

Media Release

# International and non Big Four banks prying away customers

(27 July 2015 – Sydney) Australian corporates' borrowing appetite is improving according to East & Partners latest research.

The Deposit Funding and Debt Index (DFDI), derived from APRA's monthly banking statistics, found over the last year the middle market has reversed a recent trend towards depositing more than what they borrow from the banking system.

The Index shows the SME DFDI ratio has decreased from a high of 2.62 in 2012 to 0.91 in June 2015, indicating bullish borrowing sentiment. The downward trend is also evident within the Corporate segment where the ratio has reached a record low of 0.38. This compares to Micro businesses (2.07) and Institutional enterprises (1.75) who are depositing more funds per dollar borrowed than ever before.

The Micro business DFDI ratio is yet to discernibly react to the Federal Budget accelerated depreciation provision designed to encourage small business investment.

NAB has maintained strong business lending market share growth, representing 22.2 percent of business lending volumes ahead of Big Four competitors CBA (18.8 percent), ANZ (16.7 percent) and Westpac (16.9 percent).

Outside of the majors, Citibank has made significant strides, more than doubling business lending market share in the last year albeit from a low market share base of 0.36 percent. International banks including Bank of China, Mizuho and SMBC have also achieved significant market share growth.

Due to strong retail lending competition, NAB is unable to replicate its best of breed business lending market share position. CBA (26.5 percent) and Westpac (24.4 percent) dominate personal and consumer credit markets ahead of NAB (16.9 percent) and ANZ (16.0 percent).

Cumulatively, the Big Four are gradually losing market share to regional and international competitors. This is evidenced by aggregate Big Four market share for both business and retail deposits decreasing from 80.6 percent to 78.7 percent since Q4 2012. Total Big Four lending market share has also softened, decreasing from 82.5 percent to a current 81.1 percent within the same period.

"Business lending growth is forecasted to improve against a backdrop of uncertain domestic and international market conditions" said Martin Smith, East & Partners Head of Markets Analysis.

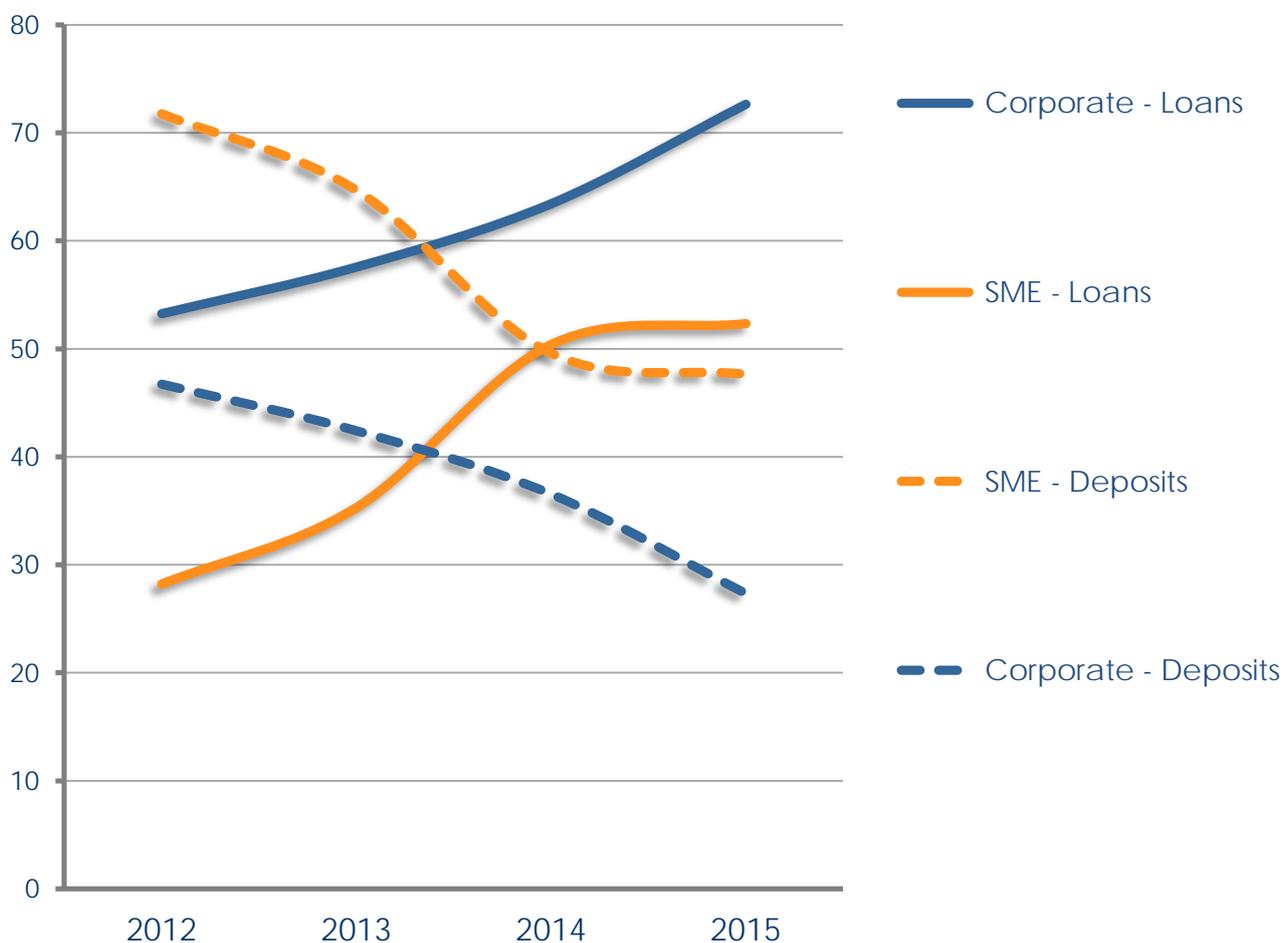
"Rapidly falling commodity prices coupled with increasing production guidance continue to influence the mining sector adversely while the fallout from Chinese equity markets is not yet completely quantified by exporters."

"Of particular concern to both the RBA and households is the level of debt Australians are willing to absorb," said Smith.

"The DFDI statistics indicate households are borrowing at twice the level they are saving. Personal debt remains at historical highs and with minimal indication of where interest rates will next move, continued monitoring and sensible borrowing and saving behaviours are required to underpin the financial resilience of households." he added.

## Deposit / Lending Market Share Ratios

% of Total



Source: Deposit Funding & Debt Index, June 2015

## About the East & Partners Deposit Funding & Debt Index

East & Partners Deposit Funding and Debt Index (DFDI) provides insightful research supporting the implementation of bank funding strategies within a highly competitive business and retail credit market. Released each month based on the Australian Prudential Regulation Authority (ARPA) monthly banking statistics, the industry generated benchmarks capture trending data across core deposit funding and lending metrics. Overlaying East's demand side segmentation allows unique inferences to be derived by bank and segment, including business to retail deposit volume ratios, deposit and lending market share, rate triggers for deposit switching, deposit churn levels and term deposit tenors.

### Business Depositor Segments:

- › Institutional – A\$725 million plus
- › Corporate – A\$20-725 million
- › SME – A\$5-20 million
- › Micro – A\$1-5 million

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