LOMAS, Phil

From: VAN UFFELEN, Luke
Sent: Thursday, 28 July 2011 17:46
To: ELLIS, Luci; THOMPSON, Chris
Cc: DONOVAN, Bernadette; BAILEY, Owen; TELLEZ, Eduardo
Subject: Bank of Queensland Basel II Pillar 3 Disclosure - May 2011 [SEC=UNCLASSIFIED]

Bank of Queensland Basel II Pillar 3 Disclosure – May 2011

Bank of Queensland released its May Quarter 2011, Basel II Pillar 3 disclosure yesterday. The key points are:

- The ratio of non-performing loans was 2.9 per cent, up from 2.7 per cent in the previous quarter. Specifically, the ratio of non-performing residential mortgages increased to 1.5 per cent from 1.4 per cent while the ratio of 'other' (i.e. business and personal) non-performing loans increased to 6.9 per cent from 6.1 per cent over the quarter.

Luke Van Uffelen
Financial Stability Department
28 July 2011

RESERVE BANK OF AUSTRALIA

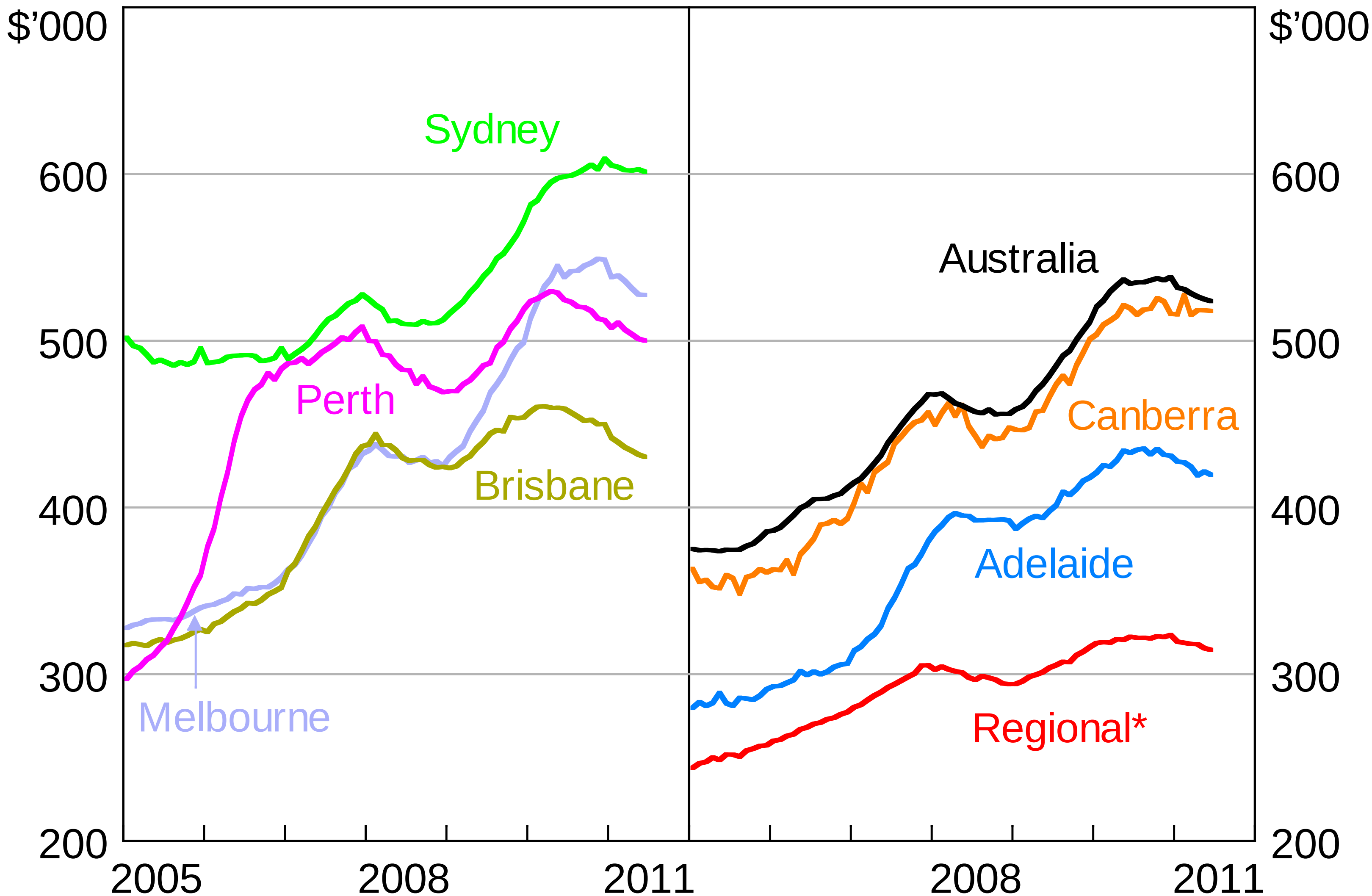
Financial Stability Overview

Presentation to ADI Supervisors' Conference, 3 August 2011

Luci Ellis, Head of Financial Stability
Reserve Bank of Australia

Macroeconomic Environment

Dwelling Prices



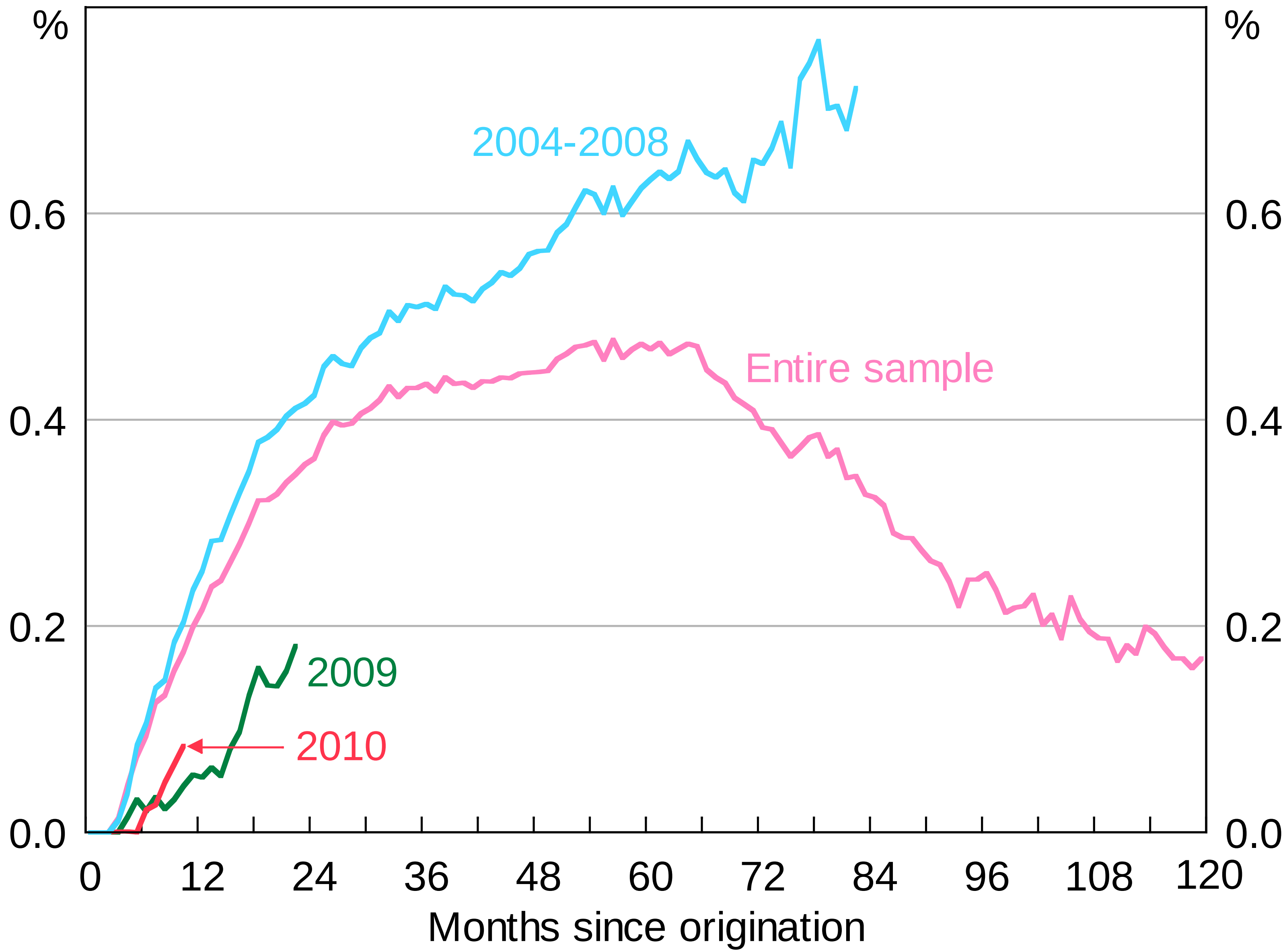
* Excluding apartments; measured as areas outside of capital cities in New South Wales, Queensland, South Australia, Victoria and Western Australia

RESERVE BANK OF AUSTRALIA

Conditions in the ADI Sector

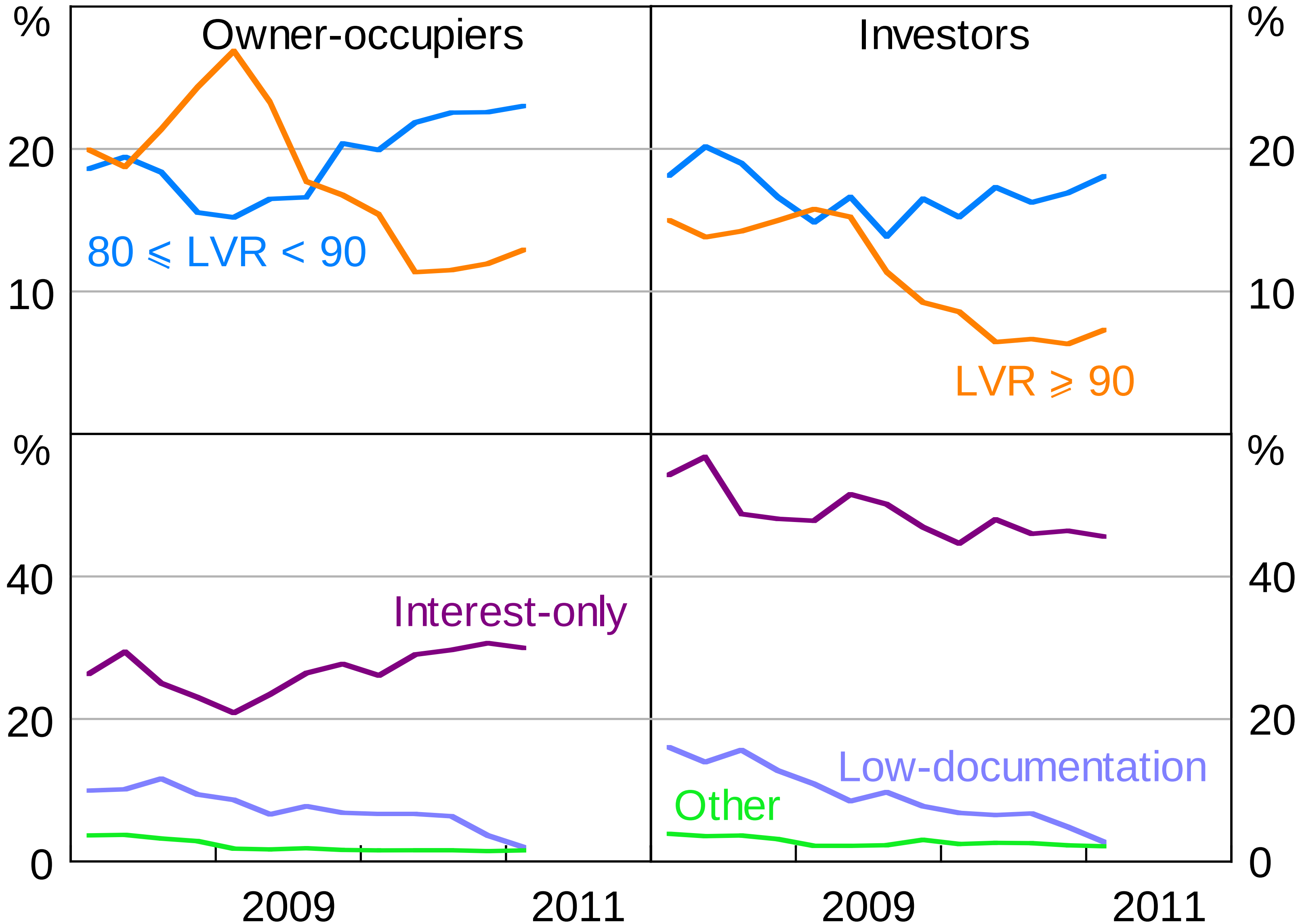
Securitised Housing Loan Arrears by Cohort

90+ days past-due, per cent of outstandings



Banks' Housing Loan Characteristics

Share of new loan approvals

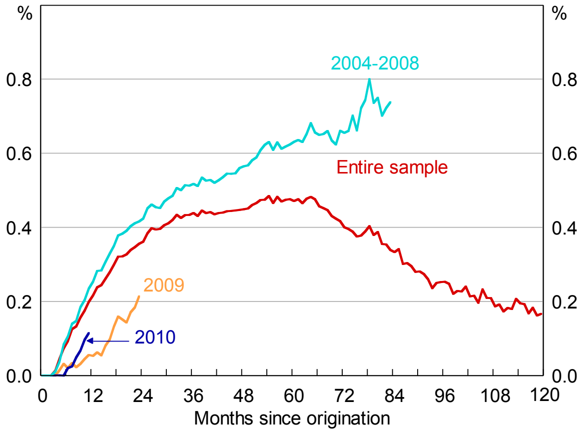


From: JOHNSON, Robert
To: Emma Doherty
Cc: Lamorna Rogers; Susan Stiehm
Subject: RE: Graphs for Ric [SEC=UNCLASSIFIED]
Date: Friday, 5 August 2011 10:08:14
Attachments: Doc1.docx

Securitised housing loan arrears in Australia by cohort – 4 lines: 2004-08, entire sample, 2009, 2010 - FS

Securitised Housing Loan Arrears by Cohort*

90+ days past-due, per cent of outstandings

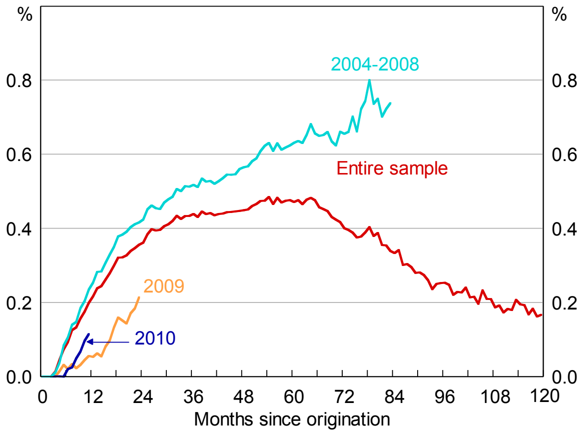


* Full-doc and low-doc loans securitised by all lenders, includes self-securitisations

Source: Perpetual

Securitised Housing Loan Arrears by Cohort

90+ days past-due, per cent of outstandings



LOMAS, Phil

From: TELLEZ, Eduardo
Sent: Friday, 5 August 2011 09:42
To: DONOVAN, Bernadette
Cc: BAILEY, Owen
Subject: FSR graphs and links - Asset Quality & Credit Growth [SEC=UNCLASSIFIED]

Ed Tellez | Analyst | Financial Stability Department
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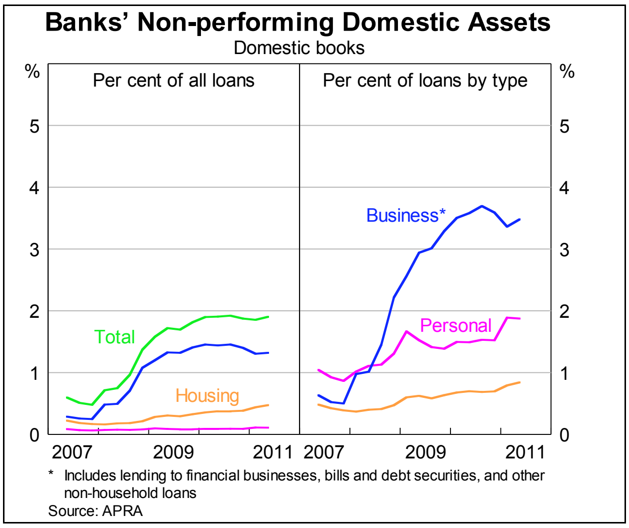
p: +61 2 9551 8516 | f: +61 2 9551 8052 | w: www.rba.gov.au

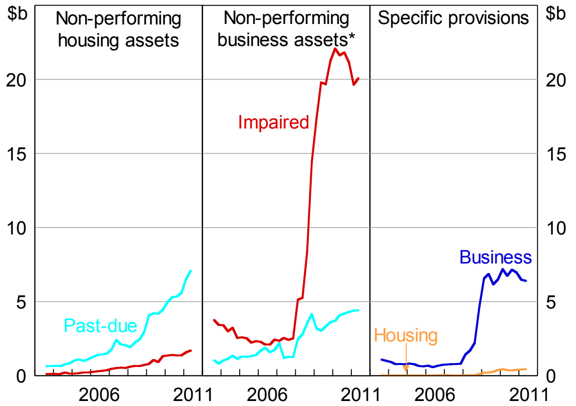
ASSET QUALITY AND CREDIT GROWTH
Board and FSR Graphs

Asset Quality



Banks' Asset Quality

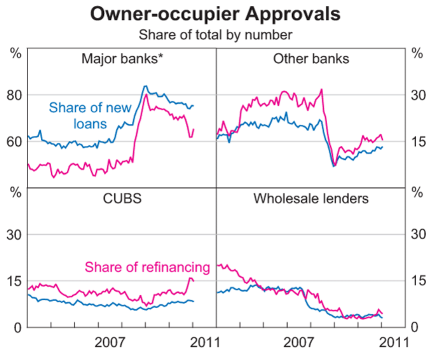
Domestic books



* Includes lending to financial businesses, bills and debt securities, and other non-household loans

Source: APRA

Credit Growth



* Includes Bankwest from December 2008
Sources: ABS; APRA; RBA

BENDIGO AND ADELAIDE BANK
2011 FULL YEAR PROFIT RESULTS

Bendigo and Adelaide Bank (Bendigo) today released its profit results for the year ending 30 June 2011.

Asset quality

Bendigo commented that their overall credit quality is sound with 90-day arrears for both the bank’s residential mortgages and business lending portfolios remaining steady over the year. There was also a fall in credit card and personal loan arrears within the consumer portfolio.

Source: Bendigo and Adelaide Bank’s full-year 2011 results presentation.

Luke Van Uffelen and Luke Cayanan
Financial Stability and Domestic Markets Departments
8 August 2011

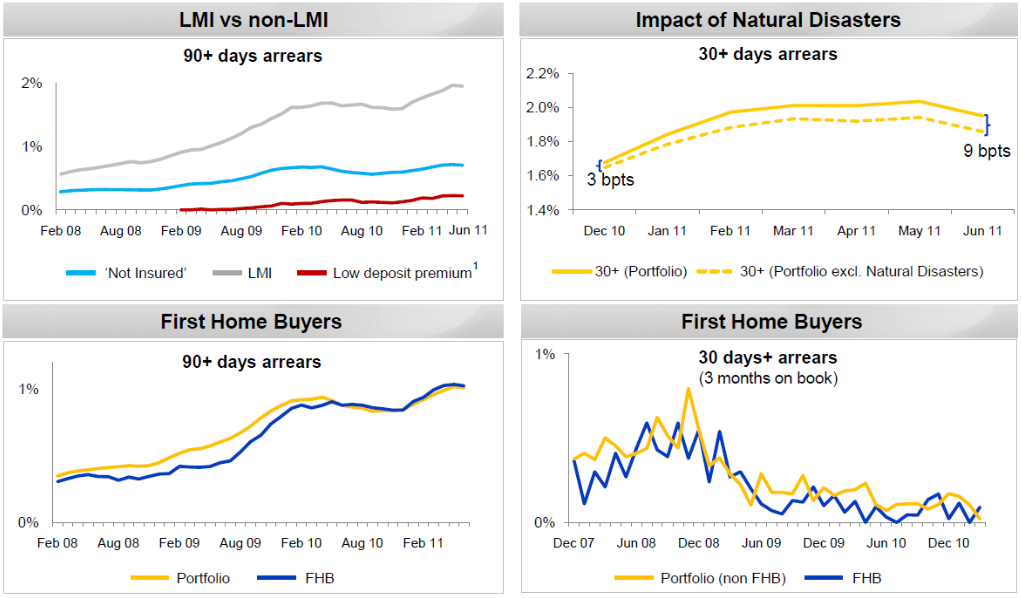
CBA 2011 FULL-YEAR PROFIT RESULT

CBA today released its profit results for the year ending 30 June 2011.

Asset quality

CBA's 90+ day mortgage arrears rate increased from 1.02 per cent to 1.17 per cent over the full year, with the increase occurring during the second half. The rise in arrears was driven by the elevated volume of loans originated in 2008 and early 2009, the impact of higher interest rates on the monthly repayments of borrowers as well as recent natural disasters. CBA estimates that the natural disasters are adding 9 basis points to their 30+ day arrear rates, as at June 2011 (Figure 1). In additional breakdowns, the performance of First Home Buyers has been very similar to other borrowers over the last year or so. By state, 90+ day arrears are highest in Queensland, followed by WA (Figure 2). CBA also experienced a slight uptick in 90+ day credit card arrears over the year, although the arrears rate improved notably for personal loans.

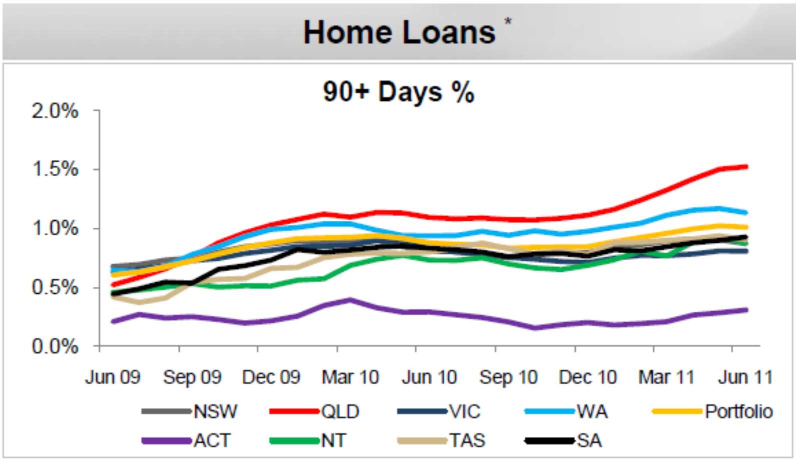
Figure 1
Home loan arrears



All graphs are CBA-domestic excluding Bankwest

1. Low Deposit Premium (LDP): Rather than taking out LMI policies for all loans with an LVR>80%, we charge the customer a premium similar to LMI, but take on the risk and use the premium to offset the higher economic capital charge, targeted at low risk customers.

Figure 2
Arrears rates, domestic



Luke Van Uffelen and Luke Cayanan
Financial Stability and Domestic Markets Departments
10 August 2011

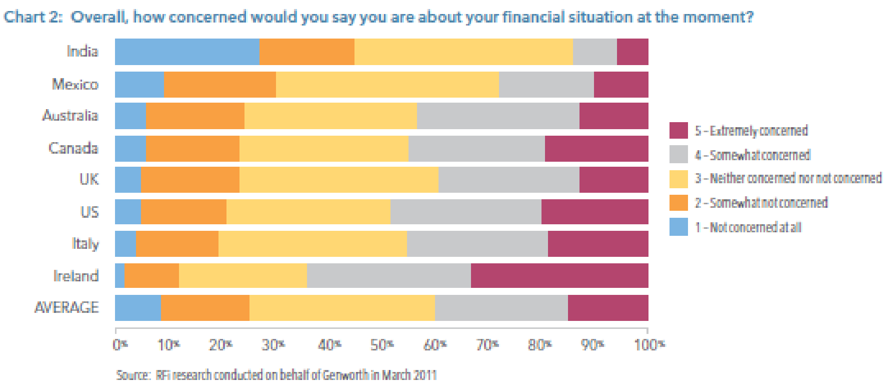
GENWORTH INTERNATIONAL MORTGAGE TRENDS REPORT – JUNE 2011

Genworth published in June 2011 its first International Mortgage Trends Report, with the aim of gaining insight into local market conditions. The report features data on eight countries, including Australia, based on surveys of at least 1,000 respondents in each country.[1] The survey were conducted in March 2011.

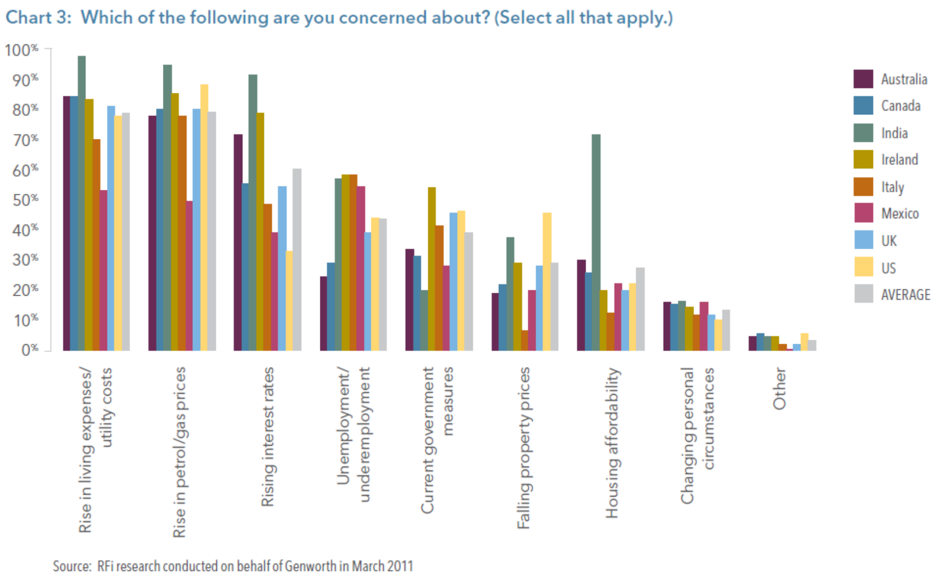
The survey results suggest that Australians have more divergent views of their financial situation than respondents from other surveyed countries. They also had a greater tolerance for high debt levels than most other surveyed countries, although they were more likely to make overpayments on their mortgages. Australian respondents experiencing repayment difficulties tended to attribute this to increased living costs, too much debt and increased repayments.

Financial situation

With the exception of Canada, survey respondents from Australia had more divergent views of their financial situation than the other countries in the sample. While a relatively high share (around 25 per cent) were unconcerned or somewhat unconcerned about their financial situation, over 60 per cent were somewhat or extremely concerned, comparable with proportion of concerned households in Italy and Canada, and higher than the proportion of concerned households in the UK.



Australian respondents that were concerned about their financial positions largely attributed this to the rise in living expenses/utility costs, the rise in petrol/gas prices, and rising interest rates. Australian respondents were generally less concerned about unemployment/underemployment and falling property prices than most of the other countries in the sample, but were more concerned about housing affordability.

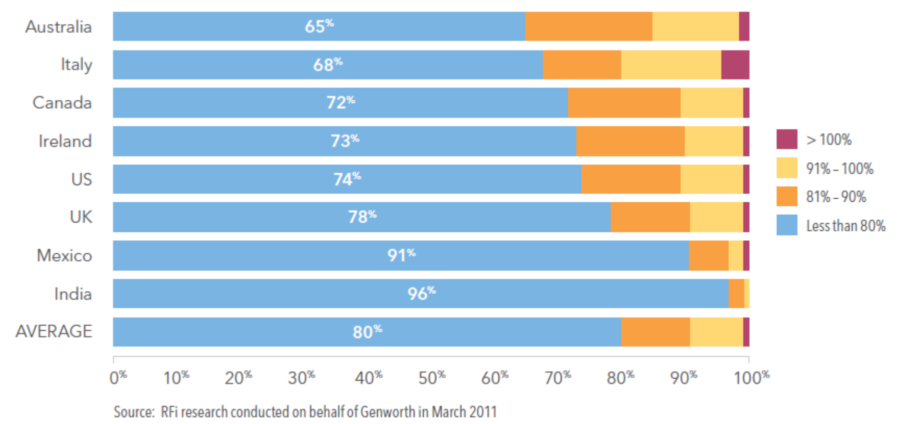


[1] The other countries in the report were Canada, India, Ireland, Italy, Mexico, the UK, and the US.

Attitude to debt

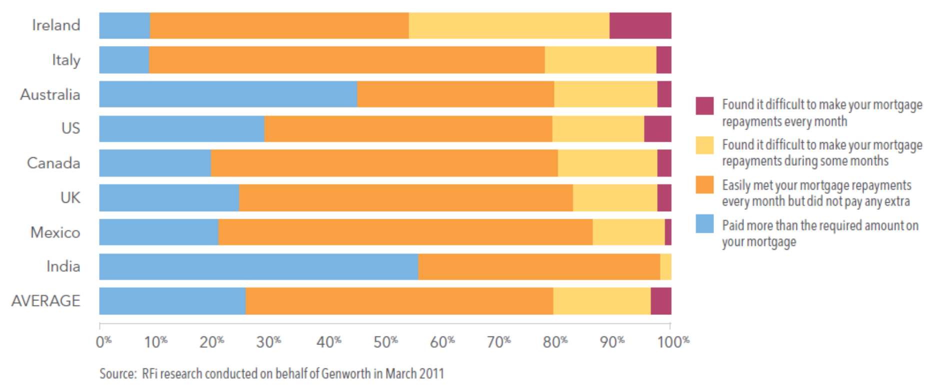
A higher proportion of respondents from Australian were comfortable borrowing more than 80 (and more than 90) per cent of the value of their property than respondents from the other countries in the sample. This comfort with higher debt levels was also evident in the debt servicing levels of Australian households; 39 per cent of Australian respondents were using over half their income to service their debts (this is far higher than in the 2009 HILDA survey, where 9 per cent of indebted owner-occupiers had a debt servicing ratio in excess of 50 per cent).

Chart 4: What percentage of the value of your property would you be comfortable borrowing?



Despite the apparent high indebtedness and high willingness of Australians to take on debt, a very high proportion of Australian respondents (nearly 50 per cent) were able to pay more than the required amount on their mortgage over the previous 12 months. Genworth suggested that this may be explained by the prevalence of variable rate mortgages in Australia, which are more likely to allow borrowers to make overpayments. A significant minority of Australian respondents, around 20 per cent, found it difficult to make their mortgage payments in at least some months. This is a similar proportion to Italy, and is higher than the UK, despite both countries having substantially higher mortgage arrears rates. Canada also had a similar proportion of respondents experiencing some difficulties in making their mortgage repayments, as did the US, although a far higher proportion of US respondents found it difficult to make mortgage payments every month. A slightly smaller proportion of recent first home buyers[2] in Australia were experiencing repayment difficulties compared to other Australian homeowners.

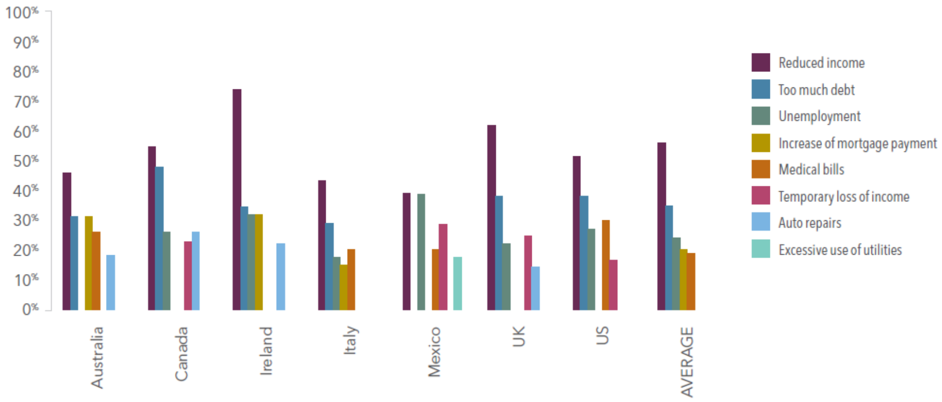
Chart 5: Repayment behaviour over last 12 months



[2] Those that had bought in the previous 12 months.

The main causes of mortgage repayment difficulty for Australian respondents were reduced income, too much debt and increased mortgage payments. Medical bills and auto repairs also contributed, suggesting some households do not leave themselves with sufficient flexibility to meet unexpected large expenses.

Chart 6: Top five causes of mortgage repayment difficulty

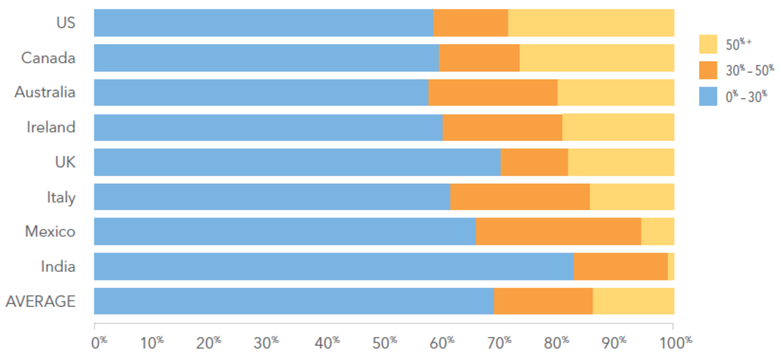


Note: India is not included as the number who had trouble repaying their mortgage was too small.
Source: RFi research conducted on behalf of Genworth in March 2011

Other

The Report suggested that one in five potential Australian first home buyers were spending at least 50 per cent of their income on debt repayments. This was the highest figure among the surveyed countries, with the exception of the US and Canada. More than 40 per cent of potential Australian first home buyers were spending at least 30 per cent of their income on debt servicing, the highest in the sample.

Chart 8: Percentage of income potential FHBs spend on servicing debt



Source: RFi research conducted on behalf of Genworth in March 2011

In total, 30 per cent of surveyed Australians owned at least one investment property as well as a residential property, and 5 per cent owned at least one investment property but did not have a residential property.

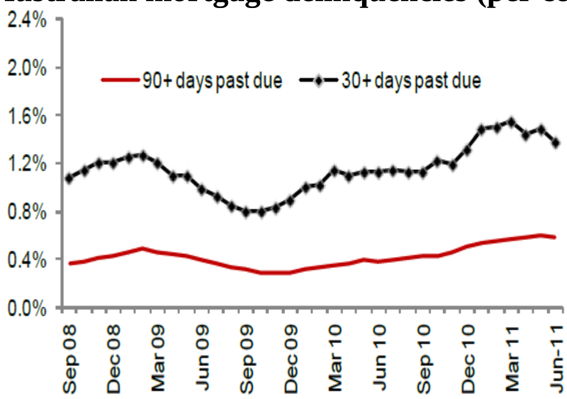
Rob Johnson (x8546)
Financial Stability Department
15 August 2011

WESTPAC TRADING UPDATE – THREE MONTHS TO JUNE 2011

Westpac today released its trading update for the three months to June 2011.

Within Westpac's Australian mortgages portfolio, loans over 90 days past due increased 3 basis points to 0.59 per cent (Figure 1). However, loans over 30 days past due fell by 17 basis points as the effects of the natural disasters earlier in the year on borrowers began to ease.

Figure 1
Australian mortgage delinquencies (per cent)



Source: Westpac's June 2011 quarter trading update.

Westpac also noted that the first home buyer segment continued to perform better than the total portfolio.

Luke Van Uffelen and Luke Cayanan
Financial Stability and Domestic Markets Departments
16 August 2011