

## Bank Deposits loosening up

(14 February 2012 – Australia) Finance industry consultants East & Partners' latest Deposit Funding & Debt Index (DFDI) shows that the gap between tied and free deposits is continuing to widen with a current 40/60 split amongst business depositors.

Since August deposit volume tied to customer credit facilities across the total business market has fallen 3 percent, this despite tied deposit volumes rising among the Micro business and SME segments.

The opposite trend has been noted with free deposit volume amongst Corporates and Institutions increasing, whilst the proportion of total business deposits which are free of credit ties amongst Micro businesses and SME's is decreasing.

In the retail market the differences in the proportions of tied and free deposits are even more pronounced with 21.2 percent tied and 78.8 percent of total volume being free deposits as at December, 2011.

As in the business segment, these differences are strengthening each month as free deposits gain traction and less and less deposits are tied to customer loans.

East & Partners' Head of Client Development, David Brown commented, "As both business and consumer borrowers continue deleveraging and reducing their debt levels, less of their relative deposit volumes are being wrapped in with any credit relationship and are much more mobile as a result".

"We see this freeing up of deposit volumes, especially amongst business depositors, continuing strongly through 2012. At the same time more volume is shifting to At Call facilities, Term Deposit tenures are reducing and business customers upping their level of switching between deposit providers" added Mr Brown.

## 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:

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