

INTERNET BANKING

MISC Global
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**Market
Intelligence
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**Virtual Banking Reaches 151 Million Transaction Record as
Quarterly Growth Rate is Maintained. But User Growth Falls.
Is Internet Banking Entering a New Phase?**

FINAL RELEASE

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Virtual Banking Reaches 151 Million Transaction Record as Quarterly Growth Rate is Maintained. But User Growth Falls. Is Internet Banking Entering a New Phase?

These results emanate from the just released December 2003 Bank-sponsored, MISC (Market Intelligence Strategy Centre) Internet Banking Data Pooling Facility. The data collected and pooled is submitted by most of Australia's leading Internet Bankers including pool members like NAB, Commonwealth, Westpac, BankWest and Bendigo with special assistance from Citibank, Suncorp and Bank Of Queensland. The pool of contributing bank members now account for approximately 84% of all Bank Internet customers.

A new record was established for Internet banking in its latest quarter as devoted users further increased their transaction activity by 7% to reach 151 million transactions in the latest quarter. Even though the latest December quarter Internet Banking results also show little if any growth of users the co operative Industry Internet Banking Data pool (now in its 15th -quarter) sets another milestone with user transactions exceeding 151m. What makes this result even more significant says MISC (Market Intelligence Strategy Centre) on behalf of the Internet Bank Pool members is that it occurred in a period in which significant publicity was given to Internet and E commerce security concerns. The pool results also show that virtually no growth had been experienced in new registrations (especially active) in this same quarter. This is in contrast to regularly reported registration gains of often double digit levels (even in the past year) and more impressive growth in the lead up quarters. Leading Industry intelligence group, MISC says this shows that existing Internet bankers were immune to the concerns and behave as normally but new users may have been temporarily deterred.

Nearly 8 million users, but new user growth slows.

	<i>Numbers '000</i>	<i>December 2003:</i>
<i>Registered Users</i>	7,906	2.88%
<i>Transactions (inc. History)</i>	150,910	3.88%
<i>No. of Accounts in Operation</i>	17,219	2.1%

Source: Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility December Quarter 2003

MISC Australia (Market Intelligence Strategy Centre), on behalf of Australia's major and regional Banks, announced these results for the December quarter Internet banking collection today. The leading research group also noted that registered internet bankers had now almost reached 8m. Despite flat new user growth and what were trying market conditions with a host of security scares, transaction activity still grew 7%. This reflects well on the now established and entrenched virtual banking behaviours for much of the banking community, while registered user growth of just 2.8% (compared to double digit rates in the past) might represent a stalling, the same is not true of on line banking transaction activity.

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The December transaction gains are made at a time which seriously tested the Internet banking channel as the industry was hit with a rash of security scares including: ghost sites, email notifications, Trojan viruses and key loggers. On behalf of bank pool members MISC says, "Clearly existing users were not swayed by these security problems". Their entrenched virtual banking behaviours ensured they, at least, maintained their existing virtual banking practices, paying bills transferring, searching histories and opening and closing accounts. Indeed some of the MISC bank pool members saw significant user growth, even though the same pattern was not universally reflected.

MISC notes that this is not the first time the environment has been so tested. In the September Quarter 2002, growth slowed but recovered in the quarter thereafter on the back of: the ATM scam (December 2001), the BPAY fraud in the March 2002 quarter, and the first 'Ghost' sites of September 2002. Despite these scares, which might have been expected to impact on uptake, the long-term pattern, proved to be unaffected even though MISC says, "Some short-term slow down was noted." This time says MISC the effect on users whether active or registered was more immediate. The extent of the security scares was more widespread more sophisticated and accordingly publicly debated more widely.

Selected significant security scares included:

Dec 2003:	ANZ imitation web site and scam email invitations. Fake site established in Queensland
Nov 2003:	St. George banks fake website mimics Internet banking site. Emails request user names and password to update web sites.
Nov 2003:	What became known as the Westpac e-mails (i.e. Scam emails purporting to be from Westpac directing user to surrender sign in details
Nov 2003	Key Logging patterns where key loggers capture typed passwords and E email messages especially from public computer access allowing access to Internet banking sites
Oct 2003:	Trojan password -theft virus. Trojans steal password to access Internet banking accounts and use a second party of transfer agent to move monies.
Oct 2003:	St. George bank ATM card skimming which while not impacting on Internet banking per see impacted widely
Sept 2003	St George bank hit by fake email /fake website scams with third party transfers overseas
Source: Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility December Quarter 2003	

Further Background Notes to MISC Facility Service Development & Methodology

These are findings from the MISC Internet Banking Data Pooling Facility collection for the December 2003 quarter. This latest report is the fifteenth 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 services, developed by MISC together with Australia's leading Internet banking financial institutions.

These institutions regularly pool detailed statistics on their Internet banking service activity. This latest December 2003, reporting is the first to be especially augmented with extended analysis of on-line applications across a wide and increasing range of banks products including Home Loans, Personal Loans, Credit Cards and Insurance. Pool members have commenced contribution to this additional database and the first reported results of the true shape of the Bank Online Applications sector of the market; will be released shortly to those members.

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 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. The MISC-run facility determines not only the true size of the market but also delivers, for each participant, 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.

MISC (Market Intelligence Strategy Centre)
Level 4, 14 Collins Street
Melbourne Vic 3000 Australia

Telephone: (03) 9654 4266
Facsimile: (03) 9650 7730
email: miscinfo@marketintelligence.com.au