

INTERNET BANKING

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**Market
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**Internet Banking Users Reach Record 7.7 Million -
with 113% Annual Growth as Victorian and ACT Bankers
Lead a New Growth Phase**

FINAL RELEASE

Embargoed for release until 12 midnight, 26th January 2004

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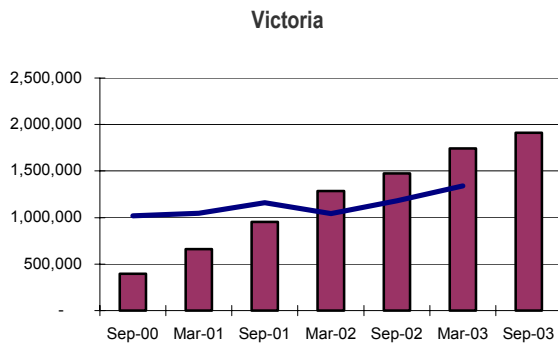
Internet Banking Users Reach Record 7.7 Million - with 113% Annual Growth as Victorian and ACT Bankers Lead a New Growth Phase

Today's Internet Banking (IB) user population has now reached a record 7.7 million registered users and grown more than threefold since it was first measured by the MISC (Market Intelligence Strategy Centre) Bank Pool in September 2000.

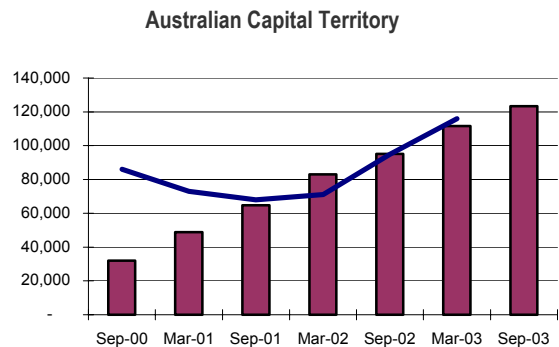
"This reflects a staggering 113% growth per annum" says MISC (Market Intelligence Strategy Centre) (on behalf of its major and regional bank pool members). This quarterly average growth rate of 8.6% compares to the growth rate of ISP connected subscribers (as measured by the ABS in September 2000 to March 2003) of just 3% per quarter - suggesting that many more Internet bankers are using their connections (i.e. more per household) as well as those small business that now embrace the channel.

MISC (Market Intelligence Strategy Centre) says, "It is not surprising, as Internet Banking offered the promise to all banks - large and small, of borderless customer access, free from the costly branch constraints that have retained the power base of many." On line banking makes no local or regional distinction. A further more localised endorsement of this level playing field (utopian concept) is now evidenced by the recent annual state measures of growth (released this week by the MISC (Market Intelligence Strategy Centre) bank pool members) which show that it is Victorian and ACT's banking populations that have led the charge to Internet banking, recording an annual registration growth in excess of most other states.

State by State Patterns of Internet Banking Registration Growth – A Comparison with Internet Connectivity



Source: MISC – MISC (Market Intelligence Strategy Centre), MISC Internet Banking Data Pooling Facility, September 2003.



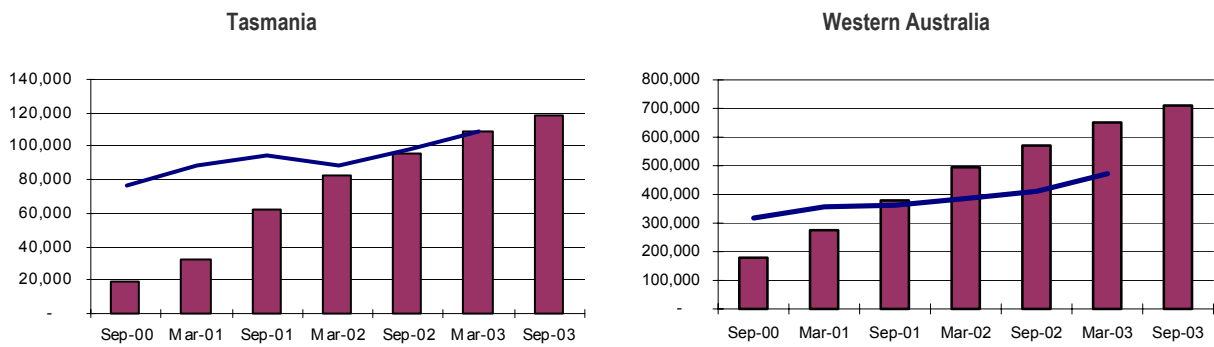
Source: MISC – MISC (Market Intelligence Strategy Centre), MISC Internet Banking Data Pooling Facility, September 2003.

■ MISC Internet Banking Pool (Registered IB Customers)
 — ISP Subscribers (ABS latest available January 2004)

Note: Registered IB users - consumer customers only. Source: IB reports (Pool members only). ISP subscribers: all subscribers (households & business). Source: ABS 8153.0 'Internet Activity'. ISP subscriber numbers are plotted as a benchmark, as they most closely approximate connectivity patterns in Australia. (Full description follows).

By comparison, states with the slower recent adoption growth rates include both Tasmania and Western Australia. Even though local banks were late in adopting full IB platform offerings (i.e. Bank of Queensland only offered a full IB service in September 2003), acceptance by the two populations (as indicated by registration growth) varies, says MISC (Market Intelligence Strategy Centre), on behalf of its contributing bank pool members. In part, says MISC (Market Intelligence Strategy Centre), the varying growth patterns reflect the attitudes of the state banking populations to innovation and technology, and in part the penetration of Internet connectivity. Anecdotal evidence reveals often that Victorians are known to be more conservative in their acceptance of new technology (e.g. mobile phones ISP uptake). But aside from these more contextual issues, MISC (Market Intelligence Strategy Centre) says very often it has more to do with the banks associated activity and the wider impact of that.

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State Trends in Internet Usage and Internet Banking Compared

A comparison of Internet Banking uptake in individual states shows that Victoria was the growth state, with the better recent registered user growth at 27% for the year ended September 2003. Victoria also had the second highest long term growth rate. Over the last three years, it has seen a fourfold increase in registered IB banking customers. Only Tasmania experienced better long-term registered customer growth. Over 3-years its registered customers have grown nearly five fold. WA was the only other state to experience a fourfold increase in registered customers over 3 years. Most other states on a long-term basis have seen Internet Banking customer numbers treble. More recently, however, WA and Tasmania have both reflected a slowdown in Internet Banking uptake, recording the slowest annual registered customer growth at 21% and 19%, respectively.

The number of active ISP subscribers serves as a general indicator of Internet user numbers or connectivity trends, although a number of inconsistencies with registered Internet Banking customer measures (see explanatory note below). The overall pattern is that of Internet Banking customer growth overtaking the growth in Internet subscribers, not surprising given that Internet Banking is a more recent phenomenon and the ISP market

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is thus more saturated. This trend has been true for all states over the 2.5-year period between September 2000 and March 2003. More recently, i.e. in the year to March 2003, the growth in Internet Banking customers likewise exceeded the growth in ISP subscribers, with the sole exception of the ACT. Among other states, Internet Banking customer growth in NSW, WA and Tasmania in the year to March 2003 could have partly resulted from renewed growth in ISP subscribers. On the contrary, new Internet Banking customers in Queensland and NT came from the existing Internet user base.

Note: Active ISP subscriber data, published on a half-yearly basis, is collected by the ABS by means of the quarterly Internet Activity Survey, a census of all identified Internet Service Providers (ISPs). ISPs are defined as suppliers of Internet connectivity to individuals, households, businesses and organisations; this definition excludes businesses providing Internet access on a casual basis, such as Internet cafes, libraries, etc. The data collection method should ensure universal coverage of customers with regular Internet access, as an ISP (or casual access provider) is required to access the Internet. However, subscriber numbers are not equivalent to the number of people, households or businesses with Internet access, since: 1) a subscriber can have multiple accounts with different ISPs, and 2) a single ISP subscriber account may provide Internet access for multiple people or organisations.

It should be noted that active ISP subscriber data is not consistent with MISC's registered Internet Banking customer data in several important respects. Firstly, the ABS defines active subscribers as customers with an ISP account who have either accessed the Internet or paid for access to the Internet during the relevant quarter. This data would be thus comparable to a combination of active Internet Banking customers and new registered customers (i.e. those who have registered during the quarter), as defined by MISC. Furthermore, the active subscribers measure is not cumulative by definition, and can therefore decline compared to the preceding period. Secondly, the registered Internet banking customers measure includes consumer customers only, further restricted to the MISC Internet Banking Data Pool members, while the ISP subscriber measure reflects all customers. Hence, a direct comparison between the two data series is impossible.

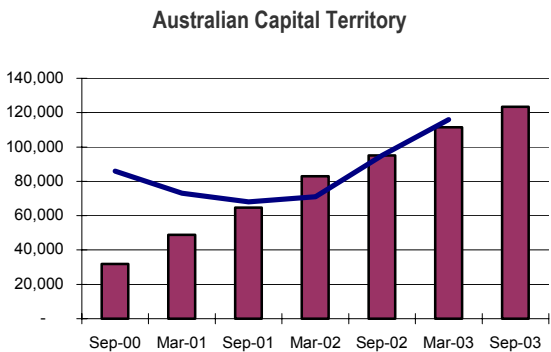
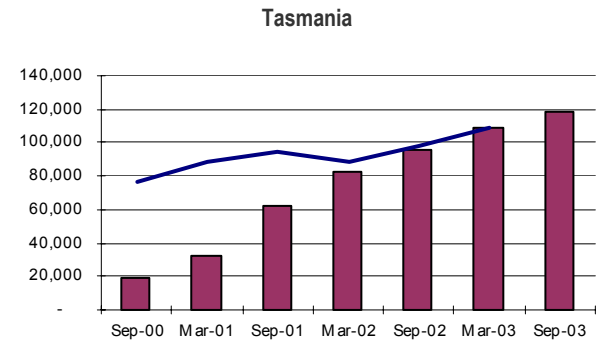
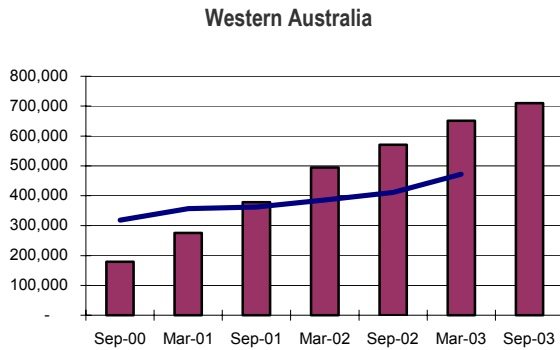
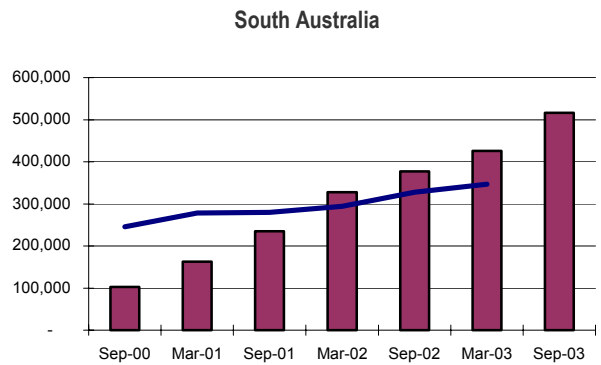
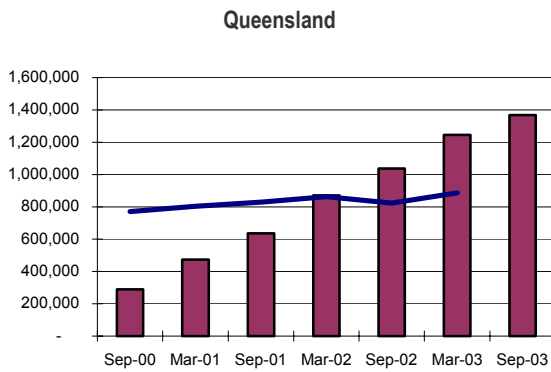
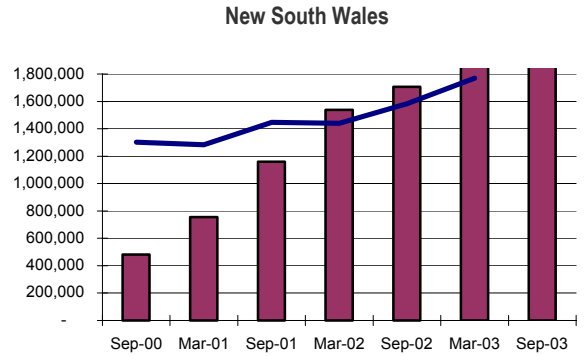
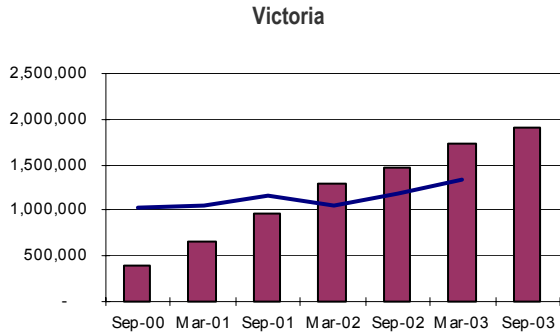


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Source: MISC (Market Intelligence Strategy Centre) MISC Internet Banking Data Pooling Facility, September 2003.

Further Background Notes to MISC Facility Service Development and Methodology

These are findings from the MISC (Market Intelligence Strategy Centre) Internet Banking Data Pooling Facility collection for the September 2003 quarter. This latest report is the fourteenth so far produced by MISC (Market Intelligence Strategy Centre) 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 (Market Intelligence Strategy Centre). The report is compiled exclusively for the use of the members of the Facility, a unique collaborative service, developed by MISC (Market Intelligence Strategy Centre) together with Australia's leading Internet Banking financial institutions.

These institutions regularly pool detailed statistics on their Internet Banking service activity. This latest, September 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 (Market Intelligence Strategy Centre) 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 (Market Intelligence Strategy Centre) 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 (Market Intelligence Strategy Centre)-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 (Market Intelligence Strategy Centre) coordinates 90-day data Pooling measures to which all participants now confidentially contribute. The subsequent quarterly reports delivered by MISC (Market Intelligence Strategy Centre) 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 (Market Intelligence Strategy Centre) Marketing.

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