

# The cost of compliance

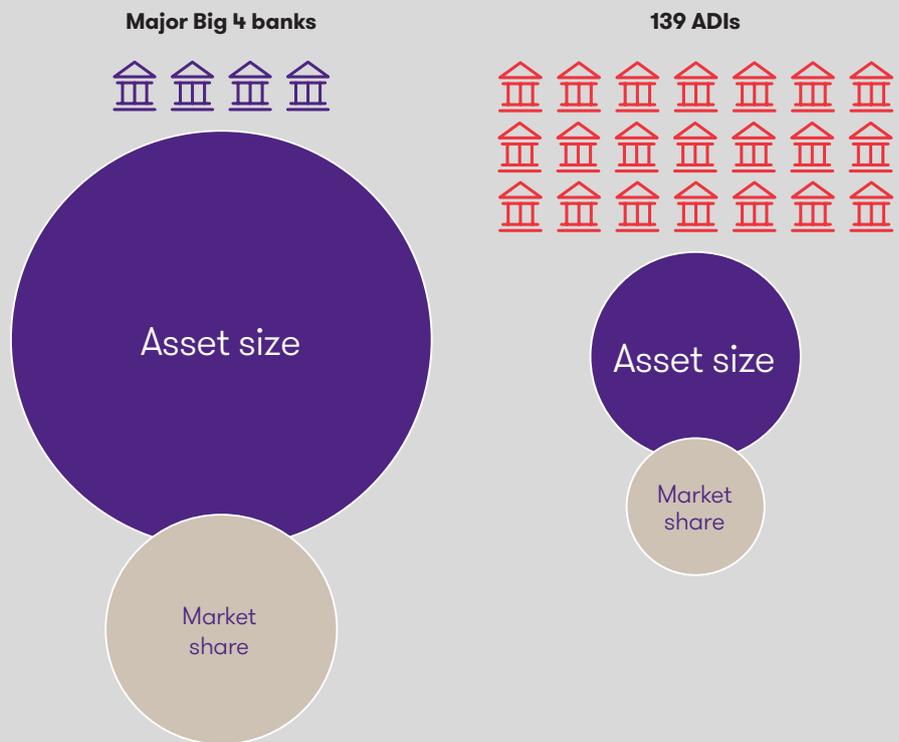


We surveyed leaders from mutual banks across Australia – the first of its kind for this section of the banking sector.

## There is 'More than 4'

There are 143 banks / ADIs in Australia – with four dominating the market place and asset pool.

Not only do the Big 4 dominate the market, but they also have the footprint to exercise significant economies of scale for their operations and compliance requirements. For example, the average FTE for the major banks is approx 40,000 people. The smallest of the ADIs could have as few as 19 people.



## Without economies of scale, the cost of doing business goes up

The cost to income ratio for mutual banks is 71% higher than that of the Big 4.

### Cost to income ratio



While the profit margin for mutual banks is 53% lower than the Big 4.

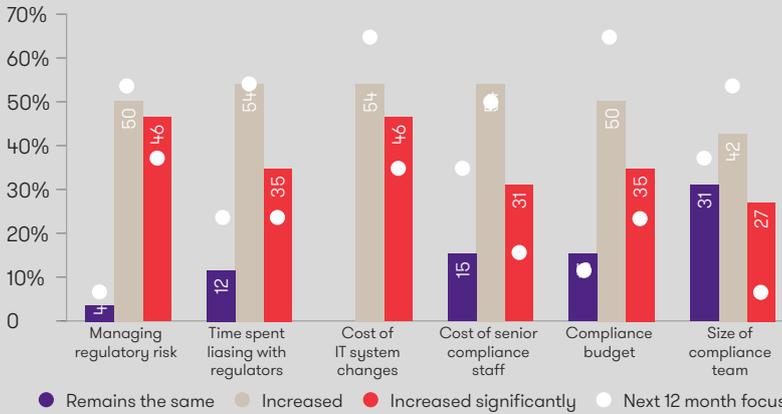
### Profit margin



## Cost of compliance

The cost of compliance has been going up for years. And it's likely to increase further with mutual banks preparing to invest more in IT & cyber security, governance and conduct risk in the next 12 months.

### The last 2 years vs next 12 months



**100%** said that the cost of IT system changes had increased in the last 2 years.

**96%** agreed managing regulatory risk had increased in the last 2 years.

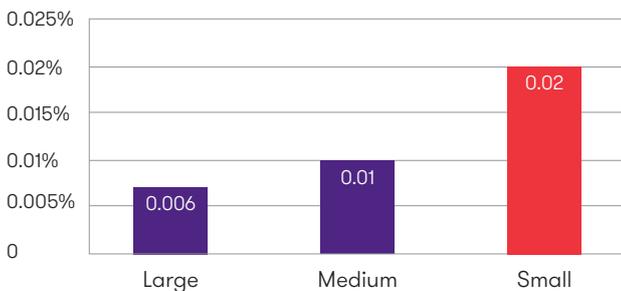
**58%** said the size of their compliance team had increased in the last 2 years.

**85%** said the cost of senior compliance staff had increased in the last 2 years.

## We've seen it happen BEAR: a case study

We segmented our survey respondents in the mutual sector into small, medium and large entities – and a real case study on the cost of compliance for BEAR highlights the varying burden felt across the mutuals.

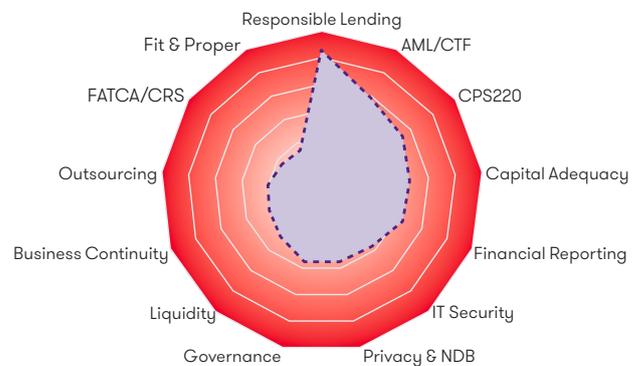
### BEAR spend as a percentage of asset size



## Consumers pay

Based on feedback, we created a heat map of where the burden of compliance is most being felt – with responsible lending bearing the brunt.

### Relative burden of compliance requirements



### More regulatory costs means less for customers

- Fewer options for products and services
- Higher prices
- Lower returns on savings
- Time delays for processing requests
- Closure of branches