State of the Nation

Australia

Spotlight on the changes to the Financial Services Market since the 1997 Financial System Inquiry (Wallis Report)

1st April 2014
Who can remember 1997 – that’s before Facebook

In 1997

• 85% of Australians read the newspaper in hard copy
• Only 40% had mobile phones
• None of us knew that our phones weren’t ‘smart’
• Only 15% had a degree
• The 30% of Australians who had internet at home, had dial-up
• 1-in-3 believed homosexual couples should be allowed to adopt children
• 46% owned their home outright (it’s now 34%)
• And just over a quarter (27%) of Australians were 50 or older
• The A$ exchange rate was .60 to US$
Overview
Most Important Issues Facing Australia

- Religion/Immigration/Human Rights: 39%
- Economic Issues: 39%
- Terrorism & War: 21%
- Social Issues: 14%
- Environmental Issues: 16%
- Politics & Leadership: 10%
- Health Issues: 4%
Australia Today

Consumer Confidence\(^1\)

114.5

▲ 2.3

Business Confidence\(^3\)

131.5

▼ 14.2

Unemployment\(^2\)

12.3%

▲ 1.0

Under Employment\(^2\)

8.5%

▼ 0.2

Superannuation Assets\(^6\)

($ trillion)

$1.803

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\(^1\) Roy Morgan Face-to-Face; March 22/23, 2014; Australian population aged 14+

\(^2\) Roy Morgan Face-to-Face Survey; February 2014; Australian population aged 14+ in Workforce

\(^3\) Roy Morgan Business Single Source; February 2014

\(^5\) FuelWatch; February 2014

\(^6\) APRA; December 2013
Australians’ Voting Intention

Government Confidence: 100pts

LIBERAL NATIONALS vs. Labor

45.5% vs. 54.5%

Base: Australian electors aged 18+
Spotlight on:

Financial Services

Changes since the 1997 Financial System Inquiry (Wallis Report)
## Financial Services Market Growth

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australian Population (14+)</strong></td>
<td>14.79m</td>
<td>19.19m</td>
<td>+29.8%</td>
</tr>
<tr>
<td>**Value of Consumer Financial Services ***</td>
<td>$867bn</td>
<td>$3,398bn</td>
<td>+291.9%</td>
</tr>
</tbody>
</table>

Base: Australian population 14+

Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013

* Loans, Superannuation, Accounts and Other products
Total Superannuation Assets

Source: Australian Prudential Regulation Authority
Growth in Financial Services
1997 to 2013

Base: Australian population 14+
Source: Roy Morgan Research; 12 month rolling average

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Mortgage Stress
(Percentage of Owner Occupied Mortgage Holders ‘At Risk’)

Base: Aust. Population 14+ who have mortgage on home living in.

Source: Roy Morgan Research; 3 month moving average

- % At Risk: 27.2%, May 08
- % Extremely At Risk: 14.9%, Mar 08
- Additional data points indicate variations throughout the years.
Growth in Financial Services with Direct Investments 1997 to 2013

* Direct Investments data collected from 2000; includes shares and investment properties
Base: Australian population 14+
Source: Roy Morgan Research; 12 month rolling average
Growth in Self-Managed Superannuation

<table>
<thead>
<tr>
<th></th>
<th>Growth from 2004 - 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Superannuation*</td>
<td>+ 103%</td>
</tr>
<tr>
<td>Self-Managed Superannuation**</td>
<td>+ 290%</td>
</tr>
</tbody>
</table>

Currently Self-Managed Superannuation Funds Account for over 30% of Superannuation Balances

Source: * Roy Morgan Research; 12 months to Dec 2004 and Dec 2013
Source: ** Australian Taxation Office, June 2013
Change in Financial Products Held 1997 / 2013

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Proportion of Financial Services Dollars held by Age Group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Proportion of Dollars*</th>
<th>1997</th>
<th>2013</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 and over</td>
<td>13.0%</td>
<td></td>
<td>18.6%</td>
<td>+5.6% points</td>
</tr>
<tr>
<td>50 - 64</td>
<td>27.5%</td>
<td></td>
<td>37.3%</td>
<td>+9.8% points</td>
</tr>
<tr>
<td>35 - 49</td>
<td>38.8%</td>
<td></td>
<td>31.8%</td>
<td>-7.0% points</td>
</tr>
<tr>
<td>25 - 34</td>
<td>16.6%</td>
<td></td>
<td>10.6%</td>
<td>-6.0% points</td>
</tr>
<tr>
<td>14 - 24</td>
<td>4.0%</td>
<td></td>
<td>1.8%</td>
<td>-2.2% points</td>
</tr>
</tbody>
</table>

50 and over Represents 55.9% of all dollars held in 2013. (+15.4% points)

* Financial Service dollars are the total value of loans, superannuation, accounts and other products. 12 months to December 1997/2013.
** Proportion of the population as at June 1997/2013. Source: ABS
Proportion of Financial Services Dollars Held By Quintiles

- **Highest Quintile:** 64.8%
  - Top 20% of population based on value of financial services held.
  - Value Range: $414K +

- **Second Highest Quintile:** 24.0%
  - Value Range: $169K to $413K

- **Third Highest Quintile:** 8.8%
  - Value Range: $47K to $168K

- **Fourth Highest Quintile:** 2.2%
  - Value Range: $9K to $46K

- **Lowest Value Quintile:** 0.2%
  - Value Range: up to $8K

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 2013
Quintiles by Helix Personas
Top 5 Helix Personas in the Highest Quintile
Australia

101 Bluechip
103 Self-made Lifestylers
104 Status Matters
102 Smart Money
302 Careers and Kids

Base: Australian Population 14+
Source: Roy Morgan Research; Oct 2010 – Dec 2013
VIC – Top 5 Helix Personas in the Highest Quintile

Base: Australian Population 14+
Source: Roy Morgan Research; Oct 2010 – Dec 2013
Top 5 Helix Personas in the Lowest Quintile Australia

708 Struggleshoot
707 New Beginnings
509 Doing it Tough
709 Coupon Clippers
505 Aspiring Immigrants

Base: Australian Population 14+
Source: Roy Morgan Research; Oct 2010 – Dec 2013
VIC – Top 5 Helix Personas in the Lowest Quintile

Base: Australian Population 14+
Source: Roy Morgan Research ; Oct 2010 – Dec 2013
Impact of Technology on Financial Services
Major Banking Channels used in Last 4 Weeks 1997 / 2013

<table>
<thead>
<tr>
<th>Service</th>
<th>1997</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch</td>
<td>62%</td>
<td>47%</td>
</tr>
<tr>
<td>Phone Banking</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Total Internet Banking</td>
<td>0%</td>
<td>58%</td>
</tr>
<tr>
<td>Internet Banking using Website</td>
<td>0%</td>
<td>53%</td>
</tr>
<tr>
<td>Mobile Banking using an App</td>
<td>0%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013

Discover your edge
Internet Banking used in Last 4 Weeks by Financial Services Quintiles

Source: Roy Morgan Research; 12 months to Dec 2013
Quintiles based on value of Financial Services (i.e. the total value of loans, superannuation, accounts and other products).
Competition in Financial Services
Market Strength of the “Big 4” Banks
By Customer Penetration

- Westpac acquires St George
- CBA acquires Bankwest
Conversion of some Building Societies / Credit Unions into Banks

Source: Roy Morgan Research; 12 month rolling average.

Base: Australian Population 14+; Traditional Banking Products
Market Strength of the “Big 4” Banks
By Dollar Share

<table>
<thead>
<tr>
<th></th>
<th>Total Financial Services</th>
<th>Traditional Banking Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997 Proportion of Dollars held at institution (%)</td>
<td>30% 43% 5%</td>
<td>12% 6%</td>
</tr>
<tr>
<td>2013 Proportion of Dollars held at institution (%)</td>
<td>40% 44% 13%</td>
<td>73% 3%</td>
</tr>
</tbody>
</table>

"Big 4" Increases Share

Source: Roy Morgan Research; 12 months to Dec 1997 and 2013
Market Share of “Big 4” Banks by Product
1997 / 2013

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Insurance Market Share of “Big 4” Banks 1997 / 2013

- **General Insurance**
  - 1997: 6%
  - 2013: 11%

- **Risk & Life Insurance**
  - 1997: 8%
  - 2013: 32%

Base: Australian population 14+ with General Insurance/ Risk and Life Insurance

Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Customer Loyalty in Financial Services
Number of Financial Institutions Dealt With

Average number of institutions dealt with

All Financial Products

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.96</td>
<td>3.93</td>
</tr>
</tbody>
</table>

Traditional Banking Products

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.72</td>
<td>1.66</td>
</tr>
</tbody>
</table>

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Number of Financial Institutions Dealt with By Age – 1997 / 2013

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Average Number of Financial Products Held
1997 / 2013

<table>
<thead>
<tr>
<th></th>
<th>All Financial Products</th>
<th>Traditional Banking Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>7.1</td>
<td>3.0</td>
</tr>
<tr>
<td>2013</td>
<td>8.1</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Share of Wallet ("Big 4")
1997 / 2013

Base: Australian population 14+ who deal with "Big 4" banks
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Main Financial Institution

Proportion consider institution their MFI (%)

1997

Big 4 Banks, 63%
Other Banks, 22%
BS/CU, 15%

2013

Big 4 Banks, 68%
Other Banks, 23%
BS/CU, 9%

Big 4 Banks increase share of MFI Customers

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Customer Satisfaction
Customer Satisfaction – “Big 4”

Base: Australian population 14+
Source: Roy Morgan Research; 6 month moving average to Feb 2014
Business Satisfaction – “Big 4”

Percentage Very or Fairly Satisfied (%)

Westpac 66.9%
CBA 65.5%
ANZ 63.6%
NAB 63.4%

** 7 months to April 2011.
Business Banking - Image of Main Financial Institute
Top and Bottom four opinions

Base: Australian Businesses
Source: Roy Morgan Research Business Survey; 12 month to Dec 13

- Follows developments in your business: 3.47
- Maintains regular contact with you: 3.74
- Knowledge of products and services to meet your needs: 4.06
- Has a good understanding of your industry: 4.15
- Responds promptly to requests: 4.78
- Resolving any problems on the spot quickly and efficiently: 4.86
- Is honest and fair in its dealings with the business: 4.94
- Friendly, courteous, knowledgeable staff: 5.39

MFI Image Statement Rating
Extremely Poor Excellent
Customer Switching
Intention to Switch MFI in the next 12 months

Base: Australian population 14+
Source: Roy Morgan Research; 12 months to Dec 1997 and Dec 2013
Opinion of Finance Professionals
Rating of Professionals in Financial Services on “Ethics and Honesty”

Base: Australian population 14+
Source: Roy Morgan Research; Annual Image of Professions Survey