



On Call Deposits Fall

(29 January 2013 – Australia) Retail bank customers' deposit volumes in on call deposits have fallen significantly over the past year as they have chased interest rate returns, according to the latest research from industry analysts East & Partners.

East's monthly Deposit Funding Debt Index (DFDI) deposit volumes, which looks at deposit to borrowing ratios across both business and retail markets, shows that funds in On Call deposits have dropped from 40.8 percent of the total retail deposit volume in November 2011 to only 28.9 percent in November 2012.

At the same time, Term deposits have risen from 59.2 percent to 71.1 percent.

Term versus On Call Retail Deposit Volumes

% of Total Retail Deposit Volume

Deposits	November 2011	November 2012
Term	59.2	71.1
On Call	40.8	28.9
TOTAL	100.0	100.0

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

Depositors are also showing more inclination to move their accounts to find the best rate, with the DFDI research revealing that retail depositors are motivated to change accounts by a thinner interest rate differential.

In November 2011 retail depositors required an additional rate of +0.11 to prompt an account change, but by November 2012 this rate had fallen to +0.06.

Retail churn levels in on call deposits have also increased with 48.6 percent of the total market now indicating they are planning to switch in the coming month.

Shorter tenors are also more popular, with 78.3 percent of term deposits in tenors of only three months, and only 18.4 per cent of the market in six month deposits.

This compares with November 2011, where 67.3 percent of term deposits were in three month tenors, and 30.6 percent of the total market in six month tenors.

Lachlan Colquhoun, Head of Markets Analysis at East & Partners said the DFDI results showed that depositors were being very active in chasing the best rates, but also wanted to keep their options open in the likelihood of finding a better deal.

"Banks are still highly dependent on funding from deposits and they want the stickier money from term deposits," said Colquhoun.

"Retail customers know the deposit war is continuing, and are being very pro-active in finding the best rates they can."

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, enhancing data provided by 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 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