

ONLINE BUSINESS BANKING

MISC Global
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**Market
Intelligence
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**Online SME HIOSA bankers increase liquidity by \$2 billion
growing HIOSA deposits by 6.5% on reduced interest rates
of 4.7%**

FINAL RELEASE

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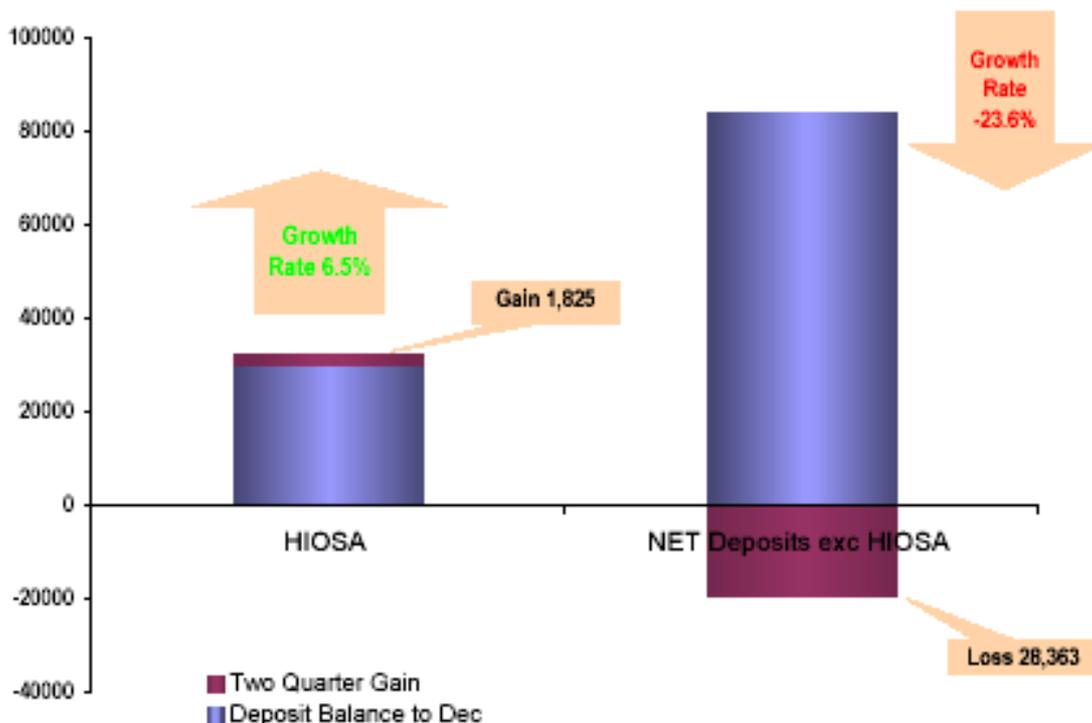
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Online SME HIOSA bankers increase liquidity by \$2 billion growing HIOSA deposits by 6.5% on reduced interest rates of 4.7%

MISC says the tough economic times facing small business have seen the cash reserves of most SME 's used to weather the storms. However Online SME bankers have only just depleted that liquidity in the March quarter when outflows of \$28 billion were shown in the MISC Internet Banking pool of SME 's. This followed relatively consistent growth in deposits by these bankers, both before the stock market crash of Sept 2008, and even for the quarter immediately after i.e. Dec quarter, as pre and post deposit accumulation took place on-line .The same could not be said says MISC of other SME bankers who use other channels eg Branch. Even with a growth of deposits immediately prior to the outflows MISC says that SME Internet bankers (as whole) have in the past 2 quarters depleted there on-line deposits balances by 23%. Over the full year growth of deposits has been negative -7%.

**As HIOSA SME Grow Deposits
Other Online Bankers Withdraw Deposits**



Source: MISC (Market Intelligence Strategy Centre)
Internet Banking Data Pooling Facility March Quarter 2008 - March Quarter 2009 /
HIOSA Internet Banking Pooling Facility March Quarter 2008 - March Quarter 2009



However one online banking customer segment has defied this trend and actually grown their deposit accounts by \$2 billion in the last 2 quarters and by \$3b over the full year. This group of specialist online SME bankers with HIOSA deposit accounts were not inconsequential, representing nearly 155,000 of all Small Business in the country. MISC (Market Intelligence strategy Centre) says clearly they did not appear to suffer the same liquidity crises as those Online Small Businesses with more traditional deposits. SME 's with HIOSA Online deposits found an additional \$2 billion in the last two quarters to top up their High Interest Online Accounts. This saw their account balances rise 6.5% in the crisis period September to March. This extra confidence surprisingly coincided with the lowest comparative gross earning rates for some 5 quarters on these HIOSA products (even by the best online rates on offer at the time). By the March quarter the maximum online rates were just 4.7% compared to 8% several quarters earlier before the successive RBA rate adjustments last year. MISC believes those more canny SME'S were more interested in the margin i.e. the difference between the cash rate and the HIOSA interest rate offered. The MISC research of all online HIOSA offerings over the period against the cash rate shows that that margin was its most attractive in the March 2009 quarter rising to 1% from just .25 % in the Sept Crash quarter. MISC attributes the margin as having a greater impact than the headline top rate. The 1% margin way clearly enough to encourage either a migration of deposits from other accounts to these online High Interest accounts or the movement of moneys from other investment vehicles eg stocks and shares.

Online Internet SME bankers SME deposit account Bankers (Exc HIOSA) Versus SME HIOSA online bankers –contrasting behaviours

Quarterly	<i>SME bankers with other deposits accounts **</i>	<i>SME HIOSA Online Bankers ***</i>
March 09 Quarter Deposit Balances	\$83704m	\$30027m *
2 Quarter Bal change (Includes Dec 08 and Mar 09)	-\$28363m OUT	+\$1893 IN
% 2 Quarter Change	-23.6% Negative	+6.5% Positive
Annually		
Annual Change in Dep Balance	-\$19318 OUT	+\$3514 IN
Sum of all quarters March 08 to March 09 % change	-6.95% Negative	+13% Positive

HIOSA = High Interest Online Deposit Accounts

** Registered SME Online Bankers with Online HIOSA accounts

*** Registered SME Internet Bankers with deposit accounts but excluding HIOSA deposit account SME bankers

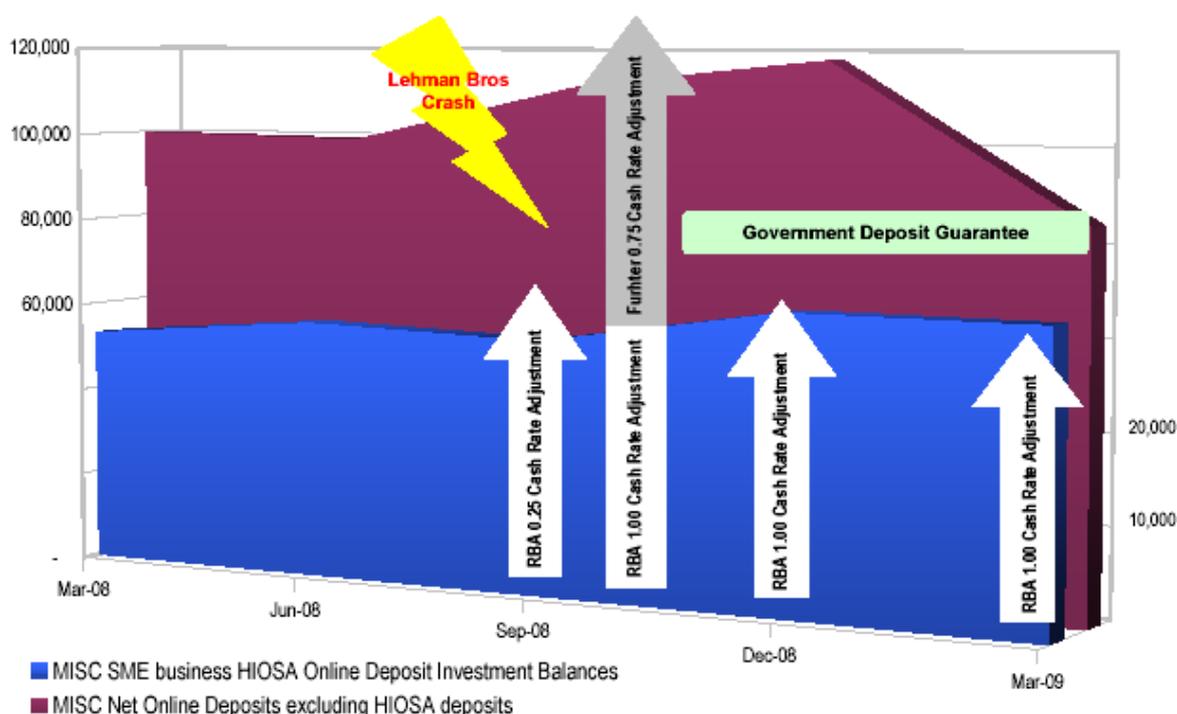
*Source: MISC (Market Intelligence Strategy Centre)
Internet Banking Data Pooling Facility March Quarter 2008 - March Quarter 2009 /
HIOSA Internet Banking Pooling Facility March Quarter 2008 - March Quarter 2009*



Trend shows pre and post crash reactions of Online SME bankers:

MISC has examined the pre and post Sept crash deposits environment for Small Businesses that typically transact their banking online. MISC relies on a historic analysis of the Internet Banking Pool and the companion HIOSA pool made up by the banks and managed by the research group. Significantly says MISC the trends show predictably that with worsening economic conditions small business online bankers clearly reacted negatively to the post September 2008 conditions despite the government’s attempts to build confidence in the bank deposit system. While their deposit behaviours were still in a building stage to Sept 2008, they slowed immediately after, and then contacted, as funds were withdrawn. Recording negative outflows of nearly \$28b as liquidity was needed.

Online SME Business Deposit Balance Pre & Post Crash HIOSA SMEs Grow Deposits



Source: MISC (Market Intelligence Strategy Centre)
Internet Banking Data Pooling Facility March Quarter 2008 - March Quarter 2009 /
HIOSA Internet Banking Pooling Facility March Quarter 2008 - March Quarter 2009



Significantly the 155,000 HIOSA Online SME’s behaved quite differently. They were either buoyed by the Government initiatives or were more liquid, investing more in their Online deposits, despite relatively poor investment returns on offer. In December 2008 the margin between the Reserve bank cash rate and most HIOSA’s on offer was just .5% having risen by .25% on the quarter earlier. The contrasting behaviours of both groups has occurred in an unprecedented 3 quarters of Reserve bank stimulus, in which not 1, but 5 rate adjustments were made to restart the economy.

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When the stock market was it's most jittery, and the government introduced its deposit guarantee it seems that not all bankers responded equally. Even for the quarter of the crash online bankers were moving assets out of other investment into Internet banking. Before June 08 and Dec 08 they added \$425 billion in deposits. MISC assembles on behalf of its bank pool member's online banking measures and special on-line deposit analysis for HIOSA's.

The respected research group says that the Online channel has a always attracted a premium SME customer for the banks and clearly they have been better able to move funds in and out and respond quickly to even small deposit rate differentials which they perceive to be more competitive .The research group notes that when HIOSA products were offering 8% in September at the time of the crash, the margin between the cash rate and HIOSA deposit rate was negative.

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