

INTERNET BANKING

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**Active User Growth Rebounds after December Slump.
6% Quarter Growth of Active Users Compares to 5% Average for
2003, as Active User Accounts Also Grow 15%**

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Active User Growth Rebounds After December Slump. 6% Quarter Growth of Active Users Compares to 5% Average for 2003, as Active User Accounts Also Grow 15%

These results emanate from the just released March 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, Suncorp, Westpac, BankWest and Bendigo with special assistance from Citibank, and Bank Of Queensland. The pool of contributing bank members now accounts for approximately 81% of all Bank Internet customers.

With registration growth falling in the December quarter (even though users continued to exercise confidence through their transaction activity), MISC posed a question on behalf of its bank pool members, i.e. whether the change was symptomatic of a new phase in Internet banking given that registration growth can not continue for ever.

Similarly December quarter registered user response might well have been independent of the status of registered user population in the Internet banking space. At nearly 8 million it is realistically unable to grow in the future given the banking population constraints and virtual banking has now well established itself as a formidable channel. Already for some pool member banks activity in this virtual space even surpasses physical channel activity.

The more recent March 2004 quarterly results released today by the bank pool members through MISC (Market Intelligence Strategy Centre) show that growth has not stalled and active users in fact grew by more than 6 % in just one quarter, compared to the average 5% growth rate experienced over the 4 quarters last year. This occurred despite continuing security attacks during the quarter. These are clearly a dedicated and now, well educated, group, undeterred by occasional security blips. Banks have been particularly active in educating their active customers to assist in more secure usage. Similarly, a key factor in assessing the value of virtual bankers to the banks, i.e. multiple account activity also showed renewed growth as 15% more accounts were activated expanding the product and service experience of active users in the virtual channel. In the same quarter last year, the account gain was just 12%.

These factors alone suggest that virtual banking has (at least in the last quarter) possibly moved beyond its developing phase, with new levels of confidence exuded by Active users as they, now have sought to extend the breadth of their Internet Banking experience beyond a few accounts to many more. This activity has been promoted by several developments to assist multi account transacting eg single identification for several accounts and enhanced business functionality. The wider introduction of on line Interest bearing accounts may also have contributed. This is good news for many of the banks that seek to leverage more relationships with their customers. Indeed for some of the larger banks, future growth can only come from such relationship expansion programs.

This new evidence also suggests that any security concerns in the December quarter have all but evaporated as many more of the registered customers were converted by the banks to regular and committed Internet bankers.

Active user growth of 6% and 15% multiple account growth mean virtual banking rebound

	March 2003	Annual QtAve	March 2004:
Active Users	10.8%	5.4%	5.7 %
Growth in Accounts in Operation	12%	7.7%	15 %

Source: Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility March Quarter 2004

MISC Australia (Market Intelligence Strategy Centre), on behalf of Australia's major and regional Banks, announced these results for the March quarter Internet banking collection today. The leading research group also noted that registered Internet bankers had now almost reached 8m. This reflects well on the now established and entrenched Internet banking behaviours for much of the banking community. It will increasingly be the active user growth, not new registrations that will drive virtual banking in its next phase.

Banks expand account functionality prompting 15% multiple account growth (selected examples)

Timing of Change	Bank	Relevant Functionality Change
March quarter	National	New Payment scheduling Credit Card clearance
March quarter	National	Enhanced Payroll functionality for business
March quarter Dec quarter	Bank West Bendigo	Enhanced B Pay Single access code for multi account access Expanded multi account views
March quarter March quarter	Bendigo St George	Stage 1 Telegraphic Transfer Pro active notification for general accounts
March quarter intro	Suncorp	High interest deposit account Everyday Options account

Source: Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility March Quarter 2004

Further Background Notes to MISC Facility Service Development & Methodology

These are findings from the MISC Internet Banking Data Pooling Facility collection for the March 2004 quarter. This latest report is the sixteenth 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.

These institutions regularly pool detailed statistics on their Internet banking service activity. This latest March 2004, reporting is augmented with extended analysis of on-line applications across a wide and increasing range of bank products including Home Loans, Personal Loans, Credit Cards and Insurance. Additional Pool members have commenced contribution to this extra database including more recently Suncorp. Extended online analysis is scheduled for the June quarter 2004 providing enhanced procurement measures to members.

Development of the facility by MISC was 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 specifically classifies '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 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.

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