

The new “Macquarie Model.” A bank to watch in 2014

(18 November 2013 – Australia) The ongoing transformation of Macquarie Bank into a potential “fifth pillar” will be one of the key themes to watch in the banking industry in 2014, an East & Partners Open Market Briefing has been told.

East this week held the fifth in its Australian series of Open Market Briefings in Sydney and Melbourne, sharing its research with the industry and the media in an open forum.

The briefing focussed on the major changes which have taken place at Macquarie over the last year as it made a renewed effort to penetrate the residential and investment property lending markets.

East has been able to measure the transformation of Macquarie through monitoring the bank’s Deposit Funding & Debt Index (DFDI) ratio, which measures the proportion of a bank’s deposit to lending balances.

Immediately following the GFC in 2008 Macquarie effectively withdrew from property lending, resulting in its retail DFDI ratio rising to 1.20. A higher ratio indicates greater deposits relative to lending balances.

Since the beginning of 2013 however Macquarie has made an astounding comeback, achieving property lending growth that will see the bank soon bracketed with larger regional lenders such as BOQ and Bendigo Adelaide, instead of foreign owned banks with smaller residential property loan books such as HSBC and Citigroup.

Macquarie’s retail DFDI ratio has decreased 60 percent since 2011 to 0.48 as the bank aggressively drives into the \$1.3 trillion mortgage market.

East & Partners senior analyst Martin Smith said the sharp decline in Macquarie’s retail DFDI ratio indicated a fundamental shift in the way the bank allocates its capital.

“It seems that the old Macquarie Model we used to talk about, with the focus on infrastructure and investment banking, is winding down and we may soon have to talk about a new model,” said Smith.

“This new Macquarie will be a very different bank to the one we have been used to. There is strong competition however – the Big Four still write around 90 percent of Australian mortgages – but 2014 will be an interesting year in Macquarie’s potential evolution in the fifth pillar the industry has been talking about and waiting for.”

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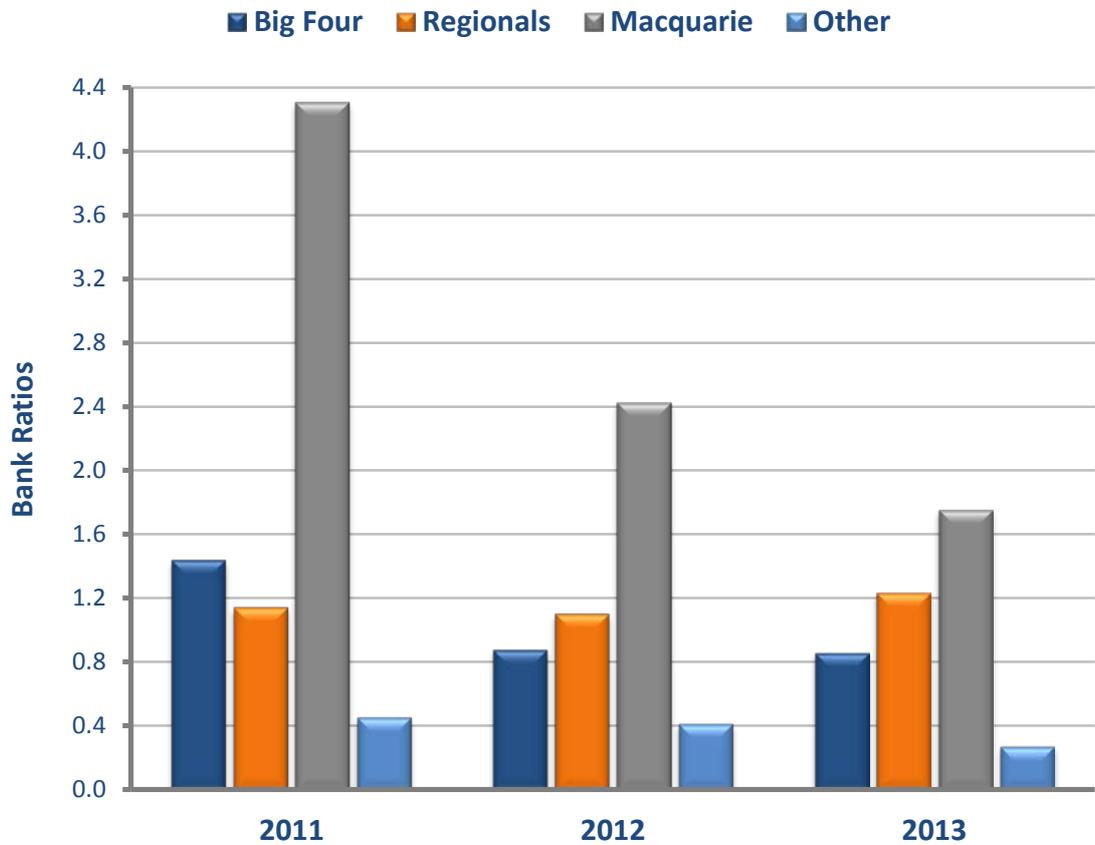
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Business Deposits Balances / Business Lending Balances



Source: East & Partners Deposit Funding & Debt Index

Market Segments:

- › Institutional – (A\$725+ million turnover enterprises)
- › Corporate – (A\$20-725 million turnover enterprises)
- › SME – (A\$5-20 million turnover enterprises)
- › Micro – (A\$1-5 million turnover enterprises)

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