

KPMG report shows increasing banking competition from mutual sector

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Banking competition is heating up, according to [KPMG Australia's Mutuals Industry Review 2017](#).

The report shows strong growth of Australia's credit unions, building societies and mutual banks, despite a challenging environment characterised by low interest rates, increased competition, fluctuating property prices and technology disruption.

Ian Pollari, National Head of Banking for KPMG Australia, expressed confidence that the government's acceptance of all eleven recommendations by the independent Hammond Review over 'Reforms for Cooperatives, Mutuals and Member-owned Firms' will position the sector for future growth.

"With new regulatory rules set to reshape the competitive landscape, Australia's mutuals sector is in a position to continue their growth in 2018," he said.

Melina Morrison, CEO of the Business Council of Co-operatives and Mutuals, welcomed the KPMG report.

"The report shows consumers already consider mutual banks a strong alternative to the big banks. They are in an excellent position to take advantage of the leveled playing field when the Hammond reforms are made," she said.

"Mutual banks have a natural trust advantage for consumers looking for an alternative to the share-holder owned big banks."

"At the same time, the mutual banks are investing in new technologies. This is an area in which mutual banks have always been innovators – it's a little-known fact that the first ATM was made available to the public by a mutual bank. Their ongoing focus is to serve their customer-owners better."

KPMG has emphasized its optimism for the future of mutuals, highlighting this technological strength:

"KPMG is optimistic about the future for mutuals, with digital technology set to play a key role in future developments. 2017 saw the mutuals continue to expand their omni-channel capabilities through technology such as new mobile offerings, refreshed web designs, and improved digital experiences. This reflects a focus on younger generations of Australians: 91 percent of

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mutuals are actively targeting younger generations but only 49 percent have been successful in growing market share with millennials.”

Some key figures from the KPMG report into the mutual sector:

- **Residential lending** increased by 9.8 percent (2016: 9.8 percent)
- **Deposits** increased by 10.5 percent (2016: 7.9 percent)
- **Technology spend** increased by 12.4 percent (2016: 11.7 percent)
- **Net interest income** grew by 3.4 percent (2016: 5.8 percent)
- **Non-interest income** increased by 1.2 percent (2016: fell 5.0 percent)
- **Net interest margin** declined by 11 bps to 2.03 percent (2016: declined by 4bps to 2.14 percent)
- **Impairment provisions** remained steady at 0.07 percent of average gross receivables (2016: 0.07 percent)
- **Capital levels** fell by 30bps to 17.2 percent (2016: 17.5 percent).

Melina Morrison, CEO of the Business Council of Co-operatives and Mutuals, is available for comment.

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The Business Council of Co-operatives and Mutuals (BCCM) is the national peak body representing Australian member owned businesses. Formed in 2013, the BCCM is led by the chief executives of Australia's co-operative and mutual businesses in all sectors including agriculture, financial services, health insurance, retail, motoring services and human services. The BCCM works to promote the role of member-owned enterprises in the national economy. With over 2000 co-operative and mutual businesses operating nationally representing a total of 29 million memberships, the BCCM highlights the contribution co-operatives and mutuals make to economic and social development in Australia. www.bccm.coop