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# Commonwealth Bank of Australia Premium Financial Services

John Beggs, Executive General Manager

29 May 2002



# Disclaimer

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The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentations, 29 May 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.

# Agenda

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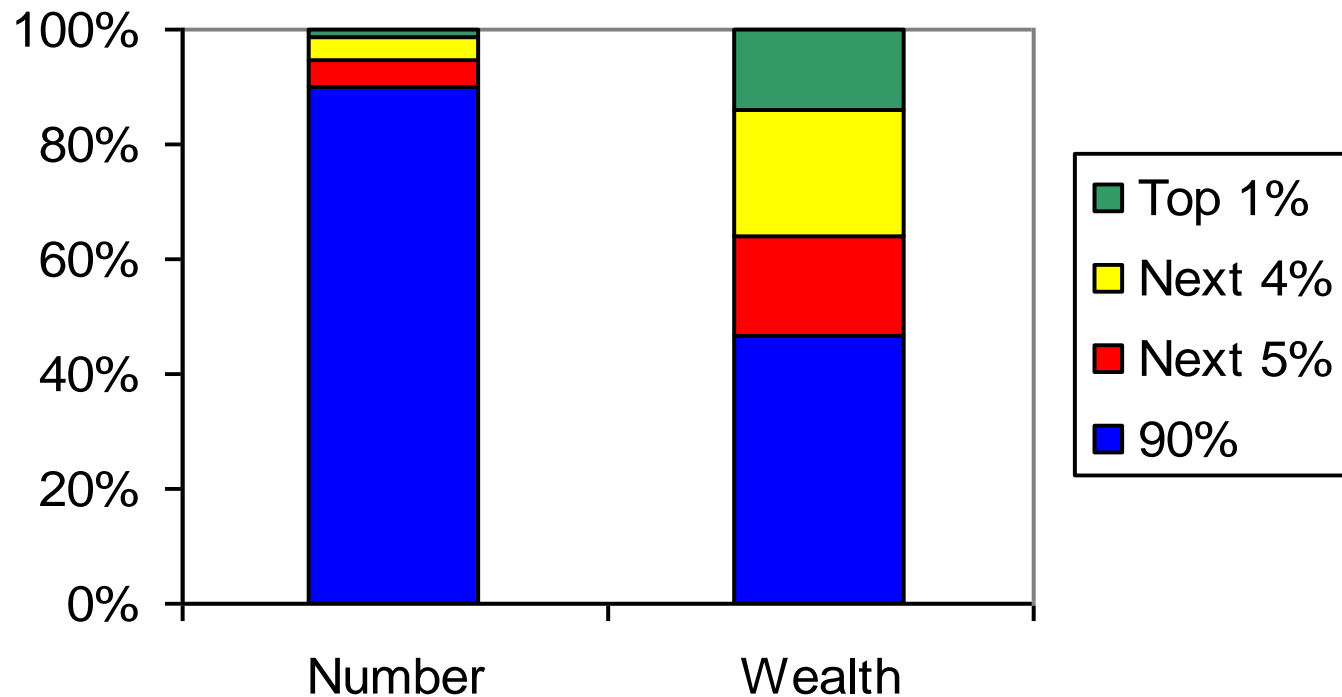
- The Opportunity
- Business Model
- Execution
- Differentiators
- Questions

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# The Opportunity



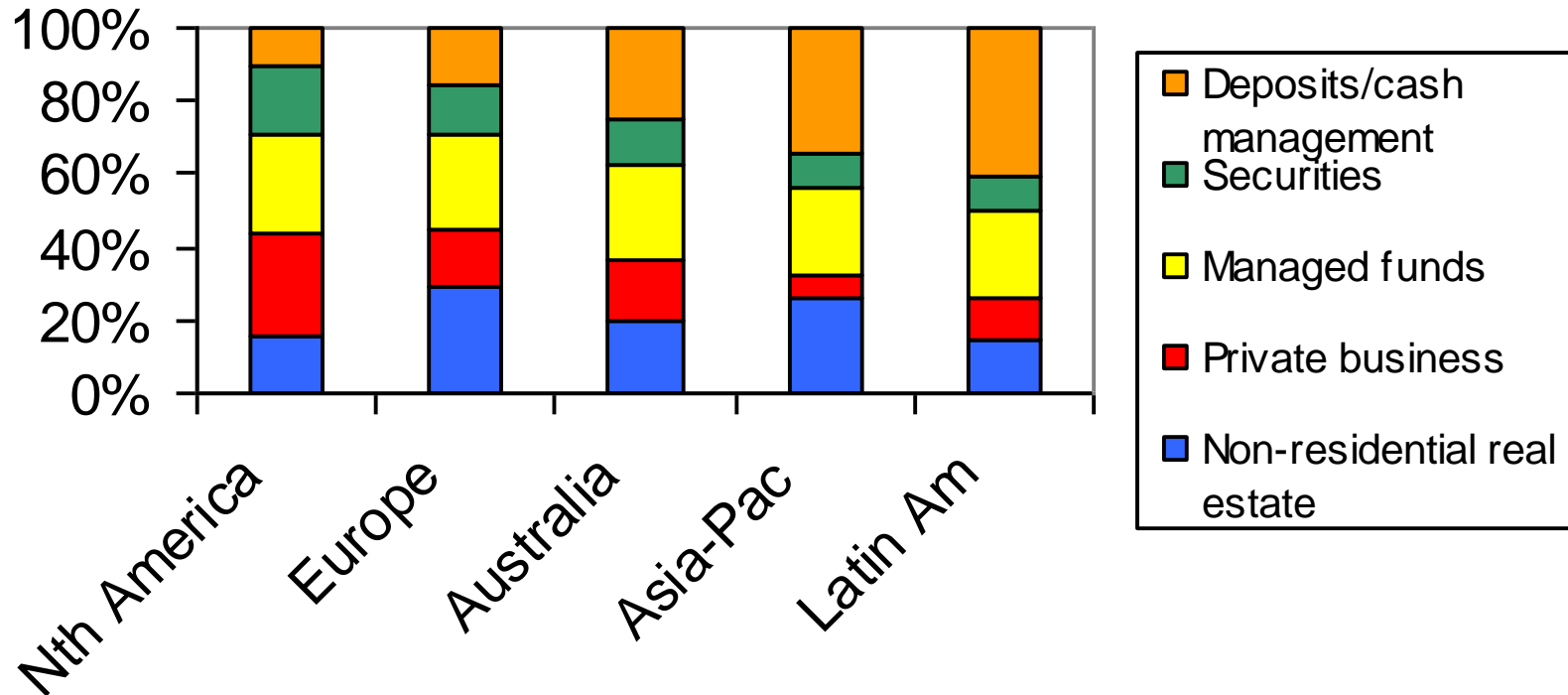
# Distribution of Wealth in Australia\*



**Source:** National Centre for Social & Economic Modelling

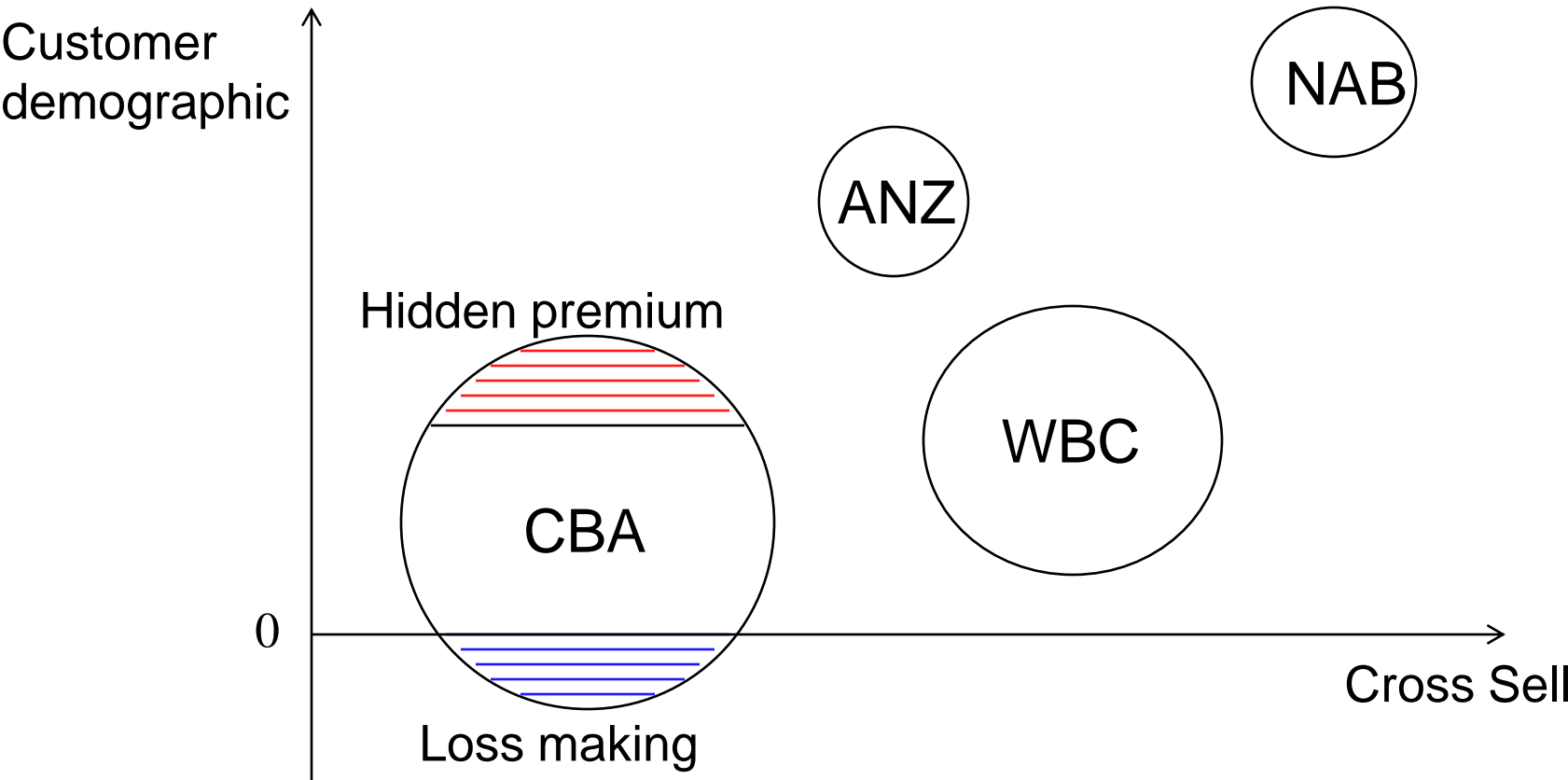
\* Wealth excludes the family home

# Asset Holdings by Wealthy Households



Source: Boston Consulting Group & CBA Research

# CBA Customer Demographic



Source: Merrill Lynch

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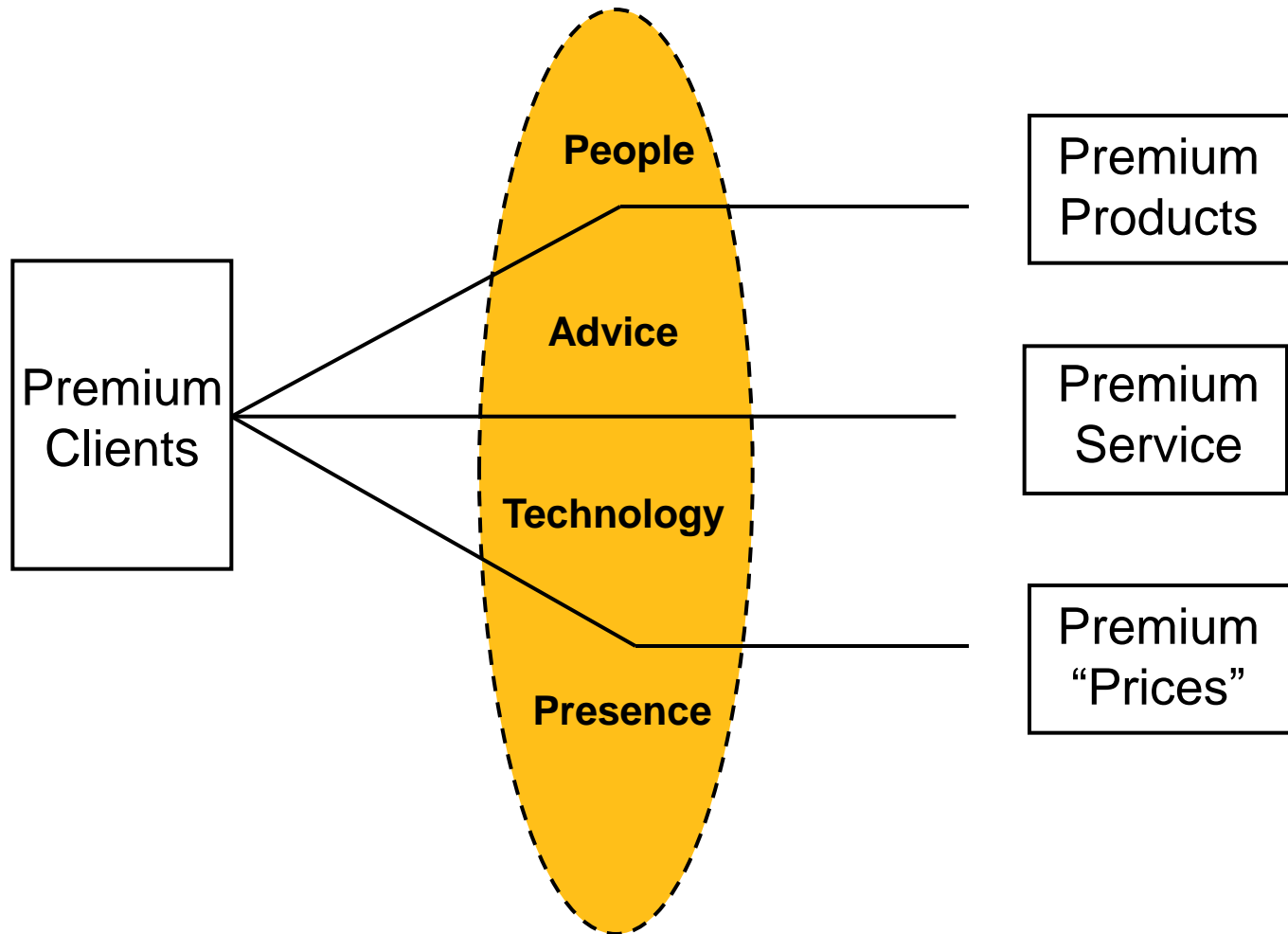
# PFS Business Model





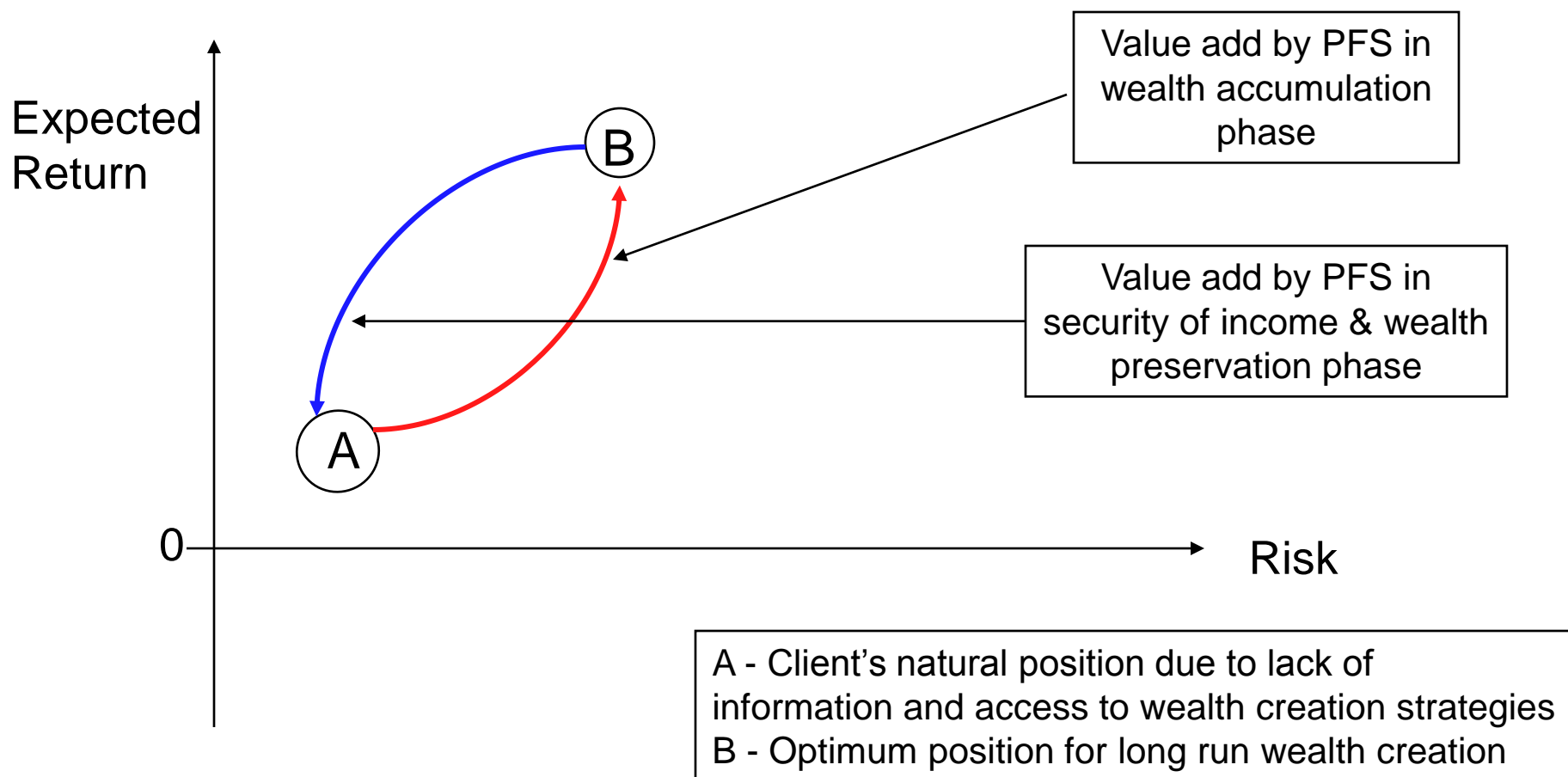
# The PFS Experience

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# Advice

## The Efficient Frontier



# Client Servicing Model

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- Implement a client servicing model which is scalable and institutionalises the relationship
- Segment the PFS client base into three:
  - Private Client Services
  - Premium Banking & Investment Services
  - Premium Direct Services
- Provide different levels of service and products across the premium segment

# Client Definition

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PFS clients will be affluent, in terms of wealth or income, and will include individuals and owner managed or operated businesses, including professional partnerships.

As with all premium services a significant number of people will choose the premium package notwithstanding they do not fit the criteria of affluent.

# Premium Service

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- “Surprise” and “delight” our clients
- Build packaged products, exclusive to PFS
- Implement a team based servicing model with a mixture of expertise
- Improve service

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# Execution



# The Base for PFS

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- Premium Banking from the Retail Bank
- Equities, including CommSec & Executive Banking, from Institutional Banking
- Clients from the Retail Bank
- Selected owner operated or owner managed business clients

# The Starting Point

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At 30 April 2002

- 830 staff
- 24 locations across Australia
- 40,000 relationships
- Over 725,000 CommSec accounts



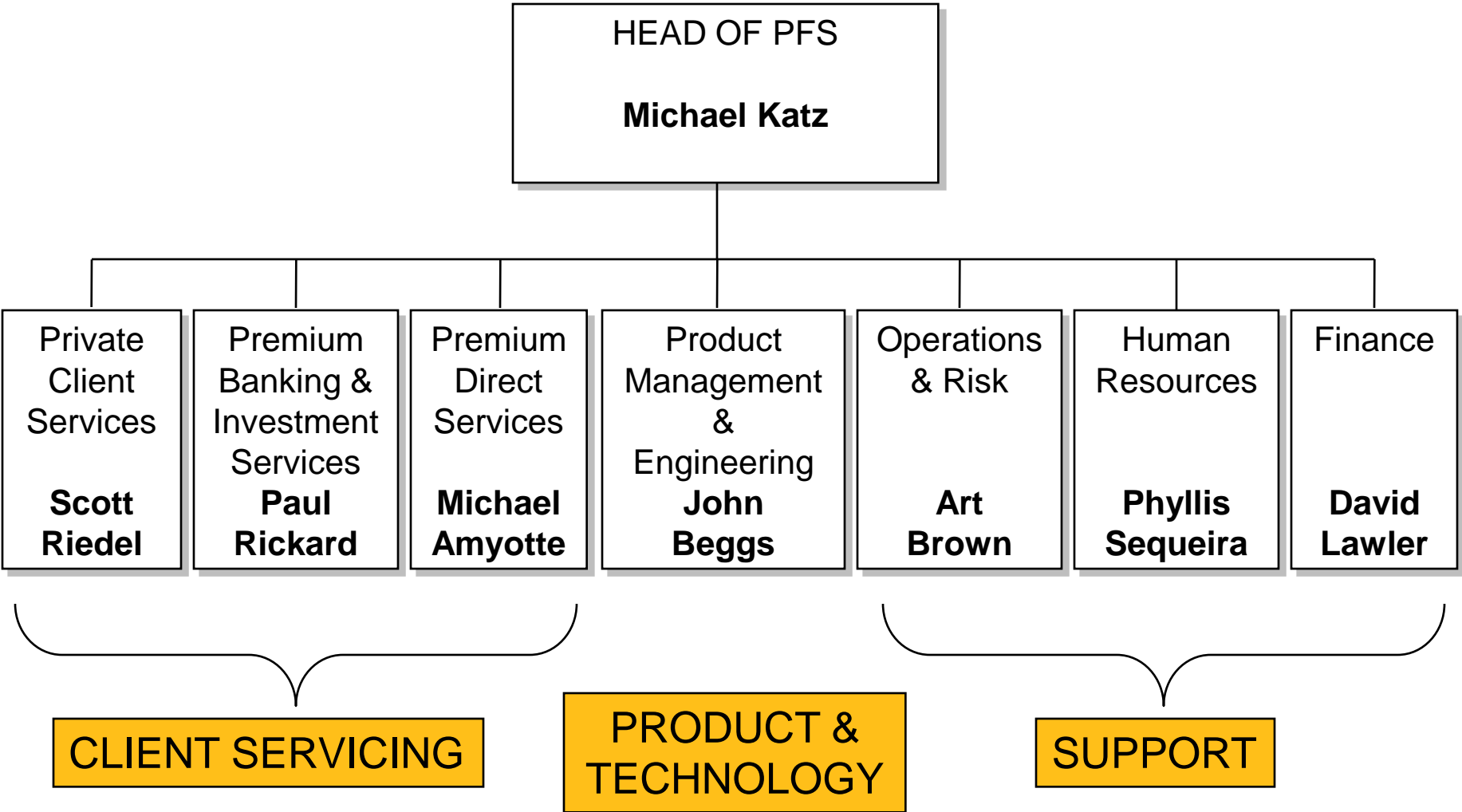
# The Next Phase

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“Cherry pick” from CBA client base

- 70,000 relationships in July 2002
- 250,000 relationships in 2004

# Structure Chart



# Regulatory Segmentation

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- Private Client Services

Clients will generally meet the Corporations Act requirements for a “Sophisticated Investor” \*

- Premium Banking & Investment Services

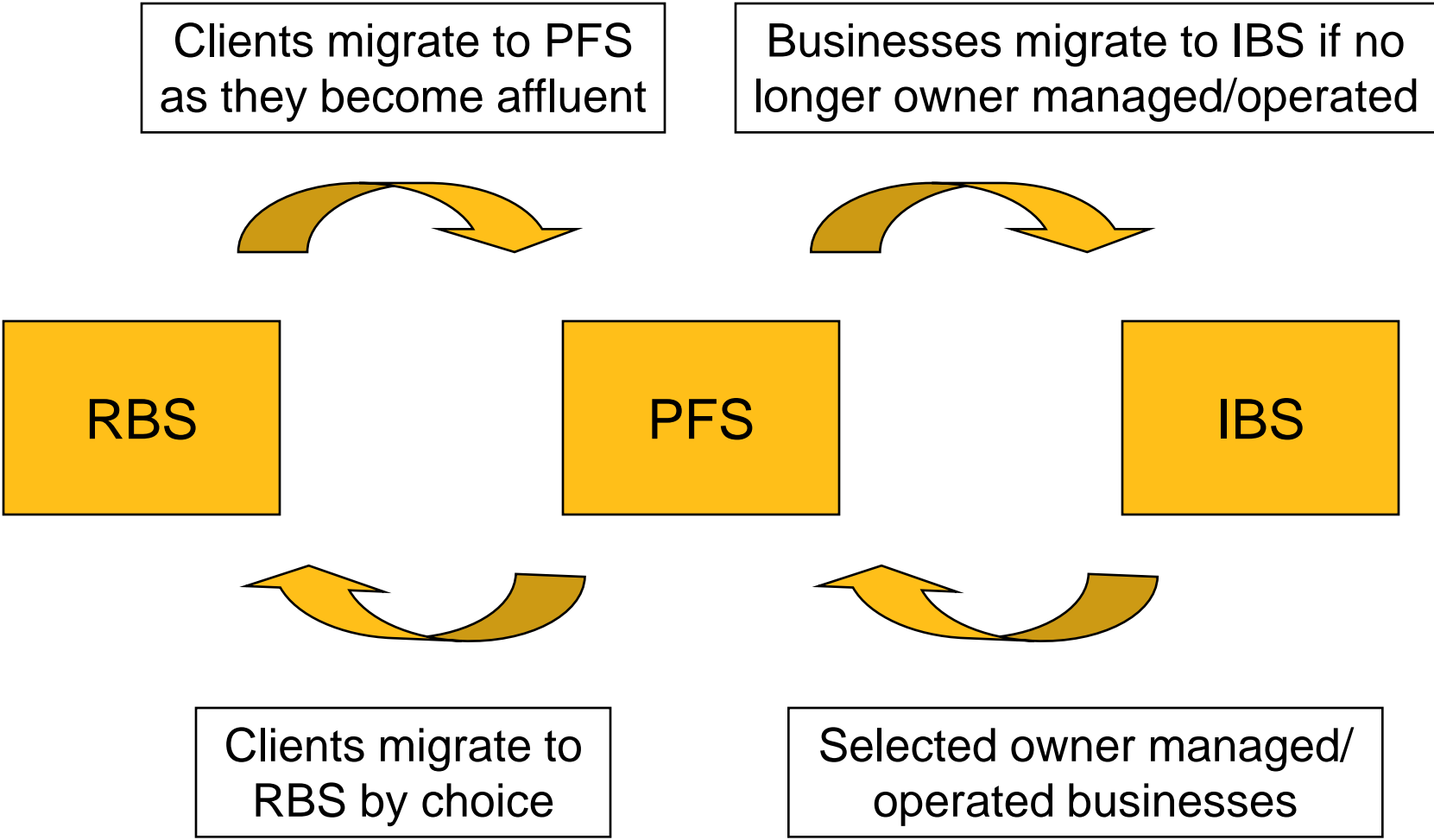
Clients will generally seek “Personalised Advice” \* and will need to supply “Know Your Client” \* data

- Premium Direct Services

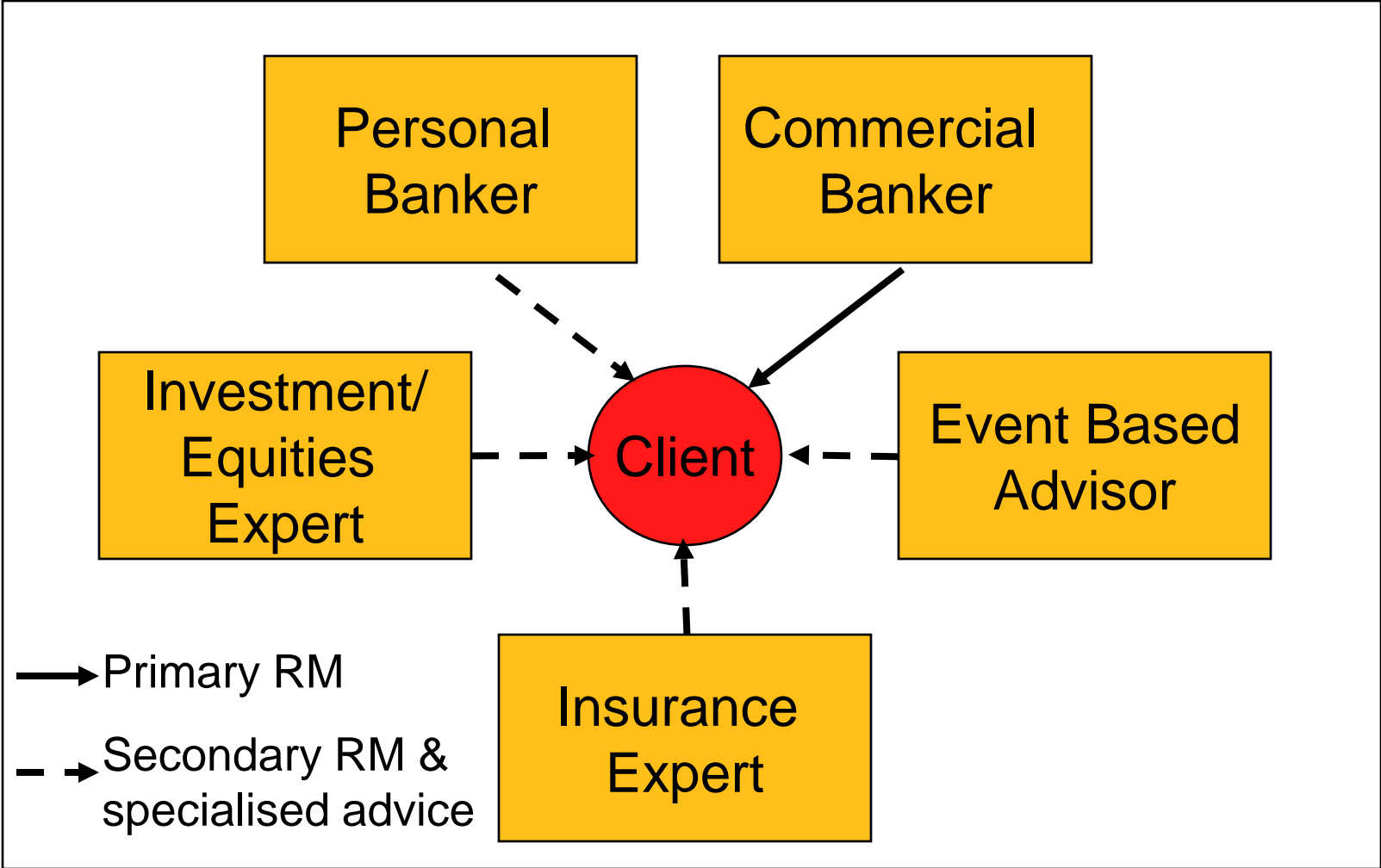
Clients will not receive advice, only information

\* As defined in Corporations Act and/or Financial Services Reform Act

# Client Migration Across Divisions



# Team Based Servicing Model



# Team Member Accountabilities

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- Primary RM for a portfolio of clients
- Secondary RM for the clients of other team members
- Provide specialist advice on their area of expertise to the entire team's portfolio

# Development of Front Line Team

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- Challenge is to develop a team with sufficient scale and expertise
- Can not afford to buy ready made teams
- A new culture is required
- Investigating alternative recruitment models

# Packaged Premium Products

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- RBS or IBS will manufacture the core banking products which PFS will purchase
- PFS will build a Premium Package using the core banking product as building blocks
- PFS will be the sole distributor of the Premium Package
- Where CBA does not compete, PFS will use alliances or preferred suppliers



# **Rapid Development of Premium Service Experience**

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- Establish a dedicated team of operational and risk management specialists to solve ongoing transactional issues
- Apply engineering and systems skills to streamline processes which were built to service the scale of the Retail Bank
- Leverage off the CommSec internet platform

# What PFS Will Not Do

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PFS will not:

- Re-build basic products
- Provide tax advice
- Compete with accountants

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# Differentiators



# Differentiators

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- An existing scale client base means low PFS client acquisition costs
- Full service model (assets and liabilities)
- Team based relationship management
- CommSec and other Equities business within PFS
- PFS is separate from RBS and IBS
- Business & personal needs serviced by the same relationship manager
- Credit products will differentiate from IFAs

# PFS

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## The Premium Financial Experience

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