

INTERNET BANKING

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**Market
Intelligence
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**Superannuation June reform rush to invest \$1 million sees all banks' deposit growth halt whilst Internet bankers top-up their deposit accounts with \$9 billion and more.
Internet banking grows on the back of the super reform rush**

FINAL RELEASE

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Background

In the run-up to 30 June 2007, there was a lot of hype in the market as to the impact of the one-off super opportunity. There were expectations of record high inflows into retail funds and DIY funds, accelerated sales of shares, sale of property, refinancing and salary sacrifice into industry funds all in a bid to accumulate funds for the \$1 million contribution. For instance, Goldman Sachs JBWere predicted a \$19 billion additional flow into equities as a direct consequence of the super incentive and added that by current indicators this prediction could in fact be conservative. Similarly, Financial planning group Count Financial noted a 16% rise in funds under advise over and said it had yet to see a further surge. Macquarie Bank's financial planning division received more than \$700 million in extra superannuation contribution in just two months from 700 clients exploiting the one-off chance to contribute to up to \$1 million of post-tax savings into their retirement pots.

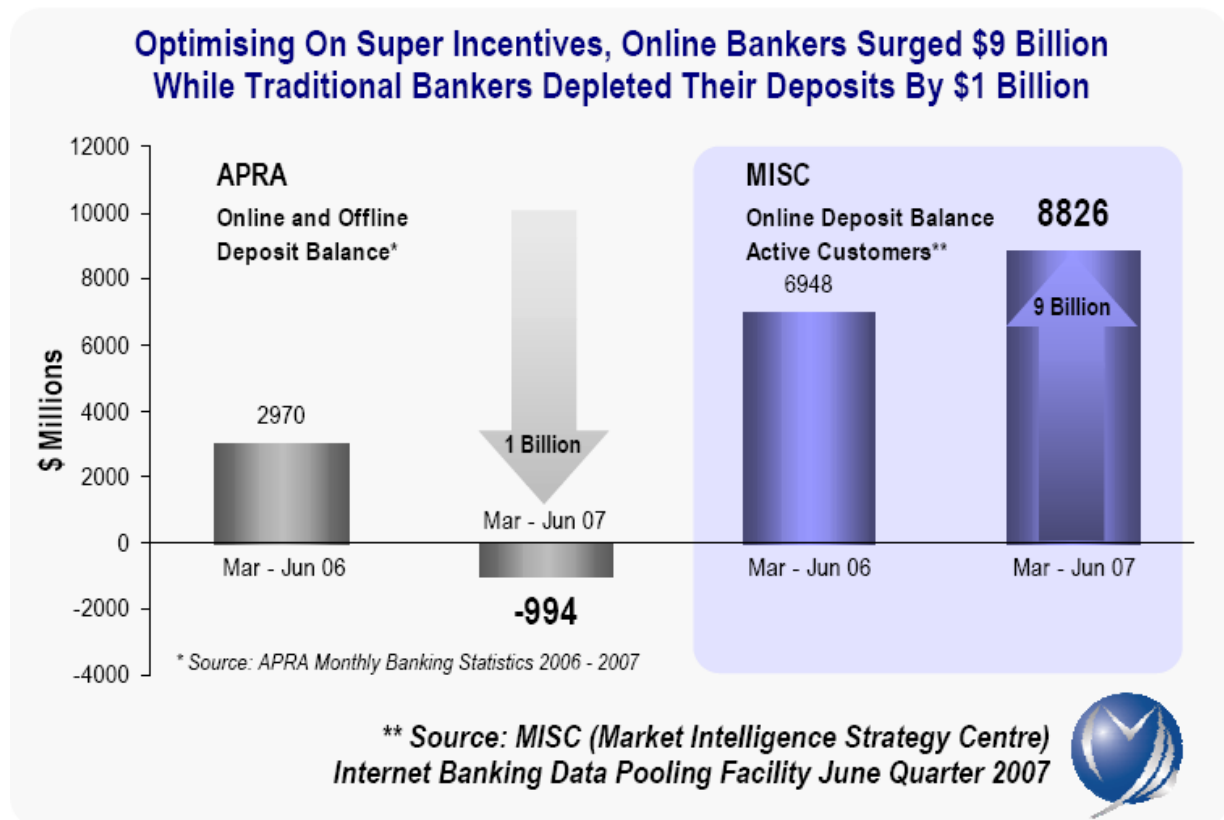
However, since then there has been little discussion or evidence on the actual impact of the super reform. MISC Australia (Market Intelligence Strategy Centre), through its comprehensive research and this release has endeavoured to fully analyse that impact.

Superannuation June reform rush to invest \$1 million sees all banks' deposit growth halt whilst Internet bankers top-up their deposit accounts with \$9 billion and more.

Internet banking grows on the back of the super reform rush.

The June deadline for the one-off \$1 million contribution to super has had a remarkable impact says MISC on behalf of its bank pool members commenting on the latest June quarter Internet banking results released by the pool today.

APRA results for the June month end reveals all banks' deposits failed to grow, declining by nearly \$1 billion as demonstrated in the APRA Online and Offline Deposit Balance graph below. Albeit, the behaviour of Internet bankers was exactly the opposite (refer to the MISC Online Deposit Balance Active Customers graph below), as active users deposited an extra \$9 billion into their deposit accounts utilising their Internet banking in comparison to \$6.9 billion in the previous year. According to MISC, the pool results for the June quarter in contrast to March, showed a 4% increase in deposit balances held by both small business Internet bankers and consumers.



In addition, these same Internet bankers aggressively opened new accounts (possibly super accounts) as the pool recorded a 6% leap in new accounts established in the quarter reaching a record of 25.7 million online accounts, including both deposit and operating accounts. MISC says that the entire Internet banking channel benefited this quarter as an additional 90,000 active users¹ were attracted to Internet banking in contrast to the previous quarter, when the number of active users declined.

¹ Active users are users who use their Internet banking accounts at least once every quarter (90 days).

Not only did these users open new accounts and deposit an extra \$9 billion, they also transacted more says MISC. Transaction activity in the Internet banking channel reached 223 million. The biggest transaction growth for the quarter and possibly due to restructuring says MISC. An additional 1.5 million transfers took place and most of these were external transfers². MISC says the external transfer growth, which was unusual, can largely be explained by the superannuation activity and suggests that Internet bankers were quite receptive to the government’s Super incentives.

Internet Bankers Grow The Channel As Super Reforms Provide Special June Quarter Impetus

	<i>June Quarter</i>	<i>From Previous quarter</i>
Increase in Active Users Which in turn increases activity	90,000 extra users	+1.43%
New & Existing Users Grew their account to record new levels	6% account growth 25.7 million in operation	+6.0%
Additional Transactions Specifically increases in transfers	1.5 million extra transfers 74% external transfers	+2.2%

*Source: MISC (Market Intelligence Strategy Centre)
Internet Banking Data Pooling Facility June Quarter 2007*



The above results stem from the recently released June quarter data of the co-operative Internet Banking Industry Pool, assembled each quarter by MISC on behalf of its pool members. According to MISC says the online channel has singularly had greater success than the offline channel, especially in this quarter as it reflected the behaviours promoted by the June Super deadline. MISC says the Internet Banking channel has always attracted consumers with whom the banks can form extensive and fully involved relationships as these consumers engage in higher levels of activity. The MISC pool collection for the June Quarter 2007 supports the view that online accounts are vital to the Australian Online Banking Industry, which in the last quarter alone made 225 million more transactions across multiple accounts.

² External Transfers can be defined as transfers from one account to another, either with the same bank i.e. to spouse/new account (eg super account) or with a different bank.

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Further Notes to MISC Facility Service Development & Methodology

These are findings from the MISC Internet Banking Data Pooling Facility collection for the June 2007 quarter. This latest report is the 29th so far produced by MISC on this dynamic sector of the Electronic Banking market and is based upon banks supplying quarterly detailed Internet banking transaction data adhering to a standard format and consistent definitions designed by MISC. The report is compiled exclusively for the use of the members of the facility, a unique collaborative service, developed by MISC together with Australia's leading Internet banking financial institutions.

Development of the facility by MISC is in response to the market's need to address the issue of widely conflicting market measures and the search for a definitive and regular measurement of Internet banking uptake. To date there has been much discussion regarding terms used to describe those who have been attributed as having 'experienced' an Internet banking service. The MISC facility has reached agreement with the pool participants regarding a re-classification of 'user' definitions to ensure consistent measurement. This has resulted in the more valuable measure of 'Active' users i.e. actually transacting at least once in the previous quarter.

Essentially the exciting 'data pooling' initiative determines for the first time the true uptake of Internet banking activity and importantly ensures that an independent facilitator acts as a conduit for the data collection, analysis and interpretation. This MISC-run facility determines not only the true size of the market but also delivers, for participants, their individual confidential relative positions. To track the market's development, MISC coordinates 90-day data pooling measures to which all participants now confidentially contribute. The subsequent quarterly reports delivered by MISC provide the various pool participants with the opportunity to position and monitor performance. Critically, the research provides the data required to underpin accurate Internet banking site development i.e. access features and the level of service customer's desire.

For further information on this unique service please contact MISC Marketing.

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Appendix A - Quotes
April 18, 2007 to July 5, 2007

Claim Source	Article	Actual Quote
Jonathan Barrett	The Australian Financial Review: Retail, DIY to benefit most from super changes, April 18, 2007	Citigroup analysts estimate the fast growing do-it-yourself fund sector may attract around 70 per cent of the extra fund inflows prompted by the reforms.
Brendan Swift	The Australian Financial Review: Fund Managers await flood of cash, April 23, 2007	<p>Financial planning group Count Financial reported a 16 per cent rise in funds under advise to almost \$13 billion over the fiscal year ended March 31 but said it had yet to see a surge due to the one-off \$1 million superannuation contribution opportunity.</p> <p>IOOF's funds under management and administration rose by \$2 billion in the March quarter to \$32.8 billion. IOOF chief Ron Dewhurst said: "That's certainly evidence that flows are starting to increase in that area."</p> <p>"...we have assumed a 20 to 25 per cent increase is made to domestic equities over the \$18 billion to \$19 billion we were forecasting on a steady state basis," Goldman Sachs JBWere said. "Current indicators are this could be conservative."</p> <p>BT Financial Group chief executive Rob Coombe said its BT Wrap investment platform was receiving \$1 billion in inflows every eight weeks. "That's continuing to accelerate," he said.</p> <p>Goldman Sachs JBWere estimates that up \$50 billion of extra cash could be injected into the market this year due to the superannuation changes, new investments by the Future Fund and returned cash from takeover targets such as retailer Coles Group.</p> <p>Financial planner Peter Bishell of independently owned Phase Three Superannuation and Retirement Consultants said the amount of money its clients invested into super was likely to double this fiscal year. "On a daily basis we're getting emails from clients saying 'we have \$400,000 of shares you didn't know about and what strategy do we need to get it into our super fund?'" he said.</p>
Michael Pollak	The Australian Financial Review: Rush to transfer holdings turn into a stampede, April 26, 2007	<p>The rule has resulted in between \$50 billion and \$70 billion worth of shares being channelled into superannuation funds, according to the director of research at Baillieu Stockbroking, Ivor Ries, who describes this level of activity as unprecedented.</p> <p>"Since the last federal budget in May, a record number of people have established self-managed funds and transferred assets into them," Ries says.</p>

Appendix A - Quotes (continued)

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April 18, 2007 to July 5, 2007

Marc Moncrief	The Sydney Morning Herald: Aussies pour \$10b into super, July 5, 2007	<p>Superannuation investors have poured an estimated \$10 billion into super funds over the past three months as they rushed to claim a Federal Government tax break that expired at midnight on Saturday.</p> <p>The estimate, by the Association of Superannuation Funds of Australia, is well below reports suggesting as much as \$80 billion had surged into super.</p>
Fleur Anderson & Caitlin O'toole	The Australian Financial Review: Last-minute super rush stuns industry, July 5, 2007	<p>Jason Yetton, general manager of BT customer solutions, said wrap platforms were launched 10 years ago and took three years to reach their \$1 billion under administration. “</p>