

CommonwealthBank



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Fred Pollock

Executive General Manager, Group Sales & Service

Geoff Austin

Executive General Manager, Lending Products

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Commonwealth Bank of Australia ACN 123 123 124

Retail Banking Services Update

28 September 2006

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 September 2006. 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.



Today

- **Strategy**

- ❖ Michael Cameron

- **Sales and Service**

- ❖ Mark Jones and Fred Pollock

- **Products**

- ❖ Geoff Austin and Michael Cant

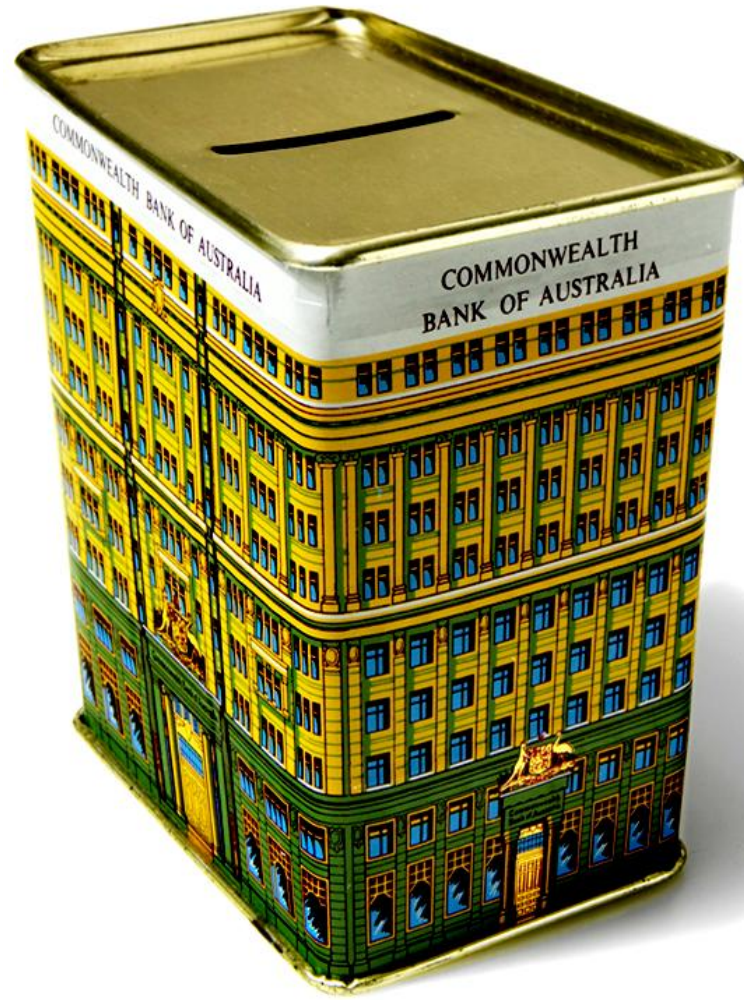
- **Panel Questions**

- ❖ Including Vittoria Shortt and David Grafton



Notes

45% of Australians have a relationship with us



CommonwealthBank



Huge scale of interactions



Branches



**1,007
sites**



ATMs



**3,173
terminals**



EFTPOS



**130,000
machines**



NetBank



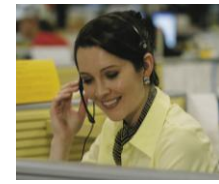
**1.2m
active
customers**



**Australia
Post**



**3,730
agencies**



**Call
Centre**



**7.5m
passwords**



Brokers



**6,200
brokers**

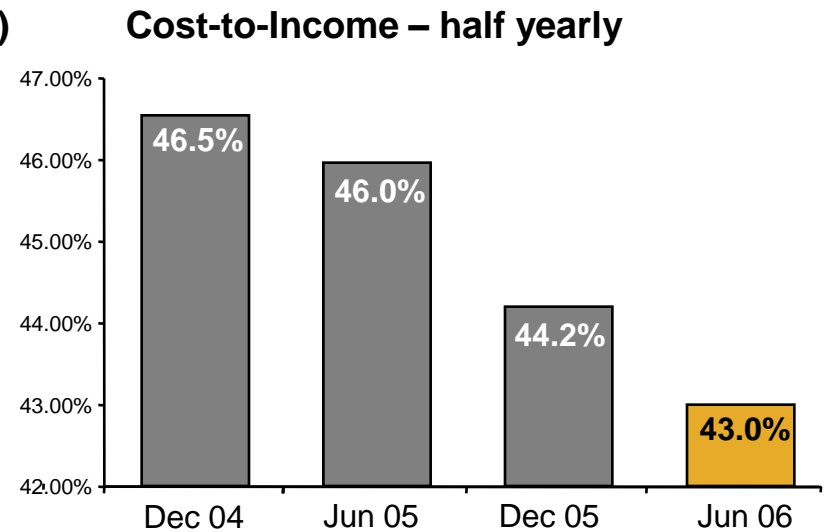
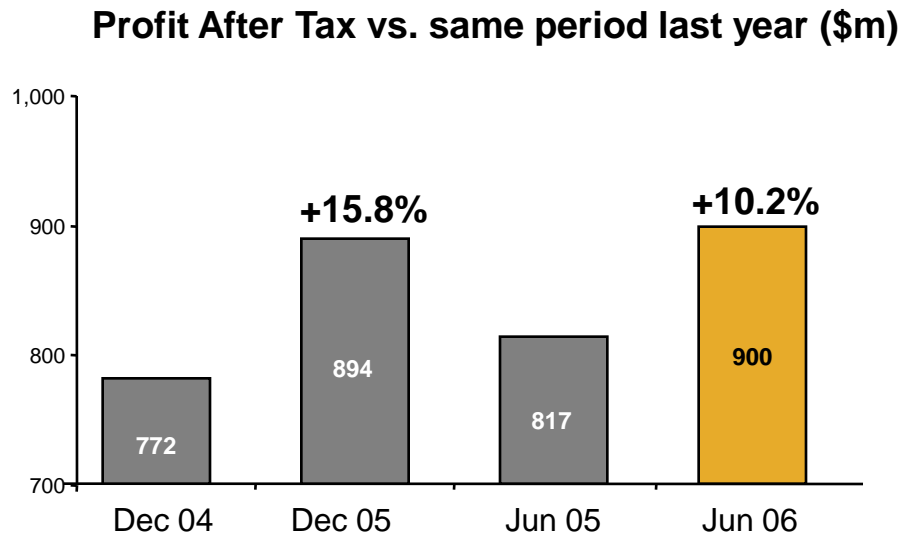
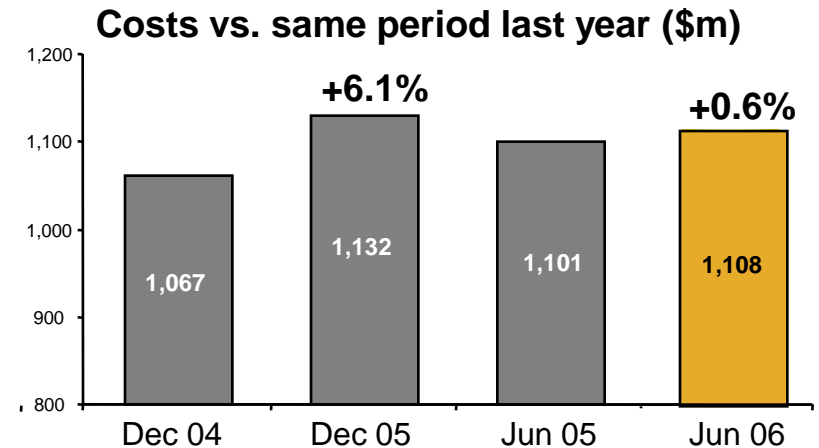
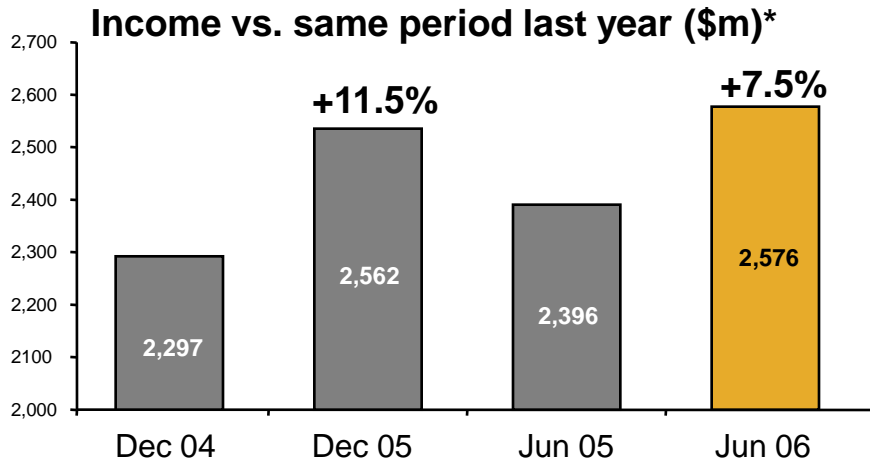


Today

- **Results**
- **Strategy and Priorities**
- **Structure**
- **Progress**
- **Collaboration**



Well positioned to grow

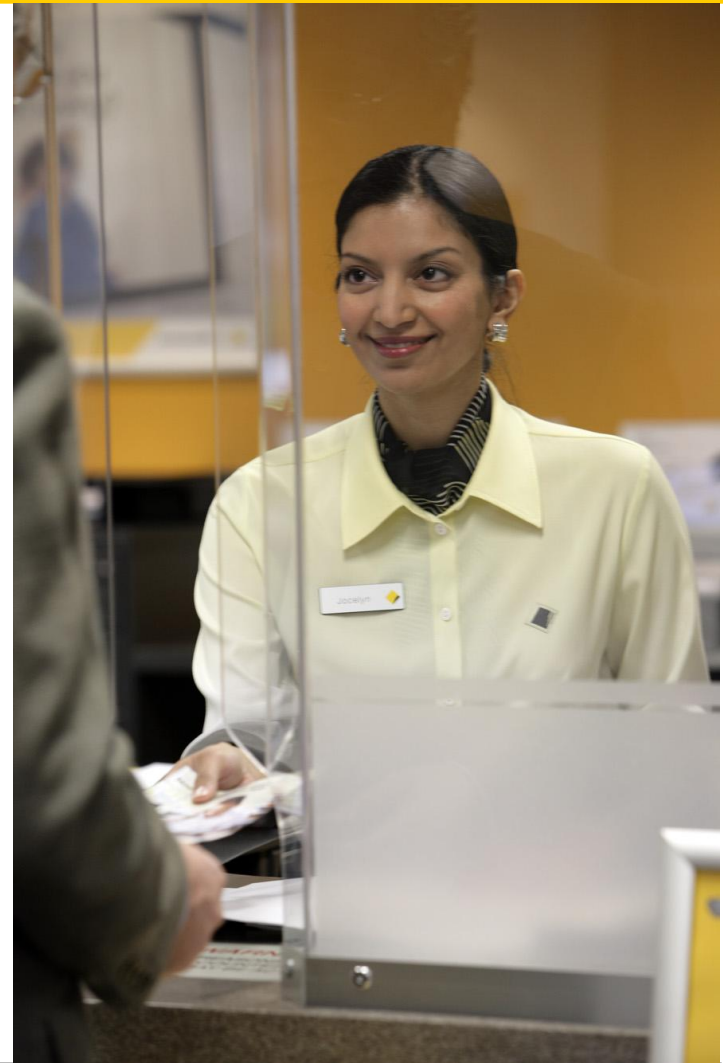


* All figures reflect Retail Product costs and income only

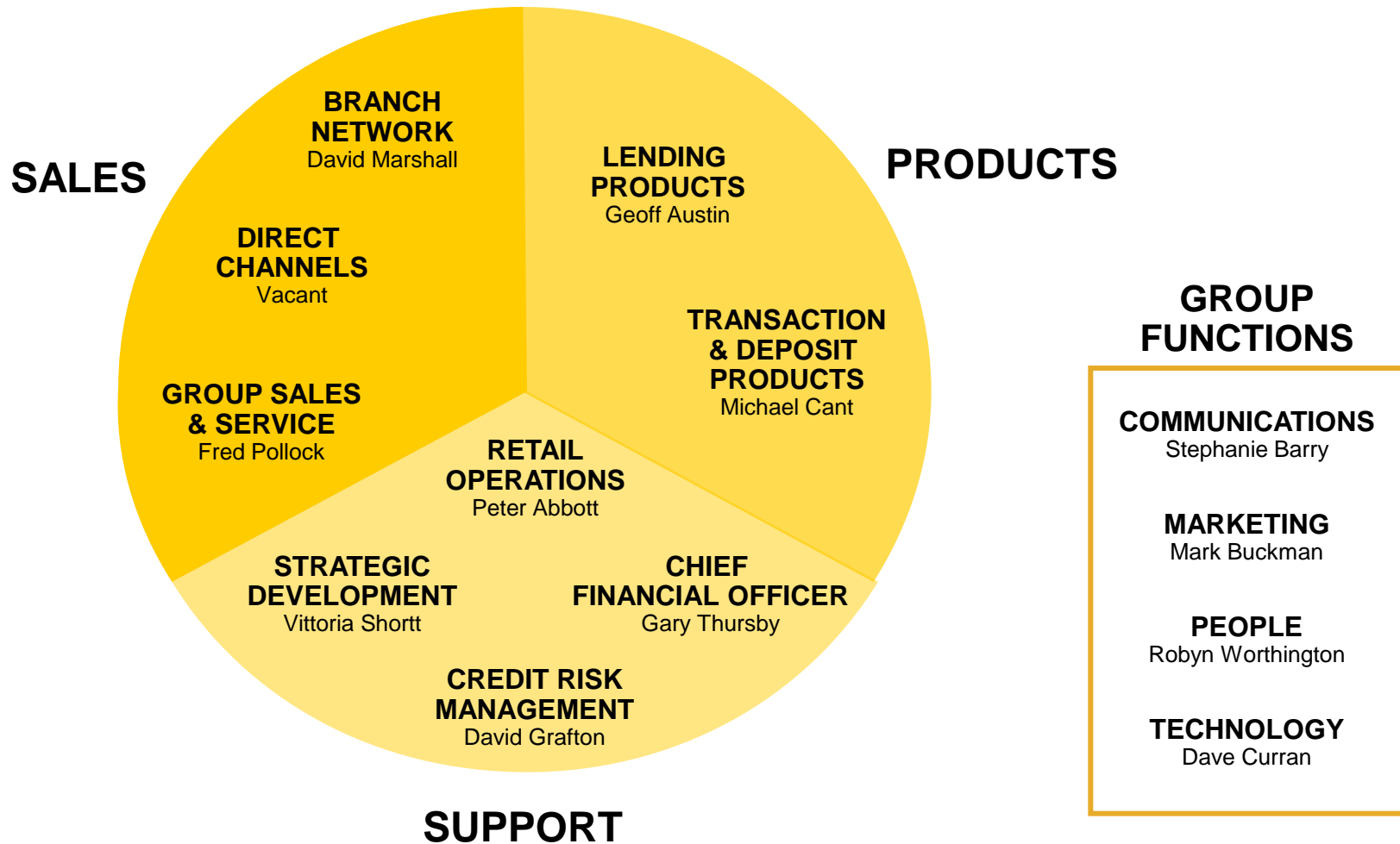
To be Australia's finest financial services organisation through excelling in customer service

Retail Bank Strategy

- ❖ Invest in the capabilities of our **frontline people** to improve customer experience
- ❖ Offer competitive and **value-for-money products**
- ❖ Leverage our natural advantage of **convenience**
- ❖ Build a culture of **service and operational excellence**



Delivering Service



Clear Priorities

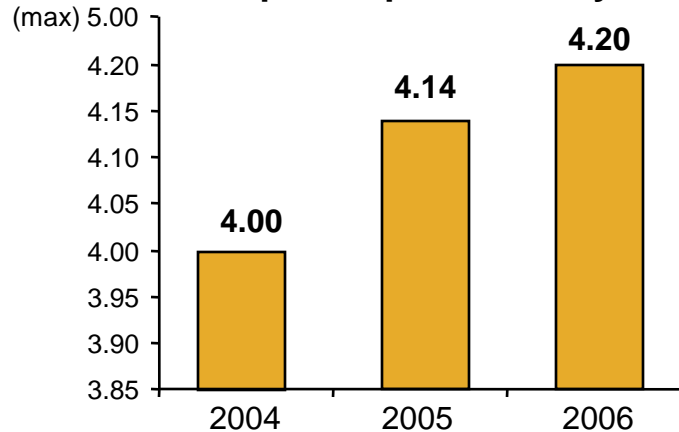
- People engagement
- Customer satisfaction
- Product competitiveness
- Service efficiency



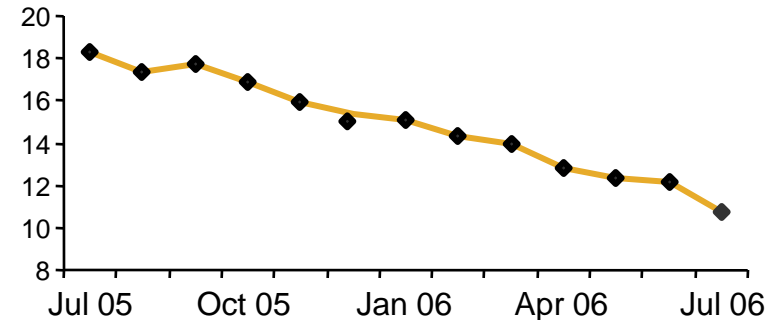
Notes

Frontline people now more passionate

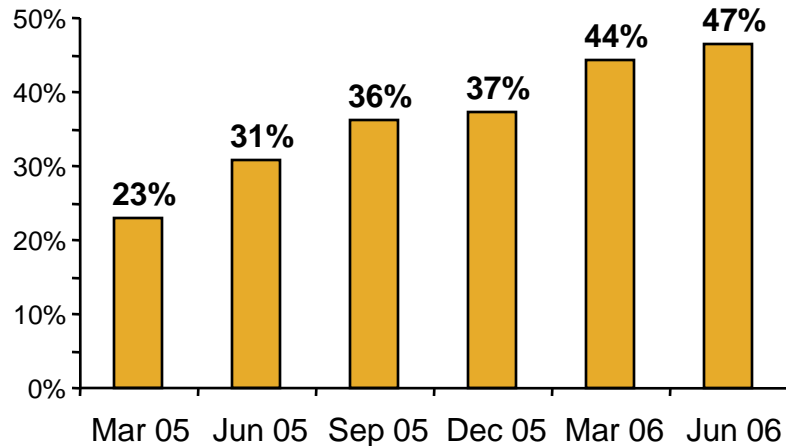
Gallup Workplace Survey



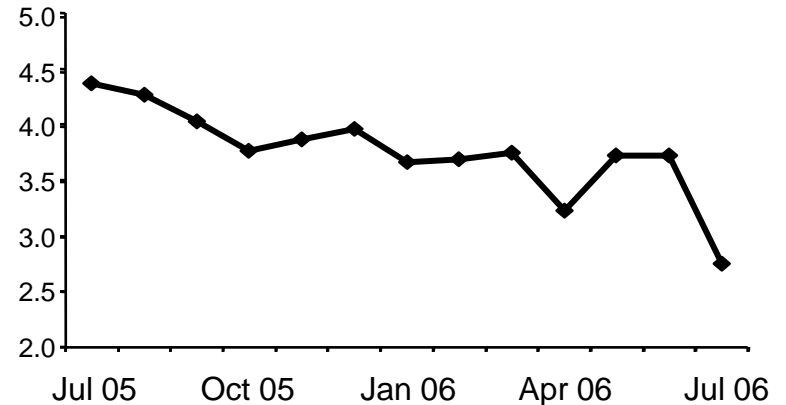
Lost Time Injury Frequency Rate



Internal Customer Service [strongly agree]



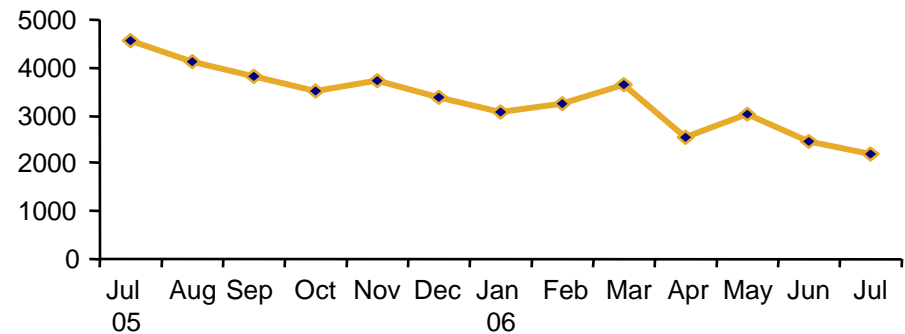
Absenteeism



Happier Customers

- 52% reduction in number of complaints since July 2005

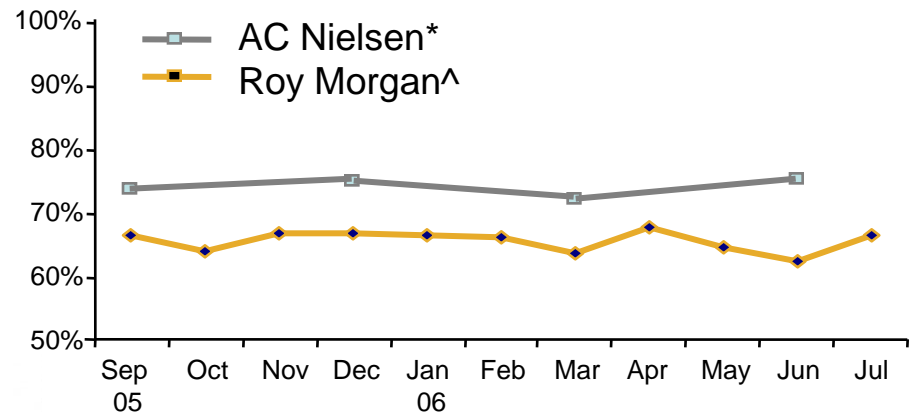
Customer Complaints



Happier Customers

- Trend matches major banks since July 2005
- 4.3% increase in July 2006, second highest improvement among majors

Satisfaction Surveys



* Nielsen Media Research – Percentage of customers very or quite satisfied with their MFI

^ Roy Morgan Research – Percentage of customers very or fairly satisfied with their MFI



Notes

We're listening

■ Products

- ❖ NetBank saver
- ❖ 'Yellow' card
- ❖ Removal of NetBank fees
- ❖ New streamline accounts
- ❖ Travel Plus
- ❖ NetBank saver fast start (youth)
- ❖ Business online saver
- ❖ Know Your Money



We're listening

■ Service

- ❖ 550 additional frontline people
- ❖ 65 branches open on Saturdays
- ❖ Extended operating hours
- ❖ New branches
- ❖ Shorter queue times
- ❖ New Customer Service Measurement program
- ❖ Auto coin counting machines

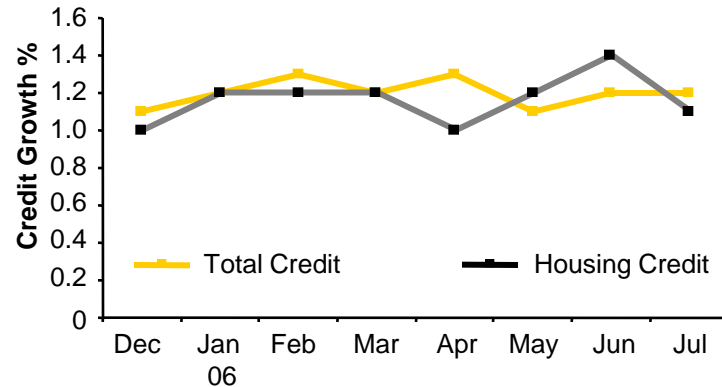


Positive momentum

■ Credit growth

- ❖ Total credit growth steady at 1.2% (monthly) since 01/2006
- ❖ Housing credit growth for June at a two year high of 1.4%

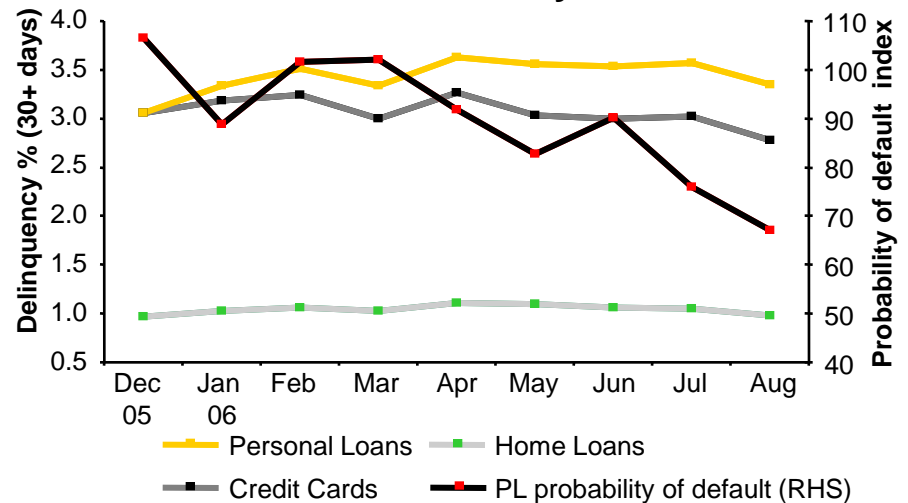
CBA Credit Growth



■ Credit quality

- ❖ Arrears stable or decreasing
- ❖ Quality improving for new personal loans

CBA Arrears & Probability of Default



Other Key Information

Notes

Trust & Team Spirit

Collaboration

Accountability

Recognition and reward

Engage in development

Simplicity

Collaboration – we're all talking

■ Sales & Service

- ❖ Reinvigoration of Cohen Brown
- ❖ Insurance specialists in branches
- ❖ Business Bankers in branches

■ People

- ❖ Standardised approach to leadership, talent management, safety and learning
- ❖ Trust and Team Spirit

■ Operational Efficiency

- ❖ CommWay bank-wide approach
- ❖ Co-ordinated purchasing
- ❖ Systems stability



Key Messages

1. Business indicators support **positive momentum** going forward
2. Positive people measures will result in a continuing **uplift in engagement**
3. Greater understanding of customers will increase our ability to **satisfy their needs**
4. Service metrics will translate into improved **customer satisfaction**
5. Aligning processes around the customer experience will drive **operational excellence**



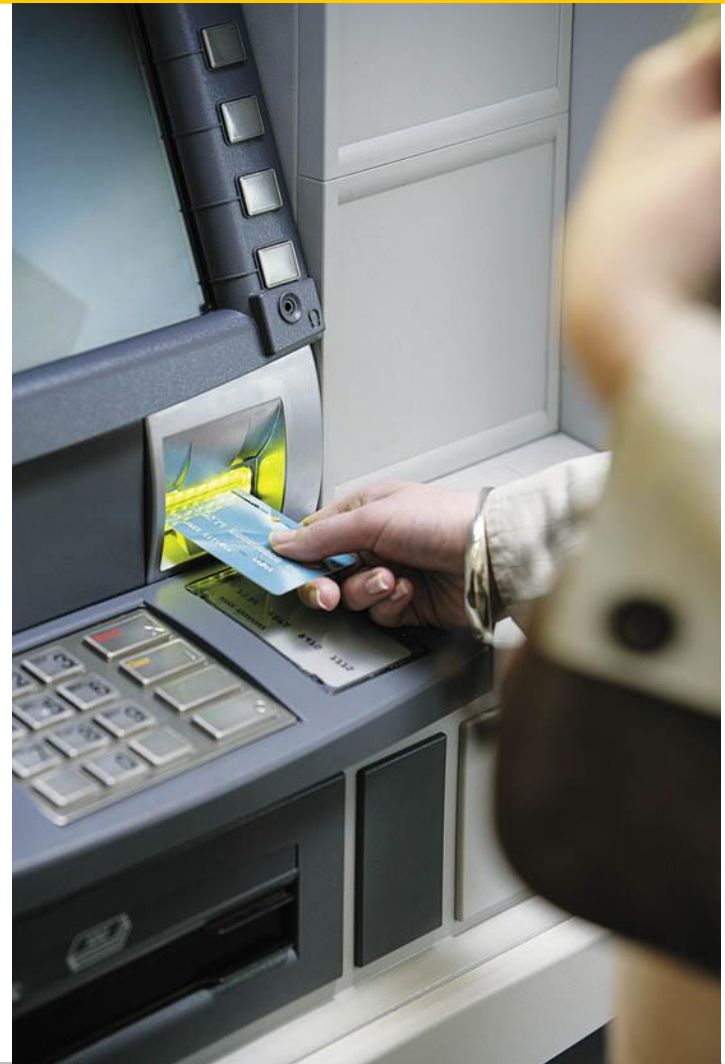
Mark Jones
Regional General Manager
South & Western Australia



Notes

Sales and Service

- Customer Service
- Integration of Channels
- Branch Actions
- Empowerment



Customer Service - taking it seriously

- We're asking the customer
- Independently measuring queue times and customer experience
- Results linked to performance
- Being there when the customer needs us
- Staff recruitment and induction programs re-built to focus on core sales and service competencies



Integration of channels - convenience

- Convenient access supports channel choice
- CommSee – single view of customers
- One Team Referral
- Increased focus on in-branch general insurance sales, with 25% increase from August 2005 to August 2006
- Alignment of KPIs to encourage channel integration



Branch actions – look and feel

- 388 branches refurbished over the last three years
- Three branches in new markets opened in the last nine months
- Rolling out open-plan branch designs in suitable locations
- Rolling out auto coin counting technology
- New corporate wardrobe introduced February 2006



Empowerment trial – local ownership

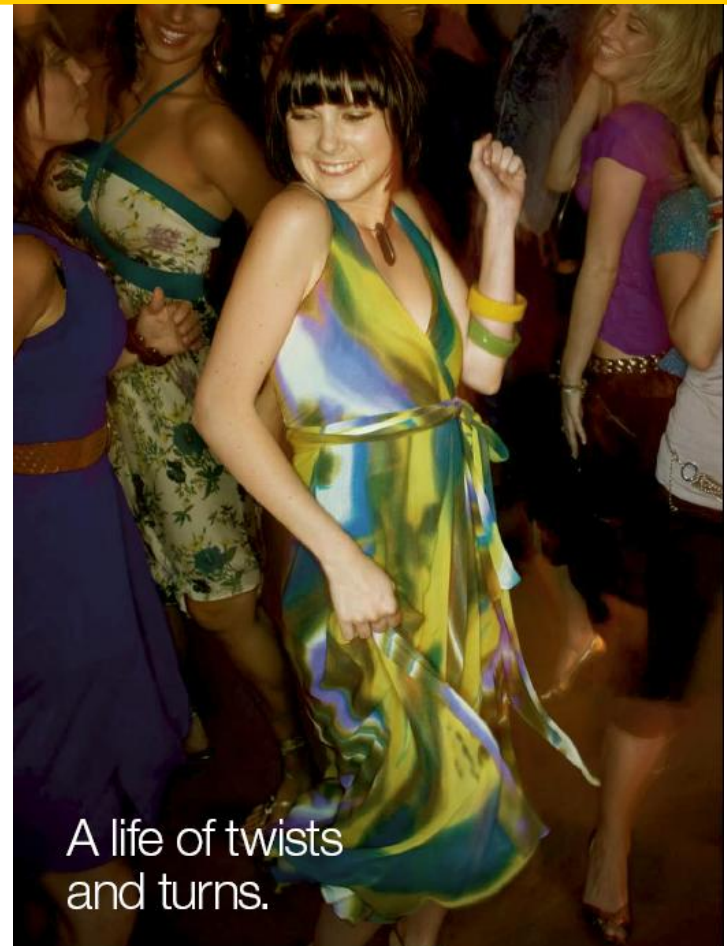
- Trial commenced on Sunshine Coast in March 2006 with positive trends in sales and service outcomes
- Connecting with local communities
- Business ownership mindset and culture emerging
- Greater flexibility around
 - ❖ Local area marketing
 - ❖ Staffing
 - ❖ Campaigns
 - ❖ Opening hours
- Uncapped bonus scheme for branch managers aligned to profit and customer experience targets
- Business Bankers in branches

Key messages

1. Customer Service  More relevant and regular measurement linked to rewards
2. Integration of channels  Giving the customer the choice – supported by technology
3. Branch actions  Improving our look and feel
4. Empowerment  Local ownership



Fred Pollock
Executive General Manager
Group Sales and Service



A life of twists
and turns.

Every day's a new day.

CommonwealthBank 

CommonwealthBank 

Sales and Service

- **Objective**
- **How will we go about it?**
- **What can we learn from Group?**
- **What are our critical success factors?**



Our objective

To support the Bank's vision by creating a world standard sales and service culture

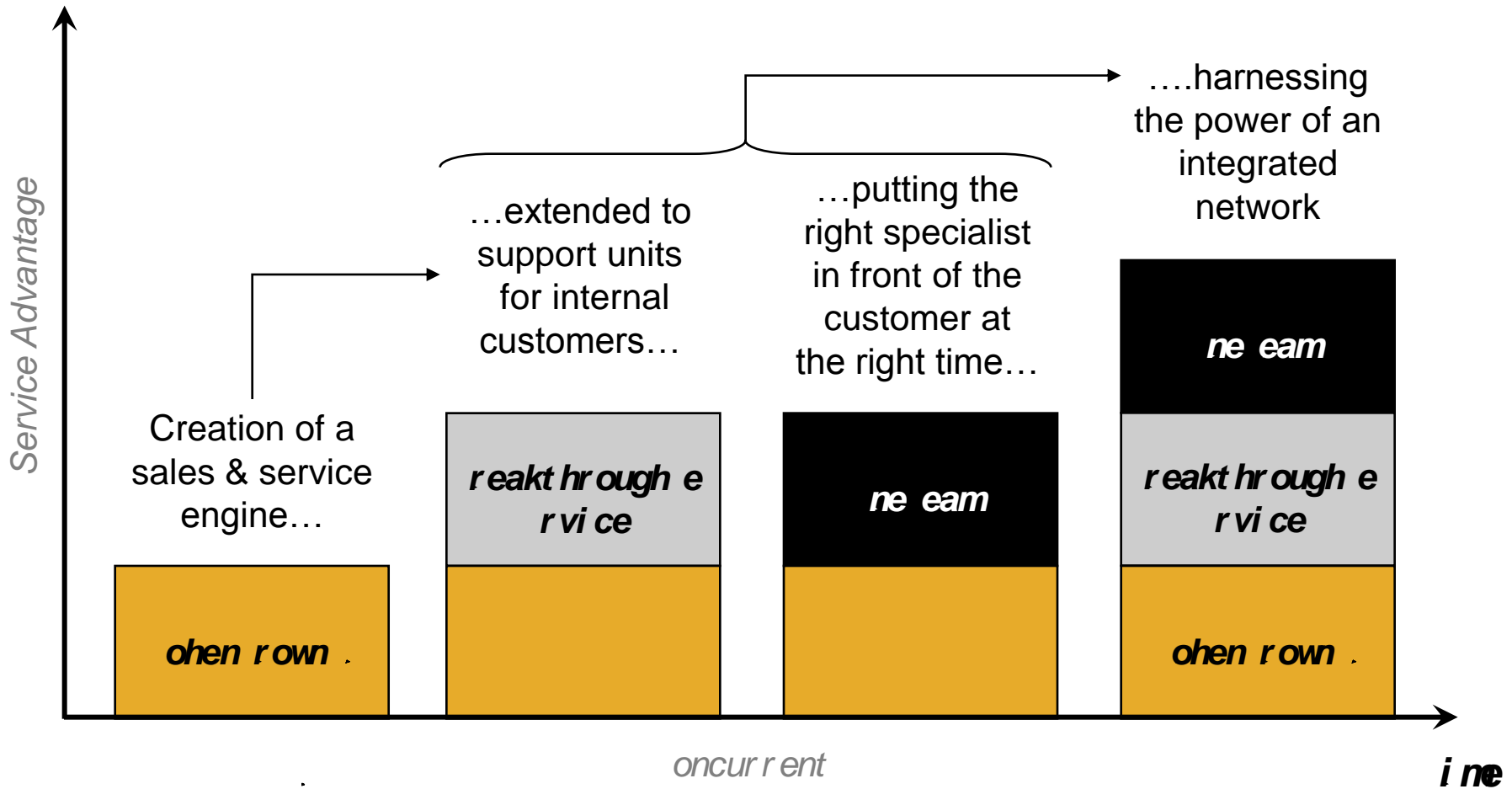


How will we support execution?

- Significant investment
- State-based support model
- Partnership with Cohen Brown
- Consistent and group-wide focus

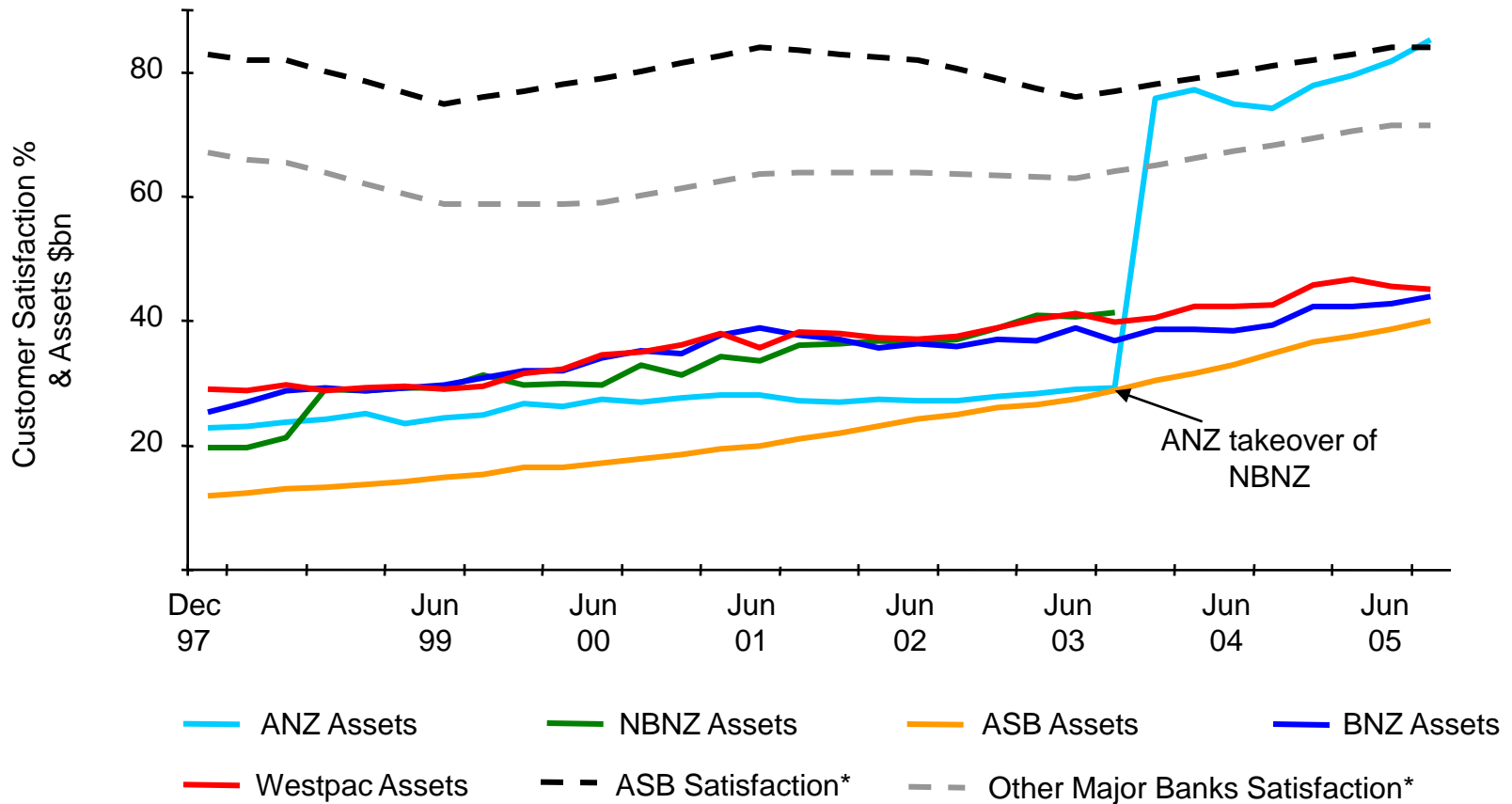


What drove the change at ASB?



ASB

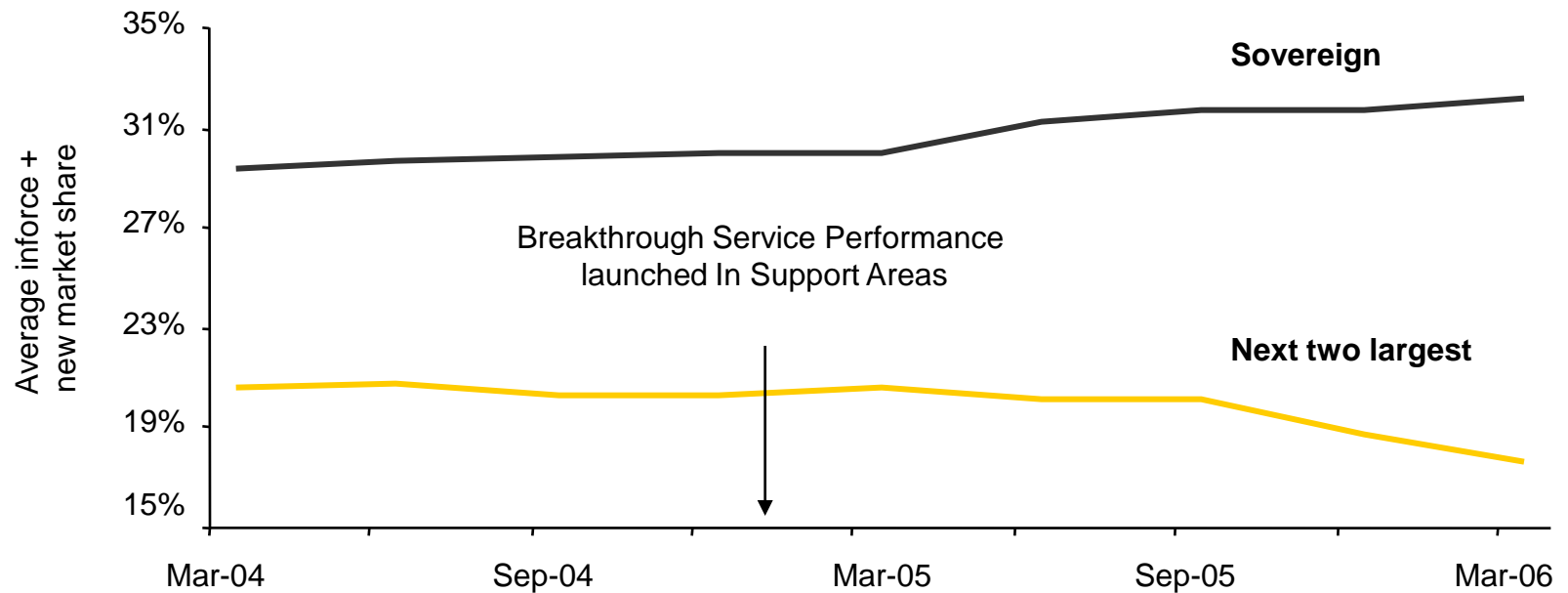
Superior Customer Satisfaction and Significant Asset Growth



* Source: Auckland Business School

Sovereign Insurance

The positive impact of service culture

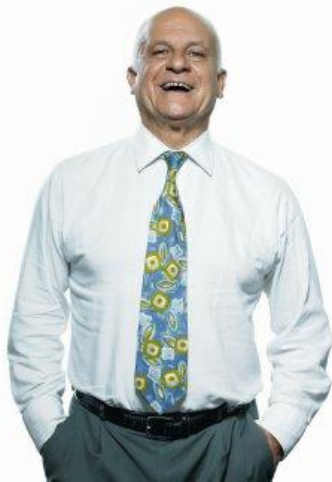


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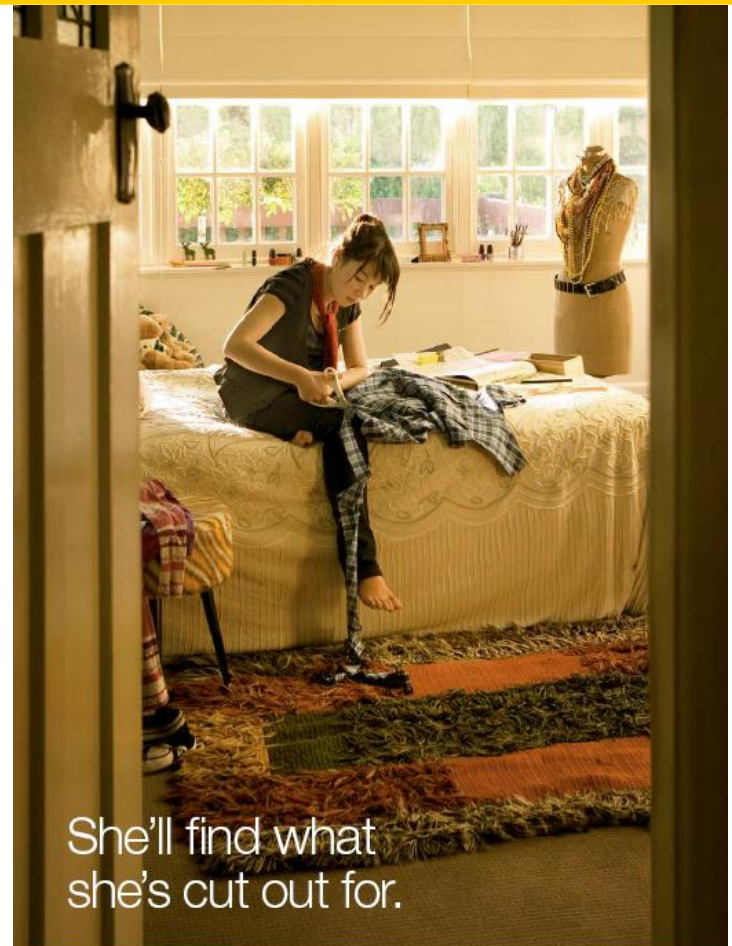


What are the critical success factors?

- **Passionate leadership** from the top down.
- Line driven training and **mastery** of the process.
- **Rewards and recognition** linked directly to sales and service outcomes.
- Smart use of **technology**.
- **Clear expectations** and effective follow up.



Geoff Austin
Executive General Manager
Lending Products



She'll find what
she's cut out for.

Every day's a new day.

CommonwealthBank 

CommonwealthBank 

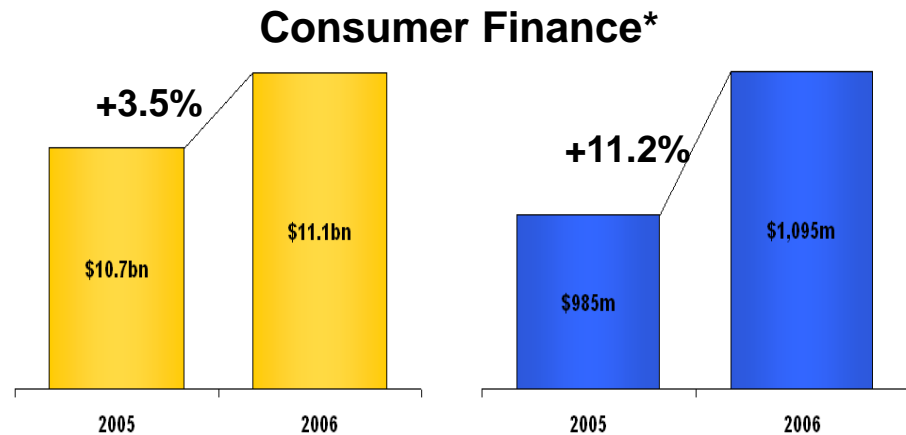
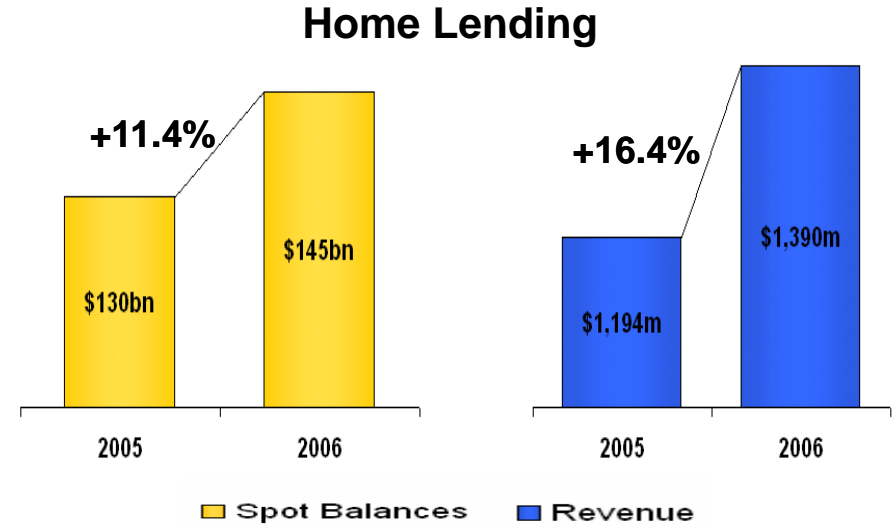
Lending Products

- Home Loan book in good shape.
- Significant improvement in personal loans new business quality.
- Some credit card market share appears value destroying.



Revenue and Profit Focus

- Revenue and profit growth more important than balance growth
- Avoid chasing unprofitable balance & share growth
 - ❖ e.g. 0% card balance transfers
- Effective margin management

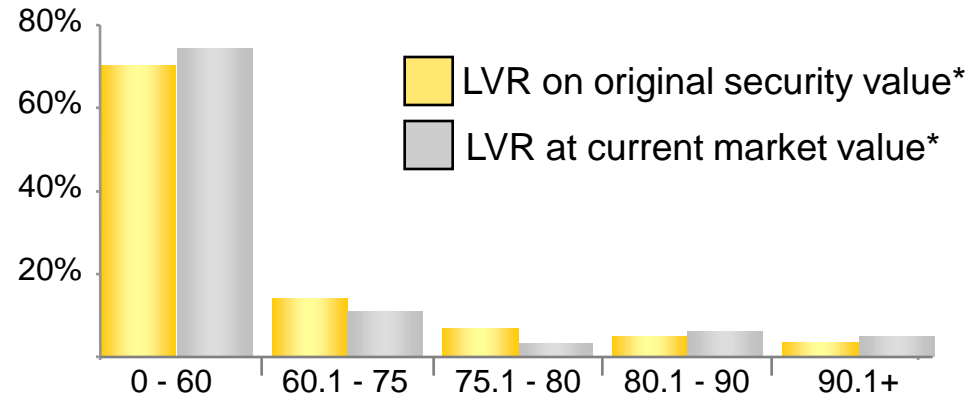


* Personal Loans and Credit Cards. DEET (student loan) balances added back for comparative purposes

Home Loan Book: well positioned to withstand stress

■ LVR Profile

- ❖ Strong LVR profile
- ❖ Majority of loans <60% LVR
- ❖ Mortgage insurance in place for most loans >80% LVR



■ Mortgage Portfolio Stress Testing

- ❖ Testing on conditions similar to 80's/90's UK recession shows losses < 3 months' Home Loan revenue
- ❖ Additional insured losses of \$175m covered by LMI in most extreme scenario shown

Potential Loss \$m

Property Value	Expected Default Rate (PD)			
	PD	x2	x4	x6
No decrease	10.3	14.1	20.1	24.8
10% decrease	27.3	38.4	56.7	70.6
20% decrease	58.6	84.8	128.6	161.8
30% decrease	103.6	153.1	236.4	299.4

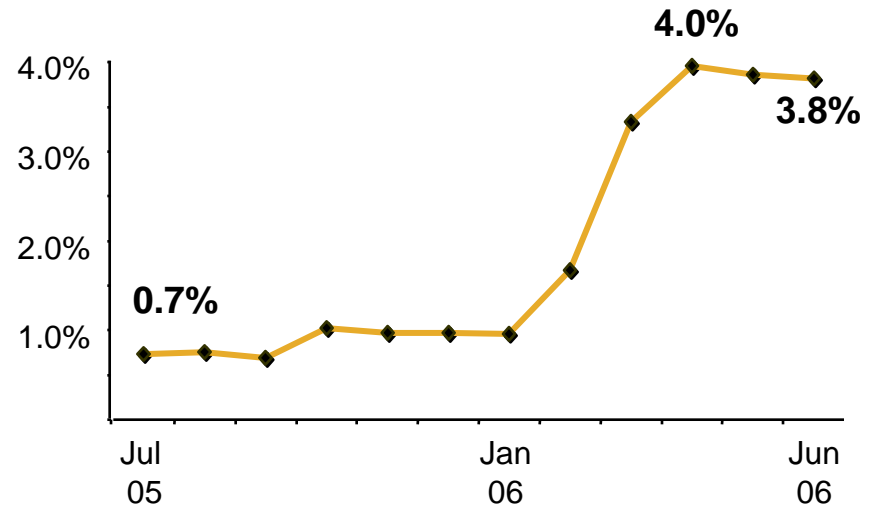
* Australian Owner Occupied and Investment Housing only, excludes Lines of Credit.
 Number of loans as at 30 June 06 and market value as at 31 Mar 06. Market value marked against the APM or Residex database



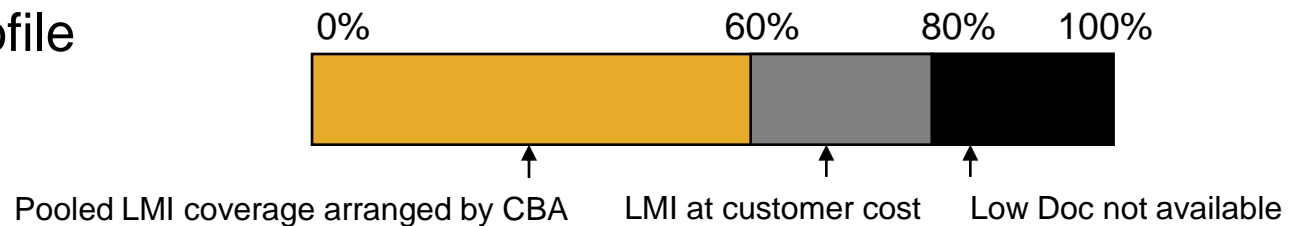
Low Doc Loans Prudently Managed

- Low Doc pricing changes have seen new business mix settle at 3% - 4% of new approvals
- Low Doc specific credit criteria in place to ensure risks are minimised
- Extra LMI protection ensures risk profile remains low

CBA Low Doc Loans by month as a percentage of total mortgage approvals



LVR for Low-Doc Loans



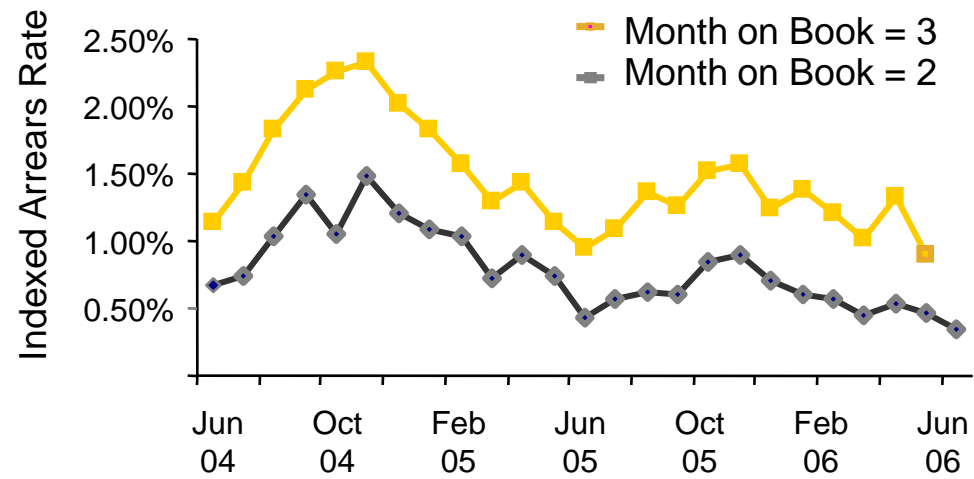
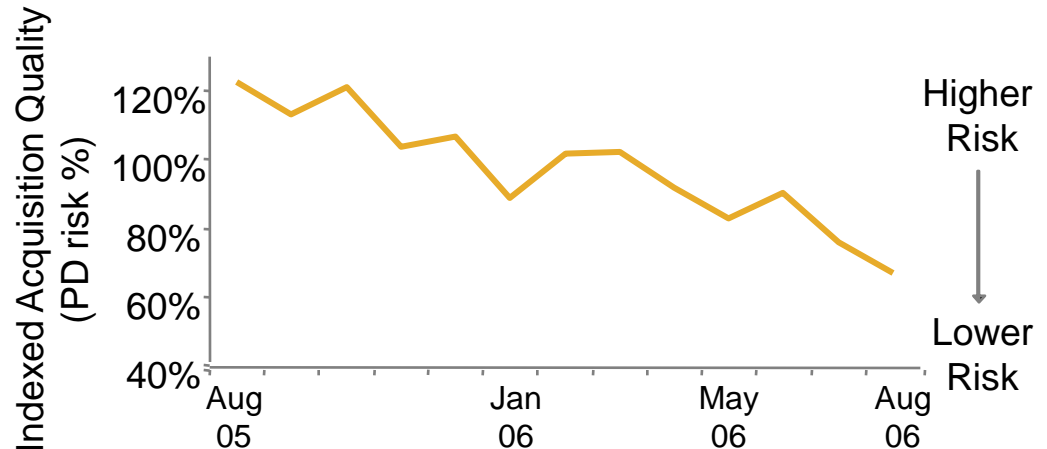
Home Loan Initiatives: focus on risk

- Valuation fraud risk is an increasing industry issue.
 - ❖ Systems and decision rules introduced to manage a significant expense.
 - ❖ Decision rules upgraded for new fraud environment.
- Recent review of LMI arrangements confirmed continuation of external insurer rather than partial / full captive.
 - ❖ New APRA capital requirements inhibit acceptable risk-adjusted return on capital-intensive business.
- LMI investment underway to deliver B2B solution.
 - ❖ Delivers efficiencies and improved operational controls.



Personal Loans: New Business Quality Improved

- A number of initiatives taken
- Significant improvements in the expected Probability of Default (PD)
- This translates into lower arrears levels for more recently approved loans

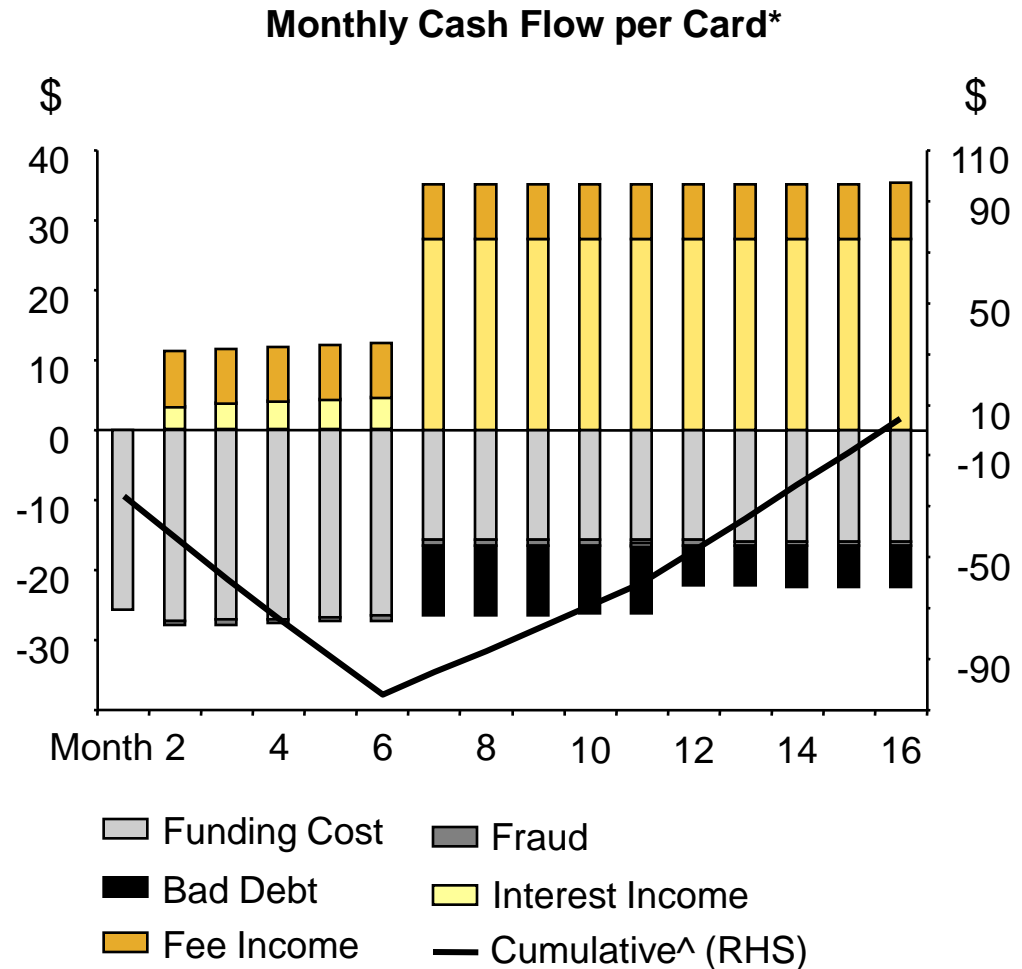


Notes



Why we don't offer zero percent balance transfers

- 0% offers appear value destroying with roll-over to low-rate card margins
- On marginal cost basis, customer break-even for "genuine" customers between 12-24 months (est.)
- Significant risks of obtaining transient, expensive balances






^ Balance Transfer 0% for 6 Months then 50% retained at 10.99%
Spend \$750 per month with 95% repaid each following month

* Cumulative costs at month 16 - ignores operating costs of card establishment/maintenance



Key messages

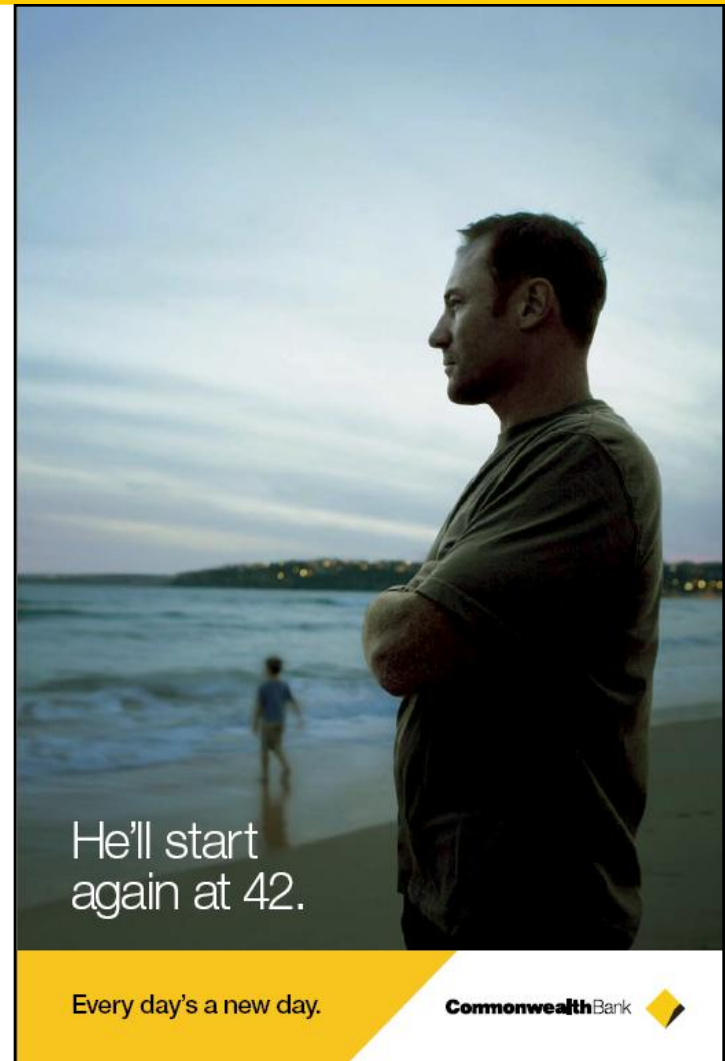
1. Home Loan book in good shape  Well positioned to withstand stressed conditions
2. Significant improvement in personal loans new business quality  Bad and doubtful debt profile expected to improve over time
3. Some credit card market share appears value destroying  Focus on profit and risk-adjusted returns is also good risk management



Notes



Michael Cant
Executive General Manager
Transaction and Deposit Products



Notes



Transaction and Deposit Products

- **Competitive position and strategy**
- **Managing the back book**
- **Update on recent product initiatives**



Key Information



Streamline
e-Access



Streamline
Unlimited



AwardSaver



NetBank
Saver



Youthsaver



Direct Investment
Account

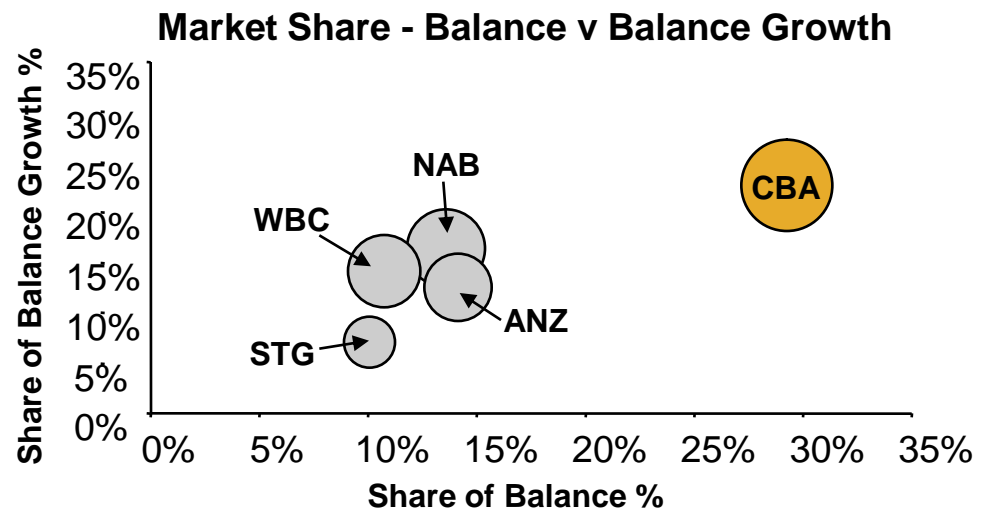
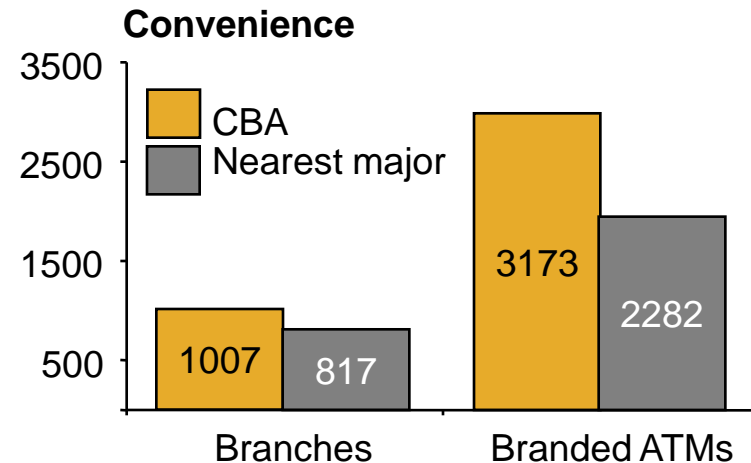


Cash Investment
Account

Notes

Well placed in a competitive market

- No. 1 Branch Footprint
- No. 1 ATM Network
- Large retail customer base
- Award winning product set
- Most to gain in a rising interest rate environment
- Solid recent financial performance
- Number one share of industry growth



Notes

Key elements of deposits strategy

■ Customer segmentation

- ❖ Understand customer preferences and propensity
- ❖ Targeted offerings by segment

■ Distribution

- ❖ Leveraging convenience
- ❖ Outbound retention contact

■ Product and pricing

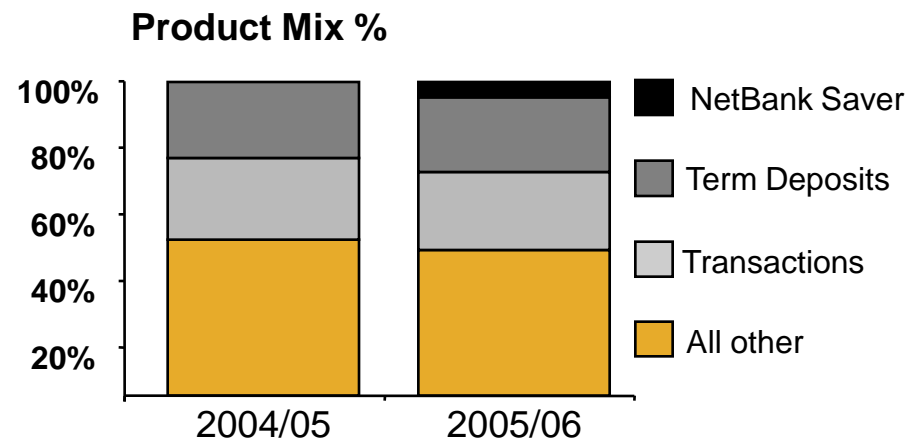
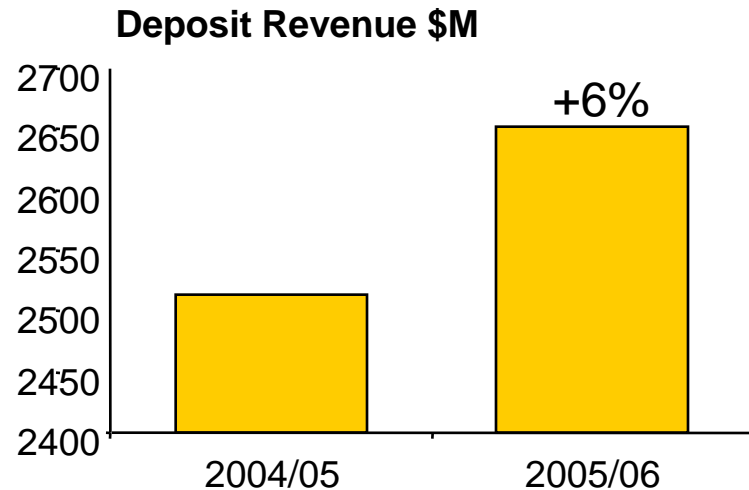
- ❖ Competitive products
- ❖ Differentiated pricing strategies

Sales & Service roll-out will underpin success



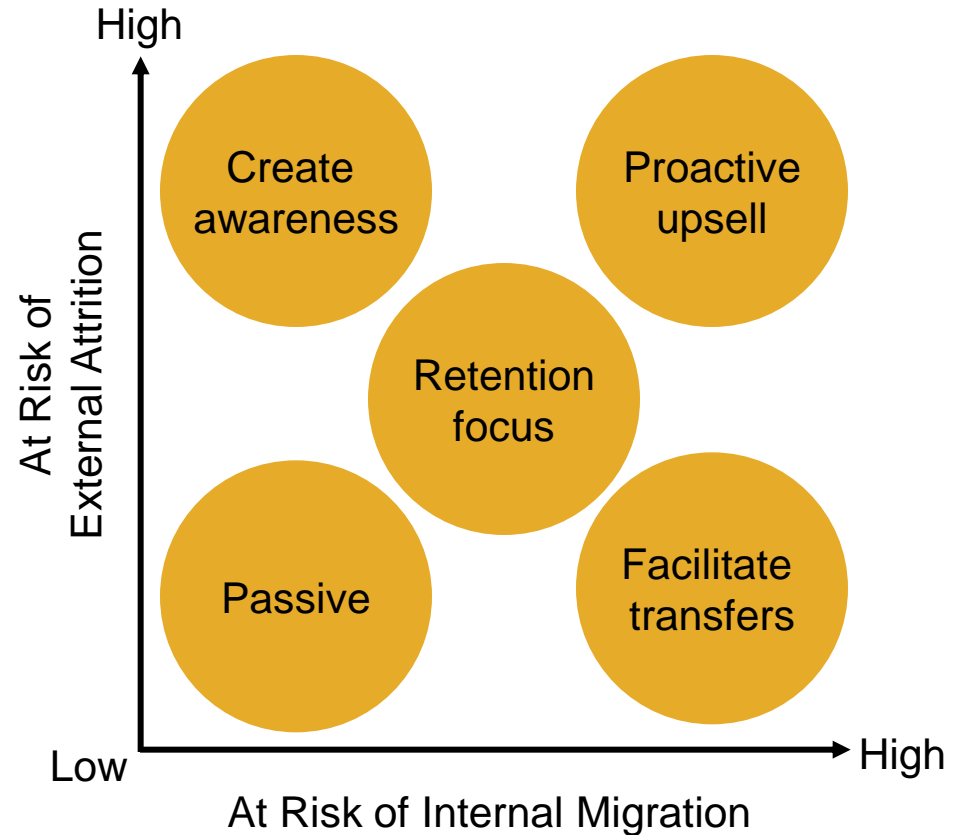
Effectively managing back book substitution

- Modest substitution to date
 - ❖ 1.8% NetBank Saver
 - ❖ 3.5% Streamline
- Significant number of passive customers
- Product eligibility criteria
- Use of targeted offerings by segment
- Overall deposits margin is holding up



Understanding of customer is key

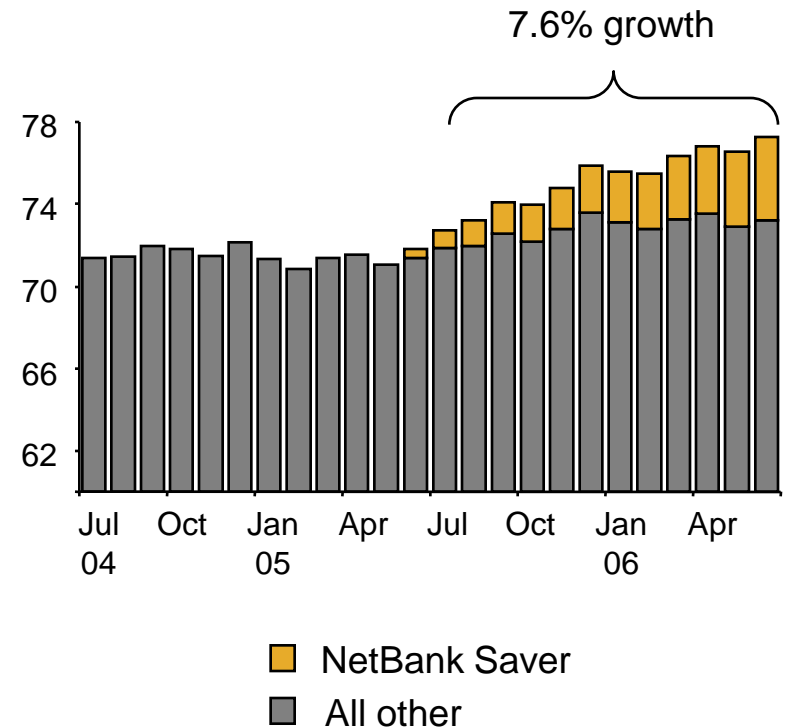
- Smart analytics
- Predictive models
- Event based triggers
- Targeted retention and upsell activity



NetBank Saver: growth with modest substitution

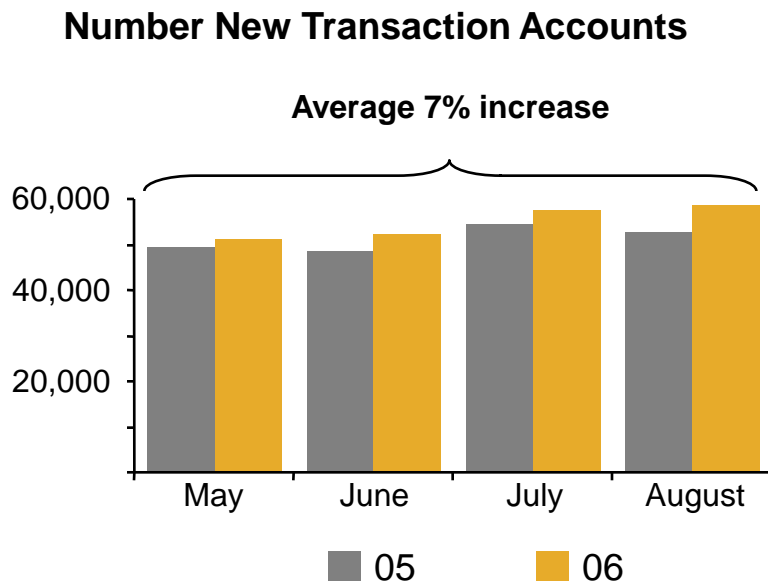
- Significant improvement in deposit balances growth
- 63% funds from external sources
- Only 1.8% of existing customer balances have switched into NetBank Saver (at June 06)
- “Cost” of internal churn for 2006 approximately \$15m (2bp)
- Accompanied by an increase in Streamline balances

RBS Deposit Balances (\$B)



New Streamline: another success

- 7% increase in new accounts per month vs. last year
- 55% of accounts are from external sources
- Fee revenue for many customers not impacted by “all you can eat” fee structure



Key messages

1. We have improved our competitive position



Leading to good growth in balances and revenue

2. Management of the back book remains a key



Smart customer analytics and segmentation will help in managing the volume / margins trade off

3. Substitution has been modest



Margins are holding up



The Panel



Michael Cameron



Mark Jones
South / Western Australia



Fred Pollock
Sales & Service



Geoff Austin
Lending Products



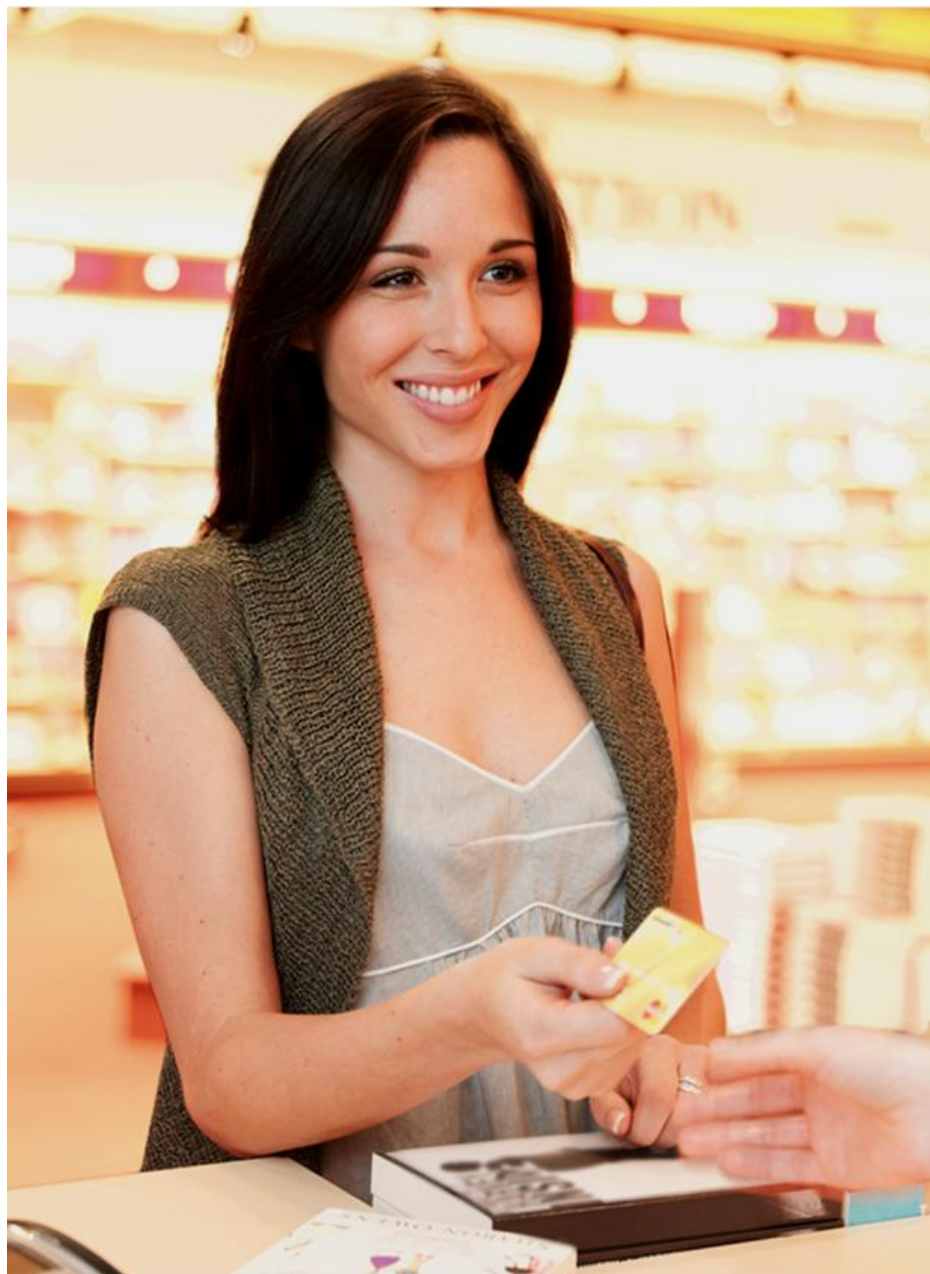
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Commonwealth Bank of Australia ACN 123 123 124

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28 September 2006
