Mutual ADI sector performance

Presentation to AMInstitute Leadership Development conference August 1st 2009

a different kind of banking

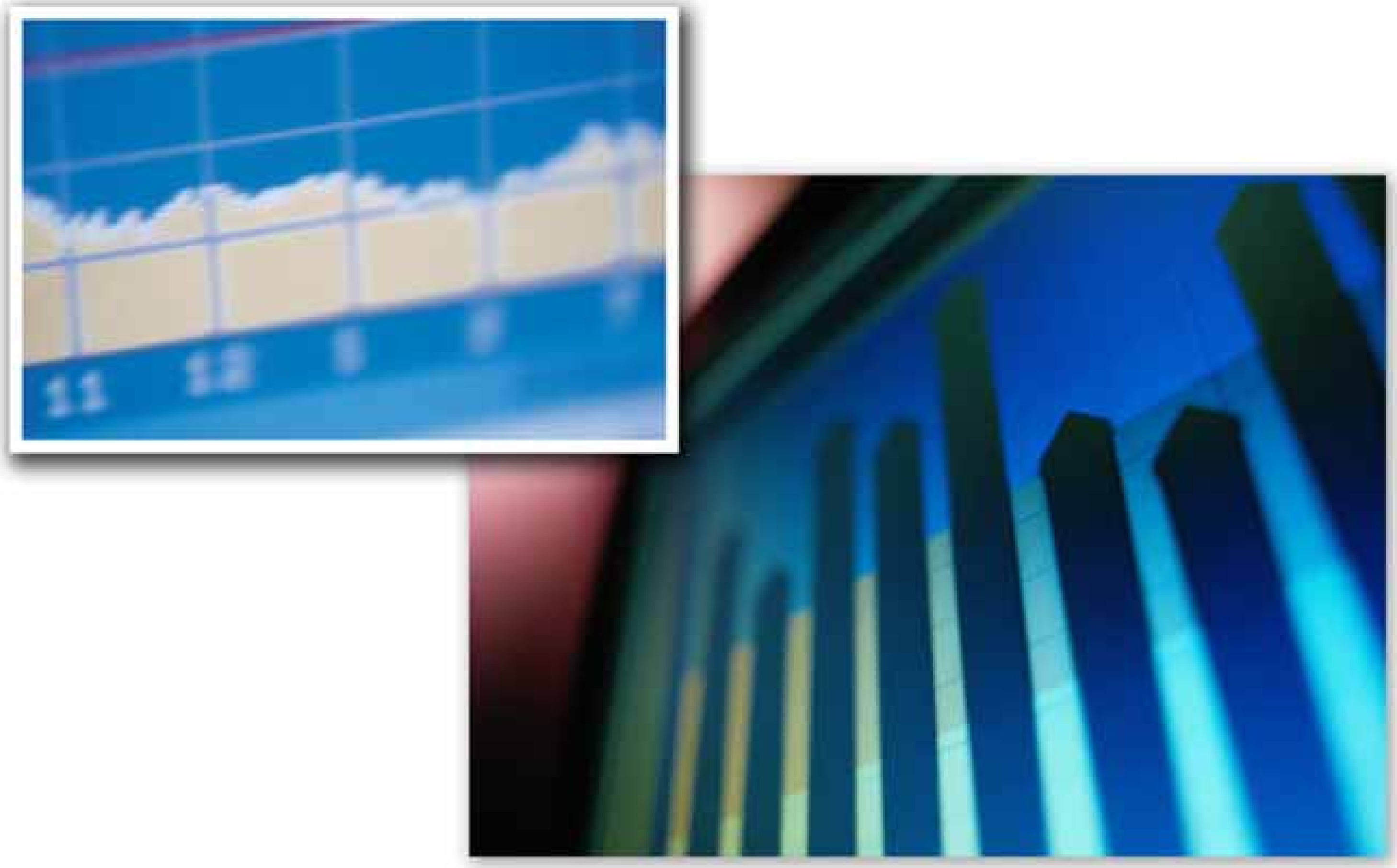
Abacus Australian Mutuals

Association of Building Societies and Credit Unions

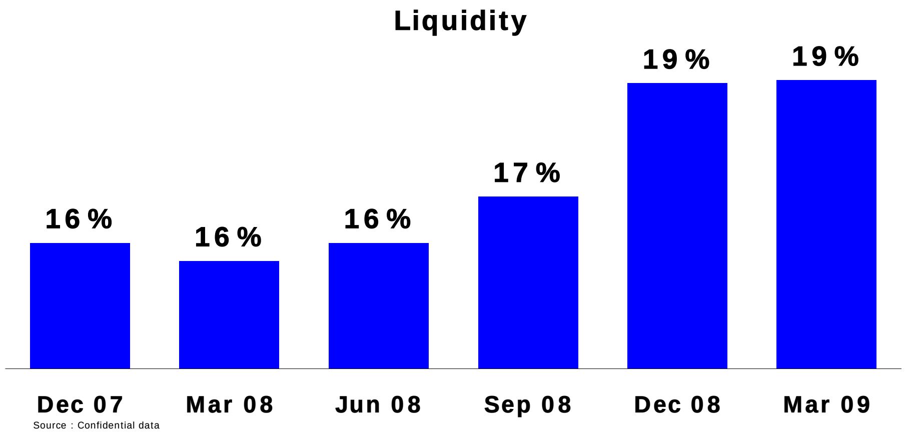
Presentation Overview

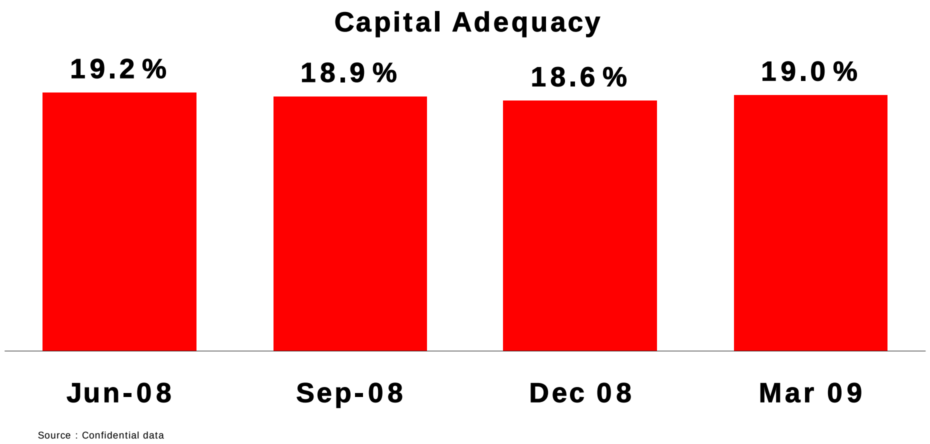
- Key performance indicators
- Deposits
- Loans
- Margin spread
- Mutual repositioning
- Focus on Mutuals

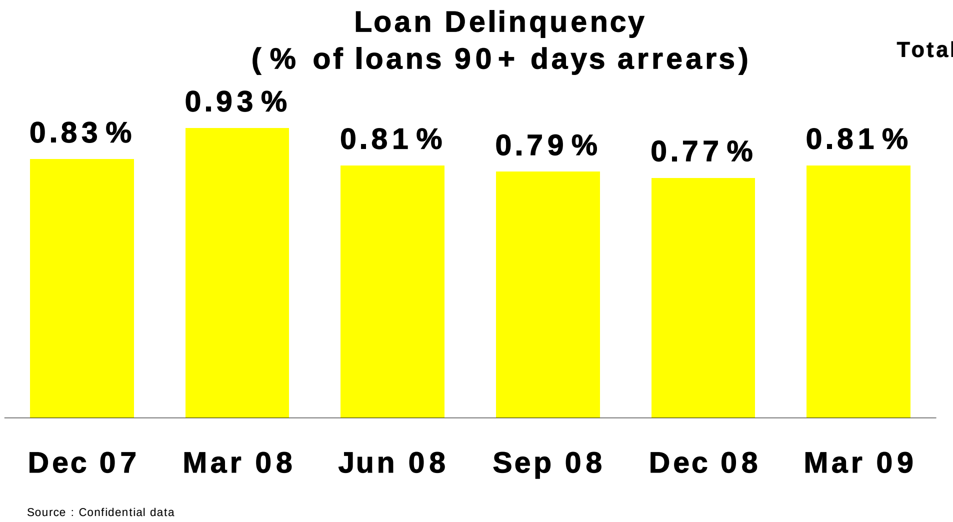
Key Performance Indicators



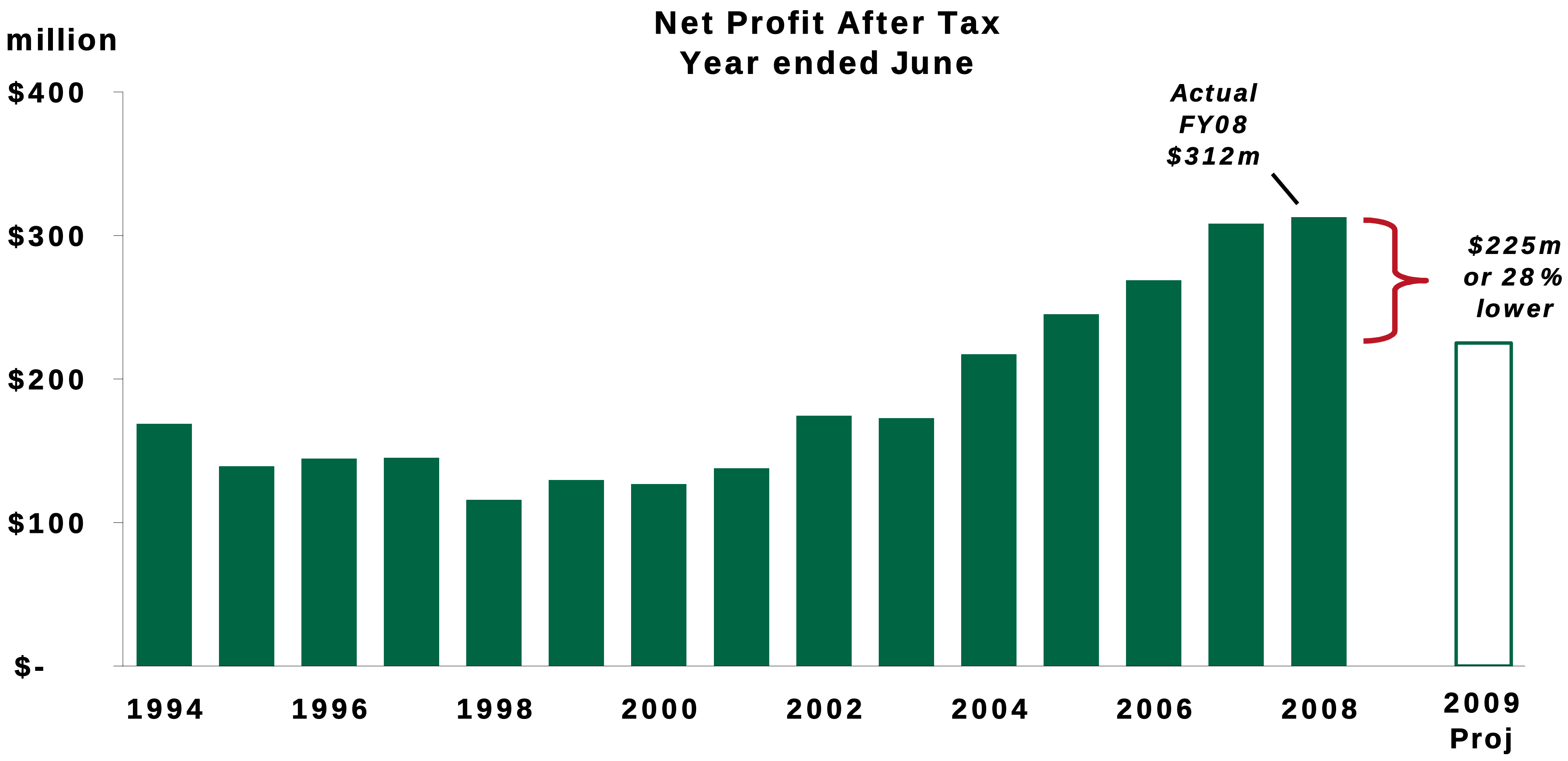
Strong Fundamentals



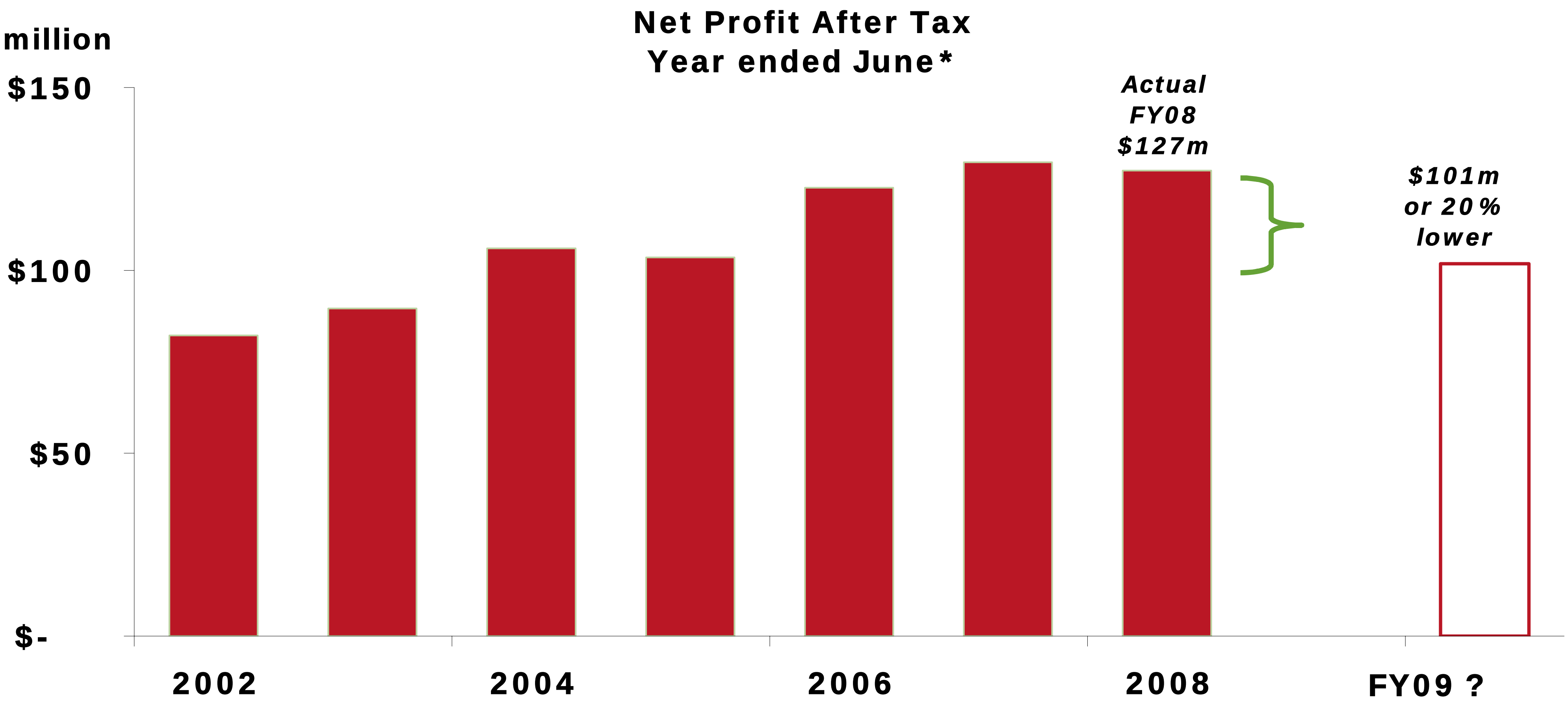




Credit union profits softer

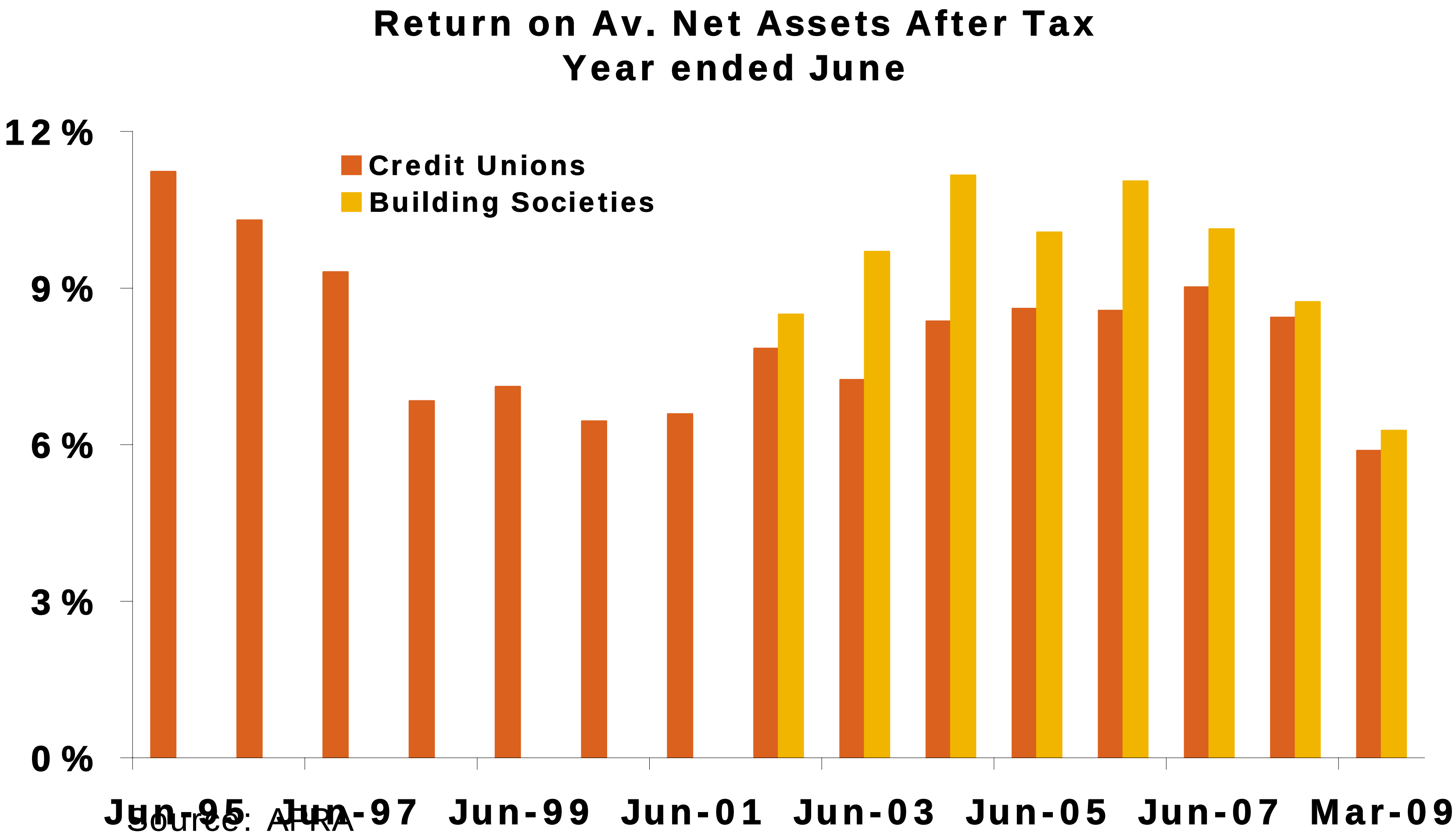


Building society profits are down also



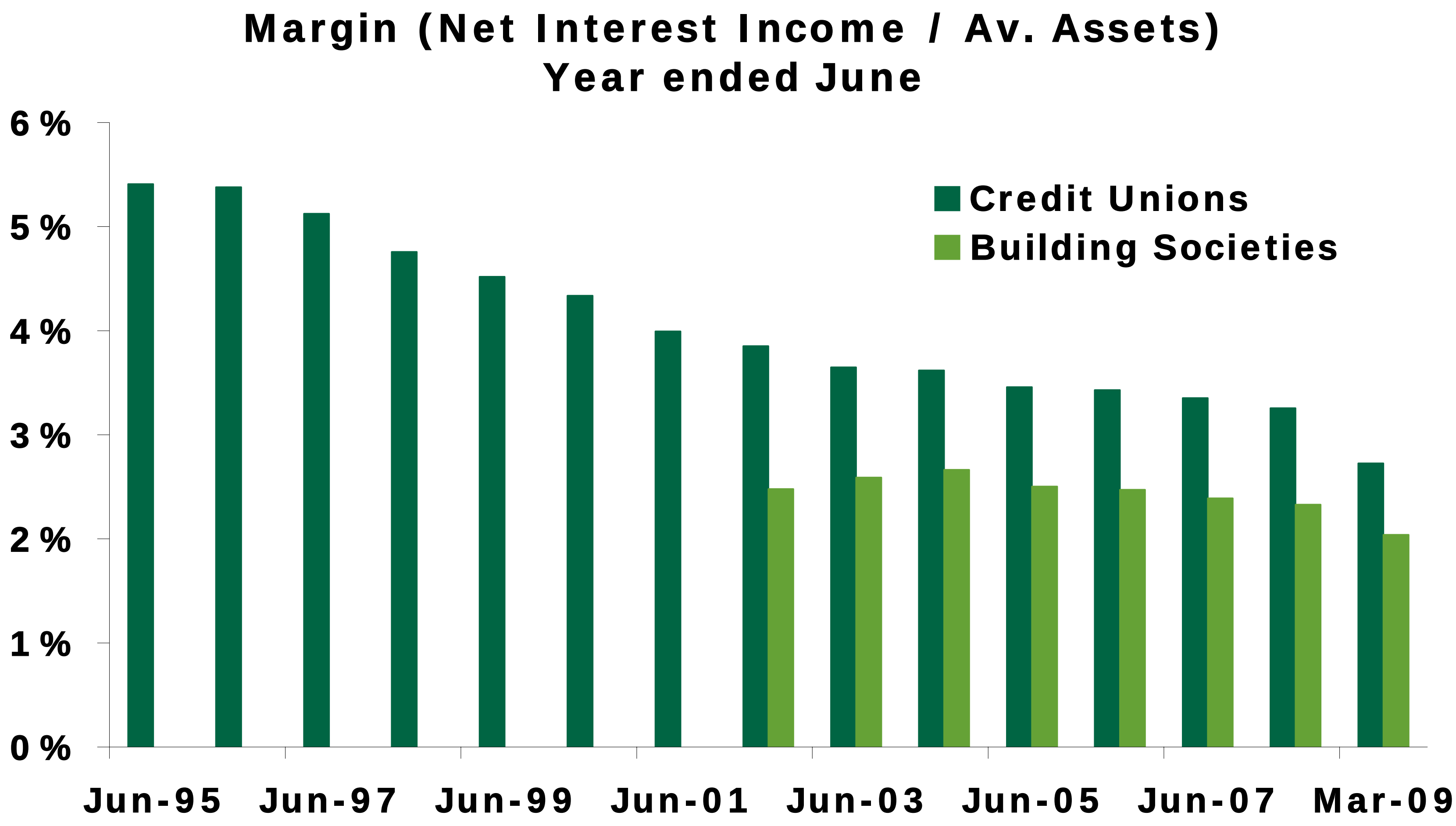
* Series has been adjusted by the removal of data for Home BS which merged into BOQ in late 2008

Profitability - Mutuals



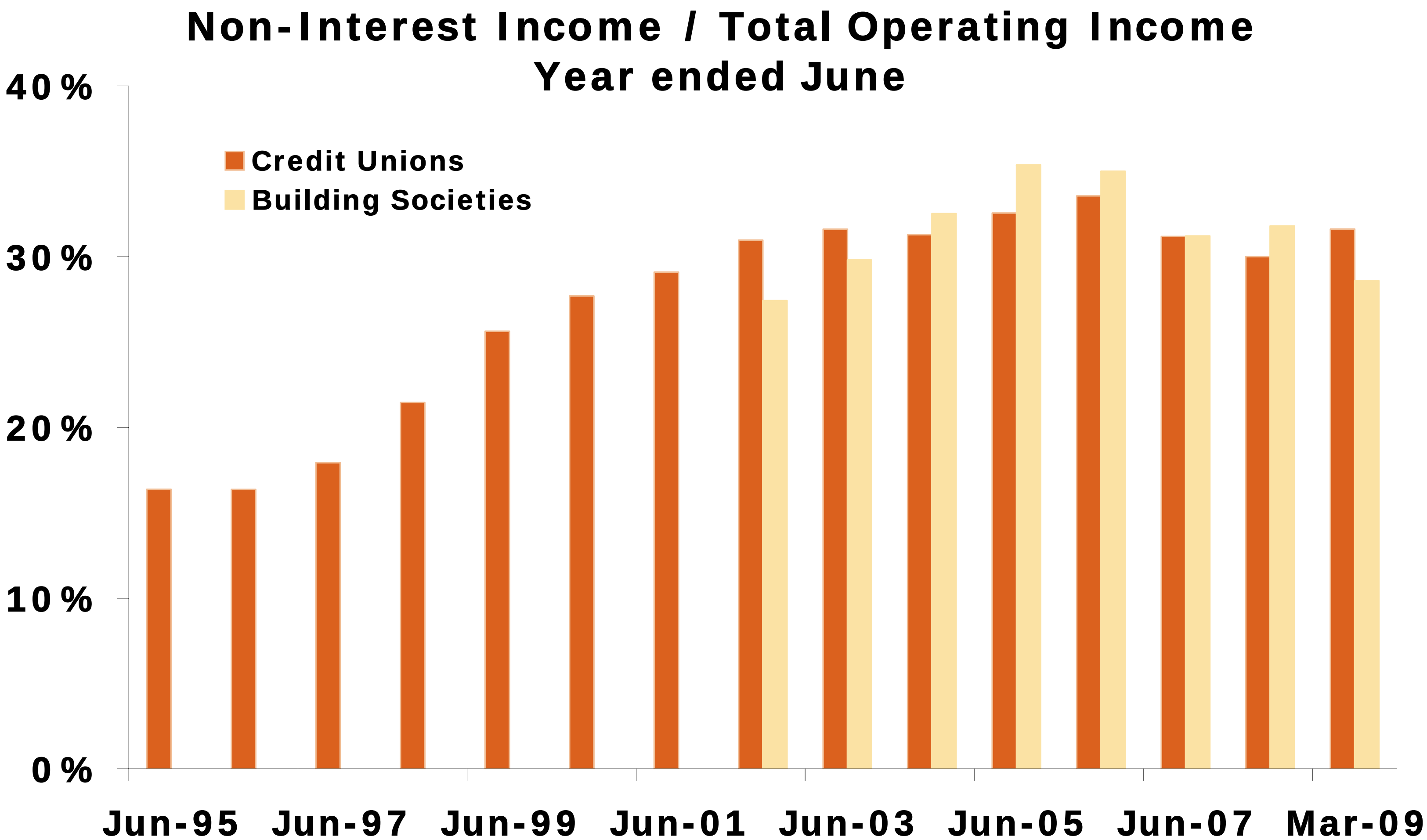
Source: APRA

Net interest income - Mutuals



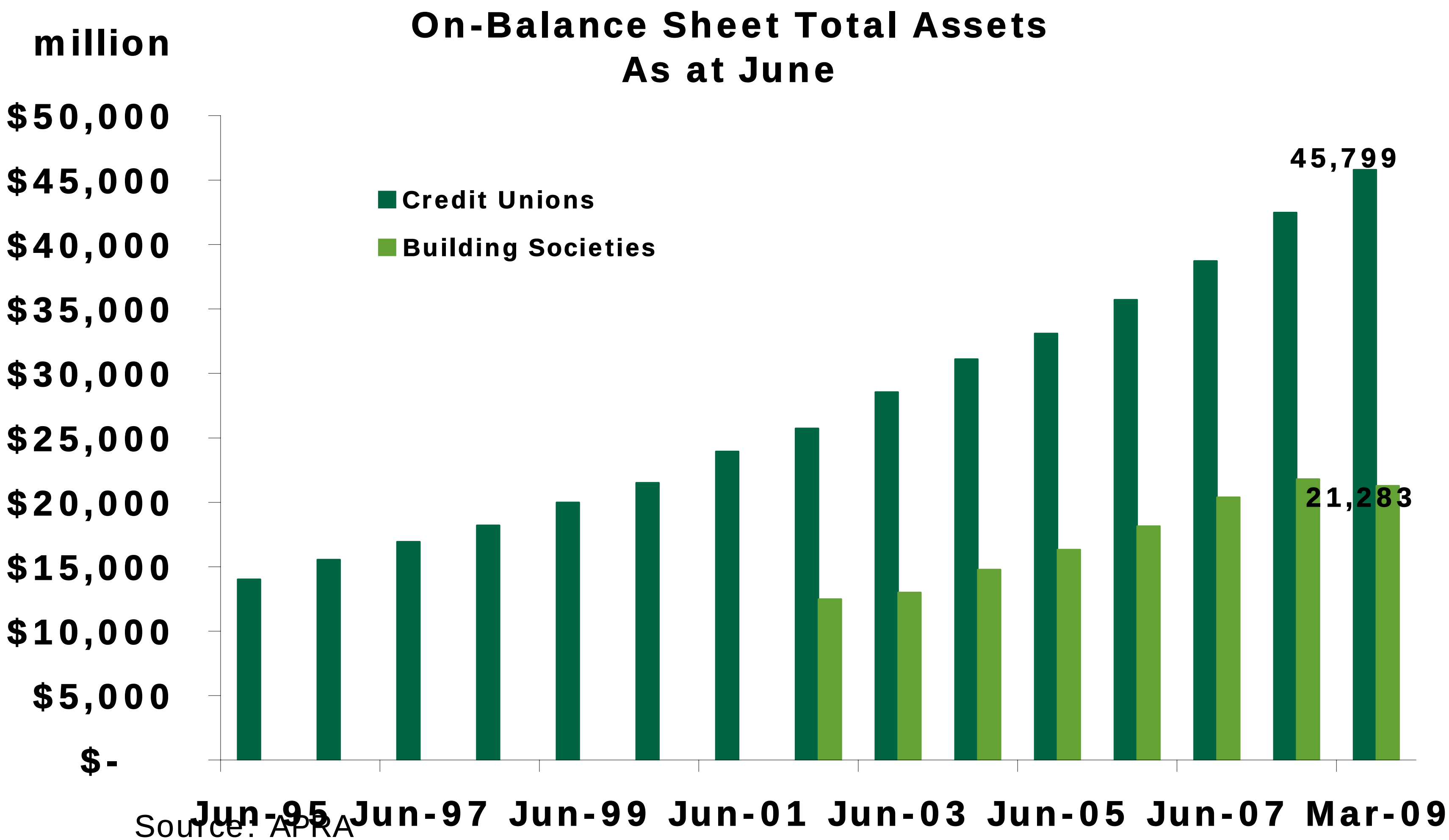
Source: APRA

Importance of non interest income



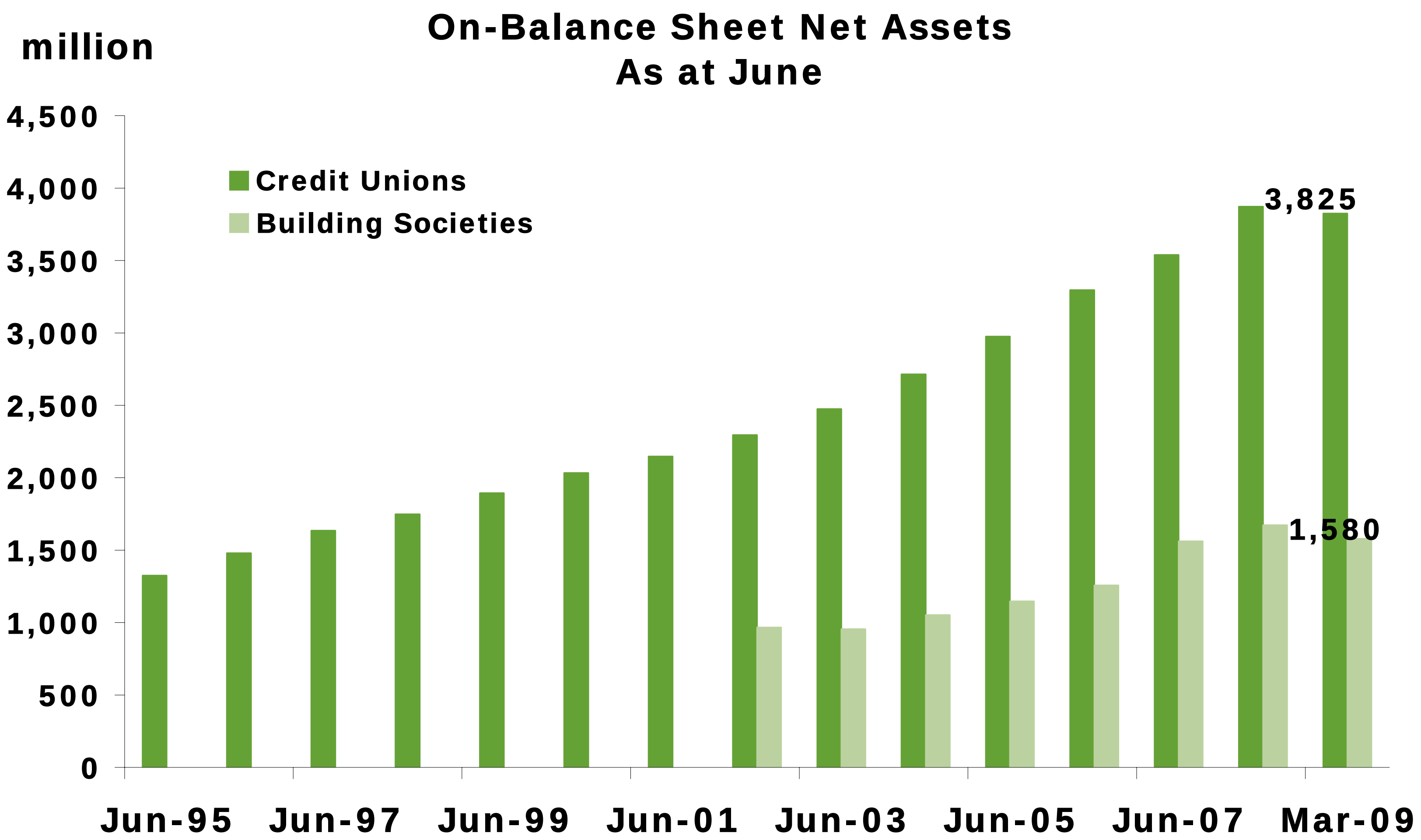
Source: APRA

On balance sheet assets - Mutuals



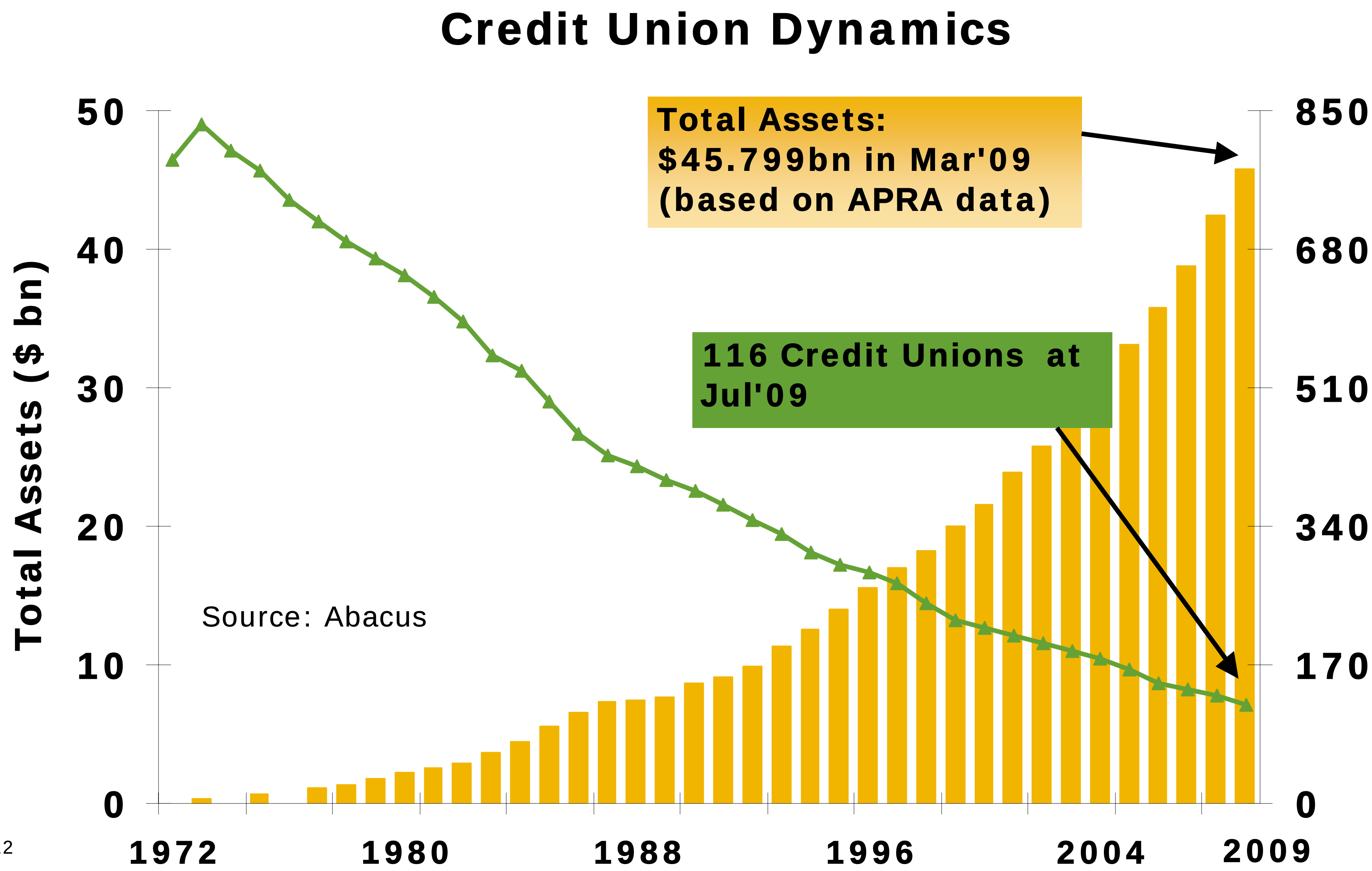
Source: APRA

On balance sheet net assets



Source: APRA

CU assets growing as consolidation continues



Financial ratios: Comparison with Industry

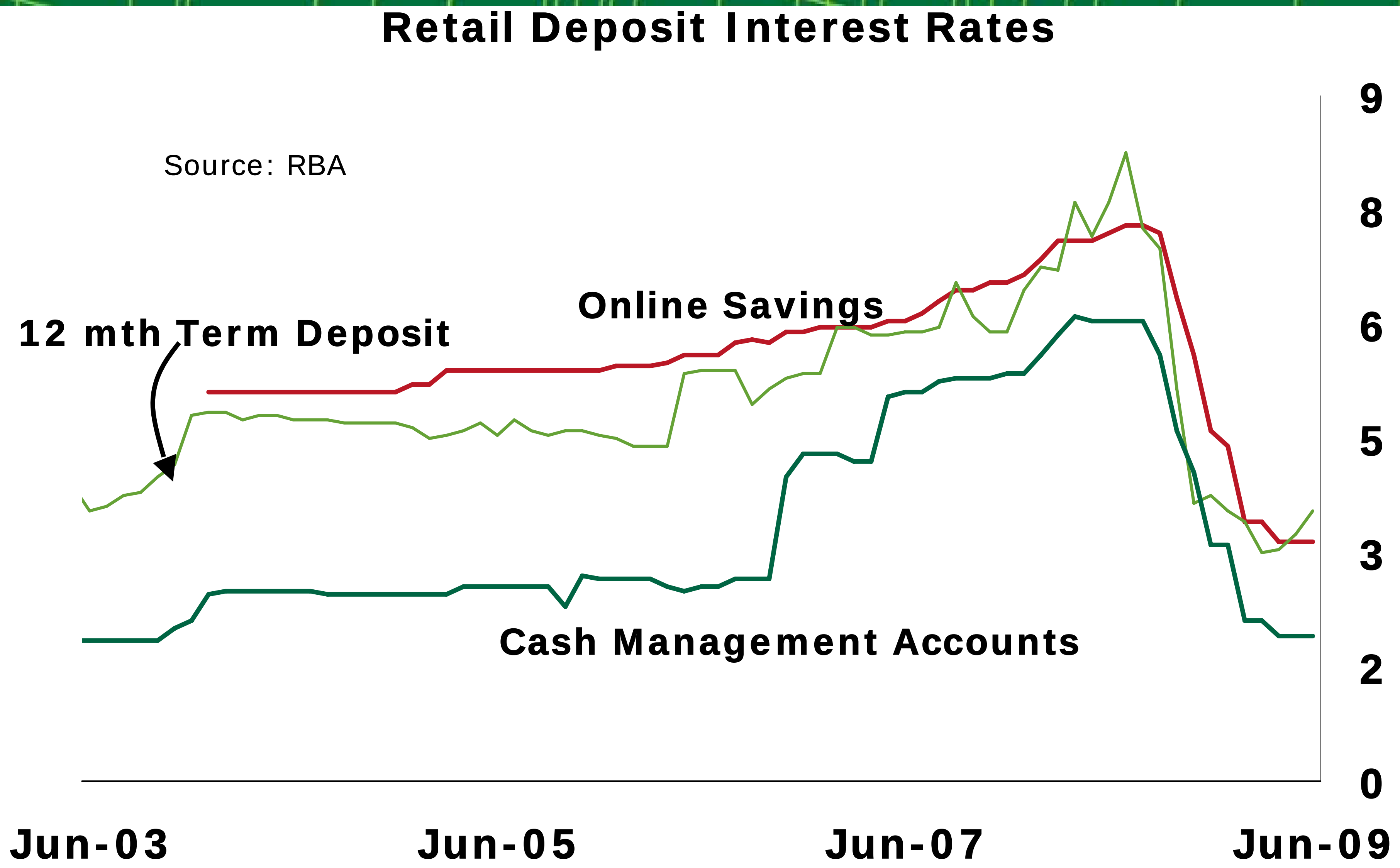
	Ratios December 08			
	Majors	**Other bank**	**Credit Union**	**B Soc**
Profit margin	30.6%	12.0%	15.4%	15.8%
Return on assets (after tax)	0.9%	0.6%	0.7%	0.5%
Return on equity (after tax)	16.5%	8.4%	7.7%	7.0%
Fee income to operating income	26.1%	19.4%	22.3%	22.0%
Cost to income	49.0%	79.8%	76.4%	76.4%
Growth in total assets	21.5%	16.7%	11.0%	-0.6%
Deposits to assets	51.5%	48.5%	85.5%	85.8%
	Change			
Profit margin	-3.3%	-4.7%	-0.2%	-5.6%
Return on assets (after tax)	-0.1%	-0.7%	-0.1%	-0.2%
Return on equity (after tax)	-2.3%	-6.6%	-0.4%	-2.5%
Fee income to perating income	1.2%	-5.3%	-1.7%	-4.0%
Cost to income	2.7%	3.2%	0.9%	5.3%
Growth in total assets	4.8%	-17.5%	2.2%	-9.3%
Deposits to assets	2.3%	0.9%	0.3%	-0.9%

Source: APRA

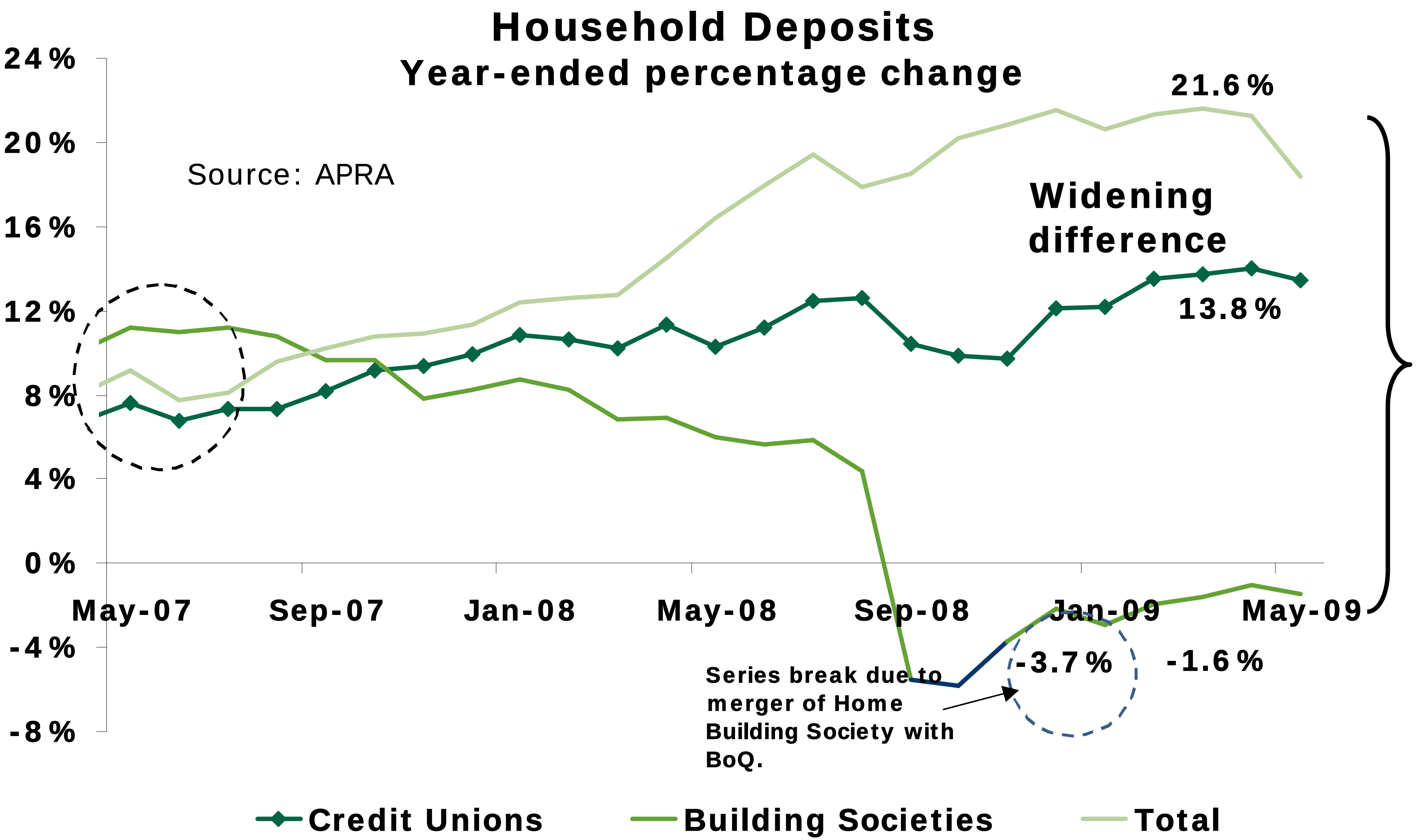
Financial ratios appear fair for year to December due to solid first half
Proceeding analysis of Mutuals includes more recent data

Deposits

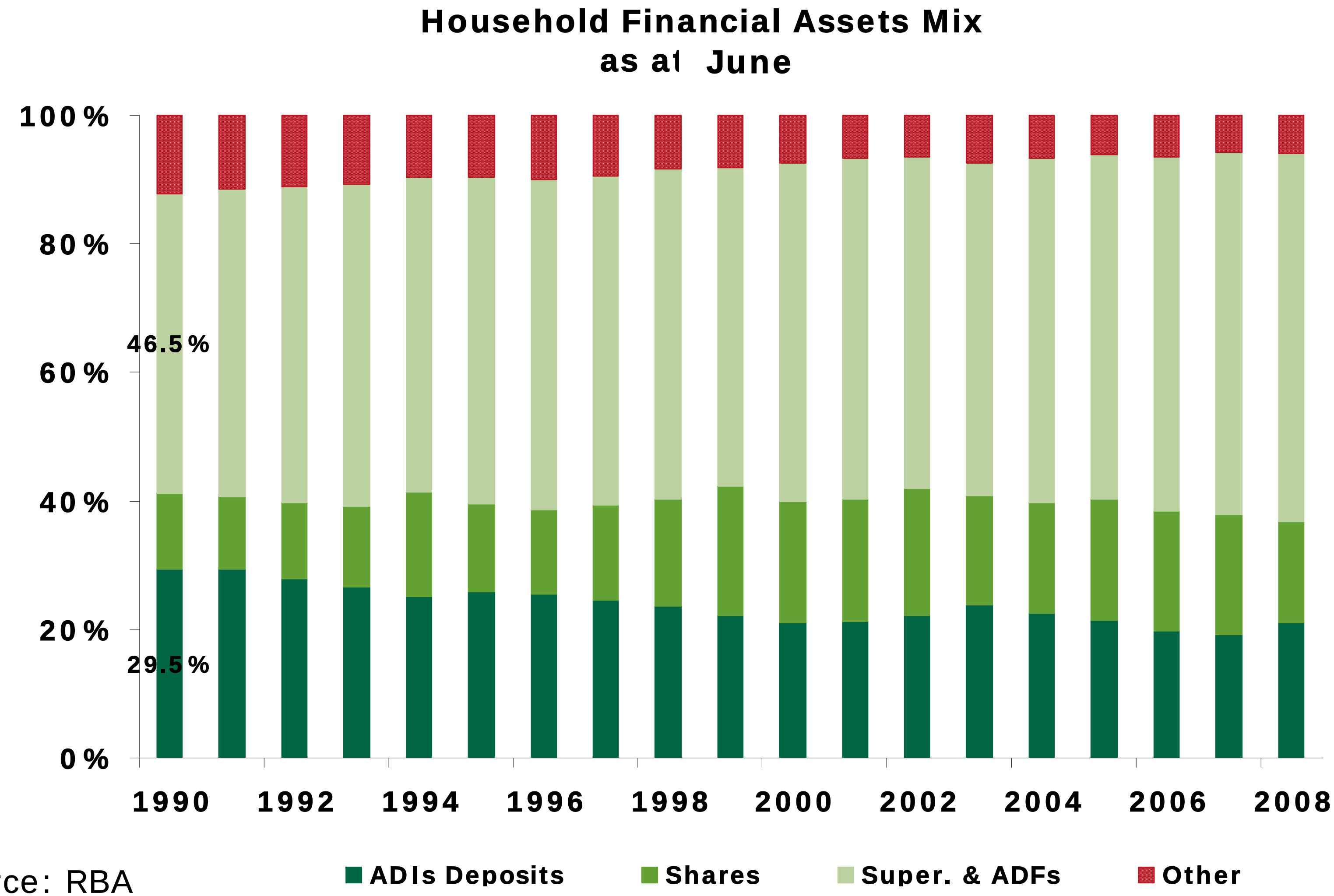
Retail deposit rates fall after OCR cut



CUBS deposit gathering slower than market

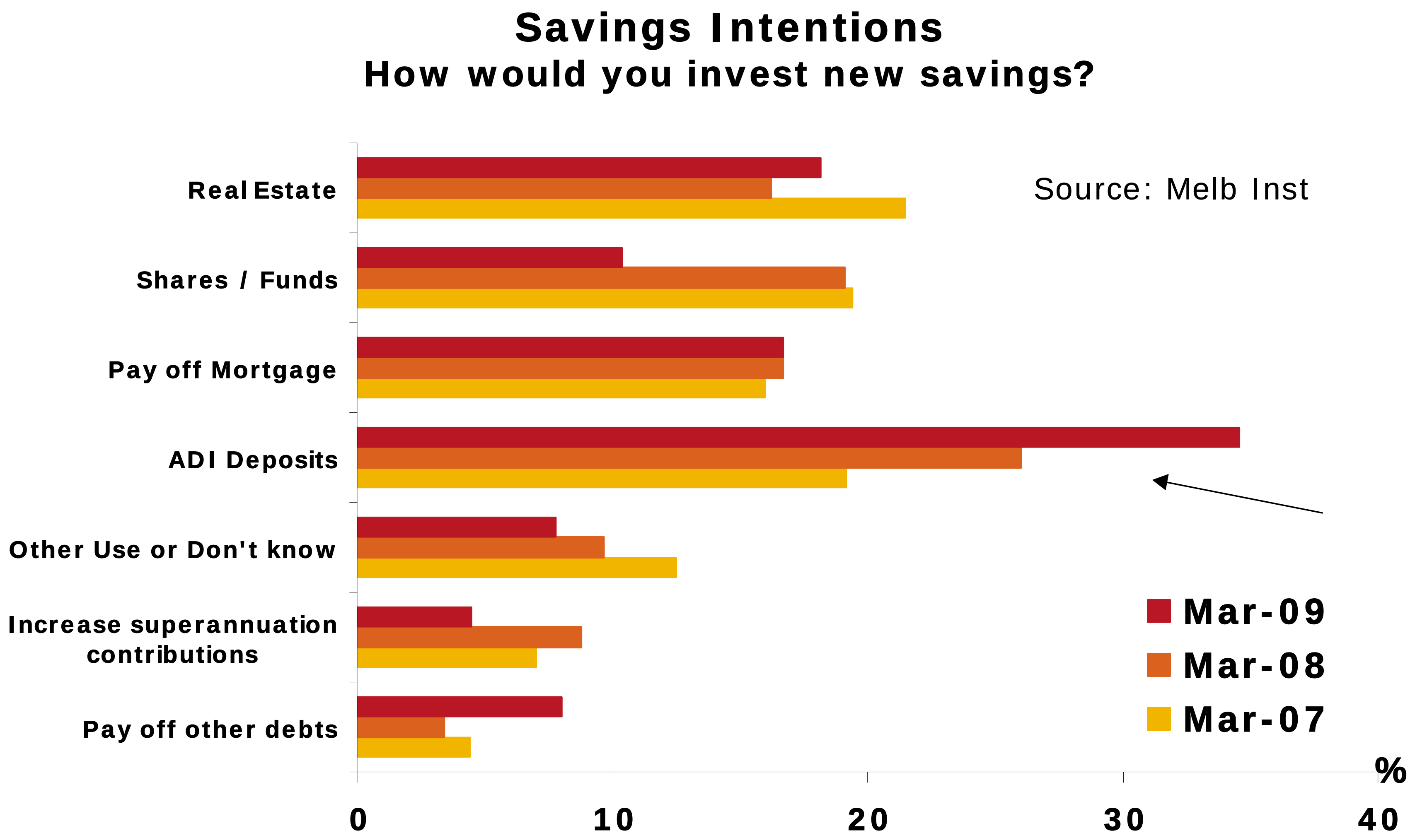


Temporary respite for ADI deposits

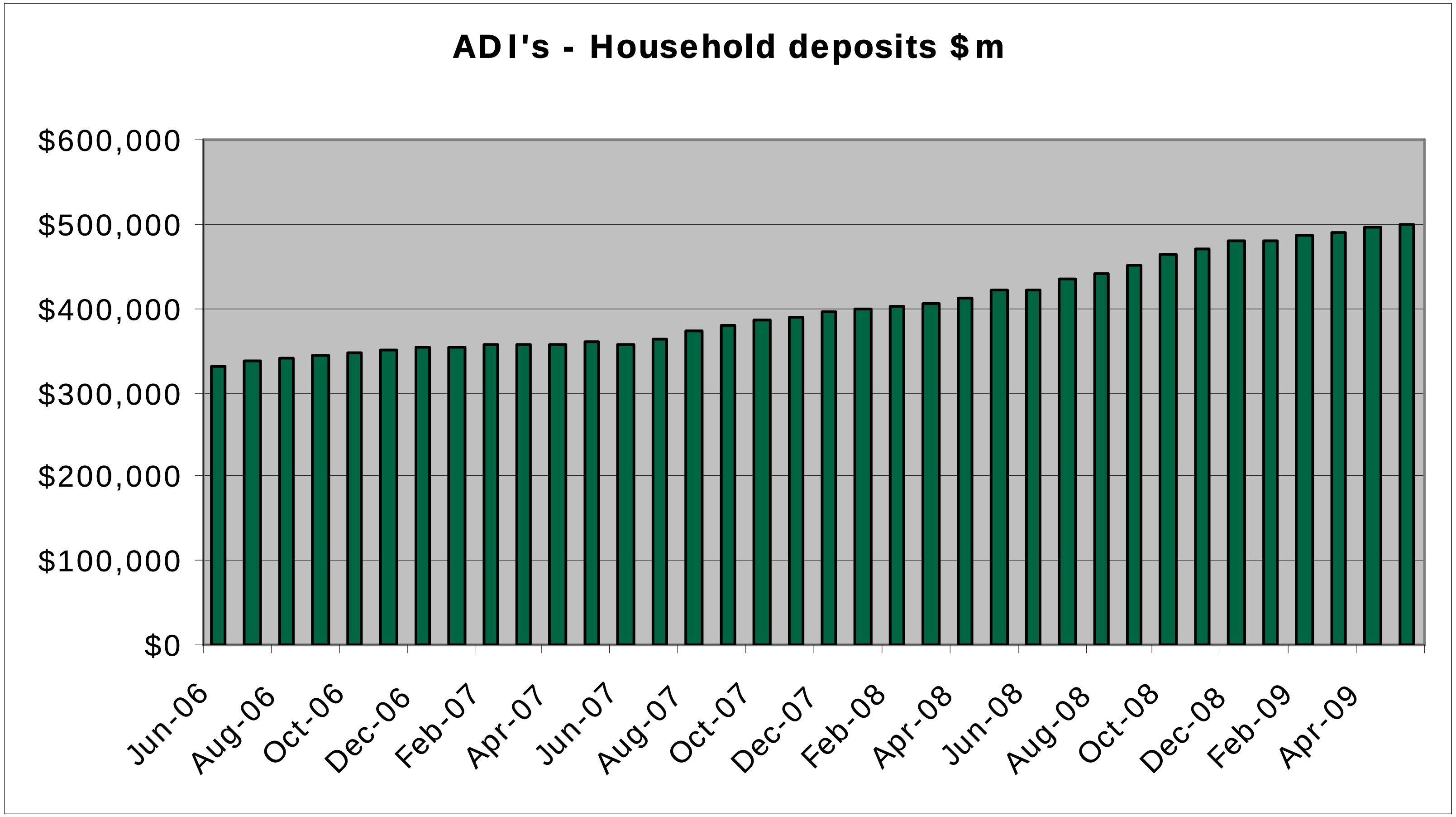


Source: RBA

ADI deposits gaining popularity since GFC

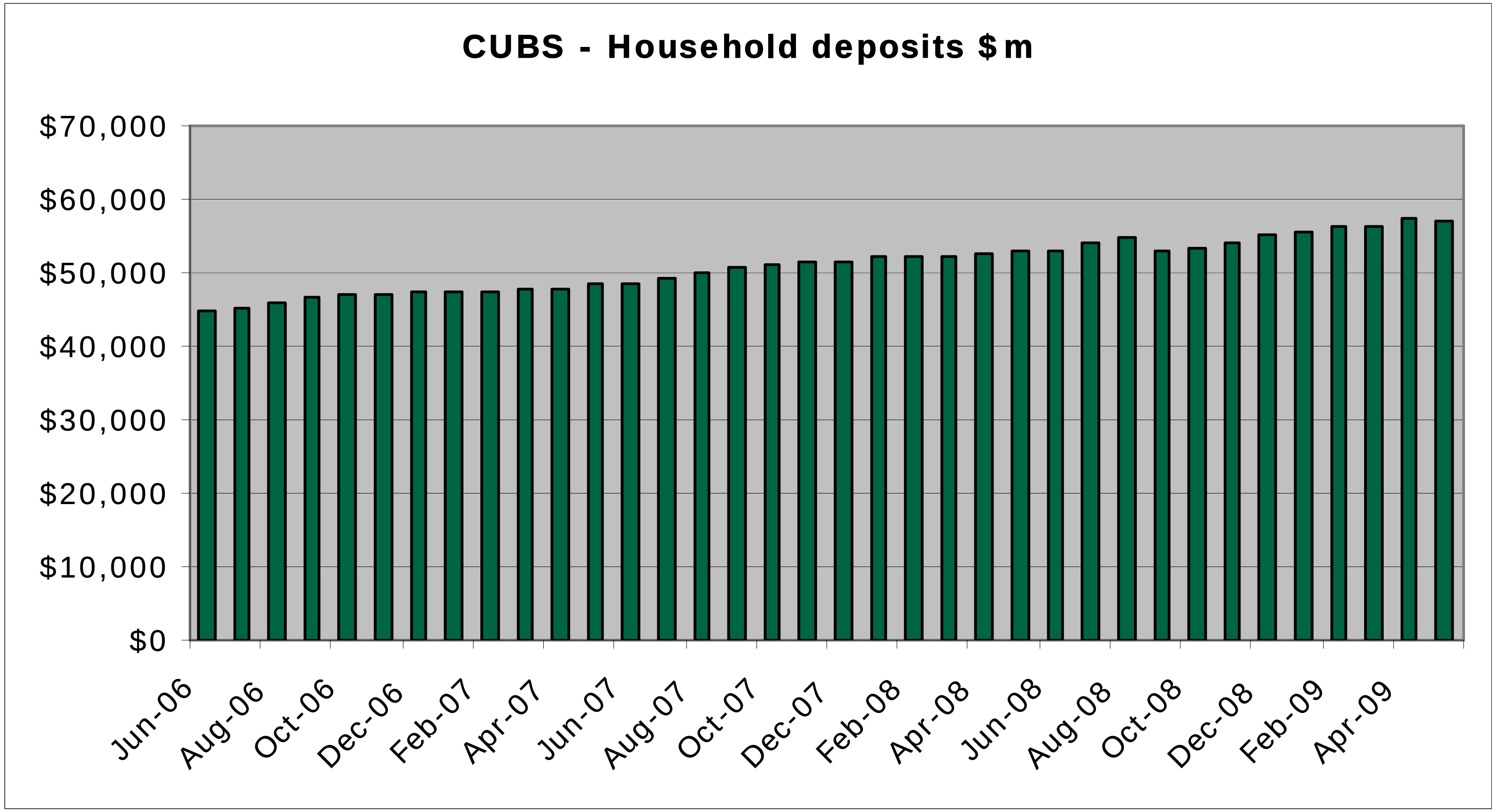


ADI Household deposits



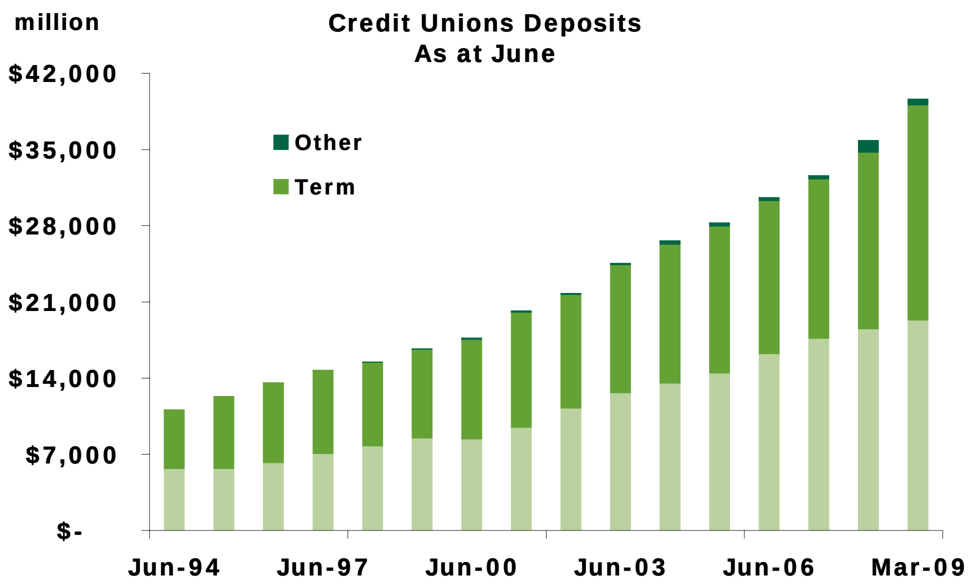
Source: RBA

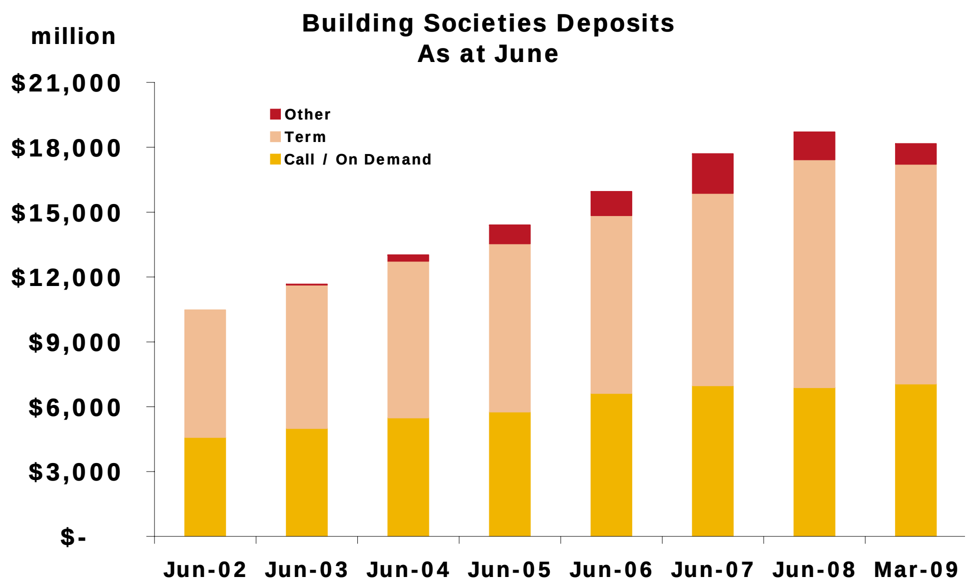
CUBS Household deposits



Source: RBA

Deposits – Mutuals by type

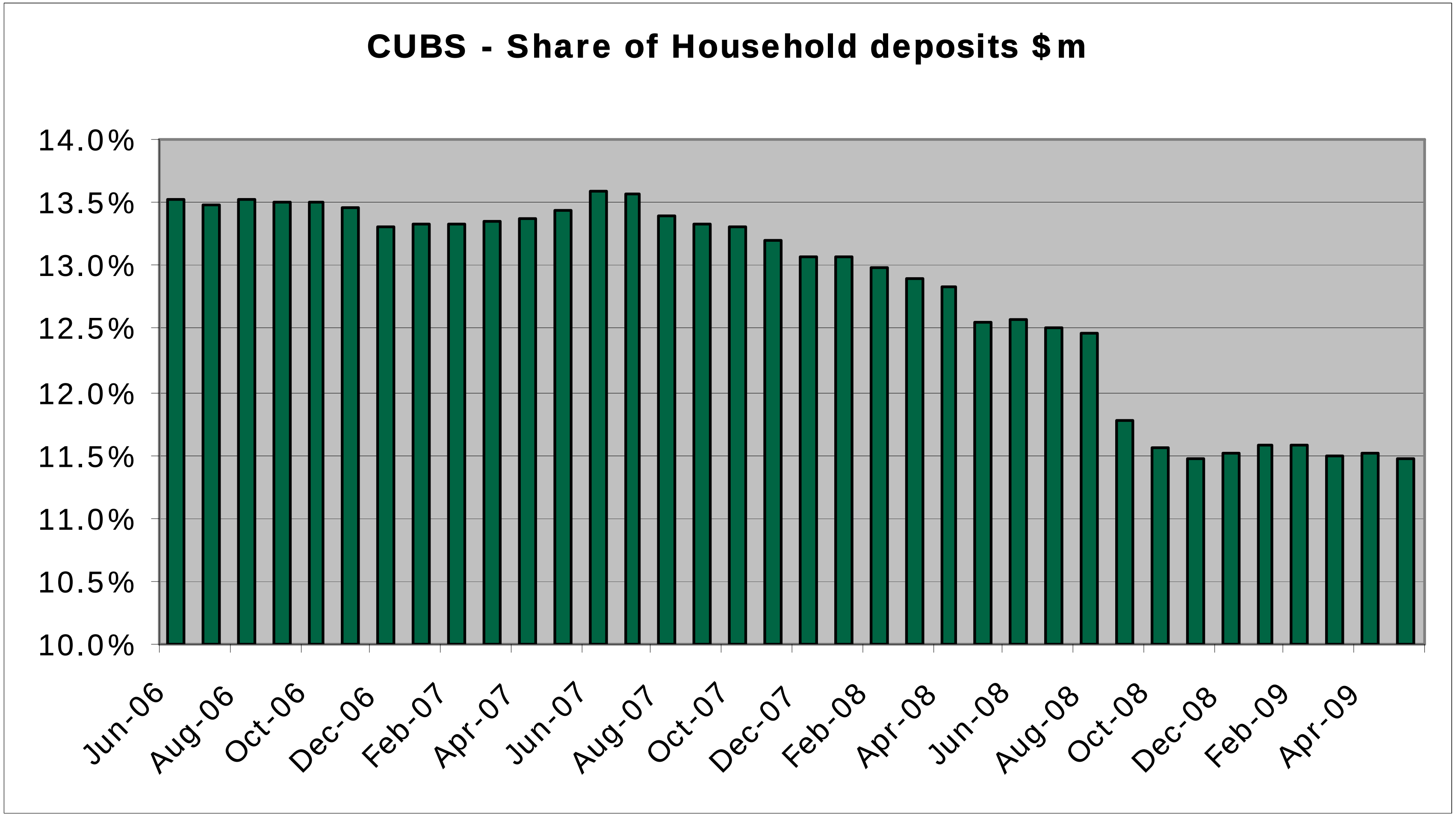




Credit Union deposits increased
Building Society total impacted by loss of Home Building Society to BOQ

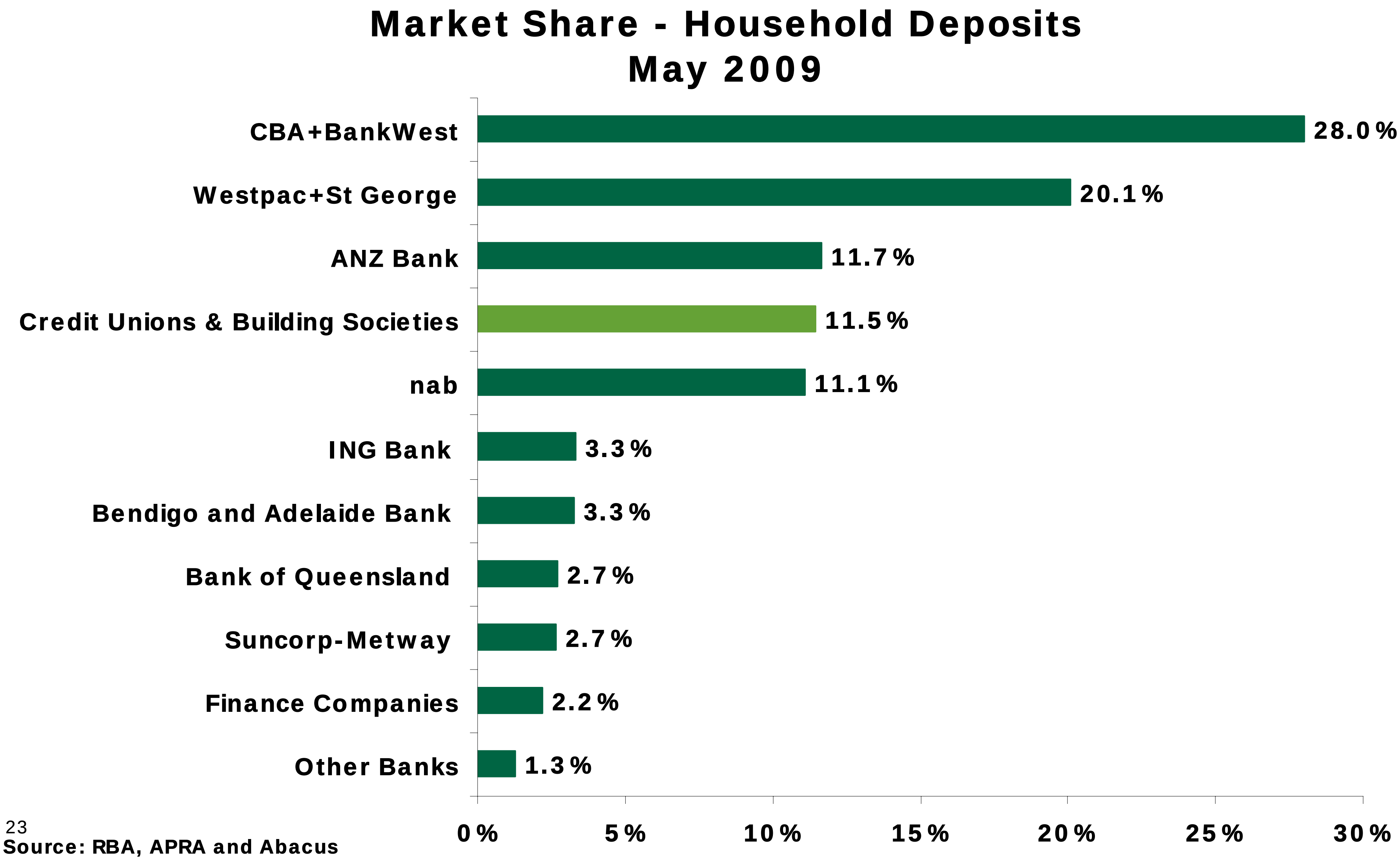
Source: APRA

CUBS share of Household deposits



Source: RBA

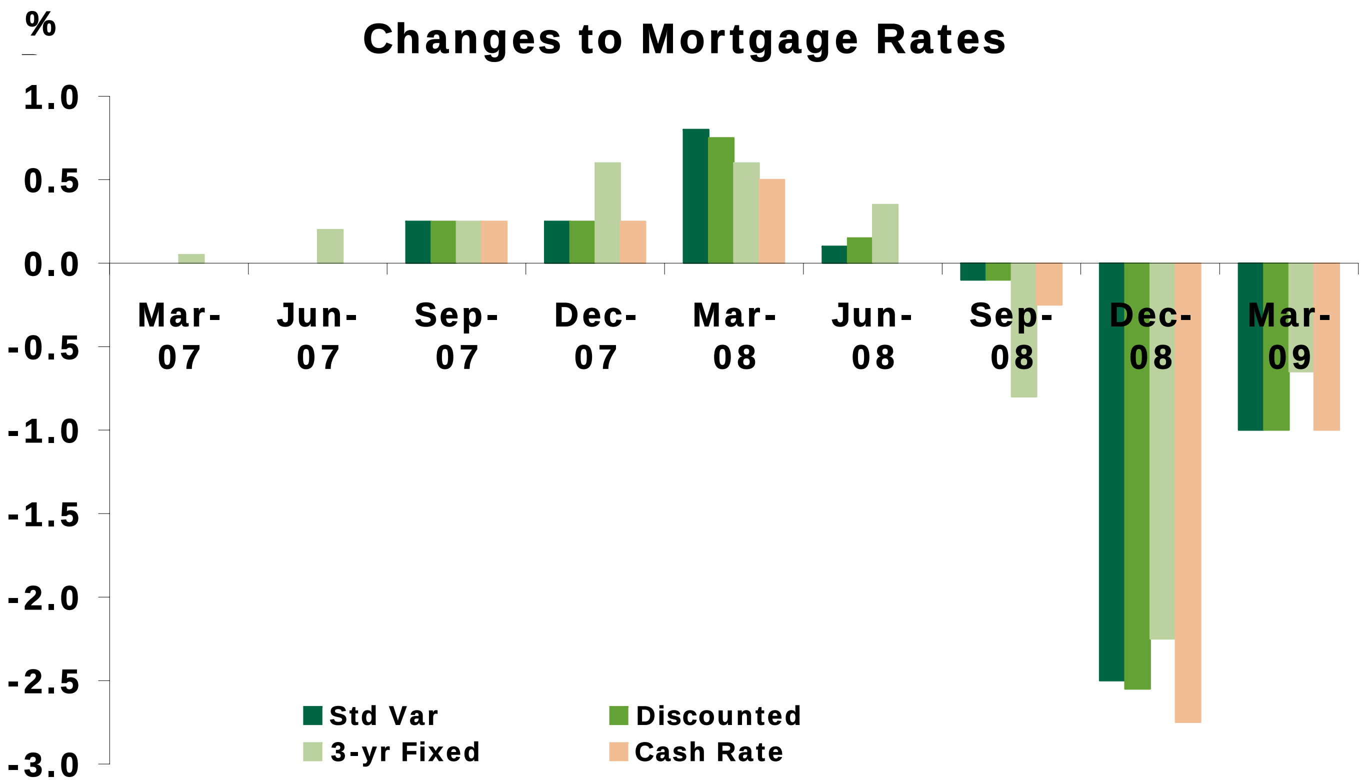
Current market share



Source: RBA, APRA and Abacus

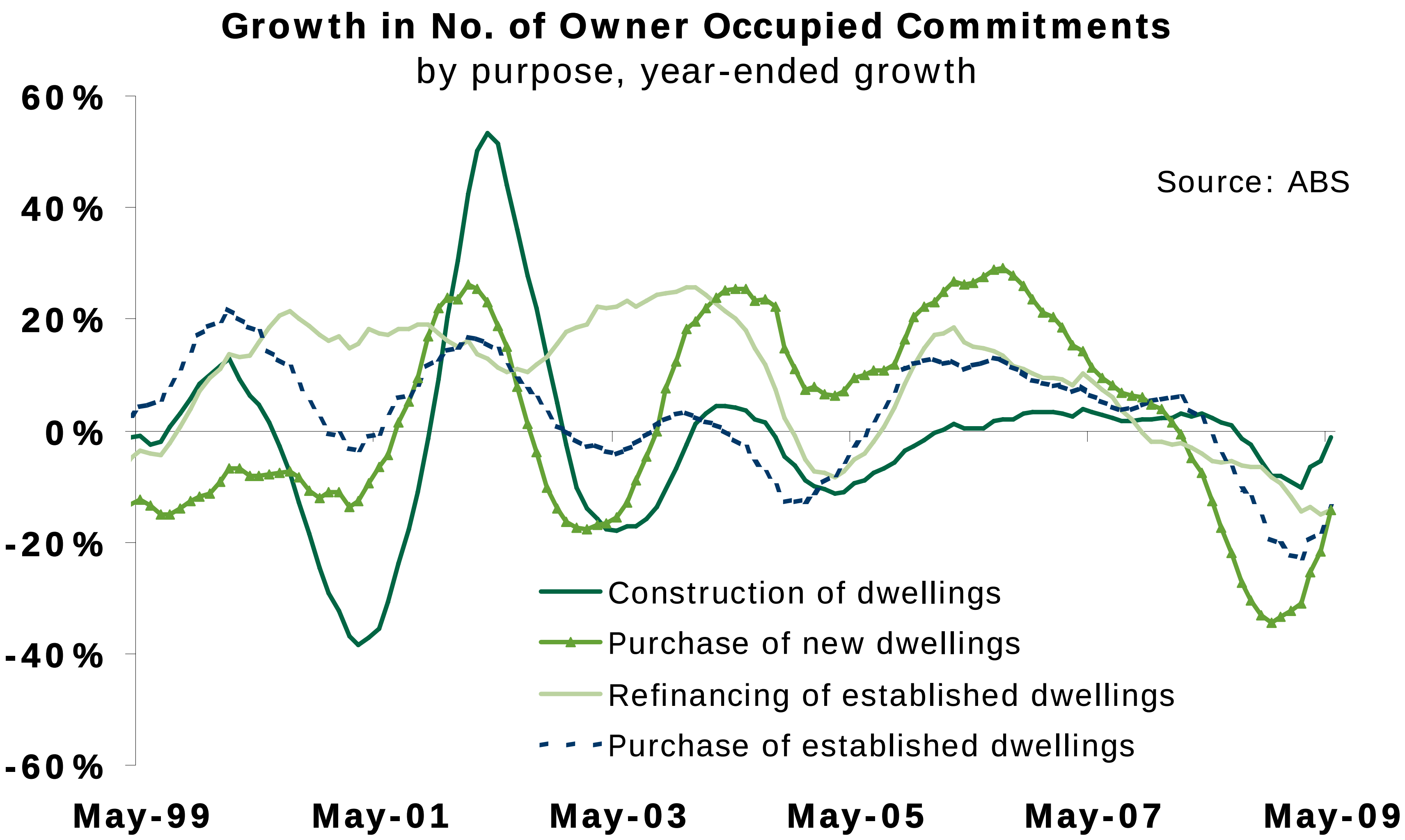
Lending

Mortgage rate changes

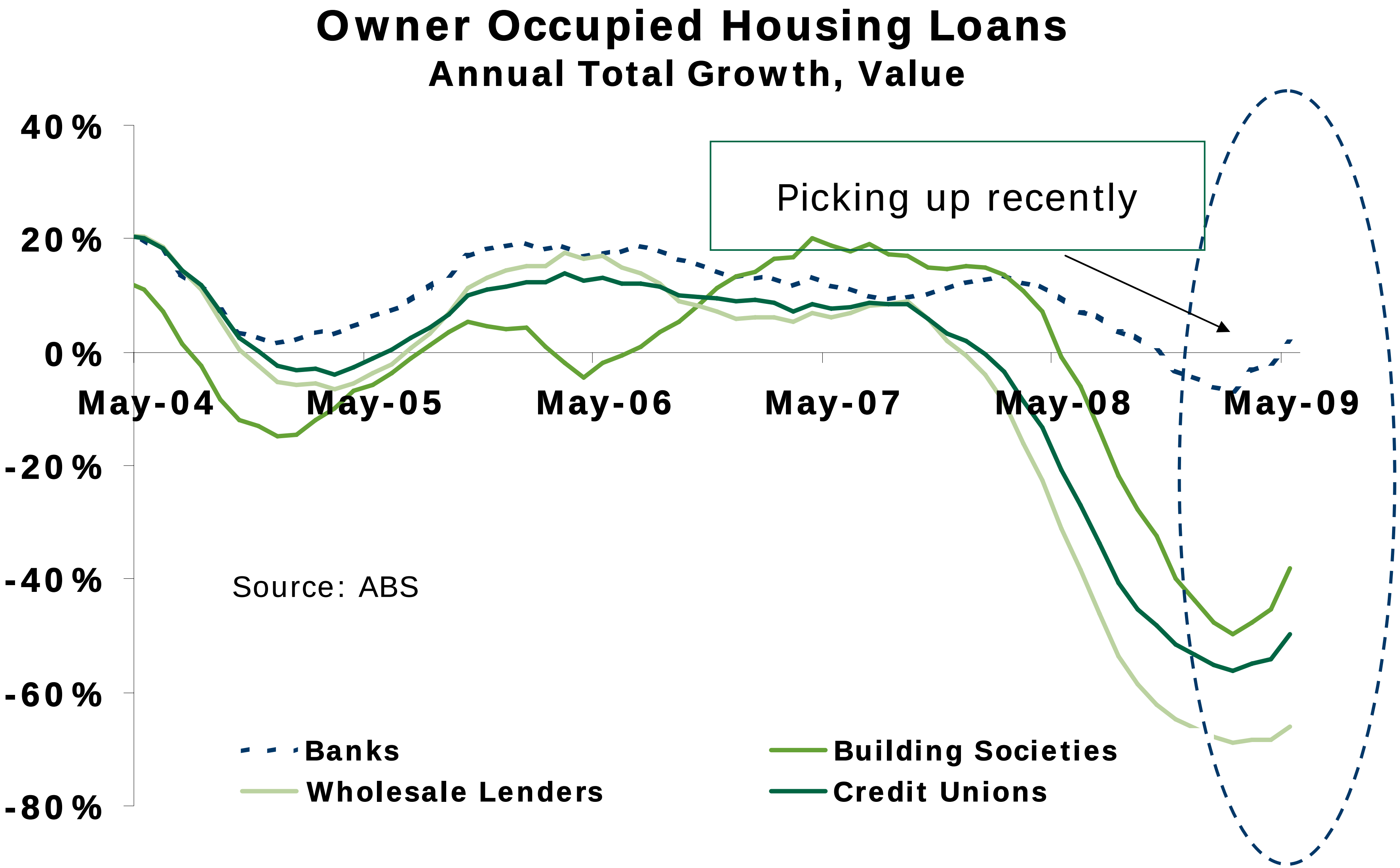


Source: RBA

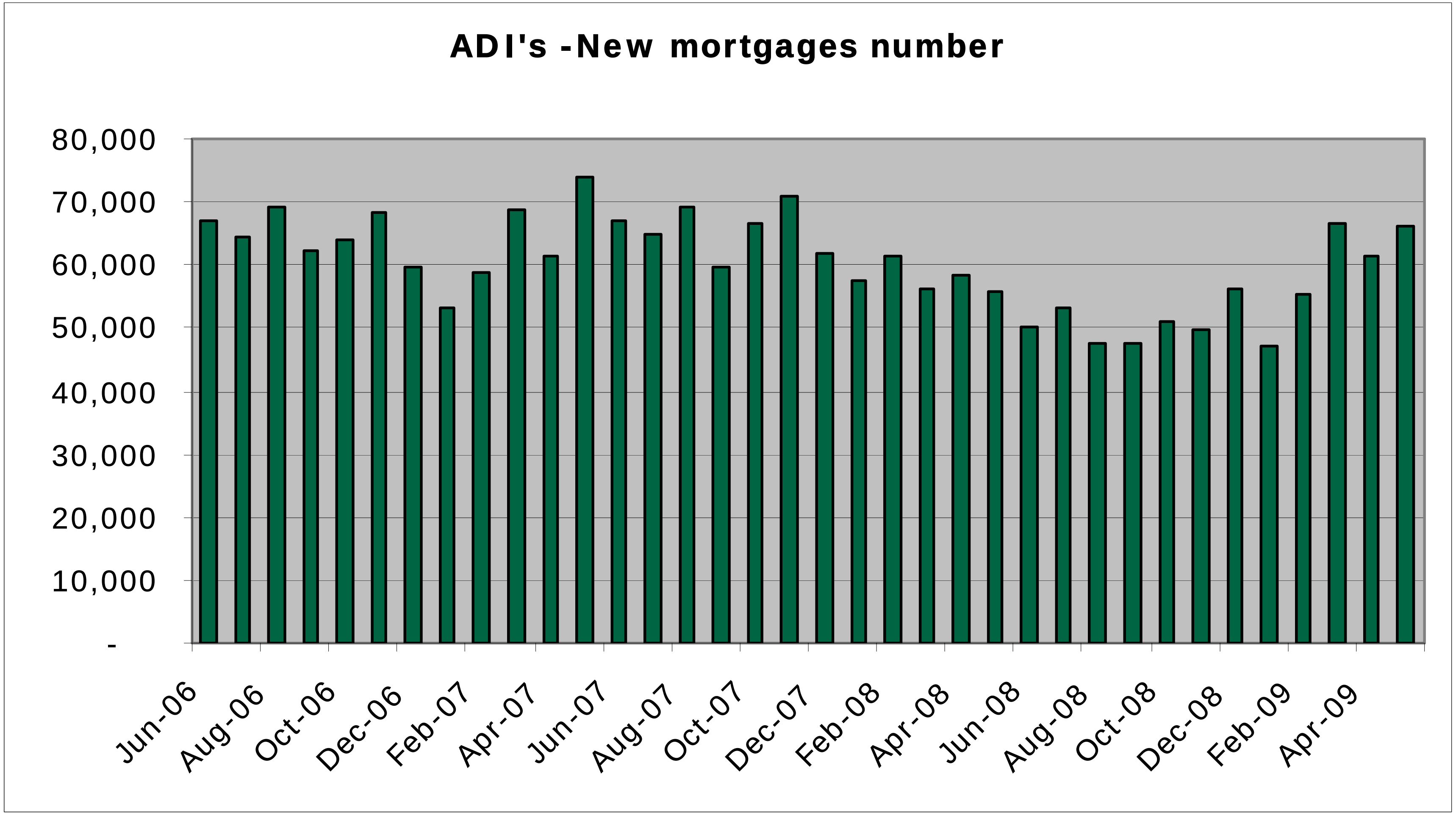
All housing finance by purpose softens



Degree of fall varies by lenders

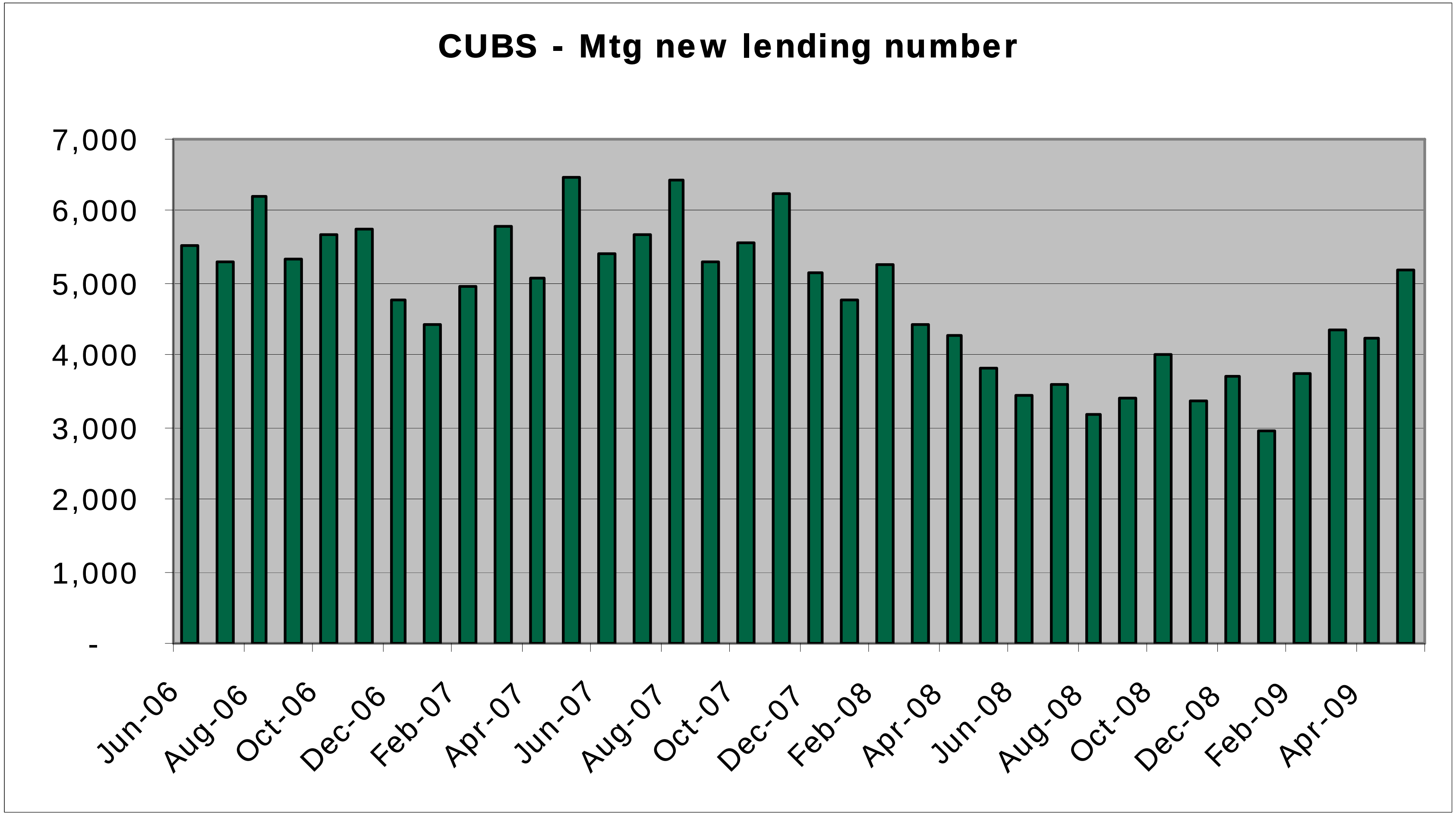


ADIs Number of new mortgages



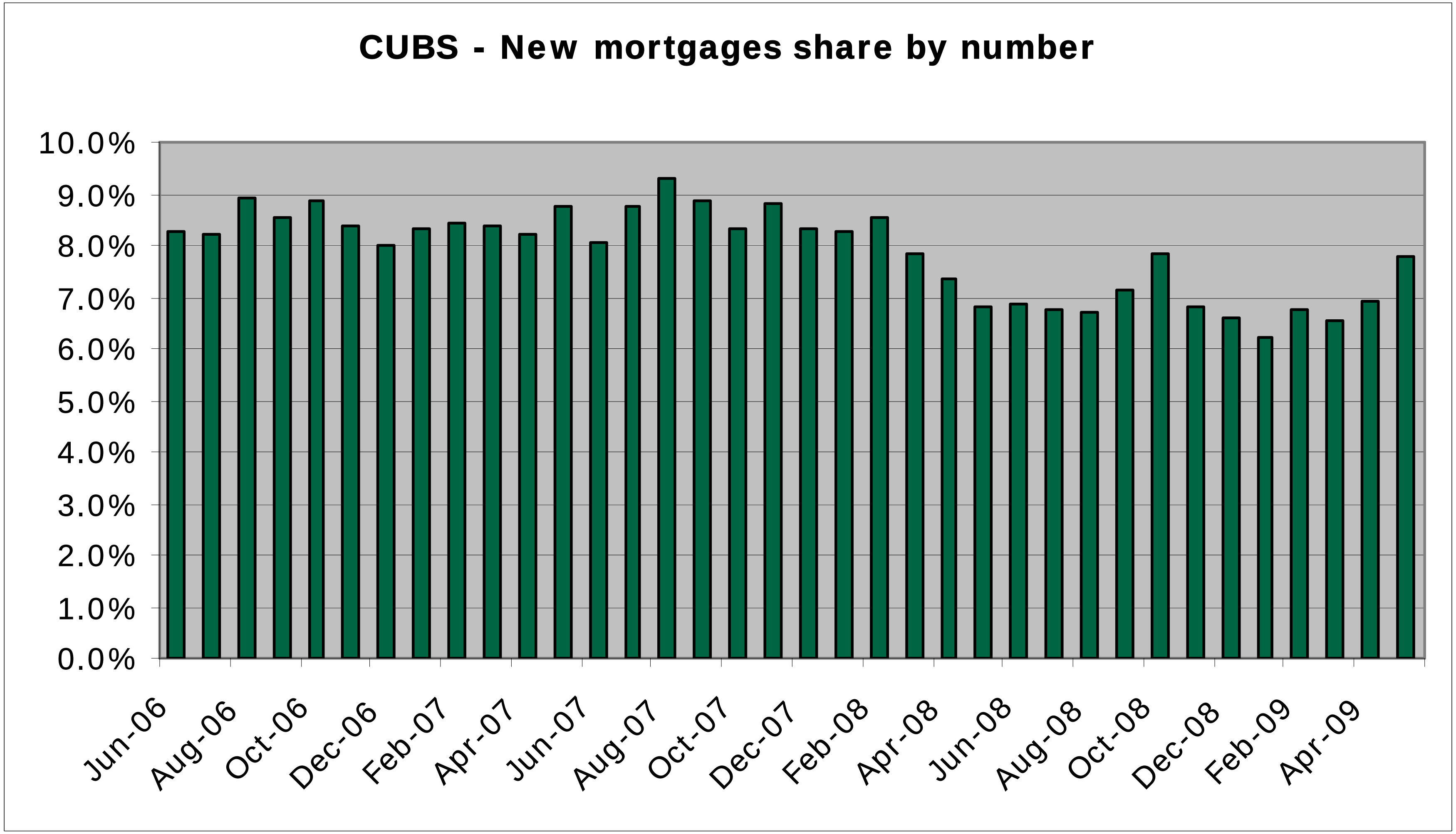
Source: ABS

CUBS Number of new mortgages



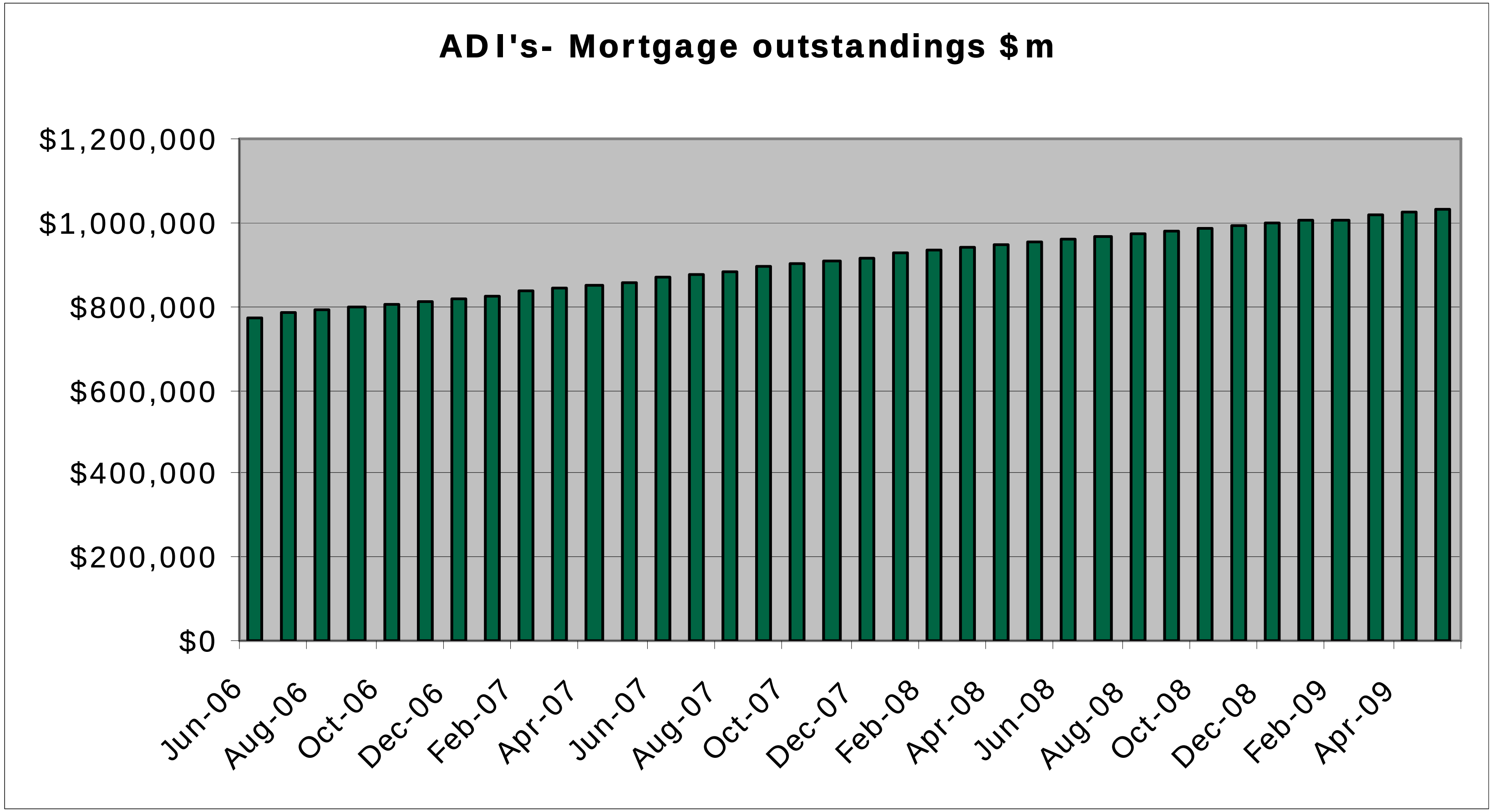
Source:ABS

CUBS Share of new mortgages



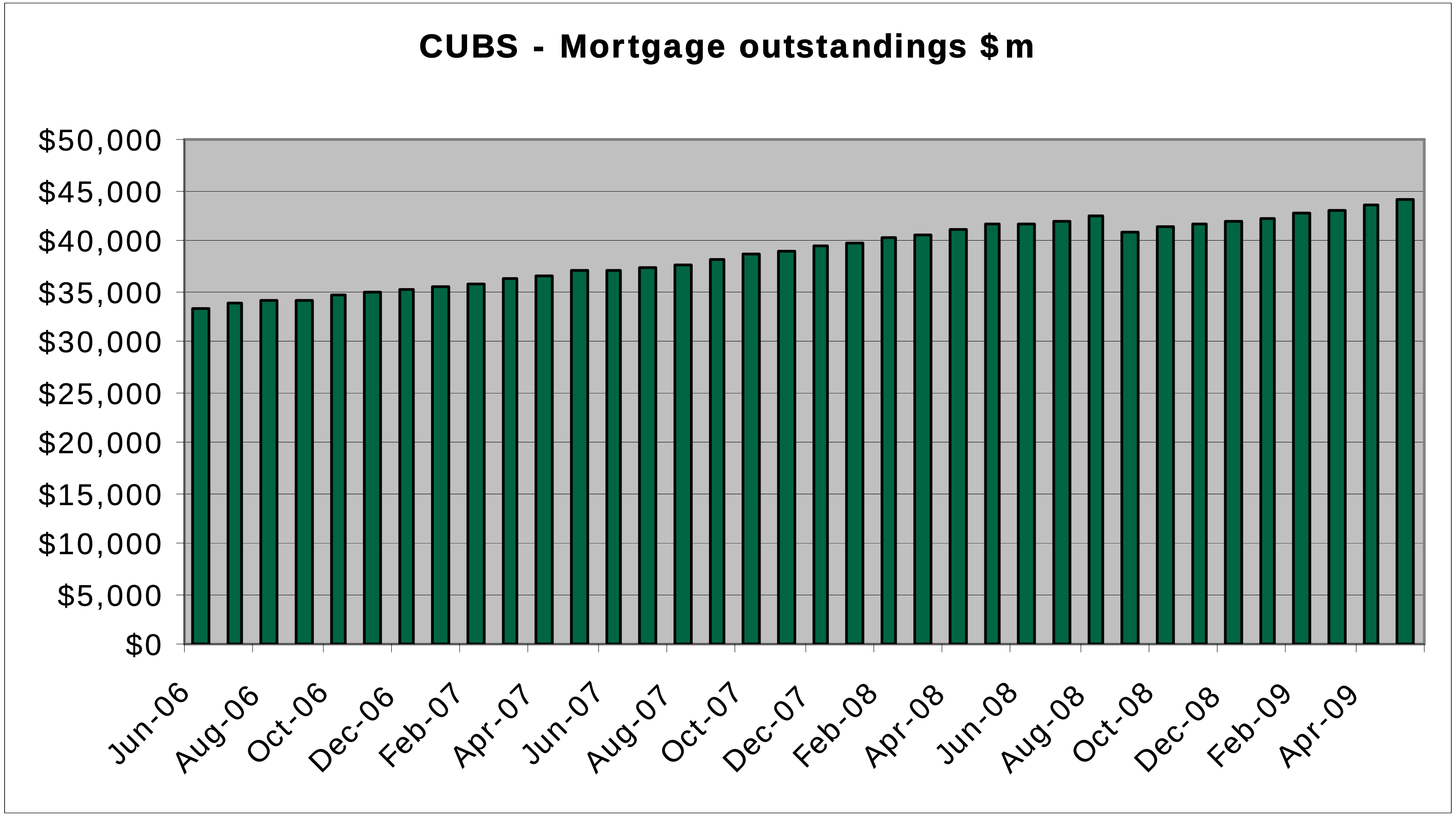
Source: ABS

ADI Mortgage Outstandings $m



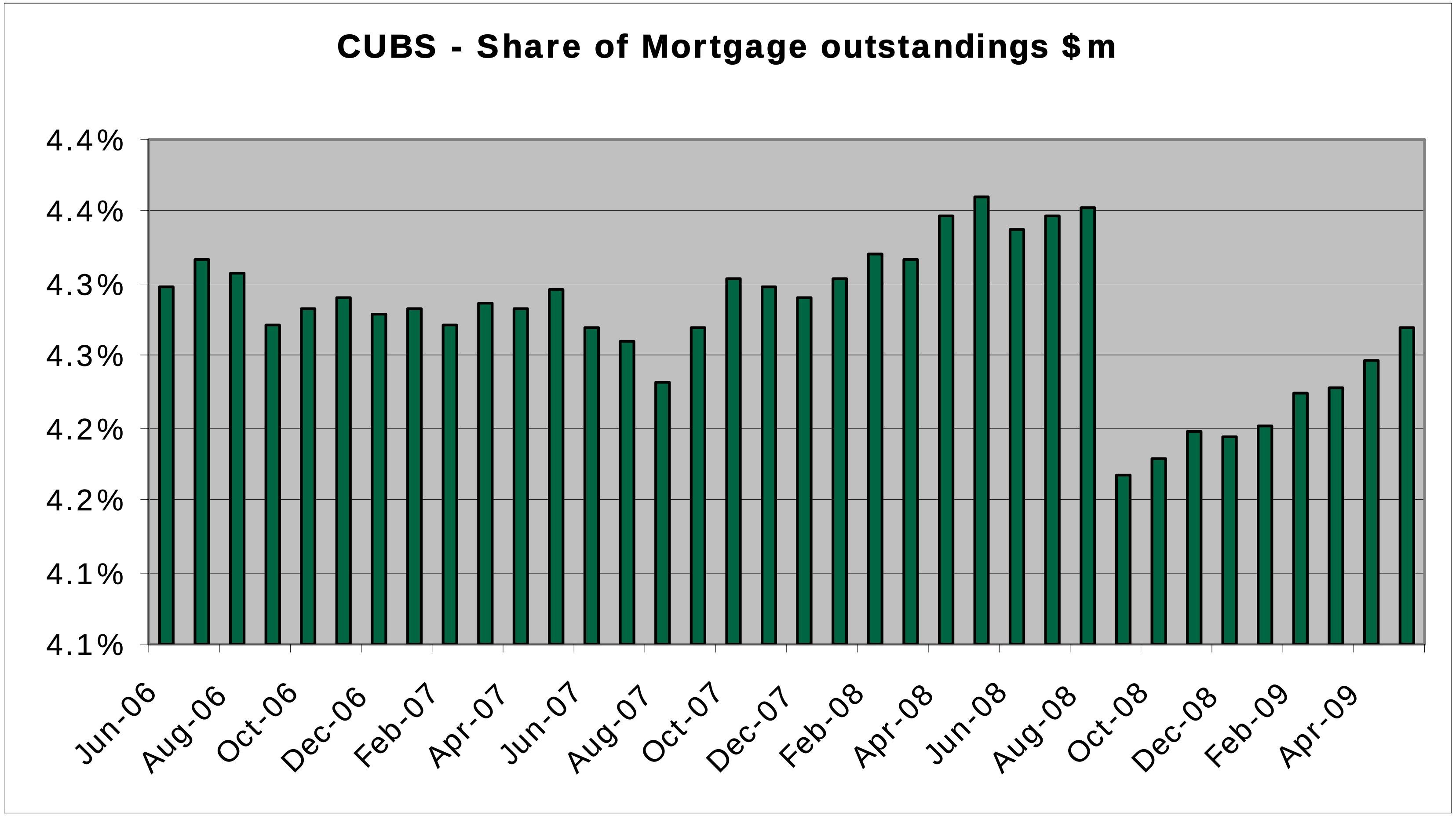
Source: RBA

CUBS Mortgage Outstandings $m



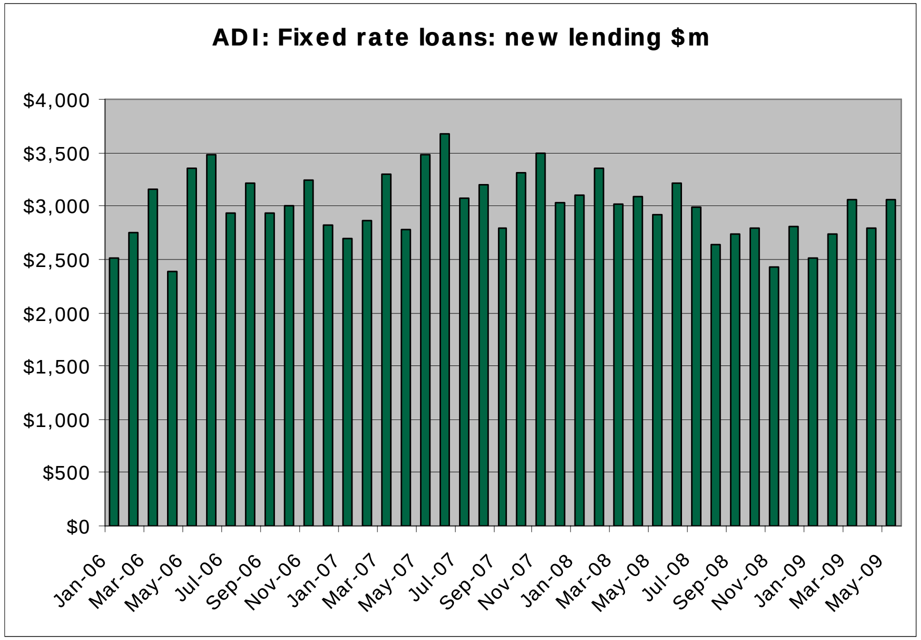
Source: RBA

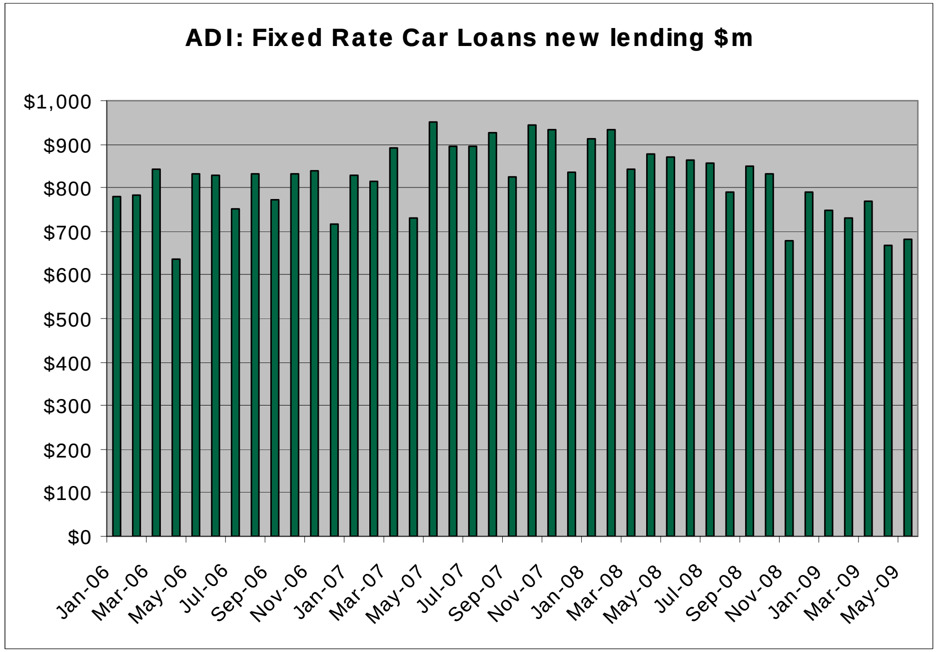
CUBS Share of Mortgage Outstandings



Source: RBA

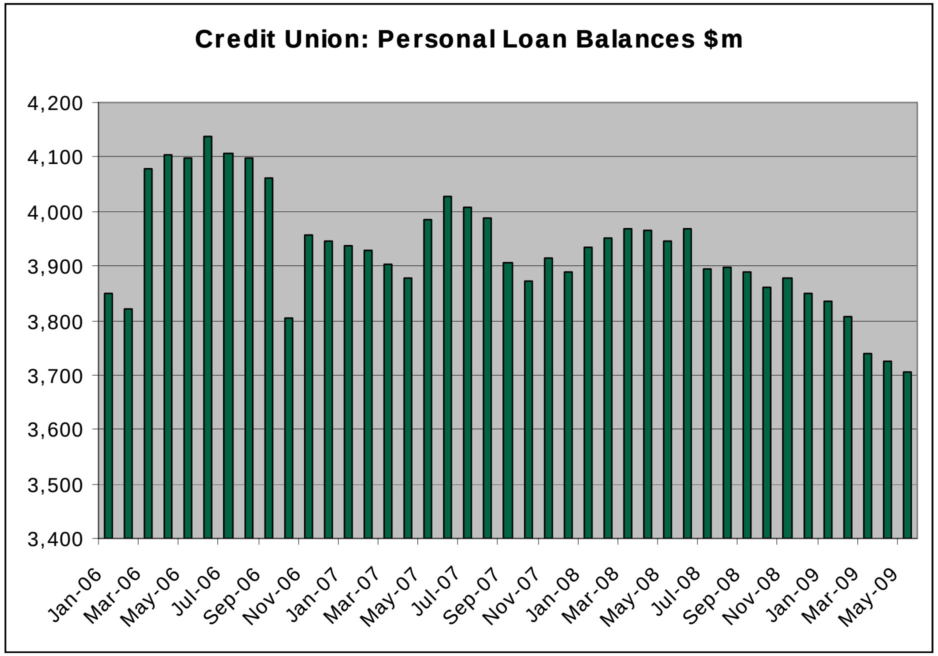
Decline of Personal loans – All lenders

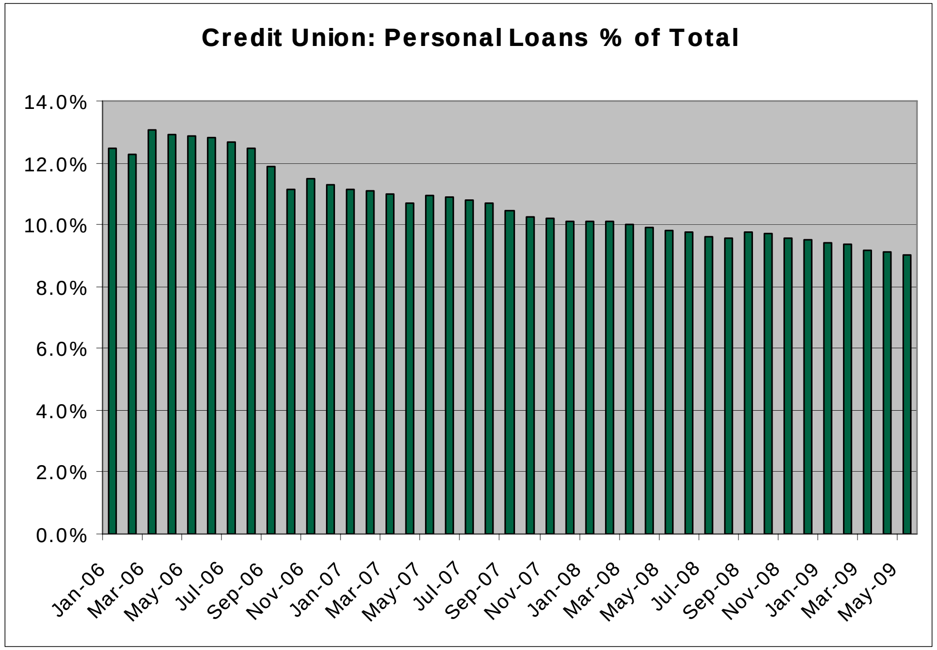




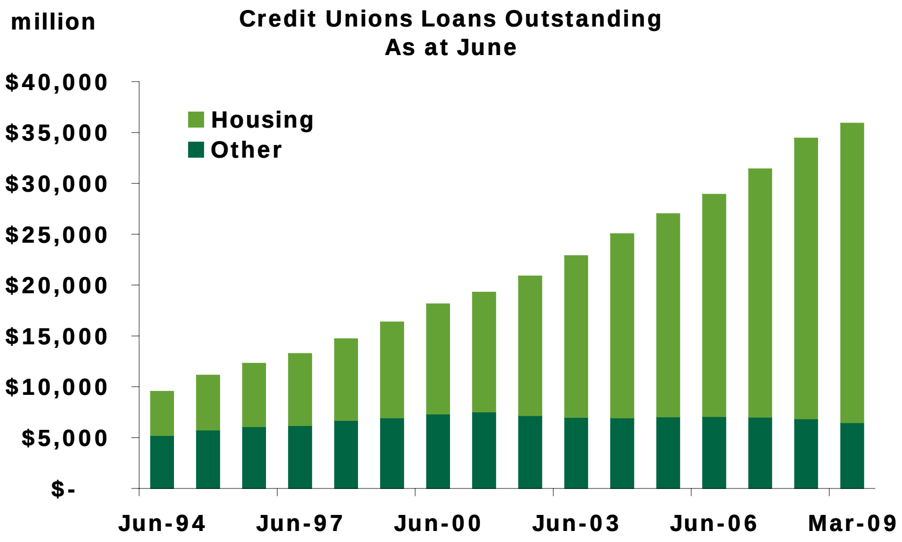
Source: ABS

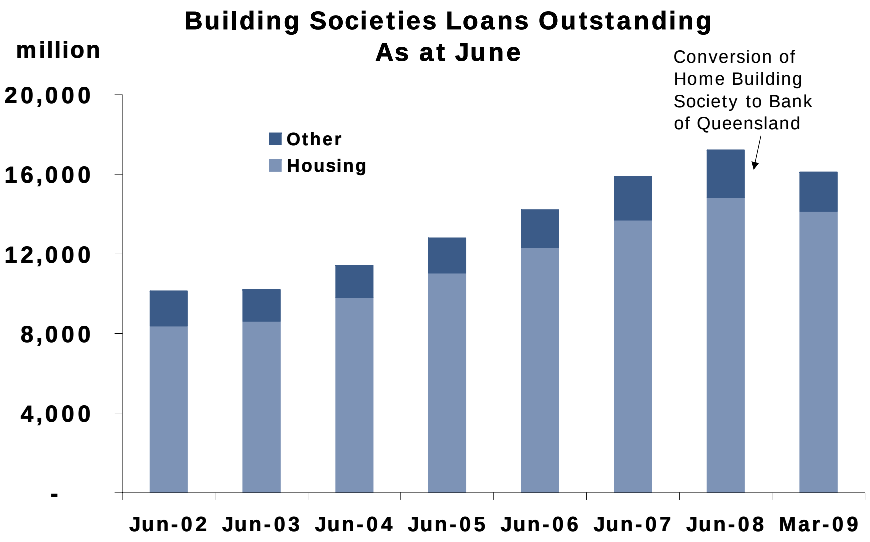
Decline of Personal loans – CUs





Lending – Mix Mutuals

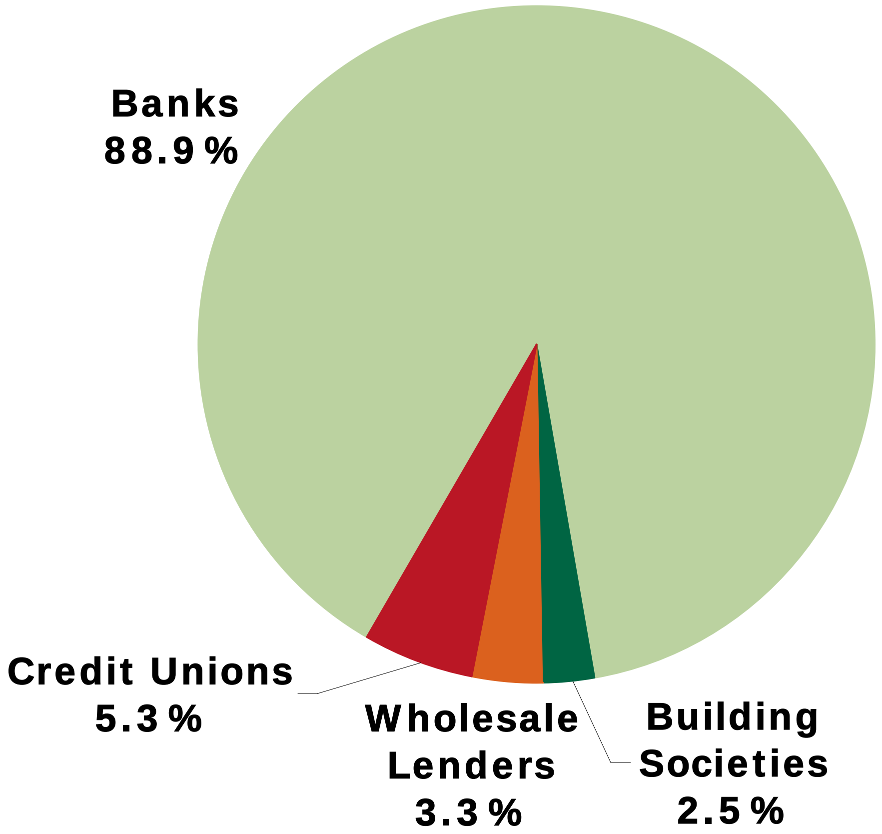




Source: APRA

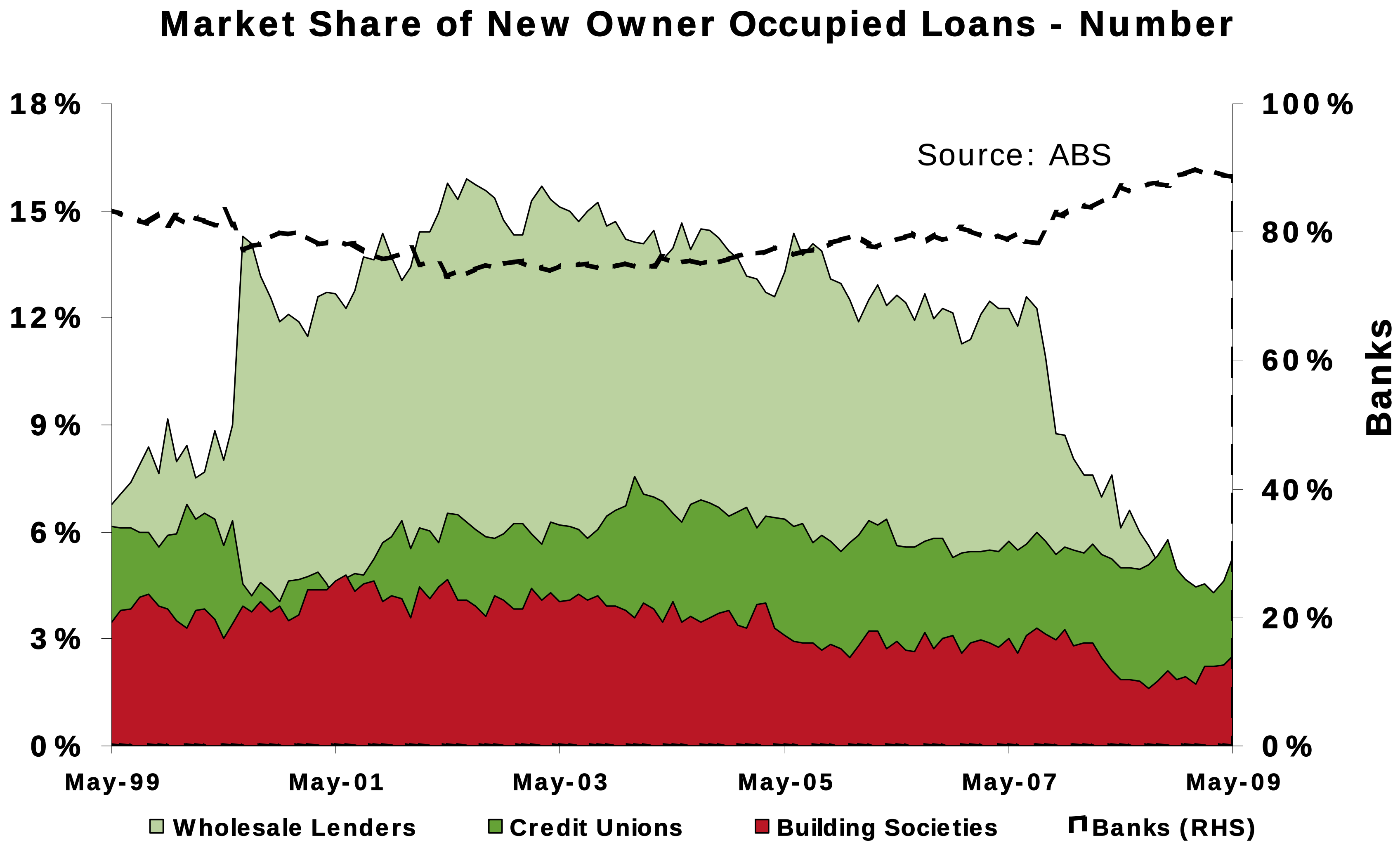
Banks – dominant players

Market Share of New Owner Occupied Loans
- number, May 2009

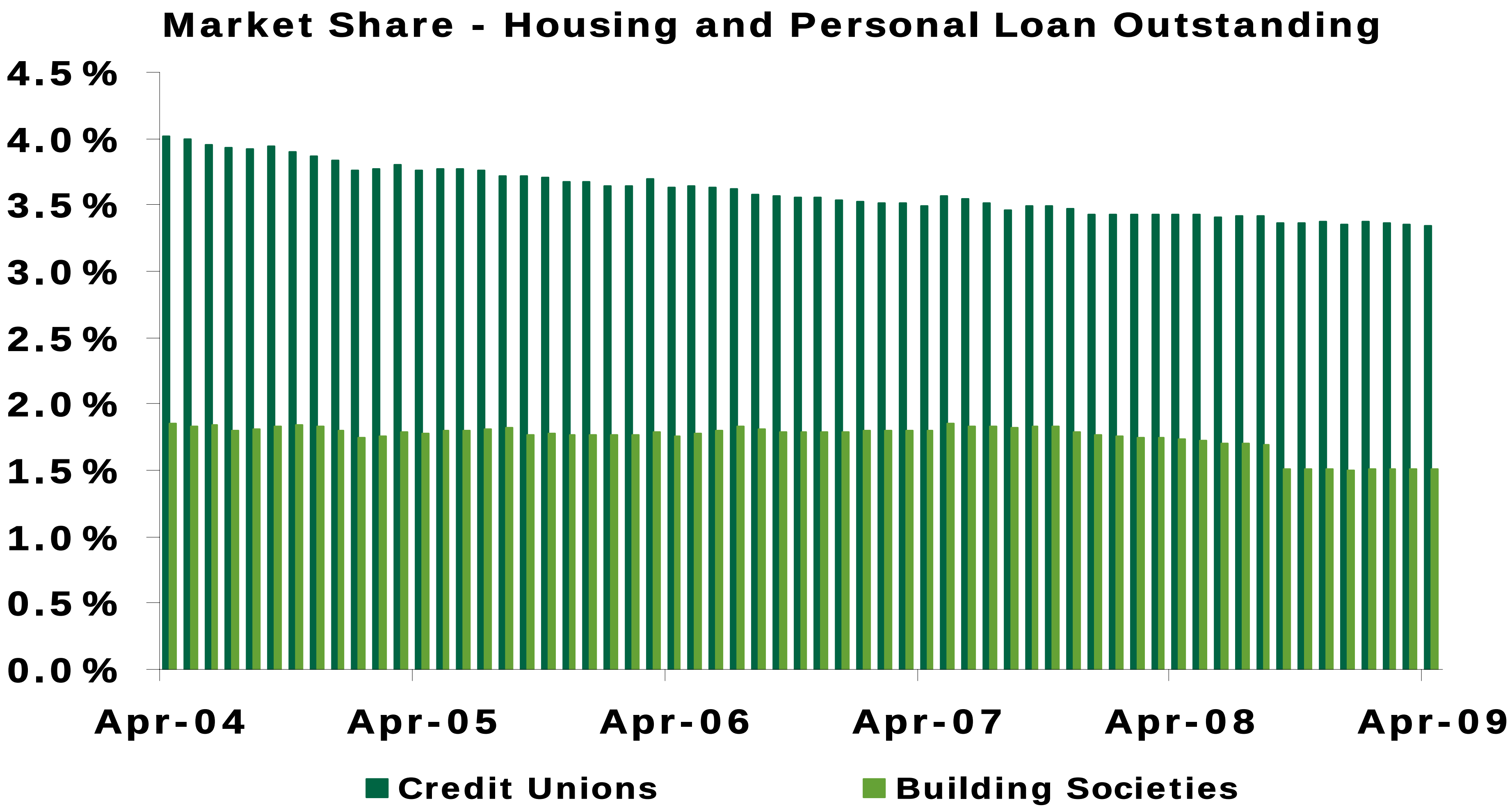


Source: ABS

Decline of wholesale lenders



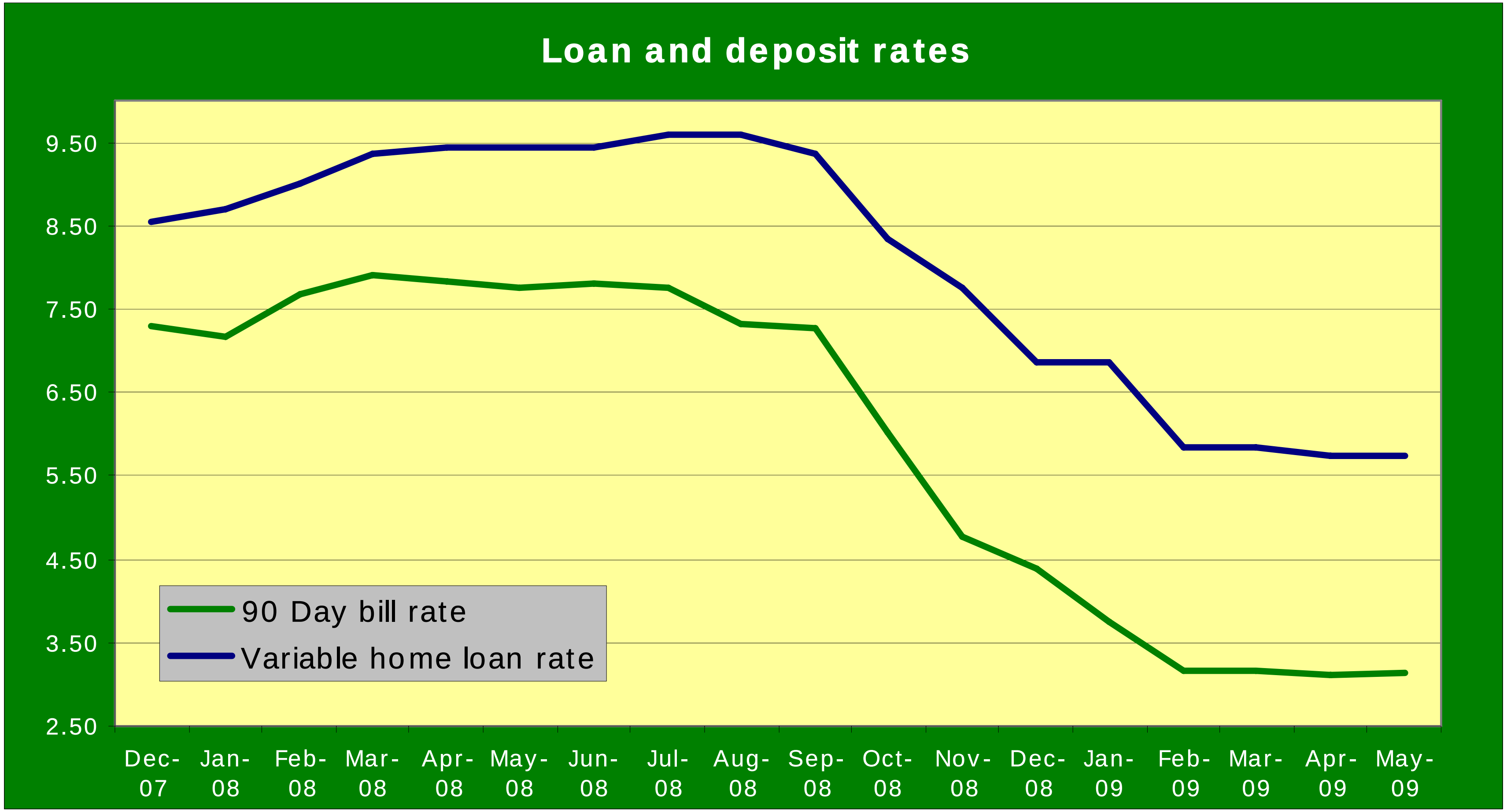
CUBS share of retail loans outstanding



Source: RBA

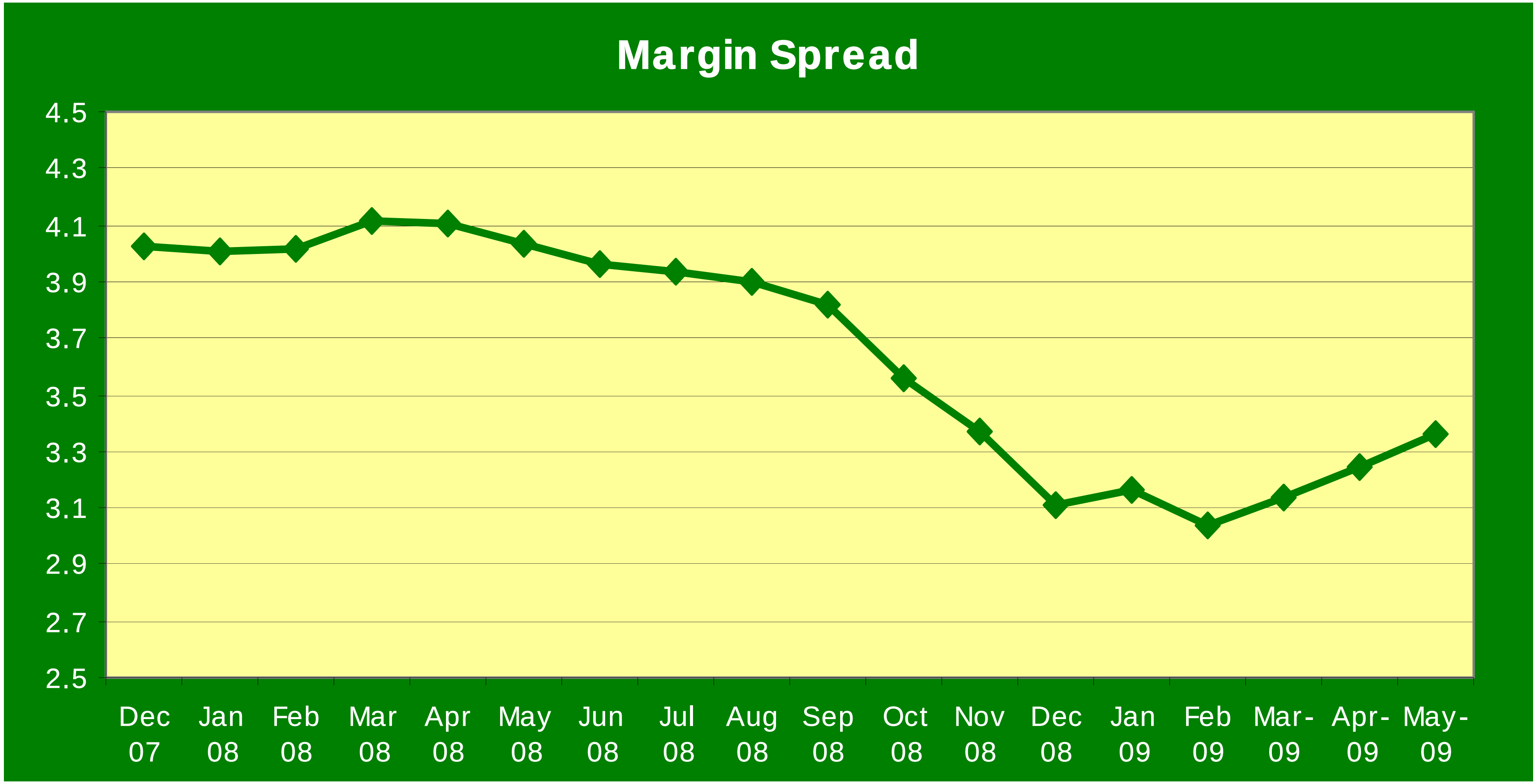
Impact on contribution margins

Volatile interest rates



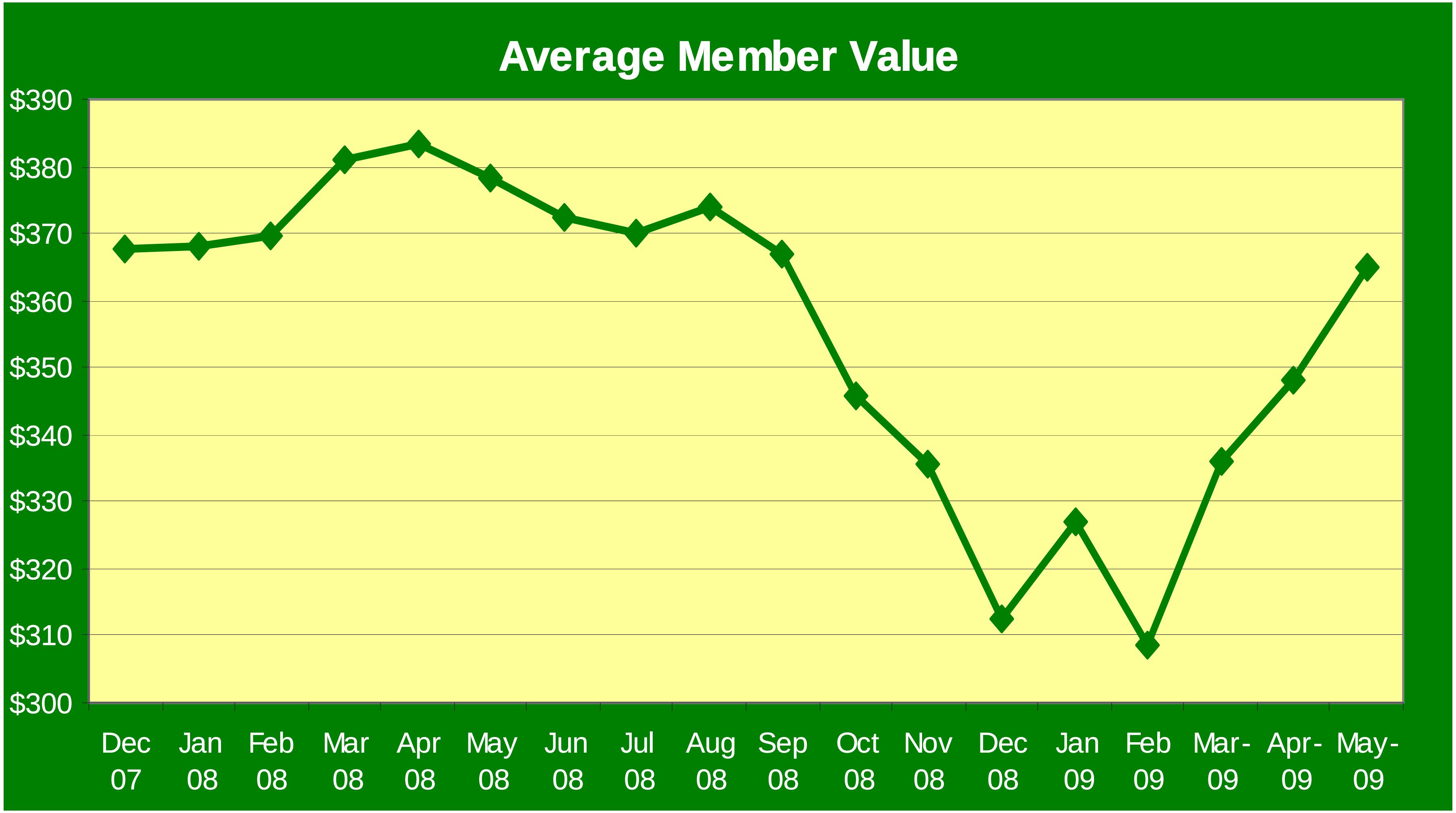
Source: RBA

Impact on spread – CUs



Source: Abacus MMD

Impact on member value – CUs

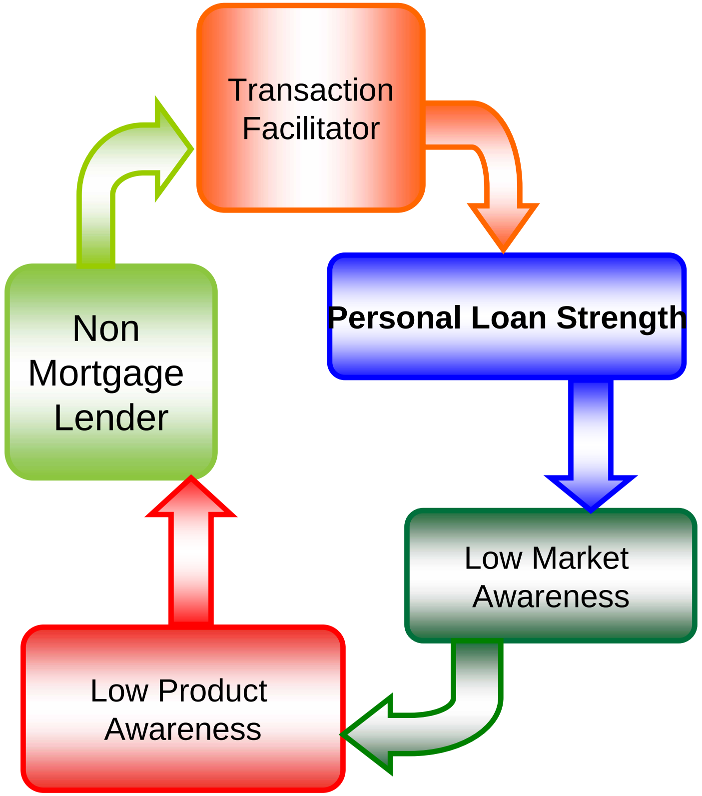


Source: Abacus MMD

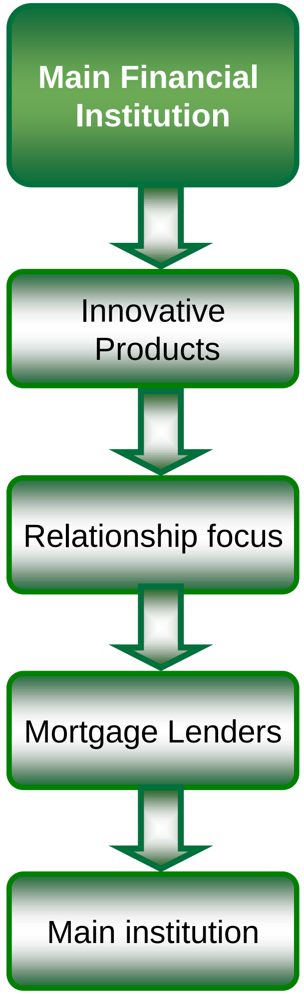
Impact on repositioning

MFI Roadmap

From This…



To This…

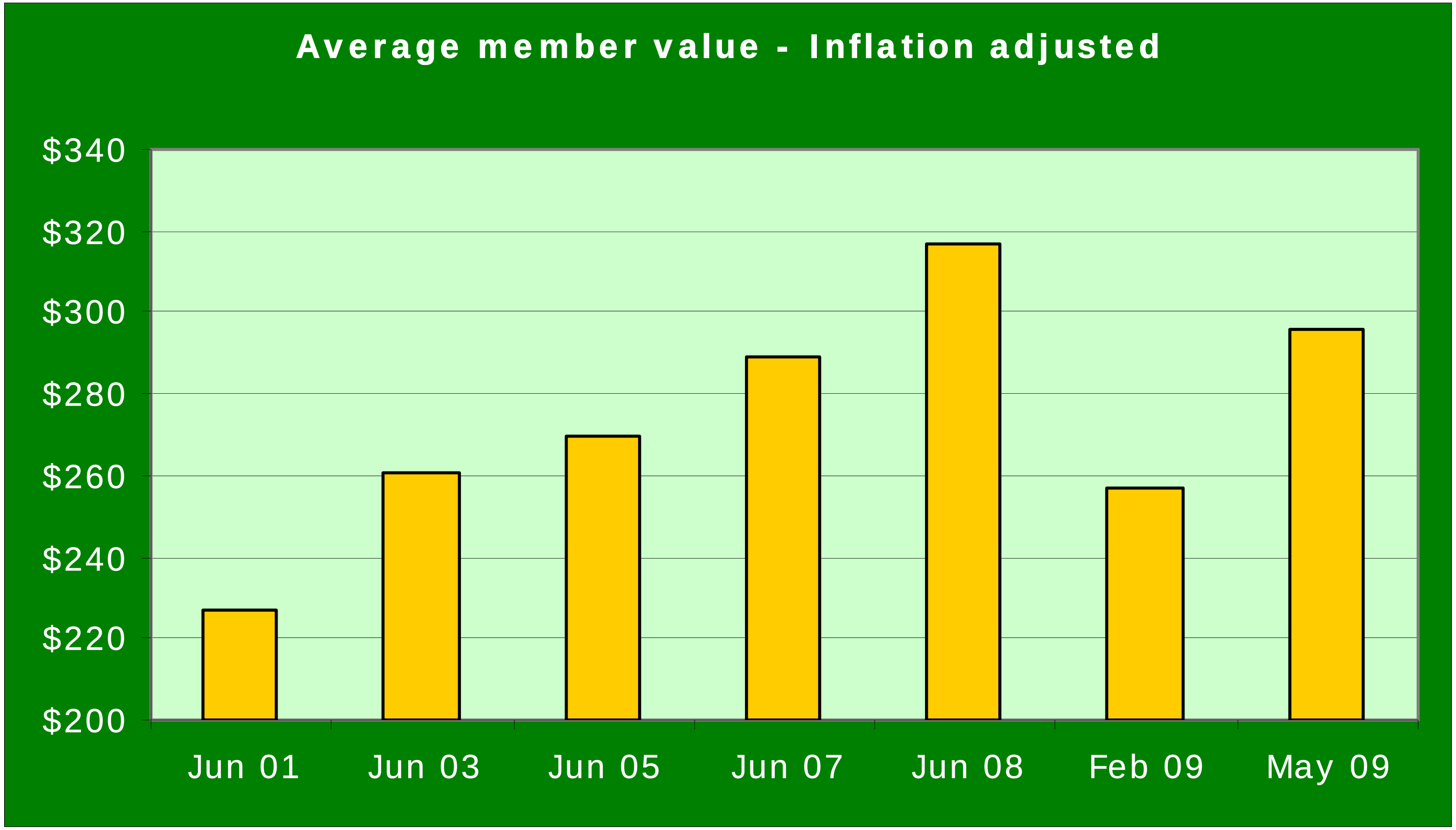


Repositioning

	Jun 01	Jun 05	Jun 08	May 09	Change
Avg relationship balance	$10,948	$15,971	$23,776	$24,561	124%
Avg relationship balance (real)	$10,948	$14,400	$19,813	$19,965	82%
% MFI (>6 products)	7.5%	9.3%	12.4%	14.9%	99%
% active with value	47.4%	51.7%	56.4%	57.8%	22%
% tenuous	20.1%	19.0%	16.3%	16.5%	-18%
% diluters	17.7%	14.1%	11.8%	10.0%	-44%
% with personal loan	15.9%	12.5%	10.4%	9.6%	-40%
% with mortgage	3.7%	4.6%	5.3%	5.4%	47%
Transactions decile 1	13.7%	16.3%	18.4%	20.0%	46%
Transactions decile 10	25.7%	20.8%	16.9%	22.0%	-14%
Margin spread	4.57%	4.23%	3.99%	3.24%	-29%
Avg member value	$227	$299	$380	$348	53%
Avg member value (real)	$227	$270	$317	$283	25%

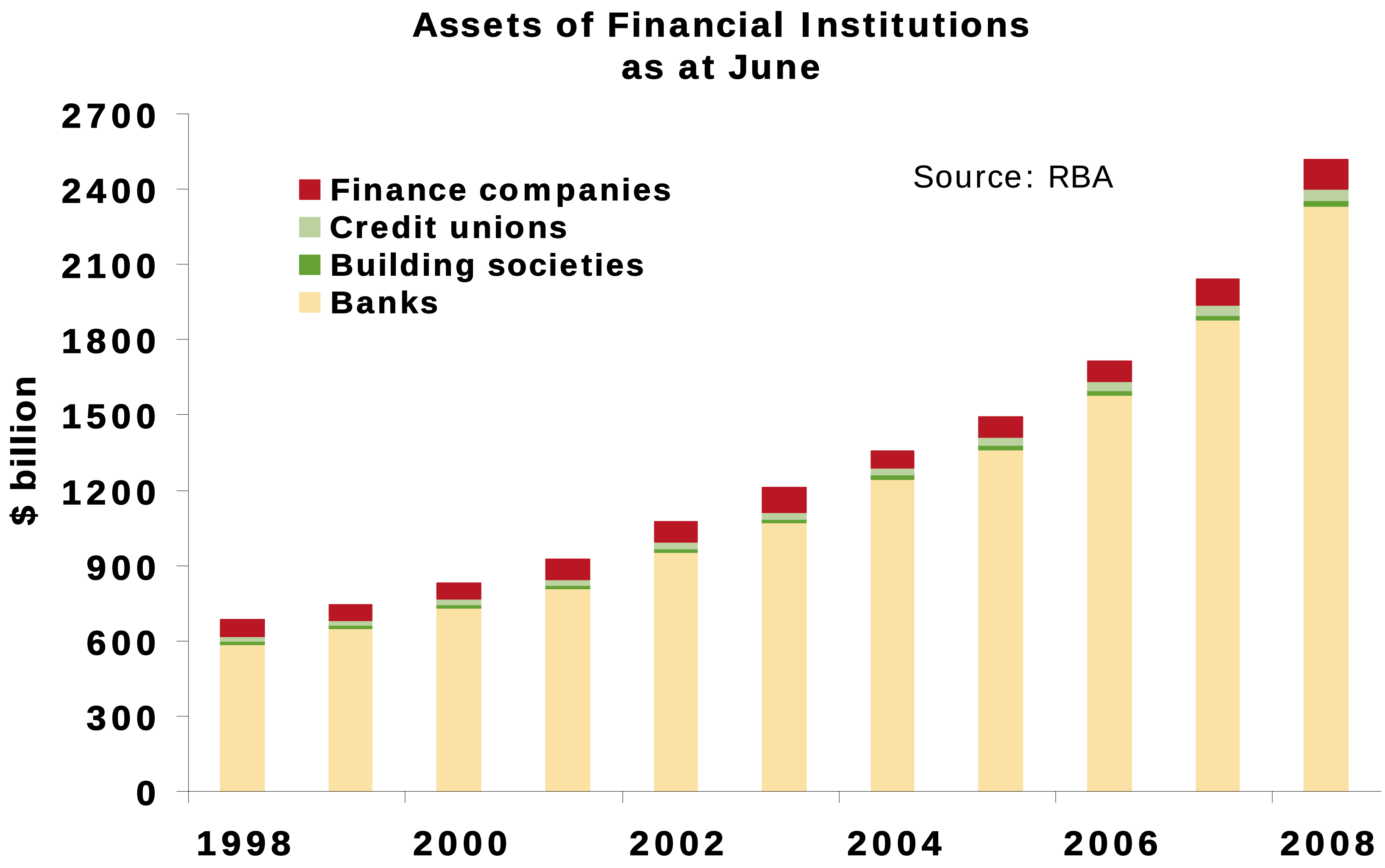
Source: Abacus MMD

Impact of GFC on repositioning



Source: Abacus MMD

Still niche players



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