

KEY ISSUES FOR 2008 & BEYOND

AMI Conference

Sunday 16 March 2008

**John Gilbert
Cuscal CEO**



Key Issues

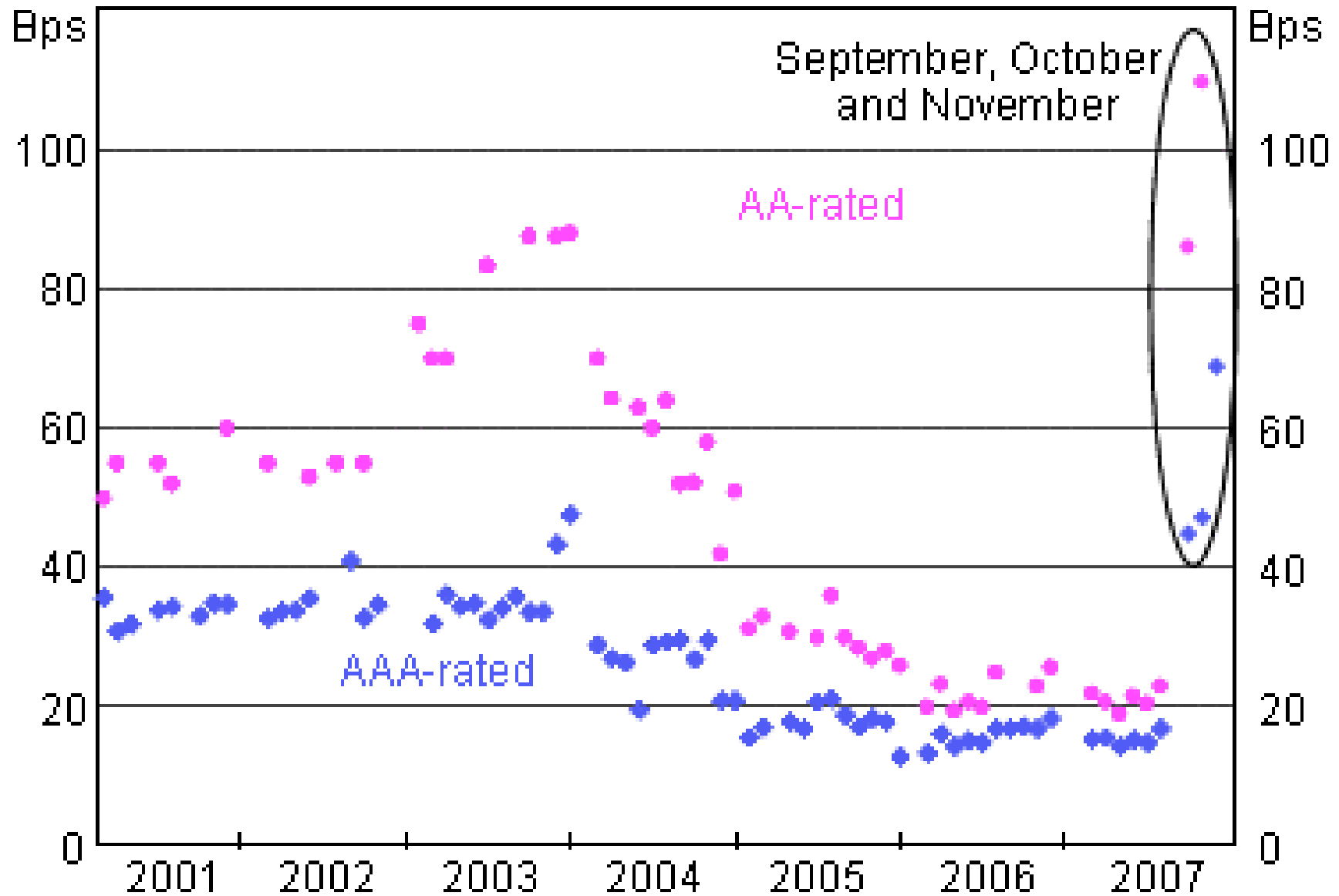
- > Funding
- > Margins
- > Ageing Population
- > Direct Charging
- > Industry Structure

Key Issues Funding

- > The “Global” economy
- > More (or less) to come
- > Securitisation
- > Retail deposits
- > Access to capital

Spreads on Domestically Issued Prime RMBS

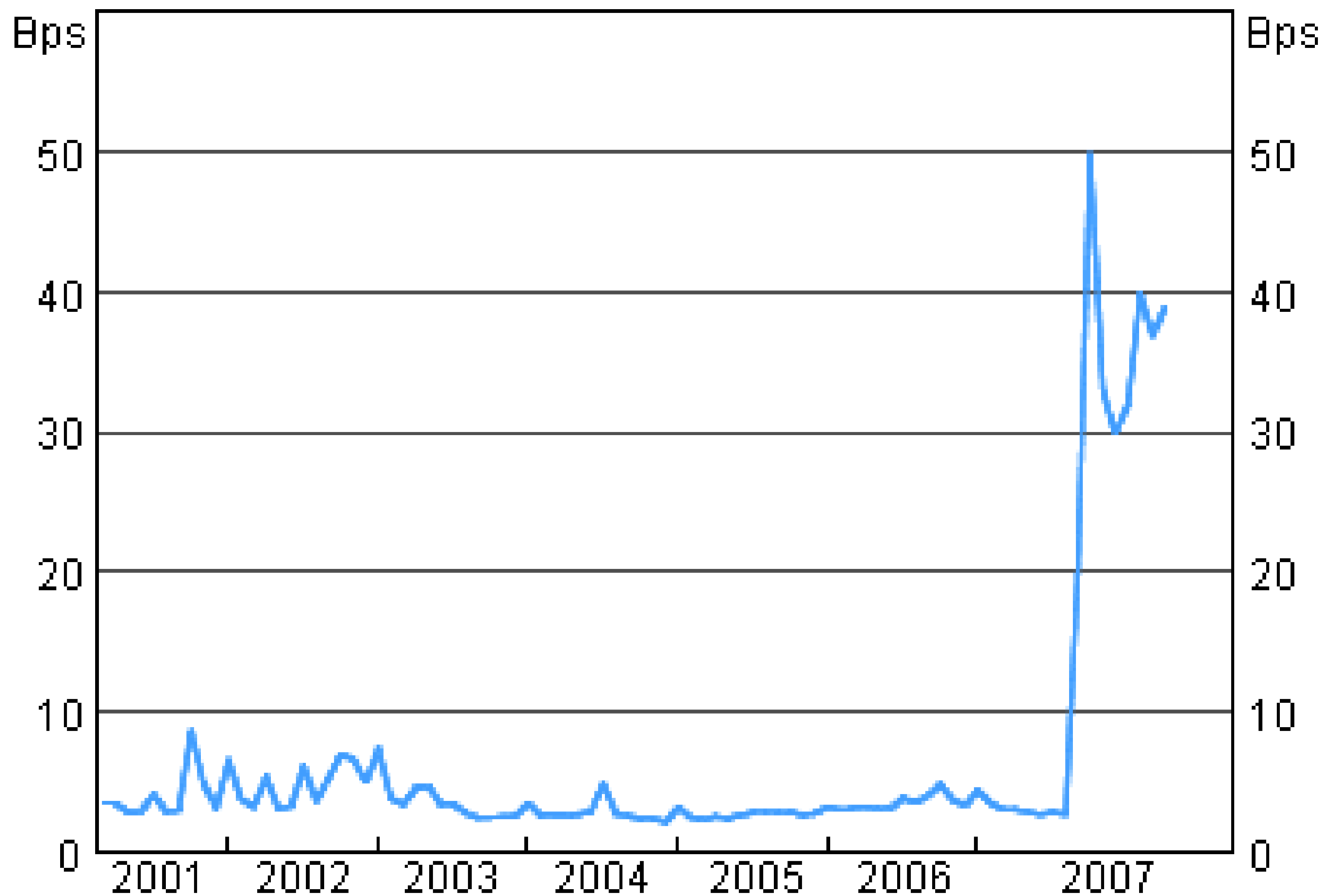
Spread to BBSW, monthly average



Source: RBA

Australian 30-day ABCP Spreads

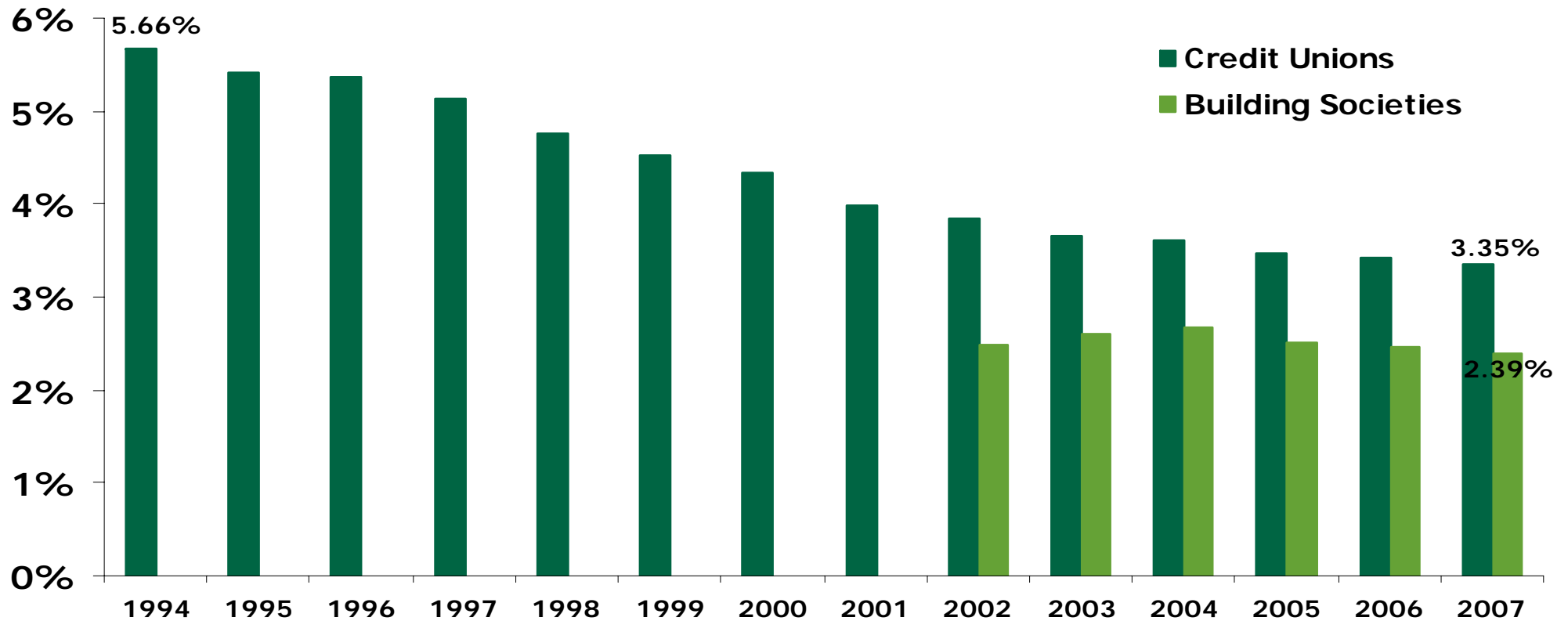
Spread to the bank bill rate



Source: nabCapital

Key Issues Margins

Margin (Net Interest Income / Av. Assets)
Year ended June

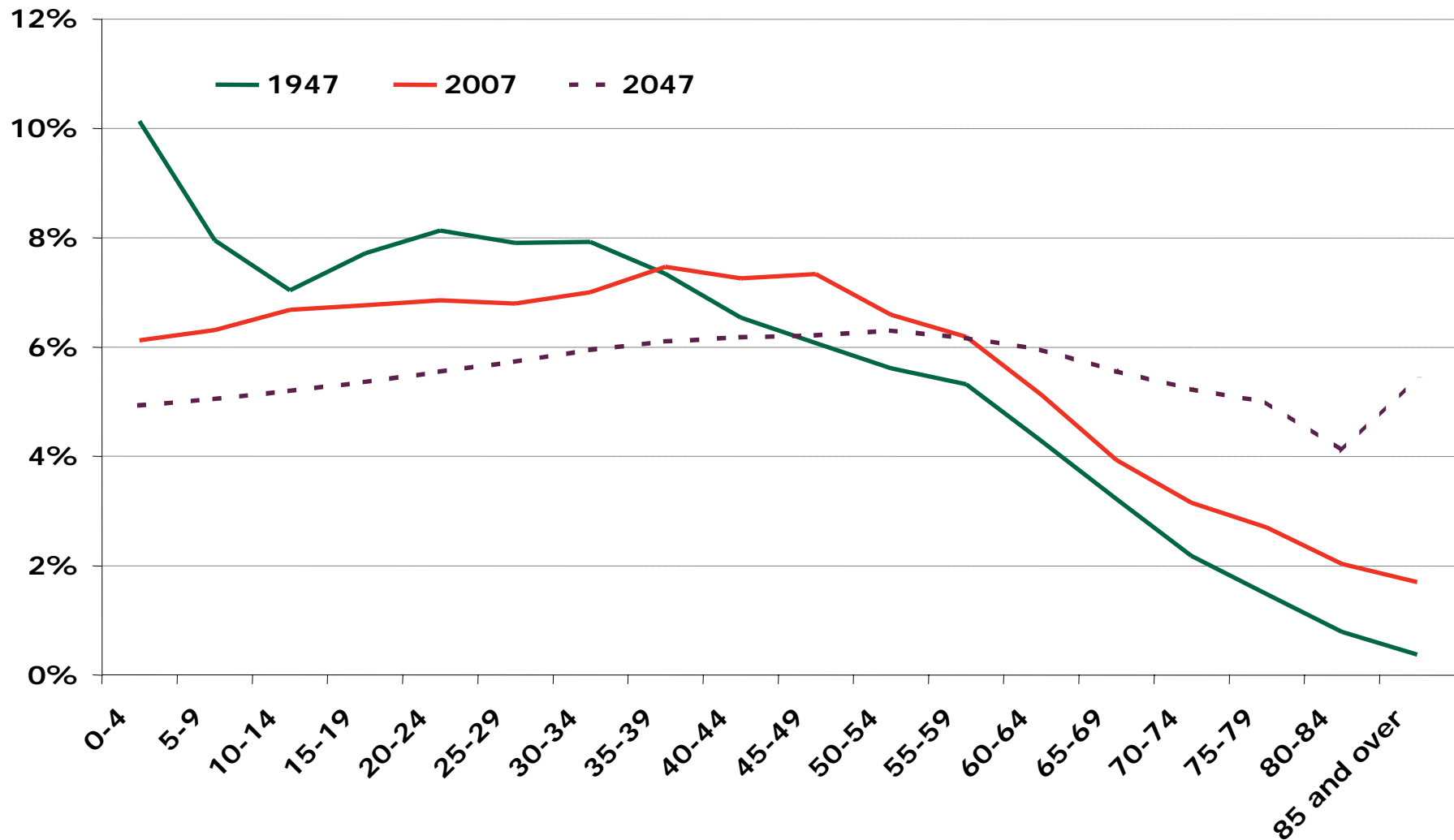


Key Issues Margins

- > Competitive pressures
- > Funding pressures

Key Issues Ageing Population

Australia Population Projections

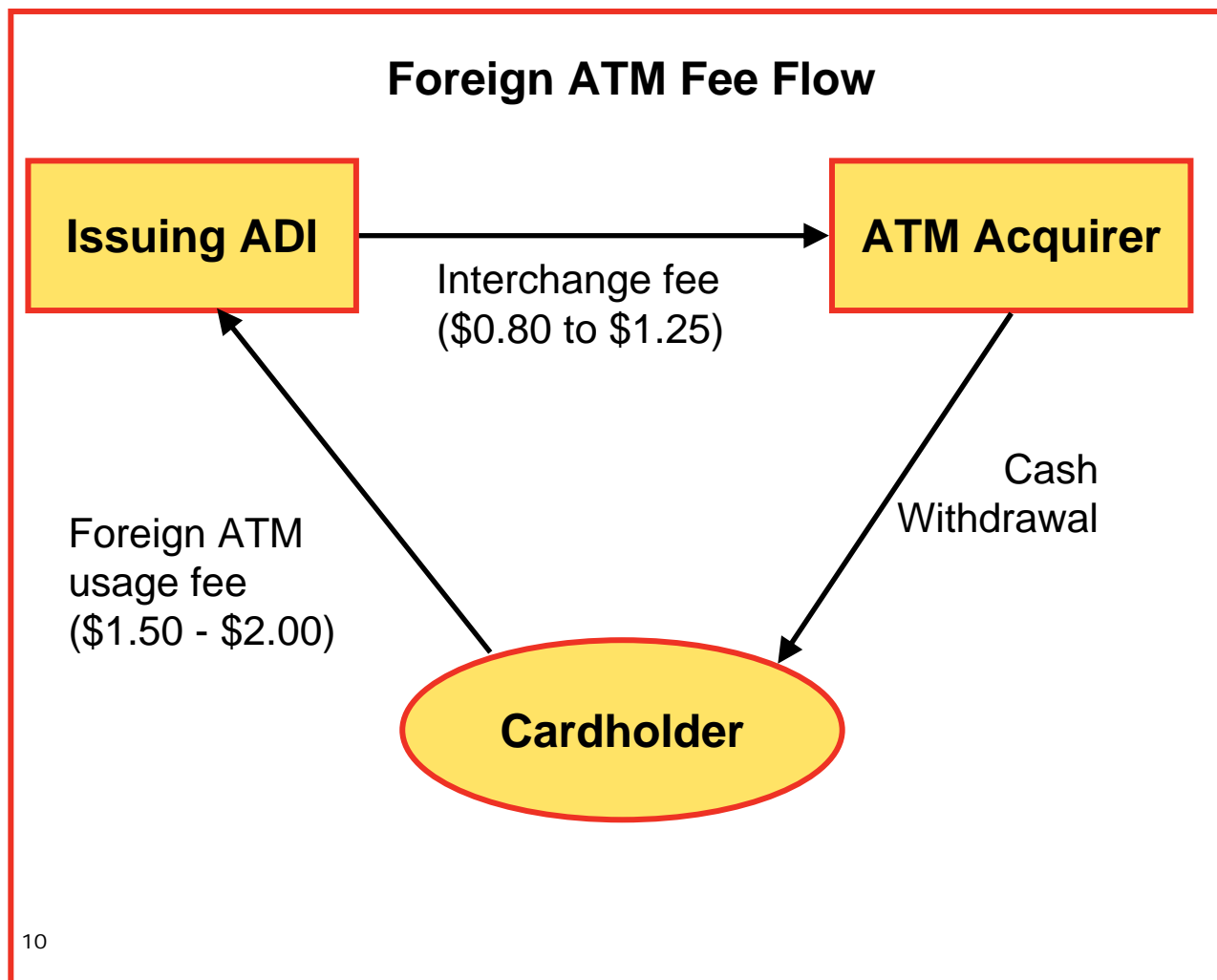


Key Issues Ageing Population

- > Recent research in Europe and USA suggests that by 2025 “dis-savers” (over 60’s) will outnumber the “prime savers”
- > Savings inflows could be impacted by around 35%
- > We are not strong on boundary crossing offerings

Key Issues Direct Charging

EXISTING INTERCHANGE



Interchange is bilaterally agreed between Issuers and acquirers

This gave all issuers and acquirers price certainty

But!

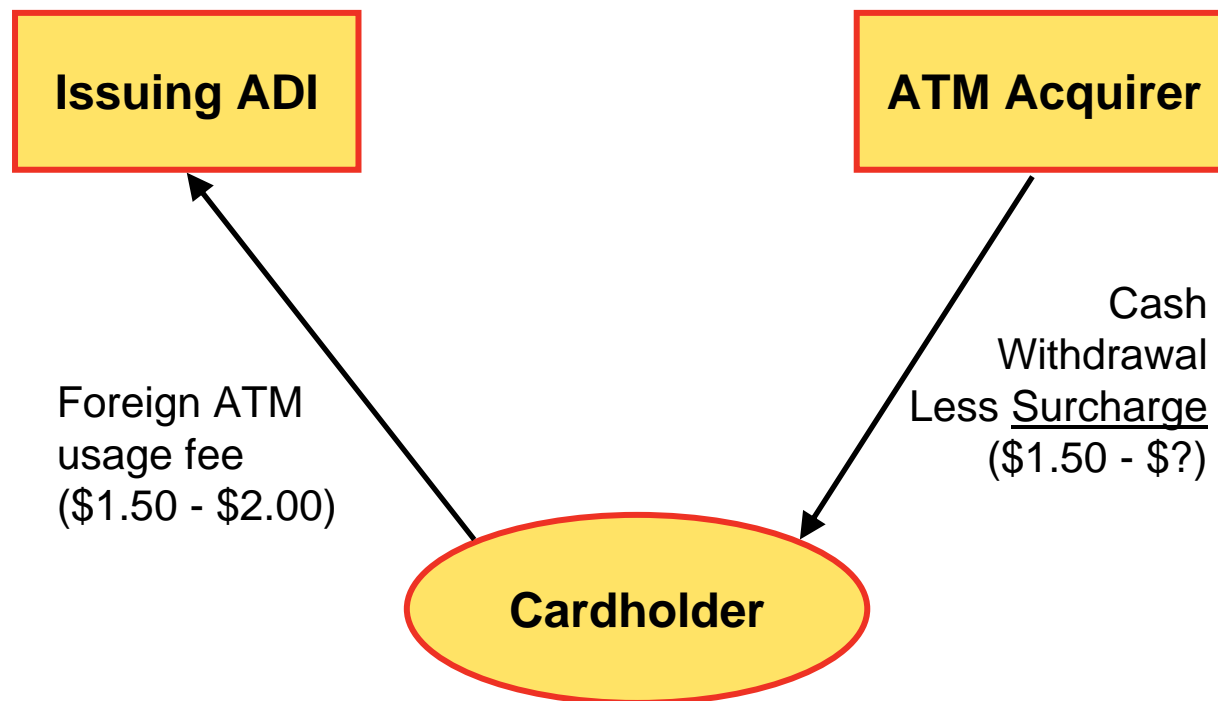
RBA believes it acted a barrier to entry for new acquirers/deployers

Interchange is “hidden” from cardholders

.....And so we have reform

Key Issues Direct Charging

Foreign ATM Fee Flow



Interchange is replaced with payable by card holders to acquirers achieving the RBA's two goals:

Removes bilateral interchange
Fee transparency to customers

But!

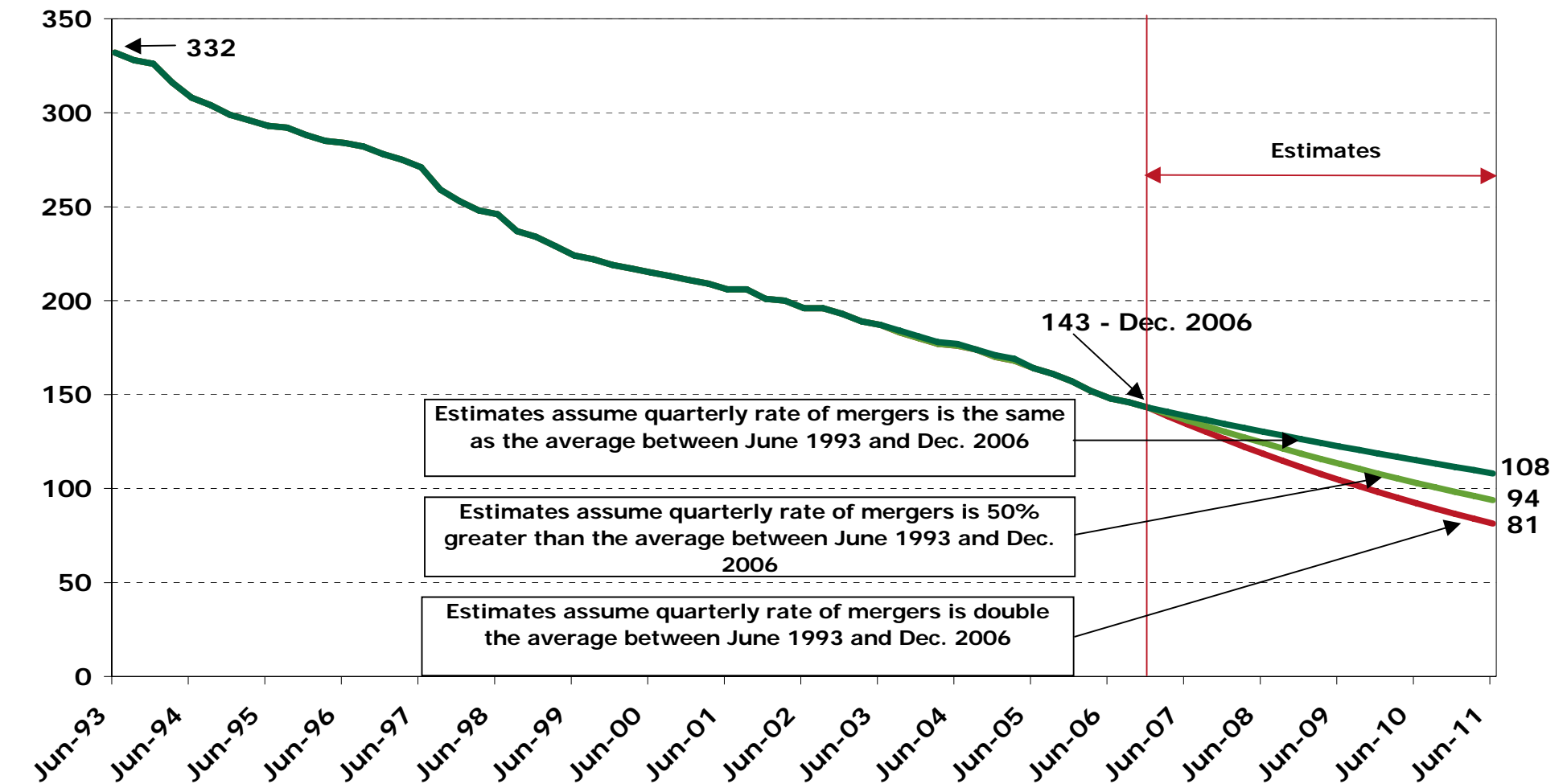
Issuers without an acquiring network are now at risk

Acquirers will suffer as Cardholders go back to home networks

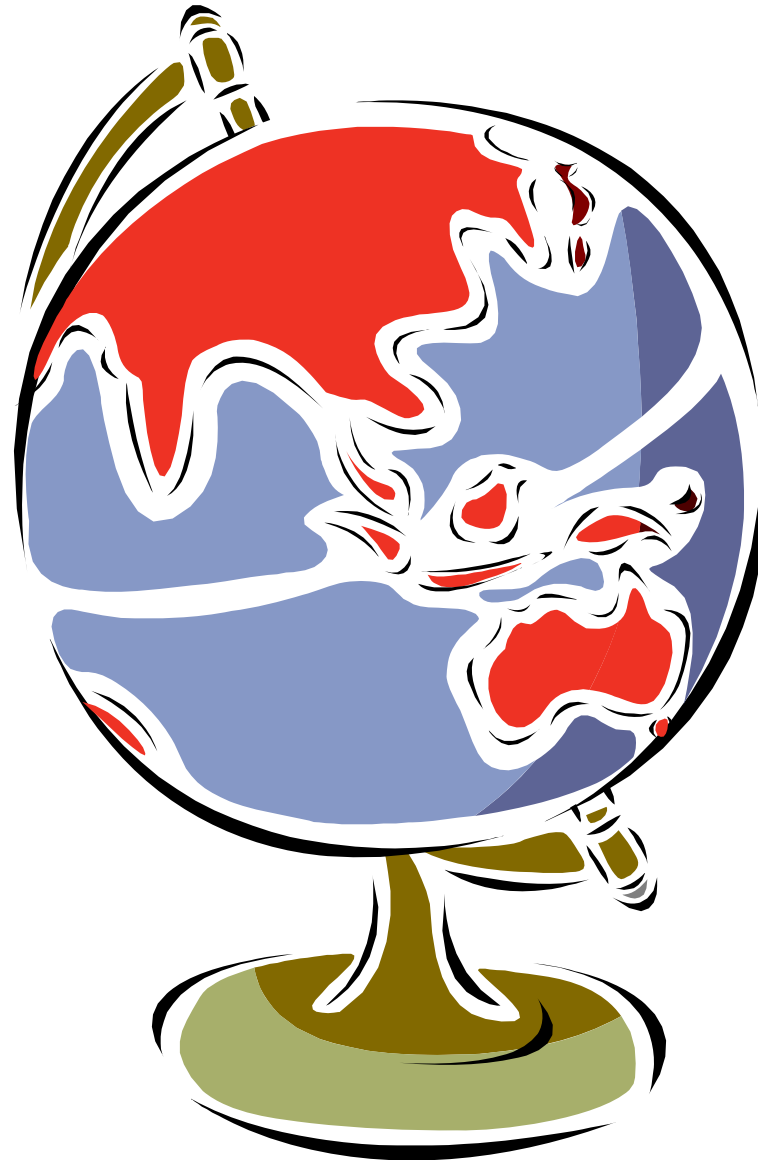
We need a safe network

Key Issues Industry Structure

CREDIT UNION NUMBERS

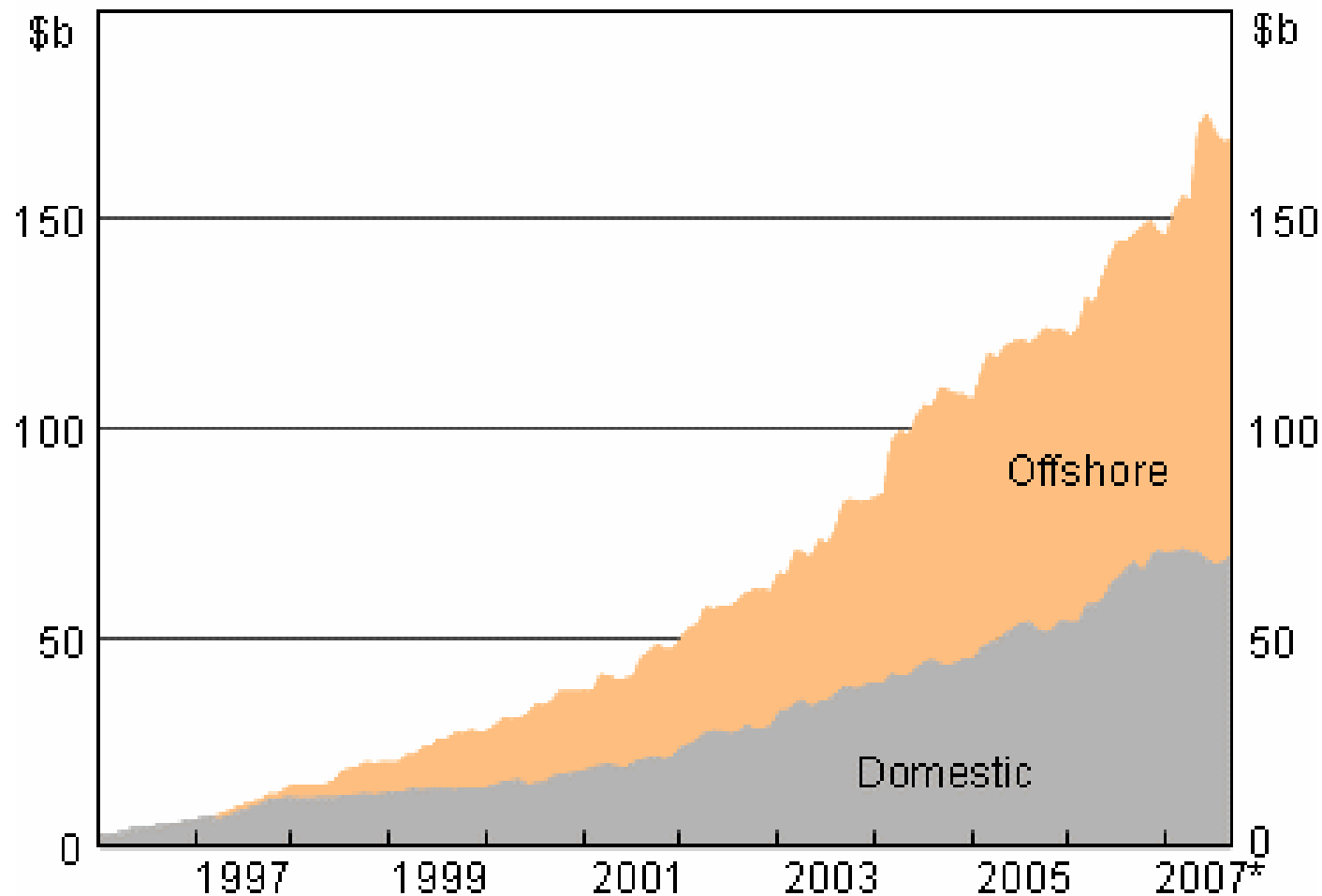


Key Issues Global Issues – Global Responses



Key Issues Australian RMBS Outstanding

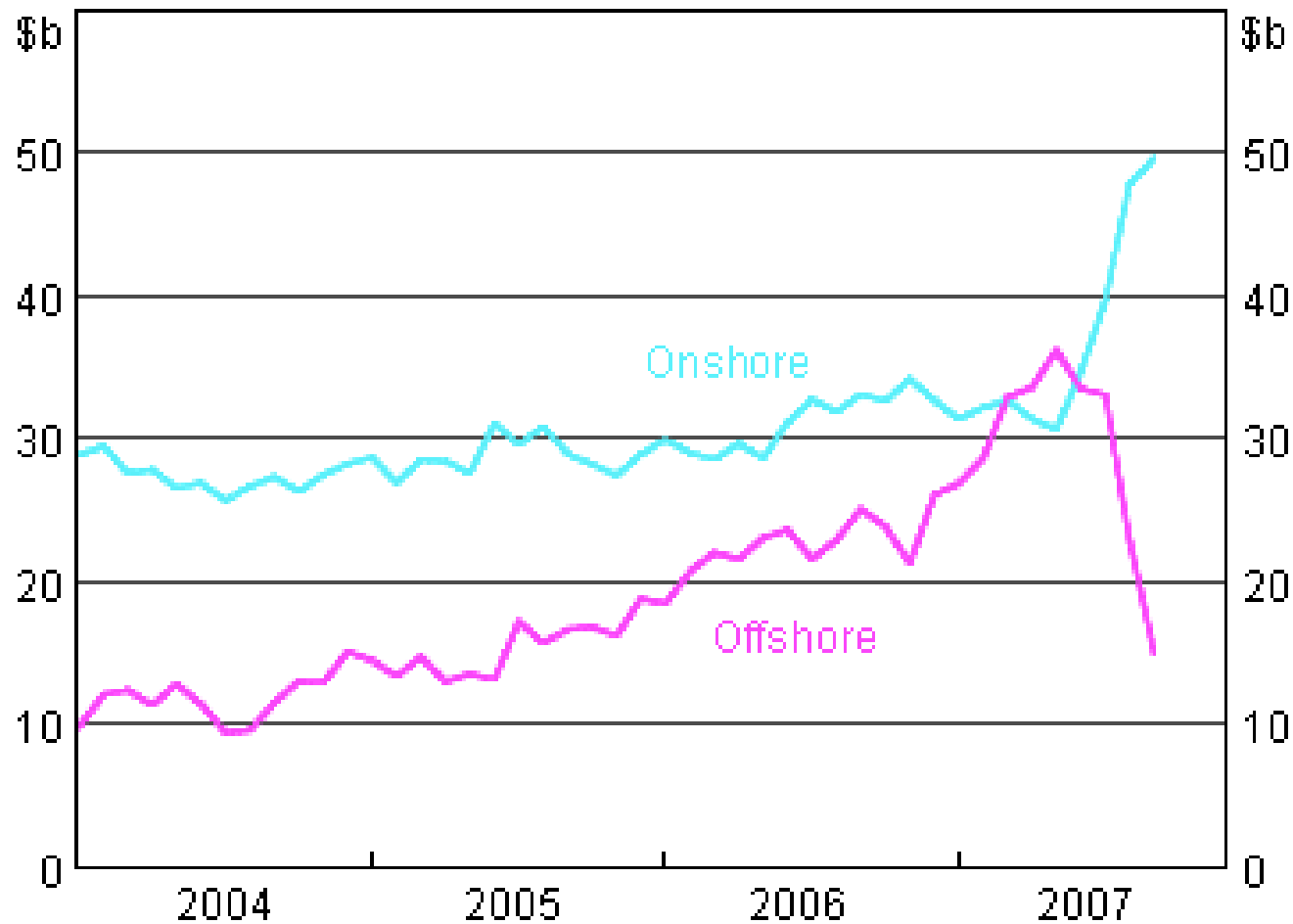
Monthly



* Outstanding to end September 2007

Sources: RBA; Standard and Poor's

Key Issues Australian ABCP Outstanding



Source: Standard and Poor's

Questions

