

Business deposits still flying to the Big Four but Regionals Catching

(7 September 2012 – Australia) The bulk of deposit growth in the business market is still largely the domain of the Big four domestic banks research from industry consultants East & Partners' latest Deposit Funding & Debt Index has shown.

With a collective deposit to lending ratio of 1.07 as at the second half of 2012, the big four banks are receiving A\$1.07 for every A\$1 they are lending out to businesses. The regional banks meanwhile are lending out A\$1 for every A\$1 they gain in deposits with a ratio of 1. Funding for the regionals by implication remains very tight although has shown clear improvement based on their domestic deposit taking from business markets over the past two years and flat lending volumes.

The DFDI ratios between the Big 4 and the regionals are becoming more evenly balanced, with the regionals gaining parity and the Big fours' lending beginning to balance out their deposit takings. By comparison, in the second half of 2010 the deposit to lending ratio for the big four was 1.12 while for the regional banks it was 0.84.

Deposit to Lending Ratios – The DFDI

	Big 4	Regionals
H2 2012	1.07	1.00
H2 2011	1.09	1.00
H2 2010	1.12	0.84

Source: East & Partners' Deposit Funding & Debt Index

Further highlights of this monthly bank funding report include:

- Business Deposit/Lending Volumes by Segment
- Term versus On Call Deposits Volumes by Segment
- Term Deposit Tenures
- Business Churn Levels in On Call Deposits by Segment
- Business Deposit Balances/Business Lending Balances
- Total Deposit/Total Lending Market Share
- Lending and Deposit Ratios
- Fully 30 individual banks covered each month

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East & Partners' Head of Client Development David Brown commented, "The availability and cost of offshore funding over the past four years has been severely stressed, forcing all banks to have a greater focus on domestic funding. As competition between the banks reaches record highs, we have noted a large jump in business utilising HYOD accounts. As businesses are now able to shop daily for the best deals, interest rates are becoming a far greater factor in the decision making process than the brand of bank".

About East & Partners' Deposit Funding & Debt Index

A monthly analysis across Australia's total business and consumer deposit and lending markets, enhancing 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:

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