



COMMONWEALTH BANK ANNOUNCES CHANGES TO MORTGAGE BROKER BUSINESS MODEL FOR 2005

20 December 2004: The Commonwealth Bank has announced changes to its mortgage broker business model, to be implemented progressively from April 2005. The Bank's mortgage customers are not affected by the changes in the Bank's arrangements with mortgage brokers.

Executive General Manager, Mortgage and Investment Services, Geoff Austin said, "In order to continue to provide our customers with competitive home loans and a wide range of outlets, we have built a sustainable model for doing business with our broker partners, taking into account the environment of reduced home loan margins."

A component of the model is the realignment of commission payments. The new upfront payment structure promotes and rewards best practice business behaviours through focusing on measures such as training, compliance, business process and loan quality, while trailing commission is linked to product profitability.

Commission changes apply only to new business and are not retrospective. The major change to broker remuneration is that low rate honeymoon products will not pay trail income in year one. However, trail payments will revert to their usual levels in subsequent years. All other products will have a 0.05% reduction in trail in the first year and will similarly revert to usual payments from year two onwards.

Mr Austin added, "Most importantly, this realignment ensures the Bank's ability to maintain a competitive suite of products whether customers apply through the branch network, electronically or through a mortgage broker".

"We are committed to building profitable market share in the broker market and our new model offers a complete end-to-end relationship which supports our broker partners to focus on the quality of their business and ultimately their success in the industry."

The revised model will also introduce a training program for new brokers. This *Broker Mentor Program* is designed to assist new brokers through regulatory and accreditation processes.

General Manager Third Party Banking, Kathy Cummings said that the Bank was pleased to have led the market with the launch of the 'Commonwealth Bank Mortgage Origination Charter' in 2002, and industry specific 'Business Development and Sponsorship Guidelines' in 2004.

"The changes to the Bank's business model reflect its commitment to quality and encourage appropriate broker behaviours in governance and regulation to support and maximise excellent practice within the broking industry."

Commonwealth Bank won 'Operator of the Year' and 'Lender of the Year' at the inaugural MIAA Excellence Awards in June 2004.

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