

The Deloitte logo, consisting of the word "Deloitte" in a white, sans-serif font with a small green dot at the end of the word. The background is a dark blue, cloudy sky over a long, straight road with a large white arrow pointing forward.

Deloitte.

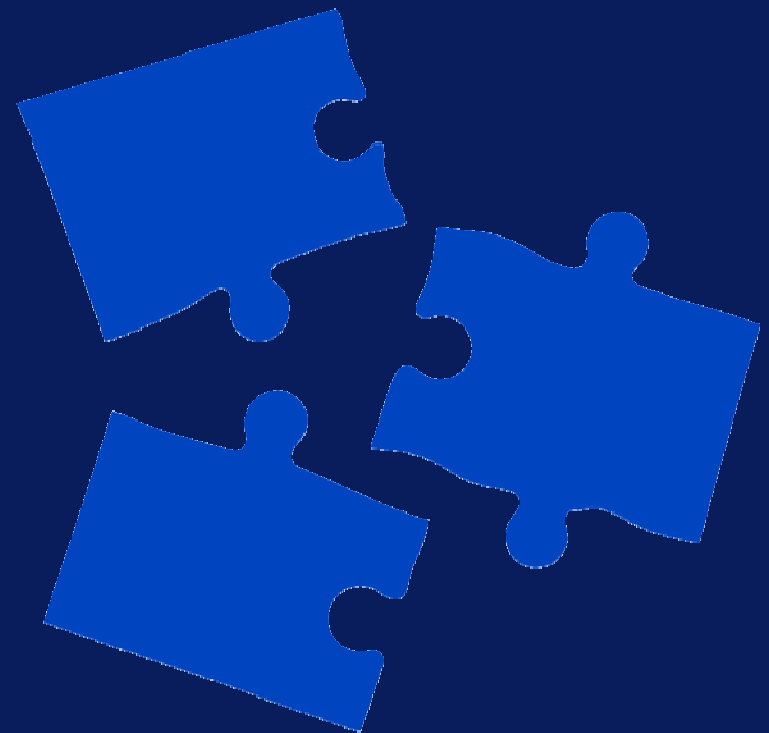
SEQUAL/Deloitte Reverse Mortgage Survey (December 2009).

James Hickey
Alexander Cockburn
Rezwan Ali

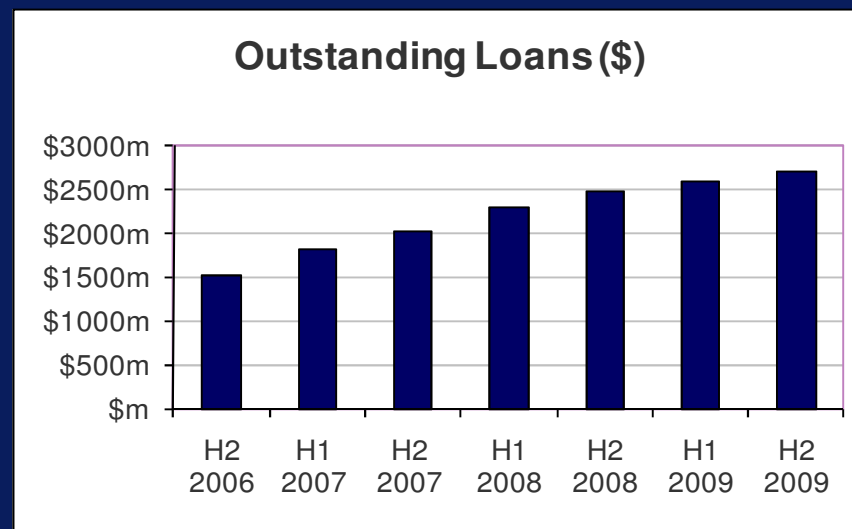
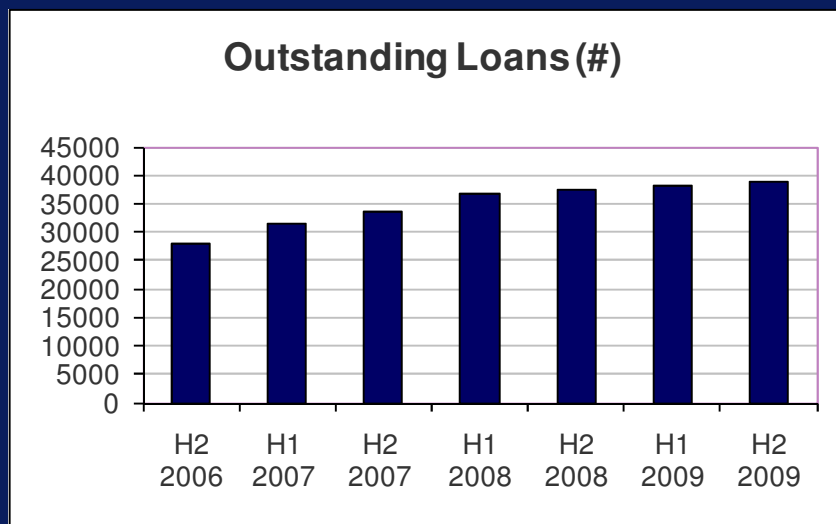
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- Housing Splits
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Market Volumes & Mix



Size of the market – Outstanding Loans (31 December 2009)

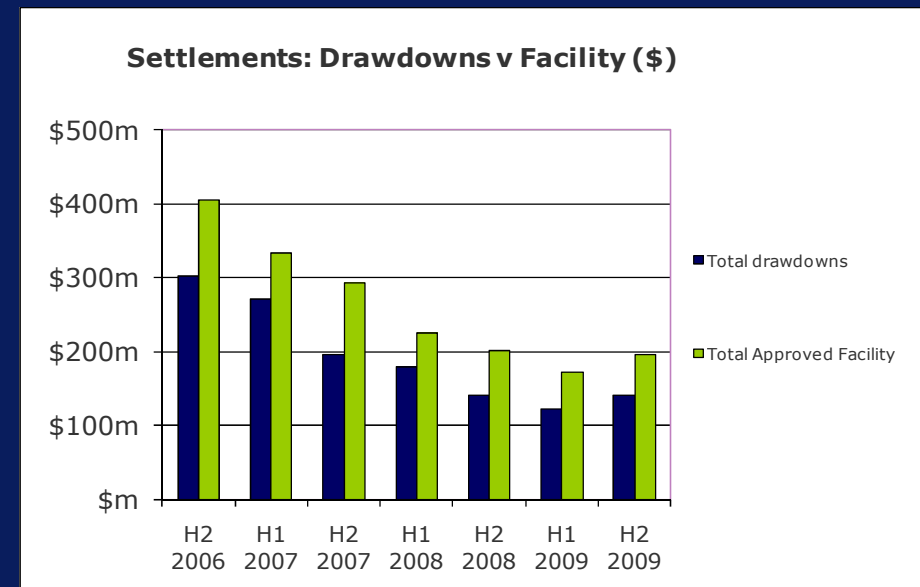


- Currently just under 39,000 reverse mortgages on issue in Australia.
- Total loan book size of \$2.71b.
- Average loan size (overall) increased to \$70,000 (from \$68,500 in H1 2009).
- Growth rates (\$ loans):
 - 4% over the last 6 months
 - 9% over the last 12 months.

Size of the market – Settlements (6 months to 31 December 2009)

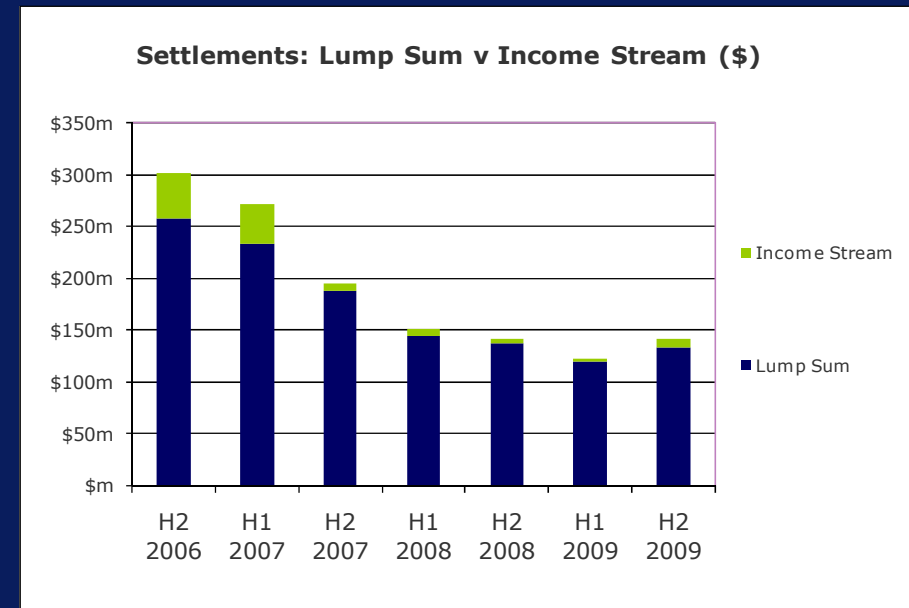
Settlements (new loans)

- H2 2009 Settlements \$141m (facility \$195m)
 - i.e. Drawdowns were 72% of loan facility approved
- H2 2009 Settlements of \$141m:
 - Level with H2 2008 (\$141m)
 - up 15% on H1 2009 (\$122m)
- 2,665 new borrowers in H2 2009
- Average settlement size \$53,000



Settlements: Payment type – Lump Sum v Income Stream

- Of the \$141m Settlements in past 6 months:
 - 95% lump sum
 - 5% income stream
- The proportions of lump sum and income stream settlements have been relatively stable since H2 2007
- Income Stream relative low take up also due to more flexible product options such as “line of credit” allowing discretionary income draws rather than contractual.



Interest Rate Type

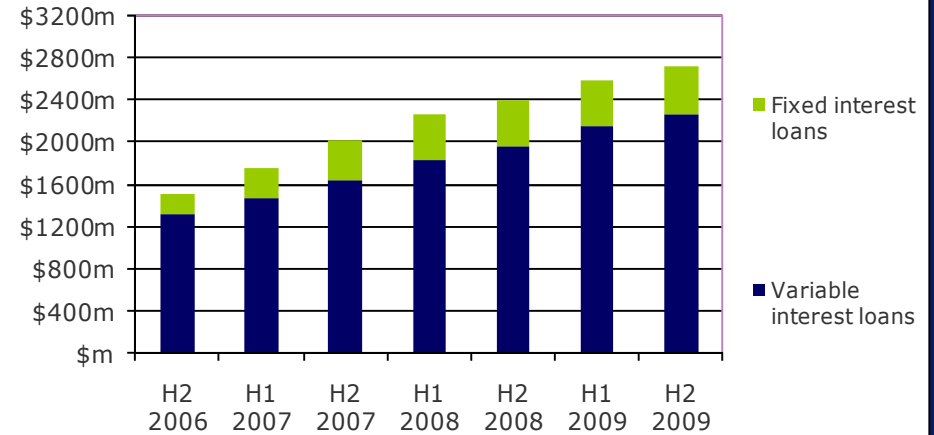
Outstanding

- 85% of all loans outstanding are variable interest as at 31 December 2009.
- Fixed interest loans are on average \$11,500 more than variable loans

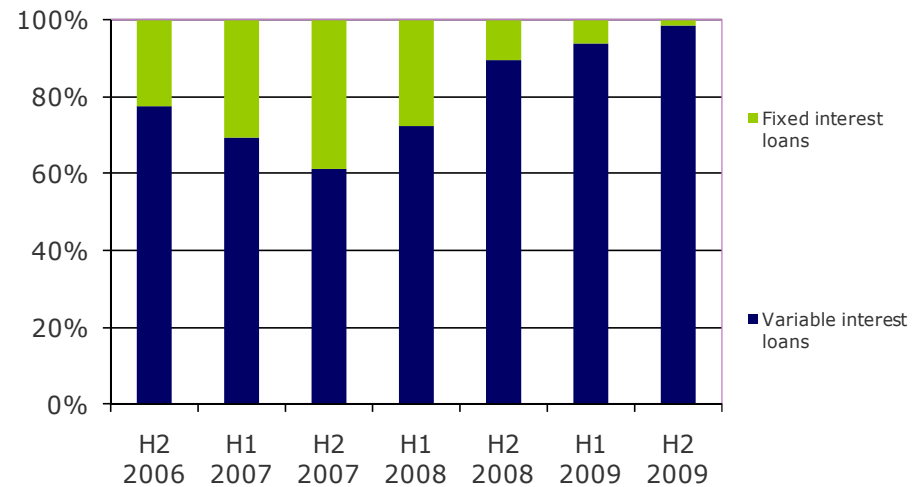
Settlements

- The proportion of fixed interest reverse mortgage lending was 1% in H2 2009 based on \$ amounts. This is a trend that has continued since 2008
 - In years 2006 to 2007, fixed interest lending was increasing yet started to decline in 2008:
 - 4% in 2009
 - 20% in 2008
 - 34% in 2007
 - 25% in 2006

Outstanding: Fixed v Variable Interest (\$)



Settlements: Fixed v Variable interest (\$)



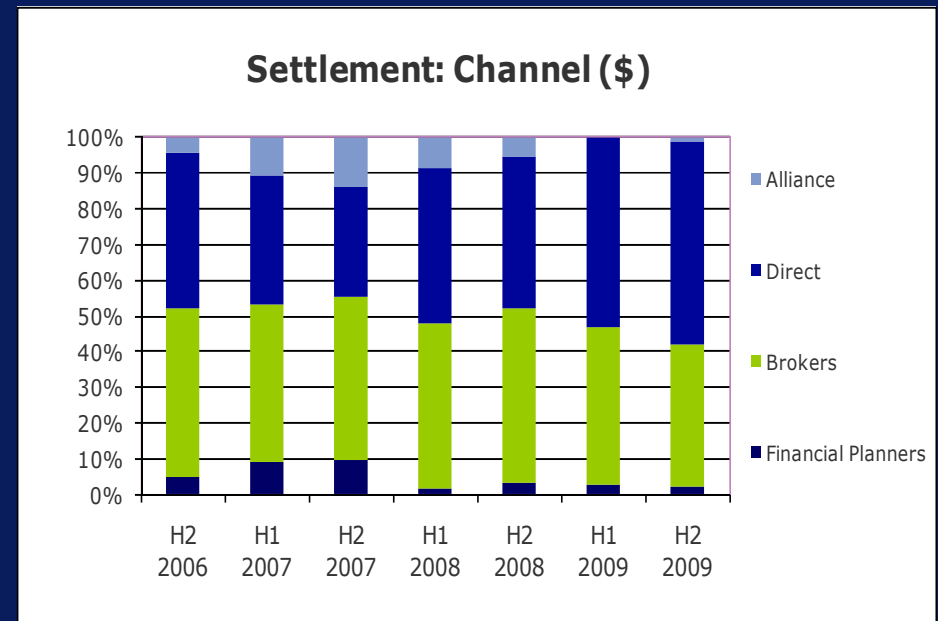
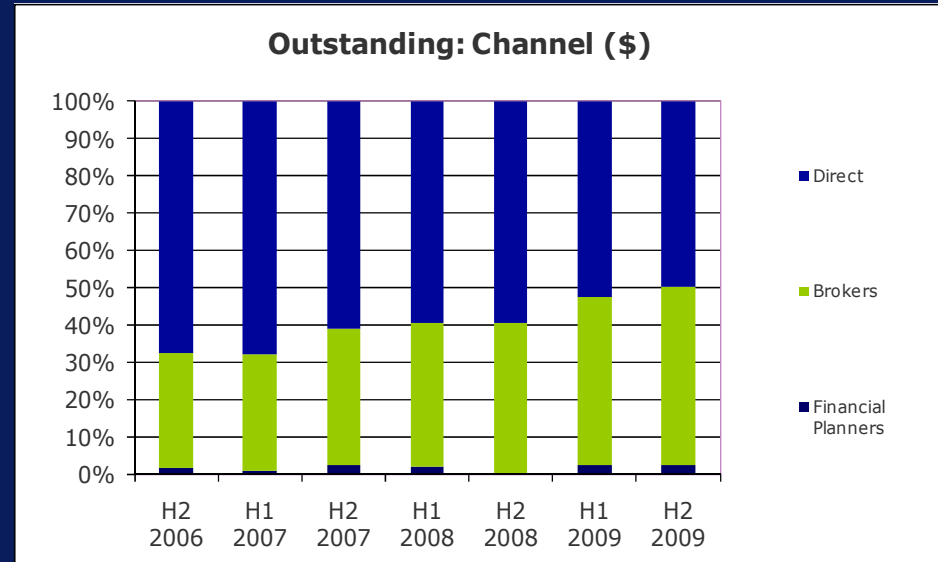
Channel

Outstanding

- As at December 2009, there is now a 50/50 split between the direct and intermediated (primarily brokers) channels for outstanding loans
- The broker channel has increased over the last 6 months, continuing a trend since H2 2006

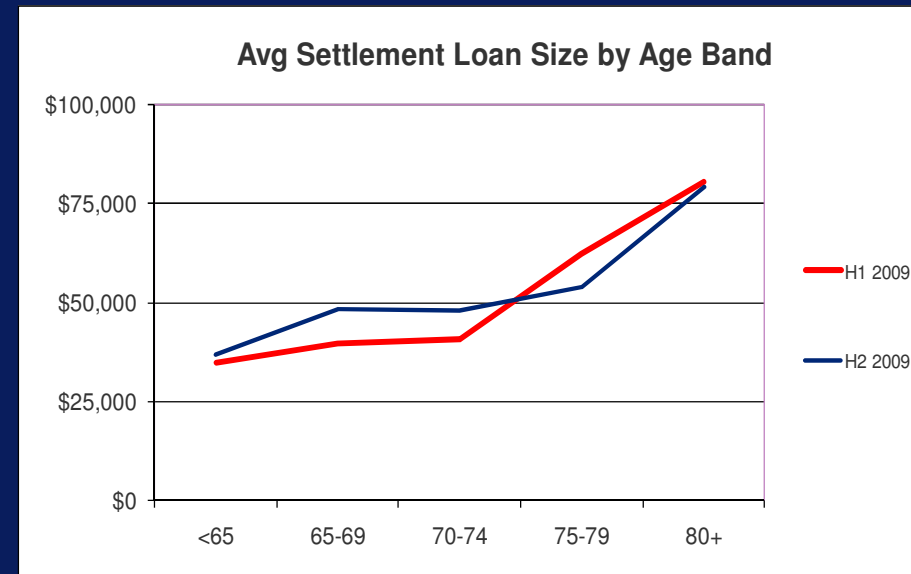
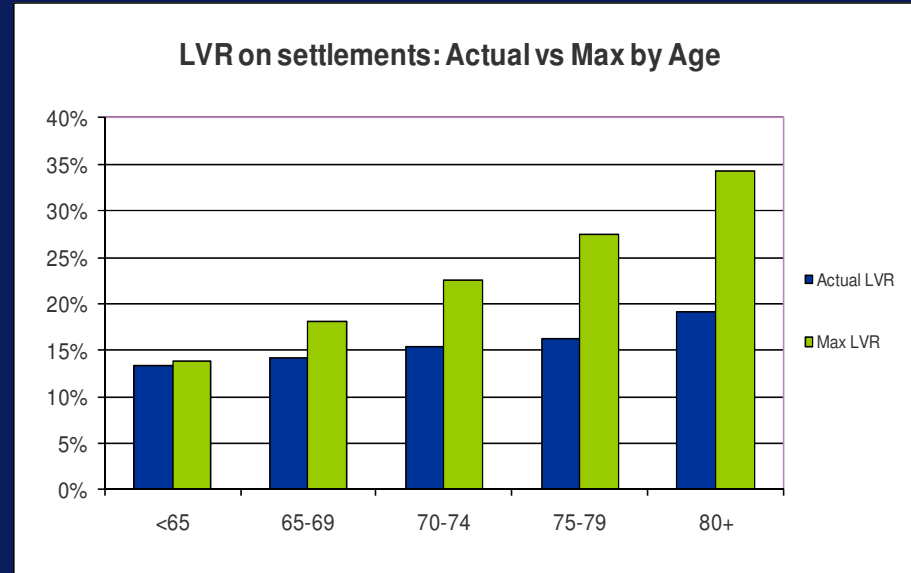
Settlements (H2 2009)

- Direct sales were the largest channel in H2 2009:
 - 42% Brokers & Planners
 - 57% Direct
- Average settlement size
 - \$54,000 Brokers & Planners
 - \$52,000 Direct
- “Alliance” channel (negligible)



Loan-to-Valuation Ratio (LVR)

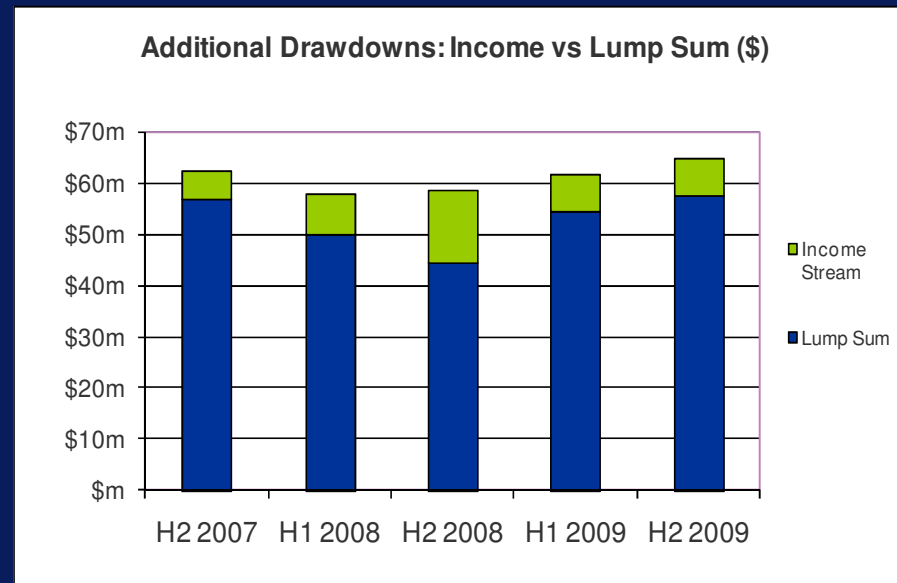
- Younger borrowers still utilising larger proportion of available facility
 - an average of 13% LVR for those aged <65 (the average maximum LVR = 15%)
 - An average of 19% LVR for those over 80 (the average maximum = 35%+)
- Average amount borrowed (for settlements) is similar across ages except it increases for those aged 75+



Additional Drawdowns

- 1 in 9 borrowers are making additional drawdowns on existing loans

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

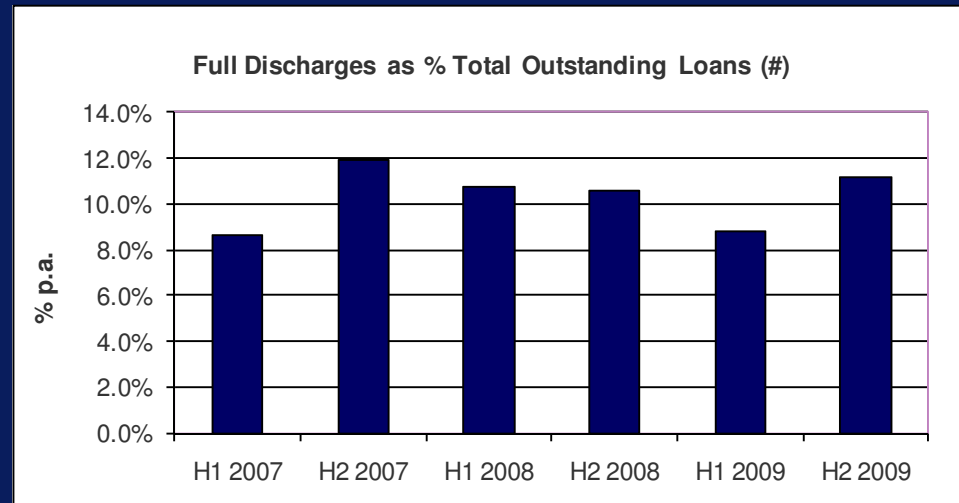


% Borrowers making ADDs (6 months)	12%
Average size of ADD (6 months)	\$14,600
ADDs as % total \$ outstanding loans	5.1% p.a. for H2 2009
Total ADDs H2 2009	\$65m (\$62m in H1 2009)

Discharges*

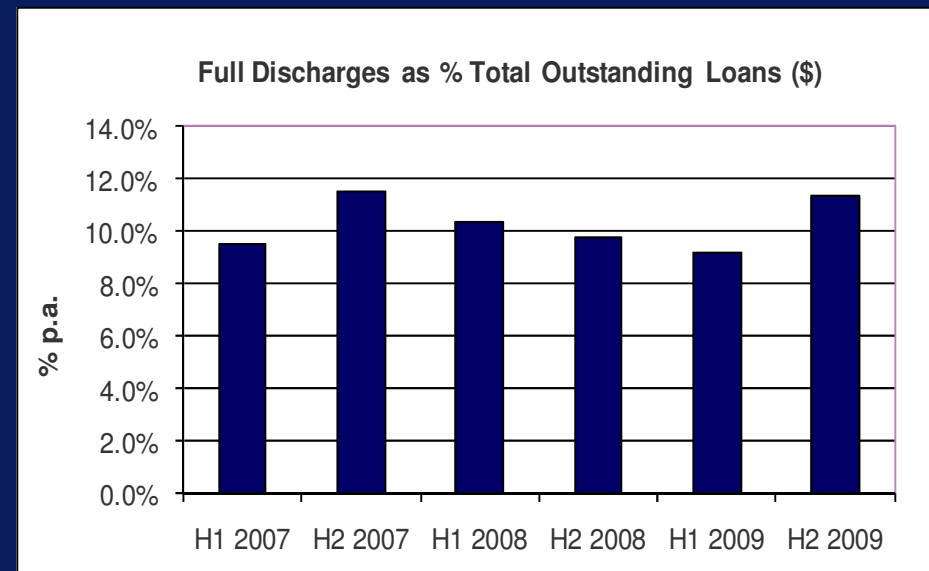
By # borrowers

- Full discharge rate of 11%
- In addition to this, about 10% made partial discharges in H2 2009

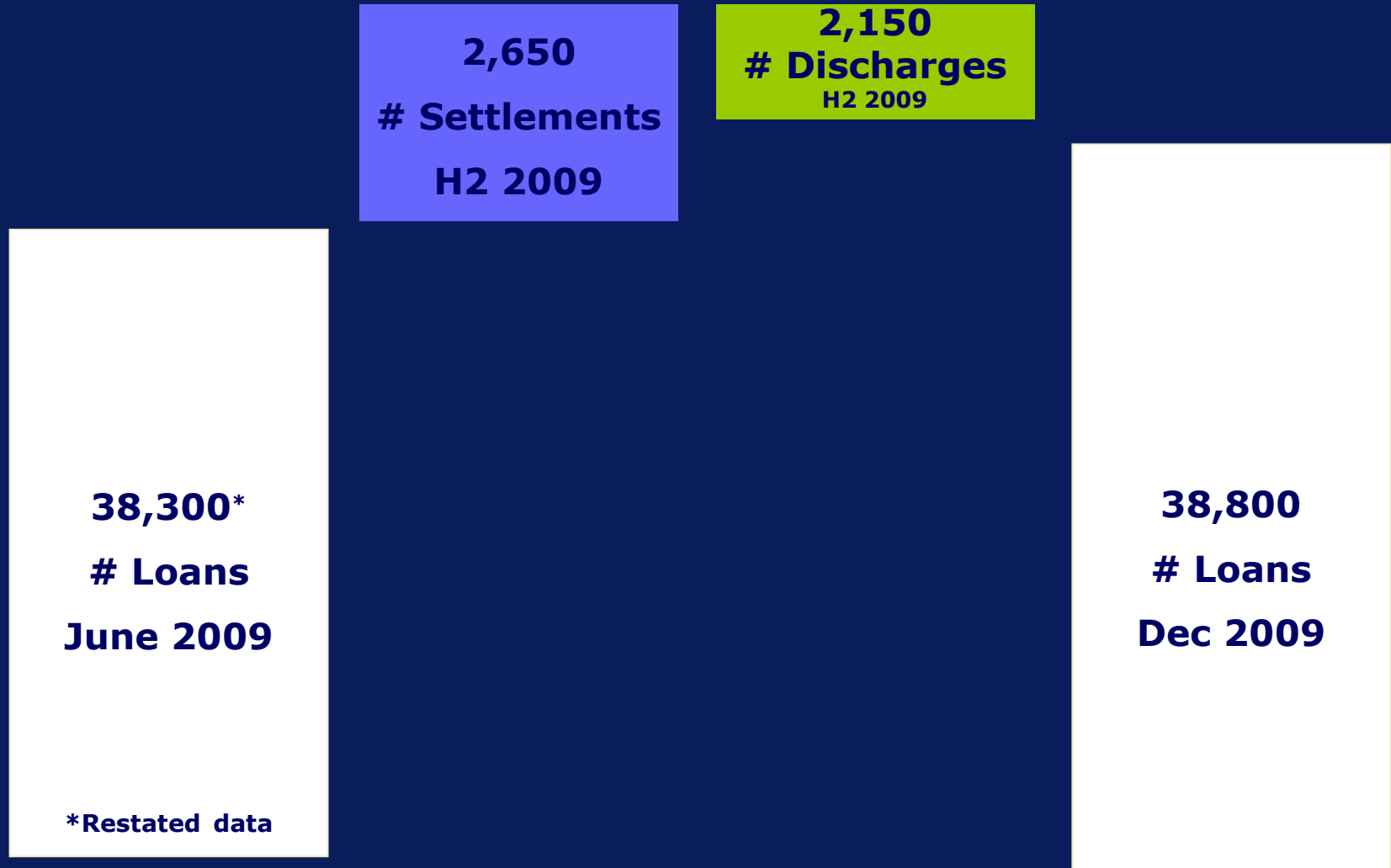


By \$ discharges

- Full discharges around 11.2% p.a.
- Partial discharges around 1.5% p.a. in H2 2009
- Average size of discharge (in 6m period):
 - Full discharges = \$70,000
 - Partial repayments = \$12,000

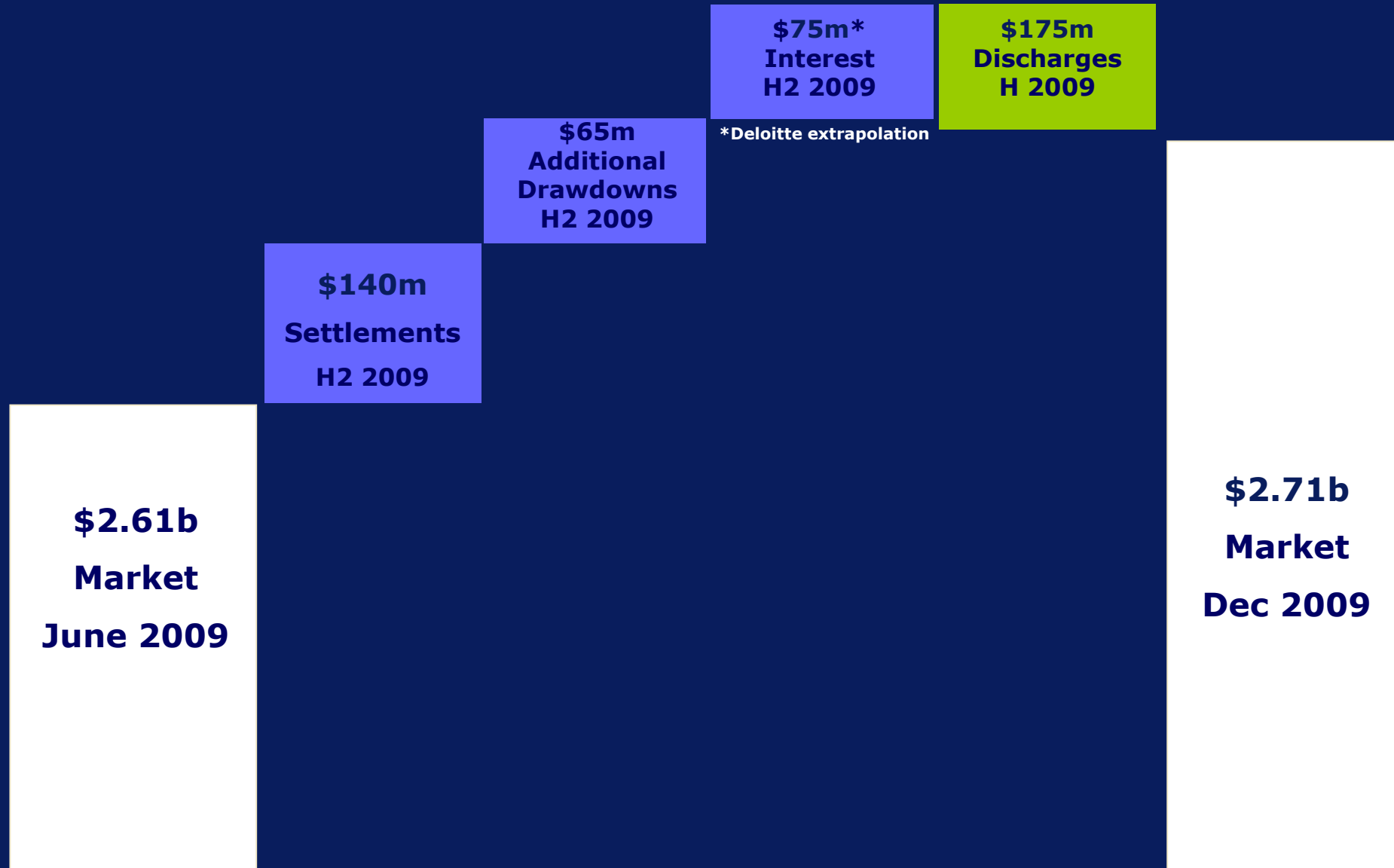


Market Movement – by numbers

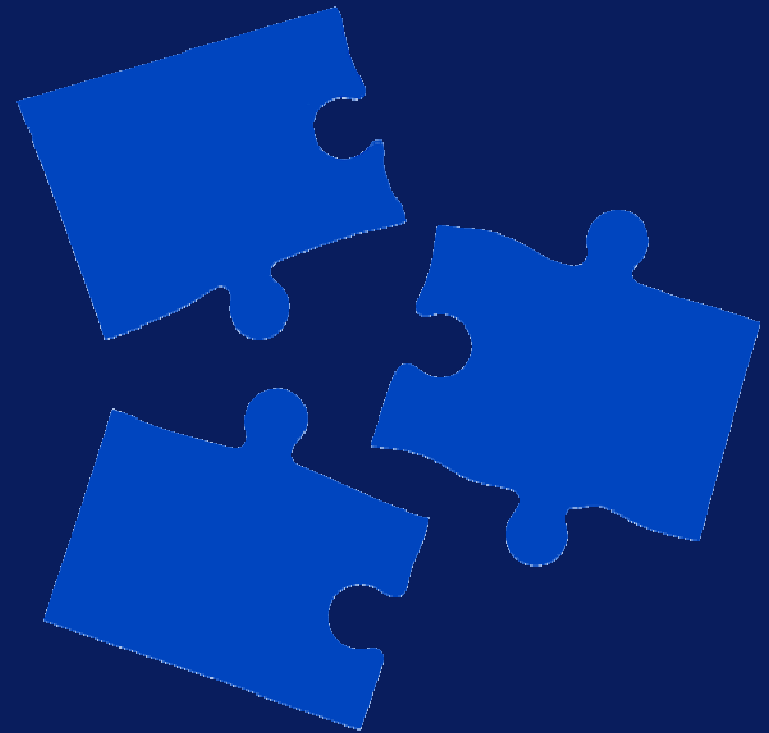


*Restated data

Market Movement – by amounts



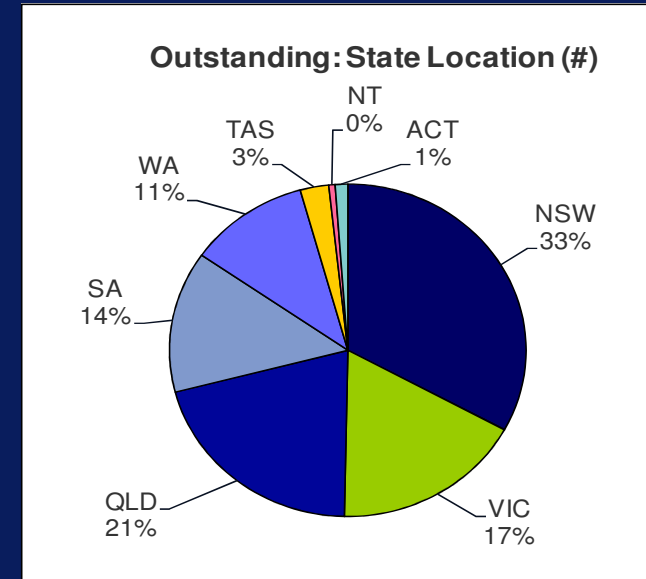
Housing Splits



Location: State

Outstanding

- Most reverse mortgage business in NSW (33%)
- QLD (21%), VIC (17%) next most popular
- Other strong states
 - SA (14%), WA (11%)

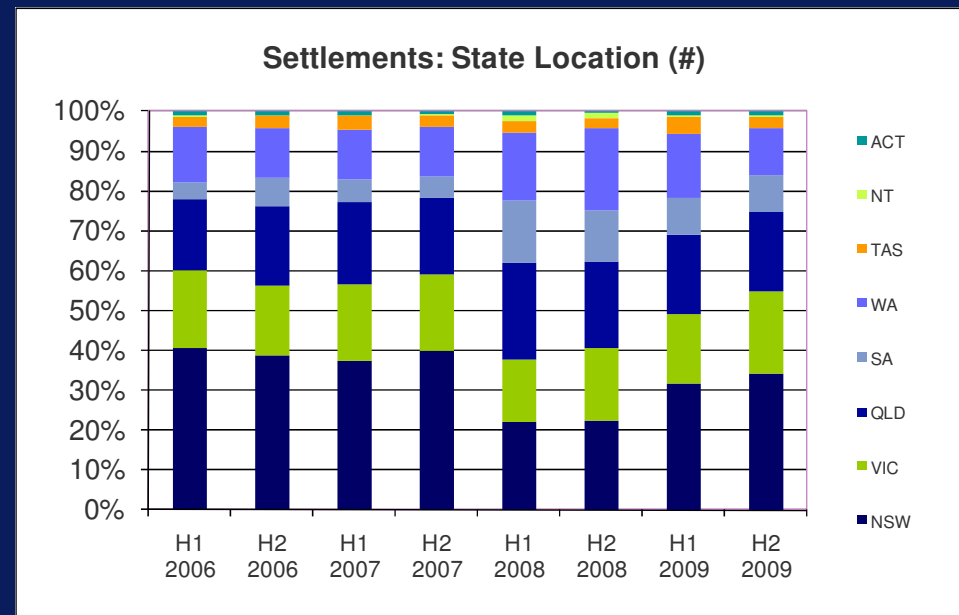


Settlements

- NSW the largest (33%)
 - QLD (20%) & VIC (19%)
 - WA (14%)
 - SA (9%)

Year to date
2009

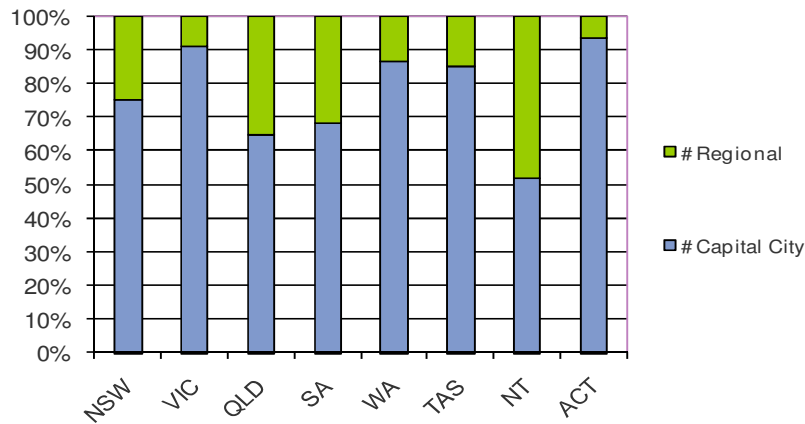
2009 YTD	
NSW	33%
VIC	19%
QLD	20%
SA	9%
WA	14%
TAS	4%
NT	0%
ACT	1%



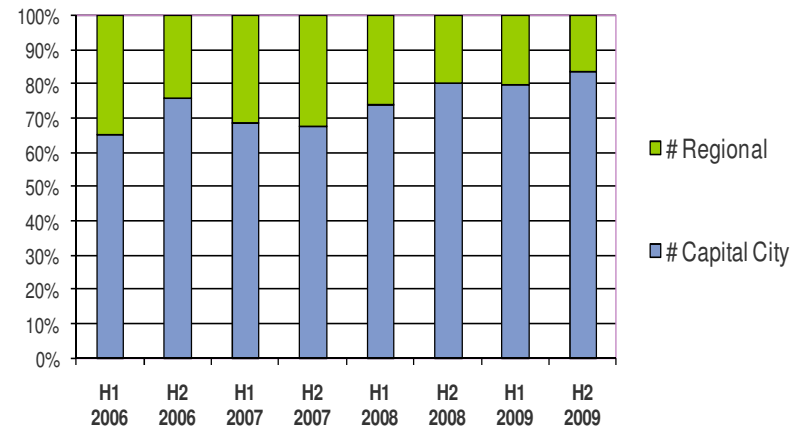
Location: Capital City vs Regional

- Around 76% of loans outstanding are in capital cities
 - This is slightly higher than last year (71%)
- Settlements around 83% in capital cities
 - NSW (82%), WA (82%) in capital cities
 - VIC, TAS around 90% in capital cities
 - Stronger regional presence in QLD, SA and NT
 - QLD (23%)
 - SA (22%)
 - NT (50%)

Outstanding: Capital v Regional (#)



Settlements: Capital v Regional (#)



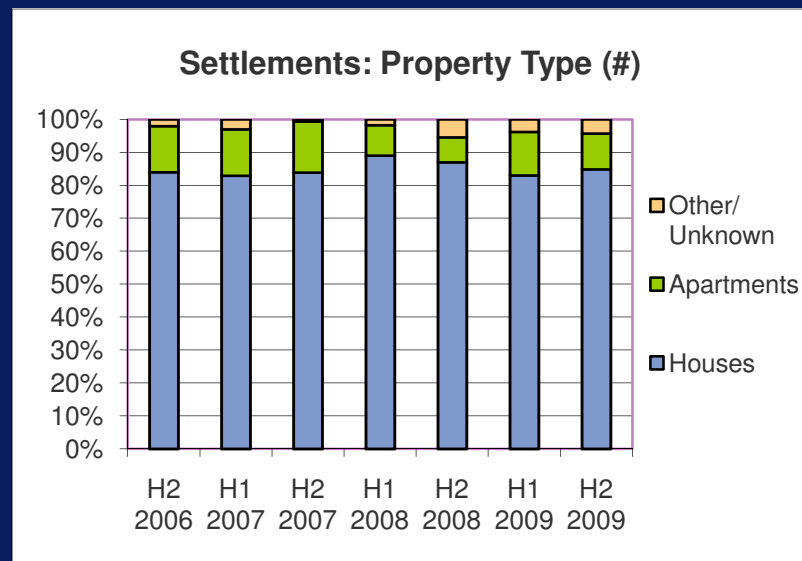
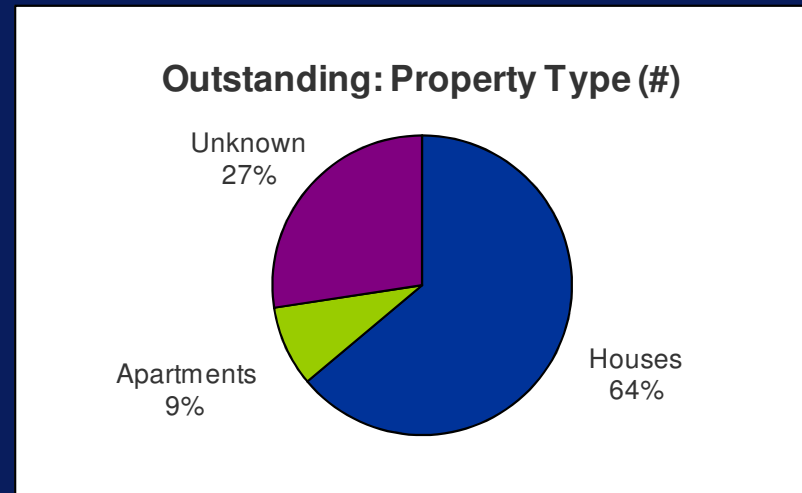
Housing

Outstanding

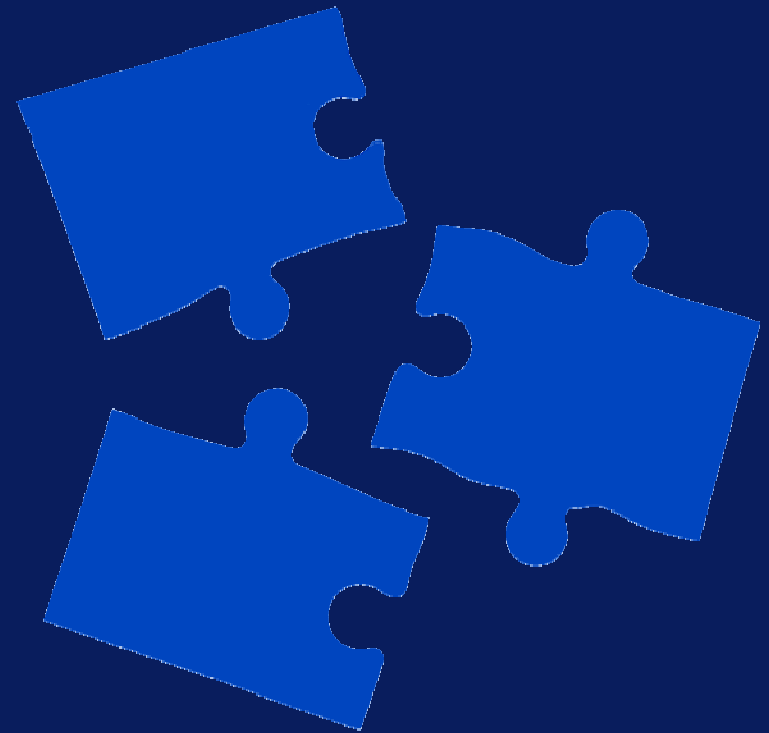
- Outstanding loans secured by houses remained most common
- 98% loans for owner-occupiers
 - (2% investment properties)

Settlements

- Houses made up 85% of settlements in H2 2009
- Investment properties 4% of settlements
 - Relatively constant proportions over time



Borrowers



Borrower Status

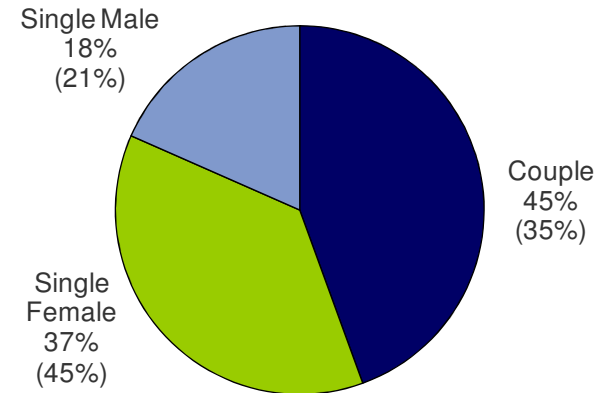
Outstanding

- Couples remain the dominant segment closely followed by single female
- Average loan size:
 - Single females \$84,000
 - Couples \$76,000
 - Single males \$69,000

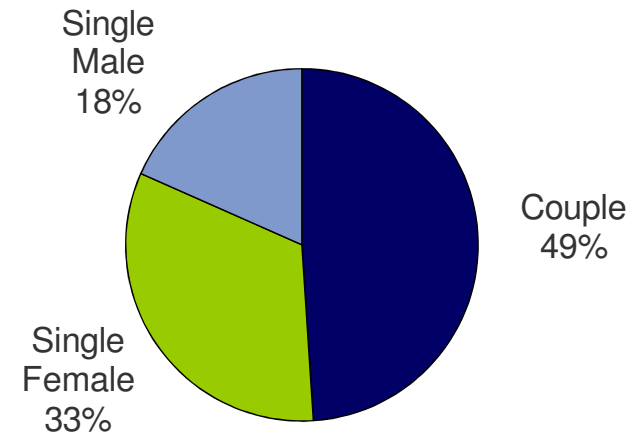
Discharges

- Follows the mix of outstanding loans. That is, primarily couples followed by single females.

Status (#): Outstanding (Settlements)



Discharges: Status (#)



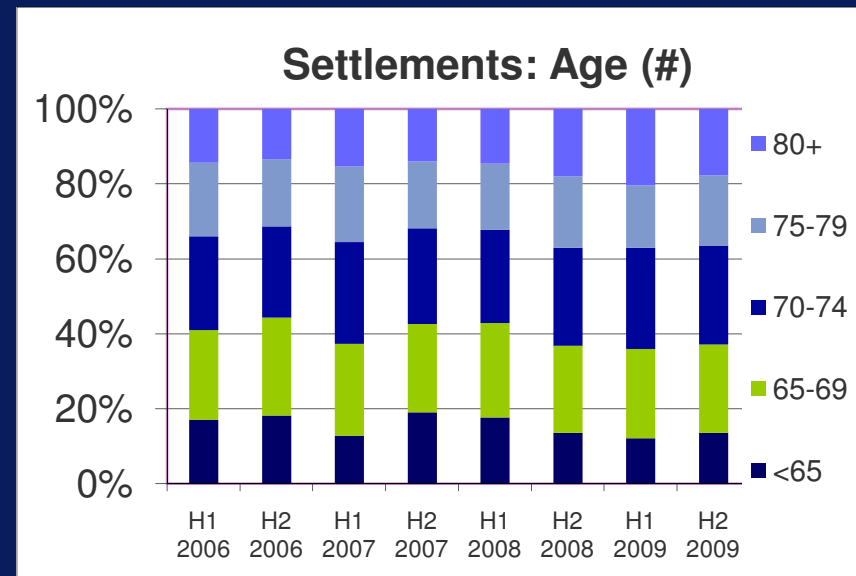
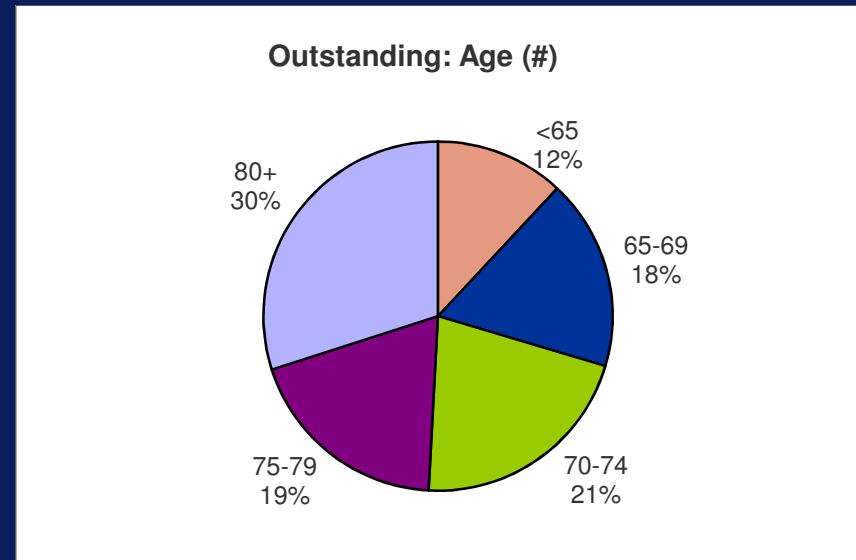
Borrower Age Band

Outstanding

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

Settlements

- Average age of new borrowers 73 years
- Under 70s : nearly 40% of all new loans compared to 30% of outstanding loans
- Age profile of borrowers broadly consistent throughout study since 2006

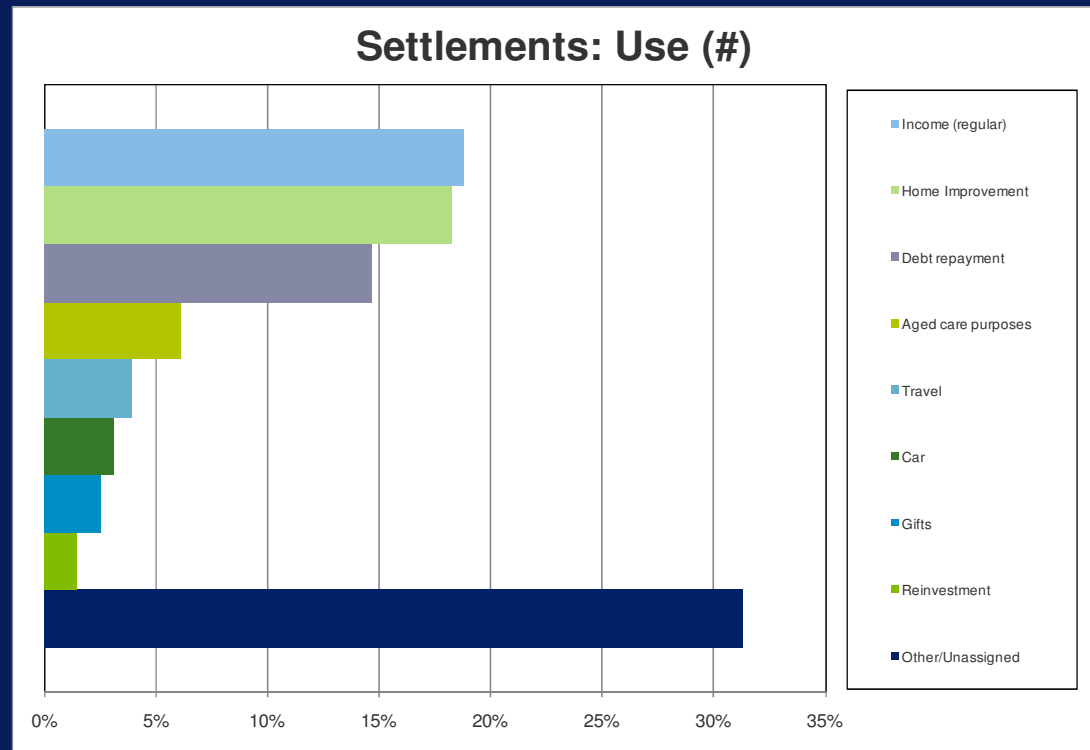


Use of Proceeds

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

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

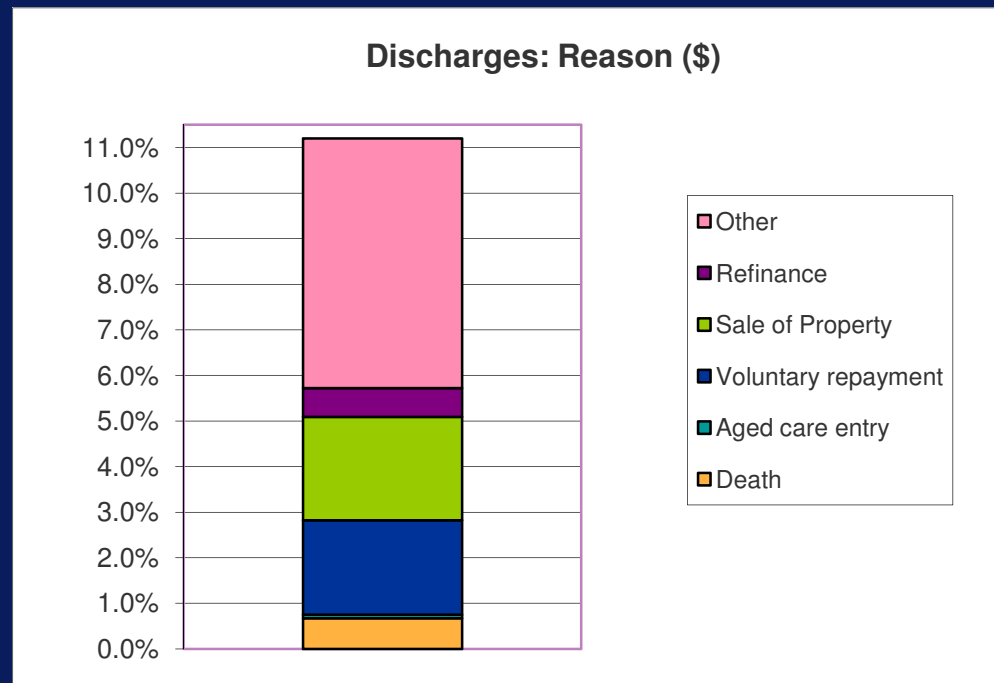
Note: Figures still indicative due to lack of completeness of data



Discharges

Discharges v Reason

- Full discharges show a 11.5% p.a. repayment rate for H2 2009.
- Of this rate:
 - Mandatory repayment (e.g. death, aged care entry) accounts for 1% p.a. discharge rate
 - Voluntary repayments account for 3% p.a.
 - Sale of property accounted for 3% p.a.
 - Refinance relatively low at 1% p.a.



Summary

	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
Outstanding Market Size	\$.85b	\$1.51b	\$2.02b	\$2.48b	\$2.71b
Number of Loans	16,584	27,898	33,741	37,530	38,788
Average Loan Size	\$51,148	\$54,233	\$60,000	\$66,150	\$69,896
Settlements	\$315m	\$520m	\$466m	\$321m	\$264m
Facility (settlements)	\$519m	\$714m	\$627m	\$426m	\$367m
Additional Drawdowns	N/A	N/A	\$125m	\$116m	\$126m
Discharges	N/A	N/A	\$203m	\$253m	\$309m

* Indicates 6 monthly figure

- Market (by \$ outstanding) has grown 4% in last 6 months
 - Market growth of 9% in the 12 months to December 2009
- Variable rate loans most popular
- Full discharge rate of 11.5% p.a. (mainly due to sale of property and voluntary repayment)
- Additional Drawdowns approximately 5% of outstanding loans
- Lump sum most popular drawn down type
- Brokers & Planners settlements channel 50%, Direct channel 50%
- As proportions of Outstanding loans by #: NSW 33% of market, QLD 21% and VIC 17%



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