

INTERNET BANKING

MISC Global
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**Market
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However, Active Internet Bankers drive the new growth in
Internet Banking. According to the latest MISC research,
Active (90 day) Internet Bankers grew by 25% over the six
months to December 2001, closely matching Registered
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These results emanate from the December 2001 Bank-sponsored, MISC (Market Intelligence Strategy Centre) Internet Banking Data Pooling Facility (report released April 10). The data collected and pooled is submitted by the majority of Australia's leading Internet Banks including: the National Australia Bank, Commonwealth Bank of Australia, Westpac, BankWest and ANZ (with additional support from Suncorp Metway and Bendigo). It excludes all Internet activity of non-Banks – notably Credit Unions and the Internet activity of St George Bank. Despite this the Pool of contributing Banks still accounts for approximately 90% of all Bank Internet transaction activity.

Although registered users continue to grow (some 569,000 joined in the December 2001 Quarter), the latest MISC Bank pool results show that 'Active' user growth rates now closely match and could soon exceed those of Registered Internet Bankers. All Registered Internet Banking customers in Australia have now reached 4.669 million. Though reflecting slower growth than in previous quarters, recent registration gains have been driven in part by new isolated Bank initiatives, like the branch-focused campaign efforts of the Commonwealth and BankWest i.e. branch and call centre initiatives. Indeed, were it not for the efforts of the Commonwealth in this quarter, registration growth would have been negligible (as the Commonwealth Bank recorded the largest sign-ups). Notwithstanding this registration activity, the September and December quarters saw Active user growth rates of 25% and Transactions growth of 35%. The MISC research also reveals that regularly used and accessed banking and transactions accounts on the Internet have now reached a staggering 10 million, following Active user Account numbers growth of 26%.



**Internet Banking Highlights
6 months to December 2001
How 'Active' Internet Bankers are creating Electronic Banking Lifecycle Milestones**

<i>All Internet Banking Users</i>	<i>6 Months - Dec 2001 Growth - Users</i>	<i>Driving factors /Influences</i>
Active User Accounts	10 million	Two Quarter growth of 26%
Active Users	+25%	New site/system changes prompt use eg NAB & Suncorp Metway
Active User Transactions	+35%	New site/system changes prompt use eg NAB & Suncorp Metway

<i>Transaction Activity</i>	<i>6 months - Dec 2001 Quarter Growth</i>	<i>Driving factors /Influences</i>
Bill Payments	33.4%	Global Bill Payment Offering
Transfers	42%	External Transfer growth
Account Histories	32.5%	Extended History eg Bendigo
Logons	37.6%	Extra logons especially on Thursdays and Mondays
Active user Deposit Balance change (\$ Average size)	+\$3616	Driven by Active Consumers
Active user Lending balance change (\$ Average size)	+\$9785	Driven By Consumers in Regional Banks

Source:
Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility December Quarter 2001

The MISC results suggest we are seeing early signs of a consolidating Internet Banking market, which has to date been driven by unprecedented new user expansion, amazing most IB market watchers. MISC and its Bank pool members believe these results foreshadow a new evolutionary phase in Internet Banking, which will increasingly be driven by the progressive maturing of Active user acceptance and their related activity. On behalf of the Pool members ie Commonwealth Bank, NAB, BankWest, ANZ, Suncorp Metway and Bendigo, MISC points out that the December 2001 quarter was associated with increased Active user development as a result of significant Bank site/system changes.

The December 2001 quarter was especially unique with a number of Banks substantially upgrading the performance of their site offerings, which the group believes enhanced Account use and coverage. Notable among these was the National Australia Bank who enhanced the speed of its site as well upgrading to a browser-based system. Suncorp Metway was another who completely revamped its site making it one of the fastest in the market, while BankWest moved access more towards a 'one click' process. Not surprisingly say the Pool members, Transaction activity on those 10 million accounts reached record levels. Unlike earlier reported activity, MISC noted in 2000, which involved more passive low risk transactions (i.e. account history look ups).

This recent period says MISC has seen significant expansion of Transfer activity (both internal and external) and Bill Payments. These results and such transaction shifts underpin what some Pool members believe is evidence that today's Internet Banker is becoming increasingly mature and more confident - a pattern reflected not only by the 25% growth in

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Active users but the changed mix of transactions with an increasing input from Transfers (especially those external) providing quarterly average growth of 20% (42% 6 month growth). Bill Payment had previously provided more significant Transaction growth for most Banks but failed to continue the trend in the December quarter. (Note: By December all Banks (except ING) had introduced Bill Payment functions on their sites and some like Commonwealth Bank had offered an Aggregation facility. Presentment services introduced later had no effect.). Even average deposit levels for Internet Bank consumers raised nearly \$3,616 in the last two quarters suggesting that Active Internet bankers have become totally comfortable with their virtual banks.

Further Background Notes to Facility Service Development & Methodology

These are findings from the latest Internet Banking Data Pool collection for the December 2001 quarter. This latest report is the seventh 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 **MISC Internet Banking Data Pooling Facility**, a unique cooperative facility, 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 2001, reporting is the first to be especially 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. To date most 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 and 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 the MISC Marketing Department.

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