
Critical Success Drivers

Commonwealth Bank

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23 June 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, 23 June 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

- **Investment and Insurance Services**
 - Our Business Model
 - Our Critical Success Drivers
- **The markets we operate in**
 - Life insurance
 - Asset management
 - Platforms
 - Advice
- **Conclusion**



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- **Investment and Insurance Services**

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- **The markets we operate in**

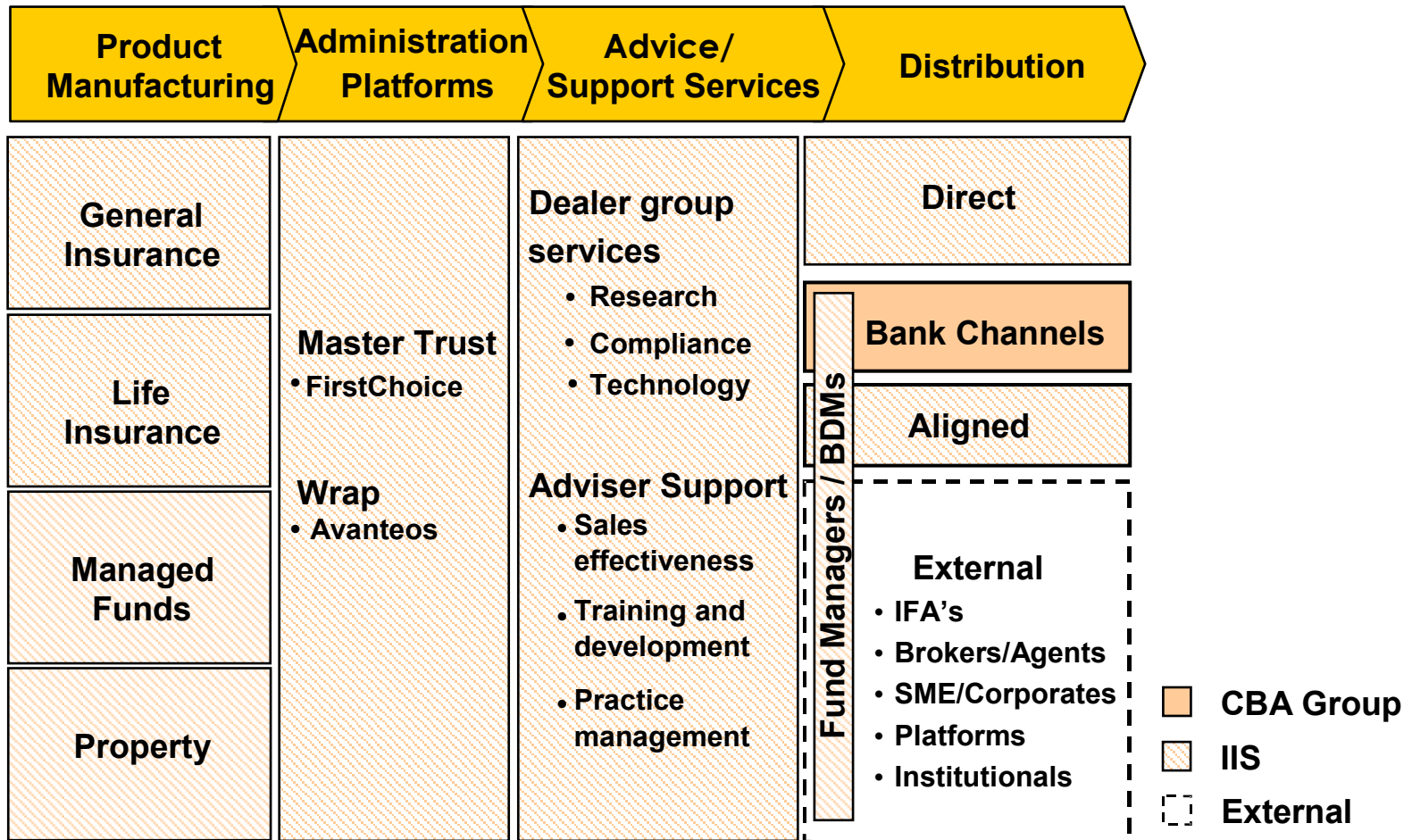
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Our business model involves competing across all elements of the value chain

IIS products and services by value chain element



Our Competitive Advantages

Value Chain

- Participation across all elements of the value chain
- Capture all margins
- Flexible pricing

Distribution Mix

- Multi-channel strategy
- International distribution capabilities

Scale

- Number 1 in Australian Retail Managed Funds
- Number 1 in Life Insurance
- Market leading platform inflows

People

- Experienced management
- Strong talent and leadership programs
- Dedicated Centre for Adviser Development

Brand

- Leading brands – Colonial First State, Commonwealth Bank
- Award winning products
- Award winning service



Wealth Management Value Chain Margin Trends

Illustrative of Funds Management Industry

	Product Manufacturing	Administration Platforms	Advice/ Support Services	Distribution	Customer Pays
Revenue Margins	60 bps	60 bps	20 bps	60 bps	200 bps
Margin Trends	Stable to Falling	Falling	Stable to Increasing	Stable to Fee for Service	

Scale and presence across all elements of the wealth management value chain means we are less susceptible to pricing pressure in any one element



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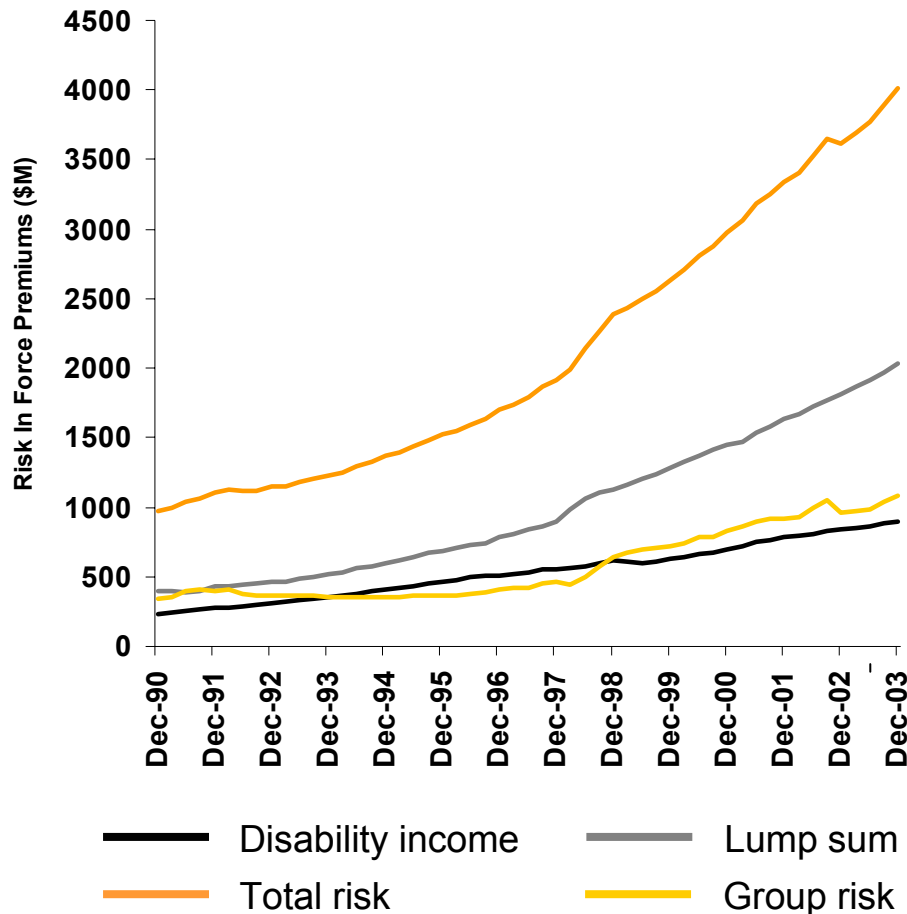
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We expect continued strong growth in the life insurance market

Life Insurance In Force Premiums (December 1990 – December 2003)



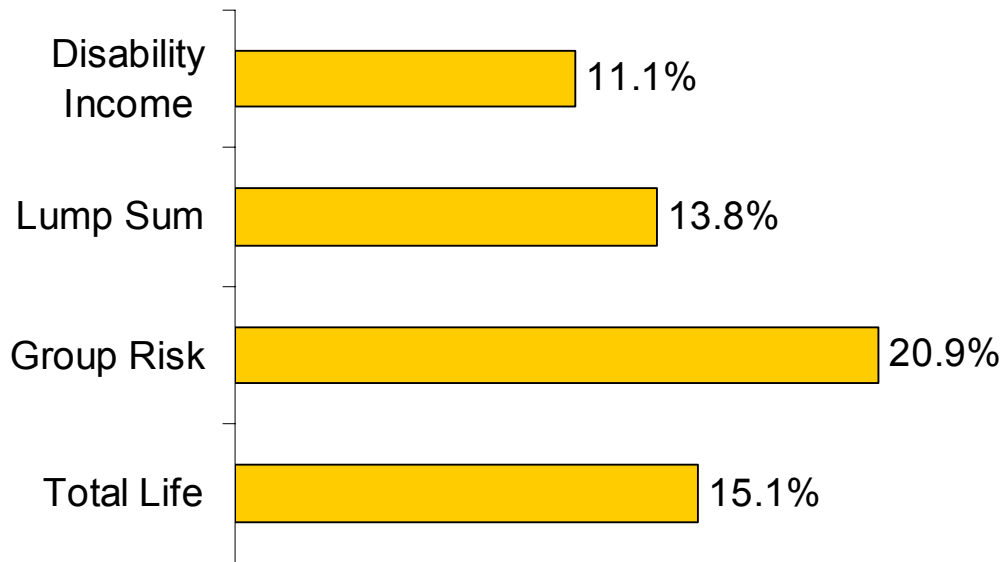
Observations

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



We are the market leader in life insurance in Australia

Product Category Market Share December 2003



Key Drivers of Success

- Scale
- Competitive, rational pricing
- Product enhancements
- Integrated technology solutions
- Emphasis on service improvement
- Continued growth from Bank channels
- Holistic approach to lifestyle planning
- Focus on customer and adviser retention
- Leverage CBA brand trust and security



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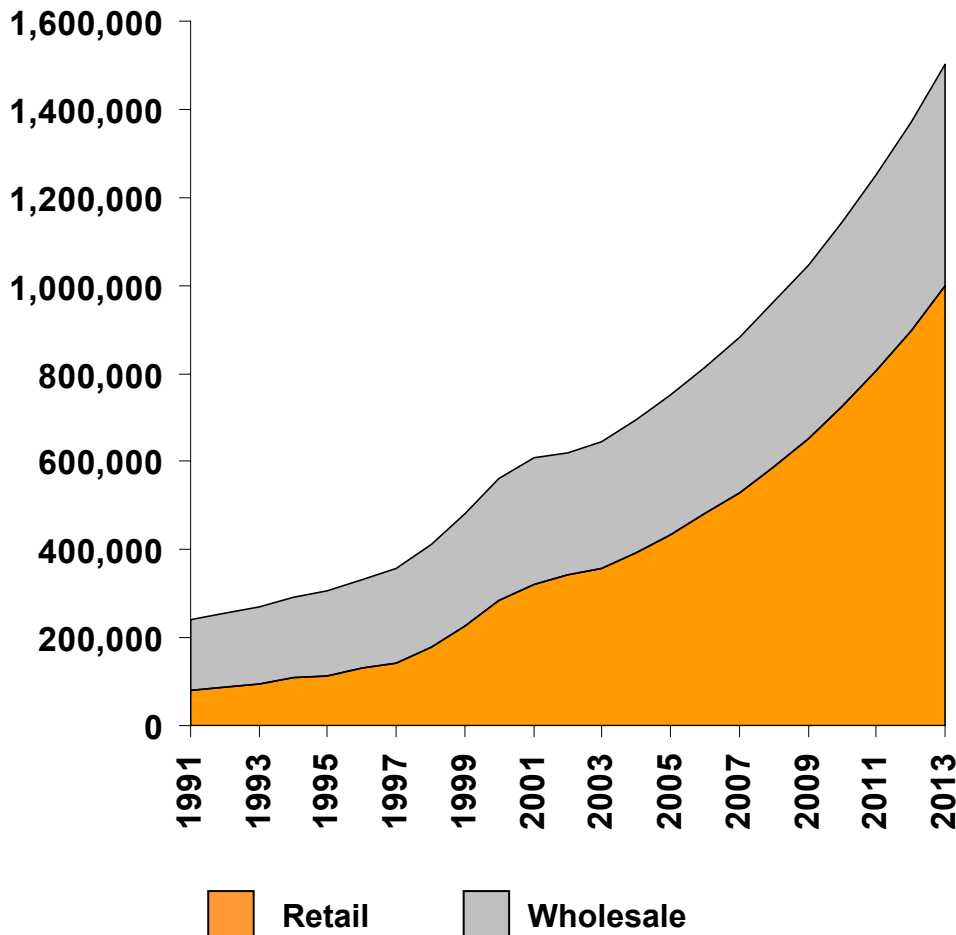
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The Australian managed funds industry has a history of strong growth

Total Funds Management Market (\$m)
1991 to 2003 actuals, 2003 to 2013 forecasts



Observations

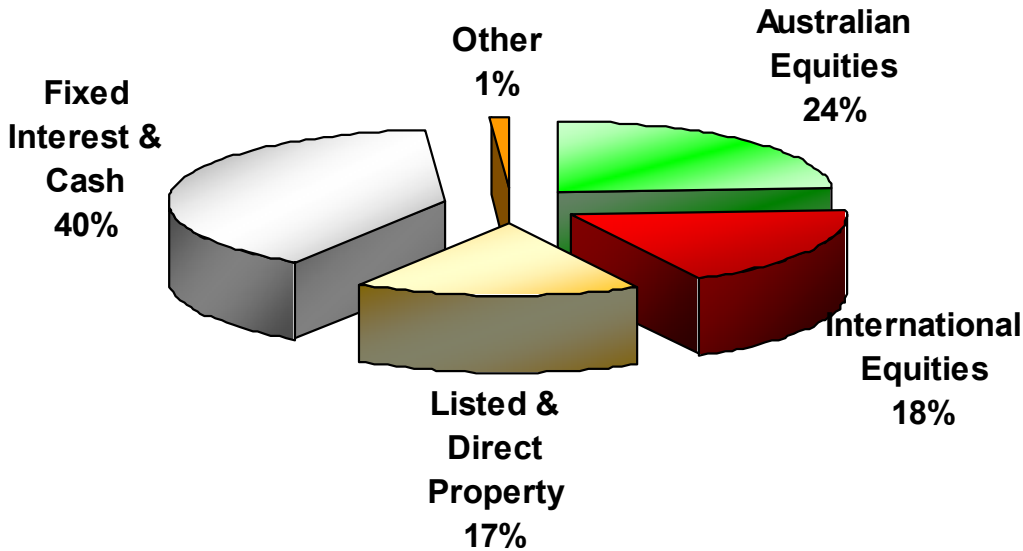
- Australia is the 10th largest asset management marketplace globally
- Strong growth in managed funds driven by:
 - Retirement policies
 - Growth in equity culture
 - Investor desire for more comfortable self-funded retirement
- The retail market has good growth prospects due to:
 - Ageing population
 - Superannuation guarantee



We perform well across our diversified product mix

Funds Under Management by Asset Sector May 2004

100% = \$101.5B

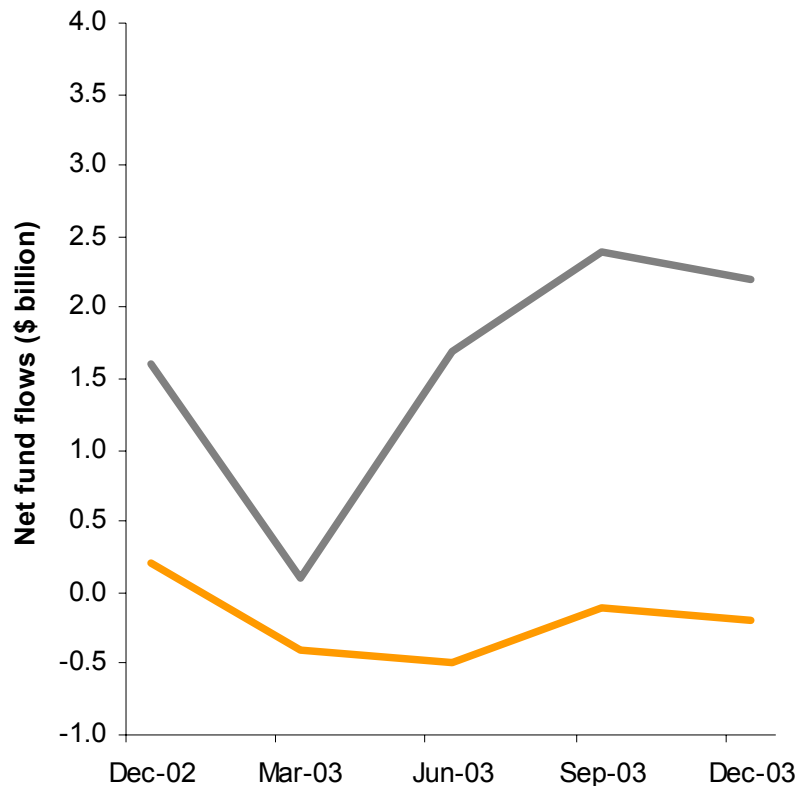


- Number 1 in Australian Retail Managed Funds
- Market leader in geared products
- Award winning products
- Leading masterfund
- Breadth of products
- Innovative alliances with boutique players – PM Capital, 452
- New product offerings – Global Property Securities and Infrastructure Income fund
- Distribution breadth



Retention is a key priority for retail funds

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



— Commonwealth Bank — The Market

Drivers

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

Mitigation Strategies

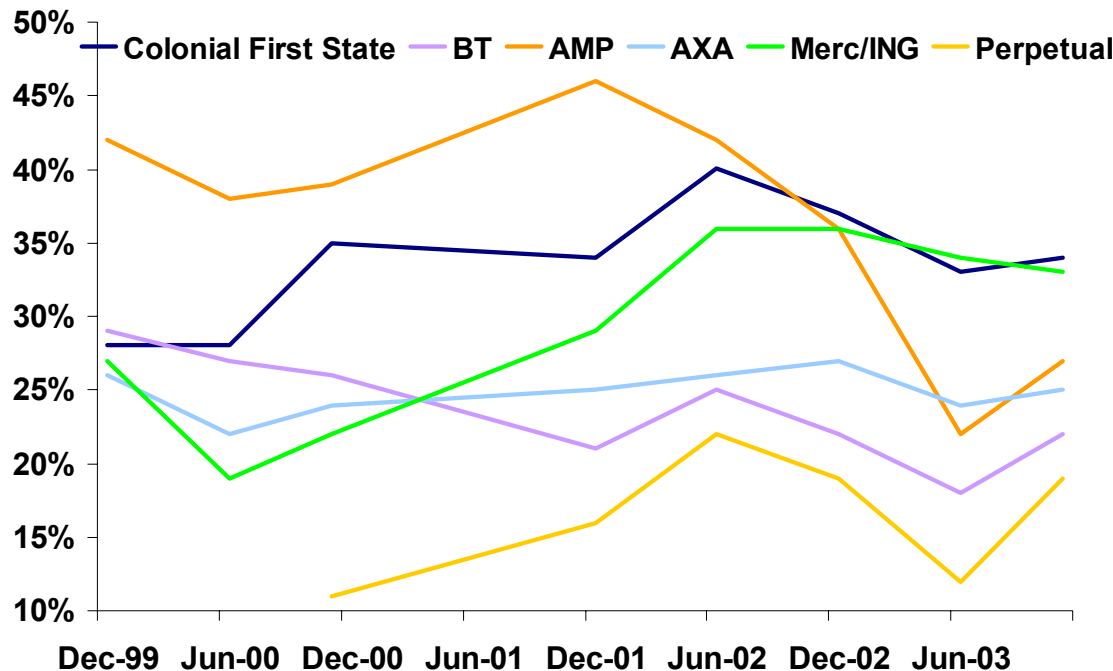
- Strategic alliances with boutique players including PM Capital and 452
- Investing in Group distribution
- Investment in platforms
- Retention strategies



Our brand and customer service ratings continue to be strong

Newspoll Survey – Fund Manager Preference November 2003

Who would you invest your money with?



- Leading brand
- Recognised in the market for customer service
- Winner – NSW Australian Teleservices Centre of the Year (2003)
- 1st Place – Best Communication and IT Services of any fund manager (2003 Assirt Service Level Awards)
- 1st Place – Best Communication of any Master Trust/ Wrap



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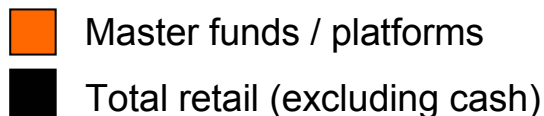
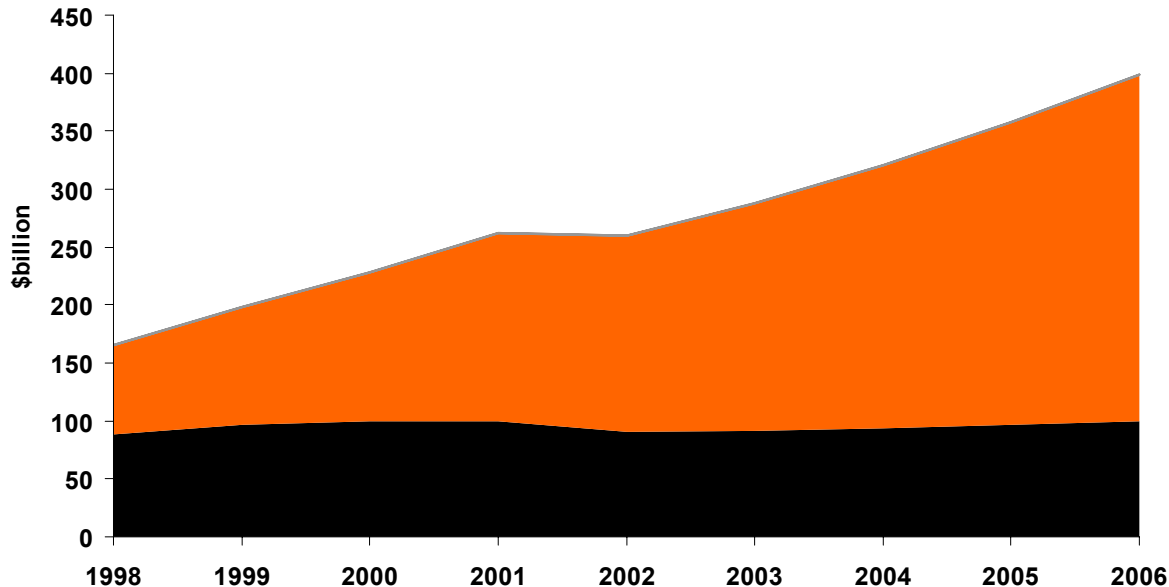
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Platforms capture the majority of retail funds

Retail Market Flows

1998 to 2003 actuals, 2004 to 2006 forecasts



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



- **FirstChoice** has been the fastest growing platform in the market since its launch two years ago
 - Over \$6 billion FUA (June 2004)
 - Competitive pricing
 - Award-winning service
 - Recent enhancements offering more functionality and investment options
 - New wholesale offering



- Strong growth in **Avanteos** business through acquisition of new clients
 - Telstra Super Financial Planning
 - FSP Group
 - Symetry
- Over \$2 billion FUA (June 2004)
- Improved adviser and dealer group functionality



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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 enhancing our **quality of advice**, improving **productivity** and increasing **total sales**
 - **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
 - **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

Financial Wisdom 



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Conclusion

- There is significant value in having an **end to end** value chain presence
- We are building on our leading position in investments and insurance **manufacturing**
- We are leading the market in our **platform** capabilities
- We are further strengthening and broadening our significant **distribution capabilities**
- **We have a market leading position in the markets we operate in**



Commonwealth Bank

Investment and Insurance Services

23 June 2004

