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Media Release

Retail deposits rushing to term but tenure shortening

(30 October 2012 – Australia) Term deposit tenures continue to shorten with the vast majority of retail deposits now being for a length of only three months, according to the latest research from industry consultants East & Partners.

East's research shows that over the last year there has been an increase of 11.1 percent in retail term deposits with tenure of only three months.

In the retail markets this now means that 74.5 percent of total market term deposit tenures are for three months, 22.9 percent are for a length of six months and only 2.6 percent of retail term deposits are taken out for 12 months or more.

Term versus On Call Retail Deposit Volumes

% of Total Retail Deposit Volume

Deposits	August 2011	August 2012
Term	67.7	68.3
On Call	33.3	31.7
TOTAL	100.0	100.0

This decrease in tenure length coincides with a growing number of retail customers opting for Term rather than On Call deposits. 68.3 percent of retail customers now have their deposits in Term accounts, while 31.7 percent have their deposits in an On Call account, marking a decrease of 1.6 percent.

Retail deposits represent 58.5 percent of total Australian bank deposits as at the end of August, 2012.

Further highlights of this monthly bank funding report include:

- Business Deposit/Lending Volumes by Segment
- Term vs On Call Deposits Volumes by Segment
- Term Deposit Tenures
- Business Churn Levels in On Call Deposits by Segment
- Business Deposit Balances/Business Lending Balances – Major Banks
- Total Deposit/Total Lending Market Share – Major Banks
- Lending and Deposit Ratios

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David Brown, East & Partners' Head of Client Relationship commented, "With continuing concerns in relation to bank cost of funding, competition for deposits has intensified even further, leaving the retail market with a plethora of options that change on a daily basis. Add this to uncertain economic environment, it is not surprising depositors have become more reluctant to tie their money up for greater periods of time."

"At the same time, however, Term rates relative to At Call rates being paid by banks have become increasingly attractive as banks price to lock in more stable deposit funding in response to Basle III. We have therefore a dynamic trying to balance bank appetite for term deposit taking with customer appetite for flexibility," Mr Brown added.

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 overlayed 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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