



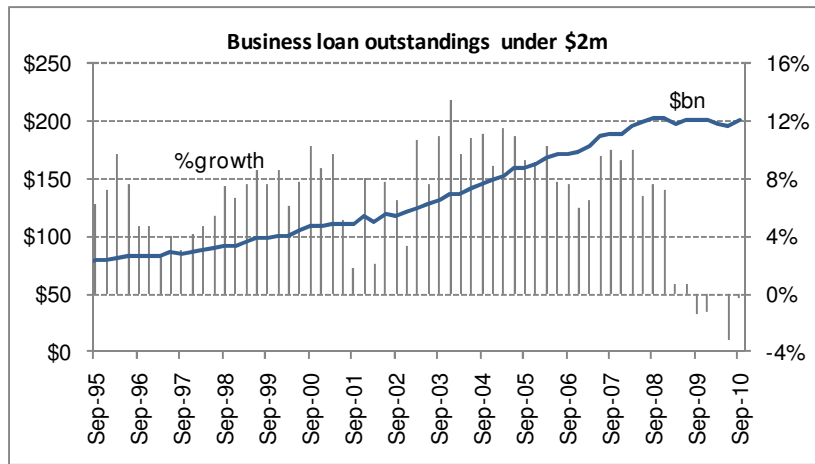
Appendix 2: Data Sheet – Small Business Lending

Small Business Lending

Business loan outstandings for loans under \$2 million

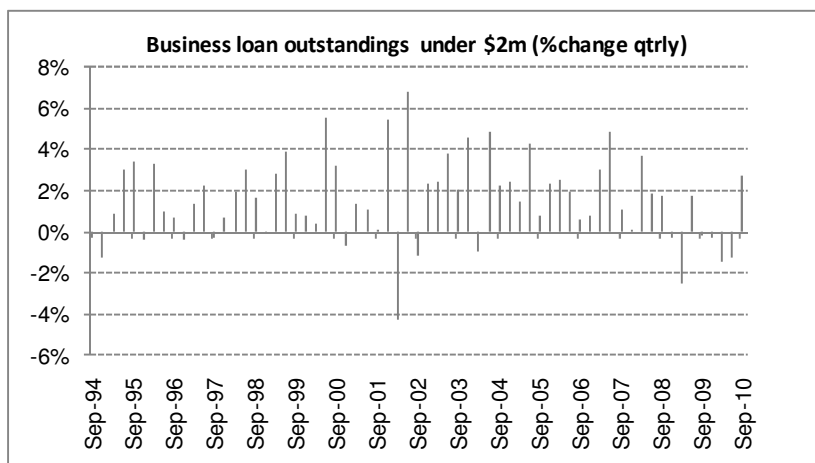
At the end of September 2010, banks' business loan outstandings, for loans valued under \$2 million, was \$200.2 billion. The level of lending has been reasonably flat over the past two years. Even so, the September quarter 2010 saw a solid increase on June quarter 2010, from \$194.8 billion to \$200.2 billion.

Business loan outstandings, for loan amounts under \$2 million, for June quarter 2010 were at the lowest level since December 2007.



Source: RBA

Quarterly growth rates for business loan outstandings, where the loan amount is less than \$2 million, have been subdued, with six of the past eight quarters showing negative growth. This has not occurred before in the life of the data series (going back to 1994). The 2.8% increase for the most recent quarter (September 2010) was the strongest result over the past 11 quarters.

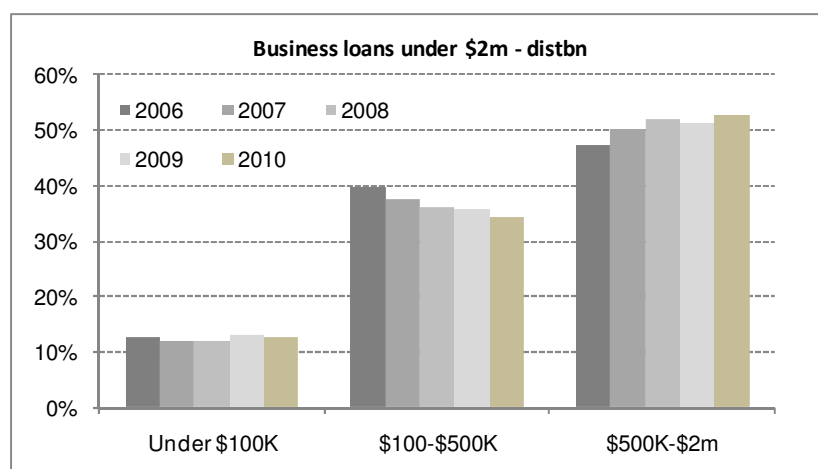


In terms of annual growth rates, loan outstandings for loans under \$2 million fell very slightly over the past year, by 0.2%. Just prior to the initial onset of the global financial crisis, these loans were growing at 10.0% (i.e. over the 12 months ending September 2007).

Business loans under \$2 million by size of loan

The table below shows that, by value, most business loan outstandings of less than \$2 million are for amounts of \$500K to \$2 million. These loans made up \$105.4 billion or 52.7% of loans under \$2 million at the end of September 2010.

\$bn	Under \$100K	\$100-\$500K	\$500K-\$2m	Total <\$2m
Sep-05	\$24.3	\$66.6	\$68.7	\$159.6
Sep-06	\$21.8	\$68.5	\$81.5	\$171.8
Sep-07	\$22.7	\$71.4	\$94.9	\$189.0
Sep-08	\$24.5	\$73.3	\$105.6	\$203.4
Sep-09	\$26.0	\$71.7	\$102.9	\$200.7
Sep-10	\$25.8	\$69.0	\$105.4	\$200.2
%annual				
Sep-06	-10.3%	2.8%	18.6%	7.6%
Sep-07	4.2%	4.3%	16.4%	10.0%
Sep-08	7.7%	2.6%	11.3%	7.6%
Sep-09	6.2%	-2.1%	-2.5%	-1.3%
Sep-10	-0.8%	-3.9%	2.4%	-0.2%
%distbn				
Sep-06	12.7%	39.9%	47.4%	100.0%
Sep-07	12.0%	37.8%	50.2%	100.0%
Sep-08	12.0%	36.0%	51.9%	100.0%
Sep-09	13.0%	35.7%	51.3%	100.0%
Sep-10	12.9%	34.4%	52.7%	100.0%

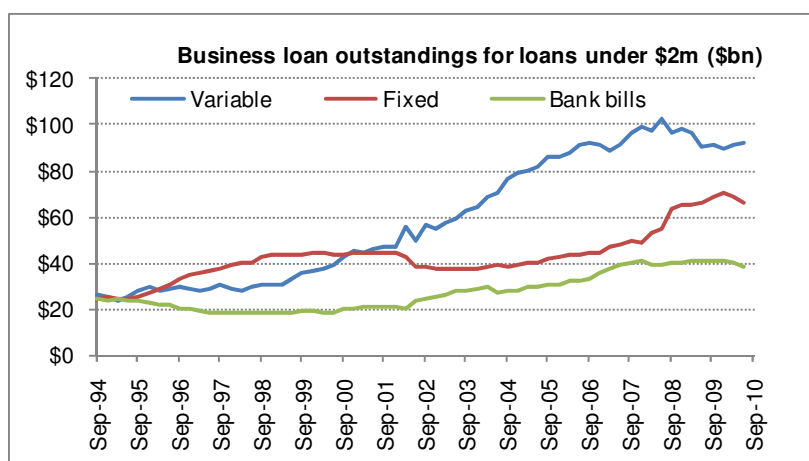


Business loans under \$2 million by instrument

Of the \$200.2 billion in loans which are under \$2 million there are:

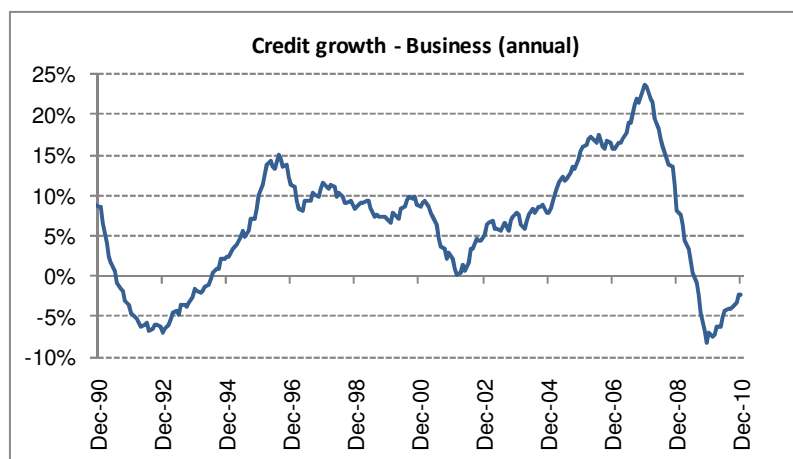
- \$94.4 billion or 47% of variable loans
- \$69.1 billion or 34% of fixed loans
- \$36.7 billion or 18% of bank bills

Business loans (\$bn)	Bank bills	Fixed loans	Variable loans	Total
Sep-05	\$30.7	\$42.5	\$86.4	\$159.6
Sep-06	\$36.0	\$44.3	\$91.6	\$171.8
Sep-07	\$41.0	\$49.1	\$99.0	\$189.0
Sep-08	\$40.4	\$64.9	\$98.0	\$203.4
Sep-09	\$40.6	\$70.9	\$89.2	\$200.7
Sep-10	\$36.7	\$69.1	\$94.4	\$200.2
%change				
Sep-06	17.0%	4.2%	6.0%	7.6%
Sep-07	13.9%	10.9%	8.1%	10.0%
Sep-08	-1.3%	32.1%	-0.9%	7.6%
Sep-09	0.5%	9.1%	-9.0%	-1.3%
Sep-10	-9.7%	-2.5%	5.8%	-0.2%
%distbn				
Sep-05	19.2%	26.6%	54.1%	100.0%
Sep-06	20.9%	25.8%	53.3%	100.0%
Sep-07	21.7%	26.0%	52.3%	100.0%
Sep-08	19.9%	31.9%	48.2%	100.0%
Sep-09	20.2%	35.3%	44.4%	100.0%
Sep-10	18.3%	34.5%	47.1%	100.0%



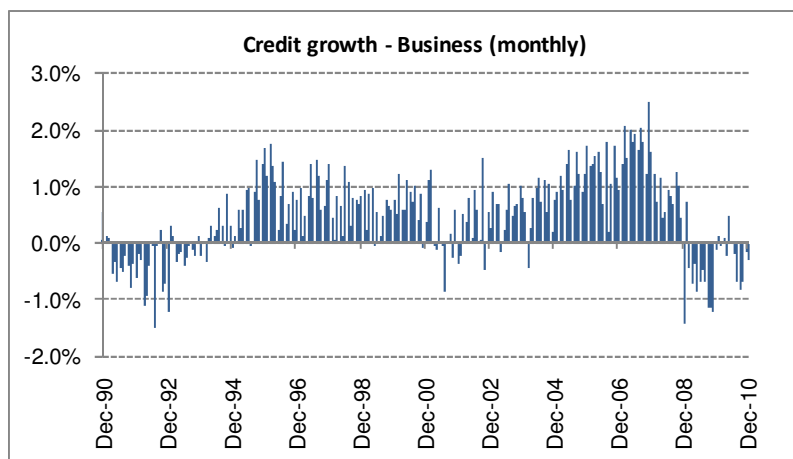
The above data, which provide disaggregation of loans by size (i.e. under \$2 million) is only available on a quarterly basis. Monthly business credit data are also produced by the RBA but only for total business lending.

The monthly business credit data show that business loan outstandings over the 12 months to the end December 2010 fell by 2.3%. This compares with very strong growth of 23.8% two years earlier (i.e. over 2007). Although growth rates have improved from the record fall of 8.2% over the 12 months to the end of November 2009, growth rates since September 2009 have been at the lowest levels since 1992.



Source: RBA

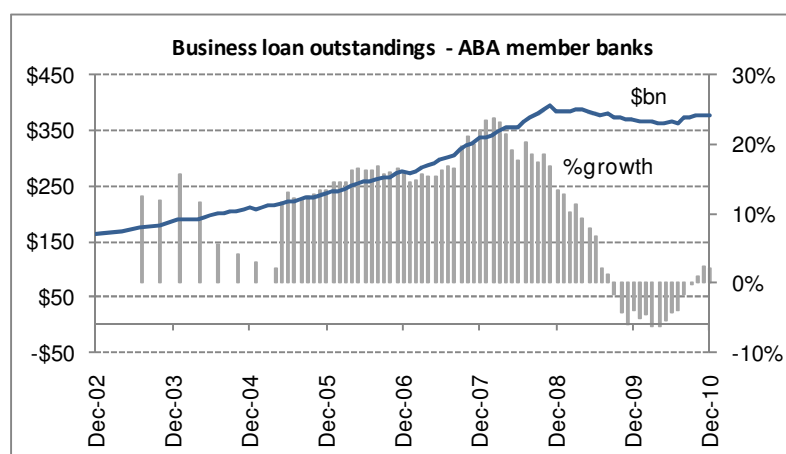
The following chart shows the monthly change in business loan outstandings. It clearly highlights the contraction in business credit outstandings with 18 of the past 24 months showing a fall in the stock of loan outstandings to business.



APRA data also allows a further focus on business lending at the individual bank level. The chart below shows the overall business outstandings for ABA member banks. APRA data do not allow analysis by loan size.

As at the end of December 2010, the stock of lending to businesses by ABA member banks was \$376.8 billion. This is a fall of \$8.2 billion or 2.2% over the past year.

A high point of \$393.1 billion was reached in November 2008.



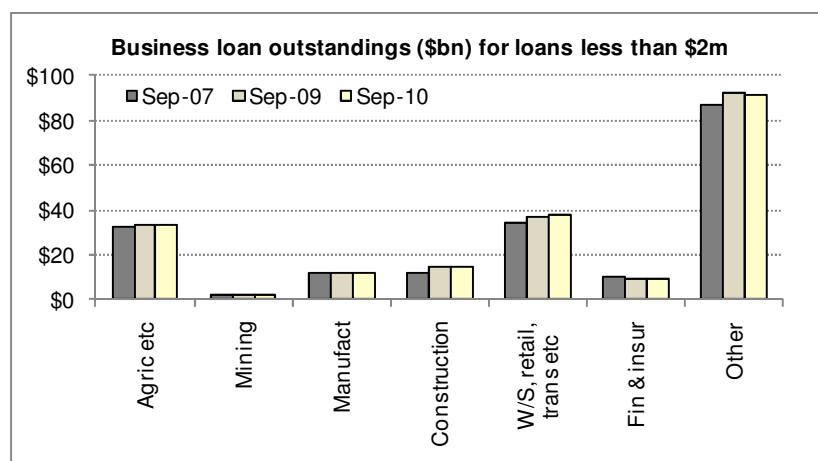
Source: APRA

Appendix 1 provides further information on outstanding loans with value \$2 million or less. Furthermore, it dissects the data by instrument (i.e. bank bills, fixed rate loans and variable rate loans).

Business loans under \$2 million - industry view

A brief review of the data by industry shows that over the past year to the end of September 2010, business loan outstandings of under \$2 million saw small increases across a range of industries such as agriculture (1.6%), construction (1.8%) and wholesale/retail (2.3%). Mining saw a large fall of 10.4%.

Loans outstanding (under \$2 million)	Sep-07	Sep-09	Sep-10	Growth	
	\$bn	\$bn	\$bn	last year	Avg 3 yrs
Agriculture, fishing, etc	\$32.2	\$33.3	\$33.8	1.6%	1.6%
Mining	\$1.9	\$2.2	\$1.9	-10.4%	1.1%
Manufacturing	\$11.7	\$12.0	\$11.9	-0.1%	0.6%
Construction	\$12.1	\$14.3	\$14.6	1.8%	6.7%
Wholesale, retail, trans & storage	\$34.4	\$36.8	\$37.6	2.3%	3.1%
Finance & insurance	\$10.0	\$9.6	\$8.9	-6.7%	-3.6%
Other	\$86.7	\$92.6	\$91.4	-1.3%	1.8%
Total	\$189.0	\$200.7	\$200.2	-0.2%	2.0%



Recent commentary on the business sector from the Reserve Bank

Extract from the Financial Stability Review, September 2010:

In the business sector, there has been considerable deleveraging in the post-crisis period, bringing average debt-to-equity and interest-payment ratios to levels close to their lowest in three decades. Businesses have made use of both new equity issuance and strong internal funding during this process. While this shift in business funding was in part demand-driven, there was also a notable tightening of supply in 2008 and 2009; the availability of debt funding to businesses now appears to be improving, though credit availability for some sectors, including commercial property, remains quite constrained.

Total business credit has been broadly flat since late 2009, following a period of contraction, suggesting that the process of corporate deleveraging may be nearing an end.

By borrower, credit to private non-financial firms has been broadly unchanged over 2010 so far, following the period of significant deleveraging in 2009.

Aggregate earnings of the business sector have recovered strongly from the downturn seen in 2008 and 2009. National accounts measures of profits for the sector as a whole were 18 per cent higher in the June quarter 2010 than in the same period a year earlier.

Strong profitability both prior to, and during, the downturn has been an important factor in the business sector's resilience. A steady source of internal funding has helped firms to operate in a more difficult environment for debt finance, with internal funds having averaged around 10 per cent of GDP for the past year or so.

The rate of non-performing loans to smaller unincorporated businesses has improved over the past year to be 2.6 per cent in the June quarter.

Failure rates for both incorporated and unincorporated businesses have been fairly stable over 2010, and are a little higher than a year ago. Business failure rates remain around their long-term averages, and are still substantially below the levels seen in the early 1990s.

Average interest rates paid on business loans have risen further over the course of 2010, and are now around their longer-run average levels: rates on large

business loans are 160 basis points above the 2009 low, while rates on small business loans are 105 basis points higher.

Extract from the Financial Stability Review, March 2010:

Australian businesses have undertaken significant deleveraging over the past couple of years. This has been partly induced by tighter credit supply conditions, but has also reflected efforts by businesses to strengthen their balance sheets by raising additional equity and reducing debt. There are signs that this deleveraging process may now be drawing to a close, with business credit having begun to stabilise over recent months and indications that credit supply conditions for the business sector are becoming less restrictive.

... credit extended by the major banks has stabilised over recent months, and these banks have generally increased their lending to smaller unincorporated businesses over the past year.

Partly driving the recent slowdown in credit growth was subdued demand from business borrowers in the face of the uncertain economic environment.

Banks had also tightened lending standards, both as a response to the higher risk arising from the economic and financial environment (and the associated increase in loan impairments), and as an upward correction of standards following a period when, at least for some lenders, risk was arguably being priced inadequately.

Over the course of 2008, average interest spreads over the cash rate increased by a little under 200 both large and small businesses; since mid 2009 spreads have declined a little for large businesses, though spreads on new small business loans are yet to see much change. Banks have also been enforcing more stringent non-price refinancing terms, including tighter loan covenants, collateral requirements, and one-off refinancing fees.¹

Demand for credit

New loan commitments to business

Over the 12 months to the end of September 2010, banks approved \$78.8 billion in new loans to businesses with loan value less than \$2 million. This is \$7.4 billion or 10.4% more than for the corresponding period last year.

Moreso, since the recent low of \$69.6 billion in new business lending commitments, for loans under \$2 million, over calendar year 2009, the first nine months of 2010 has seen relatively strong growth of \$9.2 billion or 13.2%.

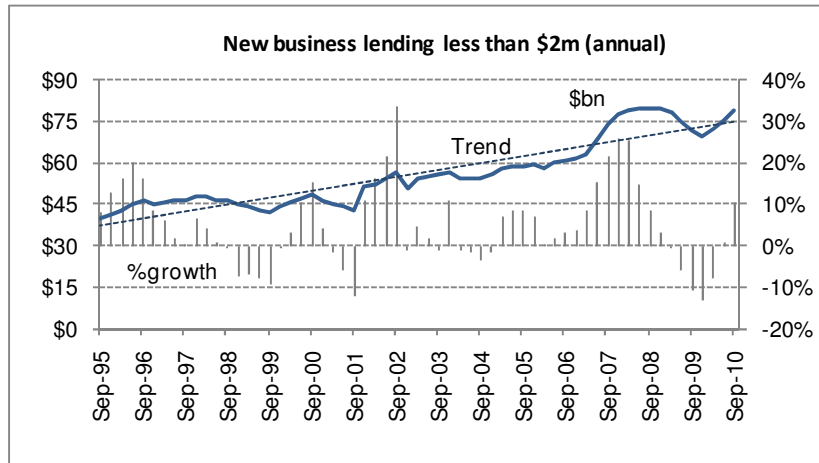
On the other hand, loans valued at *\$2 million or over* fell by \$30.5 billion or 14.8% over the past year.

Annual growth rates for new business lending, for loans valued under \$2 million, reached very high levels, above 20% for three consecutive quarters: September 2007, December 2007 and March 2008, reaching a high of 25.7% over the 12 months to the end of December 2007.

¹ RBA: Financial Stability Review/March 2010 and September 2010

Results at September and December 2008, show that new lending, for loans under \$2 million, reached record levels of \$80 billion on an annual basis.

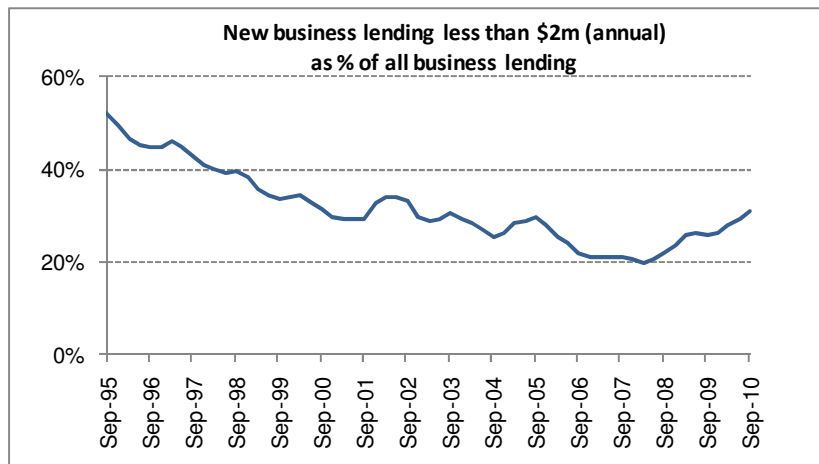
While the data show that new lending fell, over 2009, it did so from record levels, after a period of very high growth which would not ordinarily be expected to be sustained.



Source: RBA

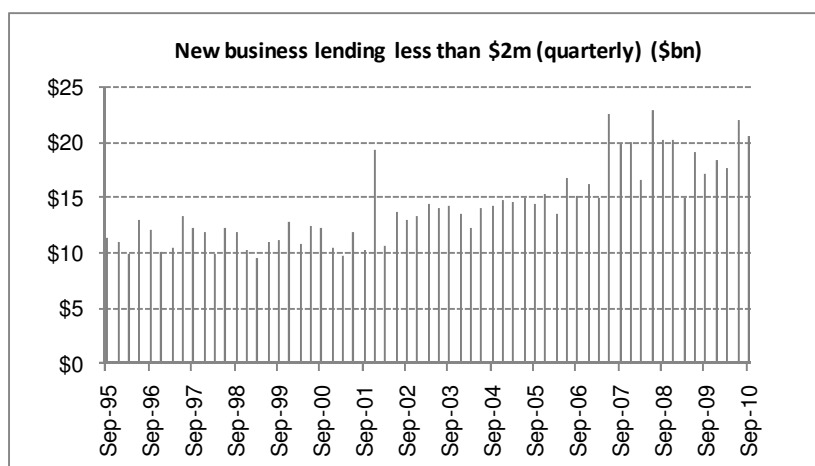
Over the past two and a half years, new business loans valued under \$2 million have made up a growing share of total business lending commitments and made up 31% of new business loans approved over the past year. This is the largest share of business lending since the period covering the 12 months to the end of September 2002 (at 33.3%).

Just over two years ago (March 2008) loans of \$2 million or less as a proportion of all business lending was at a low of 19.9%.



The chart below shows new lending commitments for loans under \$2 million on a quarterly basis.

The past two quarters, June 2010 and September 2010 have seen comparatively strong lending volumes of \$22.1 billion and \$20.6 billion. These past two quarters combined make up the second strongest six-monthly period of new lending activity, for loans under \$2 million, on record.



There has been a significant increase in the proportion of new lending commitments with value under \$100,000. These have increased from 11.0% of all loans under \$2 million three years ago (over the 12 months to the end of September 2007) to 18.5% now (over the 12 months to the end of September 2010). In dollar value terms, this is an increase of \$6.6 billion or 79% over the past three years.

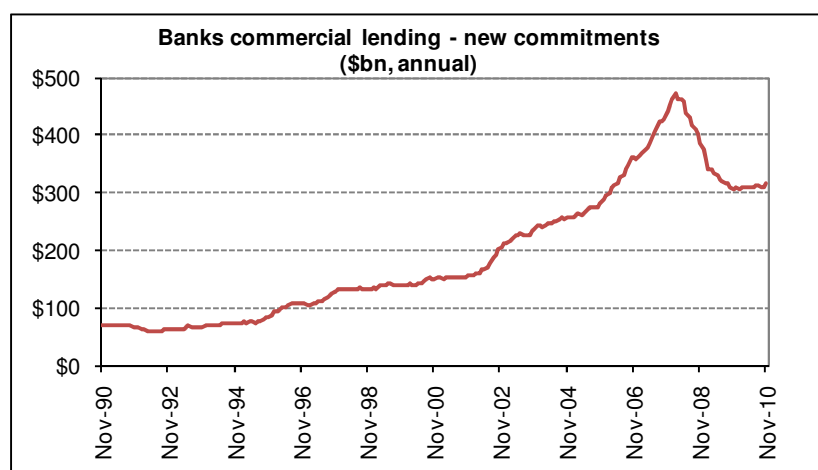
\$bn	Under \$100K	\$100-\$500K	\$500K-\$2m	Total <\$2m
Sep-05	\$6.7	\$22.8	\$29.4	\$58.9
Sep-06	\$7.4	\$21.9	\$31.4	\$60.7
Sep-07	\$8.1	\$27.7	\$37.8	\$73.7
Sep-08	\$9.8	\$29.0	\$41.0	\$79.8
Sep-09	\$10.4	\$23.6	\$37.4	\$71.4
Sep-10	\$14.6	\$28.6	\$35.6	\$78.8
%annual				
Sep-06	9.3%	-3.7%	6.9%	3.1%
Sep-07	10.2%	26.5%	20.5%	21.5%
Sep-08	20.5%	4.4%	8.5%	8.3%
Sep-09	6.1%	-18.6%	-8.8%	-10.6%
Sep-10	40.2%	21.5%	-5.0%	10.4%
%distbn				
Sep-06	12.2%	36.1%	51.7%	100.0%
Sep-07	11.0%	37.6%	51.3%	100.0%
Sep-08	12.3%	36.3%	51.4%	100.0%
Sep-09	14.6%	33.0%	52.4%	100.0%
Sep-10	18.5%	36.4%	45.1%	100.0%

Commercial lending – ABS monthly data

Reserve Bank data on new lending commitments (see above) are available on a quarterly basis only. ABS, however, produce data for new commitments of commercial lending on a *monthly* basis. While the ABS data cannot be disaggregated by loan size (i.e. loans under \$2 million) it does provide useful information on trends in business lending commitments for those months where RBA data are not available.

ABS data shows that total lending commitments to all business by banks was \$315.8 billion over the 12 months to the end of November 2010. This has fallen from a record high of \$471.2 billion reached over the 12 months to the end of February 2008.

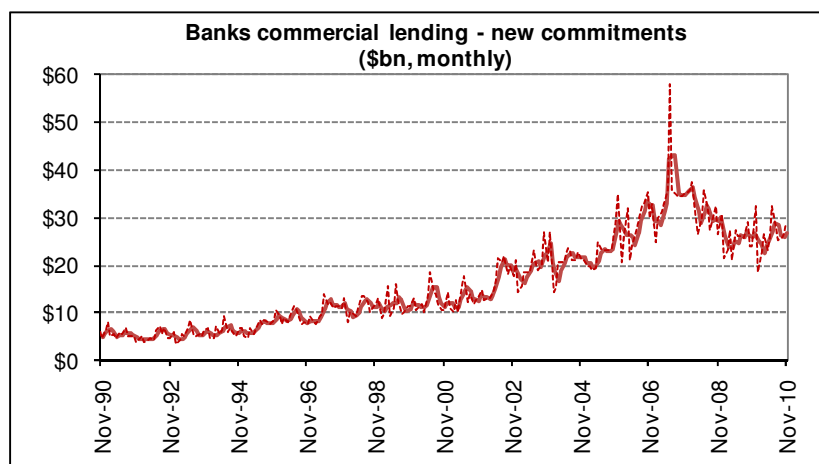
Over the 12 months to the end of January 2010, new commercial lending commitments had fallen to \$305.2 billion, a four year low.



Source: ABS

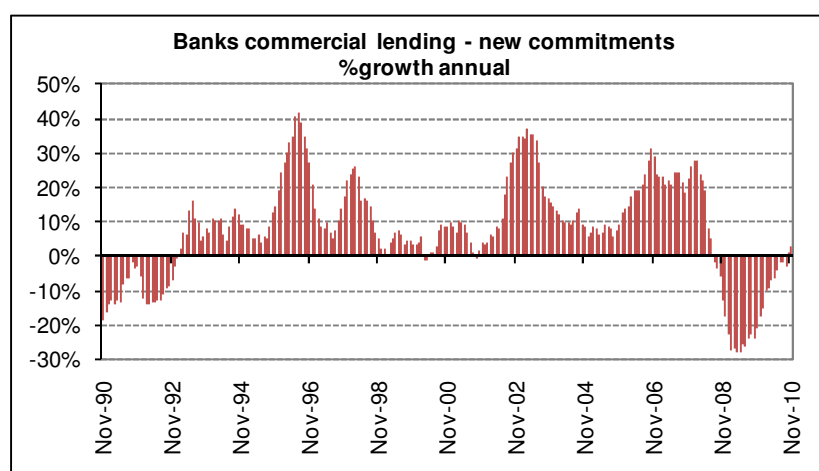
On a monthly basis, banks' new lending commitments to business were \$26.8 billion for the month of November 2010. While this is far from the \$58.0 billion for the month of June 2007, it is more consistent with monthly lending prior to then. Furthermore, the monthly data suggest that new commercial lending commitments had reached unusually high levels over the second half of 2007 and the series has now returned to its normal trend behaviour.

The dotted line in the chart below shows the actual new lending commitments while the full line shows a three monthly average (which smooths the data series).



Over the past year, to the end of November 2010, banks' new commitments for commercial lending increased by 3.1%. Last month (October 2010) saw the first rise, on an annual basis, in just over two years.

Annual growth rates were between 20% and 30% for a period of almost two years until April 2008. This level of growth would not be expected to be sustained for longer periods.

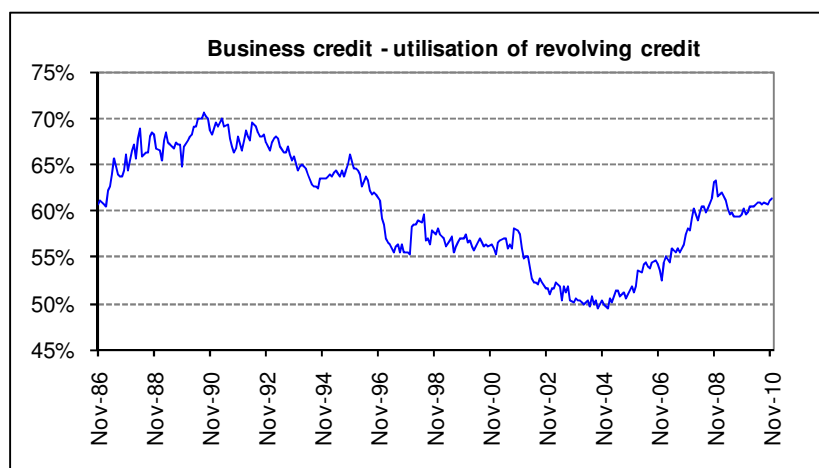


Source: ABS

Credit utilisation – revolving credit

ABS lending finance data at the end of November 2010 show that businesses are using 61.3% of the revolving credit available to them. That is, businesses are using \$206 billion of a total of \$336 billion of their credit limit. Revolving credit includes overdrafts, credit cards and lines of credit.

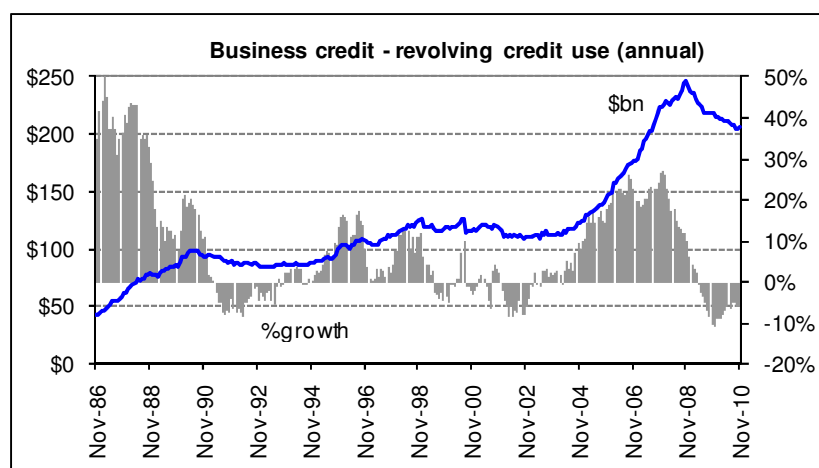
In May 2009, a recent low of 59.8% credit utilisation was reached. A record low of 49.5% was reached in September 2004.



Source: ABS

Use of revolving credit grew strongly over the three and a half years to mid-2008. While it has been falling throughout 2009 and 2010 to date, at \$206 billion, it still remains at high levels.

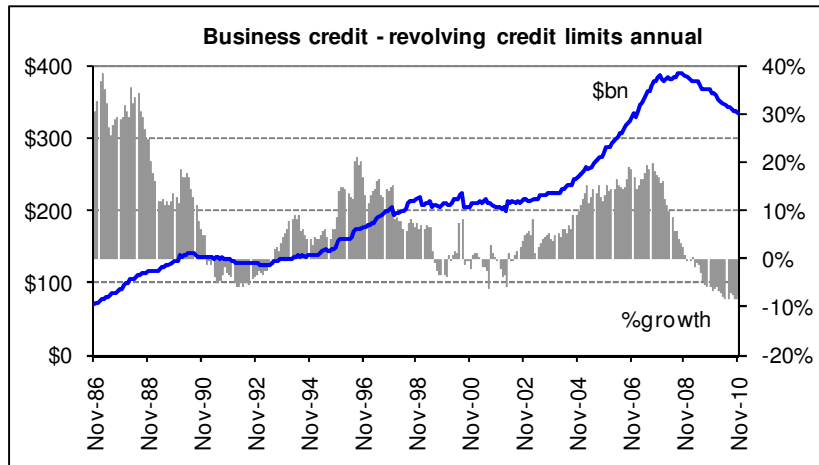
The chart shows that credit use reached a high of \$245.7 billion in November 2008, and is now \$40 billion lower.



Source: ABS

At \$336 billion, credit limits are at high levels, but are 7.5% or \$27 billion lower than for the same time last year. Credit limits grew at a solid pace over the three years 2005, 2006 and 2007, averaging 16% per annum.

The current credit limit of \$336 billion is now \$53 billion lower than the high of \$389 billion reached in August 2008.



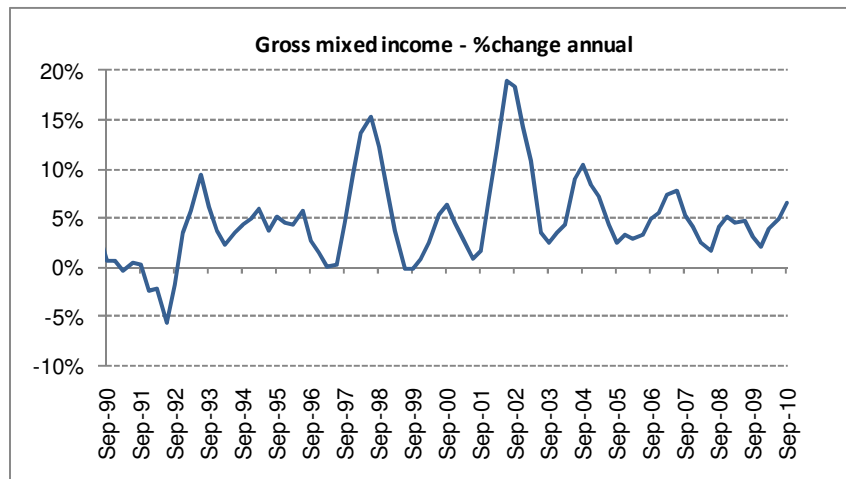
Source: ABS

Business income growth

The ABS national accounts data series *gross mixed income* can be used as a measure of aggregate business growth. It is the surplus or deficit accruing from production by *unincorporated* enterprises. This data series includes elements of both compensation of employees (returns on labour inputs) and operating surplus (returns on capital inputs).

Gross mixed income includes a large proportion of data from small businesses.

At \$104.8 billion over the 12 months to the end of September 2010, gross mixed income is \$6.7 billion or 6.5% higher than for the previous year. This is the strongest growth rate in over three years (since June 2007, just prior to the onset of the GFC).



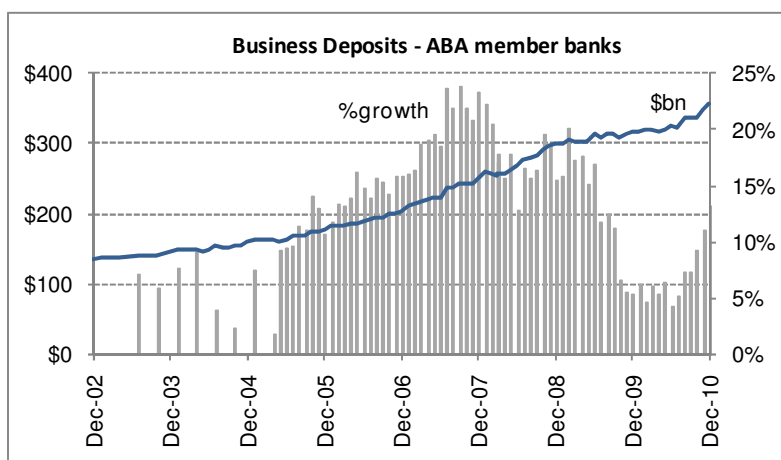
Source: ABS

Supply of credit

In order to prosper, banks must lend. Retail banks take deposits and lend funds to borrowers, both business and personal. Deposits are an important source of funding for banks. Banks also raise capital in the financial markets, but unless they make loans to retail customers and earn fees and interest, they cannot fund their operations.

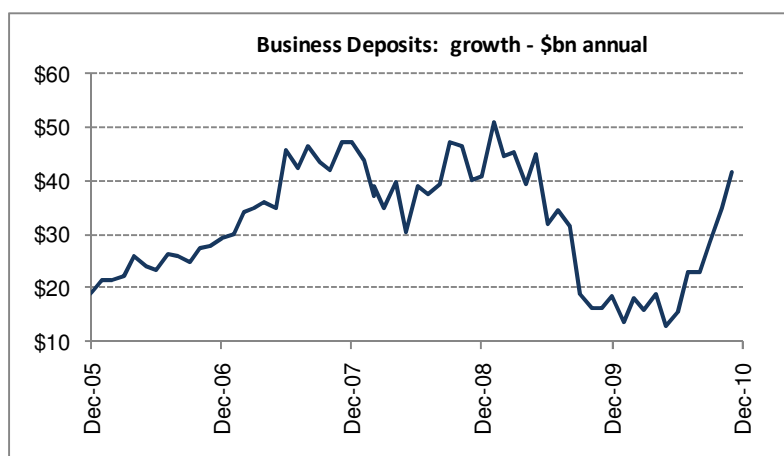
ABA member banks are well capitalised and bank funding programs have recovered well from the contraction in the capital markets in late 2008.

The stock of business deposits² held with ABA member banks grew by a strong 13.2% or \$41.7 billion over the 12 months to the end of December 2010. Business deposits are now at \$357.7 billion.



Source: APRA

The chart below shows the annual growth in business deposits in dollar value terms. The growth in business deposits peaked at \$51 billion over the 12 months to the end of February 2009.



² APRA data – note that business deposits data also include Certificates of Deposit.

Interest rates

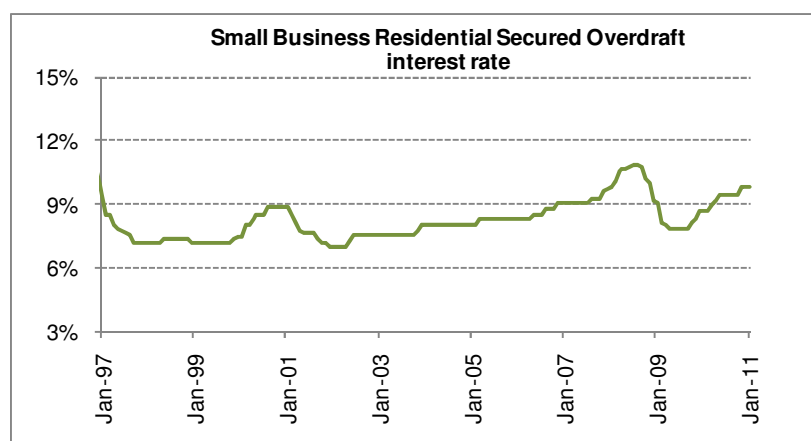
Interest rates for most small business products have not changed over the past three consecutive months ending January 2011.

Over the most recent period of tightening (from October 2009), the RBA has increased the cash rate by 175 bps. Lending rates to small business responded by increasing from 175 bps to 195 bps over that time. The three year fixed loan, however, has increased by only 40 bps.

Jan-11		CUMULATIVE change in basis points (bps) since:				
Small business loans	Current rate	last month	3 months	6 months	12 months	this cycle
Cash rate	4.75%	0	25	25	100	175
Residential secured						
. Term	9.00%	0	40	40	115	190
. Overdraft	9.85%	0	40	40	115	195
Other						
. Term	9.70%	0	35	35	110	180
. Overdraft	10.65%	0	35	35	110	185
Small overdraft	11.20%	0	35	35	110	180
3 year fixed	8.55%	-10	5	35	15	40

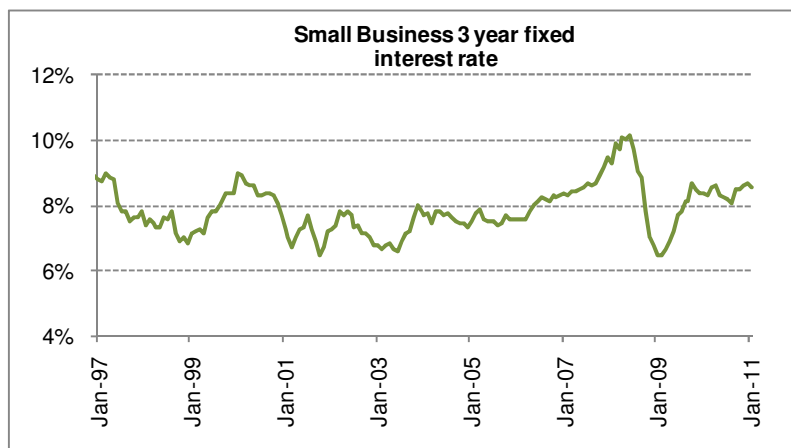
Corresponding with the 175 bps increase in the RBA cash rate, the interest rate on a residential secured loan has increased 190 bps from 7.10% to 9.00%.

The interest rate on a residential secured loan saw a 300 bps fall during the RBA interest rate reductions from September 2008 to April 2009 reaching a low of 7.10% for a period of six months from April 2009 to September 2009.

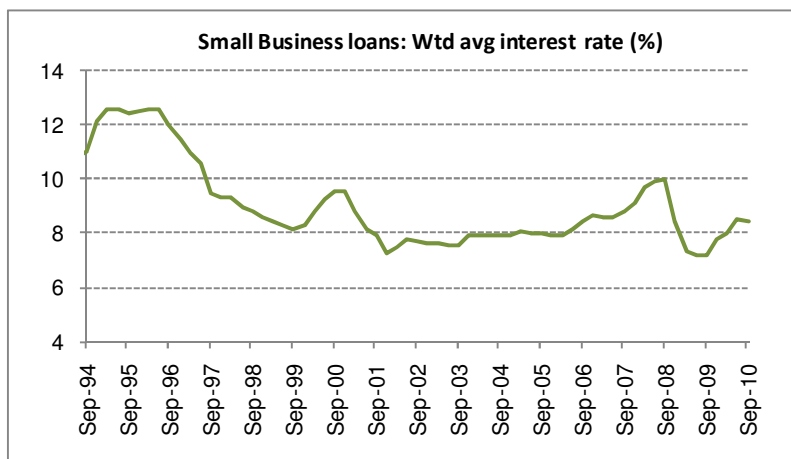


At 8.55% in January 2011, the interest rate on a 3 year fixed small business loan has increased by only 40 bps while, at the same time, the cash rate has increased by 175 bps over the most recent period of monetary policy tightening which commenced in October 2009.

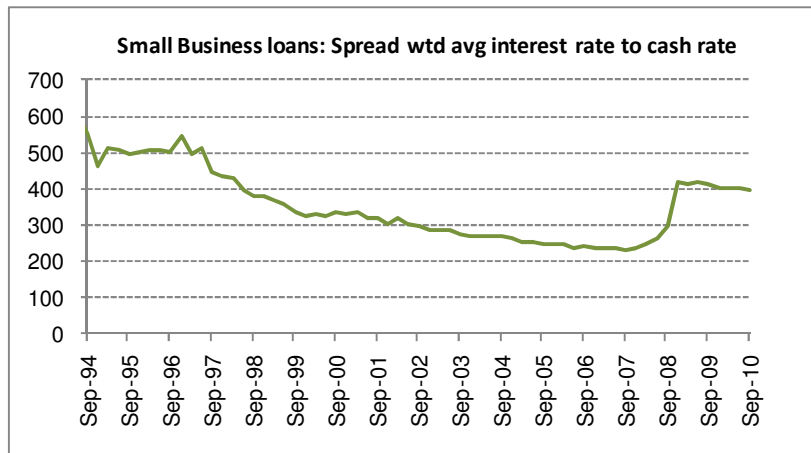
In January and February 2009, the 3 year fixed rate for a small business loan fell to its lowest level on record at 6.50%. From February 2009 until October 2009 it increased by 220 bps to 8.70%.



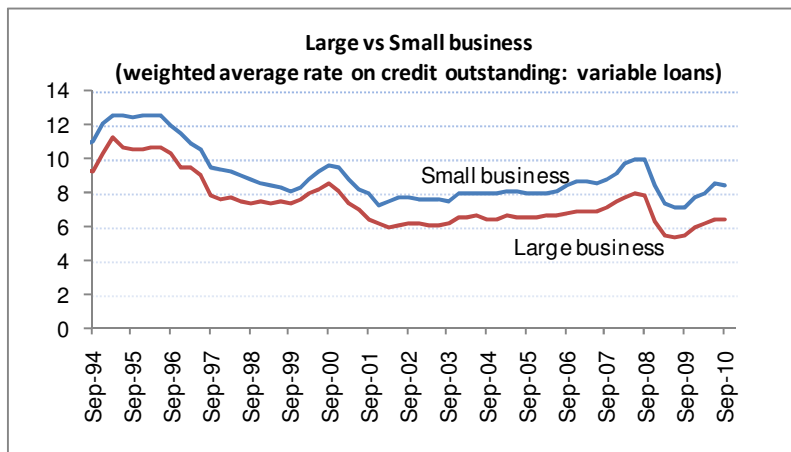
The Reserve Bank produces a measure of the weighted average interest rate for small business lending which is based on a range of lending products (including those above). At September 2010, this was 8.45%, a fall of 5 basis points over the previous quarter.



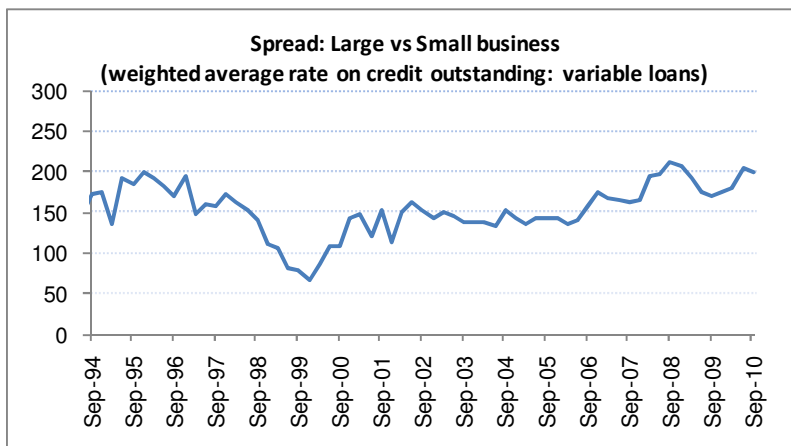
The chart below compares the weighted average interest rate for small business lending (see chart above) with the official cash rate. The spread between these two interest rates reached a high of 418 basis points in December 2008. It is now 395 basis points.



As at September 2010, the average rate on a small business loan was 8.45% or 200 bps higher than for a large business loan at 6.45%.

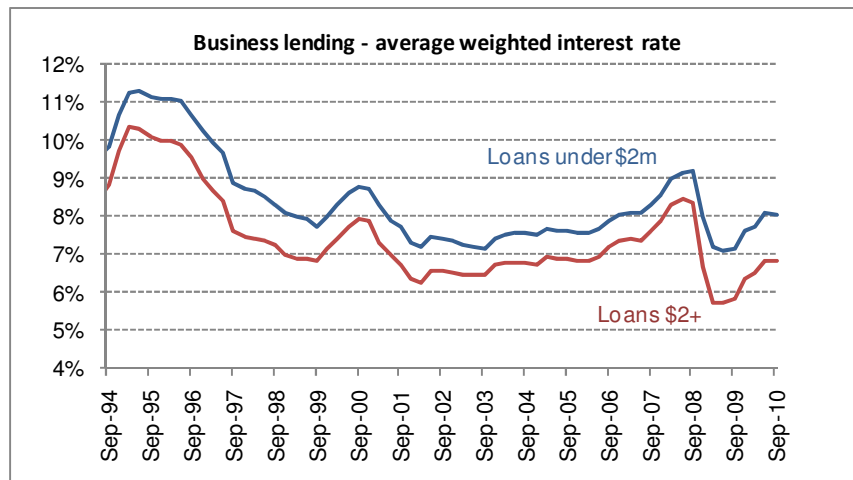


From March 2008 to March 2009, the average spread between small business loans and large business loans was 200 bps.



Weighted average interest rate for loans under \$2m

RBA data for June 2010 shows that the weighted average interest rate for business loan outstandings from banks, where the loan value is less than \$2 million, is 8.05%. This compares with the weighted average interest rate for loans of \$2 million and over at 6.35%.



Bank lending policies

Banks must lend prudently and must price for risk. They must do this to comply with prudential regulation as well as meeting commercial objectives for their shareholders: capital required by the Australian Prudential Regulation Authority (APRA) to be held by banks for small business loans is generally three times higher than for home loans, and can be seven times higher for some products.

Loans are priced to cover the cost of funds as well as the risk taken on by the lender. The risk relates to how likely a client is unable to repay the loan (their probability of default) and what could potentially be recovered if that was to occur (the potential loss given default).

It is for this reason that home loans are priced better than personal loans – home loans have the house as security over the loan and so the potential loss to the bank is lower than a personal loan where there may be no security at all.

With business lending, the same principle applies. The key areas where business pricing will differ from home lending pricing are:

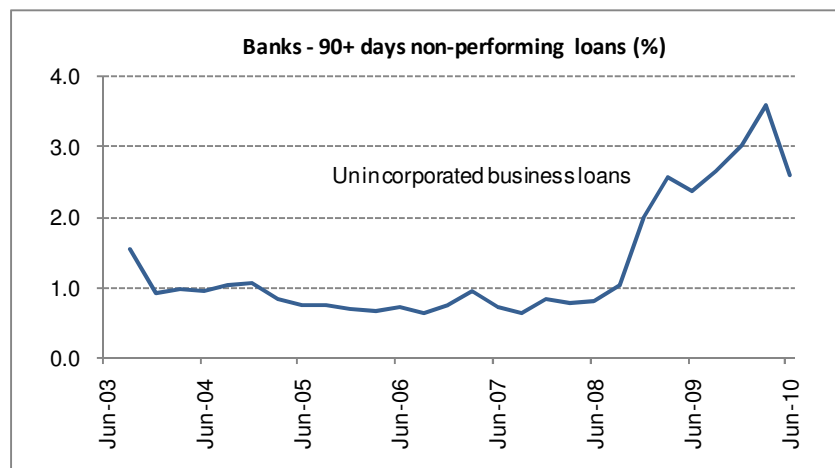
Cost of funds – typically the amount of deposits that businesses have is less than the amount of lending, and so banks must rely on wholesale funding to have the capital to lend our clients. The increase in wholesale funding costs due to the global financial crisis has affected Australian banks, forcing increases in interest rates on all lending. The commercial lending portfolio sources the majority of its funding from the wholesale market and so has been exposed to increasing costs.

Probability of default - History has proven that small business enterprises have a higher probability of default compared with retail home loan customers. A higher risk margin is therefore required on business loans to cover this increased risk. The difference between the home loan rate and business rates which are secured by residential property is a direct result of the higher probability of default experienced by the banks in the small business sector.

Loss Given Default - Small business clients also tend to have a higher loss once default has occurred. A factor driving this higher loss is the wider range of security options (farms, commercial property, equipment, etc) that banks accept as security on small business loans

Loans in arrears

Reserve Bank statistics show that 90 days arrears for banks lending to unincorporated businesses were 2.6% as at June 2010 (the most recent data available). This compares with 0.7% for home loans.

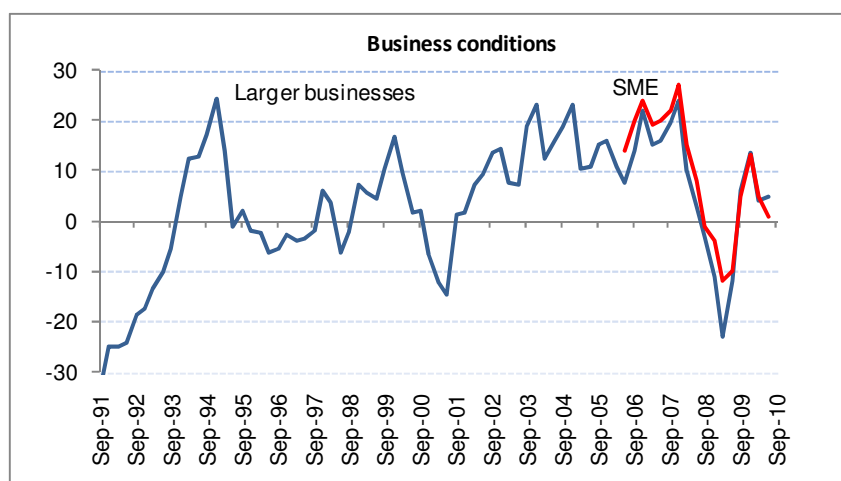


Source: RBA

Business conditions and confidence

NAB's Quarterly SME Business Survey – for the September quarter 2010 says:

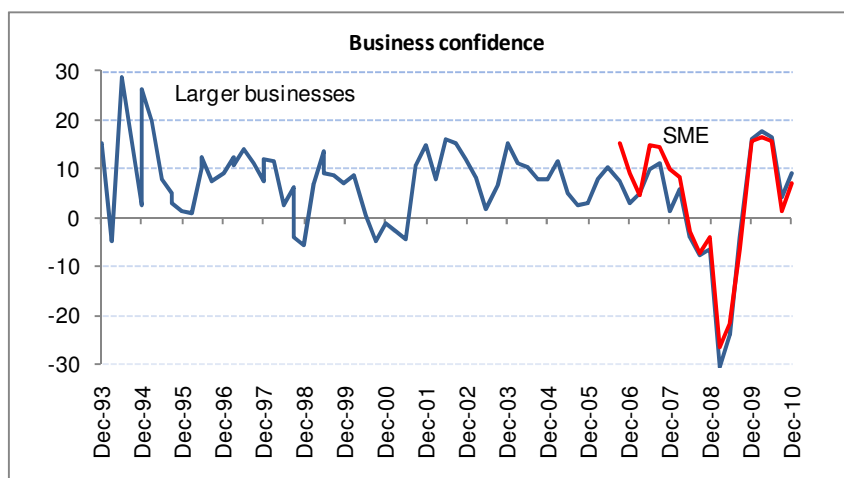
"Business conditions among Australia's small to medium sized businesses declined further in the September quarter according to NAB's business survey of SMEs (small & medium enterprises). On a positive note, however, SMEs are very optimistic about the annual outlook."



Source: National Australia Bank

The National Bank of Australia reports that:

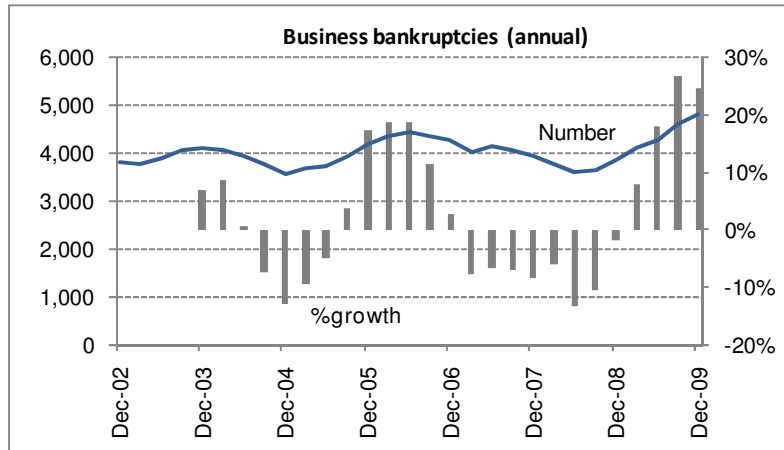
Business confidence among SMEs for the December quarter improved strongly over the past quarter.



Source: National Australia Bank

Business insolvencies

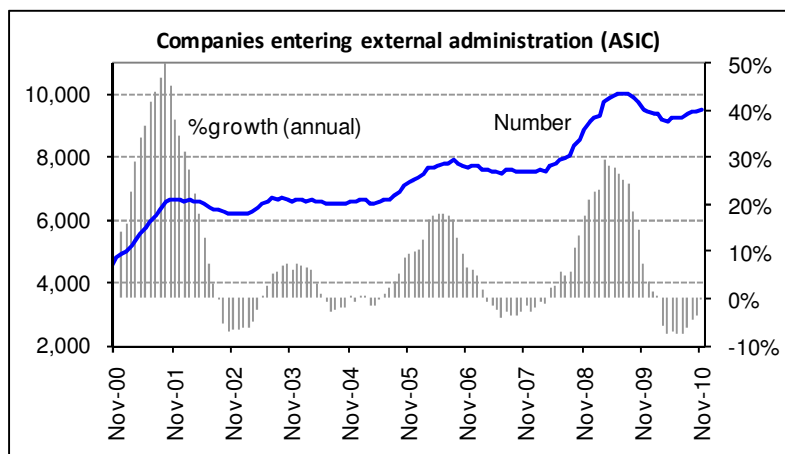
Over the 12 months to the end of December 2010, there were 4,809 business insolvencies, an increase of 955 or 25% over the previous year³.



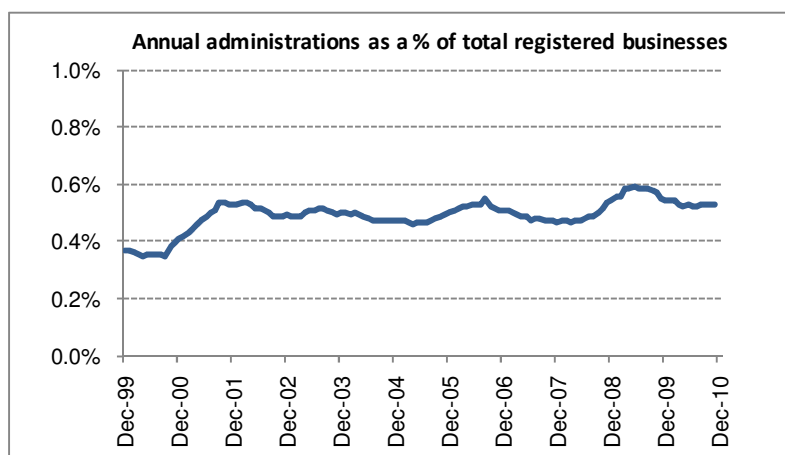
Source: ITSA

³ [ITSA statistics](#)

Data relating to companies entering external administration are available on the ASIC website. These data show that a peak of 10,038 companies entered external administration over the 12 months to July 2009. Latest data show that there were 9,523 companies entering external administration for the 12 months to the end of November 2010, 5.1% less than at the July 2009 peak.



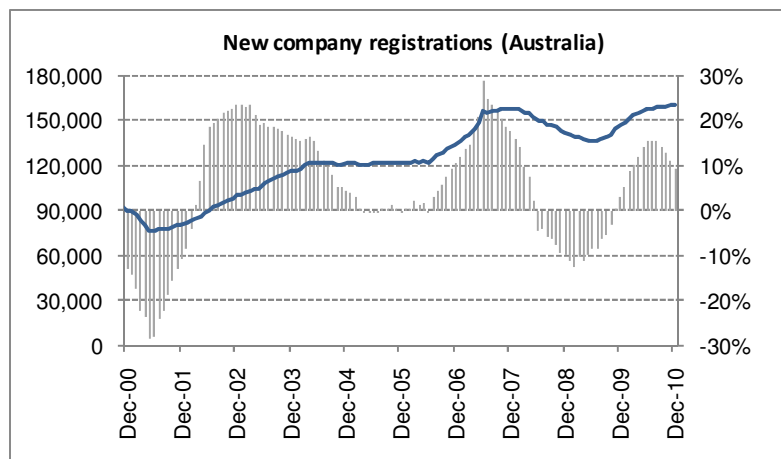
The above data can be compared with the total number of registered companies to determine the proportion of companies entering administration. The most recent data shows that for the 12 months to the end of November 2010, the ratio of companies entering administration to the total number of registered companies was 0.53%. This ratio was at a high of 0.59% over the four months from April to July 2009.



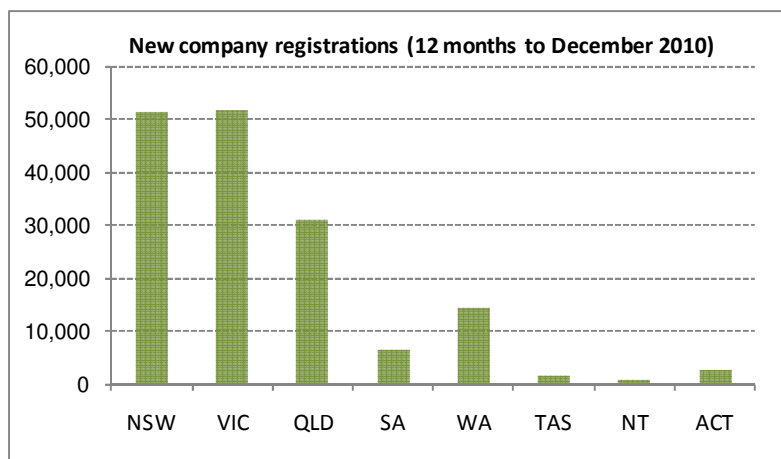
Business registrations

Over the 12 months to the end of December 2010, there were 159,982 new company registrations across Australia. This is an increase of 13,328 (9.1%) registrations over the past year.

New business registrations hit a record high over the 12 months to the end of November 2010 at 160,084.



Of the 159,982 new company registrations over the 12 months to the end of December 2010, there were 51,680 recorded in Victoria (32.3%). Not far behind was NSW 50,051 (32.1%) while almost a fifth of all new registrations were in Queensland 31,035 (19.4%). That's 83.8% for the three major states.



APPENDIX 1 – Notes about data

This fact sheet presents a range of information relating to business lending, as sourced from the Reserve Bank of Australia (RBA), Australian Bureau of Statistics (ABS), Australian Prudential Regulation Authority (APRA) and others.

ABA seeks out data which provide insights into lending to small business. Many of these data are readily available to all, such as interest rates relating to a range of small business products.

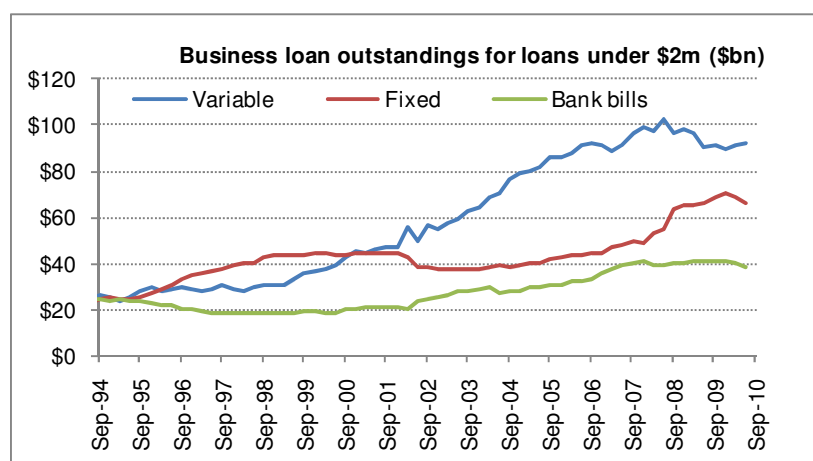
In order to estimate lending volumes and credit growth for small business, ABA has used a loan size of less than \$2 million to approximate small business activity.

Based on ABS data, at the end of June 2008, there were almost 2 million small businesses in Australia, employing 5 million people. This is 96% of all businesses operating in Australia and 50% of all employees. Over the financial year 2007-08, small businesses contributed 40% to the Australian economy.

APPENDIX 2 – Business loan outstandings under \$2 million

Summary data on business loans is provided in the table below.

Business loans	Bank bills	Fixed loans	Variable loans	Total
Sep-05	\$30.7	\$42.5	\$86.4	\$159.6
Sep-06	\$36.0	\$44.3	\$91.6	\$171.8
Sep-07	\$41.0	\$49.1	\$99.0	\$189.0
Sep-08	\$40.4	\$64.9	\$98.0	\$203.4
Sep-09	\$40.6	\$70.9	\$89.2	\$200.7
Sep-10	\$36.7	\$69.1	\$94.4	\$200.2
%change				
Sep-06	17.0%	4.2%	6.0%	7.6%
Sep-07	13.9%	10.9%	8.1%	10.0%
Sep-08	-1.3%	32.1%	-0.9%	7.6%
Sep-09	0.5%	9.1%	-9.0%	-1.3%
Sep-10	-9.7%	-2.5%	5.8%	-0.2%
%distbn				
Sep-05	19.2%	26.6%	54.1%	100.0%
Sep-06	20.9%	25.8%	53.3%	100.0%
Sep-07	21.7%	26.0%	52.3%	100.0%
Sep-08	19.9%	31.9%	48.2%	100.0%
Sep-09	20.2%	35.3%	44.4%	100.0%
Sep-10	18.3%	34.5%	47.1%	100.0%



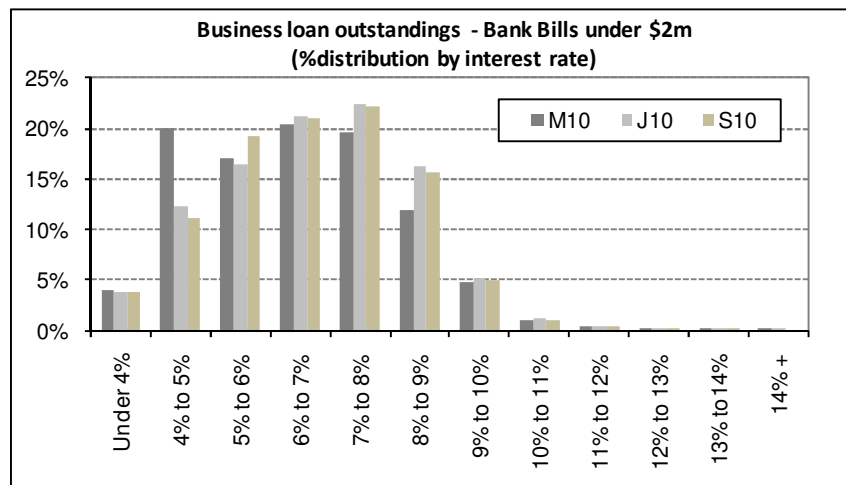
APPENDIX 3 - Business loan outstandings: interest rate distribution

The following data shows the distribution of business loan outstandings by interest rate as released by RBA.

1. Bank Bills

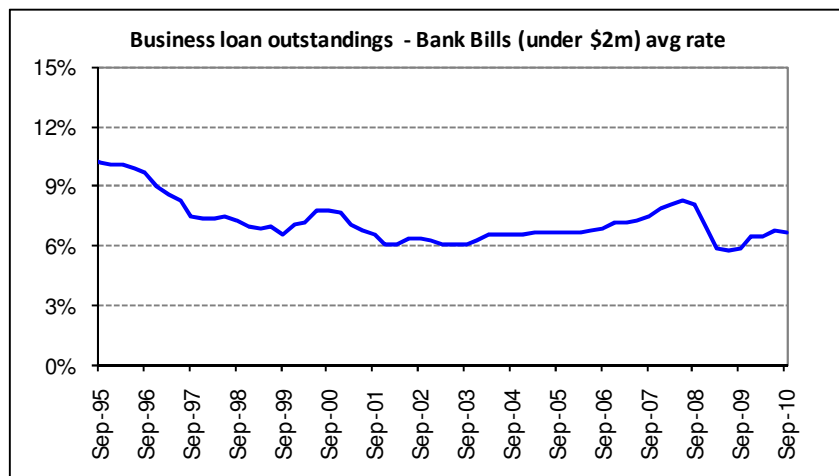
At the end of September 2010, there were \$273.5 billion of bank bills on issue from banks to business. Of this total, \$36.7 billion (13%) were for bank bills of less than \$2 million in value.

Just over 93% of banks bills under \$2 million had an interest rate under 9% as at September 2010.



The weighted average interest rate on bank bills (with value less than \$2 million) was 6.72% at the end of September 2010. This is a fall of 2 basis points over the past quarter.

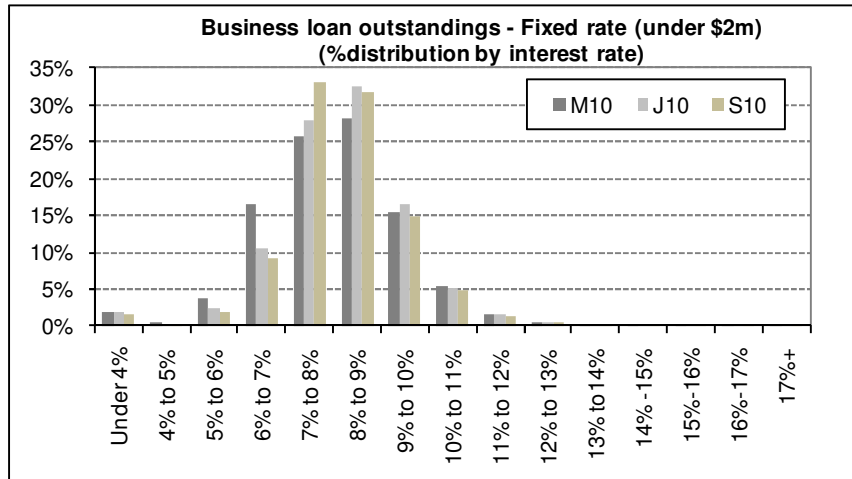
Over the three years prior to the global financial crisis, the average weighted average interest rate on banks bills with value under \$2 million was 6.83%.



2. Fixed loans

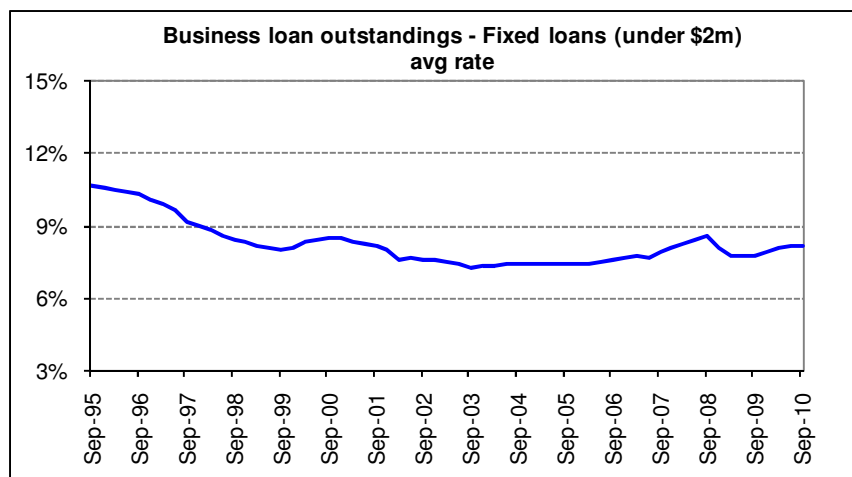
At the end of September 2010, there were \$121.6 billion of fixed loans on issue to business from banks. Of this total, \$69.1 billion (57%) were for loans of less than \$2 million in value.

Eighty-five percent (85%) of fixed rate business loans under \$2 million had an interest rate under 9% as at September 2010.



The weighted average interest rate on business loan outstandings for fixed rate loans with value less than \$2 million was 8.16% at the end of September 2010, 3 basis points lower than for last quarter.

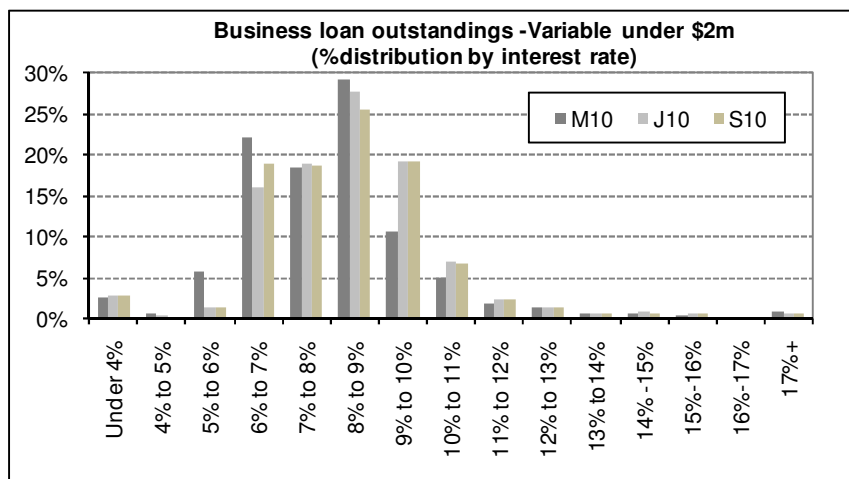
Over the three years prior to the global financial crisis the average weighted average interest rate on fixed rate business loans under \$2 million was 7.52% or 64 basis points less than it is now.



3. Variable loans

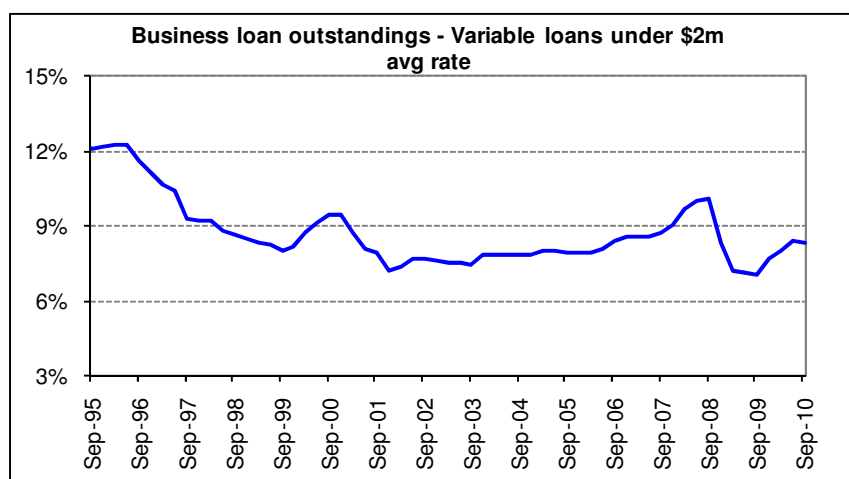
At the end of September 2010, there were \$270 billion in variable loan outstandings on issue from banks to business. Of this total, \$94.4 billion (35%) were for loans of less than \$2 million in value.

Just over two-thirds (68%) of variable rate business loans under \$2 million had an interest rate under 9% at September 2010.



The weighted average interest rate on business loan outstandings for variable rate loans valued under \$2 million was 8.36% at the end of September 2010. This is a fall of 8 basis points over the previous quarter.

Over the three years prior to the global financial crisis, the *average* weighted average interest rate on variable business loans with value less than \$2 million was 8.14%.



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