



# Mutuals Industry Review 2022

An impactful and progressive future



# Contents

<b>1.</b>	<b>Introduction</b>	<b>03</b>
<b>2.</b>	<b>Year in review</b>	<b>06</b>
<b>3.</b>	<b>Key highlights from our 2022 Mutuals Survey</b>	<b>07</b>
<b>4.</b>	<b>Preface</b>	<b>09</b>
<b>5.</b>	<b>2022 Financial Results</b>	<b>10</b>
<b>6.</b>	<b>KPMG insights on key topics</b>	
<b>6.1</b>	Community impact assessment of customer owned banks	25
<b>6.2</b>	Four winning strategies to compete for top talent	27
<b>6.3</b>	Mutual gains through RegTech	30
<b>6.4</b>	Proactively managing climate risk	32
<b>7.</b>	<b>Appendix</b>	<b>35</b>
<b>8.</b>	<b>Acknowledgments</b>	<b>38</b>
<b>9.</b>	<b>Contact us</b>	<b>39</b>

# Introduction



## Darren Ball

**National Mutuals Leader  
KPMG Australia**

The 2022 financial year saw the Mutuals increase net assets by 7.8 percent to \$11.2 billion (2021: increase of 5.5 percent). At the same time, overall operating profit before tax declined by 11.1 percent (2021: 37.9 percent increase) to \$604.7 million (2021: \$680.5 million). The decrease in operating profit before tax was primarily a result of contracting profit margins due to a (slowing) decrease in net interest margins and a slight increase in cost-to-income ratios.

Following on from two disruptive years in 2020 and 2021, the 2022 financial year again saw significant events and challenges. Not only did all Mutuals face into deteriorating economic conditions and rising interest rates, many also were exposed to significant climate-related weather events (especially floods).

Continued economic growth in combination with a range of supply-side constraints, have resulted in a spike in inflation. The series of interest rate increases that the Reserve Bank of Australia (RBA) has subsequently put through are affecting the Mutuals and their members in several ways. Especially in the second half of the financial year, this has resulted in an arrest in the long-running slide in net interest margins (as lending rates have increased more than deposit rates), a nationwide decrease in house prices and a more restricted willingness and ability by customers to borrow to own or invest in homes.

The floods in many parts of Australia at the same time provided a stark reminder of the exposure of many Mutuals to local weather events.

Especially for smaller lenders with a geographically concentrated membership it reinforces the need to understand and manage future climate risks within their loan books.

In this turbulent environment, we have observed several strategic and financial key issues for Mutuals coming out of 2022 and going into 2023:

## Strategic

By 2 November 2022, the official cash rate set by the RBA was 285bps. This represents a sharp increase from a low rate of 10bps, prior to the rate rise to 35bps on 4 May 2022. This was the first rate rise since 3 November 2010 (when the RBA took the cash rate to 475bps). The end of a long period of low interest rates in the final quarter of the 2022 financial year is having various major impacts on the residential lending market that the Mutuals focus on – the balance of these impacts pointing to a slowdown in mortgage lending performance:

- Across Australia, house prices are reducing from historical heights
- Lending demand by both owner-occupiers and investors is lower than it has been for over two years
- Large numbers of borrowers that took out fixed rate mortgages in recent years will need to refinance their loans at higher rates during especially the 2022-2024 period
- Loan repayments slow down as a higher proportion of mortgage payments goes to interest repayments rather than to principal reduction
- As a number of households start to struggle to mortgage affordability, there will be an increase in loan defaults

The requirements for the Mutuals to invest continues to increase (putting pressure on both their capital base and the need to generate profits). In addition to investments in regulatory compliance (including for instance in improved readiness in response to fraud and cyber incidents) and in digital transformation and innovation, there is also a growing need to invest in ESG initiatives. While this investment theme is true for all banks, it impacts the Mutuals disproportionately due to their relatively small size.

Talent scarcity is an issue for many Australian employers. It is of particular focus for Mutuals for two reasons: access and affordability. In terms of access to scarce talent, note that according to the Mutuals impact assessment that KPMG has conducted on behalf of the Customer Owned Banking Association (COBA) over half of all Mutuals' staff live and work outside of the metropolitan areas. With regards to affordability, the Mutuals compete with the major banks for the same risk and technology professionals.

The sector needs to find ways to attract and retain talent to continue to develop.

Finally, consolidation remains a major topic in the sector. Many Mutuals are looking to grow through mergers as the limitations of operating medium- and small-scale banks (especially cost inefficiencies and the ability to invest) remain firmly in place. The recent stabilisation of net interest margins will not change momentum for mergers between Mutuals.

## Financial

For the most part of the 2022 financial year, a combination of low interest rates, rising property prices and high employment continued to drive mortgage lending growth for the Mutuals. These same dynamics also contributed to low levels of lending losses and loan loss provisions. The 2022 results for the sector reflect this strong mortgage lending performance. The change in the economic environment that started with the interest rate rises in May 2022 did not yet have a major impact on the Mutuals results for 2022. However, a less benign residential housing market is expected to feature in the 2023 financial year.

Net interest margins in Australian banking had been on a long downward march. The interest rate increases from May 2022 have arrested this trend, and margins have finally started to increase. In recent months, lending rates have increased more than deposit rates. The question for 2023 is whether margins will continue to expand (noting that competition for deposits will put upward pressure on deposit rates).

Cost efficiency remains a challenge for the Mutuals. In large part to their relatively small scale, they have a higher cost-to-income ratio than most larger commercial banks. This does restrict their ability to compete. The response to this issue is for Mutuals to seek the benefits of scale through organisational simplicity, sector utilities (for instance for payments services) and investment in productivity-enhancing technology – as well as through consolidation.

In an uncertain world and in challenging conditions, the Mutuals continue to be a constant support for their members. To remain strong contributors to their communities, they don't stop evolving with the world around them. Therefore, the theme for this 35th annual sector review by KPMG is: **An impactful and progressive future.**

In terms of impact, the Mutuals punch well above their weight. This review includes a summary of the sector impact assessment that KPMG has just completed on behalf of COBA. Our analysis has confirmed that the Mutuals deliver an outsized impact for their members, their staff, the communities that they serve and the Australian economy, relative to the size of their balance sheets. Examples of this include their substantial branch footprint throughout all of Australia to serve their members, and the number and the quality of the jobs that they provide to their skilled and engaged staff.



How you grow matters. If the Mutuals want to continue to make such an outsized impact for members and communities, they need be progressive on several fronts. Noting the unique nature of the Mutuals as relatively small players in a large banking sector – with an outsized presence in many communities and sectors throughout the whole of Australia – we have identified a number of focus areas for innovation by the Mutuals:

- Identifying, attracting and engaging talent, particularly in fields of high global and Australian demand

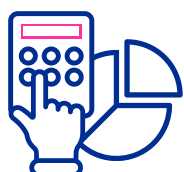
- Accessing innovation, scale and simplification that is normally only available to larger banks through “as a Service” models
- Partnering with regtechs to respond to regulatory compliance requirements more effectively and efficiently
- Managing the substantial climate risks in their lending books proactively, as extreme weather events become the ‘new normal’ in Australia

The success of the Mutuals in seizing the opportunities and dealing with the challenges will determine how they continue to make an impact through the delivery of member value and community contributions. A proactive and responsive Mutual sector will be able to build on its positioning as “purpose-driven organisations”, to continue to find new ways of serving their members and their communities.

We trust that you find this publication insightful. KPMG looks forward to supporting the next 35 years of impact and progress in the sector.

# Year in review – 2022 highlights

▼ 11.1%



**Operating profit before tax decreased by 11.1% to \$604.7m**  
(2021: \$680.5m)

▲ 8.1%



**Lending grew by 8.1% to \$120.9b**  
(2021: \$111.9b)

▲ 7.0%



**Deposits grew by 7.0% to \$124.9b**  
(2021: \$116.7b)

▲ 2.4%



**Non-interest income increased by 2.4% to \$430.7m**  
(2021: \$420.6m<sup>1</sup>)

▼ 6bps



**Net interest margin decreased 6bps to 1.93%**  
(2021: 1.99%)

▲ 48bps



**Cost-to-income ratio increased by 48bps to 80.3%**  
(2021: 79.9%)

▼ 6bps



**Average capital adequacy ratio decreased by 6bps to 16.29%**  
(2021: 16.35%)

▼ \$19.5m



**Write back of credit provisions of \$19.5m**  
(2021: write back of provisions of \$34.9m)

2



**2 mergers completed**  
(2021: 2)

<sup>1</sup> 2022 non-interest income was adjusted for a Mutual to exclude proceeds from a one-off transaction.

# Key highlights from our 2022 Mutuals Survey



## Top 3 contributors for growth:

Better product pricing  
**27.5%**

Better customer service  
**23.5%**

Customer centricity & product innovation  
**16.3%**



## Top 3 priorities for the next 3 years:

Maintaining profitable and sustainable growth  
**56.6%**

Digital transformation  
**20.8%**

Acquisition or merger  
**13.2%**

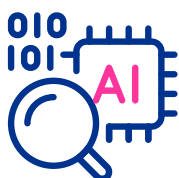


## Top 3 biggest risks:

Information technology including cyber risk  
**42.6%**

Attracting and retaining talent  
**18.5%**

Compliance & regulations  
**14.8%**

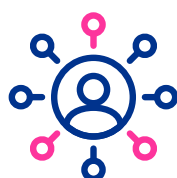


## Top 3 key technology challenges\* in the next 3 years:

Cyber security  
**38%**

Legacy systems  
**18%**

Cost reduction & Channel digitisation  
**16%** (These two options were equal 3rd in ranking from the survey)



## Top 3 greatest competitors for the mutuals:

Big-4 banks  
**62.3%**

Other banks  
**22.6%**

Brokers  
**9.4%**



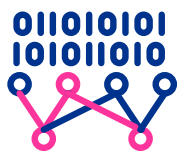
**75%**

of respondents feel confident about the 3 year growth prospects for mutuals, compared to 78.1% in 2021.

*\* Note: Rankings are based on overall responses among the top 5 choices in this question.*

©2022 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Liability limited by a scheme approved under Professional Standards Legislation.



**75%**

of mutuals consider themselves prepared for a cyber-event.



**25.5%**

of respondents anticipate being involved in merger activity during 2022 (2021: 24.4%).

**21.6%**

are considering the possibility (2021: 19.5%).



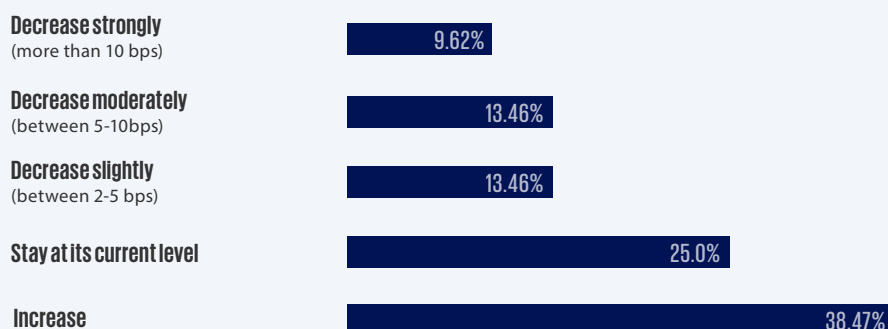
**50.0%**

Over 50.0% of respondents place high importance on ESG, which is regarded as a way to differentiate themselves; while

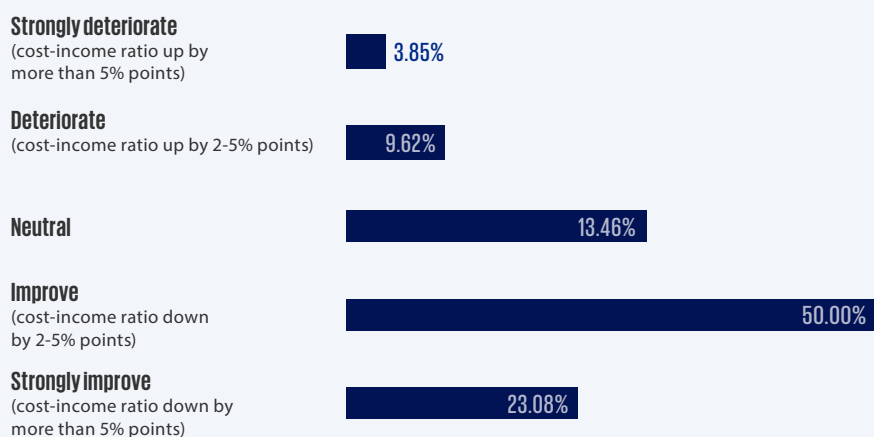
**30.8%**

of respondents believe this is an important area for their organisations, but they are not looking to go above and beyond.

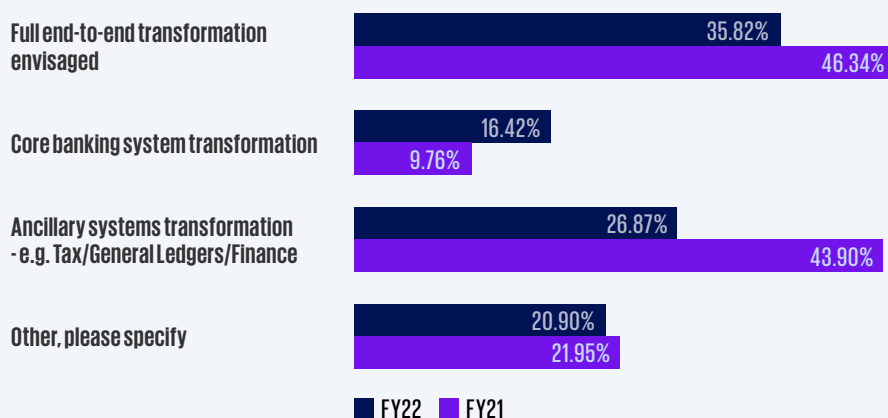
## Future net interest margin expectations in the next 3 years



## Cost efficiency development expectations in next 3 years



## Intention for business transformation



2021 has seen a shift in intentions around business transformation, with respondents indicating a significant increase in the focus on full end-to-end transformations and ancillary systems transformation compared to 2020.



# Preface

This report examines the performance and trends of Australia's Mutual banks, building societies and credit unions (together, the Mutual sector) as regulated by the Australian Prudential Regulation Authority (APRA). This is the 35th year of the report.

It includes the financial results of 47 Mutuals for the 2022 financial year (2021: 46 Mutuals), which represents over 99 percent (2021: 98 percent) of the Mutual sector by total assets. The financial information, analysis and observations have been compiled from publicly available financial reports, APRA statistics and includes information from the prior year. In certain circumstances, data has been obtained directly from survey participants.

This report also includes the results of our qualitative survey, which asked Mutuals to share their views on the risks, challenges and opportunities they see the industry being exposed to. This year we had a response rate of 70 percent (2021: 66 percent). This reflects the Mutual sector's eagerness to come together, leverage experiences and operate in unity.

For the purposes of reporting, we have often grouped the Top 10 Mutuals by total assets (the Top 10) as well as the remaining Mutuals (Mutuals excluding the Top 10). We have also made reference to the financial results of the Australian major banks (the Majors).

We would like to thank the survey respondents for their time, support and contribution to this report.

## The KPMG Mutuals Insights Dashboard

The KPMG Mutuals Insights Dashboard which accompanies this report contains interactive charts and graphs that are underpinned by the financial data collected from mutuals surveyed. This dashboard enables you to filter the data based on your own preferences and view the financial metrics for a particular year or segment of the mutual sector. You can also view metrics for an individual mutual in comparison to a peer group.

The dashboard can be accessed via our [website](#).

# 2022 Financial Results



## Assets

The Top 10 Mutuals, by total assets, have maintained their presence in the Top 10 since 2016. However, 2022 has witnessed movement within the rankings compared to 2021.

Please note that asset growth (7.5 percent for the sector) has been lower than loan growth (8.1 percent in comparison) and that the asset growth ranking therefore does not wholly reflect lending growth performance.

	TOP 10 BY TOTAL ASSETS (\$) - 2022	GROSS LOANS (\$) - 2022
Great Southern	\$21.31B 13%	\$15.00B 11%
Heritage	\$12.32B 3%	\$9.35B 5%
Newcastle Permanent	\$12.14B 4%	\$9.77B 7%
People's Choice	\$10.44B 8%	\$8.81B 9%
Teachers	\$10.44B 7%	\$8.64B 10%
Bank Aus	\$9.67B 14%	\$7.39B 17%
Greater	\$8.38B 4%	\$5.42B ▼-1%
Beyond	\$8.29B 7%	\$6.80B 10%
P&N	\$7.34B 6%	\$5.83B 9%
IMB	\$7.07B 2%	\$5.57B 2%

Total assets for the Mutuals increased by 7.5 percent (2021: 7.6 percent) to \$158.8 billion in 2022 (2021: \$147.7 billion), despite a year of deteriorating economic conditions and continued competitive pressure from other lenders.

In 2022 the Australian economy faced the challenges of high inflation and extreme weather events. To remain competitive with the broader banking industry, the Mutuals maintain a strong focus on supporting customer and sectoral community needs. This is evident with 51 percent of our survey respondents identifying customer experience and product pricing as the key contributors to growth in 2022.

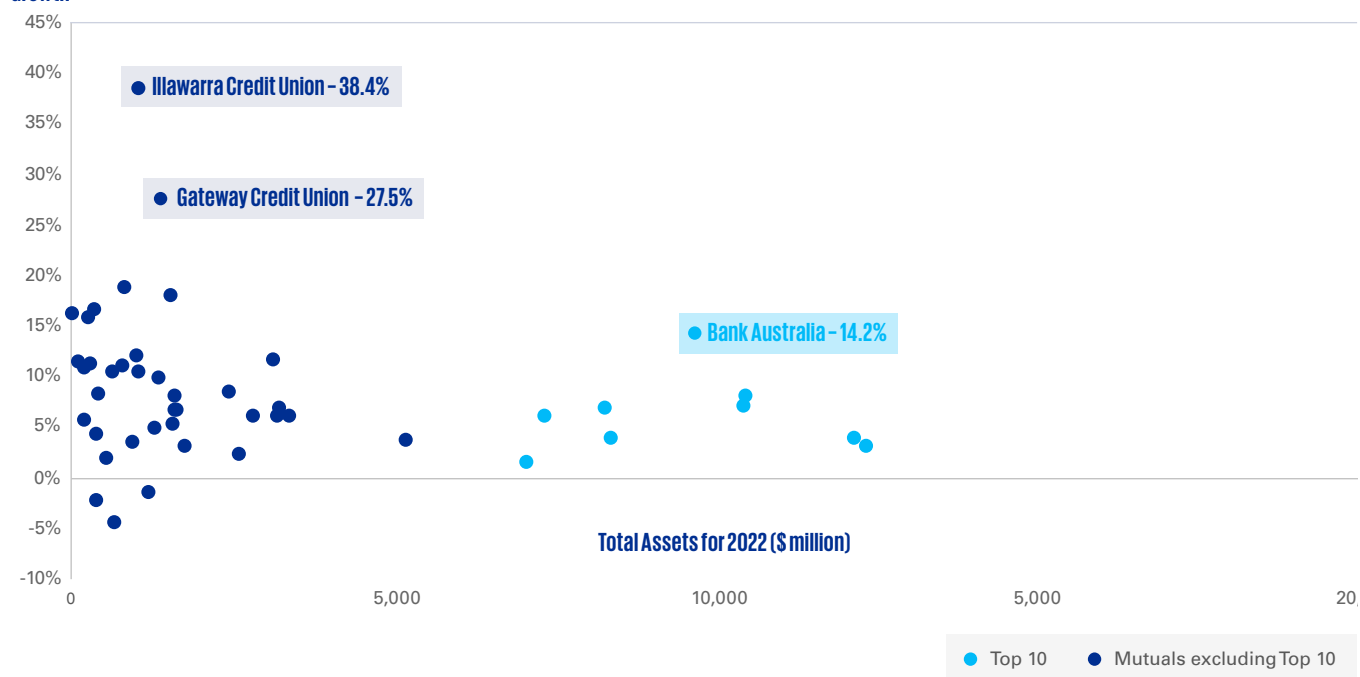
Mutuals comprise of 2.6 percent (2021: 2.7 percent) of total assets across all authorised deposit-taking institutions (ADIs) in Australia at 30 June 2022. As total asset growth for Mutuals slowed in 2022, the reduced market share reflects the strong competition in the mortgage lending market.

The sector outlook remains positive in the face of ongoing market and economic uncertainty, with 75% of survey respondents revealing they feel confident in their 3 year growth prospects (compared to 77% in 2021).

Total asset growth across the sector was primarily driven by lending growth. The Top 10 as a collective experienced continued growth in Total Assets at an average rate of 7.4 percent (2021: 6.8 percent), compared to the Majors who grew 9.3 percent (2021: 1.7 percent).

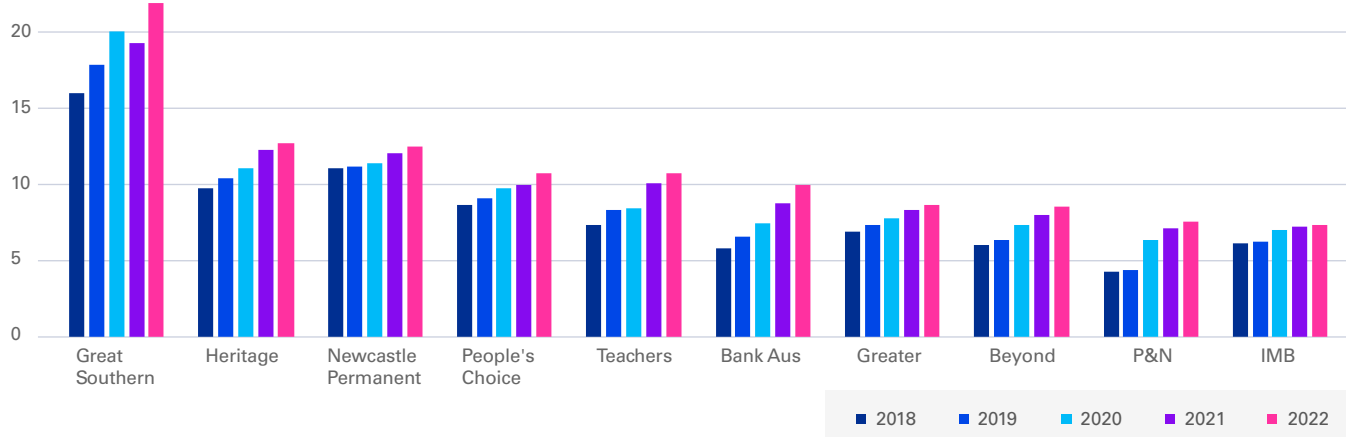
The differing levels of asset growth achieved across the sector is reflective of varied approaches adopted by the Mutuals in addressing market conditions. The highest level of growth in the sector was experienced by Illawarra Credit Union whose strong mortgage portfolio performance was driven in part by a twelve month refocused distribution strategy and investment in new channels.

## Growth



## TOP 10 TOTAL ASSETS (2018 - 2022)

(\$billion)



## Loan portfolio

The total loan portfolio for Mutuals in 2022 was \$120.9 billion (2021: \$111.9 billion), an 8.1 percent increase from 2021 (2021: 5.2 percent). This is in line with the banking sector as whole, which observed loan growth of 8.8 percent (2021: 1.7 percent).

The Mutuals performance reflects their continued focus on providing a high-quality member experience and delivering service focused lending, a topic which 29.4 percent of respondents to our survey consider to be their number one success factor.

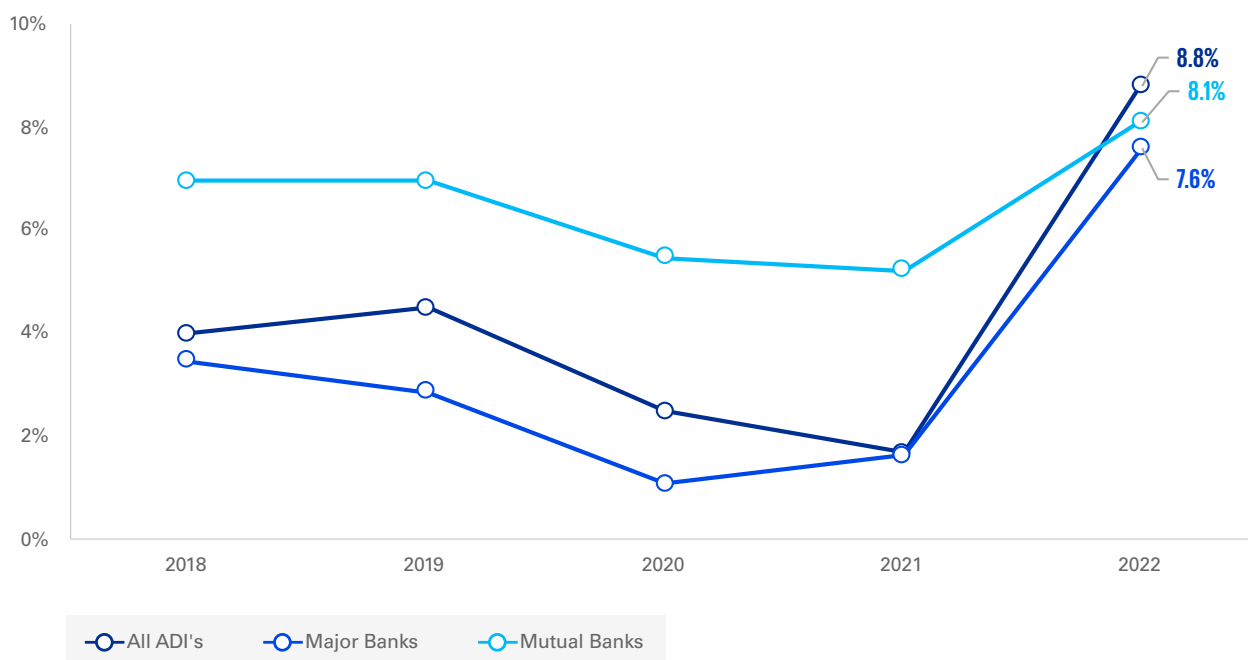
## Residential lending market

The high concentration on residential lending across the Mutuals remains consistent in 2022, with 93.2 percent (2021: 92.8 percent) of their portfolio comprising residential loans at 30 June 2022.

Whilst lower compared to previous years, the Australian residential market had another strong performance 2022 with reported average property price growth of 11.7 percent (per ABS data).

Our survey respondents ranked increasing residential lending as the biggest driver of growth, with the digitisation of banking services and offering new and competitive choices identified as second and third respectively.

## LOAN PORTFOLIO GROWTH (2018-2022)





## Interest rates and inflation

The first half of 2022 continued a trend of historically low interest rates combined with high employment that drove the mortgage strong growth observed by the Mutuals.

However, a clear shift in the economic environment has arrived, signalled by the rise of interest rates in May 2022 and significant increase in reported inflation. Whilst this did not have a major impact on the Mutuals results for 2022, these factors are expected to present a turnaround in loan growth in 2023.

## Competitive pricing and innovative responses

The 2022 fiscal year saw increasing competition in the banking market, including renewed growth by the Major Banks. The Mutuals face this competition with a focus on growing market share through sustained competitive pricing while also remaining strong contributors to their communities. In fact, 27.5 percent of our survey participants indicated that competitive pricing was the main contributor to their financial performance and market share growth in 2022.

While the sector continues to compete on price with the broader financial services market, it also continues to pursue innovative initiatives, including investment in digitisation. Examples of this include:

- Defence Bank rolling out a new paperless digital personal loan solution providing fast approvals and funding within 20 minutes, helping drive a 25 percent growth in personal loans.
- Great Southern Bank's delivery of a new, transformational home loan origination system, which has halved approval times while doubling the number of applications processed.

## Commitment to the community

The Mutuals also maintain powerful bonds with their members and the communities that they support, which continues to be a strength of the sector. In line with this there is a continued focus on growth that is not only sustainable, but also environmentally and socially responsible. An example of this is Bank Australia extending their green mortgage product offering in 2022 with a clean energy home loan providing greater discounts for homes that are both energy efficient and generating their own renewable power.

## Did you know...?



### 2022 Canstar Award winners include:

Customer Owned Bank of the Year

**Great Southern Bank**

Customer Owned Bank of the Year –  
Fixed Rate Home Loan Award

**Hume Bank**

Customer Owned Bank of the Year –  
Savings Award

**Great Southern Bank**

Customer Owned Institution of the Year –  
Term Deposit Award

**G&C Mutual Bank**

## Asset Quality

Asset quality has generally improved in 2022 with the sector observing a further small decrease in the provision for doubtful debts to gross receivables ratio of 2bps in 2022 to 0.14 percent (2021: 0.16 percent). Whilst reduced from 2021, provision levels remain slightly elevated compared to pre-COVID19 periods. GDP increasing to above pre-pandemic levels and record low unemployment has promoted optimism in the wider economy during the 2022 financial year.

The significant increase in interest rates observed since May 2022, combined with high inflation and an expected cooling of the housing market will likely cause pressure on asset quality in the medium to long term.

In 2022 the Mutuals collectively observed a net write-back of provisions, resulting in a decrease of 10.6 percent (2021: 16 percent decrease).

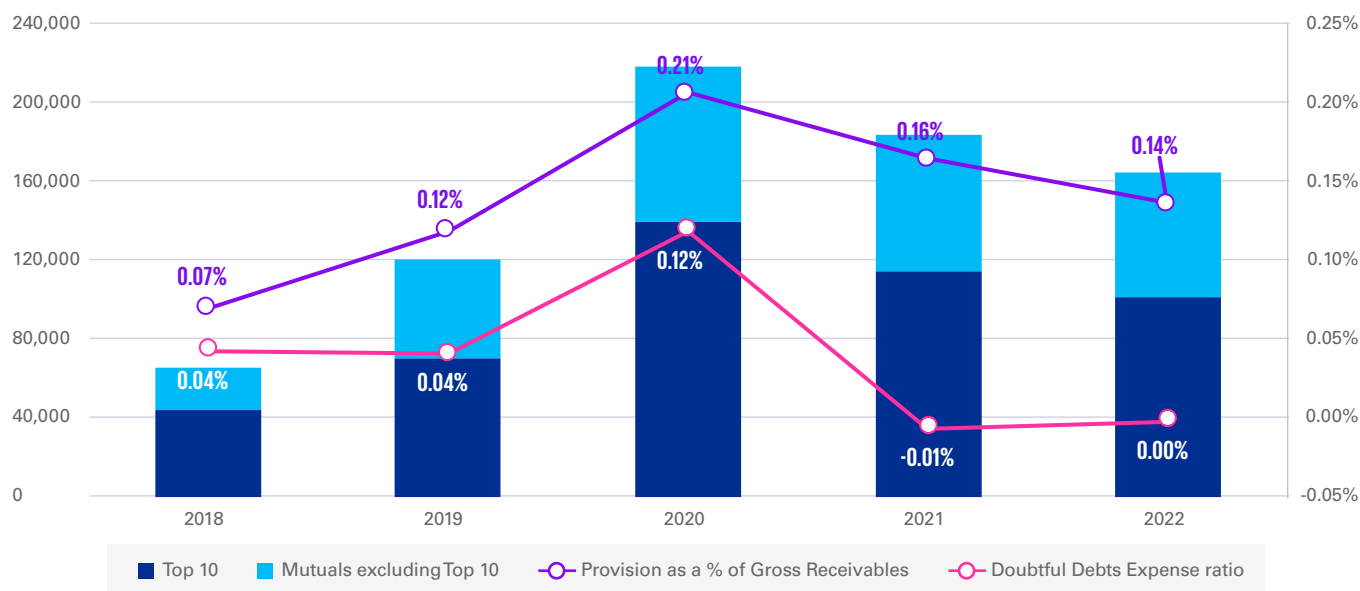
The accounting standards also require Mutuals to classify their loans into stages with respect to expected recovery in accordance with the accounting standards. Based on publicly disclosed information of a sample of the larger Mutuals, we observed that collective impairment charges formed 90 percent of the total provisioning at the end of 2022 (2021: 91 percent). For the same sample, 60 percent of the loan provisions were classified into stage 1 (2021: 55 percent) whereas stage 2 and 3 were 22 percent and 18 percent respectively (2021: 28 and 17 percent).

### Provisioning and asset quality

In addition to any specific provisions, accounting standard AASB 9 requires the estimation of a general provision called the 'expected credit loss' (ECL). The ECL requires the incorporation of forecast macroeconomic factors in assessing the appropriate provision to apply against the loan portfolio.

### IMPAIRMENT PROVISIONS (2018 - 2022)

(\$'000s)



\* The negative doubtful debts expense ratio reflects the net write-back of provisions in 2021.

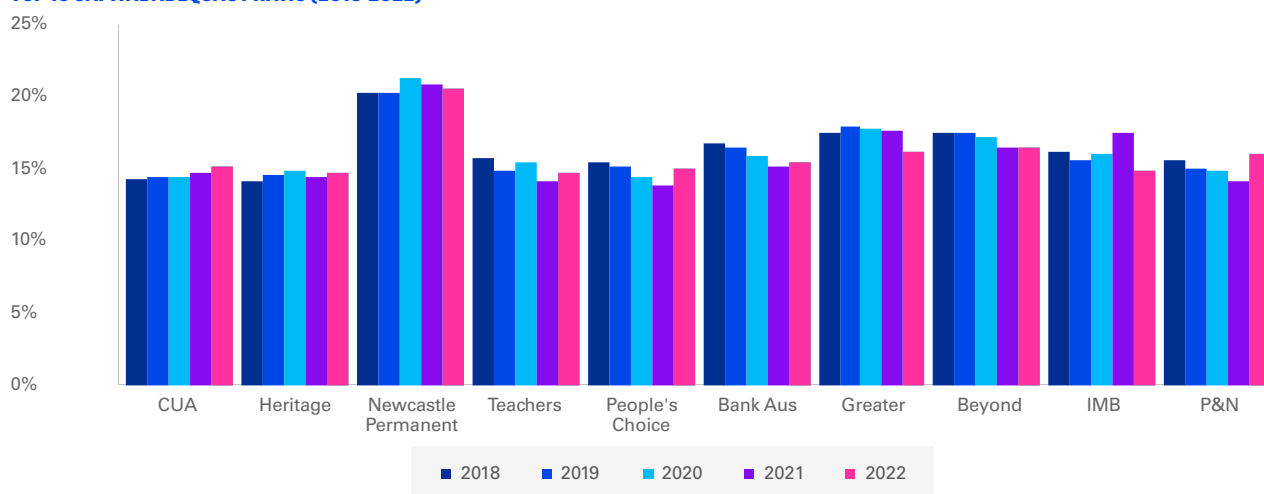
## Capital

### Current position

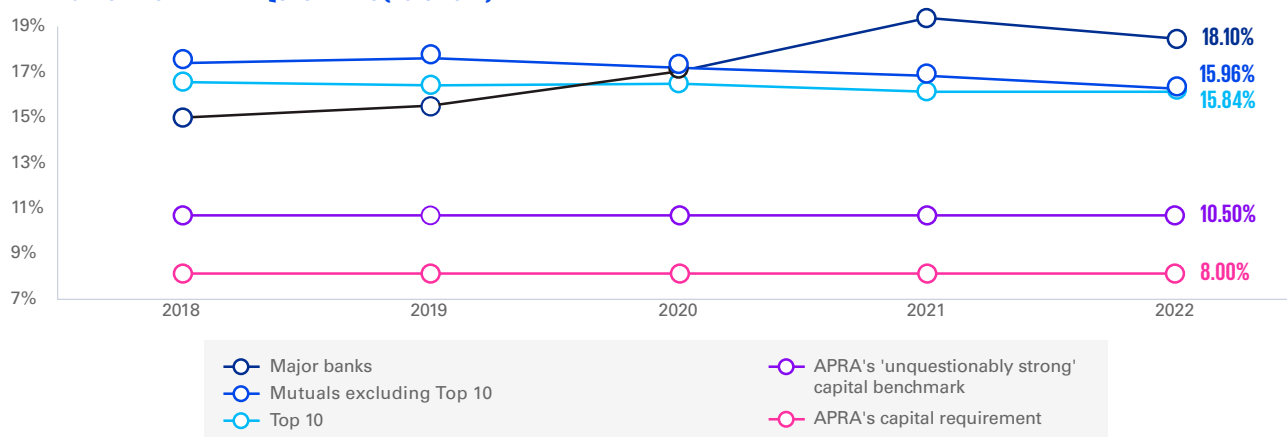
The Mutuals' average capital adequacy ratio decreased by 6bps to 16.29 percent<sup>1</sup> (2021: 16.35 percent). This impact has been felt consistently across the industry for Mutuals outside of the Top 10.

Strong asset growth and low interest margins have eaten away at the strong capital positions that the Mutuals have historically enjoyed compared to other banks.

### TOP 10 CAPITAL ADEQUACY RATIO (2018-2022)



### AVERAGE TOTAL CAPITAL ADEQUACY RATIO (2018-2022)



<sup>1</sup> Average capital adequacy ratio excludes a Mutual as an outlier.

## Deposits

Deposits continue to be the most significant source of funding for Mutuals, with a deposit-to-loan ratio of 103.3 percent in 2022 (2021: 104.3%).

Deposits have continued to increase in 2022, albeit at a slowing pace compared to previous years. The Top 10 Mutuals had a deposit growth of 6.4 percent (2021: 8.1 percent), compared to the broader group of Mutuals which experienced growth of 8.3 percent (2021: 8.2 percent).

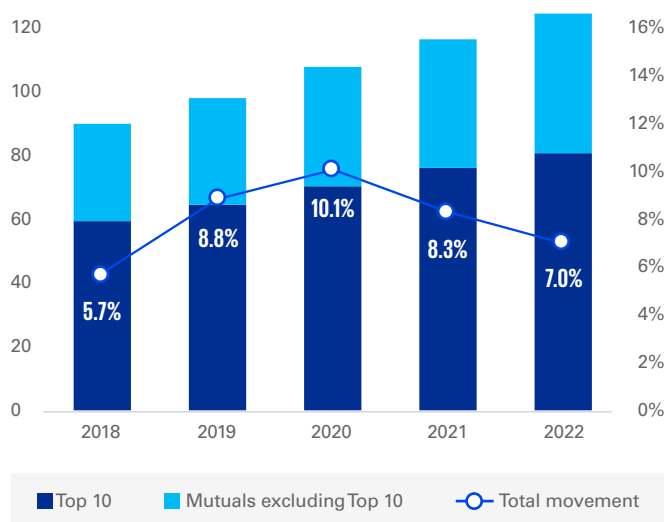
Total deposits increased by 7 percent (2021: 8.3 percent) which is slightly above the growth experienced by the major banks (6.7 percent). This brings total deposits to \$124.9 billion (2021: \$116.7 billion) for the Mutuals sector.

## Net interest income (NII)

In 2022, the Mutuals reported an increase in net interest income of 3.9 percent to \$2,770.4 million (2021: \$2,665.8 million), driven by underlying growth in the loan book. Of this, 66.0 percent was earned by the Top 10 (2021: 66.9 percent).

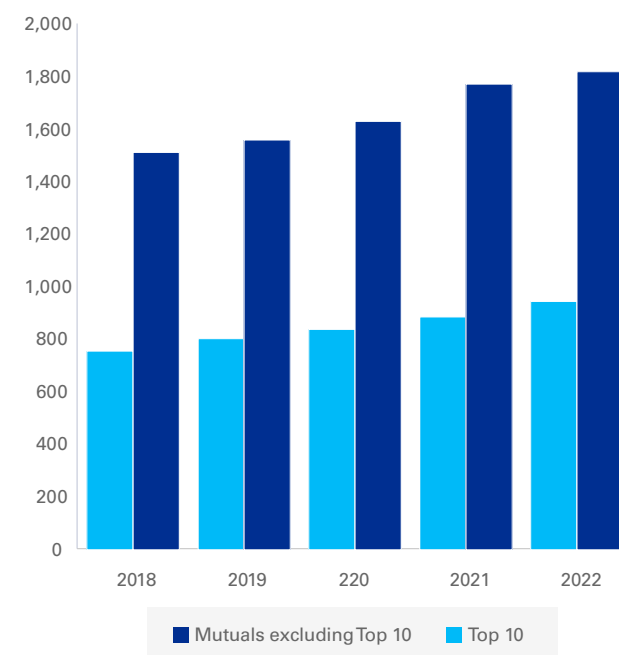
### TOTAL DEPOSITS AND GROWTH IN DEPOSITS (2018-2022)

(\$billion)



### NET INTEREST INCOME (2018-2022)

\$(million)



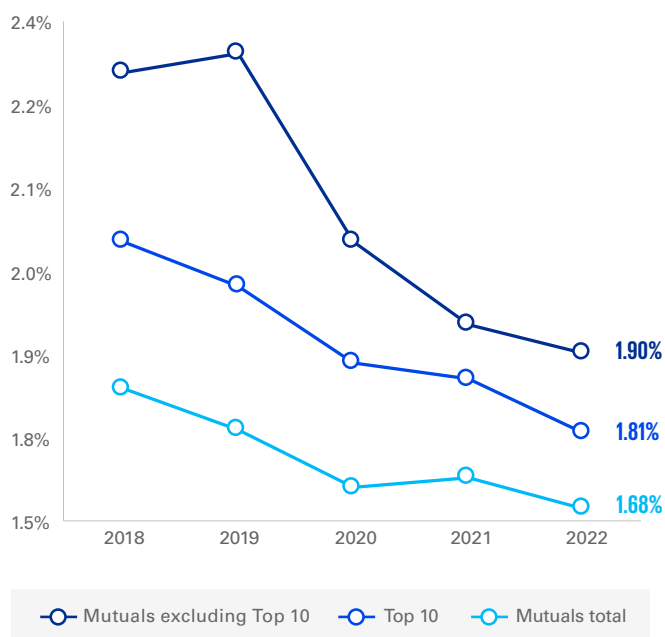
## Net interest margin (NIM)

Pressure on net interest margins continued throughout 2022, however the interest rate increases from May 2022 have started to alleviate this. This is expected to continue improving into 2023, with lending rates having increased more than deposits in recent months.

The NIM for the Top 10 Mutuals decreased by 7bps to 1.68 percent (2021: 1.75 percent) compared to the broader Mutuals group which saw a decrease of 3bps to 1.90 percent (2021: 1.94 percent).

### NET INTEREST MARGIN (2018-2022)

(Based on year-end total assets)



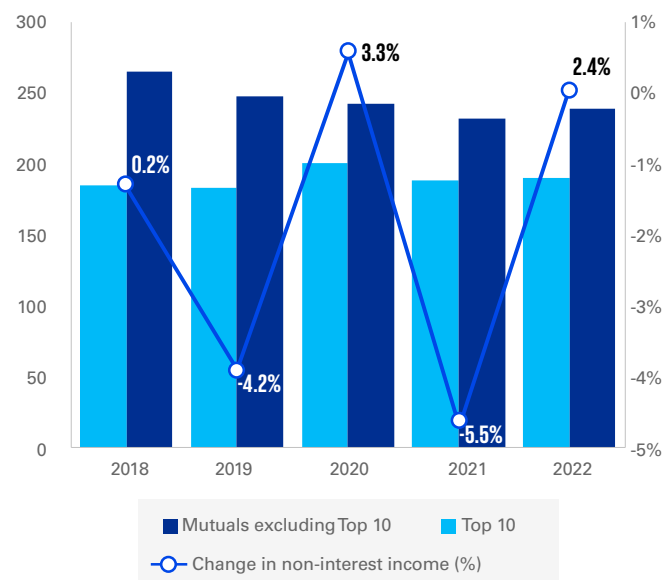
## Non-interest income

Non-interest income in Mutuals sector is heavily reliant on transaction and services fees. In 2022 this was bolstered by increased levels of customer spending, supported by savings accumulated during the pandemic.

Total non-interest income<sup>2</sup> increased by 2.4 percent (2021: 5.5 percent decrease) to \$430.7 million (2021: \$420.6 million). The Top 10 reported a slighter higher increase of 3.5 percent (2021: 4.9 percent decrease). This increase is smaller than the growth observed by the overall banking sector.

### NON-INTEREST INCOME (2018-2022)

(\$ million)



<sup>2</sup> 2022 non-interest income was adjusted for a Mutual to exclude proceeds from a one-off transaction.



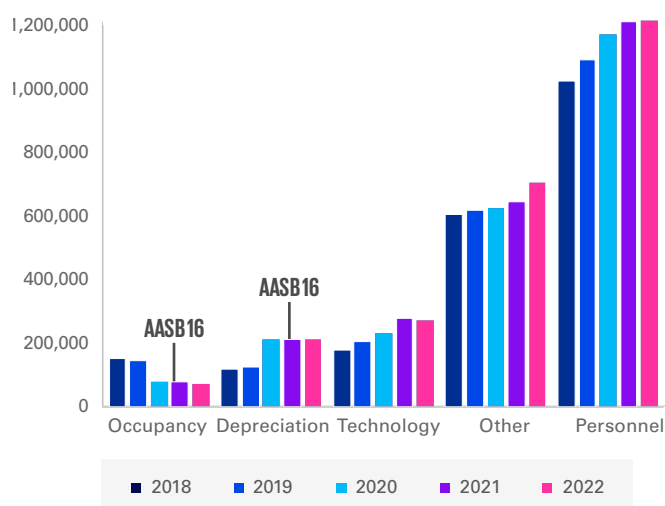
## Costs

2022 saw total operating costs for Mutuals grow by 7.2 percent to \$2.57 billion (2021: \$2.40 billion). Despite income growth during the year, this resulted in the cost-to-income ratio increasing to 80.3 percent (2021: 79.9 percent). Whilst the Top 10 has seen an increase in the cost-to-income ratio we note that the ratio for the Mutuals sector excluding the Top 10 has remained consistent in 2022.

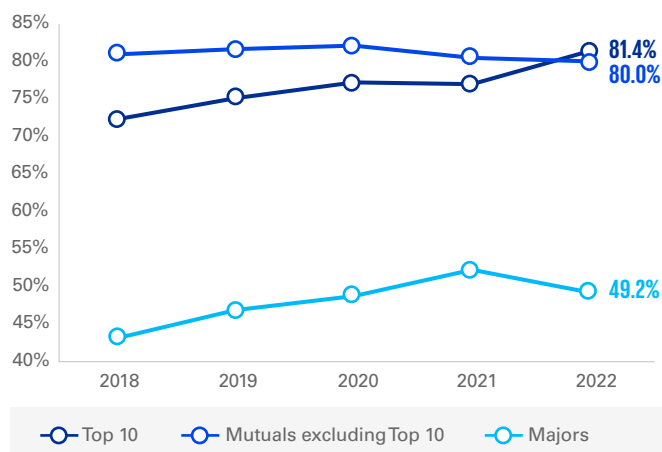
We note that 20 percent of survey respondents are planning to increasing investment and 22 percent are planning to invest the same amount as the prior year. The key areas of focus are cyber security, lending origination and open banking.

### GROWTH IN COSTS (2018-2022)

(\$'000)



### COST TO INCOME RATIO (2018-2022)



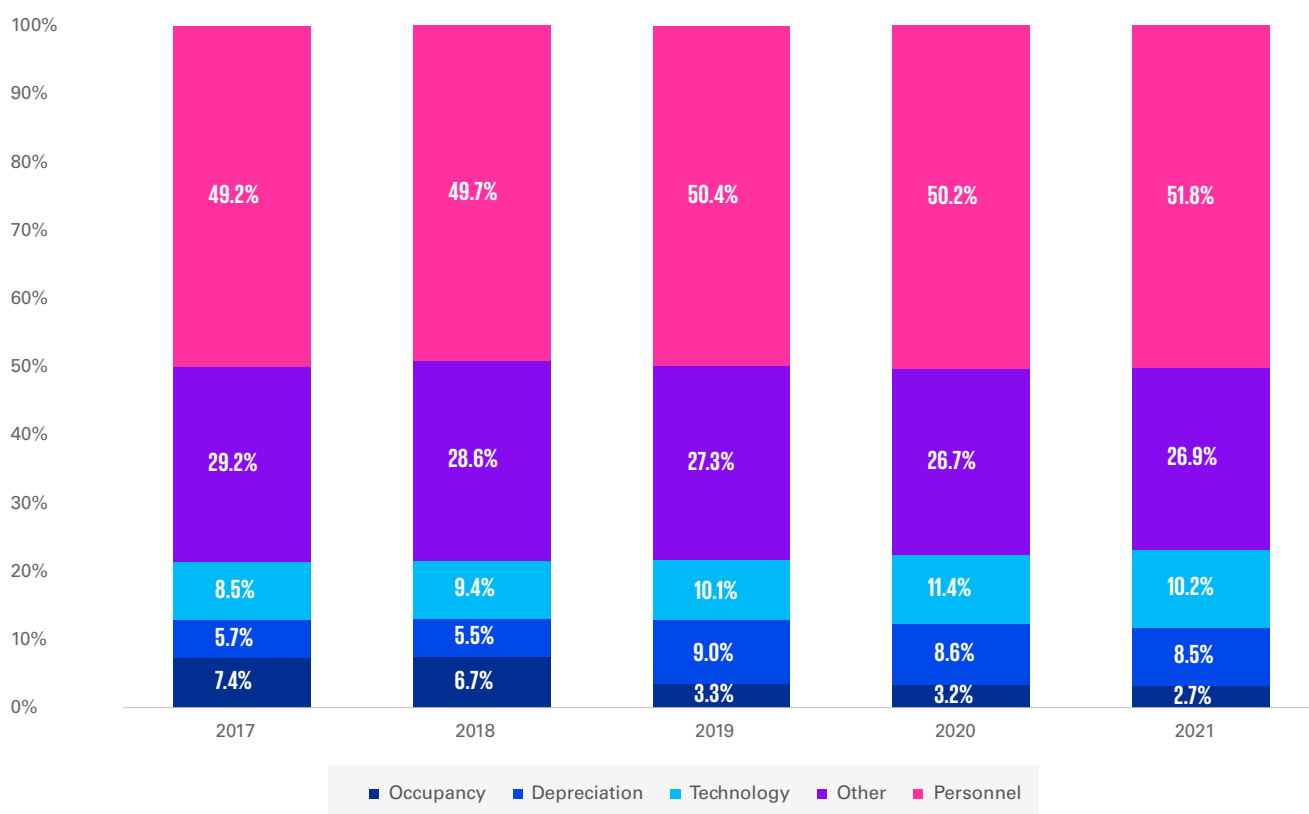
## Composition of costs

Previously we had discussed the impact of AASB 16, effective from 1 July 2019, and the resulting shift away from 'occupancy' and 'other operating expenses', which have traditionally included any head office and branch leases.

Under AASB 16, these costs are now reflected in amortisation/depreciation charge and interest expense. The graph below reflects this from 2020, with the drop in occupancy costs, offset by an increase to depreciation and amortisation.

This continues to be the case in 2022, with the composition of costs remaining relatively unchanged year-on-year.

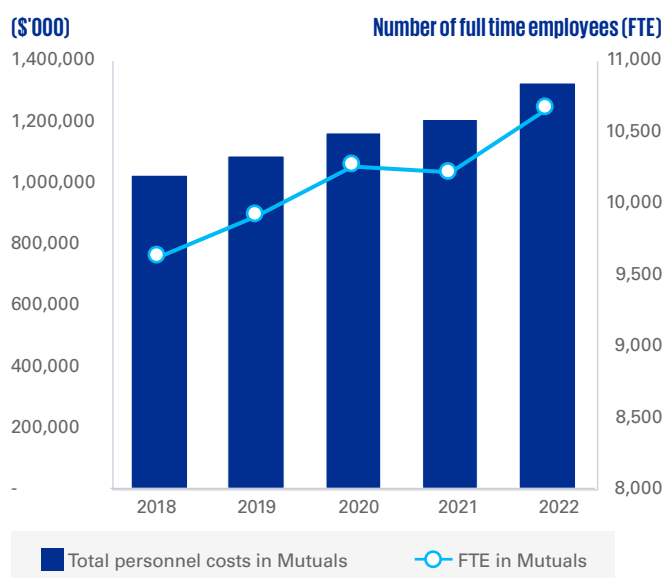
### COMPOSITION OF COSTS (2018-2022)



Personnel expenses continue to account for the majority of operating costs for Mutuals at \$1.32 billion in 2022 (2021: \$1.2 billion). Employee numbers increased 4.4 percent (from 10,259 in 2021 to 10,653 in 2022), driving an increase in personnel expenses of 9.5 percent (2021: 4.0 percent).

With record low unemployment and skilled migrant workers re-joining the Australian market the hunt for talent is highly competitive and a key focus for the Mutuals. In fact, survey respondents identified attracting and retaining talent as the 2nd biggest risk for their organisation.

## PERSONNEL EXPENSES (2018-2022)



Other expenses, mainly consisting of administration costs, marketing and communication fees, and transaction and distribution costs, was the next major cost. This increased by 10 percent to \$702.0 million (2021: \$638.4 million).

In addition, technology spend remained elevated at \$271.4 million (2021: \$273.6 million), reflecting the continued investment in technology and digitisation. Based on our survey, the largest contributors to technology spend in 2022 were projects related to cyber security, lending origination and open banking. Additionally, 40 percent of survey respondents indicated that a quarter or more of their IT budget was allocated to technology enhancements and business transformation.

## Profits

Profits before tax<sup>2</sup> (PBT) decreased by 11.6 percent (2021: 37.9 percent increase) to \$604.7 million (2021: \$680.5 million), while the Majors saw profits increase by 8 percent (2021: 54.7 percent increase).

In 2021 PBT for the Mutuals increased significantly, driven by the release of provisions built up in prior years during the COVID-19 pandemic. In comparison, 2022 saw a minor release of provisioning over the collective loan book. Instead, the increase in income from asset growth was offset by a declining NIM and elevated operating costs, reflecting the impacts of growing inflation and a tightening employment market.

The Top 10 Mutuals saw PBT decrease by 19.2 percent (2021: 31.1 percent increase) compared to the 5.6% growth for Mutuals outside of the Top 10.

## Did you know...?

The three biggest opportunities identified by our survey for the mutual sector to improve performance are:

1. Technology and transformation of business

**58 percent**

2. More collaboration with peers

**15 percent**

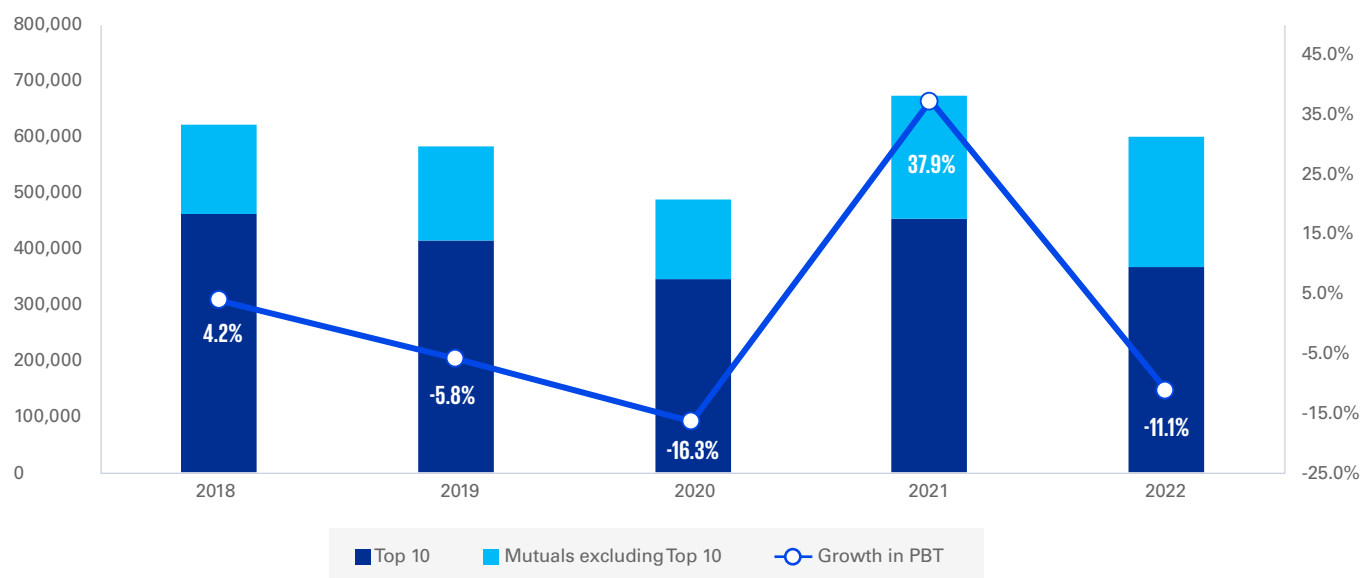
3. Improving efficiency – doing more with less

**15 percent**

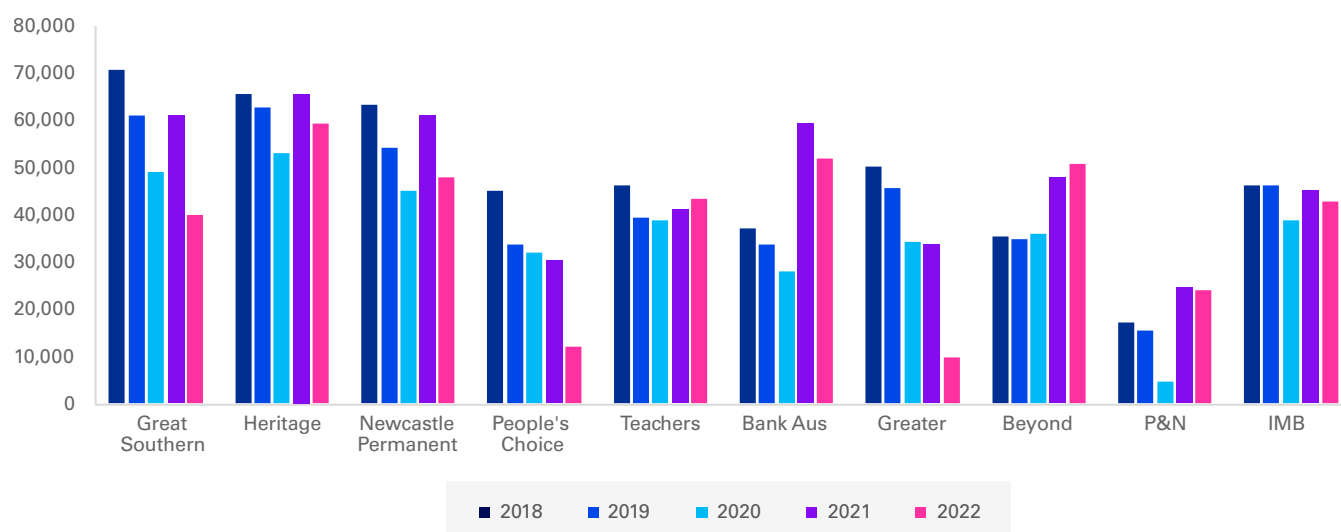
<sup>2</sup> 2022 non-interest income was adjusted for a Mutual to exclude proceeds from a one-off transaction.

**PROFIT BEFORE TAX (2018 – 2022)**

(\$'000)

**TOP 10 TOTAL PROFIT BEFORE TAX (2018 – 2022)**

(\$'000)

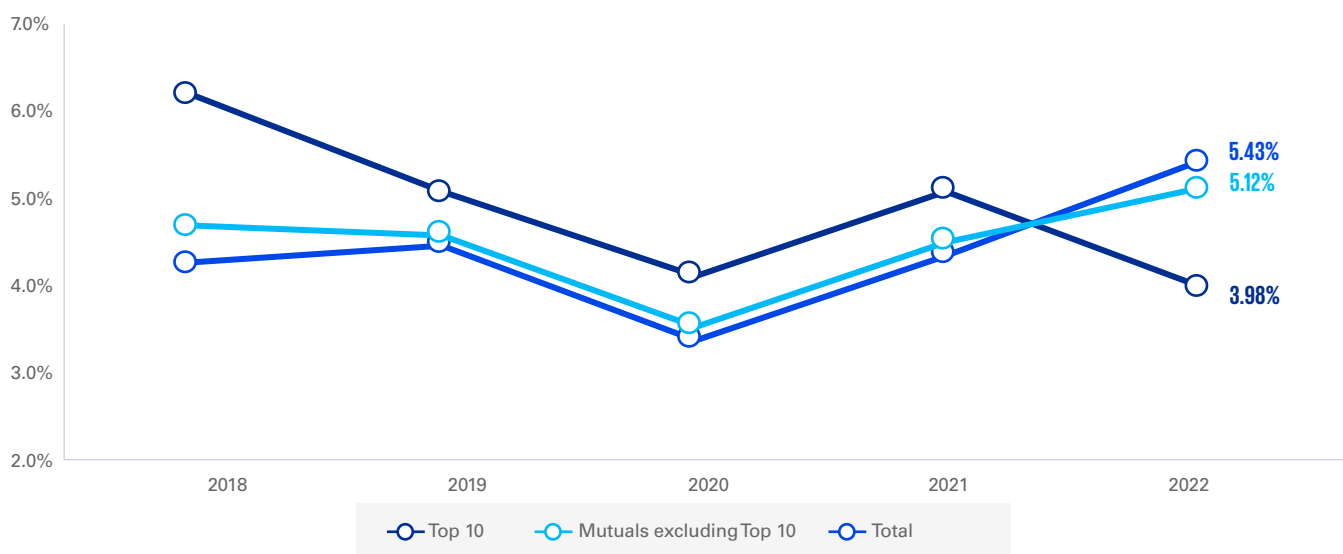


## Return on equity (ROE)

While not a key metric for the sector, total ROE<sup>2</sup> increased by 80bps (2021: 98bps) to 5.3 percent (2021: 4.5 percent). The ROE of the Top 10 was weaker than the overall sector at 4.9 percent (2021: 5.1 percent) with a fall of 20 bps as

the Top 10 Mutuals experienced a significant fall in PBT by 14.4 percent in 2022. For the remainder of the sector, the ROE grew by 118 bps to 5.7 percent (2021: 4.5 percent).

### RETURN ON EQUITY (2018 – 2022)



<sup>2</sup> 2022 non-interest income was adjusted for a Mutual to exclude proceeds from a one-off transaction.



# KPMG insights on key topics

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.





**Peter Outridge**  
Partner, People and Change



**Carla Murray**  
Director, People and Change

## 6.2 Four winning strategies to compete for top talent

Mutual banks are well-positioned to compete for quality talent by offering diverse and meaningful career opportunities. It is a dynamic and exciting time to be working in the sector.

As mutuals continue to play an integral role in the community, they compete with the major banks on different fronts. Mutuals have a unique value proposition, with an Australia-wide footprint and over half of their employees living and working outside metropolitan areas. However, they often lack scale to create specific and specialised roles and cannot compete on remuneration alone.

Here, we look at four ways mutuals can optimise their natural advantage through *purpose, culture, the role of leaders and ways of working*, when compared with their larger competitors.

### Strategy 1: Create a purpose-driven Employee Value Proposition (EVP)

The challenge for post-pandemic EVPs is to be deliberate and considered, beyond pay and reward, to cover key areas now expected by employees – such as purpose, culture, flexible working, and career development.

Mutuals' affinity with their local communities and member-driven purpose positions them strongly to build a differentiated and compelling EVP. Environment, social and governance (ESG) considerations can also be linked to further enhance their contribution to the community and their members, and therefore, to their employees.

To do this, mutuals can consider the following questions:

- what are the risks and issues concerning the local community and members?
- how does the organisation play an active part in contributing to, alleviating, or mitigating these issues?
- how do these activities link to their member-driven purpose?

Mutuals can enhance the advantage of their **purpose** by:

- understanding deeply what's important to their employees and stakeholders and integrating these diverse perspectives into their EVP to further strengthen it and promote themselves as attractive employers.
- communicating visible and tangible examples of employee, customer, and community-centred stories to showcase their active participation in the community and how they're bringing their purpose to life.

## Strategy 2: Create an inclusive, diverse and equitable culture that reflects their member base

The competition for talent requires bold and courageous approaches based on calculated risks. One way is to reinvent the recruitment model and abandon the traditional safety net of looking for candidates who have done the same job in the same organisation type. A fixed mindset limits access to quality talent that can increase diversity of thought and perspective and drive competitive advantage. For example, instead of searching for a Chief Customer Officer among other financial services organisations, focus on the capabilities required rather than sector experience. Then, target talent with customer-centric thinking from other leading consumer industries to help drive innovation and potential benefits from external sector insights.

Mutuals can also refresh their talent acquisition approach to align with their purpose by partnering more broadly with universities, TAFEs, and their member communities. This will help them increase awareness and create outreach programs to under-represented groups.

Customer-facing frontline teams embody the brand and customer value proposition. In our view, this is an area that warrants over-investment. Redesigning a contemporary people experience that aligns purpose to roles (see p9 P&C report '85% of frontline employees say they DO NOT live purpose in their day-to-day work') creates valuable learning and development opportunities and embeds visible and attainable career path options which attract the highest quality local talent.

As regulation intensifies and stakeholder expectations increase around purpose and doing the right thing for customers and communities, the required capabilities of frontline team members can evolve from following processes and scripts to applying emotional intelligence and sensitive judgement. For example, the identification and treatment of vulnerable customers continues to challenge mutual banks and other institutions<sup>1</sup>. This can place further pressure on mutuals to attract high quality talent with advanced soft skills such as empathy and includes making sure there is appropriate diversity in their workforces to mirror the communities they serve.

Mutuals can enhance their **cultural** advantage by:

- widening their access to talent by partnering with universities, TAFEs and member communities.
- integrating purpose into role design to increase employee engagement and member satisfaction.

## Strategy 3: Develop leaders who excel at member service and community value creation

In our view, the role of the future leader is one of service and driving value creation for the community in the digital age. Those who excel may be skilled in the ethical delivery of digital services and purpose-led products, to meet increasing stakeholder expectations.

Balancing digital fluency with deep empathy can drive enhanced engagement with members and employees.

Mutuals can enhance their **leadership** advantage by:

- emphasising the service and value creation role of mutual leaders in the community.
- identifying opportunities to role model and lead change on a variety of societal issues, with a focus on those which are important to their members.

## Strategy 4: Challenge embedded ways of working

It's fair to say that organisations are still trying to make sense of their ways of working on the 'return to office' debate. And, with over half of their workforce based outside metropolitan areas, mutuals are in a prime position to take the lead in redefining roles to demonstrate their agility, forward thinking and contemporary outlook.

The key is to prioritise the core roles that have the greatest impact on member experience (not necessarily the most senior roles). This approach requires deeper consideration to role design than many leaders may be familiar with. However, the potential benefits are worthwhile to attract the highest quality talent.

Recent calls to reform the regulatory framework to increase competition between mutual banks and the major banks<sup>2</sup> are likely to result in a more level playing field. Mutual banks can gain the upper hand by recognising and acting on the ability to shift a smaller organisation to more agile ways of working and embedding a sharp focus on strategic priorities.

<sup>1</sup> [Mutual banks told to sharpen their focus on vulnerable customers \(afr.com\)](#).



Note: This does need a cultural shift and is as much about a laser focus on strategic priorities and embedding the right culture as it is about stand-ups and scrums. In our view, this involves cultivating improvement mindsets and a culture of trust and psychological safety.

Process and digital transformation can be a catalyst for simplification, customer experience optimisation and an improved people experience. Seen through this lens, mutual banks should be able to continue to evolve their ways of working while retaining the simplicity and clarity that's so vital for adopting and embedding digital transformation.

Mutuals can enhance their **ways of working** advantage by:

- continuing to redefine roles to attract, develop and retain talent across a broader geographical spread, particularly for skill sets in high demand, such as risk and technology.
- embedding agile ways of working at scale and shifting mindsets and cultures to support sustainable change.

KPMG has identified access to talent as the top issue keeping CEOs up at night<sup>3</sup>. Mutual banks are well-positioned to acknowledge the unique place they hold as trusted brands in their communities to leverage the strategies outlined above to attract and retain great talent.

2 Regulators must stop favouring big banks: mutuals (afr.com).

3 Issues facing Australia's business leaders in 2022 - KPMG Australia (home.kpmg)



**Deborah Young**  
Chief Executive Officer,  
The RegTech Association

*Deborah Young, CEO of The RegTech Association shares her insights into the growing sector and how mutuals can benefit from this key technology during times of tightening regulatory requirements and global change.*

## 6.3 Mutual gains through RegTech

First coined in 2015 by The Financial Conduct Authority in the UK as a subset of FinTech, the term RegTech has evolved and now refers to a range of technologies packaged into solutions that provide risk mitigation for regulated institutions and businesses of different shapes and sizes.

As governments seek to reduce red tape, look for efficiencies and lower their costs, regulators are working hard to have a deeper understanding of the potential benefits of RegTech. In fact, government is emerging as one of the largest RegTech buying sectors outside financial services.

The global RegTech spend in financial services is predicted to reach US\$204 billion by 2026. There's also increased capital flowing into the industry with a shift away from bootstrapped founders to more professional capital, which is a sign of confidence and growth despite challenging economic times. This growth is coming as organisations understand the breadth and depth of available solutions, regulatory pressure increases, and smarter ways of working are sought, – particularly during times of crisis like the recent pandemic.

### Why RegTech for Mutuals?

Keeping pace with regulatory change can be a challenge, and mutuals need the right tools to detect risks earlier, manage and monitor workflows, report and provide transparent information for decision-making.

RegTech can bring productivity, efficiency and a layer of trust for the mutuals sector by equipping employees, leadership, boards and shareholders with transparent and timely risk-mitigating information.

Put simply, RegTech offers very cost-effective ways to onboard a range of solutions at speed, to address different types of financial and non-financial risks via a Software as a System (SaaS) model. Mutuals may find RegTech attractive for these reasons, alongside being a mature industry and having access to software developers with deep subject matter knowledge, a willingness to trial and provide proof of concepts, and work with their clients to understand their needs.

In a recent mutual bank webinar hosted by KPMG, a poll of those attending showed that 36 percent had already adopted RegTech solutions or were actively considering them, while a further 45 percent were open to considering RegTech solutions.

## RegTech in Australia

Australia has the third largest RegTech sector globally, and we're already seeing financial services regulators working on efficiency projects and system-wide architecture transformations. Australia's three main regulatory agencies have run RegTech or supervisory technology (SupTech)<sup>1</sup> projects to source more thorough and efficient interactions for the future.

As the RegTech sector is highly mature here, we benefit from more readily available information and education, as well as the development of taxonomies to guide choices and align with leading solutions. What's more, due to rapid growth over the past five years, the development time of fully deployed RegTech solutions has reduced significantly, making Australia a world-renowned innovation hub. This provides mutuals with a box seat to not only choose from world-leading local solutions, but also cherry-pick options from around the world.

## Making the right RegTech decision

As interest in the potential benefits of RegTech increases, it's important for mutuals to understand the range of solutions available before getting started. Research data shows a strong trend over the last few years towards buying ready-made solutions rather than building from scratch – this is not surprising, with many good quality and accessible SaaS solutions easily available for a fraction of the cost.

## Understanding the range of available solutions

Only five years ago, seeing the forest for the trees around RegTech was a significant challenge. There was no safe place for what we call the 'lounge chair look' and RegTech was mainly publicised at expos or via cold calling.

We have revolutionised this approach by creating five-minute online programs focusing on different areas of risk, designed to help organisations better understand some of the leading solutions. These programs are not a sales pitch, just a way to show how the solutions address the problem and who the provider is working with. It's become so popular that since 2020, 15,000 people from 85 countries have connected into our programs.

To help with your decision-making, we've built an online risk-based taxonomy that includes financial and non-financial risk, as well as the functional roles of potential solutions. We also include the type of technology and from which country the vendor is headquartered. This is free to access via our [website directory](#).

## Get in touch when the time is right

Before you get started, make sure you're crystal clear about the problem statements you'd like addressed as well as your legacy systems and cloud infrastructure. Also, it's important to be aligned internally, particularly across areas like procurement, IT and IT security, legal, compliance, risk, governance, human resources data and transformation. We also recommend getting strategic professional advice to help you make the right decision for your specific infrastructure, compliance and regulation requirements.

Once you're aligned internally, our global taxonomy and online directory can help. Here, you can filter options based on your needs, create a shortlist and then contact those you choose at your leisure. This is a free tool and just the starting point. You can also access our private in-house technology programs that can address your problem statements. We have run two such programs so far with financial institutions, which have resulted in commercial arrangements.

## Embracing RegTech

Mutuals need good tools to help their people identify risks earlier, manage and monitor workflows, report and provide transparent information for decision-making by executives and boards.

KPMG can provide mutuals with support to prepare for and make sound choices for solving their problems, plus advise on resourcing requirements for new technology.

Keep an eye on the emergence of aggregation solutions that capture different risk areas and offer monitoring and reporting through a single interface. Access to more efficiency, speed for producing reporting and data analytics will provide you with more focus on striving for the highest quality, compliant solutions and products.

<sup>1</sup> SupTech is a term that refers to 'Supervisory' Tech used by Regulators. It is sometimes used interchangeably with RegTech.





**Shruti Hegde**  
Director, Actuarial & Financial  
Risk Management



**Donald MacDonald**  
Partner, Actuarial & Financial  
Risk Management

## 6.4 Proactively managing climate risk

The mutual sector is facing a new requirement – to incorporate climate-related risks into traditional risk management practices. This comes on top of the challenges already posed by increasing economic uncertainty, geopolitical dynamics and a fast-evolving regulatory landscape. Here we look at how KPMG's Climetric tool can help mutuals face this head-on.

### Climate risk – a complex concept

Despite the Australian Prudential Regulation Authority (APRA) declaring climate risk as “distinctly financial in nature” in 2017<sup>1</sup>, it remains a complex concept. Indeed, the results of APRA's climate risk self-assessment survey released in August 2022 show that it is still considered an emerging discipline when compared with other more traditional risk types and has yet to be fully embedded into risk management frameworks.

This is because of its multidisciplinary nature and a lack of relevant, readily available data to perform analysis. Traditional backward-looking risk assessments and existing risk models cannot anticipate the long-term and multifaceted form that climate-related risks may take.

Nonetheless, the mutual sector has a two-fold responsibility. On the one hand, it needs to prepare itself for the negative effects of climate change on its business and customers — only recently, we witnessed the catastrophic

damage and impacts to communities and livelihoods due to flooding emergencies in the Eastern states. On the other hand, the sector can help mitigate economic risks and transition effectively into the low-carbon economy by proactively considering climate risk.

With increased momentum in mergers and acquisitions across the mutual sector, climate risk due diligence forms an important consideration in consolidation activities because it directly impacts strategic direction and long-term viability. As the global economy paves a decarbonisation agenda, not understanding and managing climate risk means losing competitive advantage and potentially failing.

### Getting started

A logical starting point in this journey is for mutual banks to understand their climate-related vulnerabilities and how climate risk may manifest within their portfolios. The larger banks have already commenced this work via the APRA-led Climate Vulnerability Assessment exercise<sup>2</sup>, and the mutual sector should follow suit.

<sup>1</sup> <https://www.apra.gov.au/news-and-publications/australias-new-horizon-climate-change-challenges-and-prudential-risk>  
<sup>2</sup> [https://www.apra.gov.au/sites/default/files/2021-09/Climate%20Vulnerability%20Assessment\\_1.pdf](https://www.apra.gov.au/sites/default/files/2021-09/Climate%20Vulnerability%20Assessment_1.pdf)

KPMG's Climetric tool aims to address this challenge. It performs portfolio-wide climate risk stress testing to quantify the impact of various physical and transitional risk scenarios on a portfolio's credit quality and key financial metrics. Climetric uses internationally accepted climate scenarios, Australian climate and industry performance data and an adaptable methodology, which aligns with Prudential Practice Guide CPG 229<sup>3</sup>.

Climetric covers two key dimensions that constitute climate risk:

1. Calculating the impact of multiple transition pathways on a customer's financial performance and credit risk. The results are calibrated to account- and sector-specific outcomes, which can be aggregated into portfolio-level results.
2. Quantifying the impact of multiple acute and chronic hazards under various temperature scenarios, based on granular geospatial coordinates of loan collateral. These hazards include cyclones,

floods, bushfires, heat and drought stress among others. Given the heavy skew towards residential mortgage lending within the mutual sector, understanding the impacts of physical risks, compared to transition risks, is particularly pertinent. In addition, the geographical concentration in mutual banks' lending books coupled with localised climate risks, point to an even greater need for sufficiently granular analysis, which Climetric can provide.

Climetric's outputs can speed up a financial institution's integration of climate risk analysis into its risk management universe. This can reveal hidden vulnerabilities in portfolios and enable lenders to leverage opportunities associated with financing a green agenda.

### Climetric use cases

Climetric's outcomes can be applied in a broad variety of ways, such as:

- enhancing credit risk policies and frameworks to capture the

treatment of climate-sensitive sectors and debtors, collateral management, and limit setting

- incorporating climate risk factors into the credit approval and monitoring process, including early warning indicators
- updating risk appetite statements for climate-related risks based on reliable, trackable and decision-making metrics with associated limits
- highlighting data collection gaps and uplifting the overarching data strategy to support climate risk management, modelling and reporting
- regulatory compliance for enterprise-wide stress testing, as well as reporting and disclosures.

### Managing climate risks

Climate-related risks are pervasive and can impact aspects of the risk management universe.

## Integration of climate risk into the risk management universe



<sup>3</sup> <https://www.apra.gov.au/sites/default/files/2021-11/Final%20Prudential%20Practice%20Guide%20CPG%20229%20Climate%20Change%20Financial%20Risks.pdf>

The process of fully embedding climate risk into the risk management universe is protracted, complex and iterative. However, the mutual sector cannot afford to simply respond to regulatory impetus. There are tangible consequences for customers and many are already affected. Establishing a strong focus on managing climate risk will be key in maintaining the relationship-based, corporate citizenship-oriented business model many mutual banks already employ.

Where there's a disproportionate balance between social responsibility and in-house capability, mutuals should look externally to consider how to implement their climate risk roadmaps. Tools such as KPMG Climetric can facilitate this by identifying the risks and impacts of changing strategies.

Over time, climate-risk analysis can enable the mutual sector to build financial products and strategies to support their communities and members, while mitigating the effects of climate change.



# Appendix

## Financial results: 2022 survey participants

The following table contains key financial data<sup>1</sup> of the Mutuals included in our report.

Company Name	Period <sup>2,3</sup>	Net Assets <sup>4</sup> \$'000"	"Total Assets \$'000"	Total Deposits <sup>5</sup> \$'000	Operating Profit Before Tax <sup>6</sup> \$'000	Capital Adequacy Ratio <sup>7</sup> %	Return on Equity <sup>8</sup> %	Cost to Income <sup>9</sup> %
Australian Military Bank Limited	Jun-22	102,870	1,605,318	1,418,305	2,539	17.4%	2.0%	91.8%
	Jun-21	99,935	1,506,043	1,321,422	4,801	17.5%	3.4%	89.2%
Australian Mutual Bank Ltd	Jun-22	186,723	1,778,057	1,547,105	6,482	21.1%	3.0%	80.9%
	Jun-21	177,125	1,726,141	1,487,694	1,380	20.7%	0.5%	94.3%
Bank of Us <sup>10</sup>	Jun-22	86,594	1,361,685	1,047,282	6,919	15.5%	6.2%	76.7%
	Jun-21	81,422	1,239,668	994,843	8,246	14.4%	7.9%	71.5%
Bank Australia Limited	Jun-22	667,414	9,672,402	7,403,019	50,825	15.4%	5.4%	70.1%
	Jun-21	601,952	8,470,494	6,596,608	58,025	15.1%	7.0%	63.8%
Bank First	Jun-22	256,126	3,382,436	3,101,316	13,521	15.8%	3.8%	79.6%
	Jun-21	246,057	3,188,886	2,916,045	17,073	15.7%	5.0%	74.1%
BankVic <sup>11</sup>	Jun-22	217,953	2,827,715	2,499,989	16,617	17.0%	5.5%	73.3%
	Jun-21	206,341	2,664,070	2,340,369	15,627	17.2%	5.3%	71.4%
Beyond Bank Australia	Jun-22	633,000	8,290,900	6,552,200	49,400	16.3%	5.8%	72.3%
	Jun-21	582,200	7,755,100	5,977,300	46,600	16.4%	5.8%	72.6%
Central Murray Credit Union	Jun-22	7,485	113,514	104,500	441	14.9%	4.7%	84.8%
	Jun-21	7,130	101,946	93,587	168	14.6%	2.1%	93.3%
Coastline Credit Union Ltd	Jun-22	54,955	797,880	734,359	7,760	14.0%	11.2%	64.8%
	Jun-21	49,146	718,085	658,175	6,589	14.0%	10.6%	66.7%
Community First Credit Union	Jun-22	104,521	1,287,524	1,131,002	2,980	15.2%	2.7%	89.1%
	Jun-21	98,375	1,227,994	1,078,894	2,521	14.8%	2.1%	90.3%
Great Southern Bank <sup>12</sup>	Jun-22	1,285,600	21,312,600	11,940,600	38,900	15.1%	2.7%	86.8%
	Jun-21	1,080,700	18,784,300	11,263,400	59,900	14.6%	4.2%	79.5%
Credit Union SA Ltd	Jun-22	111,664	1,639,296	1,217,486	2,061	16.2%	1.6%	93.5%
	Jun-21	111,469	1,536,774	1,136,891	3,049	17.8%	2.0%	90.0%
Defence Bank Limited	Jun-22	219,558	3,206,505	2,524,637	23,605	15.7%	7.9%	66.5%
	Jun-21	202,903	3,022,808	2,330,830	19,933	16.0%	7.1%	69.6%
Family First Credit Union Limited	Jun-22	14,676	215,688	190,428	1,239	15.6%	7.8%	78.6%
Family First Credit Union Limited	Jun-21	13,577	203,995	181,904	868	14.6%	4.9%	82.8%
G&C Mutual Bank Limited	Jun-22	129,264	1,532,555	1,322,092	9,012	16.6%	5.3%	67.9%
	Jun-21	122,546	1,298,340	1,093,498	8,030	17.3%	5.0%	72.7%
Gateway Bank Ltd	Jun-22	116,148	1,381,190	1,056,574	5,220	16.1%	3.4%	76.6%
	Jun-21	112,201	1,083,255	804,029	6,392	19.9%	4.3%	71.1%



Company Name	Period <sup>2,3</sup>	Net Assets <sup>4</sup> \$'000"	"Total Assets \$'000"	Total Deposits <sup>5</sup> \$'000	Operating Profit Before Tax <sup>6</sup> \$'000	Capital Adequacy Ratio <sup>7</sup> %	Return on Equity <sup>8</sup> %	Cost to Income <sup>9</sup> %
<b>Geelong Bank<sup>13</sup></b>	Jun-22	13,574	205,780	191,157	1,045	16.0%	8.2%	73.9%
	Jun-21	11,823	185,794	169,717	574	14.9%	3.8%	83.1%
<b>Goulburn Murray Credit Union</b>	Jun-22	54,335	535,654	476,663	2,961	20.6%	4.9%	39.7%
	Jun-21	50,418	525,160	469,256	1,906	20.0%	2.8%	36.7%
<b>Greater Bank Limited</b>	Jun-22	574,976	8,386,542	7,474,794	9,089	16.1%	1.0%	95.5%
	Jun-21	600,167	8,072,987	7,020,415	32,735	17.6%	3.9%	82.1%
<b>Heritage Bank Ltd</b>	Jun-22	748,158	12,324,105	9,970,554	58,027	14.6%	5.8%	78.1%
	Jun-21	656,617	11,943,038	9,578,354	64,396	14.3%	7.1%	73.5%
<b>Horizon Credit Union Ltd</b>	Jun-22	42,237	646,285	589,828	3,566	14.9%	6.9%	75.3%
	Jun-21	38,067	585,507	535,355	1,271	15.2%	3.0%	90.5%
<b>Hume Bank Limited</b>	Jun-22	89,551	1,618,442	1,487,429	6,372	16.0%	5.5%	81.7%
	Jun-21	95,920	1,497,688	1,390,062	6,132	13.9%	5.0%	81.0%
<b>Illawarra Credit Union<sup>14</sup></b>	Jun-22	47,848	1,055,525	903,538	2,752	13.7%	7.6%	83.8%
	Jun-21	51,649	762,945	702,187	2,509	14.3%	4.0%	84.2%
<b>IMB Limited</b>	Jun-22	439,529	7,076,295	6,065,549	41,957	14.8%	6.7%	73.4%
	Jun-21	437,246	6,964,875	5,858,054	44,217	17.4%	7.2%	71.8%
<b>Macarthur Credit Union Ltd</b>	Jun-22	25,604	370,154	341,282	679	15.0%	2.3%	90.6%
	Jun-21	26,271	317,332	289,687	-359	16.4%	-0.9%	106.8%
<b>MOVE Bank<sup>15</sup></b>	Jun-22	68,647	682,488	585,197	1,937	21.7%	2.3%	86.7%
	Jun-21	70,044	714,430	618,930	2,049	20.2%	2.3%	85.1%
<b>The Mutual Bank<sup>16</sup></b>	Jun-22	56,616	1,010,687	847,545	6,432	14.5%	8.2%	72.3%
	Jun-21	61,436	902,522	756,724	4,822	14.4%	6.4%	76.3%
<b>Newcastle Permanent Building Society Ltd</b>	Jun-22	1,062,275	12,147,646	9,579,677	46,815	20.5%	2.9%	80.3%
	Jun-21	1,110,677	11,703,681	9,141,950	59,971	20.7%	4.1%	73.7%
<b>Northern Inland Credit Union Ltd</b>	Jun-22	41,850	429,539	375,946	1,271	17.1%	2.4%	87.8%
	Jun-21	42,791	396,617	344,193	1,612	17.6%	2.9%	86.7%
<b>Orange Credit Union Ltd</b>	Jun-22	27,285	294,624	265,495	178	19.4%	0.8%	96.2%
	Jun-21	27,510	264,712	235,227	275	20.9%	0.8%	95.8%
<b>P&amp;N Bank</b>	Jun-22	461,263	7,349,119	5,747,374	23,173	16.0%	3.2%	84.9%
	Jun-21	560,342	6,928,372	5,472,468	23,952	14.1%	3.7%	88.7%
<b>People's Choice Credit Union<sup>17</sup></b>	Jun-22	662,352	10,446,786	7,668,050	11,318	14.9%	1.4%	96.2%
	Jun-21	684,906	9,674,749	7,118,480	29,740	13.7%	3.2%	88.2%
<b>Police Bank Ltd</b>	Jun-22	210,400	2,462,600	2,107,200	6,400	18.6%	2.0%	88.2%
	Jun-21	214,300	2,270,600	1,885,200	6,300	19.2%	2.0%	87.9%
<b>Police Credit Union Limited</b>	Jun-22	95,678	1,190,170	1,026,133	8,726	15.5%	6.5%	76.4%
	Jun-21	105,866	1,207,612	1,051,381	8,886	14.5%	7.1%	71.5%
<b>QBANK<sup>18</sup></b>	Jun-22	85,370	967,484	810,085	2,732	19.9%	2.5%	87.8%
	Jun-21	87,906	934,913	768,586	2,950	20.1%	2.7%	86.2%



Company Name	Period <sup>2,3</sup>	Net Assets <sup>4</sup> \$'000"	"Total Assets \$'000"	Total Deposits <sup>5</sup> \$'000	Operating Profit Before Tax <sup>6</sup> \$'000	Capital Adequacy Ratio <sup>7</sup> %	Return on Equity <sup>8</sup> %	Cost to Income <sup>9</sup> %
Qudos	Jun-22	301,305	5,190,581	4,668,428	22,479	15.0%	5.1%	70.9%
	Jun-21	320,230	5,006,216	4,459,490	20,820	14.7%	5.0%	70.9%
Queensland Country Credit Union	Jun-22	188,499	3,241,607	2,531,816	14,881	15.3%	5.9%	85.0%
	Jun-21	200,481	3,031,494	2,351,584	10,238	15.3%	3.9%	88.9%
RACQ Bank <sup>19</sup>	Jun-22	193,204	2,613,136	2,198,049	3,005	15.9%	1.2%	97.1%
	Jun-21	195,637	2,554,860	2,137,653	10,725	15.8%	4.2%	82.3%
Regional Aus.	Jun-22	189,873	3,149,585	2,699,099	24,574	15.3%	8.7%	66.7%
	Jun-21	206,859	2,823,107	2,394,363	22,429	14.8%	8.9%	67.3%
South West Slopes Credit Union	Jun-22	23,000	259,096	231,223	859	18.3%	2.8%	88.5%
	Jun-21	23,712	223,900	196,727	708	20.5%	2.5%	89.0%
Southern Cross Credit Union	Jun-22	61,683	817,759	720,968	4,559	16.1%	5.5%	72.4%
	Jun-21	65,317	688,369	594,943	3,663	17.5%	4.5%	77.9%
Summerland Credit Union	Jun-22	68,936	1,030,918	943,735	3,974	14.8%	4.2%	83.9%
	Jun-21	73,356	933,015	828,352	6,405	15.3%	7.3%	74.5%
Teachers	Jun-22	612,530	10,442,335	8,597,528	42,346	14.7%	4.7%	76.1%
	Jun-21	674,127	9,758,274	8,129,612	40,394	14.1%	4.7%	76.8%
The Capricornian	Jun-22	28,403	400,555	360,227	1,110	15.0%	3.0%	90.6%
	Jun-21	26,729	409,694	366,897	2,030	14.5%	6.4%	79.5%
Traditional Credit Union	Jun-22	5,803	21,923	12,944	2,516	0.0%	27.8%	71.7%
	Jun-21	7,679	18,865	12,161	516	0.0%	6.8%	90.6%
Unity Bank	Jun-22	119,808	1,587,202	1,251,230	9,193	15.3%	5.9%	77.3%
	Jun-21	127,623	1,508,908	1,188,317	7,598	15.2%	4.6%	78.3%
Warwick Credit Union	Jun-22	27,789	404,127	373,040	2,220	0.0%	5.8%	77.9%
	Jun-21	29,126	387,264	357,571	1,794	14.4%	4.8%	80.5%

For the complete datasheet compiled by KPMG, please visit our [website](#).

## Endnotes

- Information has been extracted from published annual reports (at a consolidated level where applicable). Parent numbers have been used in limited cases where they are a better reflection of results. In limited cases, KPMG has adjusted a number of balances to reflect a significant one-off event.
- All figures for the current and prior year are reported under AIFRS and in Australian dollars.
- All of the results in the report were for a 12-month period.
- Net assets include other equity interests.
- Total Deposits is taken from the balance sheet and includes all deposits, such as retail, non-retail and other deposits.
- Operating profit before tax is before outside equity interests.
- Capital adequacy ratio has been calculated under the APRA's risk based measures.
- Return on equity has been calculated as profit after tax as a percentage of average net assets.
- Cost-to-income ratio has been calculated as operating expenses as a percentage of operating income.
- B & E LTD. trading as Bank of Us.
- Registered name is Police Financial Services Limited.
- Credit Union Australia Limited trading as Great Southern Bank.
- Ford Co-operative Credit Society Ltd. trading as Geelong Bank.
- Community Alliance Credit Union Limited trading as Illawarra Credit Union.
- Railway Credit Union Ltd trading as MOVE Bank.
- Maitland Mutual Limited trading as The Mutual Bank.
- Australian Central Credit Union Ltd. trading as People's Choice Credit Union.
- QPCU Limited trading as QBANK.
- Members Banking Group Limited trading as RACQ Bank

# Acknowledgements

## Article authors:



**Peter Outridge**

Partner, People and Change  
pjsoutridge@kpmg.com.au



**Dr Brendan Rynne**

Partner, Chief Economist  
bjryne@kpmg.com.au



**Carla Murray**

Director, People and Change  
cmurray9@kpmg.com.au



**Deborah Young**

Chief Executive Officer  
The RegTech Association  
regtech.org.au



**Shruti Hegde**

Director, Actuarial & Financial Risk  
shrutihegde@kpmg.com.au



**Donald MacDonald**

Partner, Actuarial & Financial Risk  
Management  
dmacdonald2@kpmg.com.au

## Report contributors:



Adrian  
D'Alfonso



Ben  
Pollack



Claudia  
Gonzalez



Jake  
Muysken



Lindy  
Jones



Steven  
Choi



Yash  
Khandare

# Contact us



**Darren Ball**  
**National Mutuals Leader**  
**T:** +61 8 8236 3197  
**E:** darrensball@kpmg.com.au



**Steve Jackson**  
**National Sector Leader,  
Banking**  
**T:** +61 2 9458 1540  
**E:** hverbeek@kpmg.com.au



**Carmel Mortell**  
**VIC Mutuals Leader**  
**T:** +61 3 9288 5845  
**E:** cmortell@kpmg.com.au



**Richard Drinnan**  
**NSW Mutuals Leader**  
**T:** +61 2 4231 7982  
**E:** rdrinnan@kpmg.com.au



**Jillian Richards**  
**QLD Mutuals Leader**  
**T:** +61 7 3233 3108  
**E:** jrichards@kpmg.com.au



**Heather Hicks**  
**TAS Mutuals Leader**  
**T:** +61 3 6230 4077  
**E:** hhicks@kpmg.com.au



**Kevin Smout**  
**WA Mutuals Leader**  
**T:** +61 8 9263 7105  
**E:** ksmout@kpmg.com.au

**KPMG.com.au**

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

©2022 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Liability limited by a scheme approved under Professional Standards Legislation.

NOVEMBER 2022 [951205866FS]