

Regional banks growing faster than big four: survey

By finance reporter Adrian Thirsk

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New analysis shows Australia's regional banks have outpaced the major institutions with their profit growth.

Accounting giant KPMG conducts an annual survey of the six leading regional banks, including St George and Suncorp.

It has found that the strong economic environment has underpinned solid profit results. In aggregate, after tax operating profits have climbed to \$2.65 billion.

That is a rise of 14 per cent, which is faster growth than the 10.6 per cent recorded by the big four banks.

KPMG partner Martin McGrath says the result firmly stamps the regional banks as a significant force in the Australian financial services landscape.

Loans

He says the significant retail deposit bases of the regionals gives them some buffer against the shake-out on credit markets.

But their costs of funds will still rise and is likely to flow through to home loan rates.

"There's certainly pressure on all of them to make some move there," Mr McGrath said.

"It's up to their strategy, I mean if you're targeting to grow your market share you may choose to hold it down for a period."

Mr McGrath says rates could be at least 0.1 per cent higher in the medium term.

He says impairment losses on loans jumped almost 22 per cent to a quarter of \$1 billion.

"Interest rates is clearly the most direct impact," he said.

"If you throw in the effect of the drought, the effect of petrol prices going up, that creates pressure on households, it creates pressure on farmers, and so we are seeing a step up in the number of loans in arrears and the number of impaired loans."

But Mr McGrath says the increase also reflects the growth in lending over the past 12 months.