

Letter to Customers and Shareholders

## **Commonwealth Bank Launches “Which new Bank” Customer Service Vision**

The Commonwealth Bank is embarking on a major transformational program to give effect to the vision of the Bank “*To excel in customer service.*” Our customers have told us “Know me, give me what I want and do it reliably.” They have told us they need better, faster and more responsive service. They also want us to retain our existing values and heritage to continue to be the bank for all Australians.

We have examined our processes and determined what the Bank needs to do to deliver excellent service to our customers. A major cultural transformation is required to empower, motivate and skill our people to deliver that service. We are also simplifying processes so that our people can be freed up to meet customer needs.

Over the next three years, we aim to improve customer service response times by 20% to 50% across the board. Customers will notice other changes such as more modern branches and shorter queue lengths, faster loan approval times (both business and personal), better ATMs and much quicker confirmation of changes requested by customers to their services.

The Commonwealth Bank has always been the most accessible Australian bank with the largest network of over 1,000 branches, the largest ATM and EFTPOS networks in the nation and online facilities through NetBank and CommSec. We intend to maintain this position.

We are confident that our plans will be to the mutual benefit of customers and shareholders. By delivering better and more responsive services to our existing and new customers the return to our shareholders will also be enhanced. Our planned changes will also help our people to deliver great service and to feel better in doing so.

In implementing its ‘*Which new Bank*’ transformation over the next three years, the Bank will be redirecting its usual project spend of \$600 million and outlay an additional \$620 million in the key areas of staff training and development, systems and process simplification, and technology. We will also invest a further \$260 million in the branch network.

We expect the superior customer service resulting from our transformation program to deliver compound annual earnings per share growth over 10% over the three year period and productivity improvements of 4% to 6% per annum, subject to current trading conditions being maintained.

The net impact over the three years will be positive and the profits in subsequent years will be greater than they would have been. The Board regards the expenditure incurred on this program to be in the nature of an investment in the future of the Bank. There will be additional charges against profit in the current financial year, but we will add back the non-recurring charges, expected to be around \$500 million after tax, in considering the amount to be distributed as dividends to our shareholders.

Consequently, we expect to be able to continue the uninterrupted pattern of increased dividends that the Bank has been able to deliver since privatisation.

Increased revenues will be derived from enhanced service and sales and from effectively meeting a broader spectrum of our customers' immediate and future needs. Cost savings will result from the elimination of unnecessary steps and simplification of processes. The efficiency gains will result in a reduction in staffing levels of approximately 3,700 (of which about 25% have already taken place) principally from processing, administration and head office related functions. Between now and July 2006 we expect that the number of front-line customer service positions will be largely unchanged.

We are not underestimating the size of the task. It will be the most significant change for the Bank since its privatisation. We recognise that many of these changes will take time to implement.

Our vision is to excel in customer service and we intend to keep that promise.

Yours sincerely,

John Ralph  
Chairman

David Murray  
Managing Director and  
Chief Executive Officer