

Media Release

Don't Mention the War...

(26 May 2014 – Australia) The Commonwealth Bank has achieved double digit business growth as a lender and deposit taker in both business and retail markets in the last two years, strongly outperforming Big Four and regional rivals.

East & Partners Deposit Funding & Debt Index (DFDI), structured from Australian Prudential Regulation Authority (ARPA) data released monthly, sets CBA distinctly apart in both business and retail banking markets.

As greater attention turns towards heightened deposit funding and debt obligations, CBA's business deposits market share expanded by 29.0 percent since March 2012, from 16.8 to 21.7 percent, while business lending market share surged by a remarkable 46.2 percent, from 13.1 to 19.1 percent.

NAB retains top billing in business banking markets, garnering 23.0 percent of total deposit and lending volumes, however its overall market share has slipped by four percent over the same period.

Westpac enjoyed business deposit market share ascendancy ahead of CBA as recently as February 2013, yet in the last two years the bank has absorbed the biggest market share decline of the Big Four, dipping by 6.4 percent to less than twenty percent of aggregate business deposits.

Westpac has dropped its business deposit-to-loan ratio in preparation for tougher regulatory requirements, declining to 0.97 after historically remaining above 1.04. A ratio below 1.00 indicates the bank is attracting fewer deposits than what it lends to business deposits for the first time since DFDI reporting began in 2010. In comparison ANZ (0.64), CBA (0.89) and NAB (0.81) operate significantly lower business deposit-to-loan ratios.

ANZ maintained market share of 14.0 and 17.3 percent of business deposit and lending volumes respectively.

Cumulative business deposit market share of the Big Four has increased by four percent to 79.2 percent. Aggregate Big Four business lending rose by 7.5 percent to a total 75.6 percent.

In retail markets where the battle for mortgage lending supremacy is reaching a crescendo, CBA is also asserting its sizeable influence. Retail lending growth of 14.4 percent, from 26.2 to 28.6 percent compares favourably to sub two percent growth rates by ANZ (15.0 percent), NAB (14.8 percent) and Westpac (23.0 percent).

28.6 percent of retail deposits are held with CBA, compared to Westpac's 23.0 percent, ANZ's 15.0 percent and NAB's 14.8 percent.

"The Commonwealth Bank's strong performance is further exemplified by the heightened level of competition for mortgage lending and term deposit volumes, including banks outside the Big Four such as Macquarie, ING and Bank of Queensland" Senior Markets Analyst Martin Smith states.

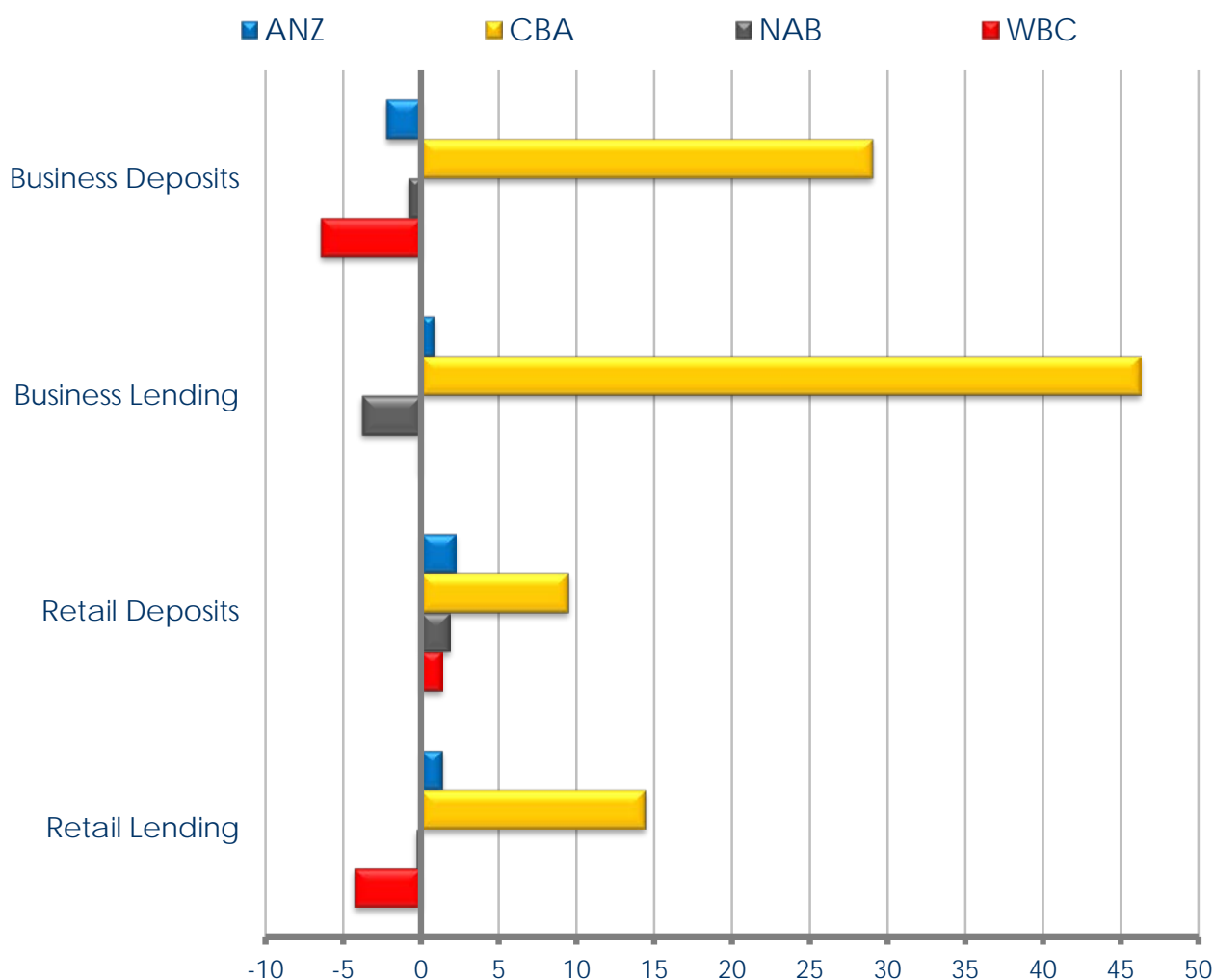
"Market share growth has slowed in recent months as the banks adjust their deposit funding and debt ratios to comply with upcoming regulatory changes. The deposits war hasn't ended - the means by which banks are competing for deposits is changing rapidly."

"A continuing low-interest rate environment, indicated to by the Reserve Bank of Australia in its latest May board meeting, in addition to plummeting consumer sentiment in the wake of an unpopular federal budget will be acutely felt in capital markets in terms of fluctuating capital ratios, on-call deposit volumes and rising deposit churn levels."

"Institutional businesses in particular have actively reallocated their investment priorities, postponing large scale acquisitions to instead finance relatively conservative lower risk alternatives despite historically low rates and competitive lending terms."

Deposit and Lending Growth among the Big Four

% Market Share Growth



Source: East & Partners Deposit Funding & Debt Index

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 constrained and competitive lending market. The industry benchmarks are based on monthly deposit 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, 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 on this DFDI, please contact:

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