

More depositors looking to ‘fix their rates’

(28th October 2011 – Australia) Research from East & Partners’ latest Deposit Funding & Debt Index is showing that depositors are looking to lock in current rates against forecast declining levels with Term Deposit volumes now representing two thirds (67.8 percent) of total business depositor volume and 67.7 percent of retail deposits.

This trend of increased use of Term Deposits is seen most strongly in the Micro and SME segments of the business market with 71.4 percent and 78.8 percent of customers respectively, choosing this over On Call Deposits.

The Institutional end of town however is not as keen on ‘fixing their rates’ with the majority (56.7 percent) opting for On Call Deposits rather than Fixed Term.

Protection from declining rates is also driving an increase in the average tenure of Fixed Deposit rates are being taken out for. Easts’ latest research shows 47.7 percent of business depositors are now running tenures of 6-12 months.

Again however, Institutional customers are going in the opposite direction from the majority of the business term deposit market with 65.9 percent taking Term Deposits for just three months.

Amy Nixon, East & Partners’ Head of Client Services commented “It is becoming apparent that not only do we have a divide in the Australian two tiered economy with mining and the rest of Australia, but we also have a divide between the SME/Corporate business and the Institutional business. Where SME/Corporate businesses are looking to rate-lock as much as they can at today’s higher rates, Institutional customers are showing the complete opposite.”

“Institutional business is typically much more aggressive churners in the deposit behaviour and tend to rate chase rather than rate lock,” Ms Nixon added.

East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia

phone: +61 2 9004 7848 fax: +61 2 9004 7070

www.east.com.au

ABN: 23 151 025 599

About East & Partners' Deposit Funding & Debt Index

A monthly analysis among Australia's total business and retail deposit and lending markets, based on data sourced from APRA. The data is overlaid with a set of standardised demand-side analyses based on East & Partners' continuous whole-of-market customer research programs to produce the Index's set of ratio indicators. The Index focuses on critical market measures including business versus retail deposit volume ratios, the ratio of deposit versus lending by bank by market segment, deposit market share and the total market deposit funding index.

Also reported each month are unique segmentations based on depositor size and, importantly given BASEL III's impact, the Index also splits On Call and HYOD deposit volumes by segment from Term Deposits across 3, 6 and 12 month tenures – hot and sticky deposit business flows, tied versus free deposit balances, deposit churn forecasts and rate triggers for depositor switching.

Note: Business Depositor Segments

- Institutional – A\$530 million plus
- Corporate – A\$20-530 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 Index, please contact:

Sian Dowling
Marcomms & Client Services
East & Partners
t: 02 9004 7848
m: 0420 583 553
e: sian.d@east.com.au

East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia
phone: +61 2 9004 7848 fax: +61 2 9004 7070
www.east.com.au

ABN: 23 151 025 599