

Australia's Deposit / Lending Balance Remains in Favour of Deposits

(30 September 2011 – Australia) The Big Four domestic banks achieved a collective 76.7 percent of Australia's business deposits in July in contrast to a collective 70.5 percent share of business lending, East & Partners' latest Deposit Funding and Debt Index (DFDI) has shown, producing an collective DFDI ratio of 1.09. The total business market's DFDI ratio has stabilised at 1.27 up from 1.15 a year ago

Key takeouts from this latest monthly research show:

- CBA has the largest Retail Deposit funding to debt ratio of the majors at 0.49 and the second biggest Business deposit funding debt ratio of the Big Four and has grown this ratio by 8.5 percent since Oct 2010
- The DFDI for Micro Businesses in July hit 2.22. By contrast the Institutional Business market recorded a DFDI outcome of 0.50, a massive disparity reflecting where businesses are focussed in managing their cash and funding
- Term Deposits volume represents two thirds of the total business depositor volume, with one third consisting of At Call Deposit balances. The High Yield Online sector of At Call Deposit balances is strongest in the Micro and SME business segments at and amongst Retail depositors. Small business also has the highest proportion of Deposits tied to their lending facilities
- Rate changes sufficient to trigger deposit churn remain significantly higher amongst business depositors at 0.29 percent compared to retail markets, although the trigger rates for both markets are declining rapidly
- Westpac has registered by far the highest business market deposit / lending ratio of the Big Four at 1.70

East & Partner's Head of Client Services, Amy Nixon, commented, "with the reduction in the Government's guarantee cap on deposits from A\$1 million to A\$250,000, we expect to see over the next few months a modest acceleration in deposit flow toward the Big Four domestic banks relative to their competitor ADIs."

"This drift may well benefit the CBA the greatest, especially if continued uncertainty dominates business and consumer sentiment. With the banks facing anaemic credit demand, we also expect deposit rates, especially At Call rates, to continue trending down." 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 to interview 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