

Positioning for Growth Opportunities – mutual ADI approaches

Are we achieving real growth or are we in decline?

True or False?

Presenter – Mike Murphy CEO
Queensland Teachers' Credit Union



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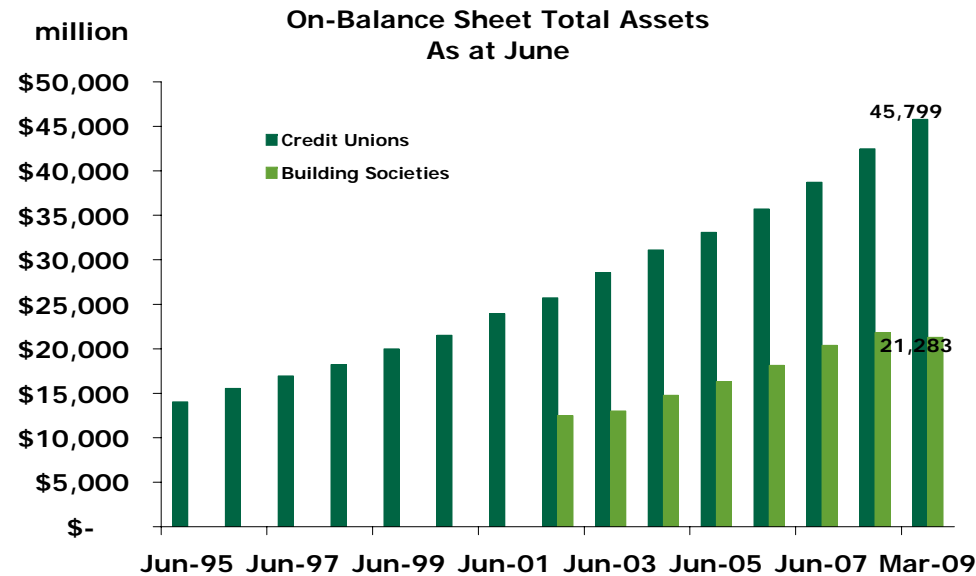
- Underlying Premise

Every business needs to **GROW**

Alternative: in decline;
irrelevant; and
perhaps, ultimately,
at death's door

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Assets growing steadily



72

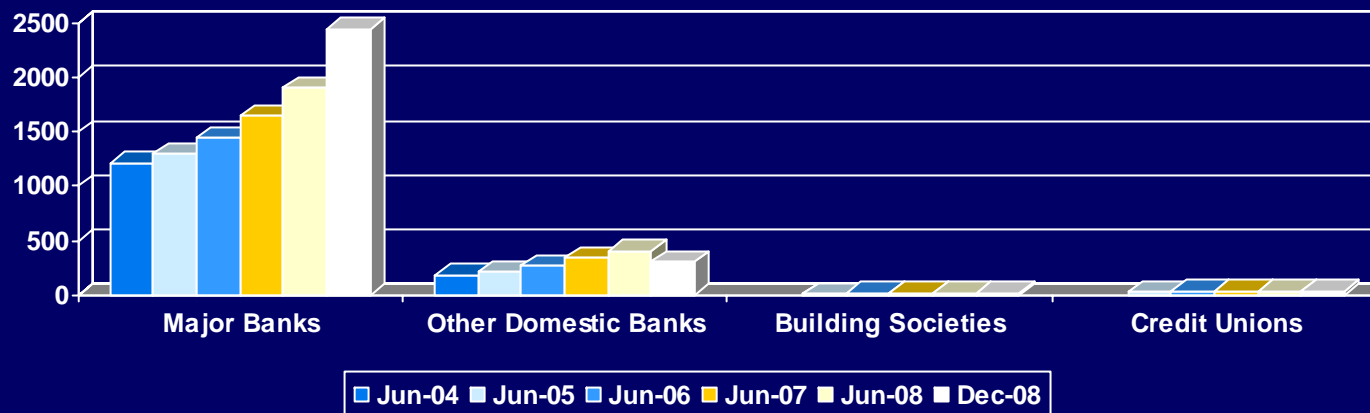
Credit Unions

Source Cuscal/Abacus

On-balance sheet assets reached \$45.8bn and grew by 10.1% for the year ended March 2009, a good improvement on the 9.8% growth recorded a year ago and despite difficult operating environment.

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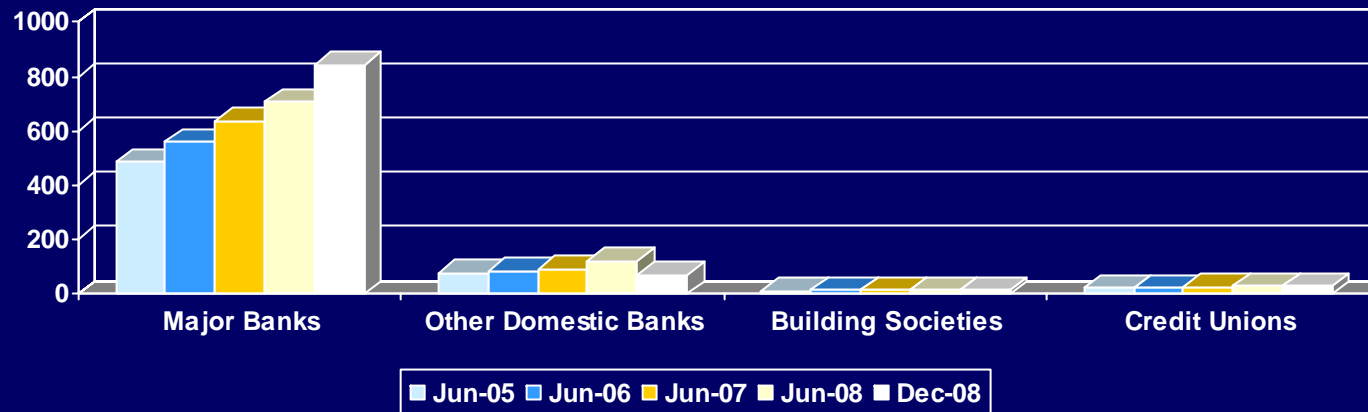
Assets of ADIs - \$bn



| | Jun-04 | % | Jun-05 | % | Jun-06 | % | Jun-07 | % | Jun-08 | % | Dec-08 | % |
|----------------------|--------|---|--------|------|--------|------|--------|------|--------|------|--------|------|
| Major Banks | 1,217 | | 1,296 | 83.1 | 1,442 | 81.7 | 1,647 | 80.3 | 1,901 | 80.1 | 2,443 | 86.8 |
| Other Domestic Banks | 187 | | 215 | 13.8 | 268 | 15.2 | 344 | 16.8 | 407 | 17.2 | 307 | 10.9 |
| Building Societies | | | 16 | 1.0 | 18 | 1.0 | 20 | 1.0 | 22 | 0.9 | 21 | 0.7 |
| Credit Unions | | | 33 | 2.1 | 36 | 2.0 | 39 | 1.9 | 42 | 1.8 | 45 | 1.6 |
| | | | 1,560 | | 1,764 | | 2,050 | | 2,372 | | 2,816 | |

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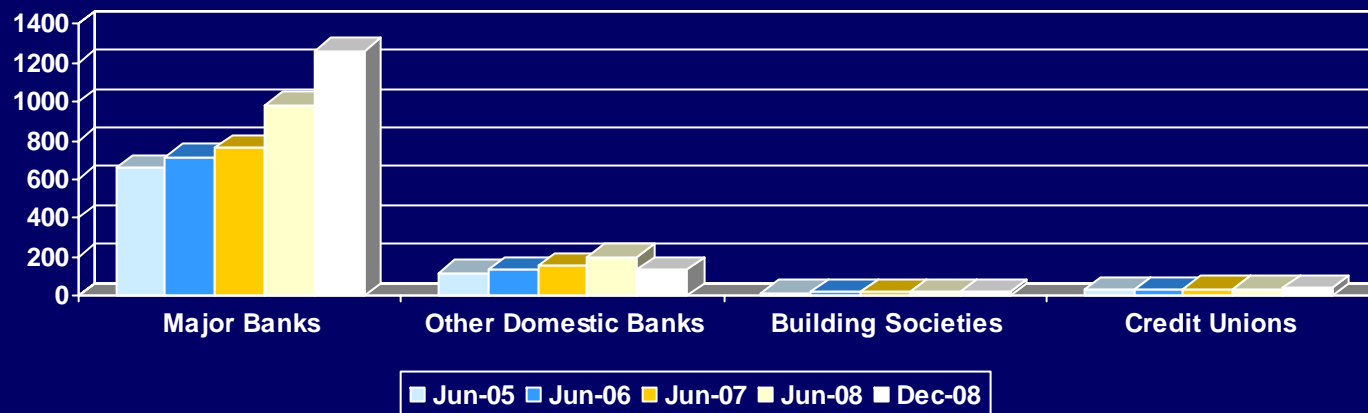
Total Housing- \$bn



| | Jun-05 | % | Jun-06 | % | Jun-07 | % | Jun-08 | % | Dec-08 | % |
|----------------------|--------|------|--------|------|--------|------|--------|------|--------|------|
| Major Banks | 486 | 82.0 | 558 | 82.8 | 635 | 83.1 | 705 | 81.1 | 843 | 88.3 |
| Other Domestic Banks | 76 | 12.8 | 82 | 12.2 | 91 | 11.9 | 121 | 13.9 | 69 | 7.2 |
| Building Societies | 11 | 1.9 | 12 | 1.8 | 14 | 1.8 | 15 | 1.7 | 14 | 1.5 |
| Credit Unions | 20 | 3.4 | 22 | 3.3 | 24 | 3.1 | 28 | 3.2 | 29 | 3.0 |
| | 593 | | 674 | | 764 | | 869 | | 955 | |

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Deposits - \$bn



| | Jun-05 | % | Jun-06 | % | Jun-07 | % | Jun-08 | % | Dec-08 | % |
|----------------------|--------|------|--------|------|--------|------|--------|------|--------|------|
| Major Banks | 657 | 80.6 | 715 | 80.1 | 764 | 78.9 | 985 | 79.6 | 1262 | 86.8 |
| Other Domestic Banks | 116 | 14.2 | 131 | 14.7 | 153 | 15.8 | 198 | 16.0 | 135 | 9.3 |
| Building Societies | 14 | 1.7 | 16 | 1.8 | 18 | 1.9 | 19 | 1.5 | 18 | 1.2 |
| Credit Unions | 28 | 3.4 | 31 | 3.5 | 33 | 3.4 | 36 | 2.9 | 39 | 2.7 |
| | 815 | | 893 | | 968 | | 1238 | | 1454 | |

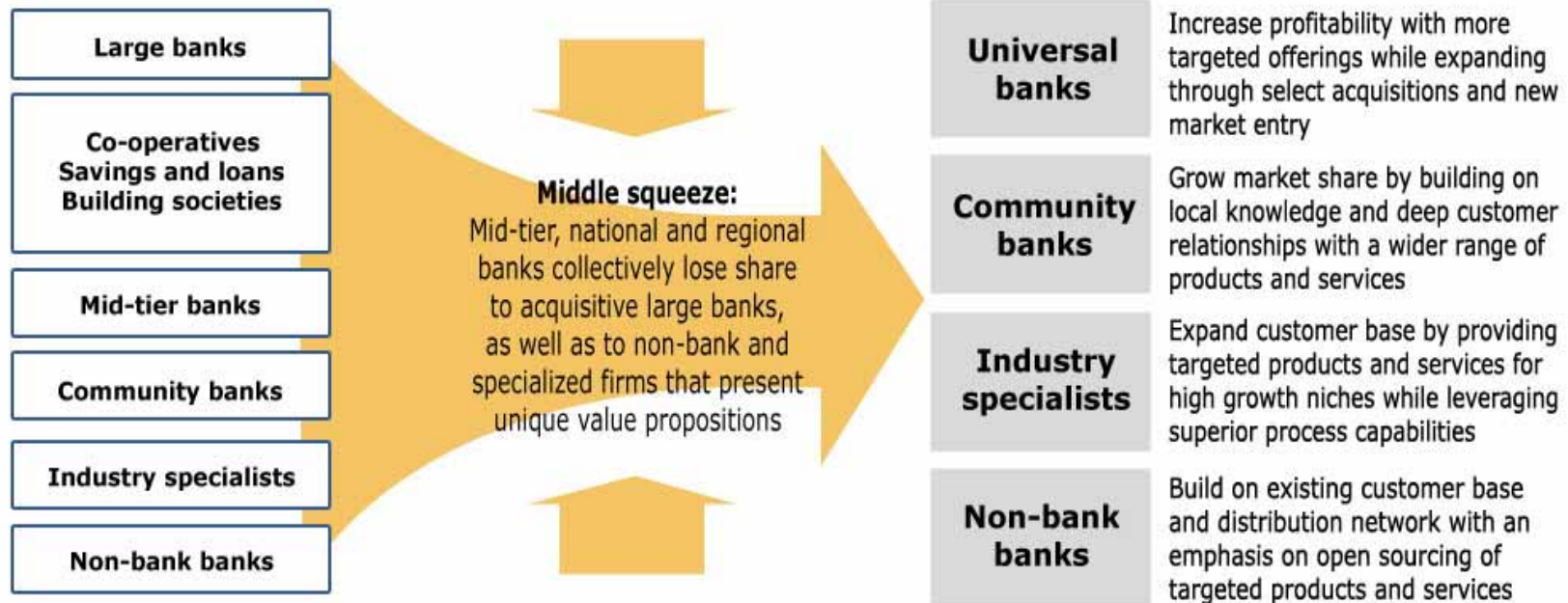
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The Future

Transformation of the retail banking landscape

2005

2015



Source: IBM Institute for Business Value.



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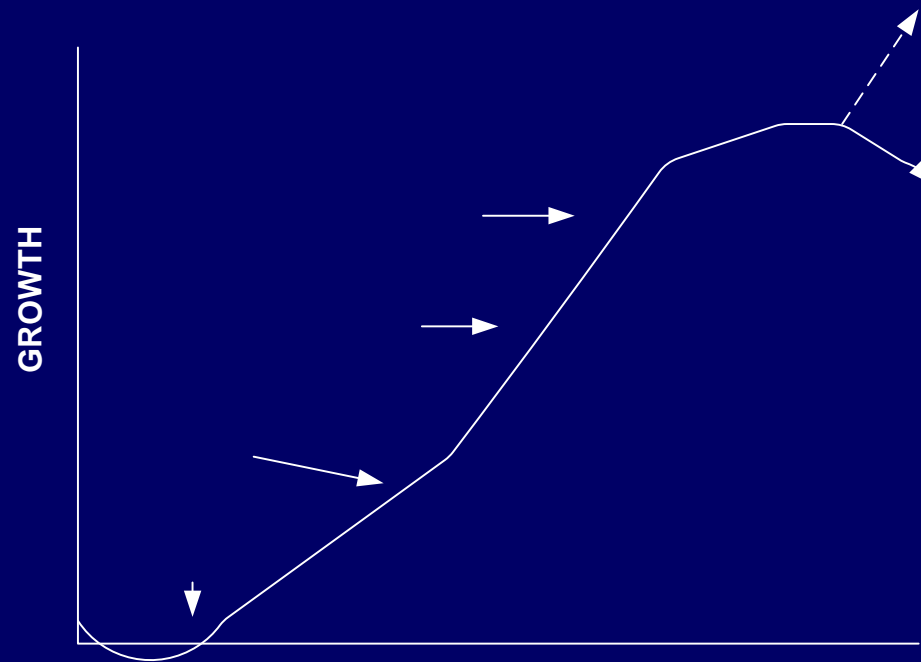
Questions?

Is our industry growth a problem and an issue?

Have we achieved real growth?

Are we still relevant?

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GROWTH

LIFEC



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RECENT ACQUISITION ACTIVITY

| | | |
|-----------------------|---|---------|
| St George | ➔ | Westpac |
| BankWest | ➔ | CBA |
| RAMS | ➔ | Westpac |
| Wizard Home Loans | ➔ | Aussie |
| Home Building Society | ➔ | BOQ |
| Pioneer Permanent BS | ➔ | BOQ |
| Mackay Permanent BS | ➔ | BOQ |

CBA strategic shareholder in Aussie.

What's next?

BOQ ?

Suncorp?

Bendigo & Adelaide?

Who will be left?



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FINANCIAL RATIOS

Cost to Income

| | Jun-07 | Jun-08 | Dec-08 |
|----------------------|--------|--------|--------|
| Major Banks | 46.3% | 49.0% | 44.5% |
| Other Domestic Banks | 72.9% | 74.7% | 90.0% |
| Building Societies | 71.4% | 70.3% | 77.5% |
| Credit Unions | 74.6% | 72.6% | 82.3% |

ROA (A/T)

| | | | |
|----------------------|------|------|------|
| Major Banks | 1.0% | 0.9% | 0.9% |
| Other Domestic Banks | 1.9% | 1.0% | 0.2% |
| Building Societies | 0.8% | 0.7% | 0.4% |
| Credit Unions | 0.8% | 0.9% | 0.5% |

Source APRA



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THE MEANING OF MUTUALITY

- Mutuality has little/no meaning in consumer terms
- Mutuality is far from a political, commercial or social imperative
- Mutuality tends to differentiate negatively – non commercial, inefficient, out of date
- Mutuals rarely live up to their rhetoric

Values underpinning mutuality remain vitalthe society demand for mutual outcomes is increasing

Is mutuality or the way we deliver it that is at fault?



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MUTUALITY

Where is the value proposition and advantage?

- Products and Services are look alike with competitors and are seldom better than competitors
-



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Faith by itself, if it is not accompanied by action, is dead James 2.17

Mutuality by itself, if it is not accompanied by real value proposition, is dead.

Works have a stronger voice than words

Proverbs

Pricing has a stronger voice than philosophy



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FIRST STRATEGIC IMPERATIVE
CLEAR VALUE PROPOSITION (ACTION/WORK)
CLARITY OF MISSION AND
LIVE UP TO IT



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To create a real value proposition, implement strategies that –

- Get costs down
 - Get serious about what we deliver to our members
-



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QTCU STRATEGIES

Overarching Strategy – **Strong and Sustainable Growth**

Core Strategy – **Mortgage Lending Specialist**



Benchmark – **Loans growth of at least system growth**

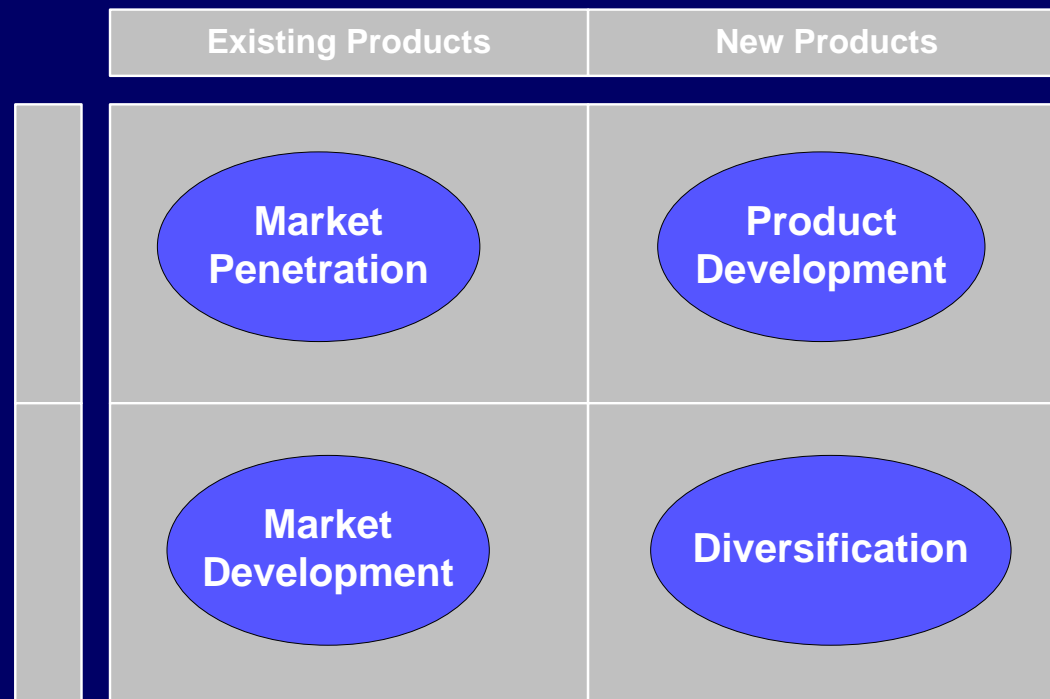


Develop competitively priced mortgage products



Save at least \$1M in operating costs in order to achieve above
without significantly reducing profitability, capital adequacy, member
satisfaction and staff satisfaction

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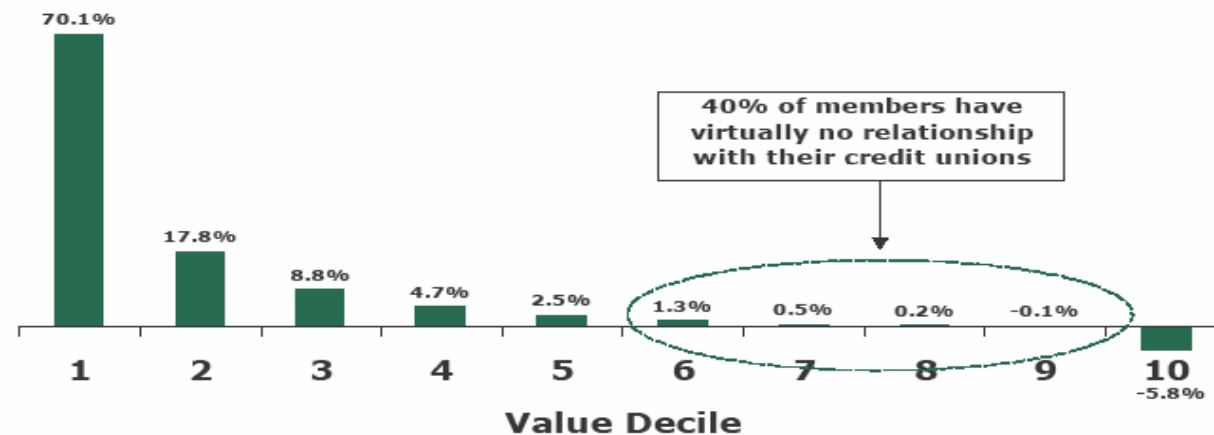
arkets

Source: Ansoff's Product/Market Matrix

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Too many members have weak relationship with their CU

CU Members Value
% Members in Each Value Decile - Mar'09



90 (Source: MMD)

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Move your home loan to Queensland Teachers' Credit Union for a GREAT RATE and some SPECIAL INCENTIVES.

As a valued member of QTCU, we'd like to make you an exciting new offer – one that gives you the chance to save!

For a limited time* only, if you switch a home loan from another provider to QTCU, you can receive:

- 1 0.7% home loan discount*
- 2 Refinance costs waived*
- 3 \$500 Coles Myer Gift Card*

Make the switch and start saving!

Contact your nearest branch or mobile lender today.

BRANCHES

| | |
|-----------------------------------|---------------------------|
| Coaling (07) 4003 1911 | Stanthorpe (07) 2606 6198 |
| Capalaba (07) 3823 3993 | Strathpine (07) 3866 4261 |
| Forrestvale Valley (07) 9444 6412 | Sunnybank (07) 3444 6427 |
| Geelong Coast (07) 6532 7011 | Tewantin (07) 4664 1747 |
| Greenbank (07) 3842 3052 | Tonipook (07) 4726 8168 |
| Indoonville (07) 3878 1166 | |
| Lugger (07) 3691 7818 | |
| Rockdale (07) 3470 0500 | |

MOBILE LENDERS

| |
|----------------------------------|
| Central Queensland: 1800 262 553 |
| Sunshine Coast: 1800 772 782 |

Alternatively, call 13 29 30 or go to www.qtcu.com.au/switch

*This lender is the best 100 releases any previous savings (STI) loans. A minimum deposit of \$100,000 per loan is required to qualify for the deposit or mortgage rate. All offers of the QTCU that are subject to approval. QTCU is a member of deposit protection. 10% discount of mortgage interest. All or mortgage fees over \$20,000 per year and 1% discount of deposit interest rate for term loans. \$100,000 to \$100,000 to \$100,000 to \$100,000. All members (STI) having positive credit history. Loan and deposit rates. Annual charges for equity. Full details of the terms and conditions are available on application. *Mortgage rate subject to lender's risk rating. QTCU represents the Queensland mortgage market and regulates the credit file and applies the best rate when changes to QTCU or need to be made. All offers of QTCU that are subject to approval. For more information on switching, please contact your nearest branch or mobile lender. Queensland Teachers' Credit Union Limited. 1800 262 553. 13 29 30.

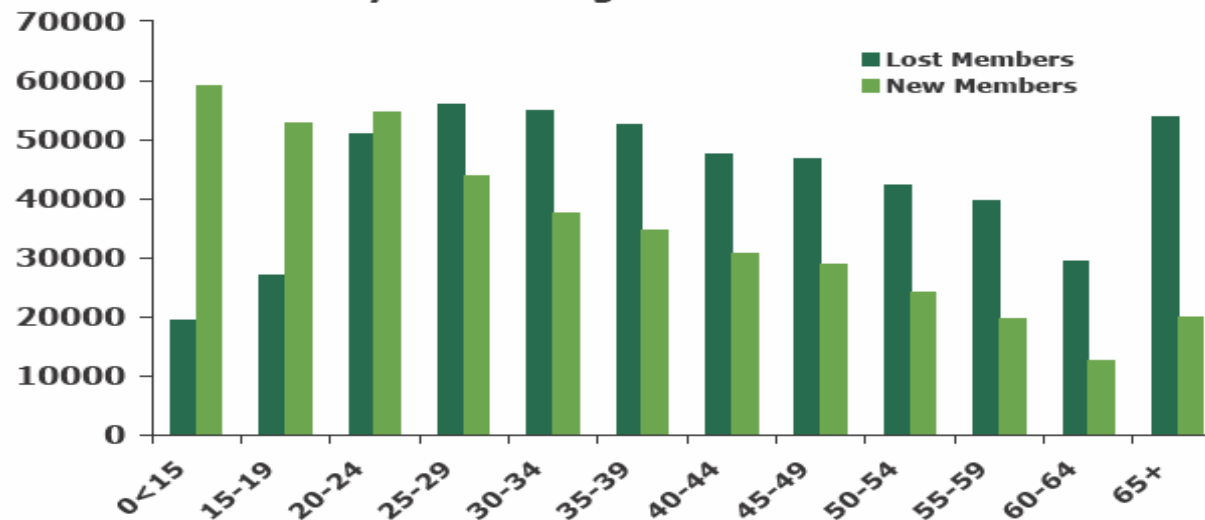
Result:

127 loans for a total of \$28.7M

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Retention of younger members critical

Proportion of New & Lost Members
2 years ending November 2007



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Results:

Campaign Target: 100 loans \$28M

Approved to 30/6/09

139 loans totalling \$41.7M



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We're proud to be at the bottom of the table!

| INSTITUTION | STANDARD VARIABLE % P.A. ^a | COMPARISON RATE % P.A. ^a |
|--------------------|---------------------------------------|-------------------------------------|
| Bank of Queensland | 5.89% | 6.02% |
| Westpac | 5.81% | 6.03% |
| ANZ | 5.81% | 5.91% |
| Suncorp Bank | 5.80% | 5.96% |
| St George | 5.79% | 5.96% |
| Commonwealth Bank | 5.74% | 5.87% |
| NAB | 5.74% | 5.87% |
| QTCU | 5.64% | 5.68% |

QTCU not only gives you a low variable rate, it also provides a competitive alternative to the major banks. So why not try a different kind of banking and experience the benefits of switching your mortgage to Queensland Teachers' Credit Union.

We're not just for Teachers, we do loans, savings and investments for all.

Call 13 29 30, go to qtcu.com.au
or visit one of our branches.



Branches in Cairns, Capakaba, Fortitude Valley, Gold Coast, Greenslopes, Indooroopilly, Logan, Mt Gravatt, North Lakes, Springfield, Stafford, Strathpine, Sunnybank, Toowoomba & Townsville.

QTCU's lending policies, conditions, and fees and charges apply. Source: www.candl.com.au 25.06.09 for Standard Variable products. Other financial institutions' rates listed excluded any introductory offers and discounts that do not apply for the life of the loan. Rates listed based on a loan amount of \$100,000 and current as at 25 June 2009. QTCU's comparison rate calculated on a loan amount of \$100,000 over a term of 25 years based on only repayments. WARNING: This comparison rate is only true for the example given and may not include all fees and charges. Different fees, fees or other loan-related costs might result in a different comparison rate. Comparison Rate Schedule available at any QTCU Branch. Rate current as at 25 June 2009 and subject to change. Queensland Teachers' Credit Union ABN 63 067 001 064 AFSL 241195.



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Incentive Schemes aligned to Strategic Plan Objectives
- From Executives to Front Line



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Why Grow?

- Survival
 - Increased profit
 - Utilisation of capacity
 - Preserve market share
 - Market presence
 - Make business more attractive for members and staff
-



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