

Slow but steady switch to term deposits

(28 May 2012 – Australia) The latest research from banking industry consultants East & Partners shows both Corporate and Institutional customers are jumping to Term rather than On Call deposits, joining their Micro and SME counterparts who continue to have the majority of their business deposits in Term accounts.

In the three months to April, Term deposits were up 2.1 percent and 1.5 percent among Corporate and Institutional customers respectively. Micro customers already have over 70 percent of their deposits under Term while the volume is slightly lower for SME's at 64.6 percent.

Term versus On Call Deposit Volumes by Segment

% of Total Business Deposit Volume

Deposits	Micro	SME	Corporate	Institutional	Total
Term	70.2	64.6	46.5	30.2	50.7
On Call	29.8	35.4	53.5	69.8	49.3
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: East & Partners' Deposit Funding & Debt Index – April 2012

Despite more companies opting for Term deposits, their tenure is getting shorter with 56.6 percent of total market term deposits being for 3 months, up from January's 52.9 percent.

The retail market is experiencing a similar trend with total Term Deposit volume at 62.5 percent, up from 58.6 percent a year ago. The great majority of these Term Deposits, as in the business market, are for tenures of 3 months. 12 plus month tenures are decreasing in frequency while 6 month tenures are staying steady at around 29 percent of the total market.

Further highlights of the report include:

- Total business deposit and lending volumes, broken down by segment and individual bank
- Estimated churn levels in On Call deposits
- The ratio between deposit and lending balances in both the business and retail markets

David Brown, East & Partners' Head of Client Relationship commented, "These shifts are clearly in response to pricing initiatives from the banks who are vitally interested in "sticky" deposits. The gap between On Call and Term deposit rates has widened in both the consumer and business markets and we are seeing customers clearly responding to it."

"This is good news for the banks' funding requirements but will produce a drag on profitability for them as they price to attract and retain new deposit flows" Mr Brown 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 across Australia's total business and consumer deposit and lending markets, based on data sourced from APRA. The ADI data is overlaid with a set of 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