



Australian Cash Report

‘At-call account selection drivers’

Quarter 2 2011

A detailed analysis of the Australian retail deposit industry produced quarterly

About The Study

The Australian Cash Report contains accurate reporting and detailed analysis on the retail deposit market in Australia.

Many media outlets often report incorrect retail deposit market share, annual deposit book change and deposit book size due to the complexity of analysing data from the Australian Prudential Regulation Authority (APRA).

In its third year and published quarterly, the Australian Cash Report is the benchmark report for unlocking the performance of Australian Deposit-taking Institutions (ADI's) over a five year time period.

What's in the report?

The Australian Cash Report released quarterly, compiles, analyses and comments on the developments, trends and market activity with a different retail deposit theme per quarter.

The aim is to provide benchmark analysis on the Australian retail deposit industry, along with information in line with the quarterly theme.

The theme for Quarter 2 2011 is '**At-call account selection drivers**'.

Pending any major market changes, the quarterly themes for 2011 will be;

- Quarter one; Depositors decision drivers
- Quarter two; **At-call account selection drivers**
- Quarter three; Deposit products
- Quarter four: Retail deposit review

Report Extracts Below:

Executive Summary

- In 2011, respondents to the CoreData retail deposit survey indicated that 'Fees and charges' was the most important decision driver in selecting an At-call deposit account.
- The second biggest decision driver in 2011 is the 'Interest rate', with a similar result to 2010, but vastly different to 2009.
- The growth in retail deposits continues post the GFC, highlighting investors attitudes have changed in the last few years due to the global uncertainty, with investment portfolios now holding an increased cash portion.
- Commonwealth Bank continues to remain the unrivalled deposit institution of choice for Australians, even though the bank generally does not offer a very competitive rate, but does offer the perceived brand security depositors crave during the current global economic times.
- The National Australia Bank's rejuvenated focus on retail banking is producing dividends, with the 14.1% deposit book increase to \$70 billion for the year to March 2011 almost twice system.
- ANZ continues to perform well in attracting new retail banking customers, even as the bank maintains a strategic focus of growth in Asia.
- Bendigo and Adelaide Bank and Bank of Queensland both look set to overtake ING Direct in terms of market share and are set to tussle for fifth spot with BOQ experiencing impressive above system growth.
- Macquarie actually boosted retail deposits by \$3 billion, or 76.4% to \$6.9 billion, for the year to March 2011, yet the last three months of the period actually recorded negative outflows.

Bank of Queensland (Report Extract)

At a glance

| | |
|----------------------------------|----------------|
| Retail deposit ranking by value: | 7 |
| Retail deposit market share: | 2.8% |
| Retail deposit book size: | \$15.7 billion |
| Year to March 2011: | 10.2% increase |
| Quarter to March 2011: | 4.2% increase |

Bank of Queensland is currently the best Tier 2 Australian bank in executing a customer acquisition strategy, with success in both retail deposits and mortgages.

The bank increased retail deposits by an above system 10.2% for the year to March 2011, and over the same period, boosted the mortgage book by an above system 8.8%.

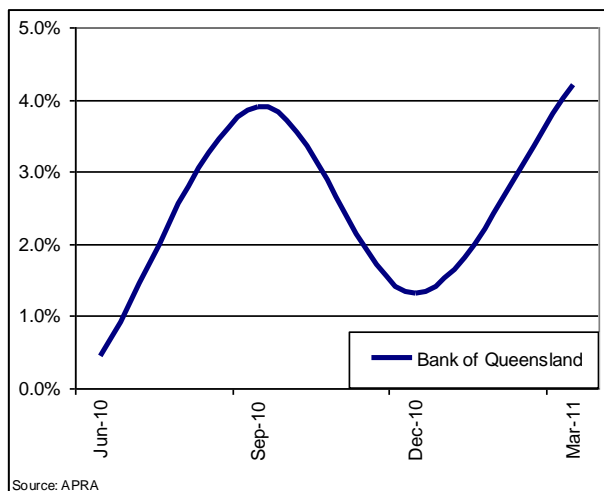
The result is Bank of Queensland now holds \$15.7 billion in deposits, and if the inflow of deposits continue at the current rate, then the bank will be able to move up the rankings and overtake Bendigo and Adelaide (\$17.5 billion) and ING Direct (\$17.6 billion), and potentially become Australia's fifth biggest bank retail deposit holder by the end of 2012.

The continued inflow of deposits acts as a funding tool, which can then be used to help fund lending books at a lower rate than other wholesale funding lines.

Short term analysis – quarter on quarter change

The net deposit book growth has been a bit erratic for Bank of Queensland over the short term, but the result is still a positive one.

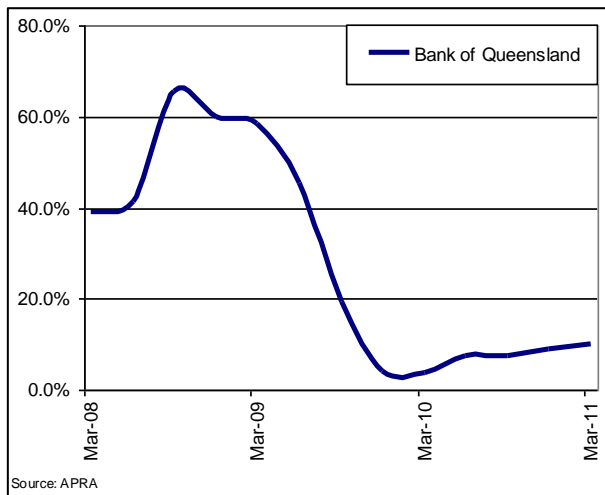
The 4.2% March 2011 quarter jump was the best for the period, and followed on from the 1.3% December rise, the 3.9% September quarter increase and the 0.5% June quarter gain.



Long term analysis – year on year change

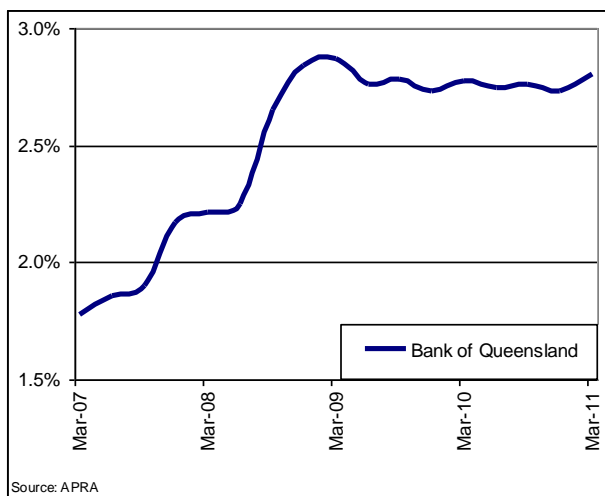
Bank of Queensland has recently improved deposit customer acquisition, highlighted by the above system 10.2% book increase for the year to March 2011.

A year earlier annual growth fell to just 3.8% as the bank had a less competitively priced deposit product range, with the peak above 60.0% in late 2008 due to the friendly takeover of Perth based Home Building Society, which added around \$1.8 billion in retail deposits to the bank.



Retail deposit market share analysis

Bank of Queensland has maintained deposit market share around 2.8% for the last two years, with the bank realistically requiring another friendly takeover similar to the Home transaction for the bank to push past 3.0% market share in the short to medium term.



Australian Deposit-taking Institutions Included

Big four banks

- Australia and New Zealand Bank
- Commonwealth Bank
- National Australia Bank
- Westpac

Tier 2 Australian banks

- AMP Bank
- Bank of Queensland
- Bendigo and Adelaide Bank
- Rural Bank
- Macquarie Bank
- ME Bank
- Suncorp

Foreign banks

- Citigroup
- HSBC
- ING
- Rabobank

Mutuals

- Credit unions combined
- Building societies combined

Cost

The Australian Cash Report can be purchased individually, or as an annual subscription.

For further details contact the CoreData office on (02) 9376 9600.

Analysis

The following are the common types of analysis we perform on data sets:-

Descriptive and Bivariate analysis:

- Chi-square,
- Correlation,
- ANOVA,
- t-test

The two main techniques for determining significant differences or associations in the data we typically deal with are;

Chisquare test - are used to test relationships found in crosstabs.

ANOVA test - are used to determine whether there is a significant difference in the averages of two or more groups.

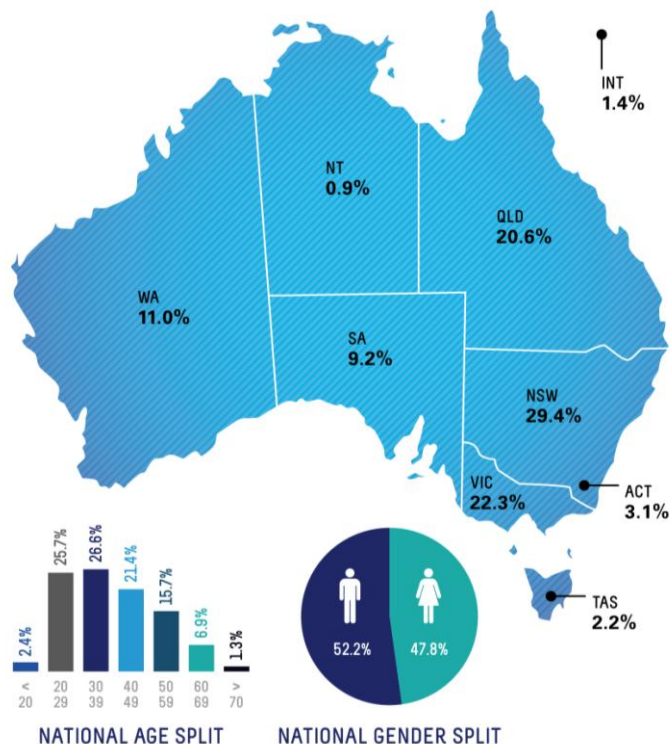
You can use ANOVA to test difference between two groups and also to test difference between periods within point index scales.

Crosstabs and Chisquares (non-parametric test used for nominal or ordinal data) can use collapsed/recoded interval ratio but parametric tests are more powerful as they contain more detail and are thus more accurate.

Ability to leverage its extensive proprietary nationwide database of 105,000 Australians to recruit participant respondents.

AGE - STATE CROSSTABULATION (%)

| | < 20 | 20-29 | 30-39 | 40-49 | 50-59 | 60-69 | > 70 |
|--------------|------------|-------------|-------------|-------------|-------------|------------|------------|
| NSW | 2.7 | 26.3 | 28.9 | 21.2 | 14.1 | 6.0 | 1.0 |
| VIC | 2.0 | 23.6 | 27.3 | 22.6 | 16.0 | 7.3 | 1.2 |
| QLD | 2.5 | 26.7 | 25.2 | 20.6 | 15.8 | 7.5 | 1.7 |
| WA | 2.0 | 26.2 | 24.7 | 20.9 | 16.8 | 8.1 | 1.3 |
| SA | 2.0 | 22.5 | 23.4 | 23.6 | 19.4 | 7.5 | 1.6 |
| ACT | 1.6 | 33.2 | 28.3 | 18.8 | 11.7 | 5.3 | 1.1 |
| TAS | 2.3 | 26.8 | 23.9 | 20.8 | 17.9 | 6.8 | 1.5 |
| NT | 2.9 | 21.1 | 26.5 | 27.4 | 15.8 | 4.6 | 1.7 |
| INT | 1.3 | 22.1 | 26.5 | 18.4 | 18.5 | 11.3 | 1.9 |
| TOTAL | 2.3 | 25.5 | 26.6 | 21.5 | 15.7 | 7.0 | 1.3 |



CoreData is an Australian based market intelligence and research consultancy specialising in the financial services industry.

The group provides clients with market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

CoreData prides itself in identifying market trends at the earliest opportunity and formulating insightful quantifiable research that clients can use to help them stay ahead of the market and better meet the day-to-day challenges facing their businesses.

Our focus is on bringing deep market knowledge to research and strategy development.

The group's research is not just about information and data but at providing insight so clients can develop strategies that work.

The CoreData team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

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