



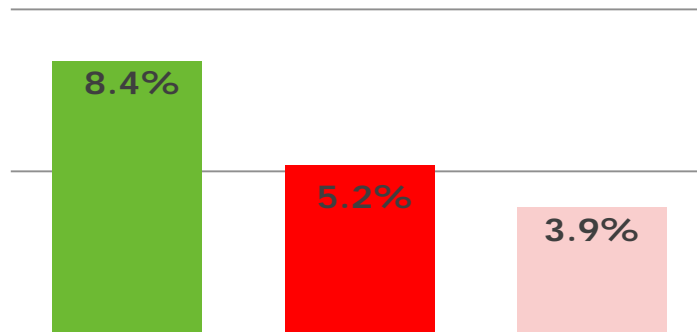
Abacus
Australian Mutuals

Targeting Growth

October 2011

Plenty of Positives

Asset Growth
(yr ended Jun 11)

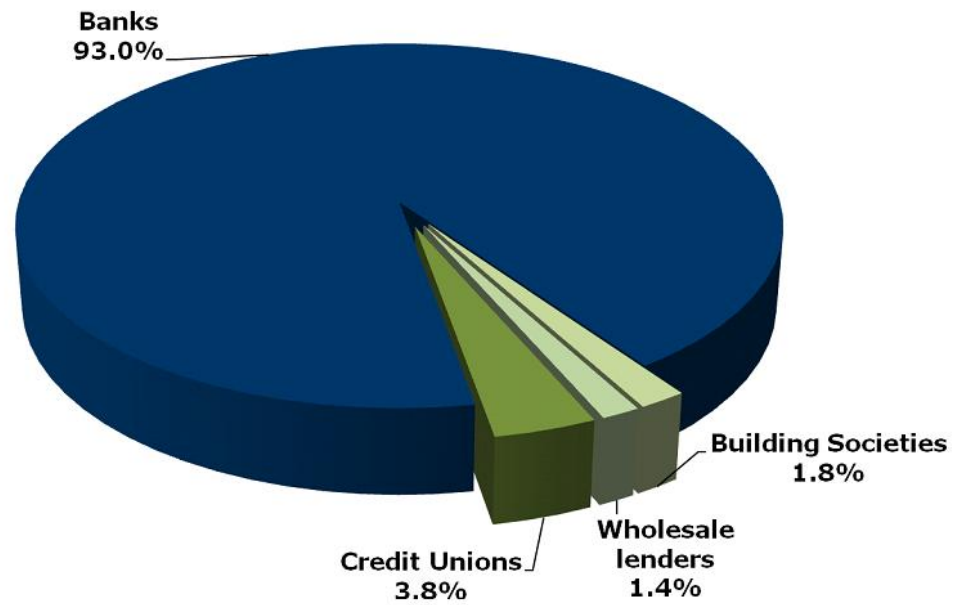


- NPAT : \$540M, +8%
- Assets : \$82bn
- Mortgage growth : 10%
- Deposit growth : 8%



■ But market share is niche

Market Share of New Owner Occupied Loans
- Values, August 2011



How would we look at 20%?

\$100bn = mortgage portfolio size (now \$57bn)

\$150bn = industry asset base (now \$82bn)

\$1bn = net profit required to maintain current industry capitalisation (currently \$540m)

8% = compound annual profit growth rate required

So over the next 9 years

- We have to consistently approve **7,800 extra** mortgages a each year (there are around 700,000 new mortgages approved in Australia annually)
- That's **650 extra** per month (CUBS currently approve around 5,000 per month)

Mutual Size	<u>Extra</u> New Mortgages pa	<u>Extra</u> New Mortgages per Mth
Small	10	1
Medium	111	9
Large	270	23

How ambitious?

Disgruntled home-loan customers are beginning to discover mutuals, writes **Anthony Sibillin**.

Australia's 113 member-owned or "mutual" credit unions and building societies have the wind at their backs in the race for market share in retail banking.

Their household "prey" remain angry at the major banks, while the race rule-setter, the federal government, is eager for mutuals to peg back the banks' market power.

But is this momentum translating into new customers?

The latest lending figures suggest it is. According to the Australian Bureau of Statistics, mutuals wrote almost 11 per cent of new loans for owner-occupied homes in December, nearly double their share of two years ago.

Mutuals are increasing their share of an otherwise flat lending market at the expense of the major banks, the Reserve Bank of Australia noted in its February statement on monetary policy.

"The increase in approvals has been most significant for credit unions and building societies, and to a lesser extent for wholesale lenders and smaller banks," the statement said.

Banking analyst Martin North notes joint advertising by more than 80 credit unions and building societies – the third national awareness-building campaign in less than a year – but says mutuals "are still a best-kept secret".

"Their brands are not well-recognised, compared with the big players, and brokers often overlook the mutuals when it comes to recommendations," says North, executive director, industry group, at technology and consulting firm Fujitsu Australia.

He reckons too few credit unions and building societies have the ambition necessary to give local mutuals the presence of their European counterparts. Europe's 4200 mutuals have a combined 20 per cent market share, says the European Association of Co-operative Banks.



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