

Trowbridge Deloitte

SEQUAL/Trowbridge Deloitte
Reverse Mortgage Market Study
(December 2007).

James Hickey

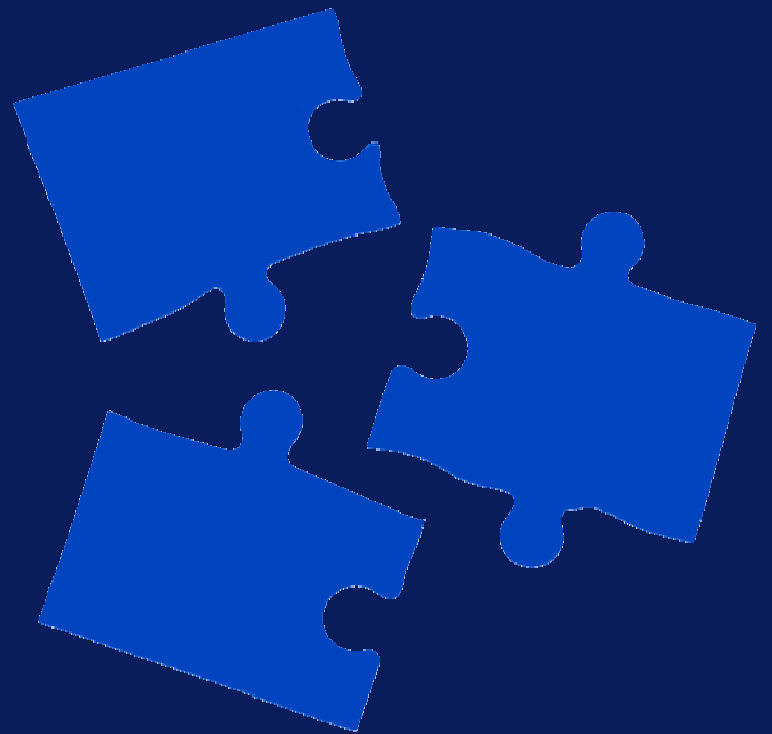
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Joshua Ling

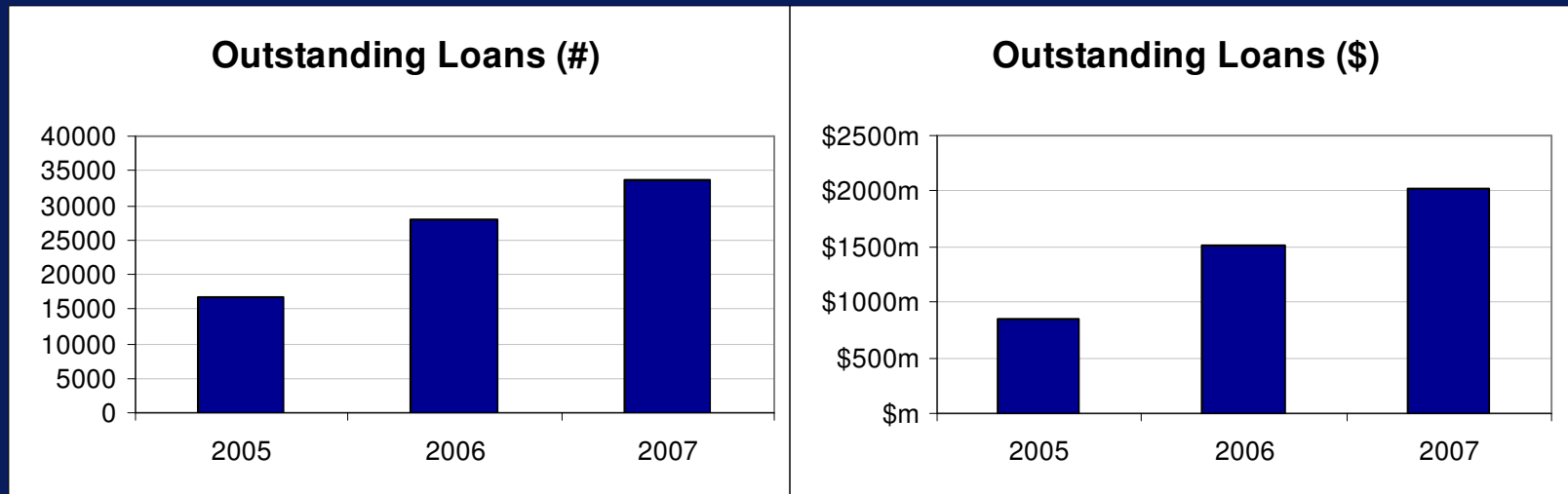
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Market Volumes & Mix



Size of the market (31 December 2007) – Outstanding Loans



21% growth (12 months)

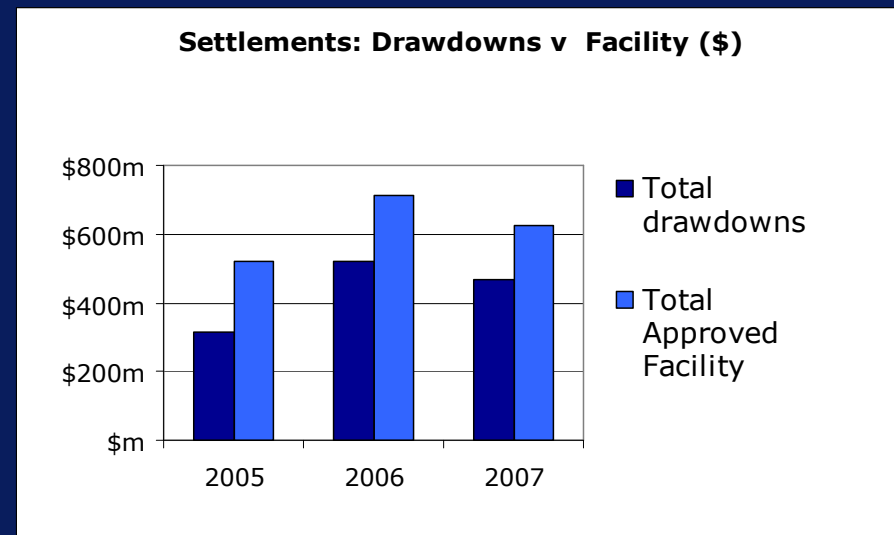
34% growth (12 months)

- Currently over 33,700 reverse mortgages on issue in Australia.
- Total loan book size of \$2.02b.
- Average loan size of \$60,000 (up from \$57,350 in June 07)
- Growth rates (\$ outstanding):
 - 12% in last 6 months
 - 34% in last 12 months

Size of the market (31 Dec 2007) – Settlements

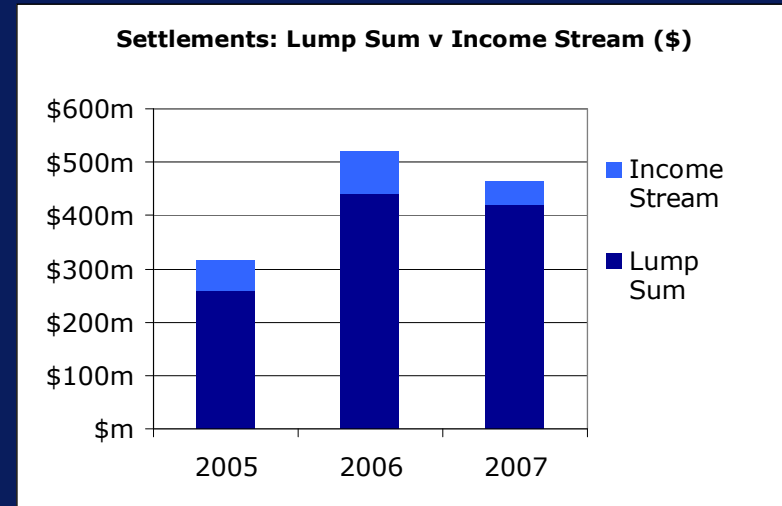
Settlements (new loans)

- 2007 Settlements \$466m (facility \$627m)
 - ie, Drawdowns were 75% of loan facility approved
- 2007 Settlements \$466m
 - 2006 Settlements \$520m (facility \$714m)
 - Down 10% on 2006
 - driven by H2 2007 reduction
 - H1 2007: \$271m, H2 2007: \$195m



Payment Type – Lump Sum v Income Stream

- Of the \$466m Settlements in 2007:
 - 90% lump sum
 - 10% income stream
- Slight increase in lump sum settlements
 - Potentially driven by popularity in line of credit as an alternative flexible option versus contractual income stream



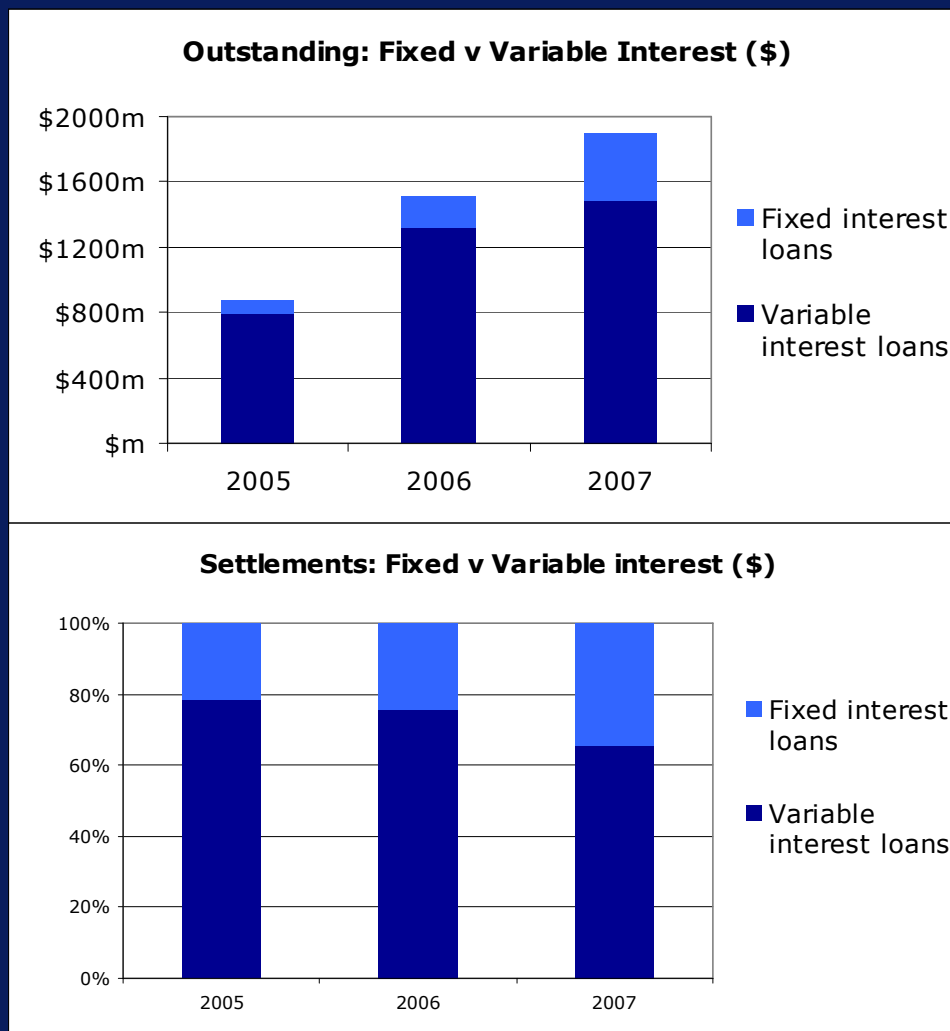
Interest Rate Type

Outstanding

- 82% of all loans outstanding are variable interest as at 31 December 2007.
- Fixed interest loans are on average \$13,000 more than variable loans

Settlements

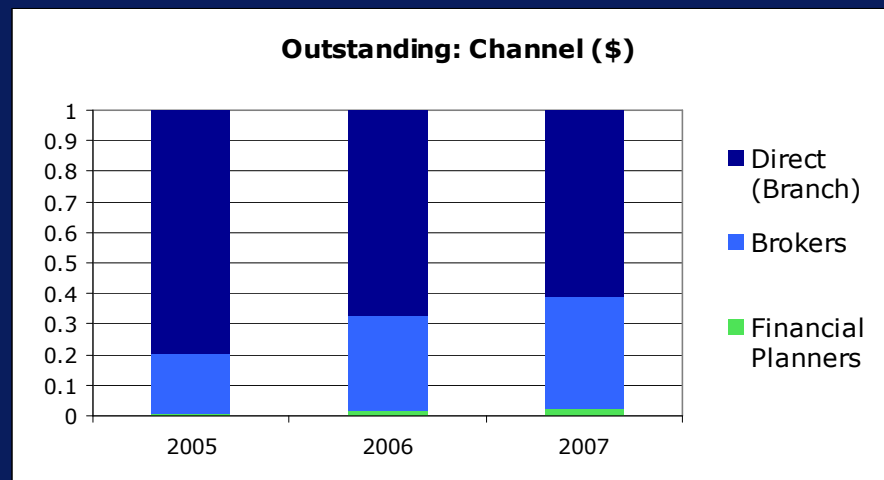
- The proportion of fixed interest reverse mortgage lending continues to increase
 - 34% fixed interest in 2007
 - 25% in 2006
 - 22% in 2005



Channel

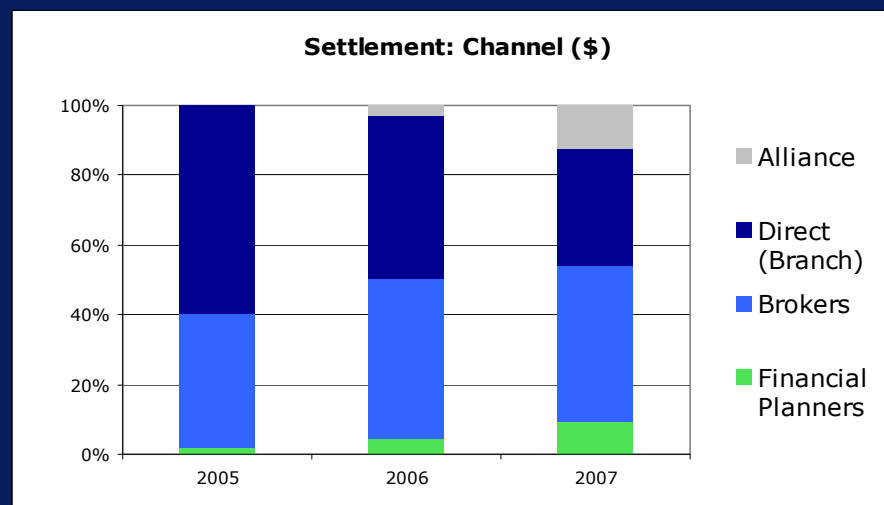
Outstanding

- Direct channel remains most popular (60% of outstandings)
- Broker channel continues to increase as % of total (36% of outstandings)



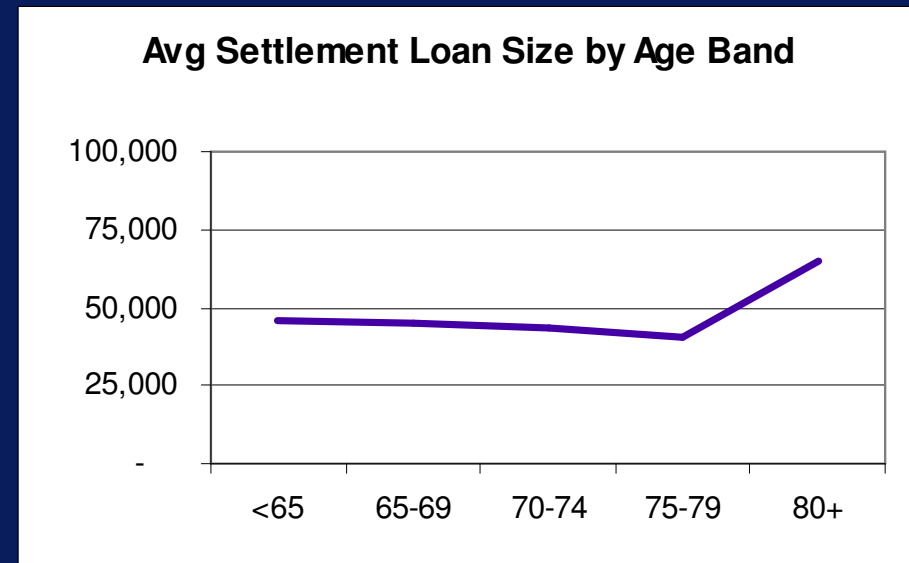
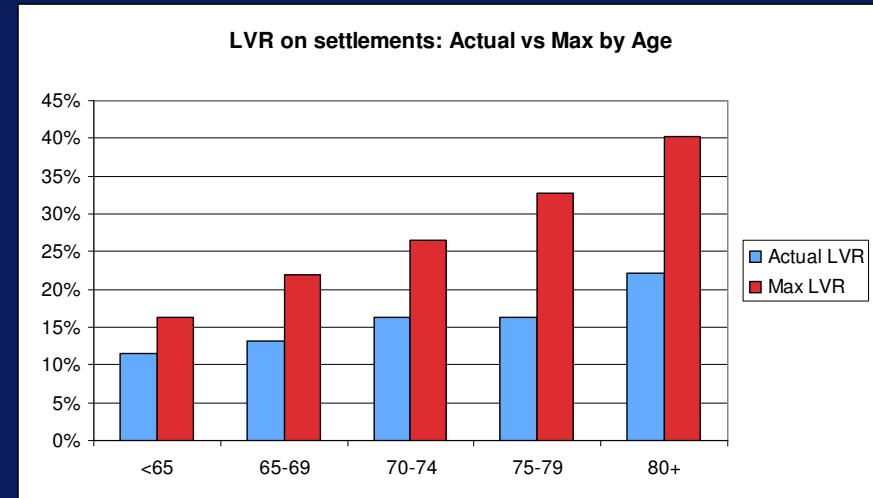
Settlements

- Intermediated sales surpassed Direct as largest channel in Aus:
 - 54% Brokers & Planners in 2007
 - 34% Direct in 2007
- Average loan size \$63,900 via brokers/planners, \$46,800 Direct
- Emergence of “Alliance” channel (12%)
- Financial Planners (9%)



Loan-to-Valuation Ratio (LVR)

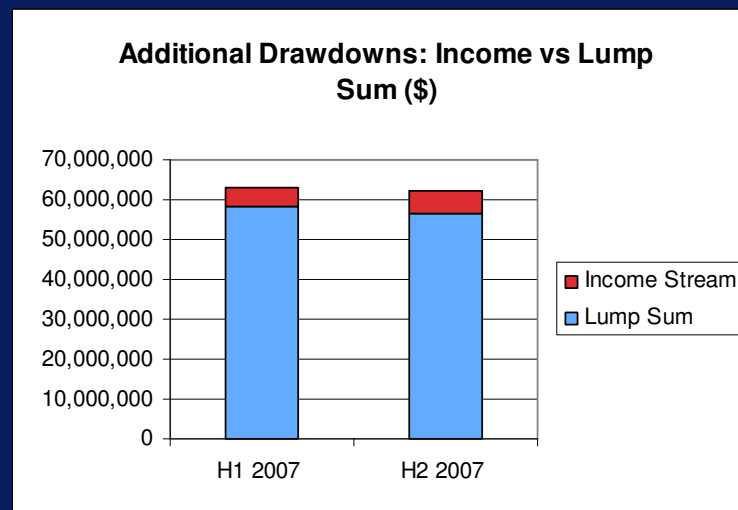
- Younger borrowers utilising larger proportion of facility
 - 12% of a maximum 15% was utilised for those <65
 - 22% of a maximum 40%+ was utilised for those over 80
- Average amount borrowed remains similar across ages
- More elderly borrowers are comfortably within maximum limits



Additional Drawdowns

- 1 in 5 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.

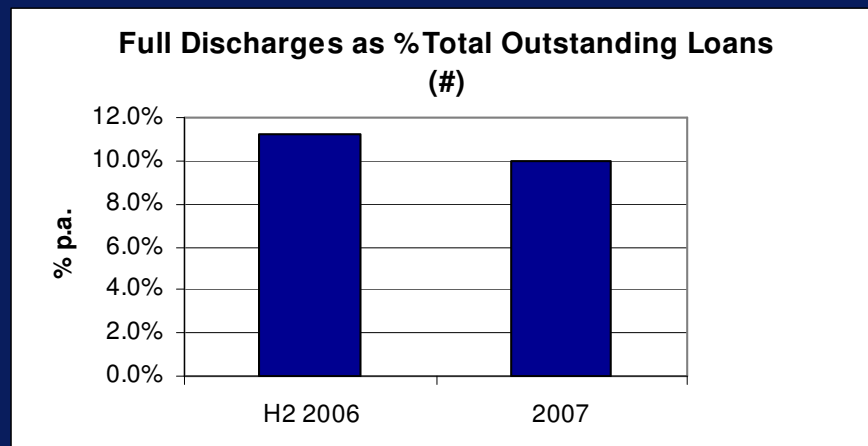


% Borrowers making ADDs (6 months)	18%
Average size of ADD (6 months)	\$10,600
ADDs as % total \$ outstanding loans	7% p.a. for 2007
Total ADDs 2007	\$125m

Discharges

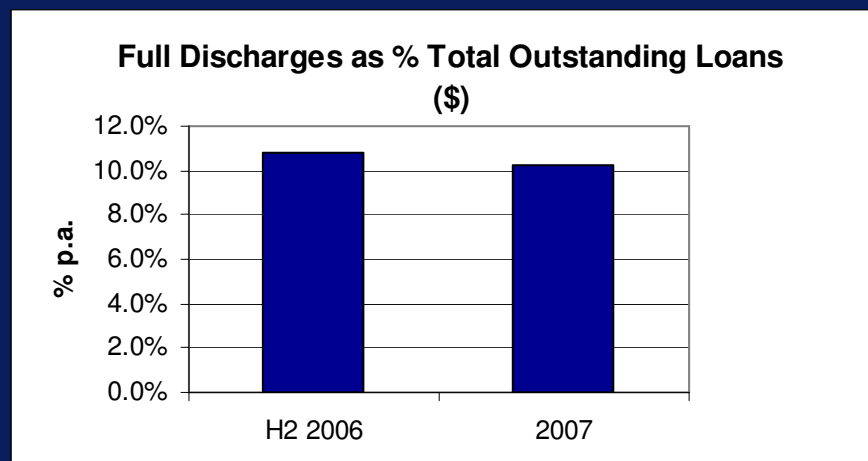
By # borrowers

- Full discharge rate of 10% p.a. in 2007
- In addition to this, about 6% made partial discharges in H2 2007

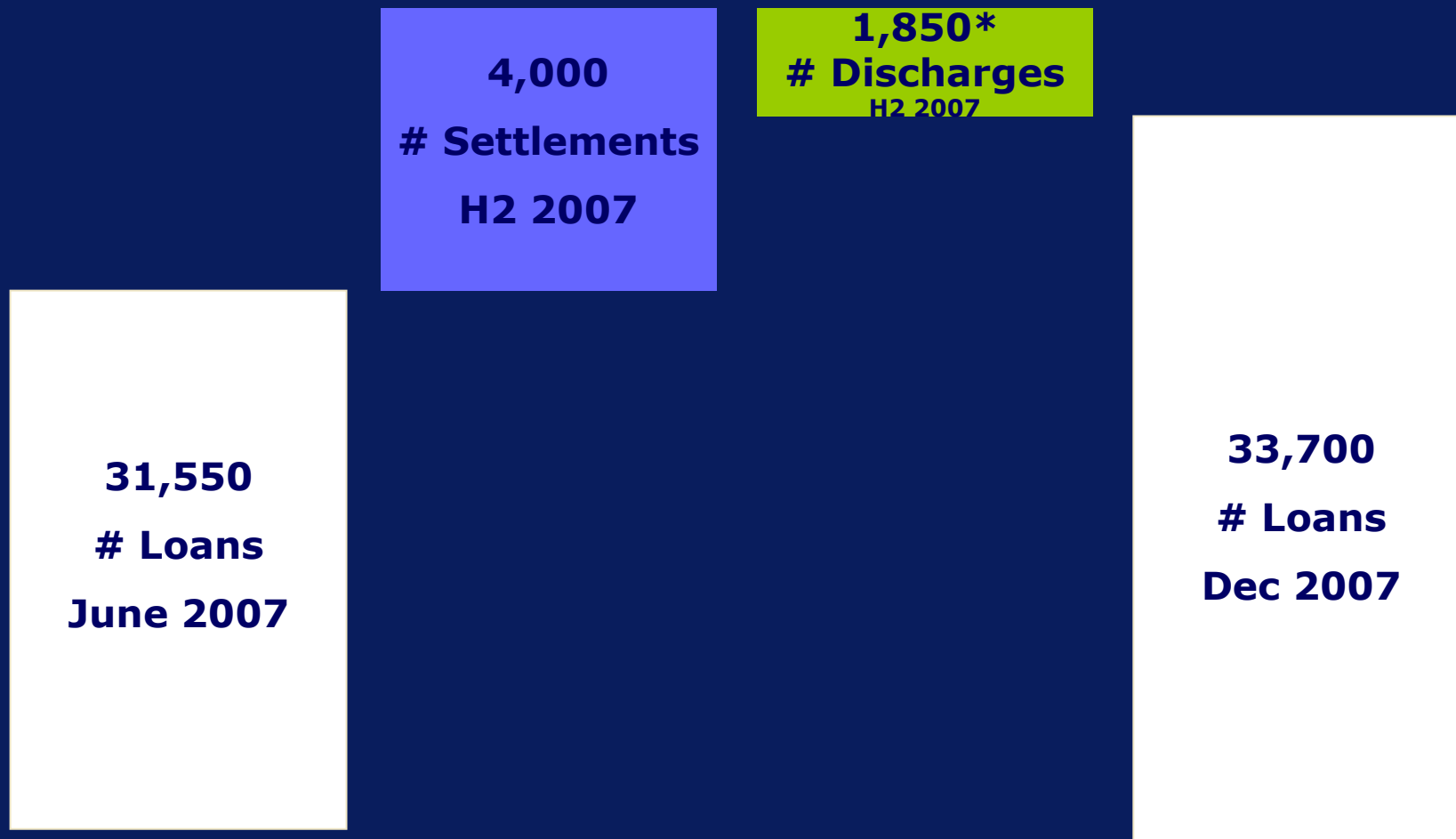


By \$ discharges

- Full discharges are 10% p.a. in 2007
 - 11.5% p.a. in H2 2007
- Partial discharges are 1% p.a. of loan size outstanding.
- Average size of discharge:
 - Full discharges = \$56,750
 - Partial repayments = \$5,500 (in 6 month period)

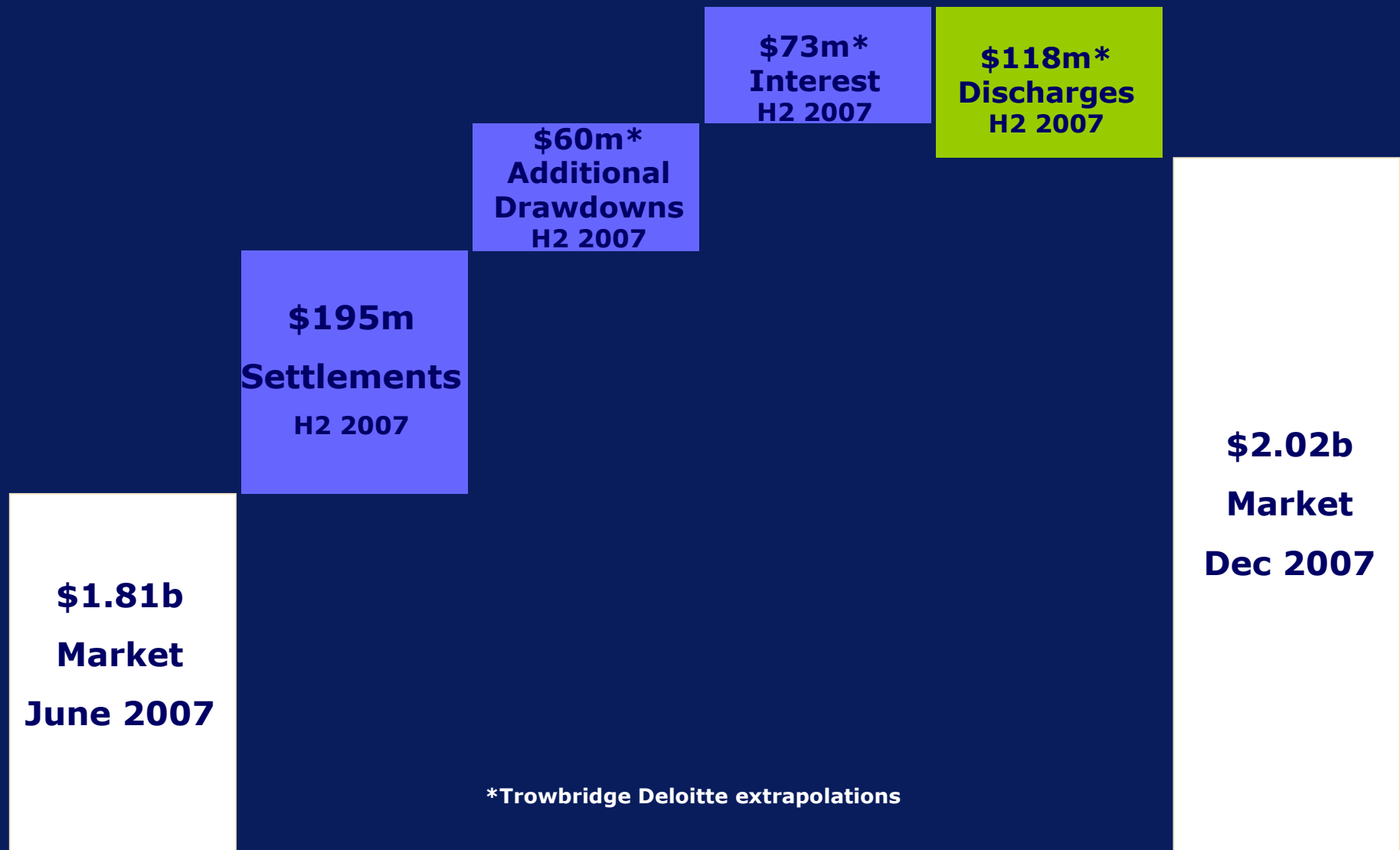


Market Movement – by numbers



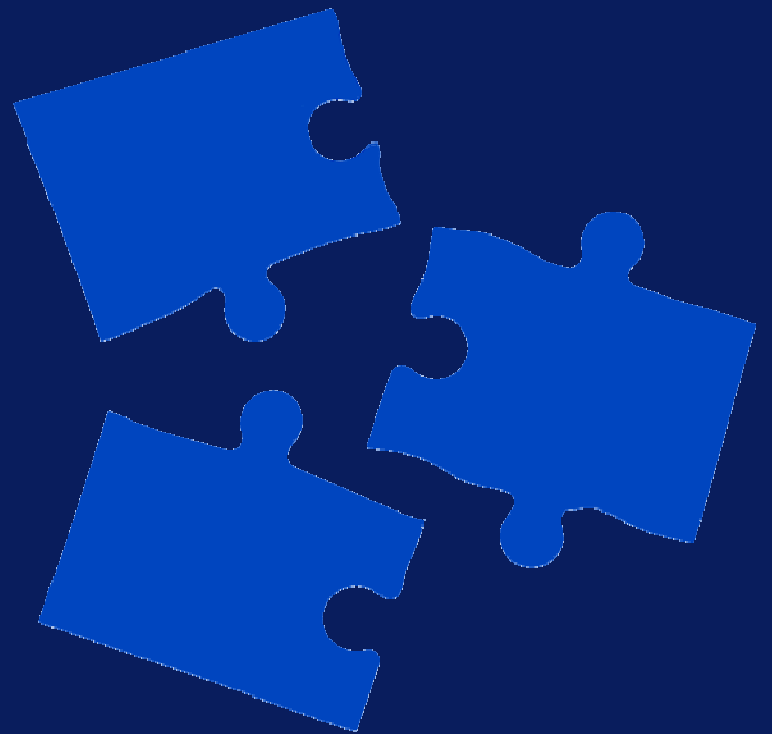
*Trowbridge Deloitte extrapolation

Market Movement – by amounts



*Trowbridge Deloitte extrapolations

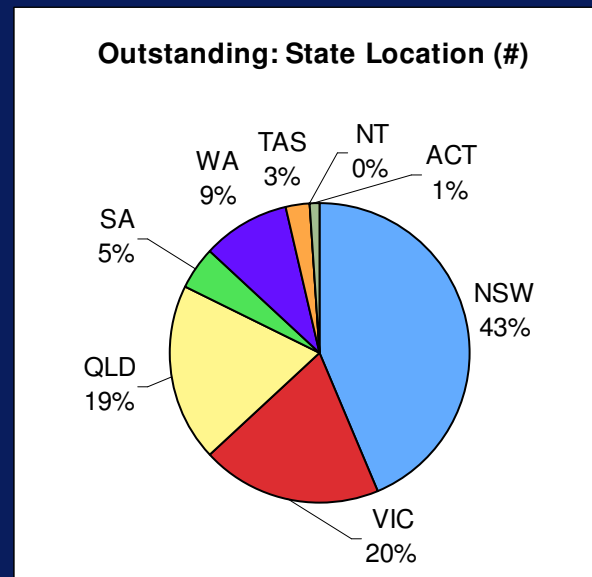
Housing Splits



Location: State

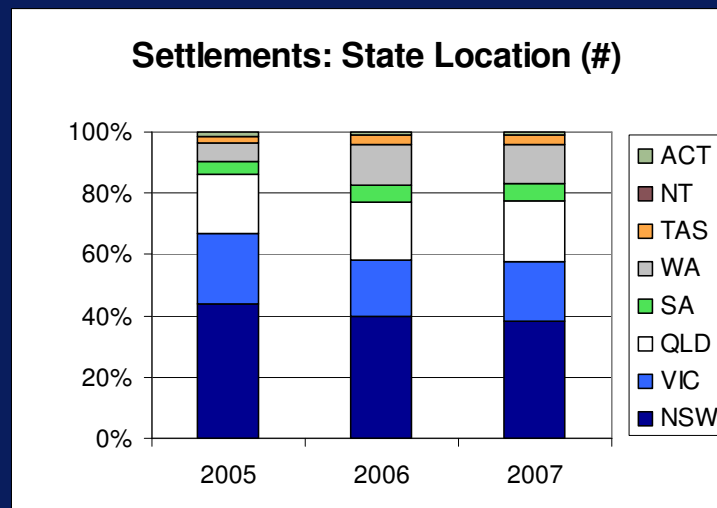
Outstanding

- Most reverse mortgage business in NSW (43%)
- VIC and QLD close to 20% each
- WA 9%, SA 5%



Settlements

- NSW still largest (38%)
 - however proportion is reducing
- VIC, QLD around 20%
- WA, SA maintaining around 13% and 5% respectively

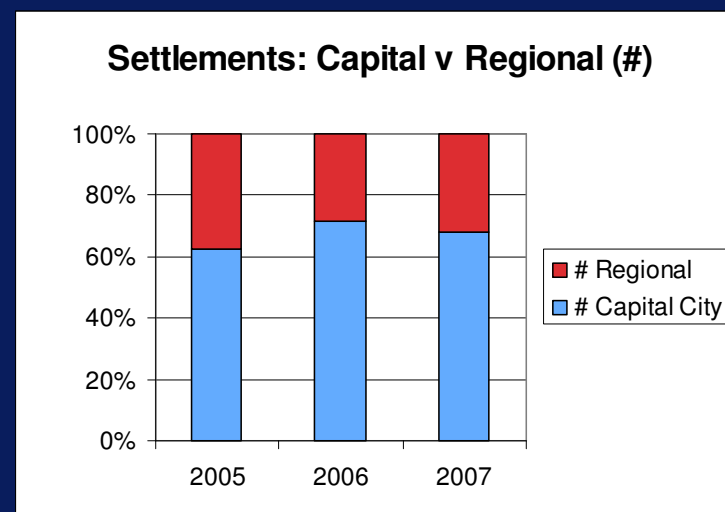
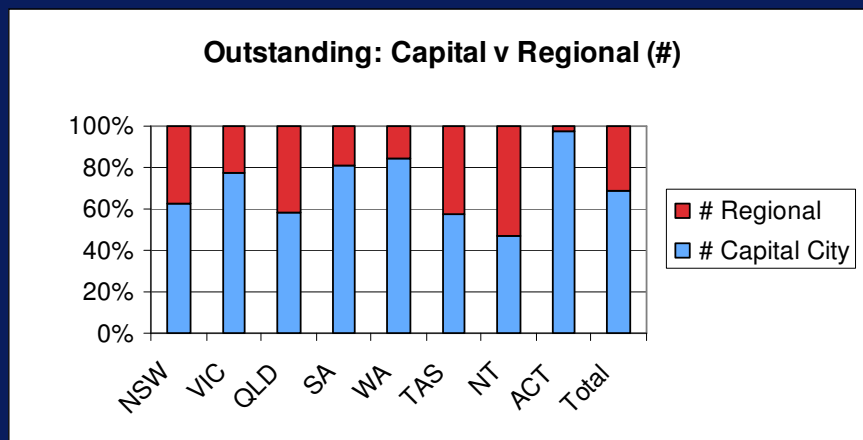


2007

NSW	38%
VIC	19%
QLD	20%
SA	5%
WA	13%
TAS	3%
NT	0%
ACT	1%

Location: Capital City vs Regional

- Around 70% all loans outstanding in capital cities
 - Consistent proportion with settlements
 - Down from close to 80% a year ago
 - NSW, QLD around 60% in capital cities
 - SA, WA around 80% in capital cities



Housing

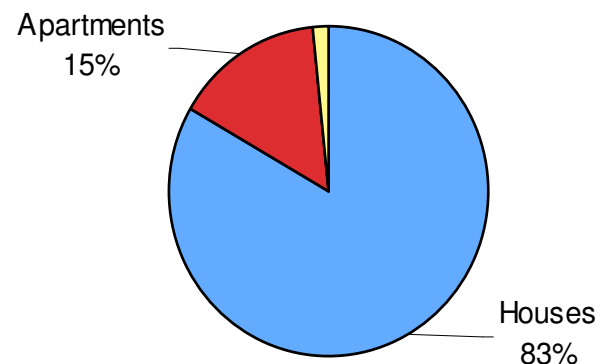
Outstanding

- Outstanding loans secured by houses remained most common
- 99% loans for owner-occupiers
 - 1% investment properties

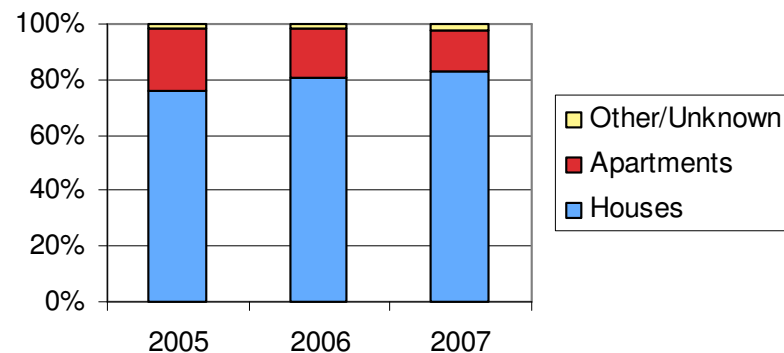
Settlements

- Houses made up 83% of settlements in 2007
 - relatively constant proportion over time
- Investment properties 3% of settlements

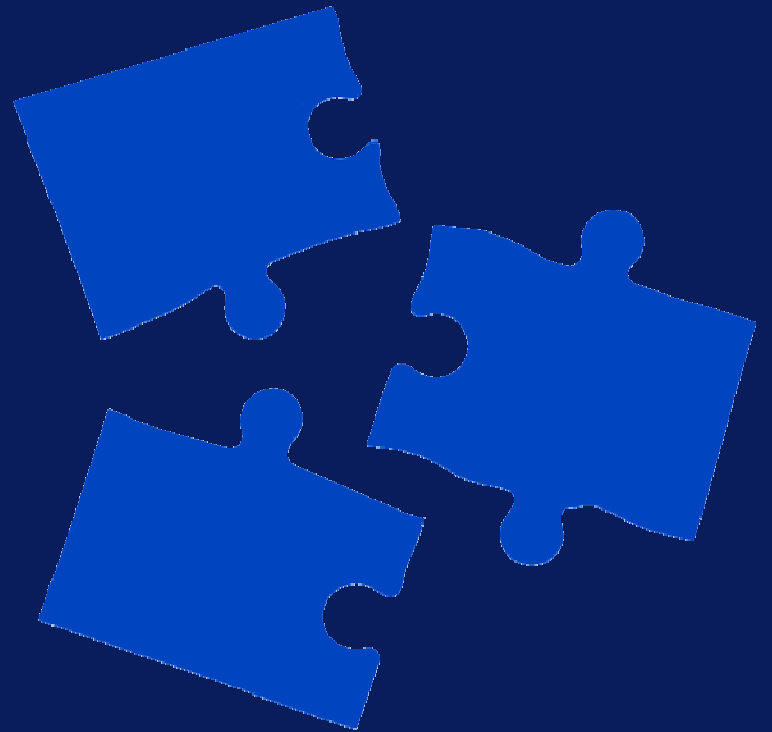
Outstanding: Property Type (#)



Settlements: Property Type (#)



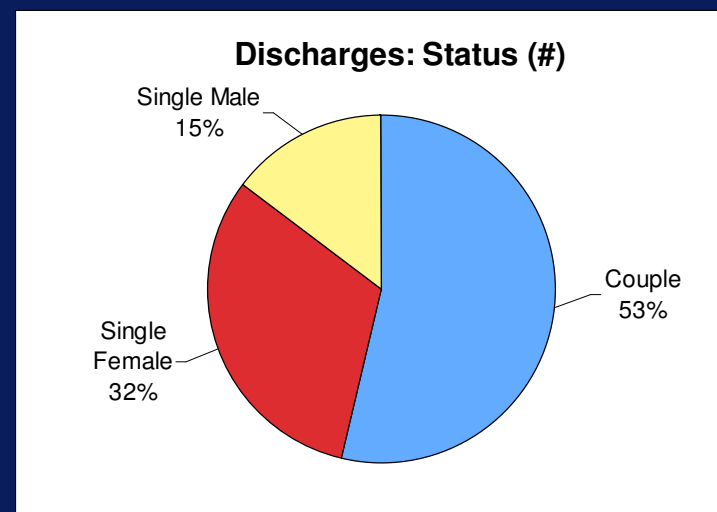
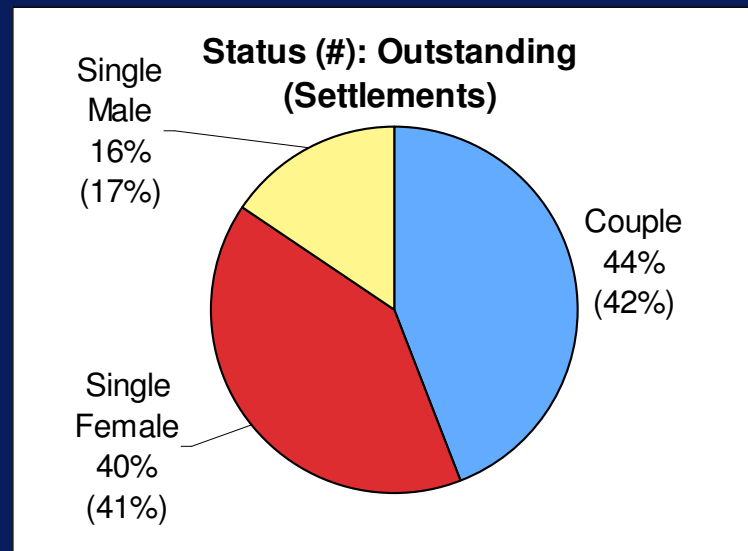
Borrowers



Borrower Status

Outstanding

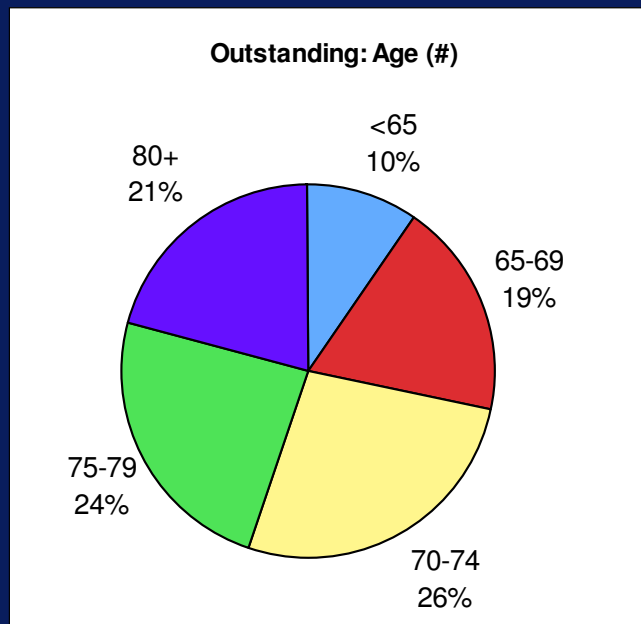
- Couples remain the dominant segment closely followed by single female
 - Average loan size similar across status
 - Single females prefer income stream settlements
-
- Discharges indicate that compared to the representation in outstanding loans:
 - Couples are a higher proportion than singles
 - Single females are a lower proportion of discharges



Borrower Age Band

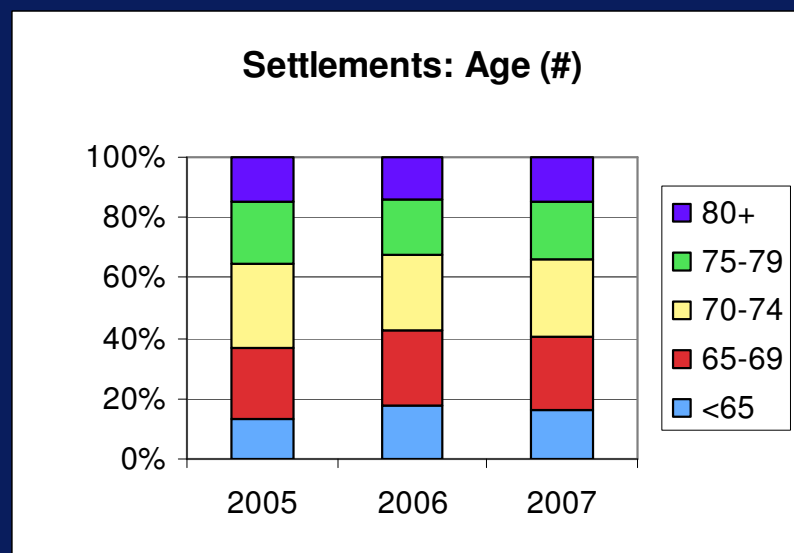
Outstanding

- Major age segment is 70-79 (50% of loans)
- Average age of existing borrowers remains at 74 years



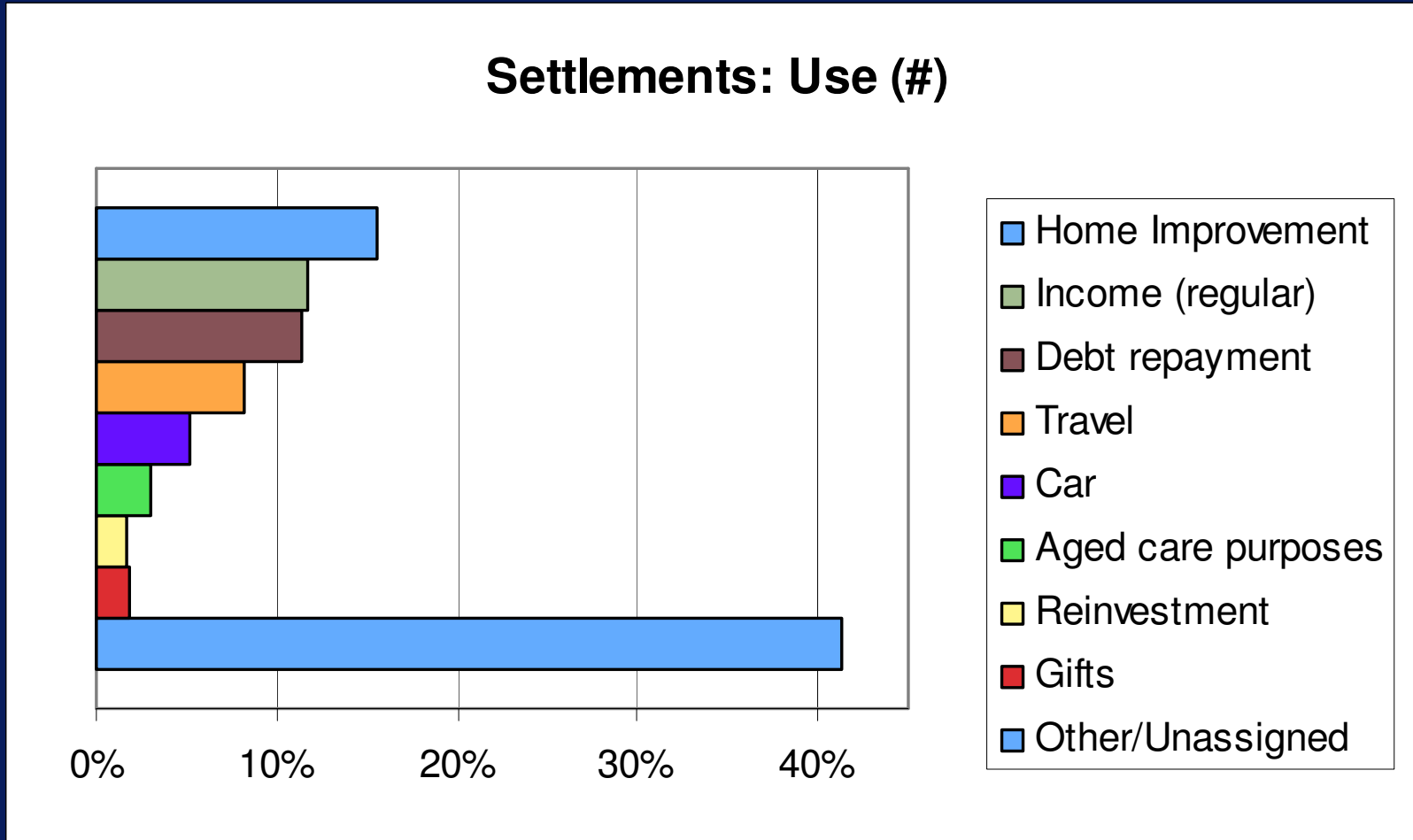
Settlements

- Average age of new borrowers 72 years
- Under 70s : comprise 40% of all new loans compared to 29% of outstanding loans
 - Indicates an increasing usage by younger borrowers
- Ages 70+ : biggest users of income stream



Use of Proceeds

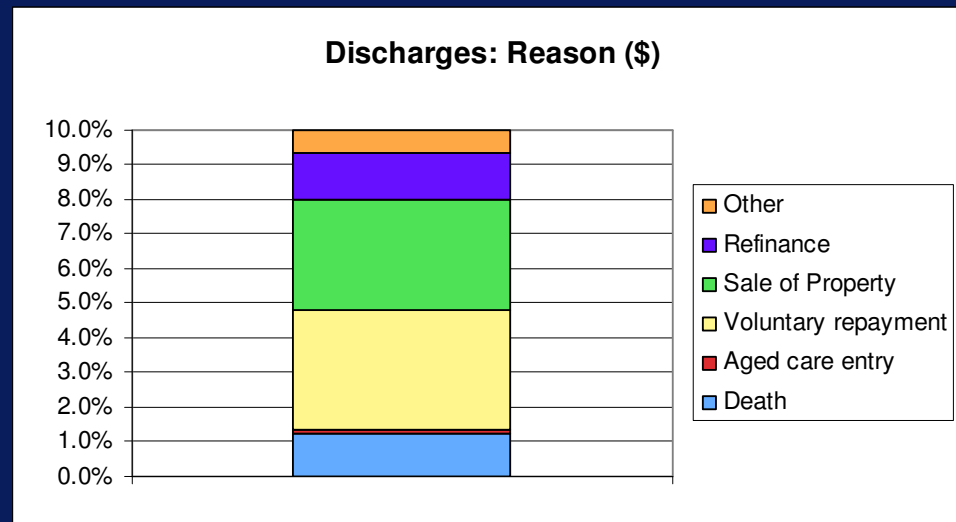
- *Note: Figures still indicative due to lack of completeness of data*



Discharges

Discharges v Reason

- Full discharges show a 10% p.a. repayment rate for 2007. Of this rate:
 - Mandatory repayment (eg. death, aged care entry) accounts for a 1.2-1.5% p.a. discharge rate
 - Sale of property accounts for a 5% p.a. discharge rate



Summary

	Dec-05	Dec-06	Dec-07
Outstanding Market Size	\$848m	\$1513m	\$2023m
Number of Loans	16,584	27,898	33,741
Average Loan Size	\$51,148	\$54,219	\$60,000
Settlements	\$315m	\$520m	\$466m
Facility (settlements)	\$519m	\$714m	\$627m
Additional Drawdowns	N/A	N/A	\$125m
Discharges	N/A	N/A	\$(203)m

- Market grown 11.8% in last 6 months (25% p.a. annualised)
- Total discharges (by \$) 11% p.a. with majority due to sale of property and voluntary repayment
- Additional drawdowns approximately 7% p.a. of outstanding loans
- Lump sum most popular drawn down type
- Variable rate loans most popular, however fixed rate increasing (over 30% new loans)
- Broker settlements are largest channel (45%), followed by Direct (34%)
- NSW 43% of market, VIC 20% & QLD 19%



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