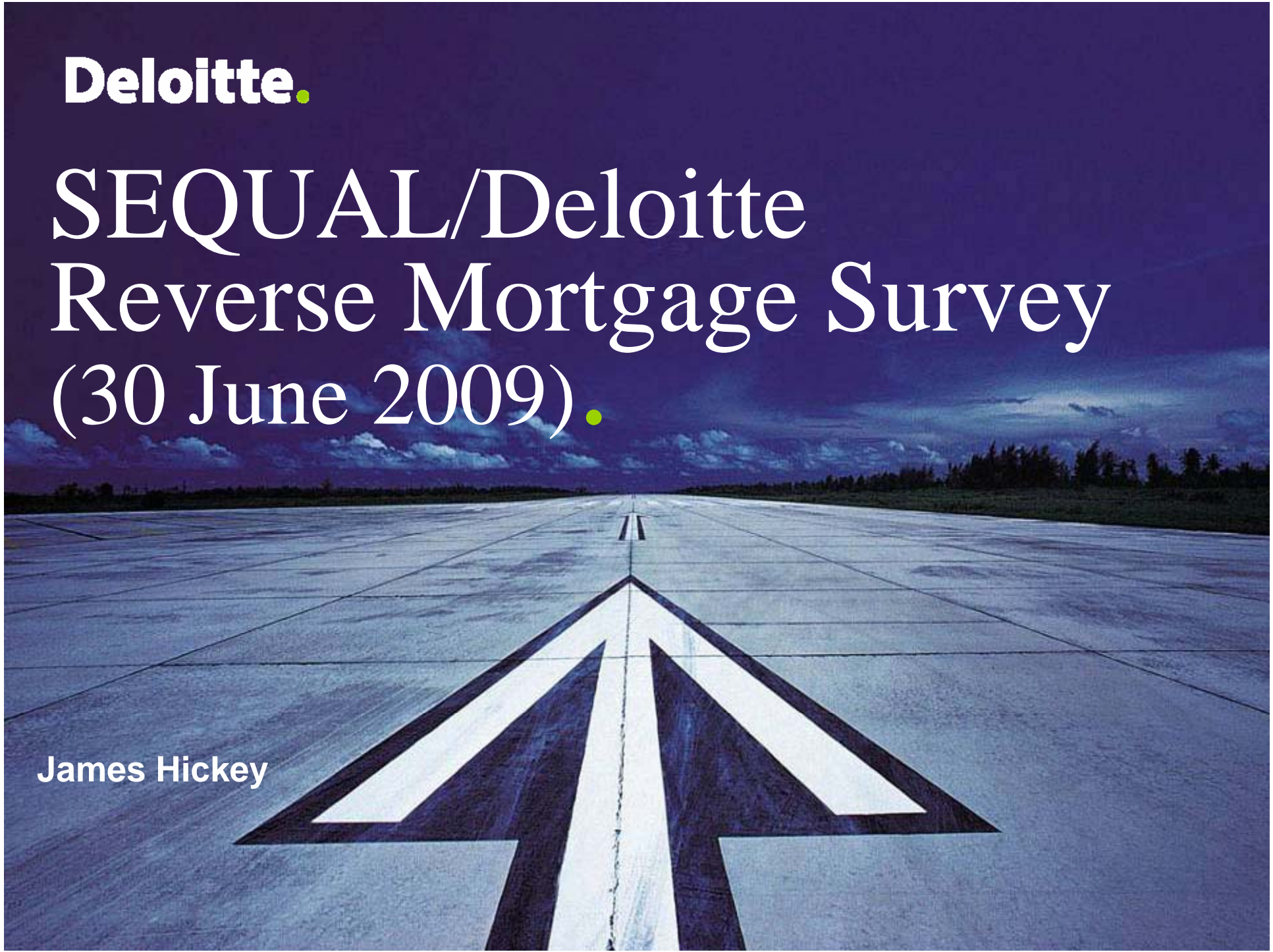


**Deloitte.**

# SEQUAL/Deloitte Reverse Mortgage Survey (30 June 2009).

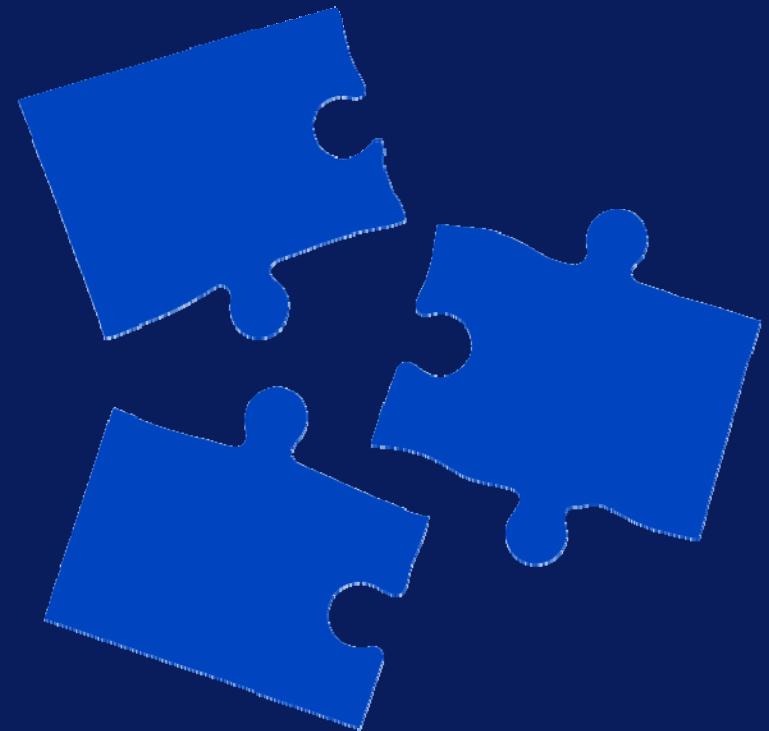
James Hickey



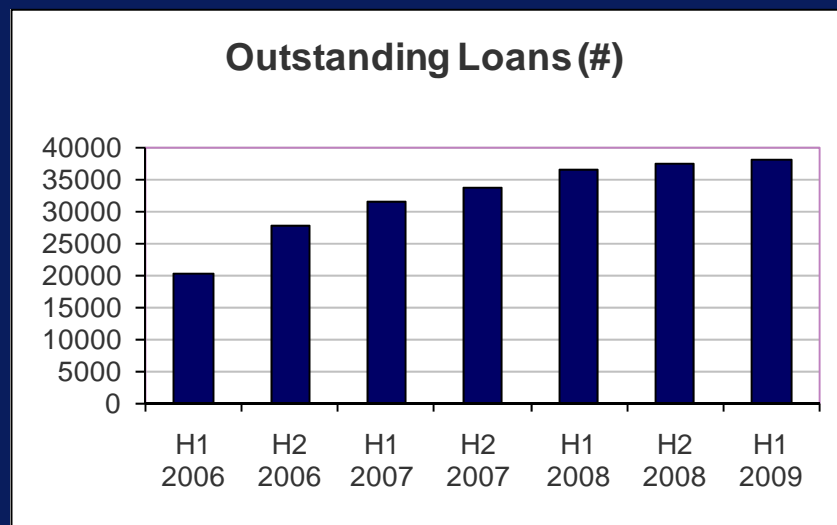
# Contents

- Market Volumes & Mix
- Housing Splits
- Borrowers
- Summary

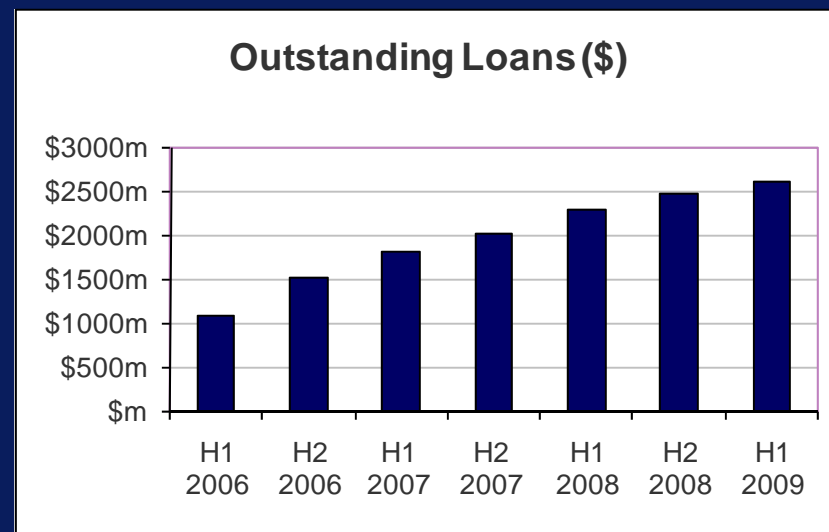
# Market Volumes & Mix



## Size of the market – Outstanding Loans (30 June 2009)



1.5% growth over 6 months



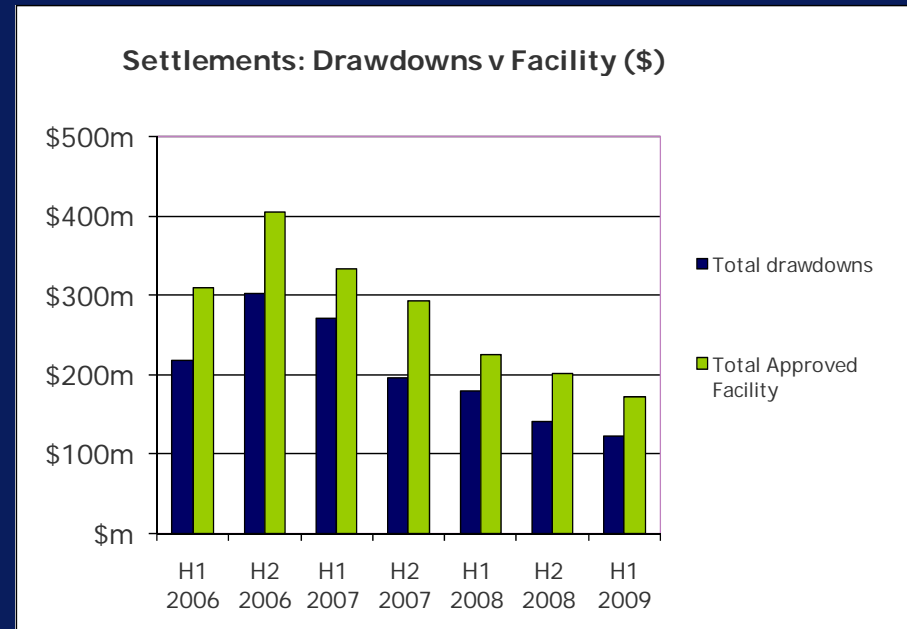
5% growth over 6 months

- Currently over 38,000 reverse mortgages on issue in Australia.
- Total loan book size of \$2.6b.
- Average loan size (overall) increased to \$68,500 (from \$66,000 in H2 2008).
- Growth rates (\$ loans):
  - 5% in last 6 months
  - 13% in last 12 months.

# Size of the market – Settlements (6 months to 30 June 2009)

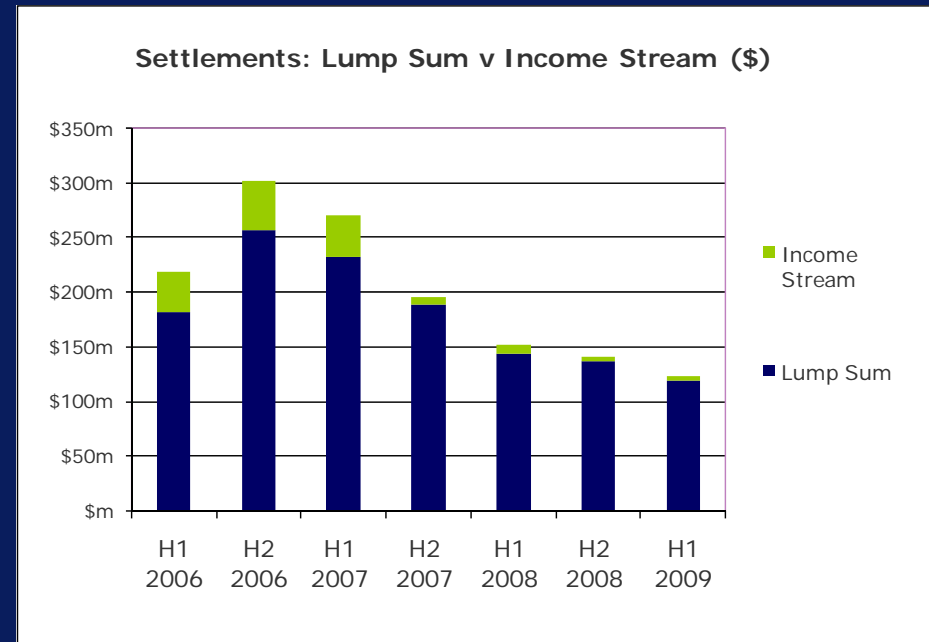
## Settlements (new loans)

- H1 2009 Settlements \$122m (facility \$172m)
  - i.e. Drawdowns were 71% of loan facility approved
- H1 2009 Settlements of \$122m:
  - down 32% on H1 2008 (\$180m)
  - down 13% on H2 2008 (\$141m)
- 2,350 new borrowers in H1 2009
- Average settlement size \$52,000



# Settlements: Payment type – Lump Sum v Income Stream

- Of the \$122m Settlements in past 6 months:
  - 97% lump sum
  - 3% income stream
- The proportions of lump sum and income stream settlements have been stable since H2 2007



# Interest Rate Type

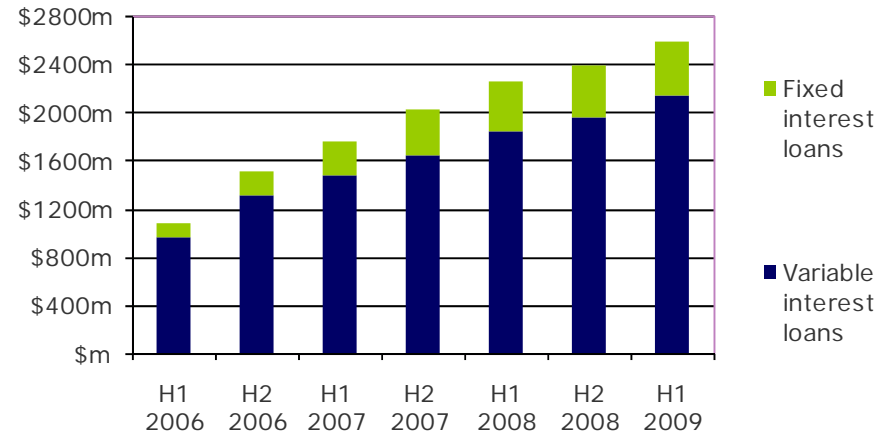
## Outstanding

- 85% of all loans outstanding are variable interest as at 30 June 2009.
- Fixed interest loans are on average \$8,500 more than variable loans

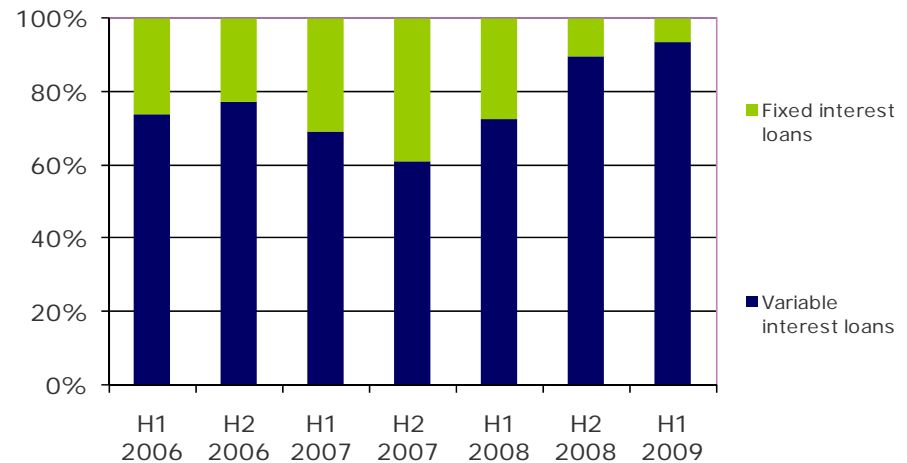
## Settlements

- The proportion of fixed interest reverse mortgage lending was 6% in H1 2009 based on \$ amounts. This is a trend that has continued since 2008
  - In years 2005 to 2007, fixed interest lending was increasing yet started to decline in 2008:
    - 20% in 2008
    - 34% in 2007
    - 25% in 2006
    - 22% in 2005

Outstanding: Fixed v Variable Interest (\$)



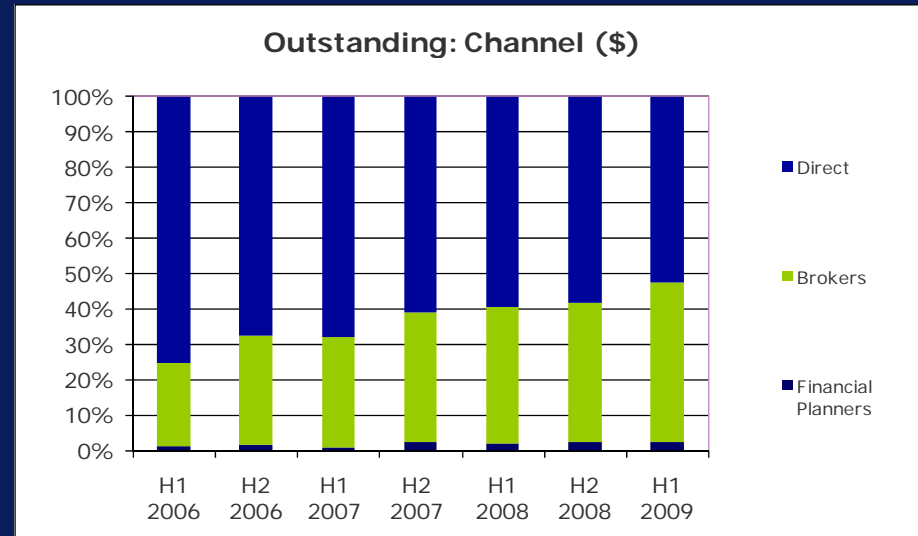
Settlements: Fixed v Variable interest (\$)



# Channel

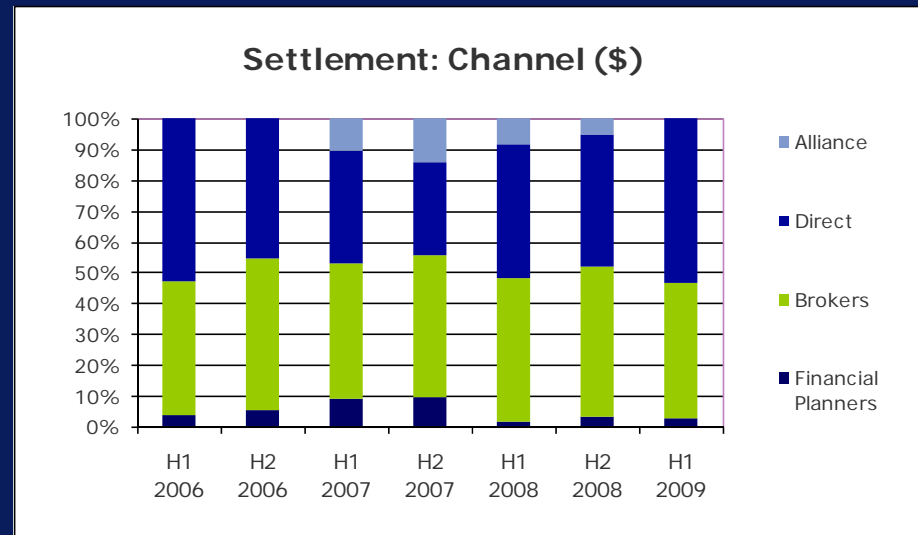
## Outstanding

- Overall, direct channel remains most popular (50% of outstanding)
- The broker channel has increased slightly over the last 6 months, continuing a trend since H1 2006



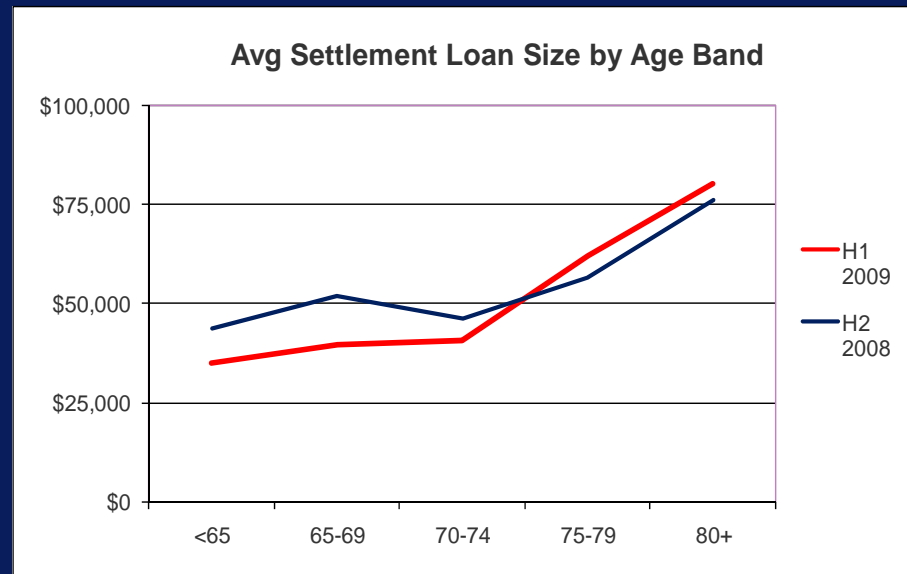
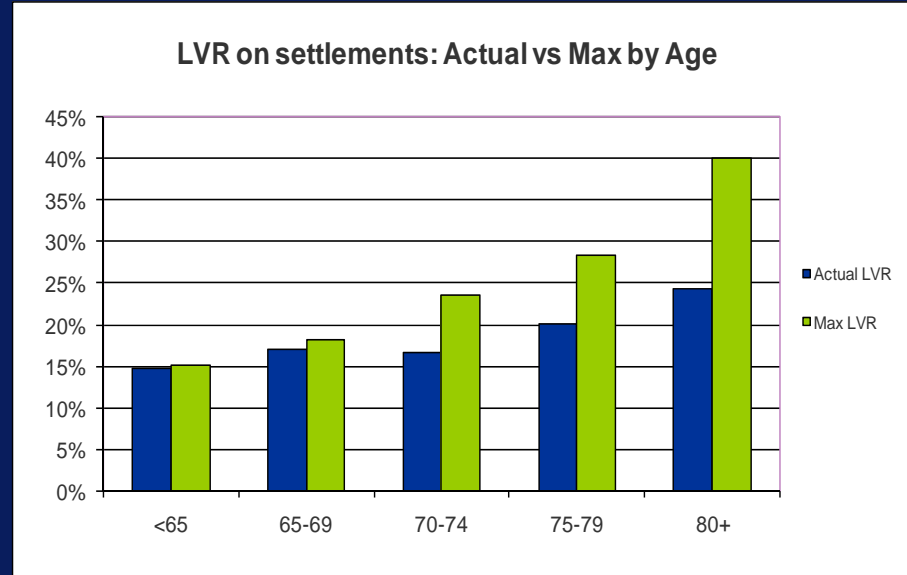
## Settlements (H1 2009)

- Direct sales were the largest channel in H1 2009:
  - 47% Brokers & Planners
  - 53% Direct
- Average settlement size
  - \$57,400 Brokers & Planners
  - \$48,000 Direct
- “Alliance” channel (negligible)



# Loan-to-Valuation Ratio (LVR)

- Younger borrowers still utilising larger proportion of available facility
  - an average of 15% LVR for those aged <65 (the average maximum LVR = 15%)
  - An average of 24% LVR for those over 80 (the average maximum = 40%+)
- Average amount borrowed (for settlements) is similar across ages except it increases for those aged 75+

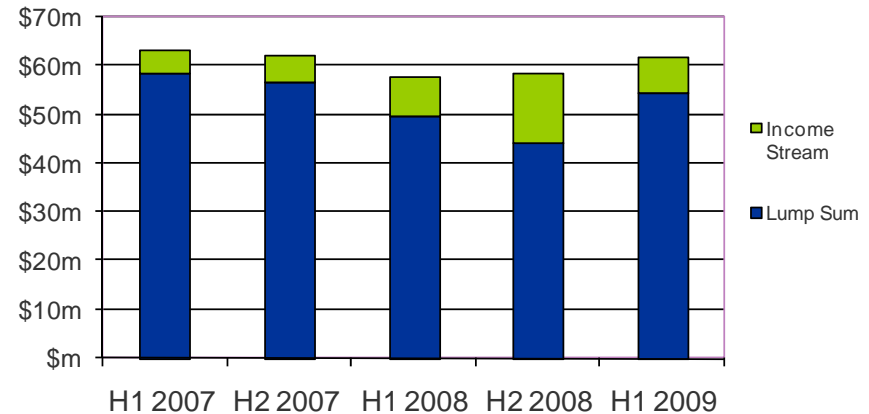


# Additional Drawdowns

- 1 in 7 borrowers are making additional drawdowns on existing loans

Any additional drawdown (ADD) made by existing borrowers, including both lump sum payments via line of credit and regular income instalments.

Additional Drawdowns: Income vs Lump Sum (\$)



% Borrowers making ADDs (6 months)	15%
Average size of ADD (6 months)	\$10,900
ADDs as % total \$ outstanding loans	4.9% p.a. for H1 2009
Total ADDs H1 2009	\$62m (\$60m in H2 2008)

# Discharges

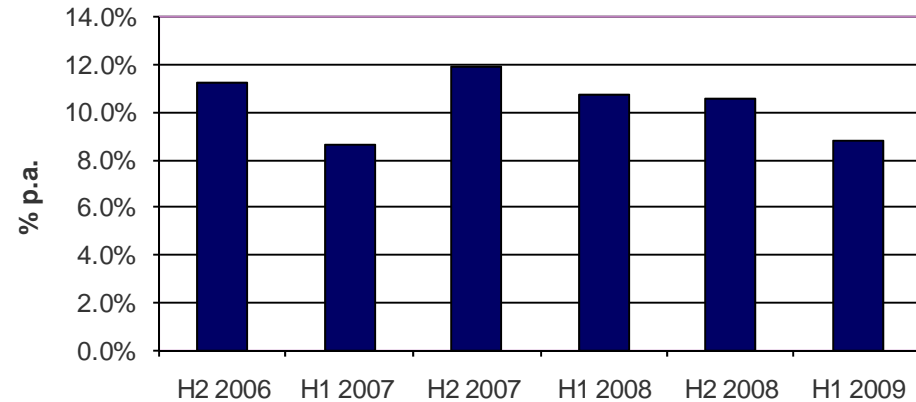
## By # borrowers

- Full discharge rate of 9% p.a. in H1 2009
- In addition to this, about 6% made partial discharges in H1 2009

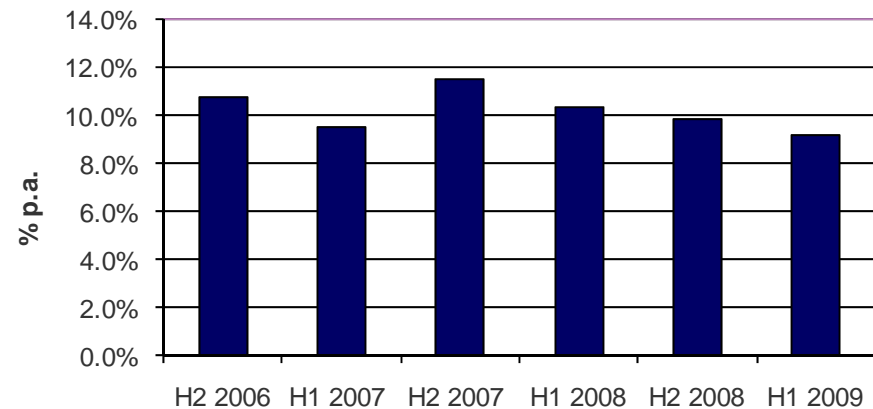
## By \$ discharges

- Full discharges are 9% p.a. in H1 2009
- Partial discharges are 1% p.a. of total loans outstanding in H1 2009
- Average size of discharge (in 6m period):
  - Full discharges = \$70,000
  - Partial repayments = \$8,000

Full Discharges as % Total Outstanding Loans (#)



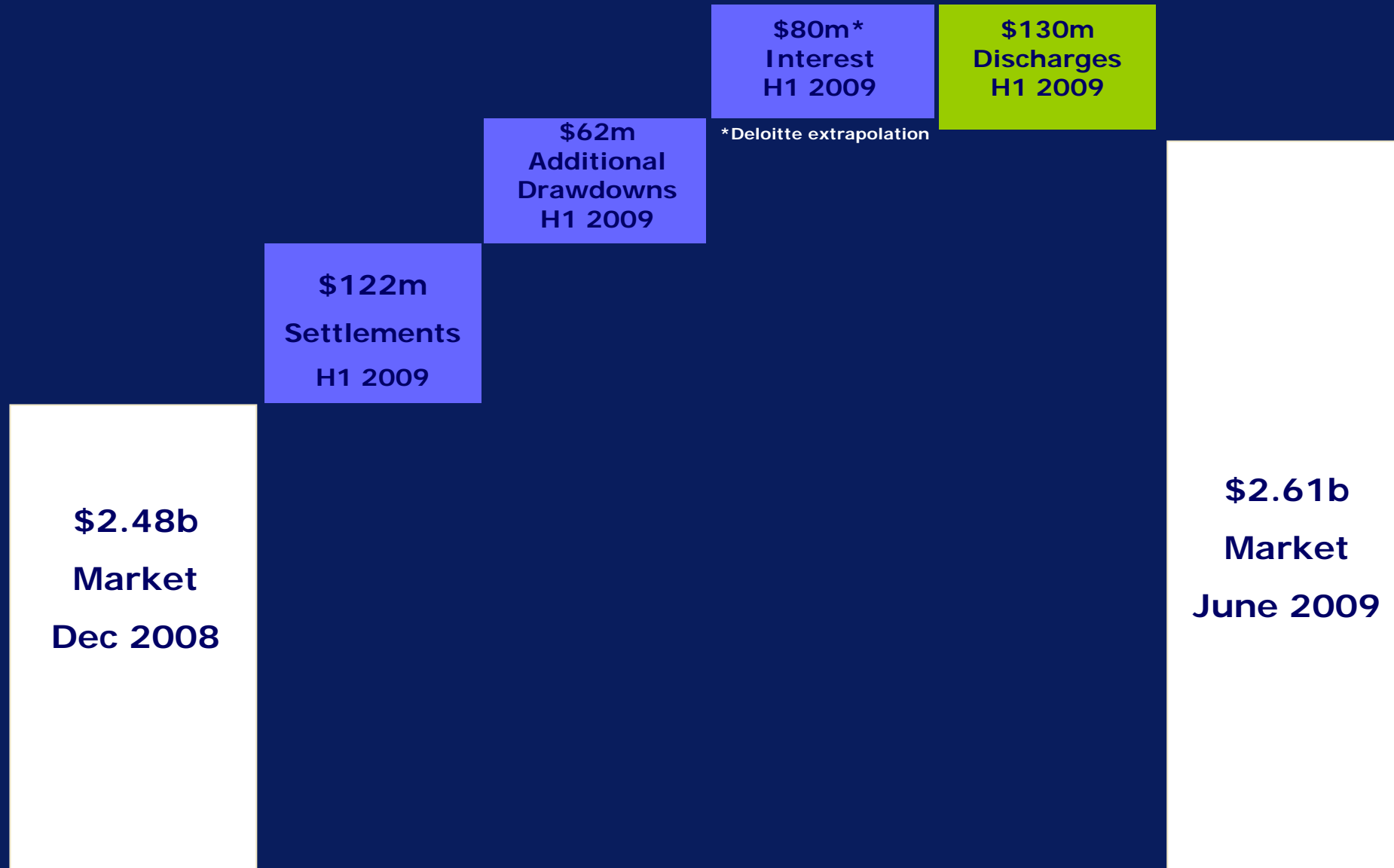
Full Discharges as % Total Outstanding Loans (\$)



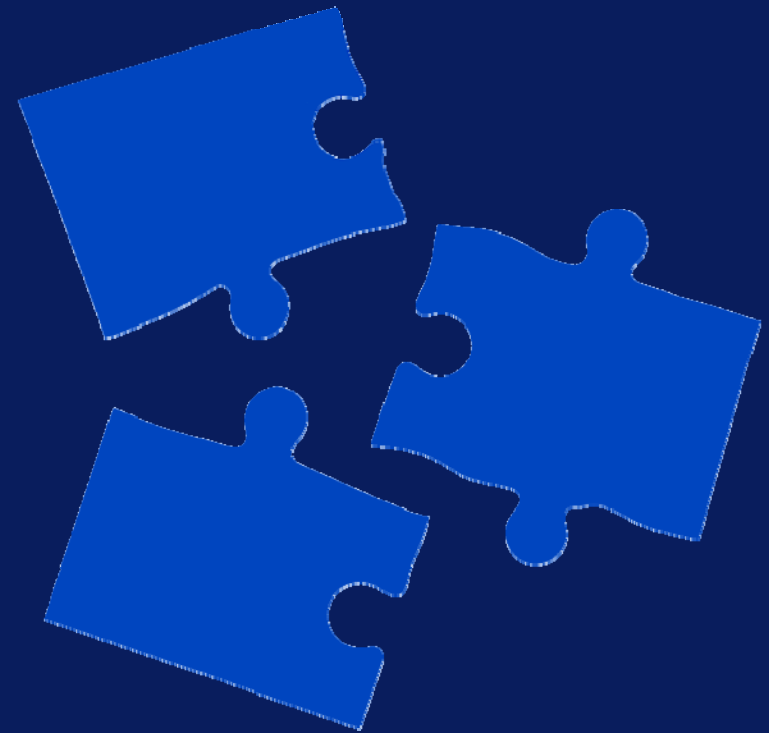
# Market Movement – by numbers



# Market Movement – by amounts



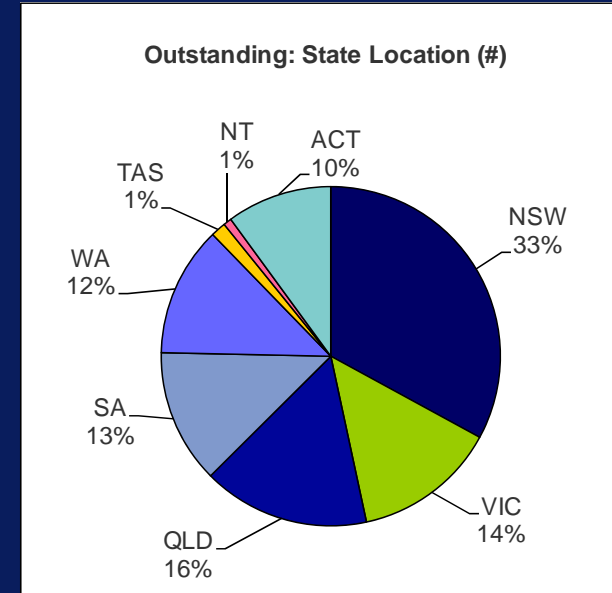
# Housing Splits



# Location: State

## Outstanding

- Most reverse mortgage business in NSW (33%)
- QLD (16%), VIC (14%) next most popular
- Other strong states
  - SA (13%), WA (12%)

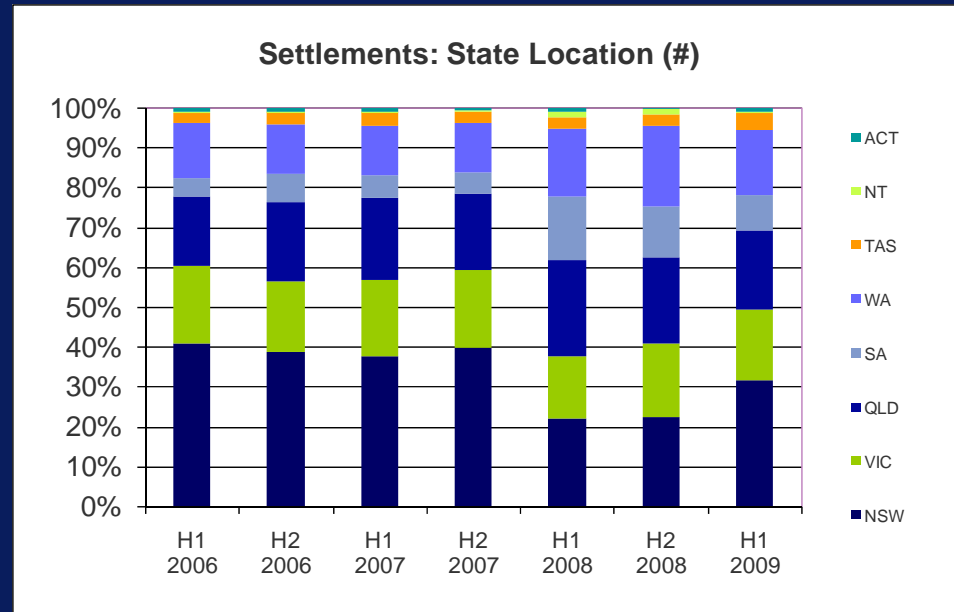


## Settlements

- NSW the largest (32%)
  - QLD (20%) & VIC (17%)
  - WA (16%)
  - SA (9%)

Year to date  
2009

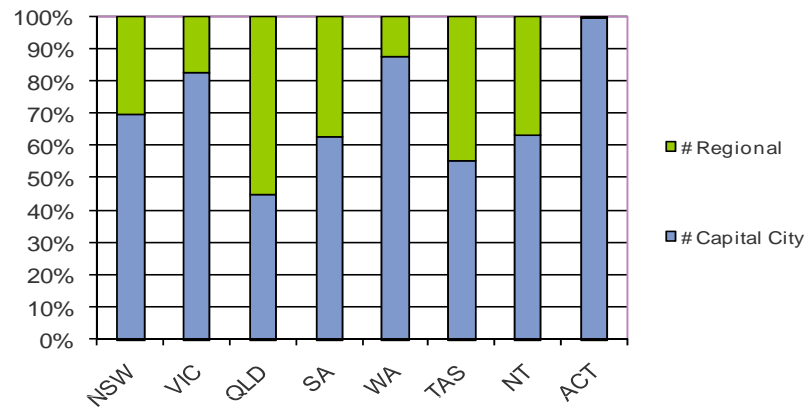
2009 YTD	
NSW	32%
VIC	17%
QLD	20%
SA	9%
WA	16%
TAS	4%
NT	0%
ACT	1%



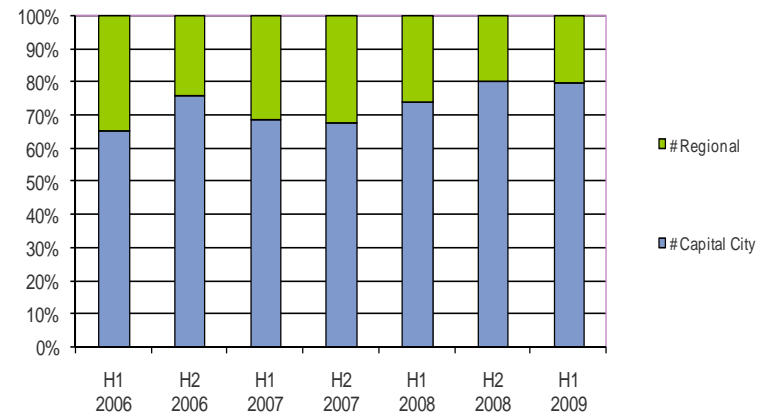
# Location: Capital City vs Regional

- Around 71% of loans outstanding are in capital cities
  - Consistent with that seen last year (68%)
- Settlements around 79% in capital cities
  - NSW (78%), TAS (63%) in capital cities
  - VIC, WA around 90% in capital cities
  - Stronger regional presence in QLD, SA and NT
    - QLD (26%)
    - SA (33%)
    - NT (33%)

**Outstanding: Capital v Regional (#)**



**Settlements: Capital v Regional (#)**



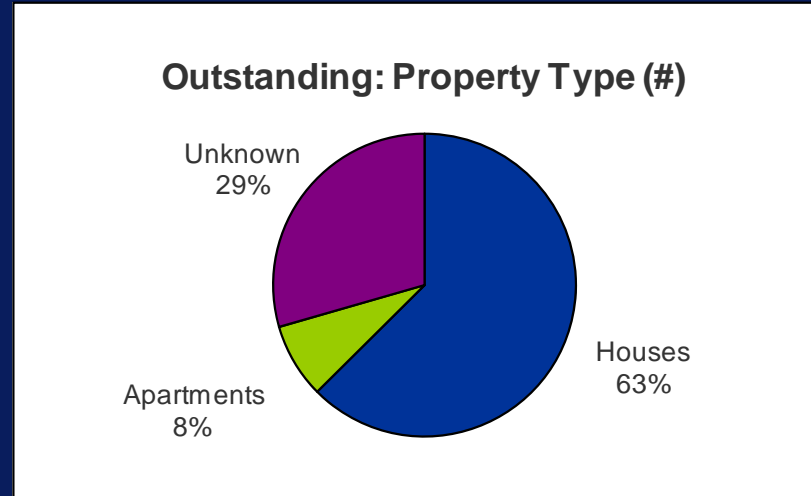
# Housing

## Outstanding

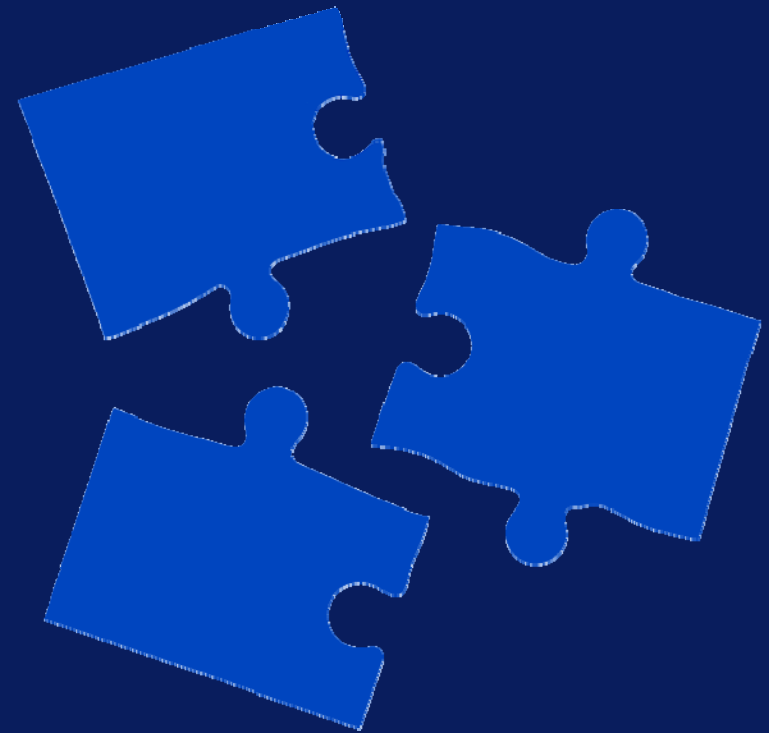
- Outstanding loans secured by houses remained most common
- 99% loans for owner-occupiers
  - (1% investment properties)

## Settlements

- Houses made up 83% of settlements in H1 2009
- Investment properties 2% of settlements
  - Relatively constant proportions over time



# Borrowers



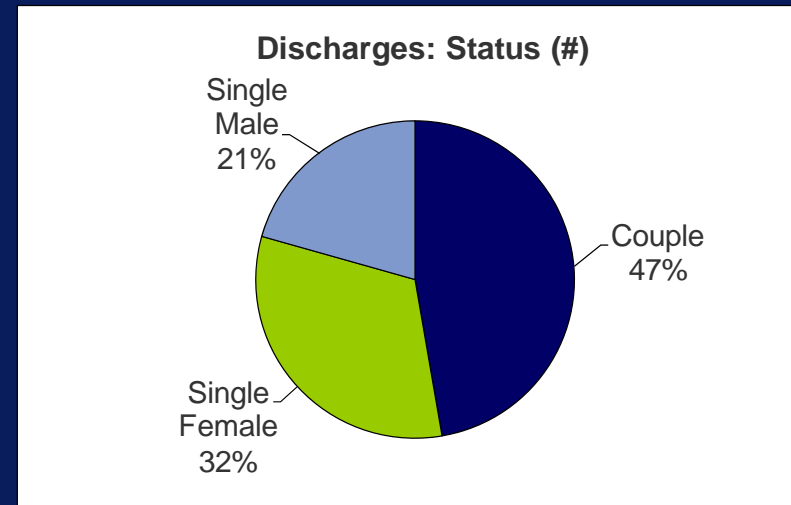
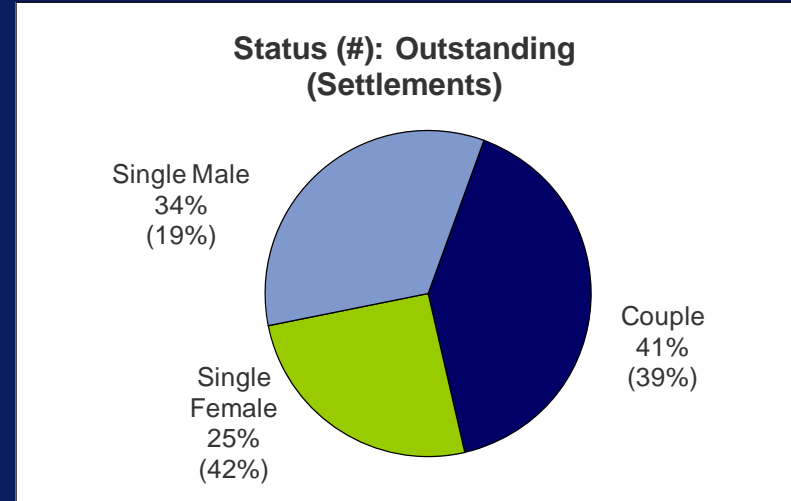
# Borrower Status

## Outstanding

- Couples remain the dominant segment closely followed by single female
- Average loan size:
  - Single females \$80,500
  - Couples \$72,000
  - Single males \$67,500

## Discharges

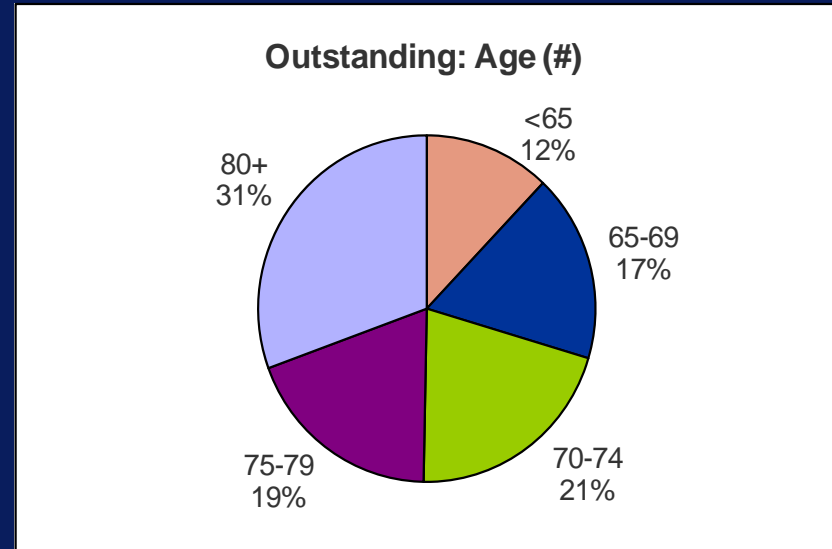
- Male discharges are lower as a proportion than male outstanding loans
- Couples and single females are a higher proportion of discharges than of outstanding loans



# Borrower Age Band

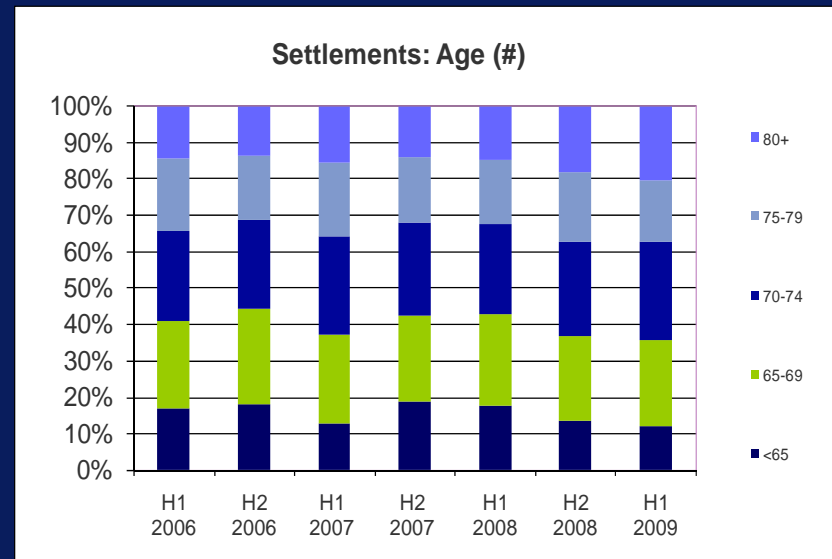
## Outstanding

- Major age segment is 70-79 (40% of loans by #)
- Average age of existing borrowers is 74 years



## Settlements

- Average age of new borrowers 73 years
- Under 70s : comprise 36% of all new loans compared to 30% of outstanding loans
  - Proportions of borrowers by age have been relatively steady over the period since H1 2006
- Ages 70+ : biggest users of income stream products (78%)

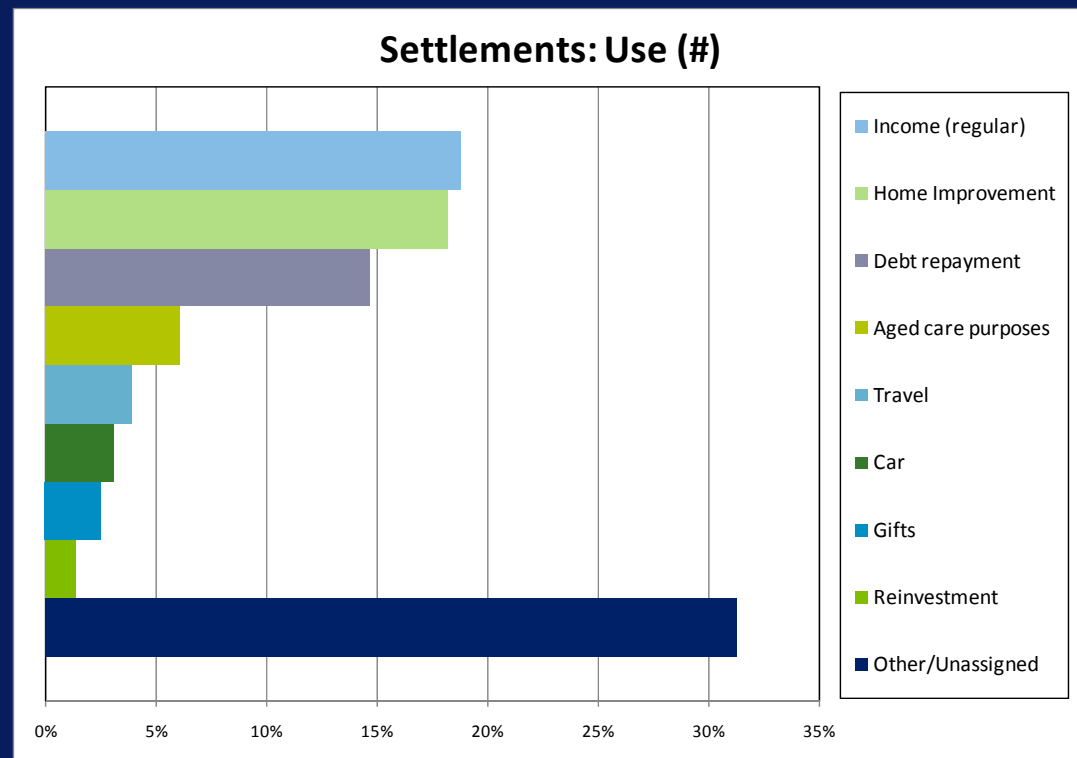


# Use of Proceeds

- Consistently in the top 3 uses of settlements:
  - Debt repayment
  - Home Improvement
  - Regular income
- Regular income has become the number 1 reason for taking a reverse mortgage in the last 6 months

	Ranking	
	June 2009	Dec 2008
Income (regular)	1	2
Home Improvement	2	1
Debt Repayment	3	3
Aged Care	4	7
Travel	5	4
Car	6	6
Gifts	7	5
Reinvestment	8	8

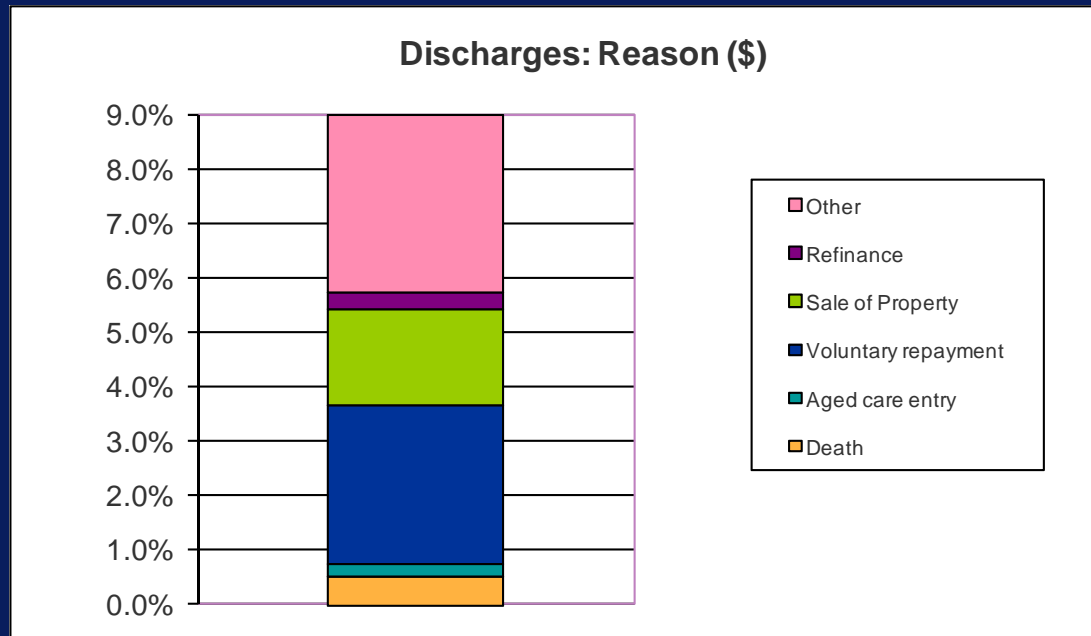
*Note: Figures still indicative due to lack of completeness of data*



# Discharges

## Discharges v Reason

- Full discharges show a 9% p.a. repayment rate for H1 2009.
- Of this rate:
  - Mandatory repayment (eg. death, aged care entry) accounts for a <1% p.a. discharge rate
  - Other drivers more important (eg sale or voluntary repayment)



## Summary

	<b>Dec-05</b>	<b>Dec-06</b>	<b>Dec-07</b>	<b>Dec-08</b>	<b>Jun-09</b>
<b>Outstanding Market Size</b>	\$ .85b	\$1.51b	\$2.02b	\$2.48b	\$2.61b
<b>Number of Loans</b>	16,584	27,898	33,741	37,530	38,048
<b>Average Loan Size</b>	\$51,148	\$54,233	\$60,000	\$66,150	\$68,473
<b>Settlements</b>	\$315m	\$520m	\$466m	\$321m	\$122m
<b>Facility (settlements)</b>	\$519m	\$714m	\$627m	\$426m	\$172m*
<b>Additional Drawdowns</b>	N/A	N/A	\$125m	\$116m	\$62m*
<b>Discharges</b>	N/A	N/A	\$203m	\$253m	\$133m*

\* Indicates 6 monthly figure

- Market (by \$ outstanding) has grown 5% in last 6 months
  - Market growth of 13%p.a. in the 12 months to June 2009
- Variable rate loans most popular
- Total discharges (Full + Partial, by \$) 10% p.a. with majority due to sale of property and voluntary repayment
- Additional Drawdowns approximately 5% of outstanding loans
- Lump sum most popular drawn down type
- Brokers & Planners settlements channel 47%, Direct channel also 53%
- As proportions of Outstanding loans by \$: NSW 33% of market, QLD 16% and VIC 14%



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