



# Australasian Mutuals Institute

## 2011 Business Strategy Forum

Chris Lobo  
Senior Analyst, APRA



- Current environment
- ADI industry risks
- APRA's policy agenda
- Trends



- **Uncertain global economic environment**
  - **Regulatory caution remains**
- **Impact of natural disasters**
  - **General Insurers**
  - **ADIs**



# APRA's Assessment of Key Risks Facing the Industry



- Objective is to target heightened risks
- Targeted - not every possible risk
- Thematic - not entity specific issues
  - impacting a large number of affected entities, a high portion of the system
- Issues of heightened (above normal) risk
  - often a challenge to decipher



## Credit risk on residential mortgage portfolios

- Large part of most ADIs balance sheets
- Concern around the level of property prices



## Commercial Property deterioration

- Majors, RBs & large CUBS

## Corporate and SME exposures

- Some business sectors remain subdued
- Impaired assets remain high



## Liquidity & Funding pressures

- ADIs who have substantial reliance on offshore wholesale funding
- Covered bonds/Government guarantee?



## APRA's Policy Agenda

- Banking reforms driven by Basel Committee on Banking Supervision
- Reforms built on mandate from G20 Leaders
- APRA and RBA members of BCBS since June 2009, and APRA actively involved in key working groups



- Tougher capital framework
- Leverage ratio
- Buffers
- Minimal impact on Australian banks
  
- The BCBS issued its final proposals in December 2010. They include various phase-in arrangements commencing from 1 January 2013. Policy is working on implementing these rules in Australia.

- APRA will implement the BCBS September 2008 principles.
  - consultation during 2011 and 2012.
  - the standard will come into effect on 1 January 2015.
- Minimum liquidity holdings (MLH) approach remains unchanged.
- MLH ADIs exempted from stress testing requirements (but not from 12 month funding plan requirement).



- **Consolidation of Behavioral Standards**

One cross industry standard to replace:

Fit & Proper, Governance, Business Continuity and Outsourcing

- **Risk Management Standard**

new standard expected to be in place by 2012

- **Funds Management Standard**

new standard expected to be in place by 2012



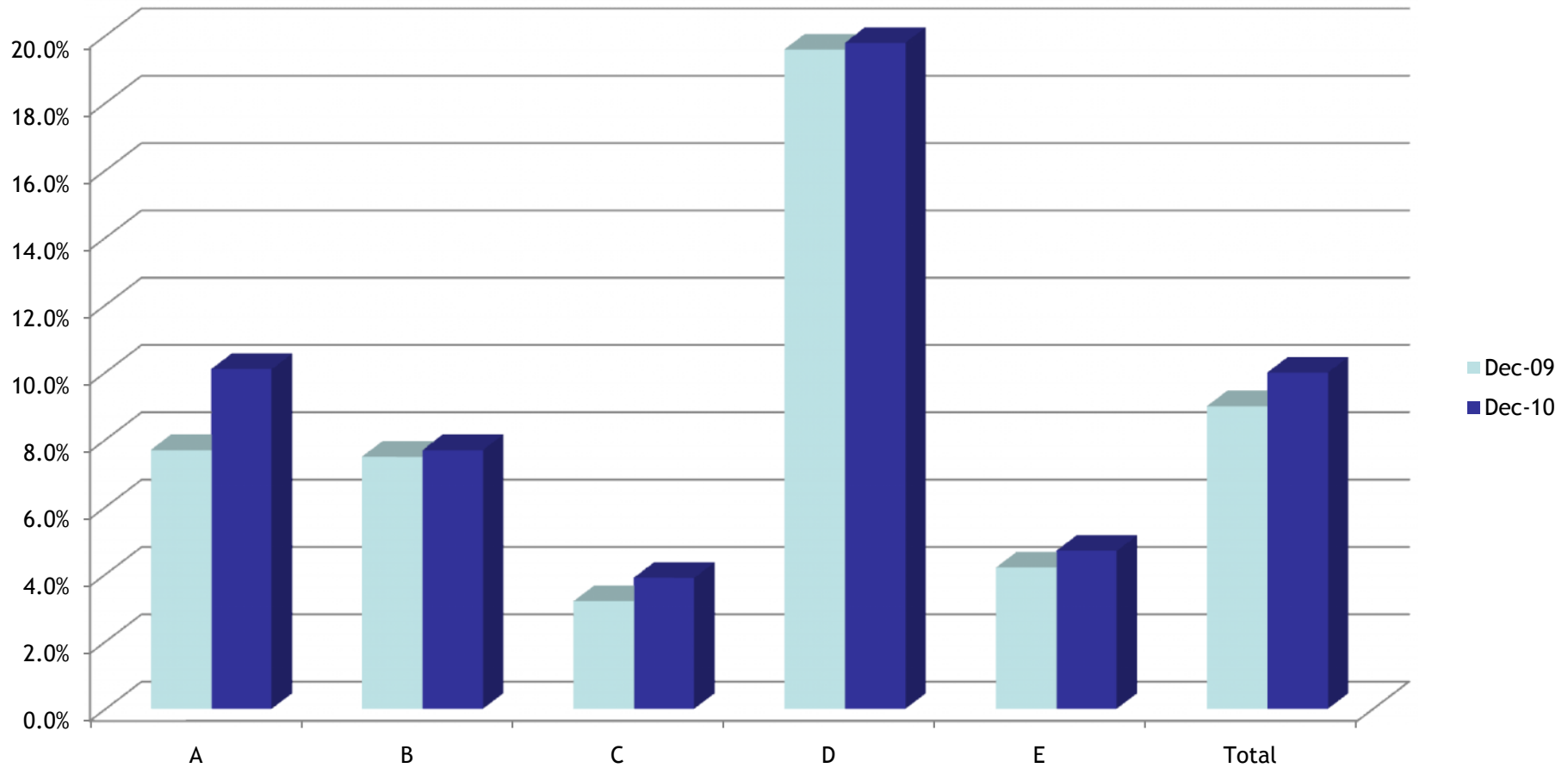
# TRENDS

## Comparisons - no conclusions to be drawn

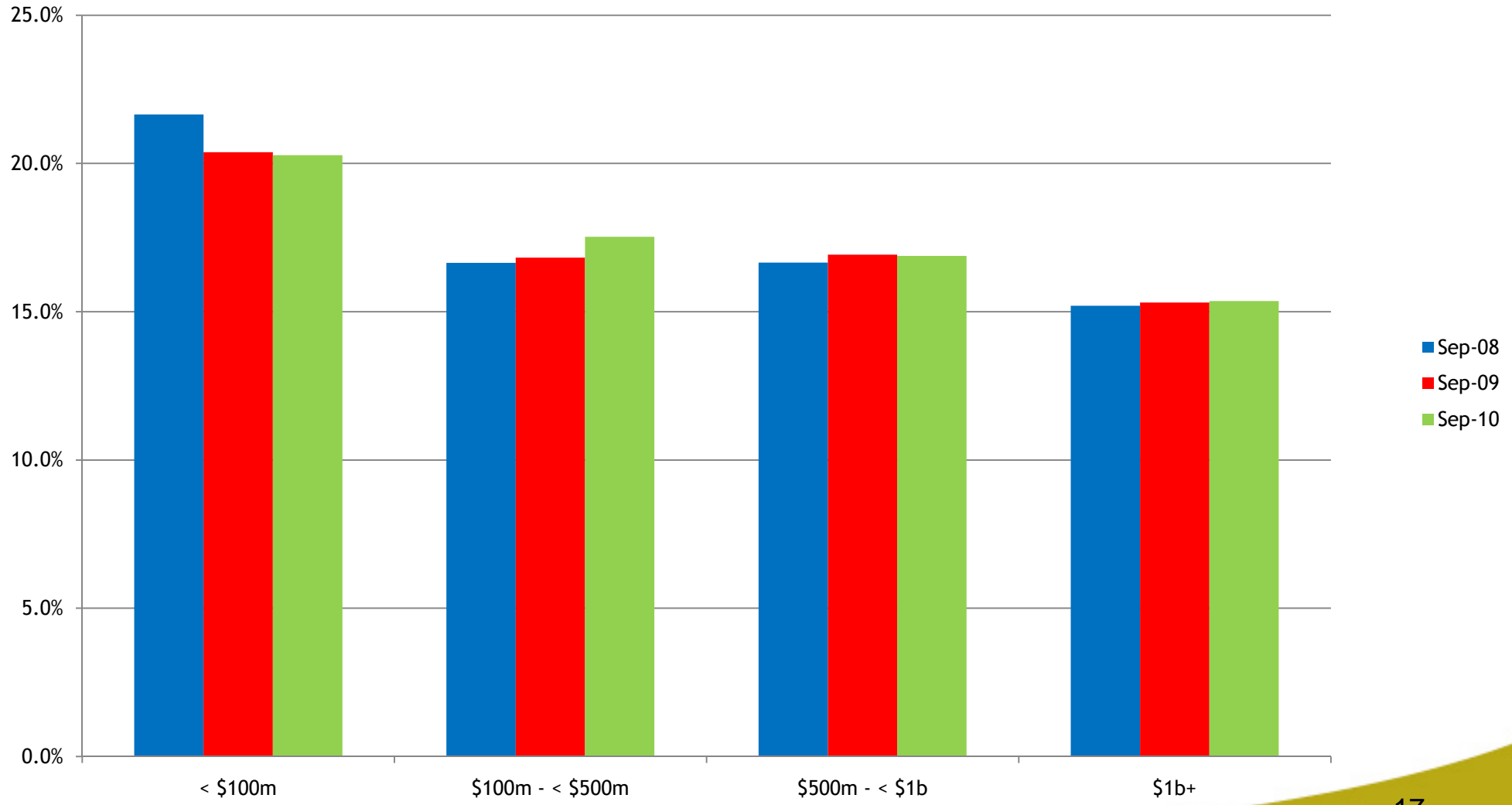


	ALL Banks Sept-10	CUBS Dec-10
No of entities	54	116
Total Assets	\$3,186,130m	\$77,378m
Cost/Income	54.6%	71%
Asset growth	5.0%	9.8%
Share of non-interest income	41.5%	26.7%
ROA	0.7%	0.7%
ROE	13.2%	8.6%

# % of loans LVR > 80% with no LMI/Total housing loans (randomly selected ADIs with total assets > \$1bn)

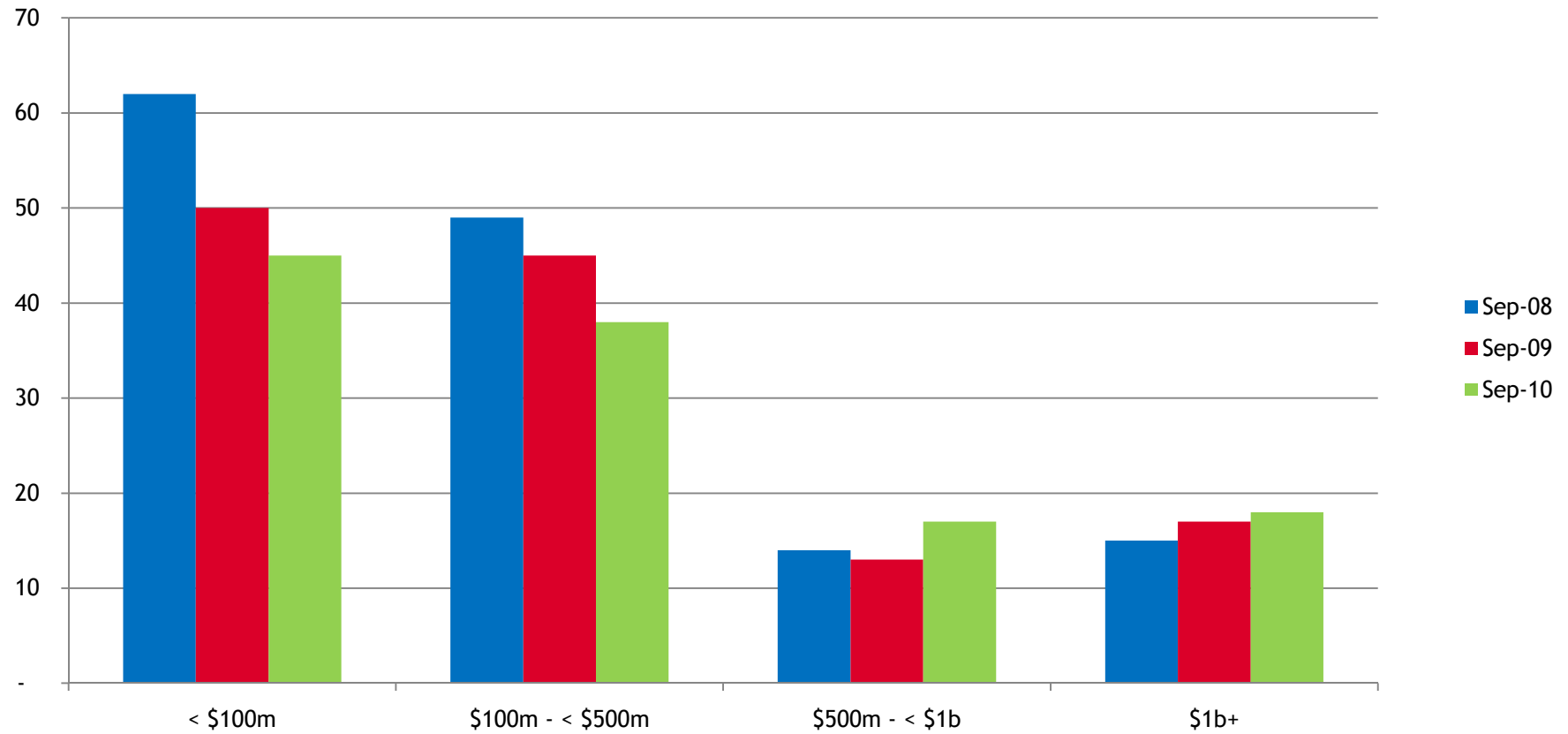


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No. of Institutions





Thank You

**QUESTIONS**