

Media Release

Business Deposits on the March

(25 May 2015 – Australia) Businesses are depositing less cash with three of the Big Four banks according to the latest round of East & Partners Deposit Funding and Debt Index (DFDI).

The Index, which is based on APRA's monthly banking statistics, found that cumulative business deposit market share for three of the Big Four banks dropped by 3.3 percent since March 2013. The Big Four's market share for business deposits has decreased from a cumulative 79.4 percent in March 2013 to 76.7 percent today.

"Although NAB represents the largest volume of business deposits, the Bank has lost ground as business owners are forced to actively hunt out a better return on their surplus cash," said East & Partners Head of Markets Analysis, Martin Smith. "This is an increasingly difficult proposition in the prevailing low interest rate environment with no guarantee that rates won't shift lower."

NAB has lost 7.2 percent business deposit market share in the last two years, from 23.9 percent to 22.1 percent. Both CBA and Westpac have also witnessed market share declines to now account for 20.9 percent and 19.8 percent of business deposits respectively. ANZ is the only Big Four bank to have gained market share, increasing 3.5 percent to 13.9 percent business deposit market share.

Several overseas based banks, including Bank of China, SMBC and Bank of Tokyo-Mitsubishi increased business deposit volumes by more than 100 percent in the last two years, albeit from a low base, where as ME Bank was the only Australian provider to achieve the milestone.

On the reverse side, demand for business credit has been steady.

Corporate credit demand continues to underpin lending needs, comprising nearly 45 percent of all business borrowing, a growth of 3.4 percent since June 2014. The Index found that lending to the corporate segment is nearly 2.7 times larger than that to the Institutional segment, and significantly more (6.6 percent) than lending to small to medium enterprises and micro businesses combined.

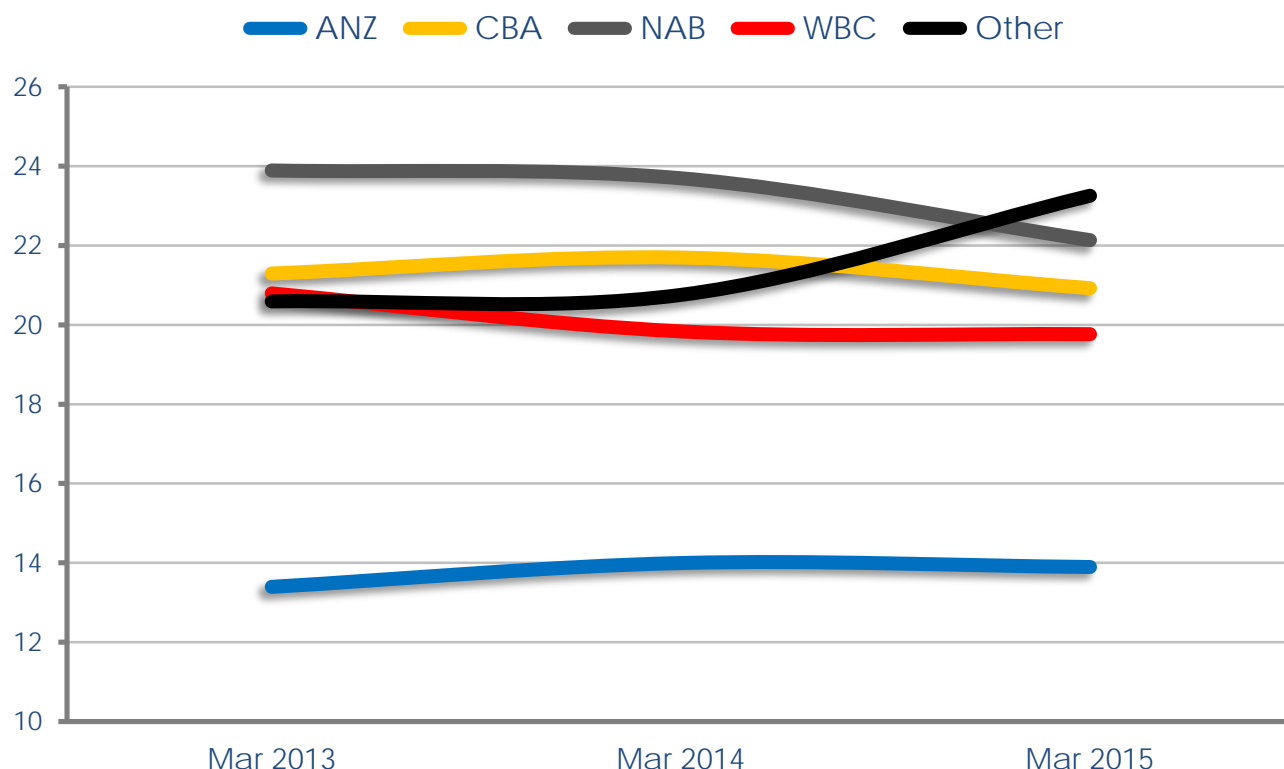
This trend is expected to change with the introduction of the Federal Government's stimulatory fiscal policy directed at small businesses in the form of the A\$20,000 accelerated depreciation provision and well publicised pledges by the Big Four to lend billions of dollars to small businesses.

If passed by the Senate, small businesses with turnover below A\$2 million per annum will see their tax rate decline from 30.0 percent to 28.5 percent, a 5.0 percent tax discount of up to A\$1,000 a year for small businesses not incorporated as a company and immediate deductions business-related equipment purchases until the end of financial year 2016/17.

"Business owners are clearly stepping up their negotiations to reduce fees for business loans and other accounts. More and more we're seeing customer churn in business deposits as customers seek out a provider that delivers a more competitive offering," said Smith.

Business Deposit Market Share – Big Four

% of Total Market



About the East & Partners Deposit Funding & Debt Index

East & Partners monthly 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. The industry benchmarks are based on monthly deposit taking and lending data released by the Australian Prudential Regulation Authority (ARPA).

Capturing trending data across core deposit funding and lending metrics allows unique insights 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 tenure of term deposits.

Business Depositor Segments:

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

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

Media Relations
Nehad Kenanie
t: 02 9004 7848
m: 0402 271 142
e: nehad.k@east.com.au

Client Services and Development
Sian Dowling
t: 02 9004 7848
m: 0420 583 553
e: sian.d@east.com.au



www.east.com.au