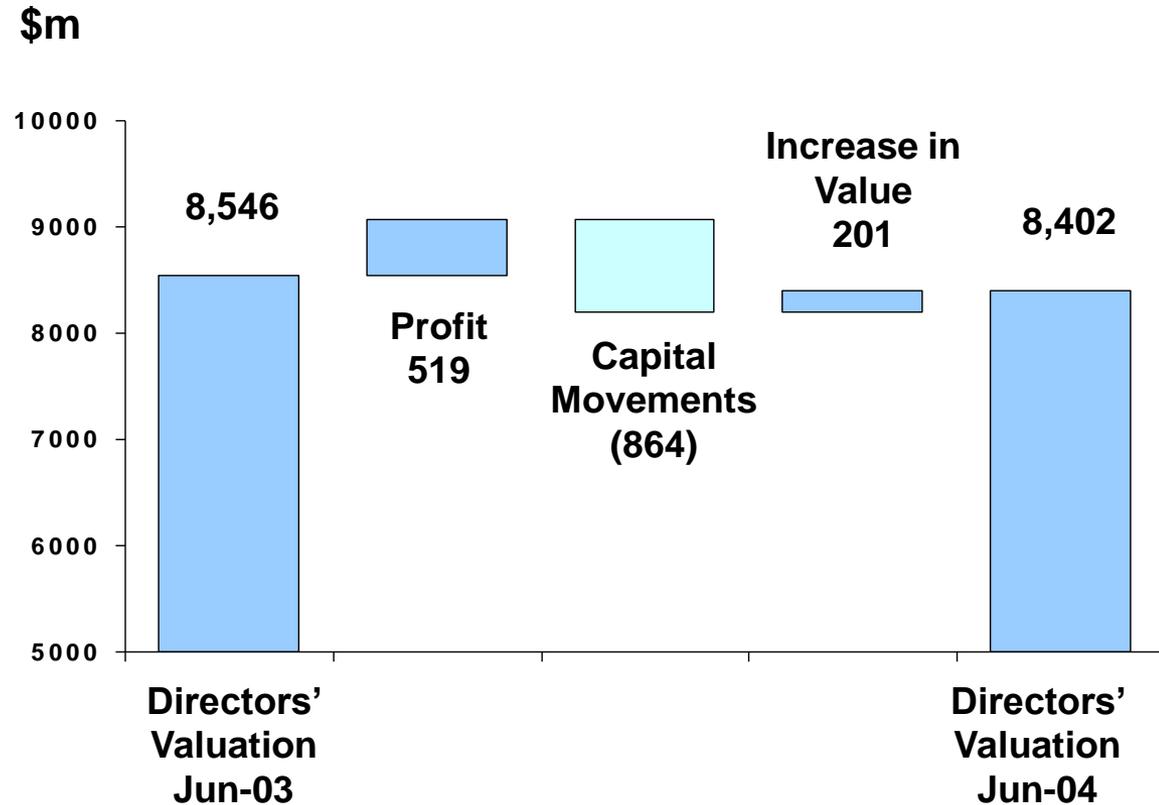
Australia

- Market leader in life insurance in Australia
- 8% growth in risk inforce premiums
- Improved General Insurance claims ratio
- Tight expense controls – expenses flat
- Strong improvement in shareholder investment returns
- Improved margins on annuity business
- Portfolio re-pricing (in particular Disability and Wholesale Life)



Business Valuation

- 16.2 x earnings multiple
- Uplift of \$201m
 - higher FUA
 - improved lapses
 - lower costs
 - More conservative future sales assumption
- Capital Reduction
 - change in asset allocation
 - reduction in capital adequacy margins



Summary

- Strong profit result
- Reduced capital
- Growth in overall business valuation



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Significant opportunities to achieve strong growth

External/ market factors creating growth opportunities:

- Improved market returns
- Superannuation guarantee

Internal opportunities to drive growth:

- Continuing product expansion and innovation
- Distribution capacity and productivity improvements
- Rationalisation and further efficiency gains
- Capital efficiency improvements



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