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# Commonwealth Bank Strategy Presentation

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21 August 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 presentation, 21 August 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.

# Speaker's Notes

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- Speaker's notes for this presentation are attached below each slide.
- To access them, you may need to save the slides in PowerPoint and view/print in "notes view."

# Agenda

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## Conditions for change

- Economic
- Consumer
- Societal



## Our strategic response

Efficiency

Service

Governance



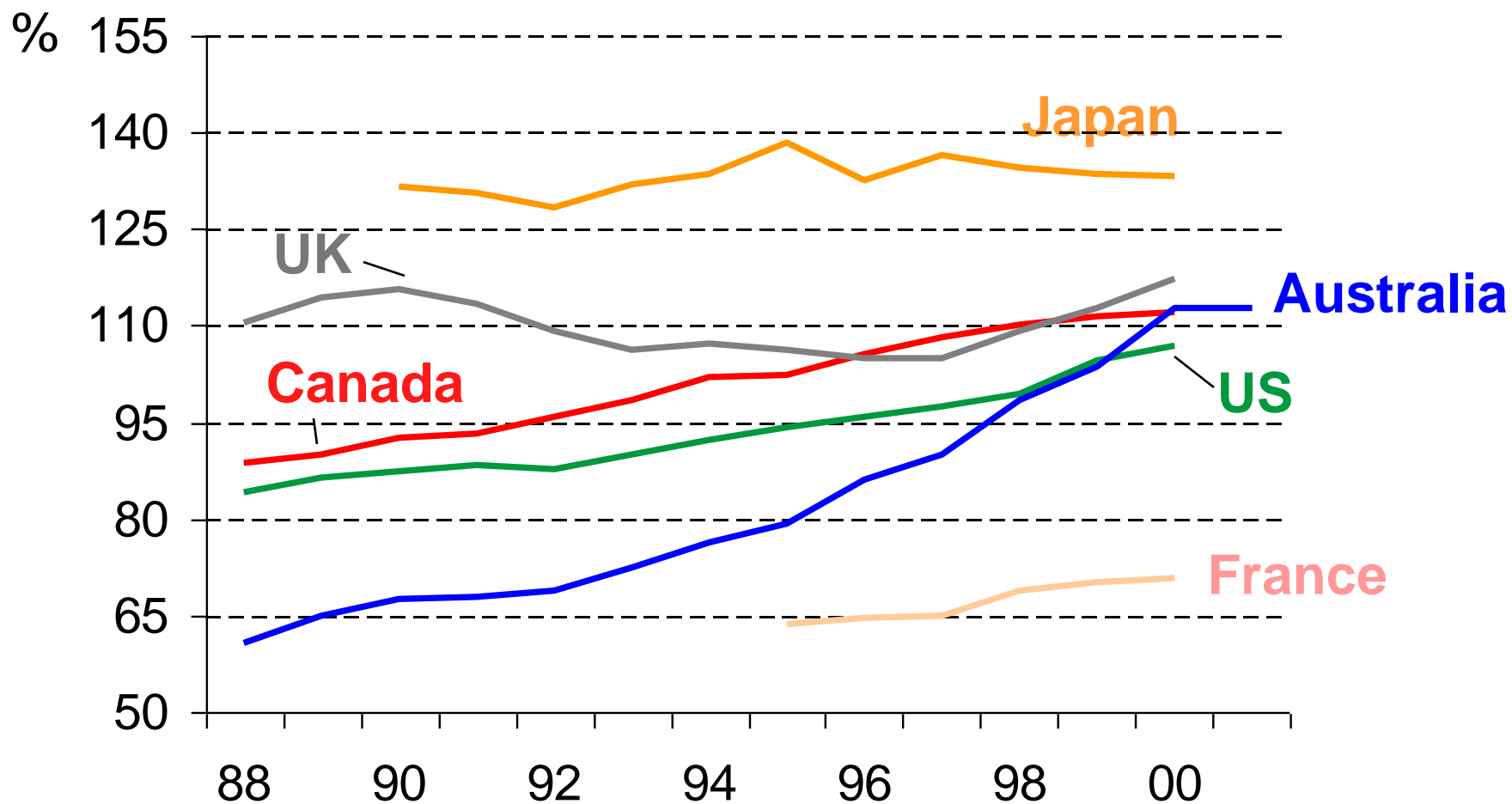
# Economic conditions for change

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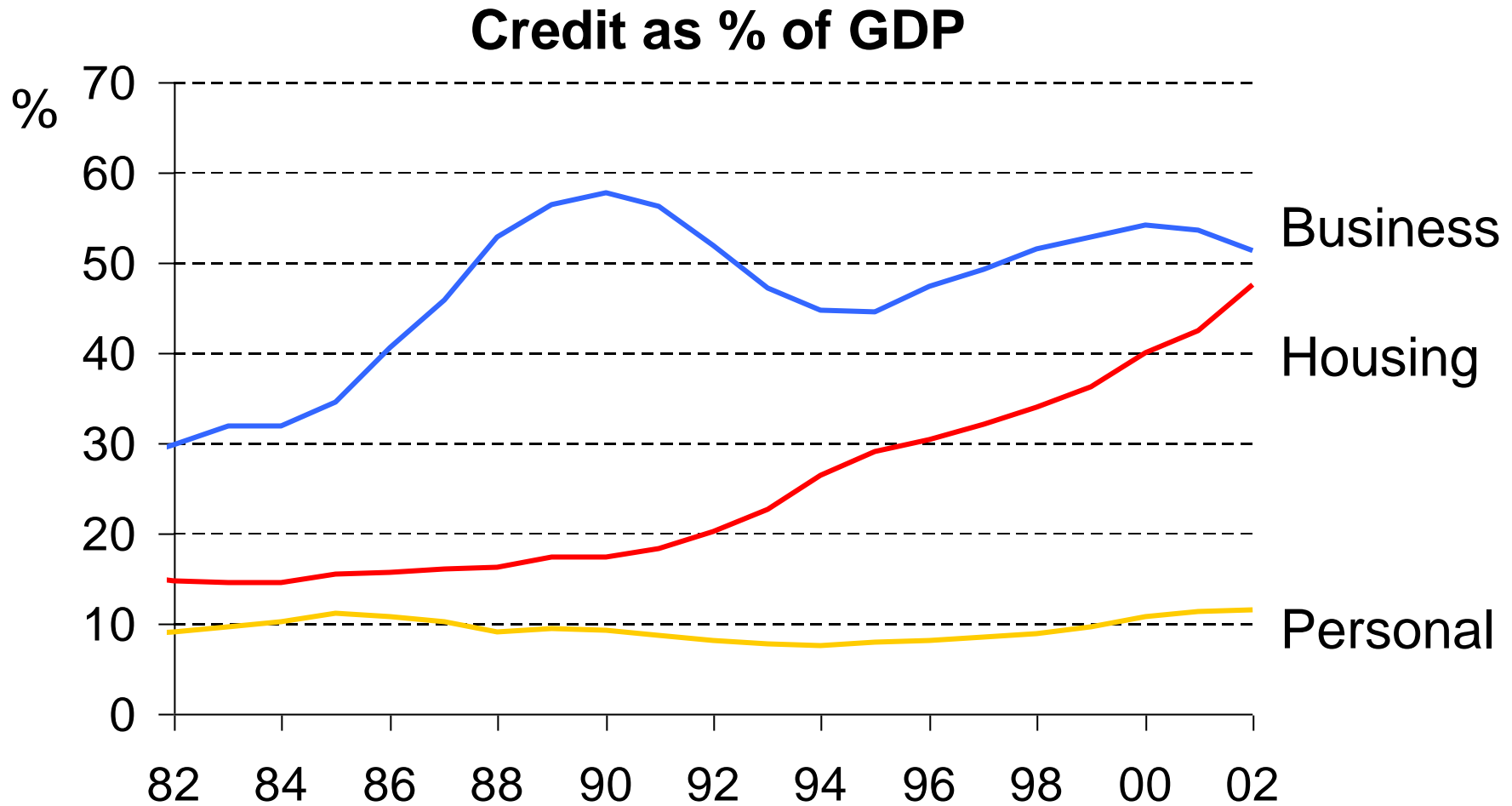
- Equity Market turmoil
- Greater uncertainty in world economy
- Australia not immune
  - High household debt
  - Lower credit growth
  - Inadequate retirement income

# High household debt

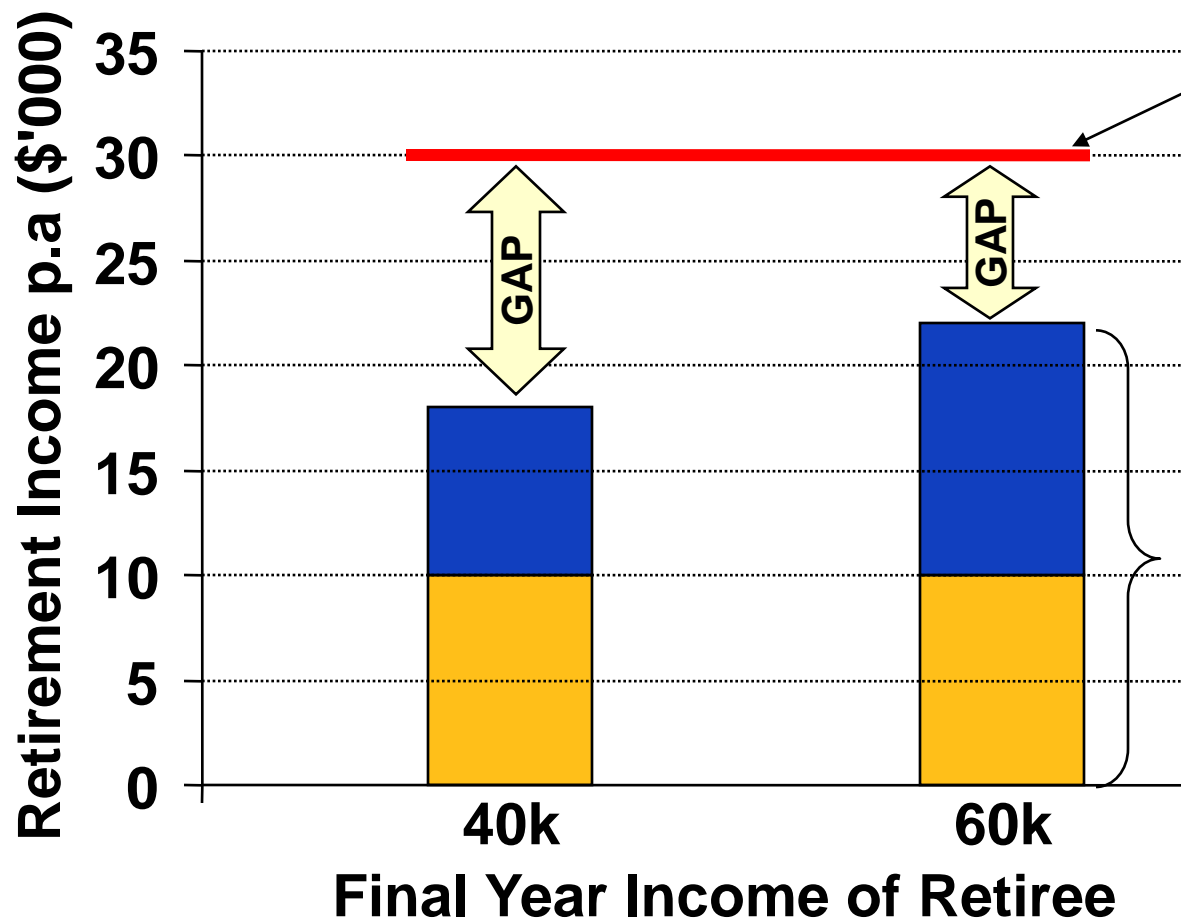
## Household debt as % of disposable income



# Lower credit growth expected



# Retirement income expectations gap



70% of workers expect to need at least \$30,000 p.a. in retirement

Likely Retirement Income

 Pension  Super

Assumptions: 30 year contribution at 9% with no employee contributions



# Implications for Financial Services

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- Competitive industry with surplus capacity
- Reliant on higher growth rate than is shown in the trends
- Continued pressure on margins
- ➔ Lower shareholder returns



Focus on efficiency

# Our response: Focus on efficiency

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- Remove all remaining back-office functions from branches
- Streamline home loan processes
- Streamline Business Banking processes
- Rationalise investment products & systems
- Organisational design

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## Conditions for change

- Economic
- **Consumer**
- Societal



## Our strategic response

Efficiency

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# Consumer conditions for change

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- Pressured with retirement planning, in an uncertain equities market
- More complex financial needs, but a desire for simplicity
- Technology provides access to unlimited information enabling informed decisions
- Desire for closer relationship with trusted service providers

# Implications

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- Meeting customer expectations requires an organisational upgrade through:
  - Our people
  - Service quality
  - Infrastructure
  - Relationships
  - Services

# Our response: Develop our people

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Our people are our service

- **Skilled**

- strengthen leadership, sales & service capabilities

- **Equipped**

- upgrade front-end systems; re-engineer processes

- **Authorised**

- Levels of Work review; delegated authorities

- **Engaged**

- strengthen the bridge between engaged employees and engaged customers

# Our response: Improve service quality

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- Reduce key sources of customer frustration at all points of interaction
  - raise responsiveness
  - improve problem resolution
- Keep branch numbers at current level
- Continue to build on service quality improvements

# Our response: Upgrade our infrastructure

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- Continue to invest in our supporting systems and infrastructure
  - Single view of customer
  - Branch telling system
  - Netbank upgrade
  - Streamline processes



# Our response: Focus on relationships

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- Premium services → differentiated packages and service
- Business services → improving service to small and medium sized businesses
- Youth services → building on a traditional strength
- Advice services → growing advice capabilities in the network
- Retail services → simple, cost-effective personal banking solutions
- International services → selectively build presence as opportunities arise

# Our response: Continue innovation

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- Simplify product sets
- Upgrade products for business customers
- Premium product packages
- Manufacture innovative products
  - First Choice Masterfund
  - Corporate Superannuation

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## Conditions for change

- Economic
- Consumer
- **Societal**



## Our strategic response

Efficiency

Service

**Governance**



# Societal conditions for change

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- Governance behaviours vary widely, between countries and companies
- Widespread loss of faith in corporate world
- Reputations increasingly called into question
- Break down in the relationship between institutions and the people they serve
- Strong desire on the part of the community for banks to contribute to a stable financial system in which they can have confidence

# Our leadership response on Governance

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- Recent review of corporate governance
- Chairman's statement on governance
  - Board structure
  - Board processes
  - Audit independence
- Highest standards of governance

# Strategic Outcomes

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## Business Driver

## Profile

## 5-Year Plan

Growth in market share

Major product groups

At or above market

Margins

Comparable for  
business mix

Continuing decline

Sources of income

Comparable financial  
institutions

Continued shift  
toward non-interest

Costs

Reduction in cost-  
income - best practice

3%-6% p.a.  
productivity change

Capital Management

Optimise regulatory  
capital & maintain rating

Rating AA-

Total Shareholder Return

Relative to peers

Top Quartile



# **Our vision**

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**To be chosen and respected  
as an excellent provider  
of financial services**

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# The Corporate Strategy

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