

Division Strategy: Premium Financial Services by Michael Katz

Title Slide: Strategy Briefing

Good morning.

Premium Financial Services is an integrated banking & broking business with customised products & services for clients with more complex financial needs.

Slide 2: Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 20 May 2003. 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.

Slide 3: Speaker's Notes

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."

Slide 4: Agenda

What is Premium Financial Services?
What are our Competitive Advantages:
- Republic
- Product Innovation and Development
- Process Improvement
Performance

Slide 5: CBA Vision and PFS Goals

No text

Slide 6: What is PFS?

No text

Slide 7: What is PFS?

Wealth based relationships – holistic wealth relationships focused on the investment side of the client's balance sheet plus the ability to gear.

Slide 8: What is PFS?

No text

Slide 9: What is PFS?

No text

Slide 10: Competitive Advantage

No text

Slide 11: Republic

A key milestone in the rollout of the premium model has been the development of the Republic system. Republic is the PFS relationship management platform, which is used by the premium sales and support service centres. Republic has been tailor-made for PFS clients, using the architecture and development expertise assembled during the build of the CommSec platform.

What is the specific challenge for Republic?

Suburban independent financial advisers have a small number of clients that they know well and keep for many years.

Slide 12: Republic

Back Office Integration

Slide 13: Republic

Why build Republic?

Provide all Relationship Managers in the pod access to all client data:

Provide accurate contact management records;

Provide client risk profiles;

Integrate product and marketing initiatives.

Slide 14: Republic

What can Republic do?

Currently has 600 users;

Tracks client interactions include:

- 500 client Interviews per day;

- 6,000 client telephone calls per day;

- over 1,000 emails per day *;

- 159 client referrals per day;

- 1,000 offer letters and fulfilments per day.

* hard-wired

We will image; letters, telephone calls and faxes by 30/6/04.

Slide 15

Republic does more than massage existing Bank data. Here are two quick examples of some of the information available:

This screen provides a client profile - not only in terms of risk appetite and employment details but also through a proforma balance sheet at the bottom of the page. Profile information is populated from both the Bank's systems and from client interviews.

Slide 16: Republic – Client Profile

No text

Slide 17: Republic – Client Relationships

This screen provides a profile of a client's key family and business relationships. By understanding a client's wider network of relationships, the Bank can provide better customer service through the provision of more informed client solutions.

Republic already has more than 200 screens operating including profiles of total client exposures and all communications - with a tracking system that record journal notes of all client contacts and emails and

images of all paper based communications.

Will be completely rolled out by June 03

Slide 18: Product Innovation and Development

Have access to all RBS products as well as products that have been specifically engineered to meet our clients' needs.

Slide 19: Product Innovation and Development

CommSec Portfolio Loan

- Flexible, all-in-one loan facility
- Only available through PFS
- Launched on May 2, 2003
- Will later be accessible via Republic

Slide 20: Product Innovation and Development

Main competitor is St George Portfolio Loan. However our product is superior because:

- CPL allows margin loans
- CPL allows shares and managed funds to be used as security
- CPL can take multiple borrowers including companies and trusts
- CPL provides one combined account statement
- Mark to market valuations possible
- First Loan approval was \$30M
- Can separate business and personal components

Slide 21: Process Improvement

No text

Slide 22: Process Improvement

No text

Slide 23: Performance

No text

Slide 24: Performance

High income clients have a propensity to pay off non-deductible debt at a faster rate than less wealthy clients. The first three or four months show significantly slower runoff than system in PFS.

Slide 25: Performance

There are tax benefits involved in the TD Waterhouse purchase.

Slide 26: Performance

- Complimentary client base
- Staff and business are natural fit with CommSec
- Cost synergies

Slide 27: Performance

Competitor Responses

Westpac's recently announced outsource arrangement with Hartleys illustrates that Westpac no longer runs a broking business, they simply license/on-sell;
ANZ wrote down a further \$6M of their \$36M investment in E*Trade recently. Client acquisition through this channel appears to be flat;
National Australia Bank had an equity share in Sanford, but sold out to Investor Web Limited.

Slide 28: Performance

Competitor Responses

Sanford are in the final stages of a hostile takeover by Investor Web Limited and are not a credible threat;
It is clear that Commonwealth is the only serious Bank player in the stockbroking business.

Slide 29: Performance

No text

Slide 30: Feedback from Clients

"Based on the excellent service to date of my account manager, Mr Martin Rettschlag, & now Mr Paolucci I have become a fan of a service which I was initially extremely reluctant to commit to, doubting it to be anything other than another cynical fee-maximising venture for the CBA".
"I would like to comment that I have found the service to be exemplary."

Slide 31: Feedback from Clients

He has dealt with my issues in a highly professional manner, been in constant contact with me by phone and email, and refinanced my home loan to my satisfaction putting me in a much better position financially than I was 2 weeks ago."
"It is indeed rare to find service and attention of this calibre these days and it has been a pleasure to deal with"

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