



# Roadshow Presentation

London 28-29 June 2004

David Murray CEO

Commonwealth Bank of Australia

*new*  
**Which / Bank**

# 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, 28 June 2004. 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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- Economy
- Highlights of Half Year Result to 31 December 2003
- **Which <sup>new</sup> Bank**
  - Progress Update 19 May 2004

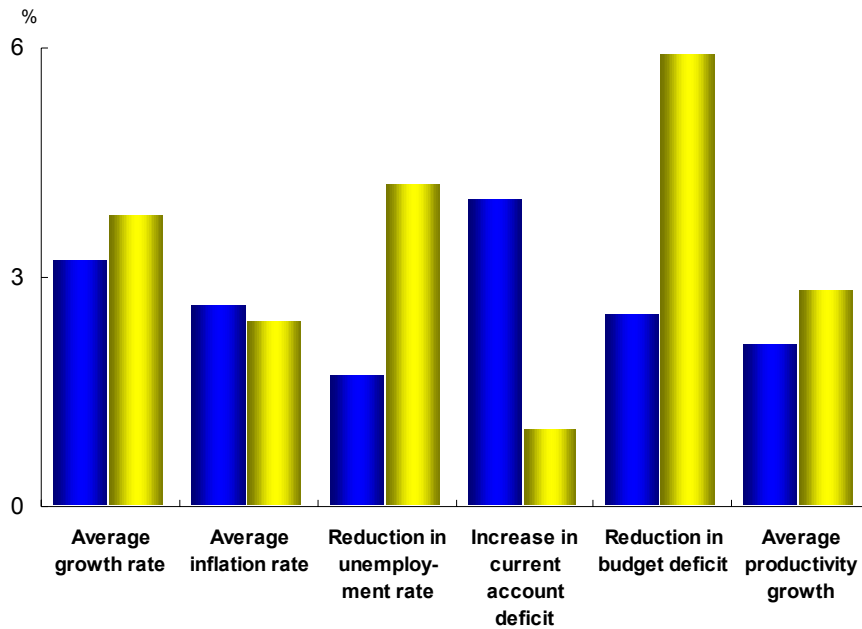


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# **Economy**

# Economic Environment

**AUSTRALIA: HOW WE COMPARE**  
(the last 10 years)

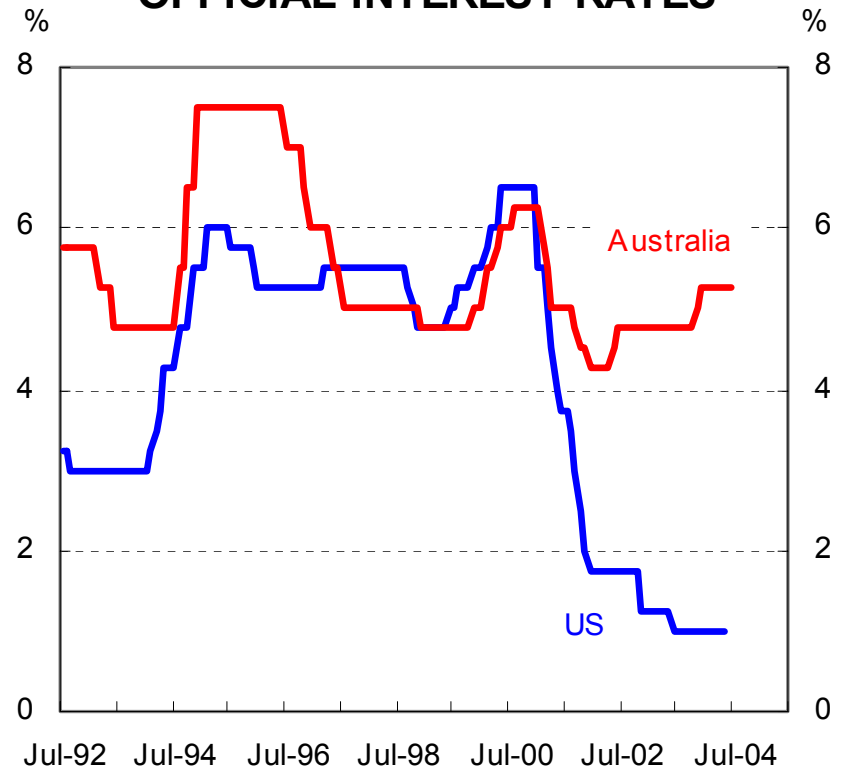


United States

Australia

Source: RBA, OECD.

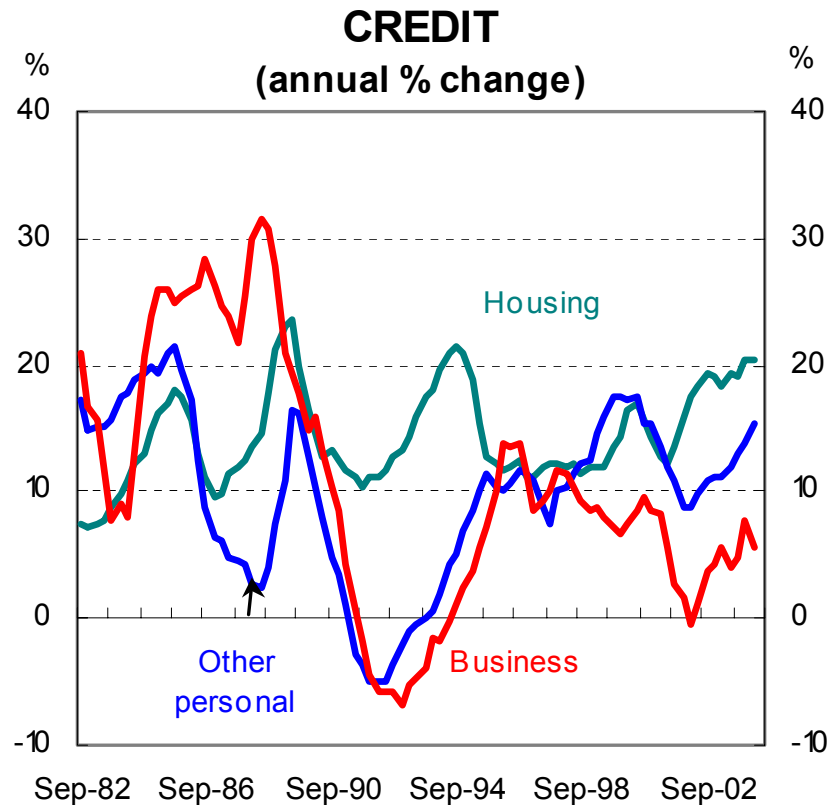
**OFFICIAL INTEREST RATES**



Source: RBA



# Credit growth expected to moderate



Source: RBA. The most recent data point is for March 2004.



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# **Highlights of Half Year Result to 31 December 2003**



# Highlights of Half Year Result

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- Good result: underlying profit growth of 17% to \$1,487m
- Another record dividend: 79 cents per share
- Productivity improvement in all businesses
- Further improvement in credit quality
- Continued strengthening of Tier 1 capital
- Which new Bank meeting early expectations
- Share Buy-Back announced (completed March 2004 at cost of \$532.4m)





The following slides comprised the 19 May 2004 Quarterly Progress Update on Which new Bank

# Overview

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- Our achievements over the past three months – on schedule
- Our progress – gathering momentum
- Our people - willing to change
- Our customers - strengthening their relationships with us

# Which new Bank highlights

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- We will complete all major June 2004 milestones as planned
- Moving from design to implementation of our most important activities
- We expect to deliver 2003/04 spend within planned investment
- 2003/04 benefits are likely to exceed targets
- Emphasis is now on delivering 2004/05 and 2005/06



# Today's agenda

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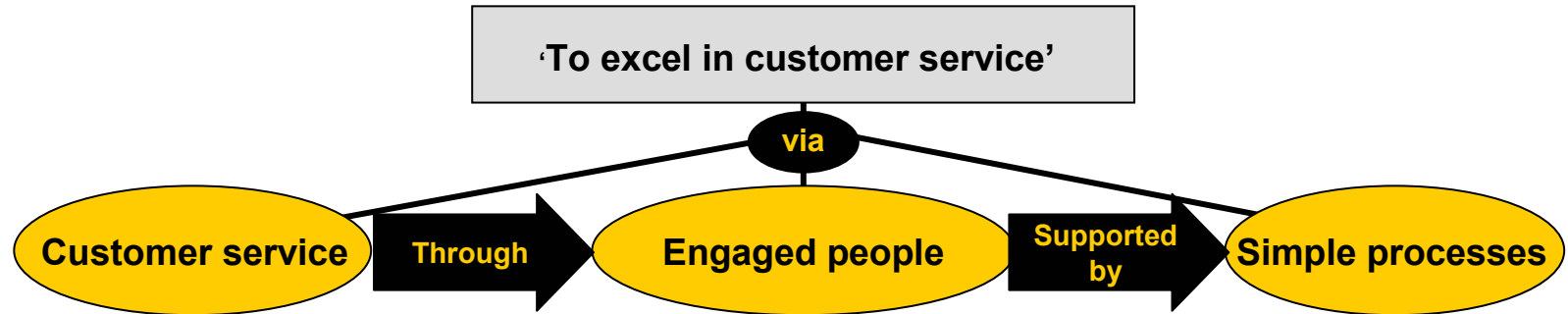
**Program status**

**Drivers for success**

**Video presentation**



# Reminder: There are three themes to our service transformation



■ Service/Sales Effectiveness (4)

■ Performance Culture (1)

■ Support (1)

■ IT Enablers (2)

■ Process/product (3)

■ Distribution Efficiency (3)

■ IT Efficiency (2)

■ Product (2)

■ Purchasing (2)

( ) = Number of workstreams



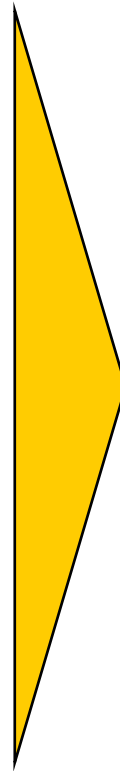
# Reminder: Financial impact and outcomes

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Subject to current market conditions continuing

## Over the next three years we will:

- Redirect the normal project spend of \$600m
- Spend an additional \$620m
- Invest a further \$260m in our branch network

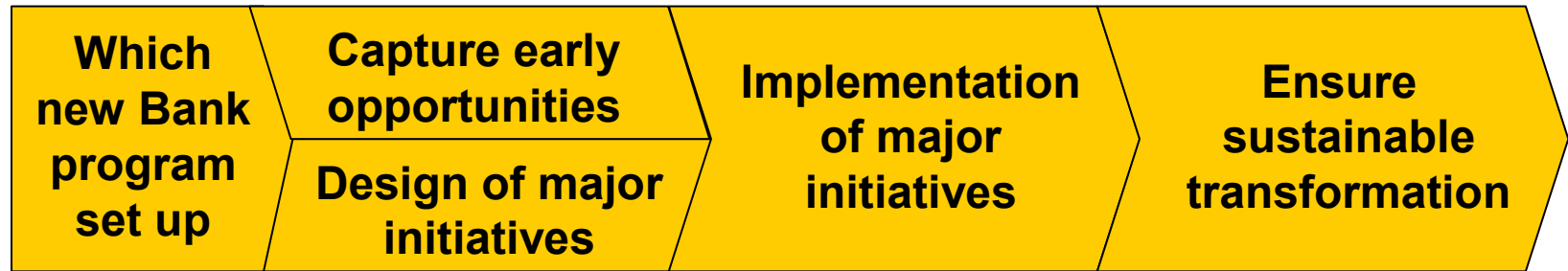


## Over the next three years this will result in:

- Cash EPS growth exceeding 10% CAGR
- 4-6% CAGR productivity improvements
- Profitable market share growth across major product lines
- Increases in dividends per share each year



# Moving from design to implementation of our most important activities



▲  
Sep 03

▲  
Jun 04

▲  
Jun 05

▲  
Jun 06

Planned net  
benefits\*

\$ 200m

\$ 620m

\$900m

\* Progressive pre-tax benefits within each year



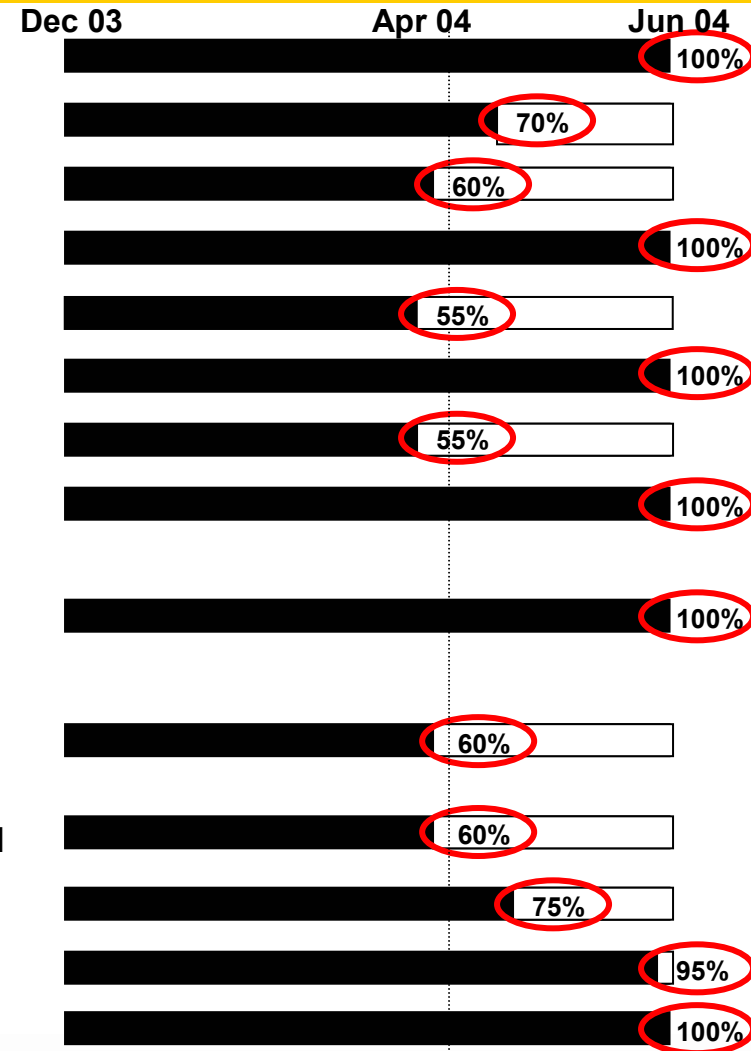


# Progress report on workstream activities: June 04 now locked away

	Workstream	Jan-Apr 04		May-Jun 04		Jul 04-Jun 05		Jul 05-Jun 06	
		To do	Done	To do	Done	To do	Done	To do	Done
Customer	Segment Alignment	3	2	1		-		-	
	Advice Implementation	1	1	1		3		1	
	Service and Sales	4	4	2		7		-	
	Divisional Service and Sales	1	1	3		1		1	
	Infrastructure	2	1	5		5		2	
	Single Service View (CommSee)	7	7	3		4		5	
	Distribution Optimisation	4	4	1		1		-	
	Distribution Efficiency	1	1	-		-		-	
	Branch Refurbishment	-	-	1		1		1	
	Product Bundling	3	3	-		2		-	
	New Products and Services	2	2	-		1		-	
People	Performance Culture	6	6	-		1		-	
Process	Operations Simplification	3	3	1		3		-	
	Local Site Improvement	-	-	2		3		1	
	Product/System Rationalisation	-	-	1		1		1	
	Support Function Redesign	1	1	3		4		2	
	IT Efficiency	-	-	3		3		3	
	IT Sourcing	-	-	1		1		1	
	Property	-	-	-		1		1	
	Purchasing	-	-	-		1		1	
		<b>38</b>	<b>36</b>	<b>28</b>		<b>43</b>		<b>20</b>	



# We will complete all major June 04 milestones as planned



Customer

People

Process

# We expect to deliver 2003/04 spend within planned investment

Themes	April YTD (\$m)	FY04 Estimate (\$m)
Customers	158	270
Processes	177	280
People	3	10
	<b>338</b>	<b>560</b>
Branch Refurbishment	49	100
<b>Total</b>	<b>387</b>	<b>660</b>

FY05E (\$m)	FY06E (\$m)
220	130
205	95
0	0
<b>425</b>	<b>225</b>
85	85
<b>510</b>	<b>310</b>

2004, 2005 and 2006 estimates are as disclosed in September 2003 Which new Bank presentation



# 2004 benefits are likely to exceed targets

Themes	April YTD (\$m)	FY04 Estimate (\$m)
Customers	132	145
Processes	<b>56</b>	<b>55</b>
People	0	0
<b>Total</b>	<b>188</b>	<b>200</b>

FY05E (\$m)	FY06E (\$m)
360	495
260	405
0	0
<b>620</b>	<b>900</b>

2004, 2005 and 2006 estimates are as disclosed in September 2003 Which new Bank presentation



# Today's agenda

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Program status

**Drivers for success**

Video presentation



# **We are making good progress on key customer, people and process initiatives**

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## **Customer**

- No. 2 - Service and Sales Management
- No. 4 - CommSee

## **People**

- No. 9 - Performance Culture Program

## **Process**

- No. 10 - World Class Processing Principles (CommWay)
- No. 11 - Home Loan End to End



# No. 2 - Service and Sales Management

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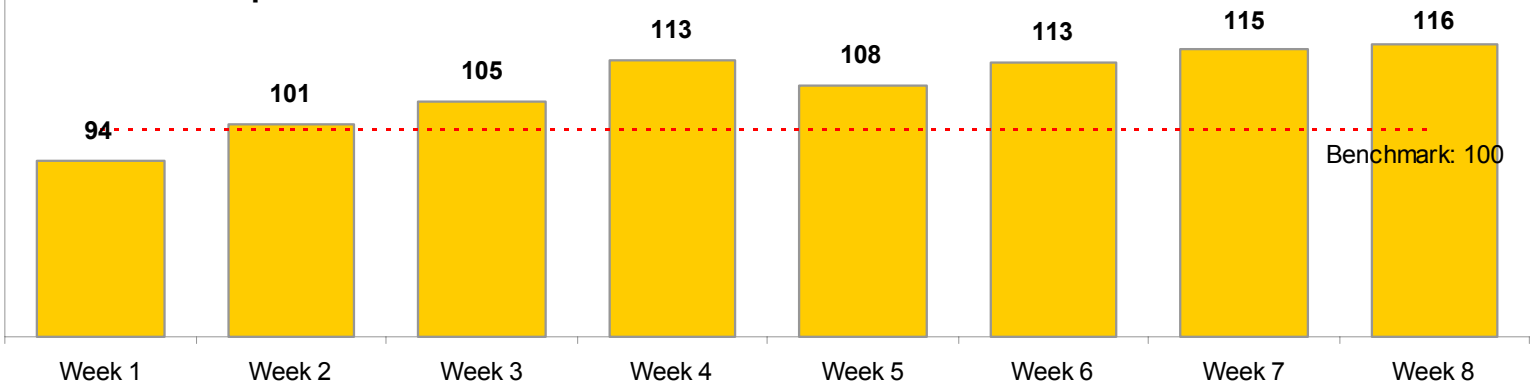
- Service and sales meeting each week for all staff
- Training is tailored for specific client segments
- Bank-wide approach to referrals
- Service and sales processes reinforced through measurement, incentives, reporting, awards and recognition



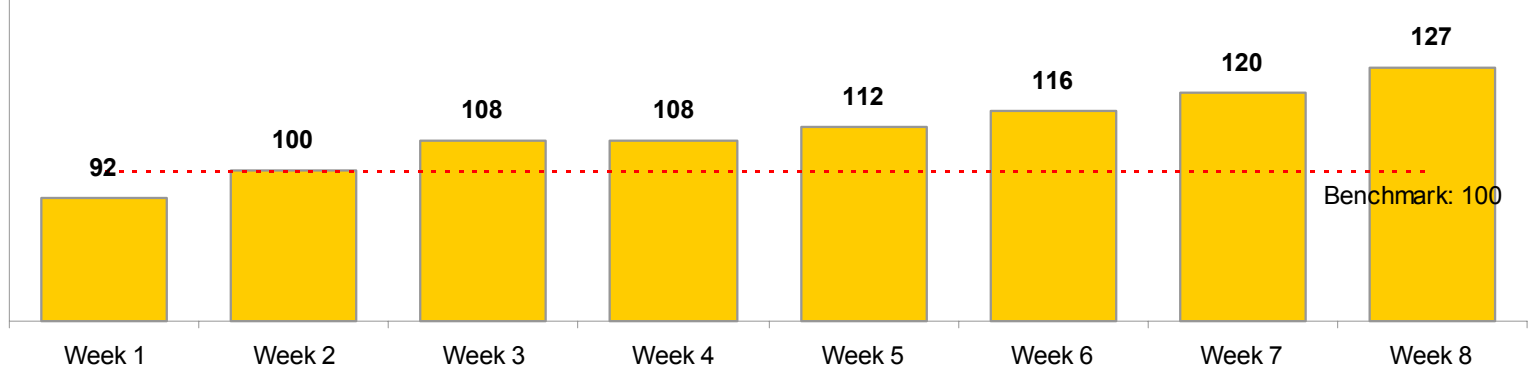
# No. 2 - Service and Sales Management

## Results of national retail implementation

Product Sales per Staff Member



Cross Sales Ratio\*



\* Cross sales ratio is a measure based on the number of additional products at the opening of a new Transaction or Savings account.



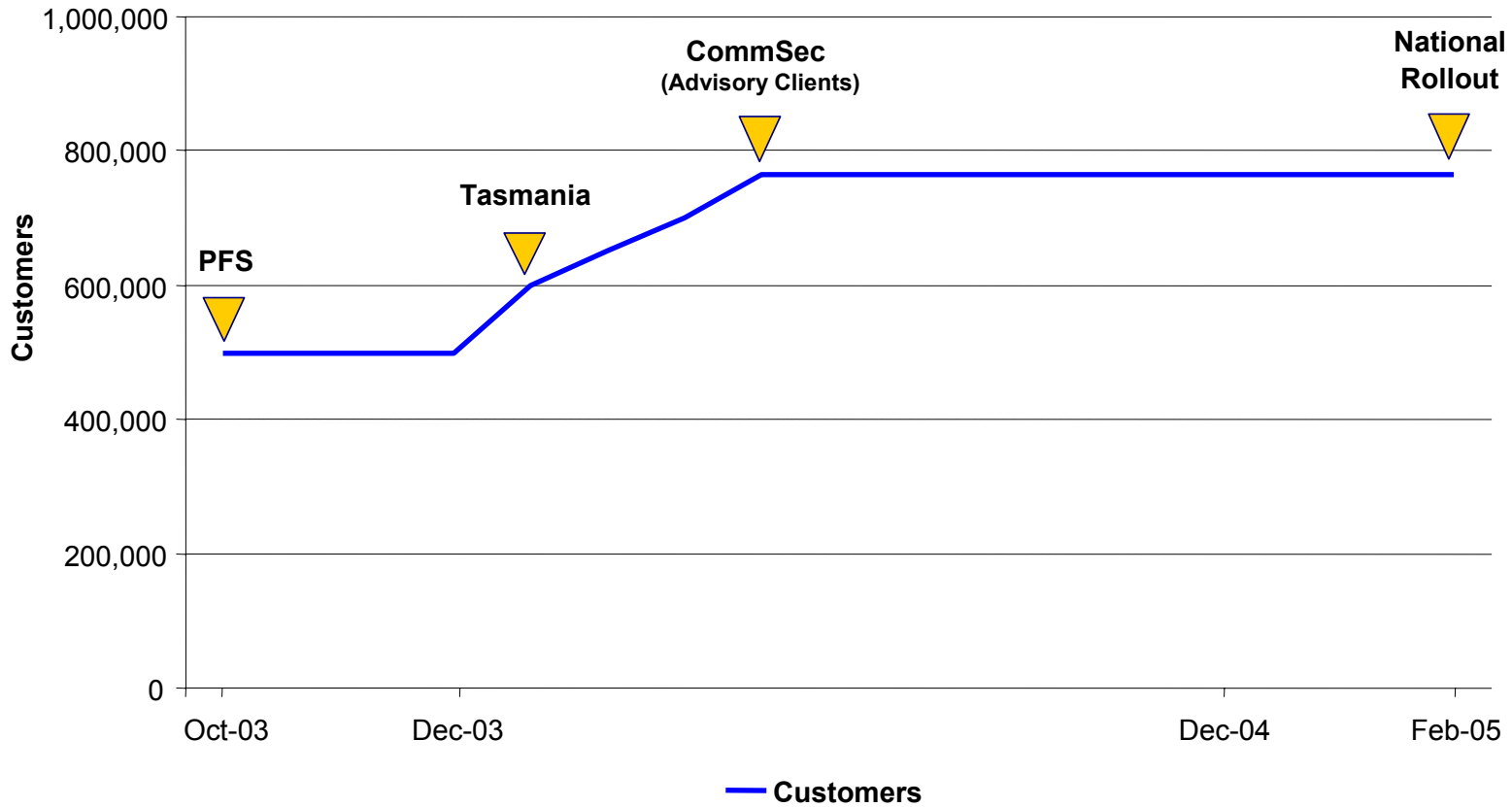
# No. 4 - CommSee

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- CommSee chosen as Bank-wide service and sales solution
- Prototype went live in Tasmania in February
- Staff and customers are positive
  - signatures and documents imaged
  - all customer interactions recorded
  - leads and referrals tracked
- Developing a new unified front end platform
- Prototype will continue through 2004, with national implementation starting early 2005

# No. 4 - CommSee

## Rapid Implementation Schedule



# No. 9 - Performance Culture Program

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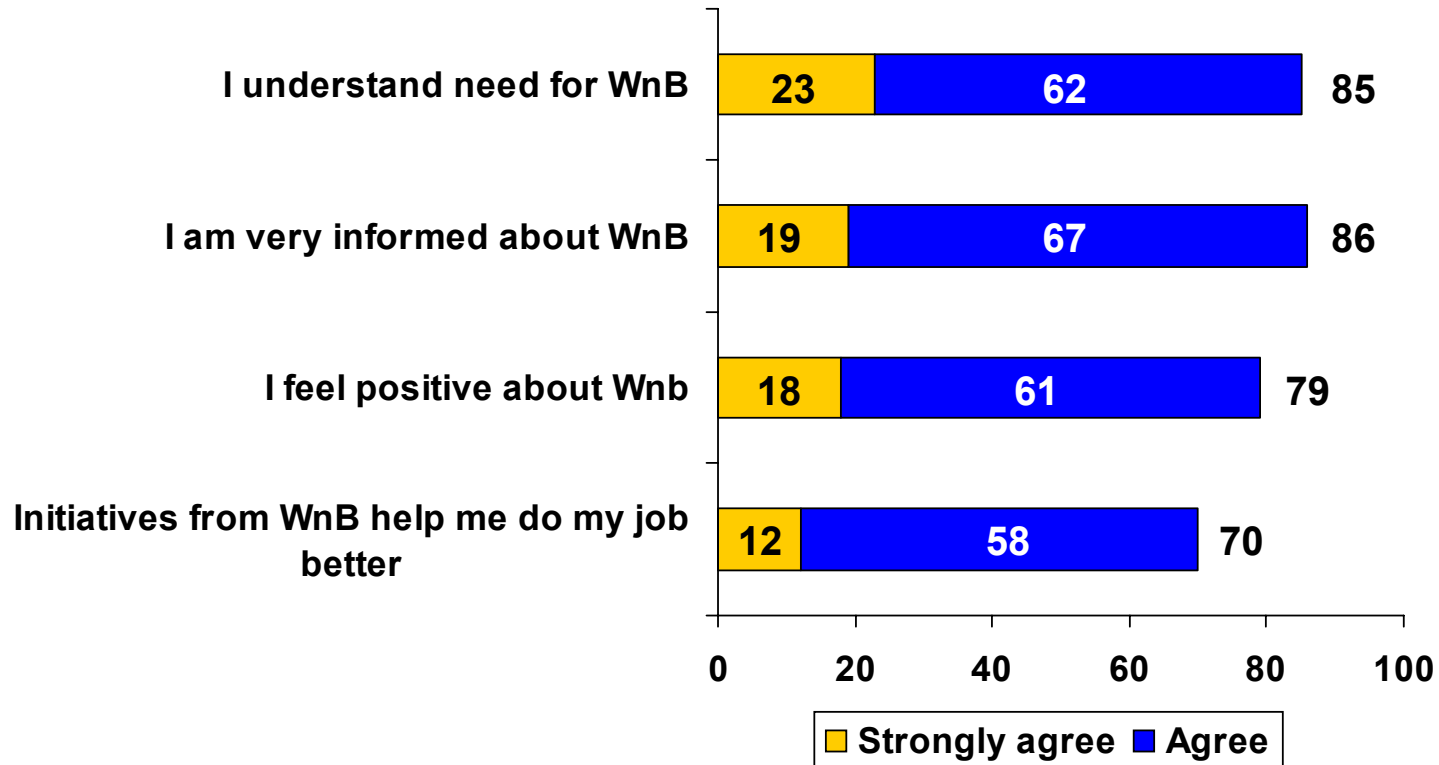
Six Fundamental Principles:

- Providing clear and decisive leadership
- Empowering people and making them accountable
- Encouraging learning and growing to develop our people
- Promoting trust and team spirit
- Demonstrating discipline and excellence in everything we do
- Creating an environment based on challenge and innovation



# No. 9 - Performance Culture Program

Staff are positive about Which new Bank



Source: Staff Survey May

# No. 10 - World Class Processing (CommWay)

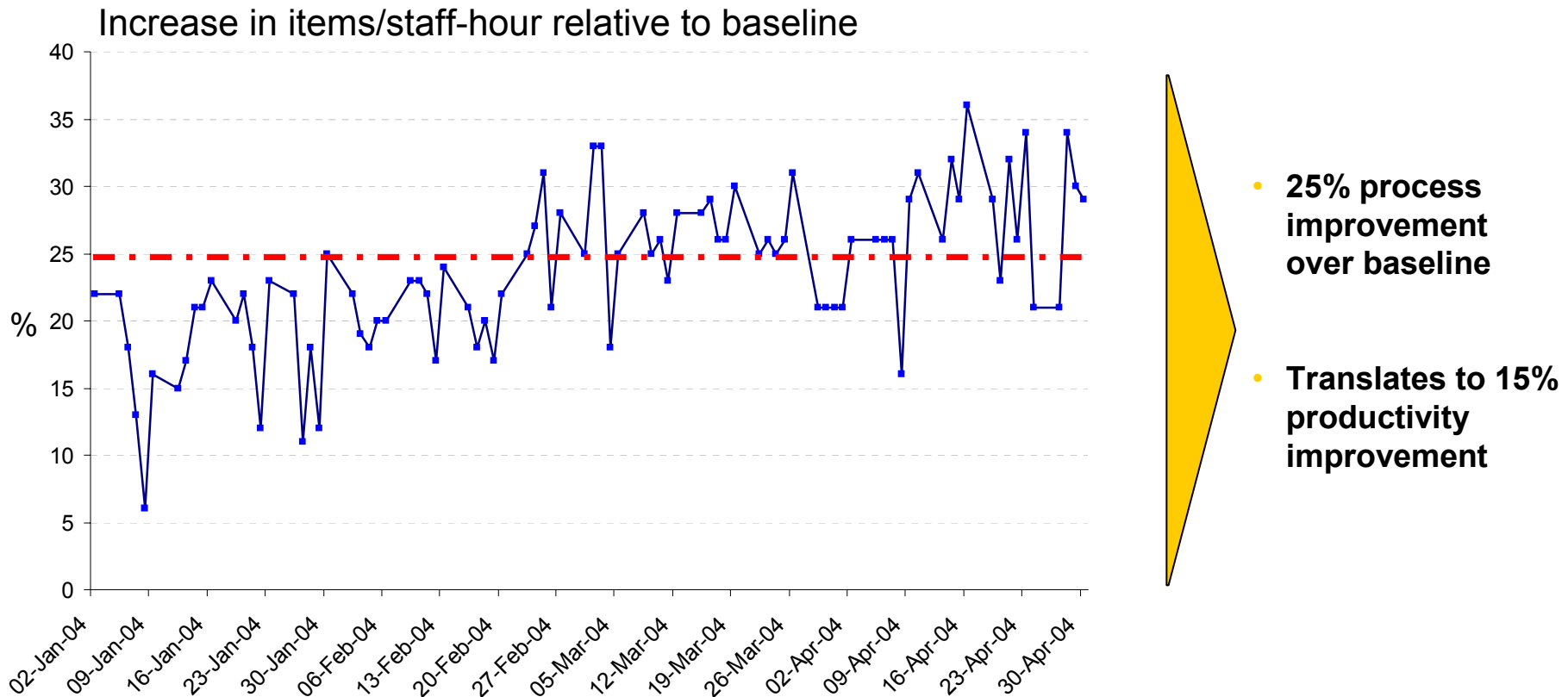
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- Developed a CBA-owned, permanent approach to continuous improvement of processes and operations
- Combines proven business improvement elements from Six Sigma & Lean Processing methodologies
- Five pilots in operation across the Bank
- Initial focus on volume processes with direct customer impacts
- Staff training an integral part of the program



# No. 10 - World Class Processing (CommWay)

## Day 1 cheque processing: Sydney



Source: CBA Operations Processing Centre data

# No. 11 - Home Loan End to End

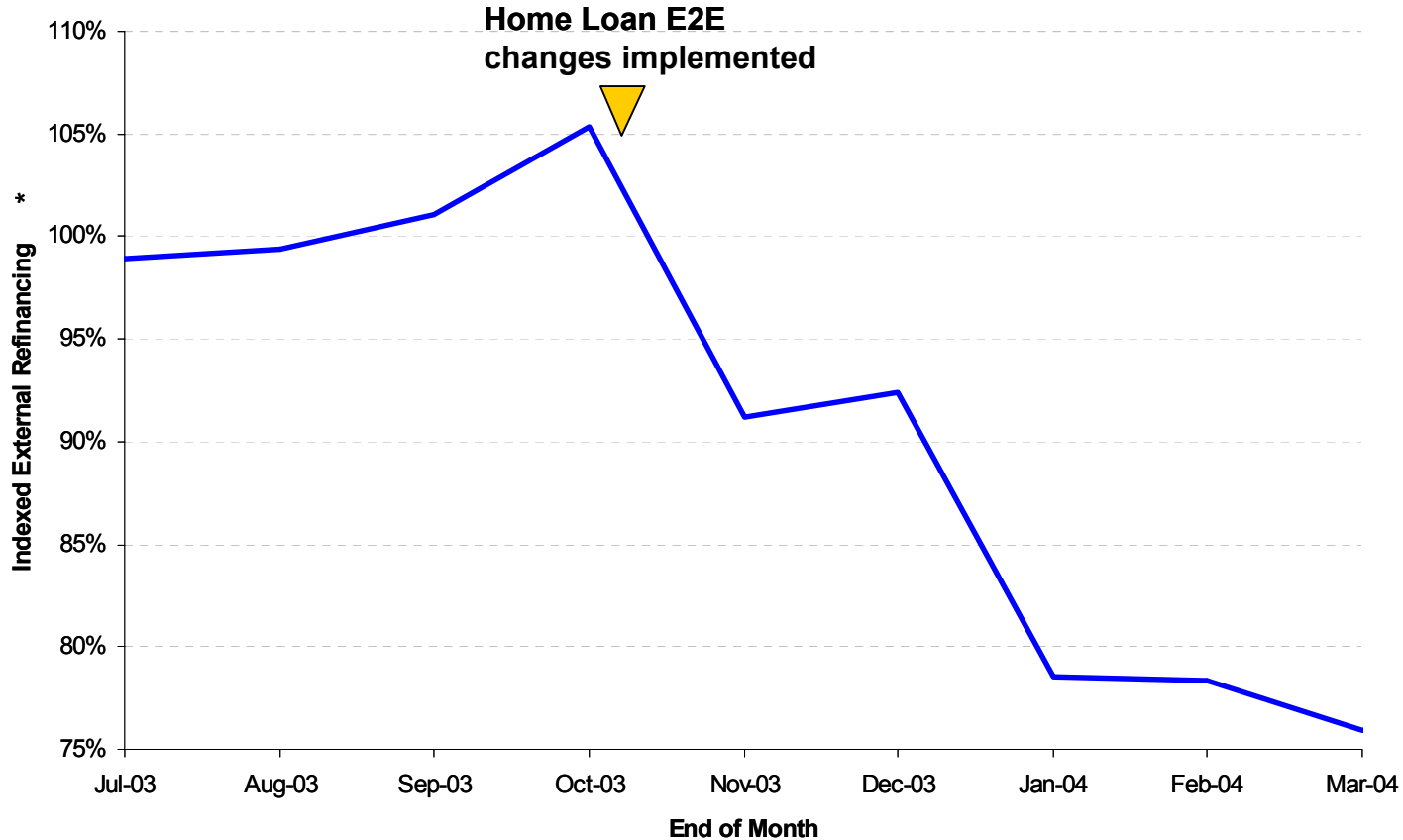
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- Significant processing, turnaround and service improvements
- Forthcoming changes focused on back end processing
- Enhanced service offering through recent product changes
- Improvements underpinning increased customer loyalty



# No. 11 - Home Loan End to End

## Seasonally adjusted external refinancing runoff



\*Indexed to average of 6 months to end of October 2003.

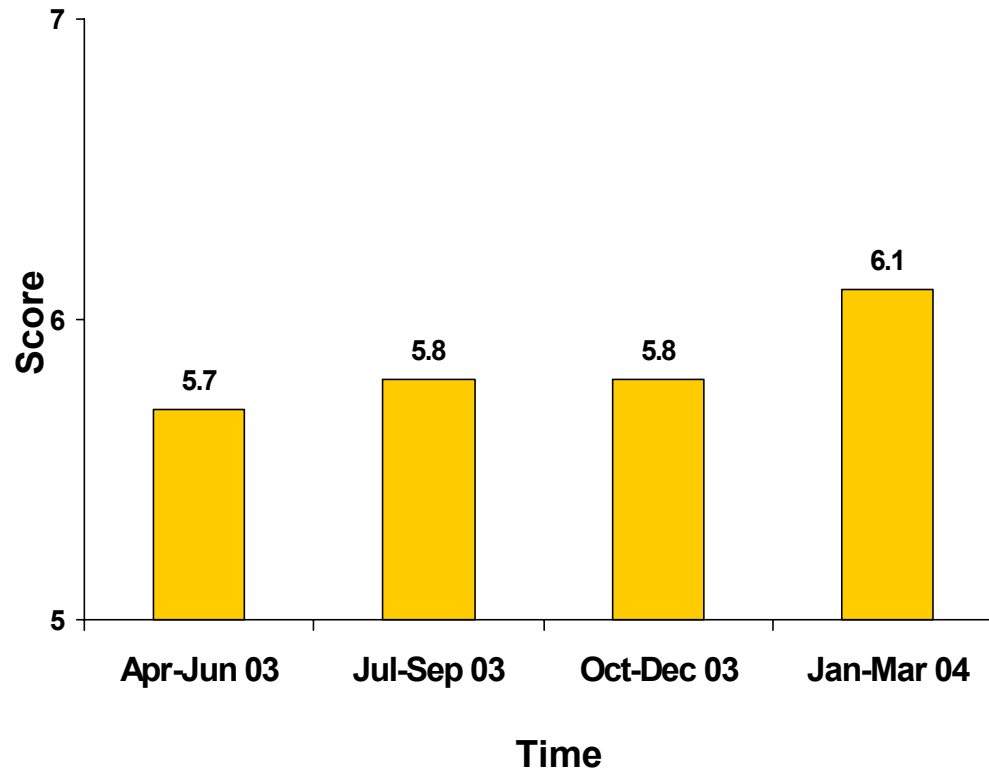




# Strength of relationship is increasing

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## Strength of Relationship



# Market shares are stable

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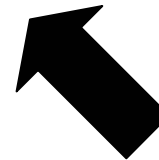
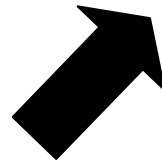
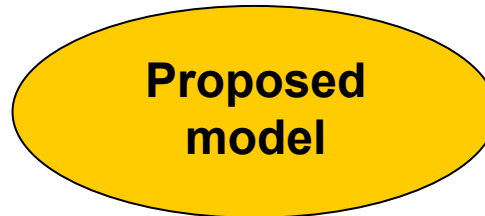
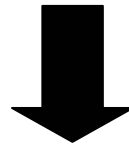
- Home loans – holding our strong position in prime market, with small involvement in low documentation loans
- Deposits – holding market share and competing well with niche players
- Business Lending - stable market share with good underlying momentum in all segments
- Managed Investments – market share affected by product rationalisation

# Segment Alignment – Strong Fact Base to Support Change

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## Customer intelligence

- Extensive review of existing research
- 22 additional focus groups



## External Intelligence

- Interviews with experts in 14 countries
- Creativity workshops on non-banking models

## Internal Intelligence

- Interviews with frontline staff
- Extensive syndication with PFS, RBS, IIS, IBS
- Close collaboration with other WnB initiatives



# Segment Alignment – Extensive Customer Research

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The message is that customers:

- Are comfortable having differing product and service needs met through different models
- Want expectations on simple needs met before entrusting with complex needs
- Have complex needs that are mainly shaped by the stage of life
- Want a dedicated person who takes end to end ownership of complex needs
- Welcome proactive contact provided it deals with their simple and complex needs

# Segment Alignment – Proposed model through the customer’s eyes

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## Simple needs

- Frontline staff can resolve most issues on the spot, particularly on “pain threshold” issues
- Bank fulfils basic service requests efficiently and with minimal errors
- No difference from most customers

## Complex needs

- Specialist services for specific events
- Easy access to specialists through variety of channels including full-service “hubs”
- Needs analysis at start of every event, using information already known to the Bank

## Proactive contact

- Courtesy contact routinely to check on overall satisfaction and update information
- Proactive sales calls with ideas that make sense



# Simplified Structure

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CEO – David Murray

Retail Banking Services  
Group Executive:  
Hugh Harley

Premium Business  
Services  
Group Executive:  
Michael Katz

Insurance &  
Investment Services  
Group Executive:  
Stuart Grimshaw

International  
Financial Services  
Group Executive:  
Garry Mackrell

Financial & Risk Management: Michael Cameron  
Group Human Resources: Les Cupper  
Group Legal: John O'Sullivan  
Group Strategic Development: Adrian Cosenza  
Group Technology: Bob McKinnon



# Today's agenda

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Program status

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# Which new Bank summary

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- We will complete all June 04 milestones as planned
- Moving from design to implementation of our most important activities
- We expect to deliver 2003/04 spend within planned investment
- 2003/04 benefits are likely to exceed targets
- Emphasis is now on delivering 2004/05 and 2005/06





# Supplementary material

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# Which new Bank milestones

	June 04	June 05	June 06
Customer	<ul style="list-style-type: none"> <li>Centre for Adviser Development - launch</li> <li>Service &amp; Sales management - 13,000 staff</li> <li>Branch sales effectiveness - 3,000 staff</li> <li>CommSee - Launch in Tasmania</li> <li>Branches - refurbish 125</li> <li>Business banking redesign - complete</li> <li>Queue management - implement new approach</li> <li>Enhanced FirstChoice - launch</li> </ul>	<ul style="list-style-type: none"> <li>Service models - align</li> <li>Advice Model - implement</li> <li>Service &amp; Sales management - 30,000 staff</li> <li>'One Team' referral process - implement</li> <li>CommSee - continue implementation</li> <li>Branches - refurbish 250 (total)</li> </ul>	<ul style="list-style-type: none"> <li>CommSee - complete implementation</li> <li>Branches - refurbish 375 (total)</li> </ul>
People	<ul style="list-style-type: none"> <li>Performance culture program - design and commence</li> </ul>	<ul style="list-style-type: none"> <li>Performance management and people development systems - implement</li> <li>CBA leadership and management learning curriculum - implement</li> </ul>	
Process	<ul style="list-style-type: none"> <li>Home Loan End to End - new platform and branch service model</li> <li>World Class Processing principles - implement in retail operations</li> <li>Support functions - redesign and commence implementation of 10</li> <li>Wealth management systems - 17 to 11</li> <li>IT efficiency &amp; purchasing - commence</li> </ul>	<ul style="list-style-type: none"> <li>End to End home loans - complete</li> <li>World Class Processing principles - implement in 5 additional sites</li> <li>Support functions - redesign and commence implementation of 3</li> <li>Wealth management systems - 11 to 7</li> <li>Asset finance systems - 5 to 1</li> </ul>	<ul style="list-style-type: none"> <li>Support functions - complete implementation</li> <li>Wealth management systems - 7 to 5</li> </ul>



# Investments & Benefits

Investment Analysis (\$m)	2004	2005	2006	Total 2004-06
<b><u>Estimated Investment Spend</u></b>				
Initiatives	570	425	225	1,220
Branch refresh	90	85	85	260
<b>Total Investment Spend (pre tax)</b>	<b>660</b>	<b>510</b>	<b>310</b>	<b>1,480</b>

<b>Estimated Benefits (pre tax) <sup>(1)</sup></b>	<b>200</b>	<b>620</b>	<b>900</b>
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(1) Estimated benefits are recurring and continue to grow beyond 2006. They are comprised of 50% cost savings and 50% revenue improvement.

# Impact on Annual Profit (excluding all benefits and amortisation)

(\$m)

Total Spend			2004	2005	2006	Total
200	→	Software capitalised	90	72	38	200
260	→	Branch refurbishment	90	85	85	260
1,020	↘ 210	Provision	0	133	77	210
<b>1,480</b>	↘ 810	Expensed	480	220	110	810
		<b>Total spend</b>	<b>660</b>	<b>510</b>	<b>310</b>	<b>1,480</b>

Impact on Profit	2004	2005	2006
Provision for future years	210	-133	-77
Capitalised amounts	-180	-157	-123
Normal spend	-200	-200	-200
Exp. previously capitalised software	215	-	-
Before tax	705	20	-90
After tax	<b>500</b>	<b>14</b>	<b>-63</b>

# Investment spend

		FY04	FY05	FY06	
<b>Customers</b>	<b>Themes</b>				
	Sales and service effectiveness	Blue	Blue	Light Green	
	Distribution efficiency	Blue	Light Green	Light Green	
	Product offering	Light Green	Light Green	Light Green	
	IT enablers	Yellow	Yellow	Blue	
<b>Processes</b>	Product and process simplification	Yellow	Yellow	Light Green	
	Support	Blue	Blue	Light Green	
	Purchasing/property	Light Green	Light Green	Light Green	
	IT efficiency	Light Green	Light Green	Light Green	
<b>People</b>	Performance culture	Light Green	Light Green	Light Green	
<b>Total (\$m)</b>	570	425	225	<b>\$1,220m</b>	
<b>Branch refurbishment</b>	90	85	85	<b>\$260m</b>	

- \$0–49m
- \$50–99m
- \$100m+

# Benefit analysis

