

Deposits churn levels still rising

(18 March 2013 – Australia) Business churn levels for On Call Deposits continue to rise as depositors chase better interest rates in a low interest environment, according to the latest research from industry analysts East & Partners.

Easts' monthly Deposit Funding & Debt Index (DFDI) for February 2013 found that 44.8 percent of business depositors planned to switch their accounts in the coming month, while 43.5 percent reported switching over the previous month, up from 39.5 percent in September 2012.

The Institutional segment of businesses with A\$530 million or more in annual turnover are more likely to switch accounts, with 54.6 percent saying they planned to do so and 52.9 percent saying they had switched in the previous month.

In comparison, 40.4 percent of Micro businesses (turnover A\$1-5 million) say they plan to switch, and 38.9 percent report having done so in the previous month.

Easts' DFDI also shows the rate differential required for customers to switch On Call deposit providers has fallen over the past month from +0.04 to +0.03 for Institutions, and from +0.05 to +0.04 for Micro Businesses.

The differential for the SME and Corporate segments is the same at +0.04 percent.

Business Churn Levels in On Call Deposits by Segment

Segment	% of Total Market	
	Customers Who Have Switched In Past Month	Customers Planning to Switch in Coming Month
Micro Business	38.9	40.4
SME	35.8	36.6
Corporate	43.7	45.4
Institutional	52.9	54.6
TOTAL	43.5	44.8

Source: East & Partners Deposit Funding & Debt Index – February 2013

East & Partners Head of Markets Analysis at East & Partners, Lachlan Colquhoun said the findings show that business depositors are continually on the hunt for the best rates on offer, even though the margins were becoming more slender.

“The fact that a 0.03 percent differential is enough for Institutional deposits to switch account shows just how sensitive depositors are to the interest rate environment,” said Colquhoun.

“Total business deposits are estimated at around A\$680 billion currently, so to have such a large percentage of depositors switching accounts equates to a significant amount of money moving around the financial system each month.”

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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:

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