

Business deposits grow but become more slippery for providers

(24 June 2008 – Australia) Australia's business deposits market continues to expand, but holding on to a customer's business is becoming increasingly difficult as account shuffling proliferates in parts of the market.

East & Partners' inaugural Business Deposits Market report reveals continued growth in the business deposit market, with overall balances reaching A\$264.6 billion in 2008.

"This represents an annual growth rate of 19 percent during the past two years," said East & Partners' financial markets analyst Zoran Knezevic.

More importantly growth is expected to stay robust in the coming year, with a 17 percent market growth forecast.

"Much of this growth in deposits has come from the small business markets where balances grew by 46 percent per annum during 2006 and 2007," Mr Knezevic said.

"As smaller businesses start to account for a growing share of the overall balances the product mix is also changing."

Term Cash Deposits account for fully three quarters of the market size but high yield online deposits (HYODs) are the fastest growing deposit product. Dollar balances in HYODs have more than doubled in the past two years, reaching A\$46.3 billion in 2008.

"While this sends very clear messages to providers about the areas where they should direct focus, the competition in the HYOD market is fierce," noted Mr Knezevic.

The average life of a high yield online deposit account in the SME market is less than five months with up to a quarter of businesses reviewing the competitiveness of the rates offered on a daily basis.

Up to 40 percent of SMEs say they would change to another provider if the deposit rate was between 0.10 and 0.15 percent higher than their existing rate; highlighting the rate vigilance in this part of the market.

"Understanding these market dynamics is invaluable in the current climate as most banks look to capture a larger deposits base to make up for shortfalls in other markets for funding," Mr Knezevic concluded.

East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia

p: +61 2 9004 7848 f: +61 2 9004 7070

www.east.com.au

ABN: 76 072 374 406

About East & Partners' Australian Business Deposits Markets Report

East & Partners' inaugural Business Deposits report provides a definitive analysis of the Australian business deposits market, making it an essential guide for any lender looking to fund growth and profit. The report includes a range of analytics covering deposit balance breakdown by product, geography, industry and bank. In addition, the report contains demand-side analysis of high yield online deposit customer behaviour as well as an analysis of market shares and customer satisfaction in key business deposit markets.

For more information please contact:

Tanya Glazer
Marketing Communications
East & Partners
t: 02-9004 7848
m: 0404 474 446
e: tanya.g@east.com.au