



The Future of Money™

THE MARKET

People want the freedom to pay for the goods and services they use anytime, anywhere - and they want to do it quickly, inexpensively and efficiently.

The worldwide business which has grown up around this demand is known as the global payments industry. Few areas of economic activity have experienced such radical change in the last ten years as this new industry - a fast-moving, high technology business designed to meet an essentially human need.

Companies and individuals alike are moving away from sole reliance on traditional credit cards or charge cards. They are recognising the potential of the vast range of service options now becoming available using new secure communications and information technologies, matched to the creative flair of some of the very best worldwide providers.

Already consumers have access to many electronic money management solutions including on-line credit and debit facilities, remote cash handling and EFTPOS. By the turn of the century they will have an even wider choice of payment options, for use both at home and overseas.

The worldwide market has almost unlimited growth potential. Over 70% of transactions are still handled by cash or cheque, and virtually all of them could be dealt with more quickly and securely by credit cards, debit cards or smartcards.

Australians have traditionally been quick to adopt new technology of all kinds, and new payment technologies in particular. The per capita rate of EFTPOS and ATM transactions here, for example, is among the highest in the world. The physical isolation of the country from many of its main trading partners, the wealth and technological sophistication of Australians in general and their addiction to overseas travel, all mean that electronic banking and shopping are ideally suited to Australian conditions.

This makes Australia a fiercely competitive market for new developments in 'plastic money', but also one of the most exciting and responsive markets in the world.

ACHIEVEMENTS

MasterCard International is the world's leading global payment system company. It has grown from modest beginnings in 1966 to become an organisation which in 1996 alone handled nearly six billion



transactions totalling a gross dollar volume of more than US\$675 billion.

MasterCard credit cards can now be used at over 14 million locations all over the world, while the company's Maestro and Cirrus debit cards can be used at some 1.3 million EFTPOS facilities and 325,000 ATMs.

Today the number of ATM transactions worldwide exceeds the number of credit card transactions, and the MasterCard/Cirrus ATM network is the biggest in the world.

Meanwhile growth in debit card acceptance is especially strong. By the end of 1996 there were some 94 million Maestro cards in circulation, up 35% on the end of 1995.

The Asia-Pacific region is MasterCard's second largest theatre of operations and accounted for 26% of total dollar business in 1996, with MasterCard branded products winning business worth some US\$200 million. During the same year the number of cards in circulation in the region jumped 25% to reach almost 90 million.

HISTORY

In the years following the end of World War 2 the western industrialised nations, and the USA in particular, enjoyed an economic boom. Standards of living rocketed, as people earned more than ever before, business prospered, and technologies (often developed during the war years) reappeared in products and services available on the commercial market. Consumers suddenly had disposable cash, an awareness of the potential uses of that wealth, and a new confidence in handling it. They demanded of their banks better service and higher

levels of convenience.

In response to this trend, the first bankcards were issued in the 1960s. They look primitive by today's standards, but they were to lead to greater things. In 1966 a group in the US called the Western States BankCard Association opened its membership to other financial institutions and began to market their bankcard as MasterCharge. Over the next few years many more banks joined this association, and in 1979 the group changed its name to MasterCard, to reflect its market leadership and expanding range of services.

Since then the company has chalked up an impressive list of industry firsts. In 1981, for example, MasterCard pioneered market segmentation by launching the industry's first gold card program. In 1983 it became the first to use laser holograms for security purposes. It has recently become the first global payments organisation to test sophisticated biometrics technology, which in essence means identifying users for security purposes through a thumb print.

In Australia the Commonwealth Bank became the first bank to issue a MasterCard in 1985, and Westpac and National Australia Bank were also early members. Today virtually all Australian banks issue MasterCard or Maestro cards to their customers.

THE PRODUCT

MasterCard members are banks, financial institutions of other kinds, or major corporations which provide financial services. Through its global service MasterCard provides direct links for member host computers to MasterCard's Banknet system, which enables MasterCard to meet specific member needs with solutions tailored to local conditions.

MasterCard offers member banks a range of credit and debit products which they in turn make available to their customers. The standard MasterCard, offered by all member banks, is the mainstay of their credit card business, giving customers the choice of 55 days free credit or a lower interest rate with no free days. Gold MasterCard is a prestige product with a higher spending limit and additional benefits.

There is also a range of MasterCard purchasing cards - commercial, business and corporate. They provide companies with the perfect way of tracking and controlling company expenditure on travel and entertainment, or on any purchasing requirement. These cards are as valuable to companies with five employees as to the biggest multinationals.

Internationally, MasterCard offers the Premium Card (the Platinum Card in some countries) which is an even more prestigious product for people of exceptionally high net worth. There is also the World Card, the ultimate MasterCard with no fixed limit. This range of products enables both member banks and their customers to choose the best payment solutions for their needs.

No matter what form the product takes, MasterCard exists to provide the infrastructure which supports the 'anywhere, anytime' nature of credit.



debit and stored value card use. The challenge is enormous. Because members and individual cardholders are working all over the world, in every time zone and in virtually every country, MasterCard must be prepared to function round the clock and in scores of different languages.

That applies on the personal level as well as in intercompany business. MasterCard Global Service is the industry's most comprehensive customer service program. MasterCard cardholders can make a toll-free phone call from anywhere in the world to get help with any card related problem. The service can field up to 140 languages, and had calls from over 200,000 cardholders travelling in 130 different countries during its first year of operations alone.

MasterCard must also respond to its members in a way appropriate to the needs and culture of their particular location. That is not easy. Products which are mature in one part of the world may be regarded as revolutionary in another. Personal credit cards, for example, are commonplace for Australians but almost unheard of for citizens of China. Similarly, deposit access products are well developed in Europe and just gaining mass popularity in the USA, but are as yet virtually unknown in Africa. In markets where they are unfamiliar they have the potential to leapfrog the conventional chequebook entirely, and MasterCard needs to be constantly alert to the implications of such opportunities.

Meanwhile, technological advances and corporate alliances continue to strengthen MasterCard's product range and quality of service.

MasterCard Online, for example, is an advanced technological communications platform which gives members desktop access to MasterCard's PC-based products and services. And the acquisition of Mondex International has given MasterCard the industry's leading chip platform for smartcard design, supported by more participating banks than any other global system.

RECENT DEVELOPMENTS

Early in 1997, MasterCard completed the first-ever secure internet transaction using the Secure Electronic Transaction protocol (SET). MasterCard has played a prominent role in developing SET with partners IBM and Netscape. The new system means that people don't need to give their credit card numbers out over the internet, and thus avoiding the risk of this information getting into the wrong hands. SET establishes a new standard for security in electronic finance and is expected to be widely adopted in the next few months and years.

MasterCard played a similar leadership role in a new technology venture when it bought 51% of Mondex International recently. The move is an important step in establishing the best global framework for chip-based payment products - better known as

smartcards. Smartcards themselves look set to replace cash or cheque transactions even for quite modest day-to-day purchases, and

the same family of technologies could support many new applications beyond traditional payment methods. Mondex is now working with AT&T on an internet system which will make it viable for merchants and consumers alike to make 'micropayments' (under \$10) via the 'net'.

Meanwhile MasterCard has launched the MULTOS global chip technology platform for smartcards. MULTOS was announced in May 1997 by a consortium of eight of the world's leading electronics houses and smartcard companies, including MasterCard and KeyCorp from Australia. MULTOS uses Mondex technology to allow applications to be loaded securely onto a consumer's smartcard even after the card has been issued. That allows for applications and security upgrades to be added to a user's card down the phonelines or through the internet. There is no need for a bank to reissue the card when changes are made, and the customer can have his or her own card customised precisely for particular needs.

The MULTOS, Mondex and SET initiatives demonstrate the company's commitment to open standards on new platforms so that MasterCard products can be used anywhere, anytime.

PROMOTION

The universal tagline for MasterCard advertising today is MasterCard: the Future of Money. The theme is supported in the Australian market by the launch of the 'Brilliant' TV campaign, featuring Neil Morrissey of the TV comedy series 'Men Behaving Badly'. In the advertisements, five in all, Morrissey plays 'an ordinary bloke' who likes his MasterCard so much he makes his own home adverts for MasterCard to run.

MasterCard has also moved into outdoor advertising for the first time in some years, using the striking red, yellow and black colours and the interlocking circles of the MasterCard logo - now one of the world's best known acceptance marks. The two main executions 'Travellers' Checks' and 'Third Rock from the Sun' are simple iconic expressions of the theme 'MasterCard is accepted at 14 million locations worldwide.'

MasterCard is also deeply involved in sports sponsorship, and supports World



Cup Soccer globally, the American Colonial Masters tournament, Formula One motorsport, the PGA Tour of America, and PGA Australia.

BRAND VALUES

MasterCard is implementing an aggressive branding strategy to strengthen the acceptance of its payment products and to build its brand into one of the ten most respected in the world.

This move is underpinned by a clear vision of the company's goals. Top of the list is MasterCard's commitment to work with and on behalf of its members to help shape the future of money by becoming the world's best and most preferred way to pay.

MasterCard aims to be much more than a credit card company, and strives to give its customers secure access to money and services anytime, anywhere.



Things you didn't know about MasterCard

- MasterCard's network settles more than US\$500 million transactions a day, worldwide. On its busiest day last year it handled over 20 million transactions - or about 230 every second!
- MasterCard is now accepted at over 14 million 'merchant locations' around the world, and every day nearly 4000 new locations are added to the list.
- The average network transaction time using MasterCard is seven tenths of a second, round trip.