

The Customer Owned Banking Association (COBA) is the industry advocate for Australia's customer owned banking institutions. In June 2022, COBA asked KPMG to conduct an impact assessment of the sector on the community. Here are the summarised results.

## 6.1 Community impact assessment of customer owned banks

### Customer owned banking in Australia

Customer owned banking institutions collectively have more than \$158 billion in assets, and around four million customers.

### Community impact assessment

In June 2022, COBA asked KPMG to assess the impact of the customer owned banking sector on the Australian economy. To do this, we first analysed a range of primary and secondary data to better

understand the structure, conduct and performance of the industry. We then:

- surveyed COBA members across the areas of financial performance, employment, customers, environment, and community support
- combined this information with other data sourced from annual reports
- modelled a counter-factual scenario of what the Australian economy may look like in the absence of the community owned banking sector.

### Sector snapshot



**71 percent** of all lending by customer owned financial institutions is for residential owner-occupied property, and over **20 percent** of all owner-occupied residential lending is provided to first home buyers.



**11,200 people** are employed by the sector across Australia, with \$1.24b on wages and salaries.



About **52% of customer owned bank staff** work and live outside of metropolitan cities



\$220m in company tax was paid by customer owned financial institutions in 2021-22 on an estimated net profit (before tax) of **\$765m in FY22**, with an operating cost base just under \$2.5b.



**49 PERCENT** of members use their customer owned bank as their primary financial institution.



Customer owned banks spent more than **\$6 per member** on charitable organisations and community sponsorships last financial year.



Most customer owned banks saw emissions decline between **12-17 percent** during 2021-22.



The customer owned banking model generated members the equivalent of a **0.3 percent** interest rate subsidy compared to a for-profit model.



Of the 735 customer owned bank branches in Australia, **27%** are located in other major cities and regional areas.

## Economic analysis

The sector's direct GDP contribution was calculated by combining the sums of employee compensation (wages and salaries), gross operating surplus and mixed income (profits), and taxes less subsidies.

**Result: The customer owned banking sector's economic contribution to Australian GDP in FY22 is estimated at \$2.0b, or 0.09 percent of GDP.**

To assess the sector's broader footprint, we used KPMG's macroeconomic model to quantify the direct and indirect benefits the sector generates within the broader economy. We modelled a scenario where the customer owned banking sector closes down 'overnight' and the services it would have normally undertaken would be provided by other suppliers in the traditional for-profit financial services sector.

**Result: The footprint of the customer owned banking sector is much greater than its direct economic contribution. We estimate a sudden, unplanned closure of the industry would result in Australian GDP being \$5.7b smaller and result in 32,800 job losses.**

Further, the member-based operational structure of the sector facilitates around \$500m of additional economic activity, creating 600 incremental jobs per annum compared to an alternative operational model based purely on maximising shareholders return on equity.

COBA and KPMG will publish the full assessment later during 2022.

