

The dominance of the mortgage consumer in Australian bank lending

(4 April 2012 – Australia) The majority of bank lending is heavily weighted toward the retail mortgage borrower and not the productive part of the economy, despite a near even split in deposit taking between these two segments East & Partners' latest Deposit Funding & Debt Index shows.

Easts' latest report shows that 27.7 percent of current lending balances on banks' lending books is committed to business borrowers, despite the business markets representing upwards of 42 percent in total deposits. The biggest imbalance in lending between the two sides of the bank is visible in the Commonwealth Bank of Australia which has 17.41 percent of its total lending book currently committed to business borrowers (32.15 percent of CBA's deposits come from businesses), closely followed by Westpac with 19.33 percent lent to the business segment (40.17 percent of Westpac's deposits come from businesses).

This imbalance of lending is market-wide including the regionals such as Bank of Queensland (BOQ) and BankWest with BOQ the most skewed of the Australian regional banks with just under 80 percent of their total lending going to consumers. National Australia Bank (NAB) is the most balanced out of the major banks with a split of 34.91 percent and 65.09 percent of their total lending going to business and retail customers respectively, reinforcing its positioning as Australia's "business bank"

Exhibit 1

Deposit Balances / Lending Balances: February 2012

Bank	Business		Retail	
	2010	2012	2010	2012
ANZ	1.13	0.73	0.39	0.42
CBA	1.26	1.13	0.50	0.50
NAB	1.31	0.89	0.37	0.38
WBC	1.56	1.11	0.38	0.40
BOQ	0.88	0.97	0.83	0.75
Suncorp	0.58	0.58	0.54	0.50
Total Market	1.15	0.87	0.44	0.45

Sources: APRA & East & Partners DFDI Segmentations

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East & Partners' Principal Analyst Paul Dowling commented, "The two acknowledged "retail banks" in Australia lend less than one fifth of their total balance sheet to the productive economy. As demand for credit flatlines in both the mortgage and business markets, this isn't going to change anytime soon"

"As growth outside the Resources sector remains subdued, both demand for and access to commercial secured lending appear to have gone into hibernation," Mr Dowling added.

About East & Partners' Deposit Funding & Debt Index

A monthly analysis across Australia's total business and consumer deposit and lending markets, based on data sourced from APRA. The ADI data is overlaid with a set of demand-side analyses based on East & Partners' continuous whole-of-market customer research programs to produce the Index's set of ratio indicators. The Index focuses on critical market measures including business versus retail deposit volume ratios, the ratio of deposit versus lending by bank by market segment, deposit market share and the total market deposit funding index.

Also reported each month are unique segmentations based on depositor size and, importantly given BASEL III's impact, the Index also splits On Call and HYOD deposit volumes by segment from Term Deposits across 3, 6 and 12 month tenures – hot and sticky deposit business flows, tied versus free deposit balances, deposit churn forecasts and rate triggers for depositor switching.

Note: Business Depositor Segments:

- › Institutional – A\$530 million plus
- › Corporate – A\$20-530 million
- › SME – A\$5-20 million
- › Micro – A\$1-5 million

For more information or for further interview based insights from East & Partners on this DFDI Index, please contact:

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