

# Update ME.

A QUARTERLY UPDATE FROM ME



INDUSTRY  
UPDATE

BANK  
UPDATE

**Welcome to Update ME, a newsletter with all the latest news from the banking industry and ME.**

## Industry update.

### State of the market

House prices have tumbled in Australia since they peaked in 2017, with Sydney and Melbourne seeing their sharpest price downturn since 1965 – Sydney values have fallen 13.9% while Melbourne's have fallen 10.7% since their peaks, according to the latest CoreLogic data. The slide is expected to extend into 2020. This is due to a number of factors – regulatory reforms, tougher responsible lending obligations, and reduced demand from investors and owner occupiers chief among them. Hobart, conversely, is seeing a price upswing, while Canberra's house prices are flat.

The market changes have created challenges for some sections of the industry, including investors, homeowners looking to sell, and developers. But on the plus side, first home buyers who feared they might never get on the property ladder are in a better position, and tenants are facing stable rents.

Although the Reserve Bank's stance on the cash rate is still officially "neutral", speculation is mounting that the next move will be a cut in the face of reduced housing prices and its effect on household consumption – money markets are pricing in a 0.25% rate cut for August.



# Bank -xiety?

Not with ME.  
Because we don't fleece  
our customers to pay  
shareholders.

### 94% of Australians feeling bank-xious

Australians' distrust towards banks is almost universal, according to a new report by ME. The survey of 1,000 Australian adults conducted in February 2019 – just after the Financial Services Royal Commission delivered its final report – revealed that 94% agree banks don't act in their best interest.

ME has come up with the term 'bank-xiety' to describe this sentiment. According to ME's survey, only 14% of Australians are proactively doing something about their bank-xiety, while 37% had not considered acting on their distrust and 48% had thought about or started doing research but hadn't pursued it further.

ME doesn't put profits before customers. Your money doesn't get funneled to shareholders because we're fully owned by industry super funds and their member-focused ethos drives everything we do here at ME.



UPDATE ME

New research from 

## Household financial comfort report.



### Property prices aren't cooling financial comfort

ME released its 15th *Household Financial Comfort Report* in February 2019. The report shows that Australia's financial comfort gap has narrowed for the first time in seven years. Income gains, easing living costs, increased cash savings and reduced overspending were key drivers in households' rising financial comfort, but belt tightening could be a bellwether for slow economic growth.

The financial comfort of renters, while still significantly lower than other tenures, was up 8% to 4.78 out of 10 – its highest in four years and a reflection of improving rent conditions. Conversely, the overall financial comfort of households who own a home mortgage-free fell 3% to 6.27 out of 10, its lowest point since the survey began and a reflection of the negative wealth effect due to dwindling house prices.

### What role does financial literacy play in financial wellness?

Recent research has revealed that financial literacy is just one of several factors that have a bearing on financial wellness – working on it in isolation and solely arming Australians with more knowledge is unlikely to boost their financial wellbeing. The flawed underlying assumption was that individuals who experienced financial hardship only needed more financial knowledge to improve their financial situation. Rather, other factors such as psychological influences, social and economic circumstances, and the ability to take action were shown to be more important influences on financial wellbeing.

This is a crucial finding for anyone looking to improve the financial wellbeing of members and customers – including ME – who will need to shift from knowledge-based financial literacy to behaviourally-based financial capability. ME recently programmed a panel at CMSF on the role financial education plays in financial wellbeing – [click here to watch the panel](#).



### Online shopping return habits costing Aussies

Online shopping has made our lives easier, but that convenience can come at a cost if you're not careful, according to a new ME study.

ME surveyed 1,000 Australian adults and found that the majority of Aussies aren't always returning their unwanted online purchases, with 70% admitting to have not returned an online purchase that wasn't quite right (wrong size, fit, quality etc).

With \$96 reported as the average spend per online purchase, the potential annual loss of not returning items which you never intend to use is \$384 a year.

It's important to consider the online shopping experience as a whole, with returns a significant part of the process. It's not over when you get your item; what you choose to do with the item at that point is a deciding factor between a healthy or hurt hip pocket.



# Bank update.

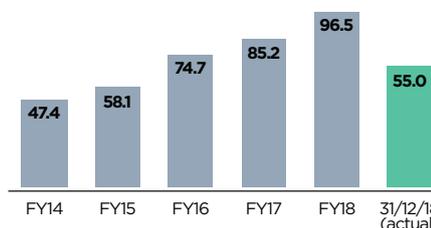
## ME's half-year results

ME's underlying earnings in the first half of FY19 were up 8% on the previous corresponding period and home loan settlements were \$3.3 billion, in line with settlements for the same time last year, but more noteworthy in the face of a subdued home loan market. ME grew at 2.2x system over this period.

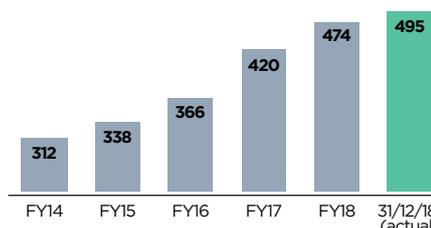
ME's customer numbers at the half-year mark were 495,053 (up 11% on the previous corresponding period) and surpassed the half-million mark at the end of January - meaning one in 50 Australians now bank with ME.

Despite housing demand continuing to soften as evidenced by declining clearance rates, ME has increased its market share of home loan activity to a 12-month high. This can be attributed to ME's competitive home loan rates and increasingly positive broker sentiments towards the bank in the wake of the Royal Commission.

Underlying net profit after tax (\$m)



Customer numbers (000s)



## Helping first home buyers through credit policy

ME has altered its credit policy to help more first home buyers get ahead. The policy allows those who want to buy a high-density property in a development up to 50 units to take out a ME loan with an increased loan-to-value ratio of 95%. Previous policy restricted lending in high-density locations to 85% when there were more than 10 units in a development. First home buyers are often less able to accumulate sizeable deposits and high-density apartments are an affordable entry point into the property market.

## Social justice wins at ME

There were numerous social justice wins at ME in the first half of FY19, namely the launch of the bank's inaugural Gender Affirmation Guide. This document supports employees going through gender transition, and ensures trans-gender and gender diverse staff are treated with respect and dignity.

Additionally, the latest Workplace Gender Equality Agency (WGEA) report shows ME has a zero gender pay gap between men and women in like-for-like roles, compared to the industry standard which is 30.3%.



## For further information.

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