

# Update ME.

ME'S QUARTERLY NEWSLETTER | JULY 18



INDUSTRY  
UPDATE

BANK  
UPDATE

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

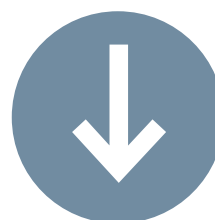
## Industry update.

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### State of the market

The Australian property market is running hot and cold in different parts of the country and across varying housing types. Price downturns in capital cities such as Melbourne and Sydney have been offset by price increases in regional cities. What's more – the doom and gloom surrounding apartments appears to have reversed, with apartments slightly outperforming houses in the last 12 months according to the *RP Data-Rismark's Home Value Index*. This could be attributed to a number of factors, from first homebuyers being outpriced of houses to a slowdown in apartment construction. What remains certain is that collective household debt, which is 200% of annual income, is weighing on the RBA as it considers its next move. The RBA will want to see inflation and wages improve and lower unemployment before it increases the cash rate from its all-time low, but once it eventually does, there will be increased stress placed on members who happen to be borrowers. This isn't good news for the 22% of property buyers who blow the budget when purchasing property (refer to findings from this ME survey on page two).

In preparation for an eventual rise in interest rates, members who are existing home buyers are advised to regularly check they're on the best rate, consider fixing part of their entire home loan to shield themselves against future rate rises, use their offset facilities to pay less interest, and round up monthly repayments to the nearest \$100 to pay down their loan sooner. Meanwhile, members who are prospective home buyers are advised to ensure the information they provide their lender – particularly their expenses – are accurate so lenders can make an accurate assessment about how much they can afford to repay, and to stay within their set spending limit, especially if that limit is based on the maximum amount that can be borrowed from their lender. No one can say for sure when the cash rate will rise, but it pays to be prepared. ME's free online school of money, Ed, has two relevant modules that members may find useful – 'Home buying' and 'Living with a home loan'. Visit [ed.mebank.com.au](http://ed.mebank.com.au) to access these modules.



**Melbourne.  
Sydney.**



**Regional  
cities.**



## Royal Commission update

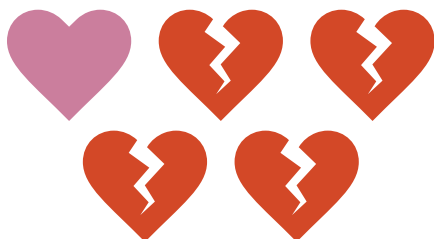
Banking insiders have been saying for some time that the industry is ripe for disruption, with fintechs the likely source. This disruption has not yet eventuated, and a far more likely source has suddenly appeared – the Financial Services Royal Commission.

The egregious nature of the misconduct revealed at the Royal Commission has been a game changer. Significant changes to the banking industry may result from this Royal Commission, providing new opportunities for ME whose behaviour remains guided by its industry super fund values.

ME's core purpose of helping all Australians get ahead has never been more resonant than in the current banking climate. The March results of RFI Group's Australian Mortgages Council<sup>1</sup> indicated that ME is the most trusted lender in Australia, with 73% of the survey's respondents indicating that they highly trust ME.

## Happiness is a Pinterest-worthy home

Dressing our homes is more important to our self-worth than dressing ourselves, according to ME's new *House Proud Survey*. Around 76% of the survey's respondents said the style of their home was important to their happiness and individuality, compared to only 46% who said the same about their personal dress style, while 62% put the time, effort and money into styling their home compared to only 40% who put the same into styling themselves – proving just how important property has become for Australians. The outliers to these findings were renters – 54% said they don't spend money on styling their rental property because this money could be put toward buying a home of their own. Conversely, 44% of all respondents said they spent more on styling their home to compensate for living in a home below their expectations – proving that many Australians are compromising when it comes to their property aspirations, a sound strategy in light of high house prices and the lack of any structural reforms to combat this.



**4/5 Australians who went over their spending limit faced heartache**

## Overspending home buyers in strife

More than one in five home buyers exceeded their spending limit when purchasing their most recent property, according to a property survey by ME. Around 89% exceeded it by up to \$150,000 and 10% exceeded it by \$150,000 or more. Further, four in five Australians who went over their spending limit when purchasing a property faced negative consequences as a result. The survey found that of those who had overspent, 28% said their financial goals had been impacted, 27% were forced to make changes to the current spending patterns, and 24% experienced emotional stress as a result. Home buyers who had successfully stayed within their spending limits:

- exercised patience
- avoided auctions to avoid bidding wars
- bought a home in a cheaper location
- adjusted their property expectations (i.e. bought a smaller house).

ME's Ed module 'Home buying' has useful guides on costs when buying – visit [ed.mebank.com.au](http://ed.mebank.com.au) to find out more.

# Bank update.

## Member experience improvements

ME continues to invest in new technology as part of our roadmap toward providing 'best in market' banking services for members. Recent achievements include:

- Significant upgrades to ME's banking app – one of the newest features allows members customers to cancel or suspend cards with the press of a button rather than via a phone call, saving time. The new function has been used 40,000 times since being launched in February.
- New dispute resolution service – suspicious card transactions can now be disputed over the phone instead of via a form-based process. The new service means members can challenge dubious transactions immediately instead of having to wait several business days.



## An award-winning bank

It's been raining awards at ME recently – further recognition that our products are some of the best in market.

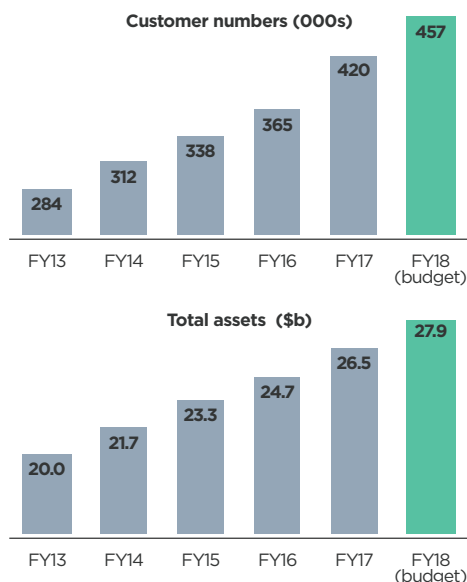
- In mid-June, Mozo announced that ME received the Experts Choice 'Australia's Best Bank' award, recognising that ME provides exceptional value across all product and service categories.
- In May, *Money Magazine* awarded us the 'Money Minder of the Year' award, recognising that ME consistently offers the best deposit products in the market and ME's key vendor Temenos recognised ME with its Operational Innovation Award.

## ME helps record number of Australians get ahead

ME reached its customer number milestone for the financial year three months ahead of plan and continued to record above-forecast growth in underlying net profit after tax (NPAT). The bank is currently helping over 470,000 customers get ahead. ME's transaction account, which is bundled with an online savings account that has a variable rate of 2.85% if you make a weekly tap & go™ payment, has contributed around 40% of customer growth.

The bank's net promoter score (NPS) increased two points to +38 – retaining our third position within the Australian banking market behind ING and Heritage.

In the regulations sphere, APRA has announced that it will end the 10% cap on investor lending but higher serviceability tests on loan applicants and a continued cap on interest-only lending will continue to constrain investor lending. ME has seen proof of this, with recent ABS stats showing a 9% drop in investor loan demand between February and March 2018.



## For further information.

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