

INTERNET BANKING

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Internet Banking new take-up rebounds with registered user growth of 7.3% and ½ million new users

FINAL RELEASE

Media embargoed for 12:05am Thursday 21 April 2005

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Internet Banking new take-up rebounds with registered user growth of 7.3% and ½ million new users

These results emanate from the just released December 2004 Bank-sponsored, MISC Aust (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 National Australia Bank, 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 89% of all Bank Internet transactions.

MISC (Market Intelligence Strategy Centre) today announced that after several quarters of low new-registration growth rates, the bank players in the internet banking channel have encouraged nearly ½ million new users to sign up to their online banking services in the December 2004 quarter. This has resulted in a growth rate of 7.3% for online banking.

Double-digit growth rates were regularly reported in the early days of internet banking as registered users climbed from 1.3 million in 2000 to more than 7 million in 2004. The quarterly results for 2004 have often seen Active user growth (users in the last 90 days) exceed new registration growth.

"This is now reversed and the channel seems to be experiencing a new lease of life", said MISC (Market Intelligence Strategy Centre) on behalf of its Bank Pool members.

"In the same quarter last year, new registrations climbed by less than 3%."

These gains have come partly as a consequence of promotion activities undertaken by branches aimed at raising customer awareness of internet banking options. This has been coupled with rapid developments and take-up of new online High Interest Saving Account products (HIOSA's), which many banks have recently launched. This follows the successful direct product launches by Bank West, Suncorp and ING.

Westpac was a recent introducer of such accounts as was ANZ and the Commonwealth Bank. MISC (Market Intelligence Strategy Centre) said this contributed to increased registration growth.

The registration growth is all the more encouraging for the banks as they all recently embarked on rationalisation of inactive Registered users. This type of customer may not have used their online service since their first encounter. This could be a result of either changing banks or closing accounts.

Another milestone was reached within the Online channel in the same quarter when accounts managed by Internet Banking existing users had reached \$500 billion in associated lending commitments.



This now means that Online banking has captured a 32% share of all channel banks lending account management for the first time since the commencement of Internet Banking and the early Pool measures in 2000. This confirms the use of online banking for a large variety of lending products in online environments.

These positive results were partially driven by the focus on ongoing consumer education and increased security to protect online bankers.

These measures include the introduction and upgrade of security models. Westpac has extended a dual-layer authentication model for its business customers, including the SecurID Token, which Bendigo Bank has offered its customers. The National Australia Bank is currently trialling an SMS-password service.

The efforts of all banks to ensure online transactions remain secure have paid dividends with new users.

The 7.3% quarterly growth in new Internet Banking registrations closely follows several developmental programs launched at the same time.

“This goes part of the way to explaining the increase,” said MISC. (Market Intelligence Strategy Centre)

These include specific and separate Business on line banking services provided above the SME offerings that most banks have in their standard Internet Banking Platforms. Examples of recent initiatives include the promotion of business online services, for corporate customers, by Westpac and St George. Even the smaller and late entrants into the internet banking arena, such as HSBC, have extended such offerings.

Internet Banking Still Attracts New Users and More Transactions from Current Users		
	Mar 2004 Quarter Growth rate	Mar 2005 Quarter Growth rate
Total Registered Users growth/New users	4.2%	9.6%
Active User Growth	5.7%	5.0%
Transaction Growth	3.3%	7.9%
<i>Source: MISC (Market Intelligence Strategy Centre) Internet Banking Data Pooling Facility Mar 2004 – Mar 2005 Quarter</i>		



Further Background Notes to MISC Facility Service Development & Methodology

These are findings from the MISC Internet Banking Data Pooling Facility collection for the June 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 online 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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