



Media Release

Business online deposit market exploding

(23 September 2005 – Australia) The business online deposit (BOD) market has exploded, growing more than 78 percent over the past 12 months with almost 10 percent of all business depositors placing funds in online deposit accounts, East & Partners has found.

East estimates the total BOD market is currently worth about A\$18 billion and could grow as high as A\$28 billion by 2007. If terms and conditions remain as competitive as they currently are, some 14 percent of business depositors will be engaging these accounts by 2007.

According to East, the massive growth of the BOD market has begun to decelerate after the spate of new products coming onto the market in 2005 but could speed up again as further new product is rolled out.

“The business online deposit market has really exploded out of nowhere over the past two years, with the catalysts being ING Direct and BankWest, both of which launched compelling new, high interest, low fee online products and really lit the touch paper,” East & Partners principal analyst Paul Dowling said.

“It took a while for the major commercial banks to defensively respond to these attacks on their deposits business but the last of the majors to enter this space, National Australia Bank, did so last week,” he said.

“The array of competitive products available really empower business customers; they are no longer a captive of their bank and can simply transfer deposits elsewhere if there are better deals to be had,” Mr Dowling said.

“The success and engagement of these online accounts is part and parcel of the wider product disaggregation that is taking place across the business banking markets in Australia,” he said.

“Notably, the amount of ‘hot money’ shifting to the ‘next best rate’ doesn’t seem to be occurring between deposit takers as much as might be expected in these business markets, it’s more a case of inter-account movements occurring,” Mr Dowling said.

Total Business Deposit Sample Structure

	Number of Business Depositors Interviewed	Estimated Segment Penetration
Micro Business	1,851	76.8
SME	1,191	84.6
Commercial	629	73.2
Corporate	452	100.0
TOTAL	4,123	81.1

This segmentation is based on East's standard enterprise annual turnover:

- Micro Business..... A\$1-5 million
- SME..... A\$5-20 million
- Commercial A\$20-340 million
- Corporate (Top 500)..... A\$340 million plus

For further information, please contact:

Paul Bartholomew
Senior Consultant
East & Partners
Tel: 02-9004 7848
Mob: 0410 400 156
paul.b@east.com.au