

MORTGAGE BROKING

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Big 4 Majors share of broker home loans falls to 59% but grows in SA and WA markets

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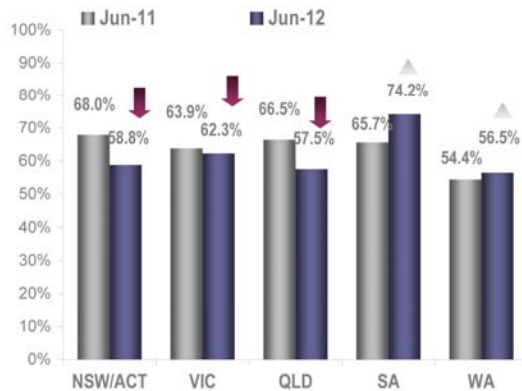
Big 4 Majors share of broker home loans falls to 59% but grows in SA and WA markets

In the latest full quarter Broker Pool results, for June 2012, the major 4 banks have seen their share of the broker channel fall to 59.8% from 64% in the same quarter last year says MISC (Market Intelligence Strategy Centre). These are the latest June quarter results from the MISC Mortgage Broker Industry Pool, which was released to its pool members. MISC defines major banks like Commonwealth, excluding Bankwest, and Westpac excluding its regional brands i.e. BOM .BSA and St George and RAMS*. Not since the September quarter 2007 have the major banks seen such a share contraction in this channel says MISC (Market Intelligence Strategy Centre). This major bank erosion, which comes via a regional bank expansion, occurs in the context this week of a uniform Major bank response to the RBA,s earlier lowering of interest rates by 0.25%. All the majors have lowered their rates from 0.18 to 0.20 points. In the past period when the RBA has sought to stimulate the economy, some banks but not all, have passed on the rate adjustments but this time all the big 4 have responded with varying rate cuts says MISC.The significant erosion in major bank market share from 64% in the June quarter 2011 to 59.8% more recently represents a major turnaround effectively falling some 7%. This result, says MISC (Market Intelligence Strategy Centre) on behalf of its Lender and broker pool members (who regularly aggregate their broker loan business via MISC) suggests that a major structural change in the Broker originated mortgage market is underway. But the results are far from uniform across the states and while most saw the national pattern reflected in falling share two states in particular have seen major banks shares defy the national pattern with significant growth. MISC (Market Intelligence Strategy Centre) identifies the growth of the two birth states of the mortgage broker industry being Western Australia and South Australia. In the former the growth was less demonstrative, but still growth, from 54% share in the same quarter 2011 to now 56.5% .The largest turnaround was in South Australia when the majors increased their share from 65.7% to 74%. MISC on behalf of its bank lenders say that this has resulted from a greater focus by South Australian regional banks especially Bendigo/Adelaide on growing in other states, and significant inroads into South Australia by the eastern state majors.

- *RAMS no longer uses the Broker channel*

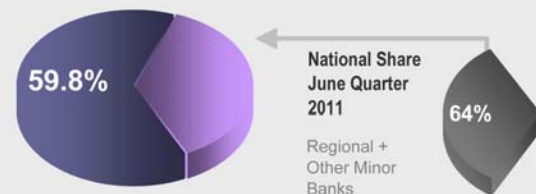
Mortgage Broker Market Major Bank Share loss State Major Bank Share

Total Regional/Minor Banks June Quarter 2011 / June Quarter 2012



Major banks lose share to 59%

National Share June Quarter 2012
Regional + Other Minor Banks



Source: MISC (Market Intelligence Strategy Centre) National Mortgage Broker Reports June Quarter 2011 / June Quarter 2012

NSW and Queensland major bank share loss drives the national result:

In states where there has been poor major bank performance, this has come in the context of real regional bank growth on the back of particularly keen pricing i.e. especially fixed Interest rates, and more aggressive discounting than the majors were prepared to embrace. On behalf of its Lender and Broker pool members MISC (Market Intelligence Strategy Centre) believes that the erosion of the major banks in NSW, VIC, and QLD was aggravated by their withdrawal of cash back incentives against a regional bank program to maintain them.

The MISC (Market Intelligence Strategy Centre) broker pool results further show, that while all but SA and to a lesser extent WA have defied the trend NSW and Qld suffered from the larger contracting regional share evidence. The more significant negative change evident from this June Quarter 2012 research compared with the same period in 2011 came in New South Wales where the majors saw share fall from 68% a year earlier to 58% as regional banks in the state increased their share of mortgage NSW had attracted significant regional bank competition from Suncorp, Bankwest, Bendigo/Adelaide bank alongside its local St George bank. While St George provided Life of the loan discounts of .80 points on its variable loans and matched the \$700 cash switch incentives of BOM over the same time frame, its focus was also significantly geared to fixed rate borrowers, who it specifically targeted with rate cuts to its Advantage one and two year fixed loans, and then later to 3 year offers."

The extent of the major's loss in New South Wales was all but matched by similar levels of Queensland erosion says MISC (Market Intelligence Strategy Centre) on behalf of its lender and broker pool members. The poor Queensland major bank result was aided primarily by the better performance of Suncorp bank, who for several quarters had adopted comparatively keen pricing (with the majors) in the broker channel, Its earlier introduction of first year trail and upfront commission bonuses for brokers had by the June quarter begun to impact, when, many other major banks had revised trail commission qualification in the context of commission clawbacks says MISC (Market Intelligence Strategy Centre)

Latest MISC Pool Market Coverage

This result emanates from the June quarter 2012 and 2011 June quarter collections of the Mortgage Broking industry co-operative statistical pool, derived from leading Bank and Broker Pool members. It consists of the major and regional banks, along with national and state concentrated broker groups. Following the June quarter collection, the facility's results now represent 72% of all broker generated home loan business and as such sets a precedent for the level of co-operation in an industry previously known for its privacy. This collective research initiative demonstrates a high level of sophistication among the Pool members, as they collaborate to ensure effective measurement of their industry. Leading industry researcher MISC (Market Intelligence Strategy Centre) understands that no other co-operative, non-regulated, independent, statistical data pooling system developed overseas has managed to win this level of industry support via its extensive market coverage, and the facility fulfils a long awaited need for reliable statistical measurement of an increasingly influential channel for the housing loan market distribution. *Please note: specific individual Pool member loan business share confidentiality is fully protected by the pool charter and member contracts.*

Background to the Development of the Broker Pool Collection

This independent (MISC regulated) statistical collection, now in its 47th quarter, is the result of a unique industry initiative of key brokers and lenders to 'pool' together their quarterly records of all broker-derived home loan settlements on a regular basis through the MISC (Market Intelligence Strategy Centre) industry specialist research group. The MISC Data Pooling Facilities use of final settlements and only statistics ensures that pool members gain a true reflection of broker loan business market activity. This contrasts favourably with the use of approvals/submissions data, which is misleading when used for appraisal of market performance due to the volume of loan cancellations.

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