



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 essential human need.

Companies and individuals alike are moving away from sole reliance on traditional credit cards or charge cards. They are recognizing the potential of the vast range of service options now becoming available using new secure communications and



information technologies.

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. 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'.

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 1998 alone, handled transactions totalling a gross dollar volume of US\$650.2 billion.

MasterCard credit cards can now be used at over 16.2 million locations all over the world, while the company's Maestro and Cirrus debit cards can be used at some 3.7 million EFTPOS facilities and 460,000 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.

HISTORY

In the years following World War II the western industrial nations, and the USA in particular, enjoyed an economic boom. Standards of living rocketed, businesses prospered and technology which had been developed during the war years appeared in products and services available on the commercial market. Consumers now demanded better service and higher levels of convenience of their bank.

In response, the first bank cards were issued in the 1960s. 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 bank card as MasterCharge. 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 1985, the Commonwealth Bank became the first bank to issue a MasterCard card in Australia.



Westpac and the National Australia Bank were also early members. Today, virtually all Australian banks issue MasterCard or Maestro cards to their customers.

THE PRODUCT

As one of the world's most recognised payment brands, the MasterCard brand mark represents global utility, convenience and value for MasterCard cardholders. The MasterCard global acceptance network is second to none. By itself the MasterCard brand is accepted at over 16.2 million locations worldwide, with 3,800 new merchants signing up every day. Maestro debit card programs and Cirrus ATM cards add significantly to these



acceptance location numbers.

MasterCard members are banks, financial institutions of other kinds, or companies that provide financial services, in each case subject to government regulation and supervision.

MasterCard's members offer a range of MasterCard branded credit and debit products. The standard MasterCard, offered by all members, is the mainstay of their credit card business. The Gold MasterCard Card is a prestige product with a higher spending limit and additional benefits.

MasterCard's members now offer the Platinum MasterCard Card internationally, an even more prestigious product for people of high net worth. There is also the World MasterCard Card, the ultimate MasterCard with no fixed limit.

There is also a range of MasterCard purchasing cards - commercial, business and corporate. They assist companies with tracking and controlling company expenditure on travel and entertainment, or on any other purchasing. 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.

MasterCard Global Service is the industry's most comprehensive customer service program. MasterCard cardholder's 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 received calls from over 200,000 cardholder's travelling in 130 different countries during its first year of operations alone.

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

MasterCard International continues its leadership on the global implementation of SET (Secure Electronic Transaction). The launch of the first program of its kind took place in South Korea in late 1998, involving 2,000 MasterCard cardholders. The new system means that people don't need to give their credit card numbers out over the Internet, 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. Mondex, a leading provider of smartcard based products, is currently being used in 23 implementations around the world, including Australia, Canada, Costa Rica, Hong Kong, Israel, Philippines, UK, and USA. It features global interoperability and is currently under development in more than 50 countries. The move



is an important step in establishing the best global framework for chip-based payment products, which look set to replace cash or cheque transactions even for quite modest day-to-day purchases.

Hong Kong, the country which leads

the world in the usage of smartcards, is poised to be a technology hotbed for new multi-function MasterCard Lifestyle Cards using the MULTOS platform. These Lifestyle Cards make it possible for applications to be dynamically and securely loaded while the card is being issued via telephone, the ATM or across the internet, and afterwards. MULTOS uses Mondex technology to allow applications to be loaded securely onto a consumer's smartcard even after the card has been issued.

Maestro, the world's only on-line point-of-sale international debit program, is becoming a popular payment choice, being used on the campus of Shanghai's leading universities. The program allows students to buy meals, borrow books from the library and pay various fees ranging from tuition to laundry and medical expenses with the newly-launched Maestro Campus Card.

PROMOTION

MasterCard has embarked on a new global communication strategy. The theme focuses on putting the true values of money into perspective.

The launch of the 'Priceless' brand campaign will take a less materialistic approach, moving away from the aspirations of the acquisitive eighties and delivering something more meaningful



and enriching to the consumer.

The advertising developed is based around capturing those 'priceless moments' which make life really worth living and enjoying. The tag line for the campaign is "There are some things money can't buy; for everything else there's MasterCard".

Each commercial features a human interest story line that leads to a priceless moment. The widespread acceptance of MasterCard is reinforced by a dramatic use of the MasterCard logo, together with the tag line, at the close of each commercial. Whilst the concept is carried throughout all the commercials, the emotional quality varies from light and funny to highly emotional and nostalgic (appealing to/aimed at a large target audience). The advertising is rooted in brand equity and creates a strong emotional bond with consumers.

The launch into the Australian market includes a series of TV commercials, print, outdoor and internet communications.

MasterCard will continue its global sports sponsorships including World Cup Soccer, Formula One motor racing, and the PGA tour of America.

BRAND VALUES

MasterCard is implementing a branding strategy to strengthen the acceptance of its payment products. As a payment association for its members, MasterCard operates and administers an integrated payments acceptance network. The long-term performance standards initiated by MasterCard aim to ensure a consistent and commercially sensible performance and operational standard globally. This is to ensure that:

- The cardholder experience of using MasterCard branded products is consistently of a good quality, and sufficient to encourage future use in substitution for other payment products (including cash and cheques).

- The merchant experience encourages competent levels of transaction handling and there are no unnecessary blocks hindering acceptance of MasterCard branded products.

- MasterCard provides to its members franchisee services and products, such that both issuer and acquirer are able to promote and support the MasterCard family of brands at least to the required performance levels.

- The entire set of payment services provided under the MasterCard brands operate efficiently, robustly and as free of risk as possible.

To meet the growing, changing needs of cardholders and merchants in the global economy, it is essential that MasterCard provides a superior payment option through its credit, debit and prepayment brands. By doing so, helping to drive universal acceptance of its payment brands, MasterCard helps to ensure the profitable growth of its members' card business.

THINGS YOU DIDN'T KNOW ABOUT MASTERCARD

- MasterCard is accepted at over 16.2 million locations worldwide, with 3,800 new merchants signing up every day, while the company's Maestro and Cirrus debit cards can be used at some 3.7 million EFTPOS facilities and 460,000 ATMs.
- MasterCard continues its leadership of the global implementation of Secure Electronic Transactions. The launch of the first program of its kind took place in South Korea in 1998 involving 2000 MasterCard cardholders. The new system means people do not need to give their credit card numbers out over the internet, thus avoiding the risk of this information getting into the wrong hands.
- In 1998, MasterCard cardholder transactions totaled US\$650.2 billion.