comScore | FINANCIAL SERVICES

The State of Online Banking

May 2010

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Introducing the 2010 State of Online Banking Report

The *comScore 2010 State of Online Banking* report provides an in-depth look at the online banking industry, with emphasis on customer satisfaction and online service usage. This analysis leverages behavioral data obtained via the comScore panel of 1 million U.S. Internet users as well as information gathered through a survey of more than 2,500 U.S. Internet users to provide an in-depth look at online banking today.

In order to demonstrate shifts in the online banking industry, the findings from this study were compared to results from similar, previously-published comScore studies that were conducted during the following time periods.

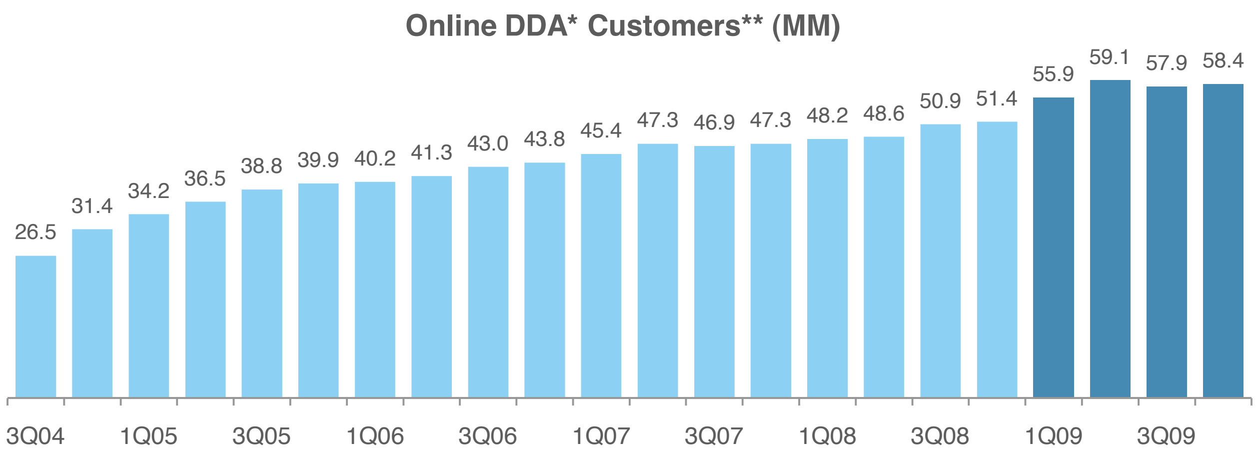
Dates Survey Conducted	Number of Respondents
April 3 – April 7, 2007	1,400
March 5 – March 10, 2008	2,520
Feb 26 – March 2, 2009	4,846
March 23 – April 9, 2010	2,576

Online Banking Industry Snapshot

Online Channel Continues to Grow in Importance to Banking Customers

Online banking continues to grow in importance for the average American. Since the inaugural comScore online banking report in 2006, the number of DDA customers visiting the top 10 online banking sites has increased from approximately 40 million people to more than 58 million people. In any given quarter, nearly 60 percent of the total U.S. Internet population visits at least one of the top 20 financial institution (FIs) sites.

However, there are clouds on the horizon as organic growth at the top 10 banks is stagnating. Quarterly growth rates in the 1 to 2 percent range, compared to 5 to 10 percent in the middle part of the decade, indicate that penetration of online banking is reaching maturity. Although online banking customer volume is not growing quickly, its importance in the day-to-day lives of Americans continues to increase; hence banks continue to develop new products and services to enhance the channel.



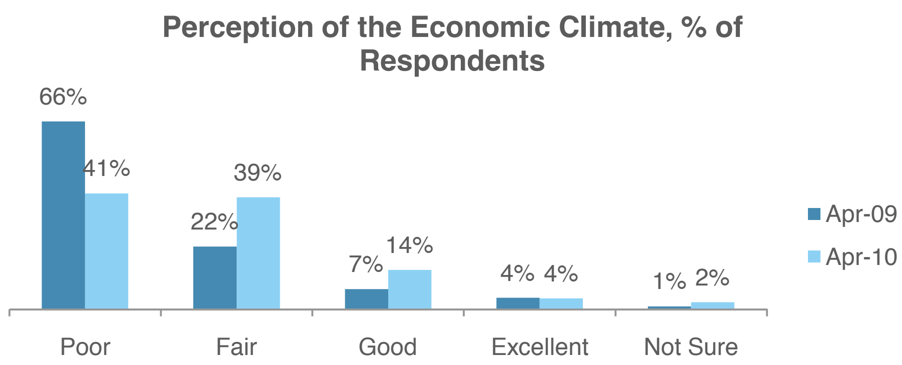
Source: comScore, Banking Benchmarker

**DDA customers include checking, savings, money market and high-yield savings account, but not CDs*

**Includes customers of Bank of America, Chase, Citibank, ING Direct, National City, Capital One, U.S. Bank, Wachovia, WaMu and Wells Fargo beginning 3Q08 *and prior to 3Q08 the competitive set is the same except SunTrust replaces Capital One*

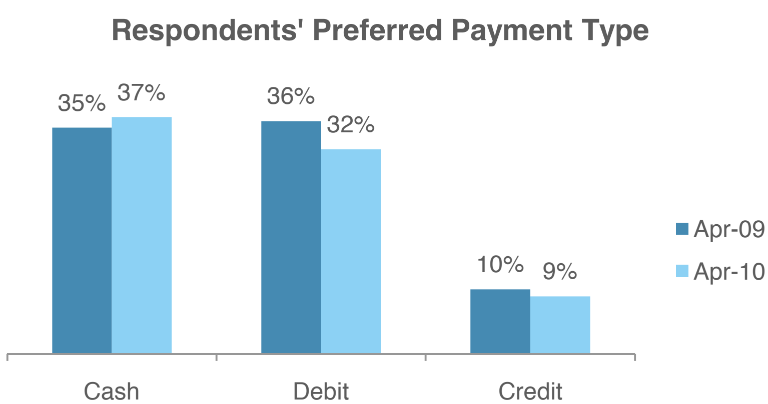
Beginning Q109 the competitive set has changed to include three additional banks to account for the mergers- HSBC, SunTrust and PNC

After a tumultuous year of mergers and acquisitions that followed the extensive federal bailout of most major FIs, we are beginning to see a return to stability as firms and customers adapt to the new economic climate. Since last year, consumers have become slightly more optimistic about the state of the economy, with 41 percent of respondents perceiving the economic condition as ‘poor’, a decrease of 25 percentage points from the previous year. Importantly, the percentage reporting that the economic climate is ‘good’ or ‘excellent’ has increased from 11 percent to 18 percent.



Source: comScore, 2010 Banking Survey

Despite the perception that the economy is in recovery, consumers are still cautious when it comes to their personal financial behavior. When asked if they changed the way they pay for items due to their economic concerns, respondents were more likely to favor paying with cash than using a credit or debit card for transactions.

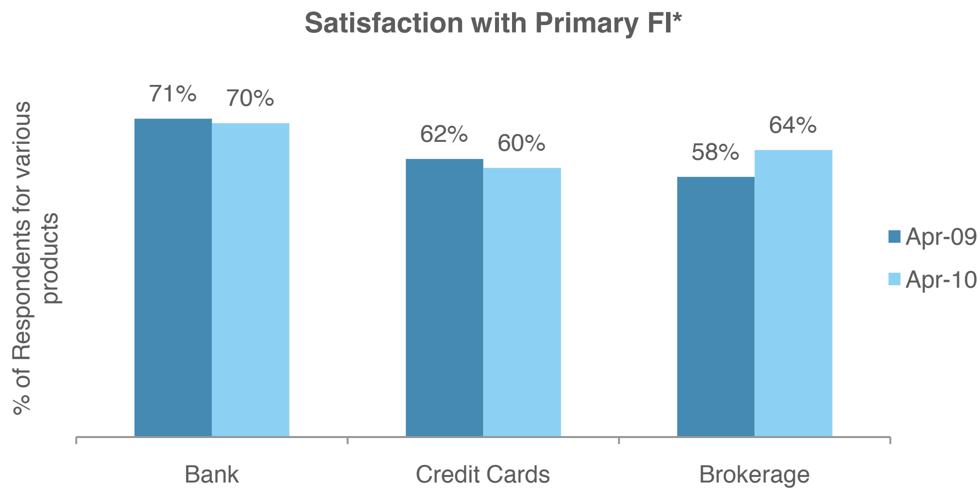


Source: comScore, 2010 Banking Survey

Online Banking Customer Satisfaction

Overall Customer Satisfaction Declines Again in 2009

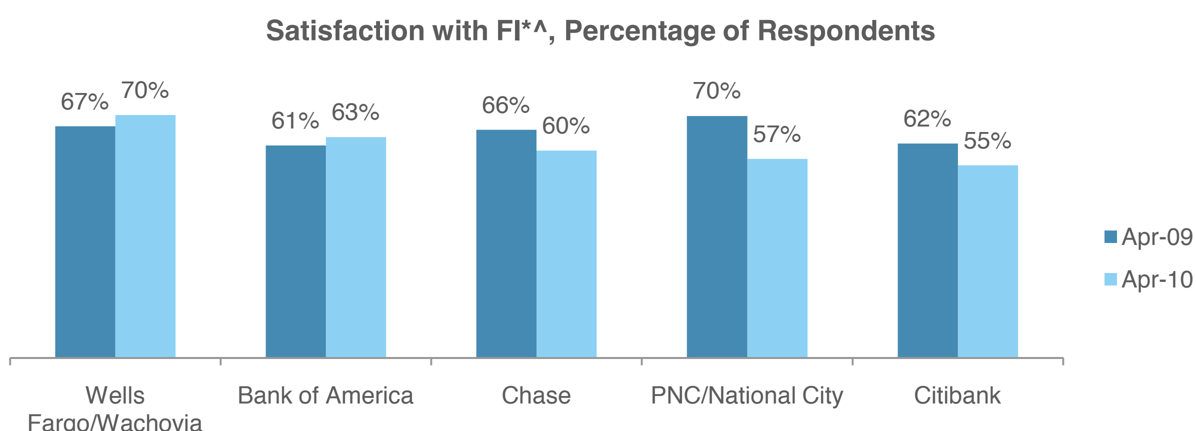
As online banking customer acquisition growth slows, firms are seeking to improve customer satisfaction and reduce attrition. In 2010, 70 percent of respondents reported being satisfied with their primary bank, a marginal decrease versus last year. Though overall satisfaction with banking remains weak, it fares better than credit card or brokerage. The percentage of respondents satisfied with their primary credit card institution also experienced a slight decline in 2010 with 60 percent of respondents expressing satisfaction, down 2 percentage points versus last year. As equity markets have recovered somewhat in the past year, customer satisfaction with brokerage firms has increased, surpassing credit card satisfaction to reach 64 percent.



Source: comScore, 2010 Banking Survey

**The satisfaction scores reflect the percentage of respondents that selected top two boxes.*

After newly acquired banks saw a dip in satisfaction scores last year, customer satisfaction has stabilized somewhat. Wells Fargo/Wachovia, which has the highest percentage of satisfied respondents at 70 percent in 2010, gained 3 percentage points compared to 2009. Bank of America also experienced a slight increase in satisfaction in 2010, gaining 2 percentage points to reach 63 percent. Chase did not fare as well, with a 6-point loss in satisfaction after an 11 point drop in 2009. Both Citibank and PNC/National City experienced substantial declines as well, with customer satisfaction at Citibank falling 7 points to 55 percent and PNC/National City dropping 13 points to 57 percent. Certainly, these declines reflect the discomfort felt by consumers having to confront their own less-than-pleasant financial circumstances, as well as limited consumer credit availability and low savings interest rates.

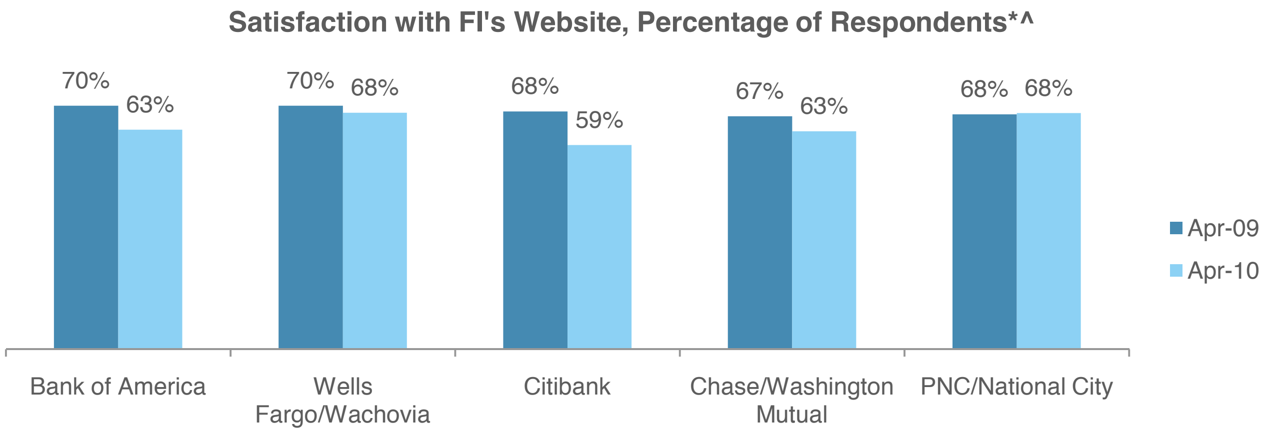


Source: comScore, 2010 Banking Survey

**The satisfaction scores reflect the percentage of respondents that selected the top two grades on the satisfaction scale.*

^2009 Bank satisfaction scores were averaged for banks that merged

Historically strong, customer satisfaction with bank websites is now declining, despite significant investments in new applications, tools and bill functionality designed to help customers manage their personal finances. Perhaps reflecting a challenging transition for WaMu customers to the Chase site, customer satisfaction with Chase's Website fell another 4 percentage points in 2010, twice the rate of decline experienced by Wells Fargo/Wachovia who chose not to merge the banks' websites immediately. Notably, Bank of America's Website, historically the market leader, lost 7 percentage points falling to 63 percent satisfaction in 2010, after losing 8 last year.



Source: comScore, 2010 Banking Survey

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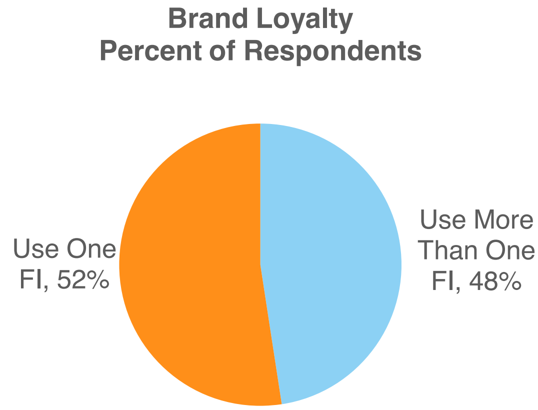
Satisfaction ratings at smaller regional and community banks as well as credit unions are generally much higher than at larger banks. Overall institution satisfaction is highest for regional banks at 79 percent, followed closely by credit unions at 75 percent. However, these smaller firms generally had lower website satisfaction scores, perhaps reflecting that overall institutional satisfaction in this niche is not related to the online interface. It is interesting to note the apparent lack of correlation between a website's features/functionality and customer satisfaction, given the fact that credit unions and community banks have similar online satisfaction scores when compared to Bank of America and Chase.

	Credit Unions	Community Banks
Satisfaction with FI	75%	71%
Satisfaction with FI's Website	63%	64%

Source: comScore, 2010 Banking Survey

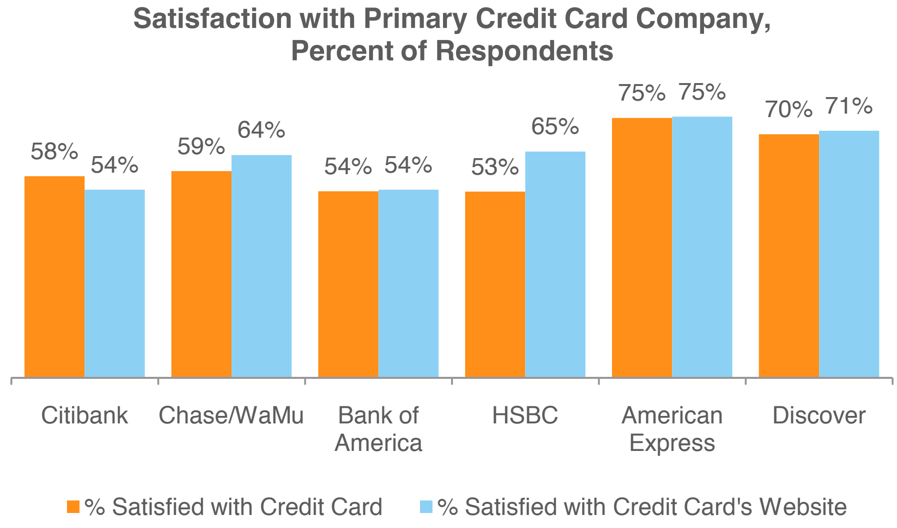
Driving customer satisfaction will become increasingly challenging as consumers continue to display less brand loyalty to a single institution. The comScore survey shows that nearly half of respondents use more than one FI for their banking needs. This enables simple comparison of websites and service features, but more importantly allows consumers to move funds effortlessly between providers. Clearly, retaining customers will continue to be one of the most important challenges facing the banking industry in the coming year.



Source: comScore, 2010 Banking Survey

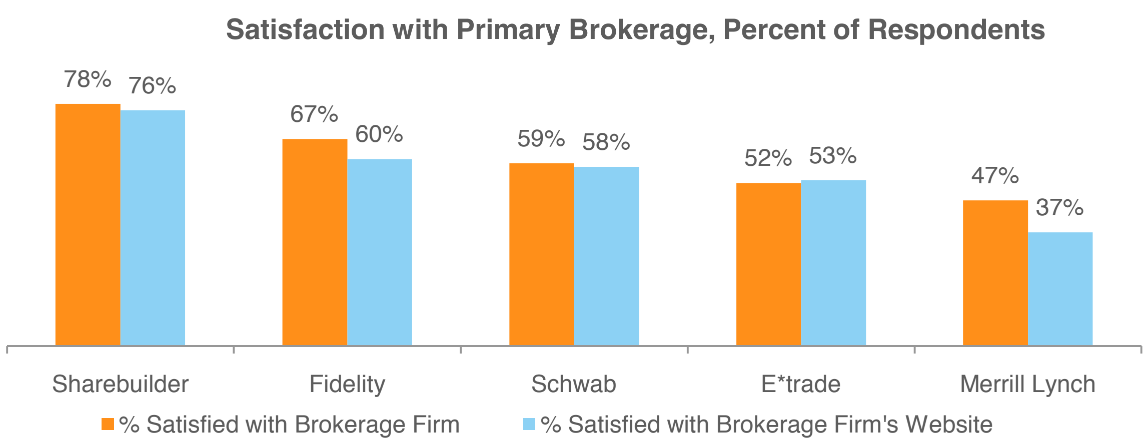
Brokerage and Credit Card Satisfaction Dependent on Company Structure and Strategy

Both formerly-monoline card issuers – American Express and Discover – received significantly better satisfaction ratings from survey respondents than did the full-service banks, suggesting that not only does brand loyalty play a big role in online banking, but also that the brand's reputation carries across the various verticals within the industry. Reflecting the relative importance of the online channel in the overall customer experience, satisfaction scores for the provider and its Website are more closely correlated for both credit card issuers and brokerage firms than for banking.



Source: comScore, 2010 Banking Survey

Survey respondents rated satisfaction with ING Sharebuilder highest compared to other brokerage firms with 78 percent satisfied with the firm overall and 76 percent satisfied with its Website. The three mixed-structure firms followed, Fidelity, Schwab and E*TRADE, with Merrill Lynch receiving the lowest satisfaction scores of any bank, credit card, or online brokerage firm. Typically, satisfaction with brokerage firms reflects the state of the market, yet no firm has been able to drive significant growth in customer satisfaction despite the beginning of a market recovery.



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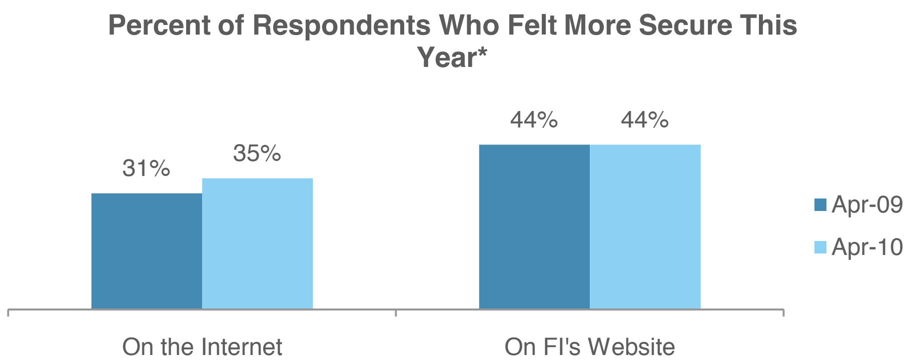
Improving Security Can Help Institutions Tap New Market Segment

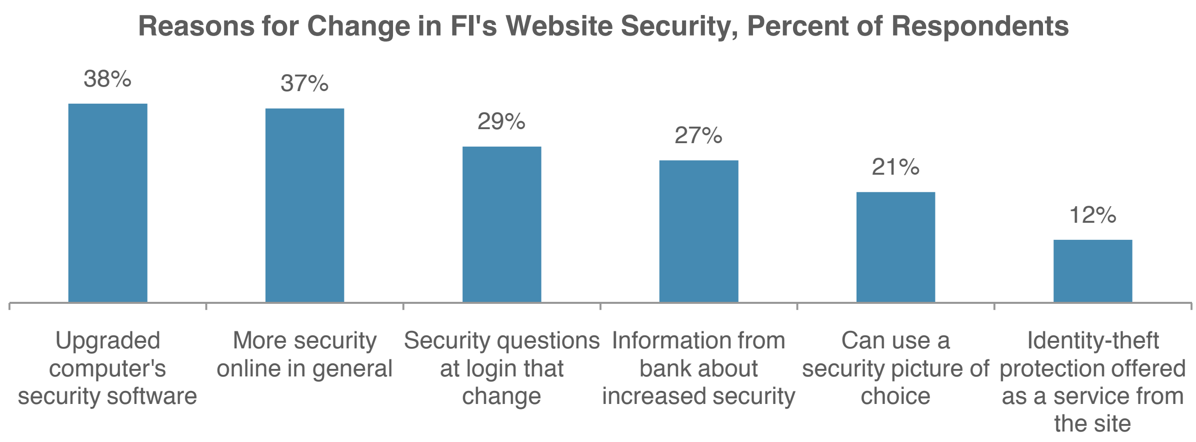
With slowing acquisition of new online accounts, it is imperative that banks find ways to tap into the market segment that does not bank online for security reasons. In 2010, 44 percent of survey respondents said that they feel more secure on their FI's Website when compared to last year. Though comfort with online security among consumers has increased in recent years, the online banking industry cannot afford to be reactive to the needs of their prospects. There is still a significant segment of consumers that do not feel secure enough to bank online and a segment that does not feel comfortable with new tools like online bill pay.



Source: comScore, 2010 Banking Survey

**The percentage of respondents that selected the top two grades on the security scale.*

When survey respondents were asked why they feel more secure this year than last, the top ranking reasons were independent of actions taken by banks to increase security. Nearly 40 percent of respondents said that they felt the new security software on their computers increased their security when banking online. A similar share (37 percent) cited that the internet as a whole had become more secure. Given the importance of consumer perceptions of security at online banking sites, there is a significant opportunity for banks to address this concern and reach an untapped segment of the market.



Source: comScore, 2010 Banking Survey

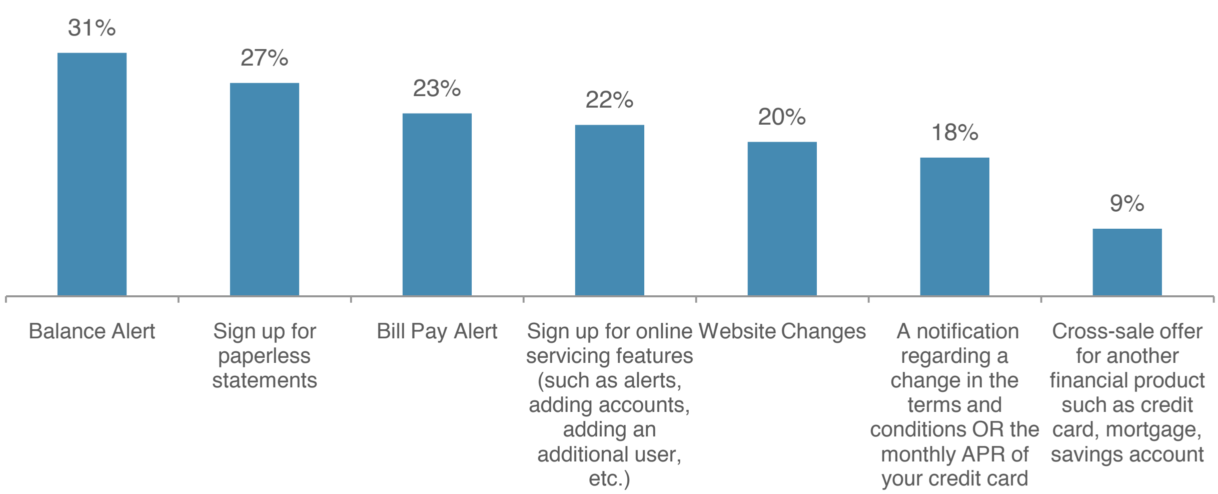
Going Paperless

E-mail Communication is Low-Budget but Opportunity Exists to Improve Effectiveness

As more people move to online banking as their primary method of managing accounts, e-mail has become a low-cost way to reach current and prospective customers. Most FIs have implemented a variety of e-mail communication strategies to reach and engage their customers, including new product offers, paperless statements, automatic bill pay and balance alerts. Consequently, 52 percent of survey respondents recalled receiving e-mail communication from their primary FI in the last six months.

Out of those that recalled receiving one or more communications, 31 percent said they received offers to sign up for balance alerts, followed by paperless statements (27 percent) and bill pay alert (23 percent). More respondents recalled receiving communication about signing up for online servicing features (22 percent) than signing up for financial products (9 percent).

Categories for Receiving Email Communication from FIs, % of Respondents



Source: comScore, 2010 Banking Survey

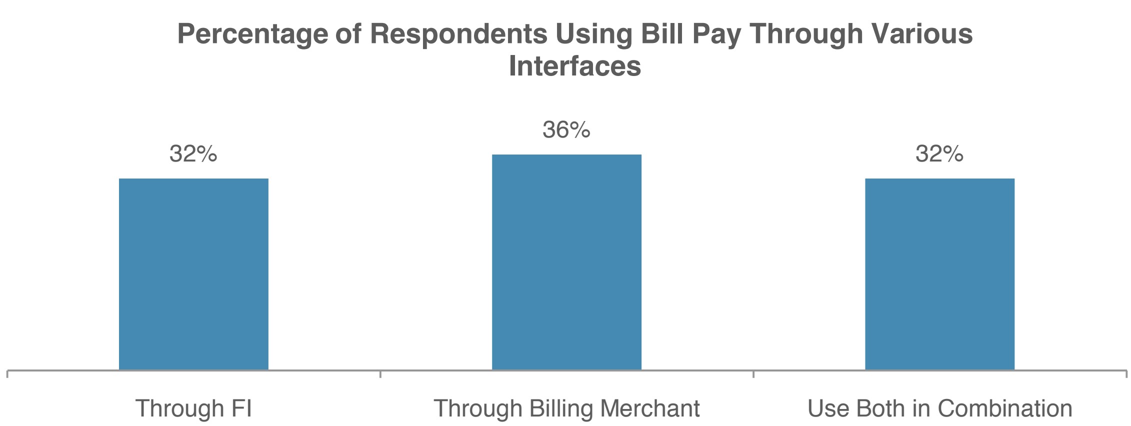
E-mail communications often include promotions and financial information, but they mainly promote online servicing activities, with nearly one-third of all e-mails urging customers to go paperless or pay a bill online. These e-mails are effective in promoting active use of the online interface, but fail to get customers to open new accounts. Of respondents who received e-mail communication, 33 percent logged in to their existing account and 21 percent reported paying a bill, while just 3 percent opened a new account.

Action Taken After Receiving The Email	% of Respondents
Logged into an existing account to view balance	33%
Paid a bill	21%
Visited the website to check other products	14%
Signed up for an online servicing feature (such as alerts, adding accounts, etc.)	12%
Shopped for a new credit card/checking or savings account	4%
Closed the account	3%
Opened up a new account	3%

Source: comScore, 2010 Banking Survey

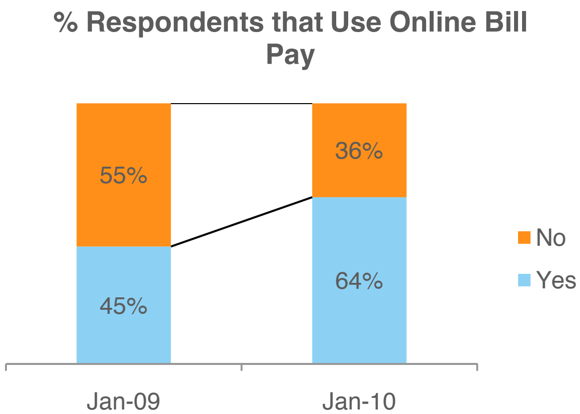
Online Bill Pay Services Are Now Used by More than Half of Online Bankers

A new milestone has been reached in the online banking world with the widespread adoption of online bill pay, now utilized by 64 percent of the online banking community, up 19 points from the previous year. Consumers are using both their primary FI's Website as well as the billing merchant to pay bills.



Source: comScore, 2010 Banking Survey

Automatic/Recurring bill pay also witnessed significant growth in the past year with 52 percent of respondents now utilizing the service, up 10 points from the previous year. Merchants have helped fuel growth in this area by offering significant discounts to customers who utilize these options. For instance, insurance and utilities companies have offered up to 10 percent off for setting up a recurring bill pay through their online interface.



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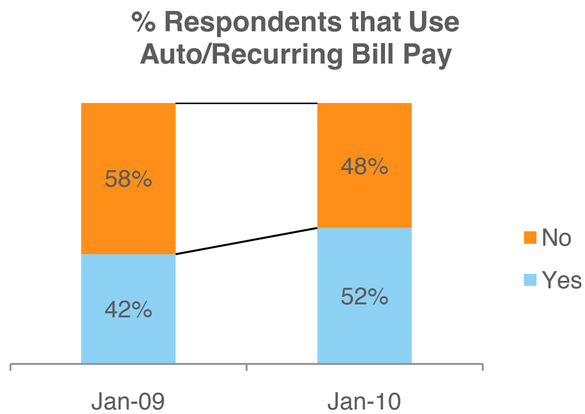
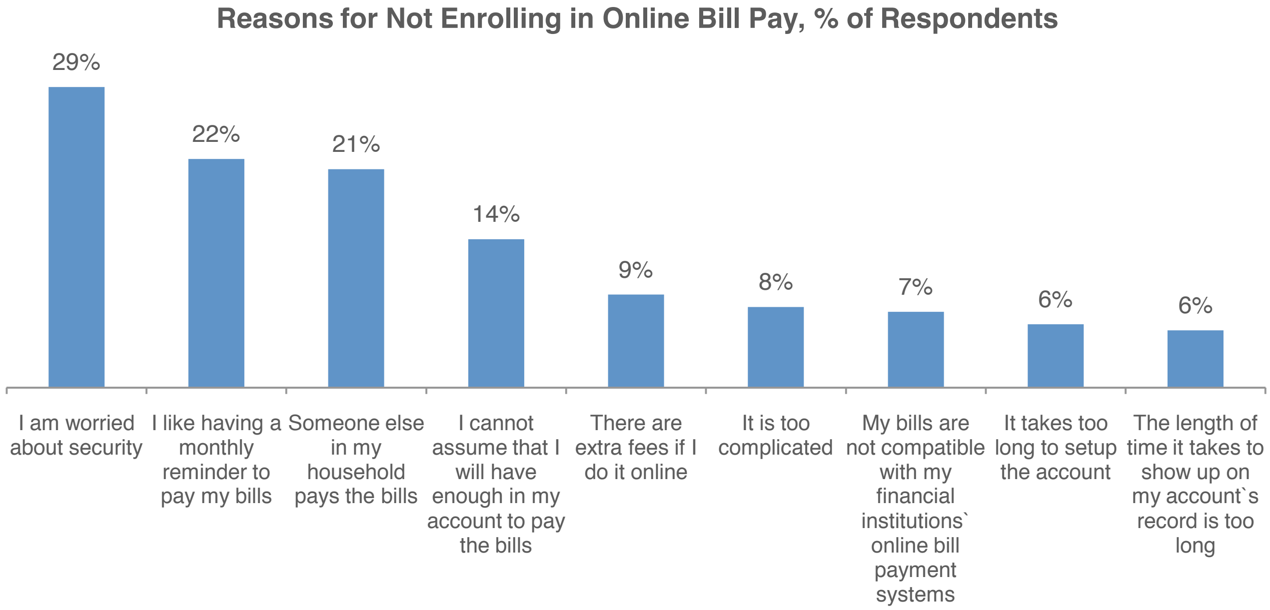


Source: comScore, 2010 Banking Survey

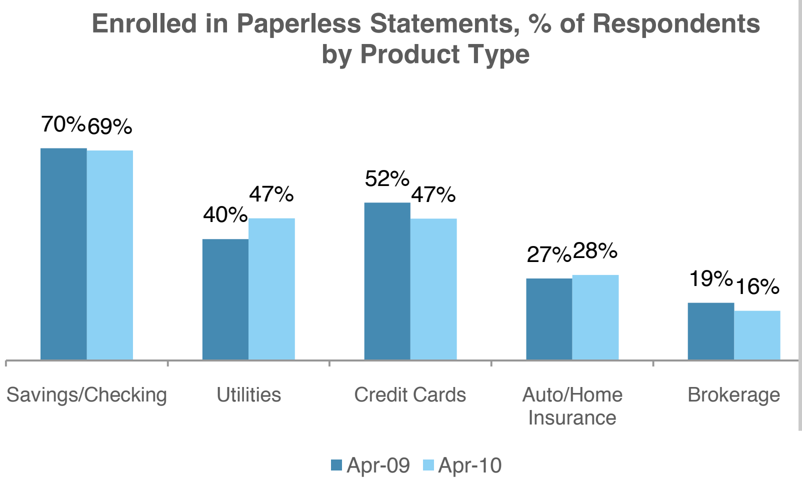
Yet even with attractive promotions and a user-friendly online interface, 36 percent of online bankers do not use online bill pay at all. Nearly one-third of the respondents cited worries about the security of these companies' websites as the main reason why they do not pay bills online. Twenty-two percent still prefer to have the monthly reminder of a paper statement to pay their bills. Reflecting the uncertainty people feel with their personal finances, 14 percent of respondents did not enroll in automatic/recurring bill payment due to a lack of confidence that they would have adequate balances in their account to cover future payments. On a positive note, this uncertainty has significantly dropped from the previous year when 38 percent of respondents cited this as a reason for not enrolling. The top two reasons underscore the notion that consumers are still not quite comfortable with banking entirely online, preferring to closely monitor their bills and to ensure that their money is secure before payments are made.



Source: comScore, 2010 Banking Survey

Steady growth in the utilization of online statements and online/automatic bill pay is being driven by a number of changes in the online banking industry. With increasing environmental awareness and financial incentives, 58 percent of respondents are now enrolled in paperless statements with their FIs, up from 53 percent last year. Of those with paperless accounts, 69 percent of respondents are enrolled in paperless options for their checking/saving, while paperless penetration rates are much lower for other financial products such as credit cards (47 percent), insurance (28 percent) and brokerage (16 percent).

For more volatile accounts that change month to month, such as credit card, brokerage and savings accounts, consumers seem to prefer receiving a hard copy of their statements. However, online banking customers are increasingly comfortable using the online interface for recurring monthly bills from utility and insurance companies.



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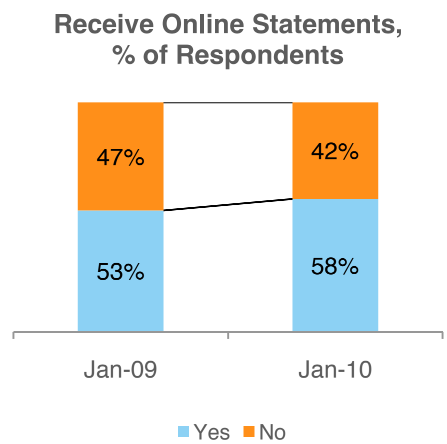
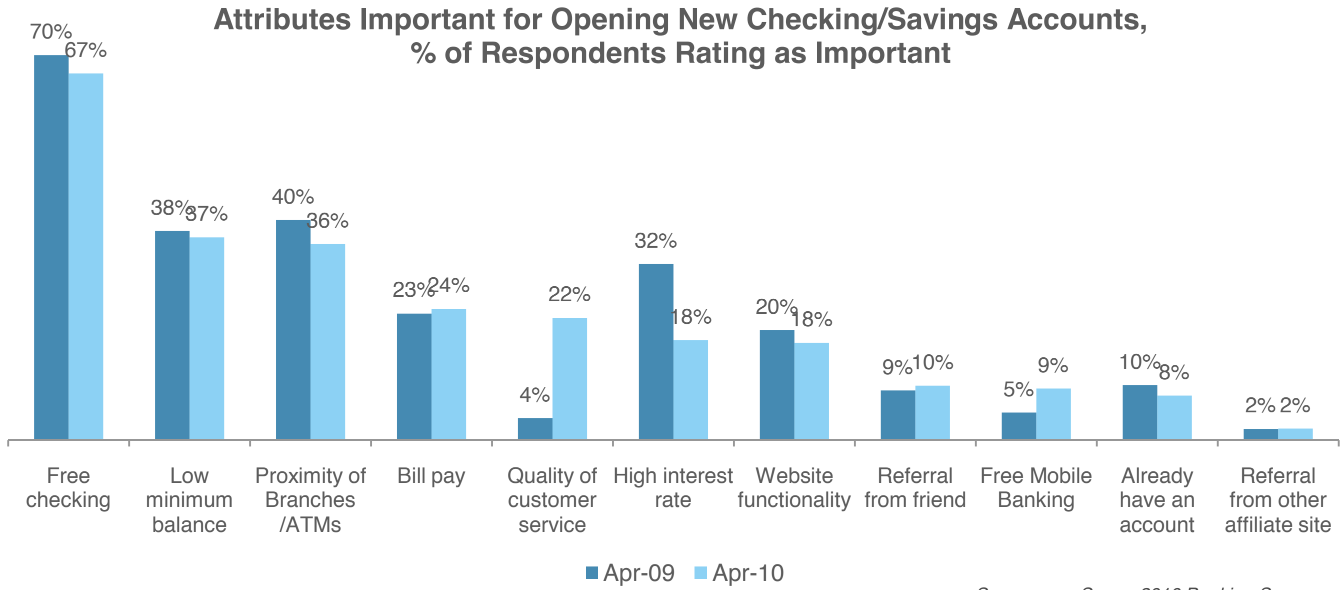


Source: comScore, 2010 Banking Survey

Free Checking Still Most Likely to Drive Opening of New Accounts

As online banking becomes more and more prevalent, the proximity of physical bank branches becomes less important. That said, services such as ATMs are an absolute necessity and therefore proximity of branches/ATMs continues to feature as one of the major drivers in opening an account. Though down from last year, when asked about reasons for opening new checking and savings accounts, 67 percent of respondents indicated that free checking was the most important attribute. Undoubtedly, this poses a distinct challenge for firms with recent legislative changes making the economics of free checking unsustainable, even as it sets the baseline for consumer expectations.

In the last year, the quality of customer service has grown in importance to consumers. In 2010, 22 percent of respondents cited customer service as important in their decision, over five times as many respondents as in past years. Similarly, nearly twice as many respondents expressed interest in free mobile banking, highlighting the growing importance of remote banking to consumers. Lastly, with low savings interest rates and virtually no high yield savings (HYS) accounts available, high interest rates lost their place as an important motivation to open a new account.



Source: comScore, 2010 Banking Survey

Personal Financial Management Sites and Social Media

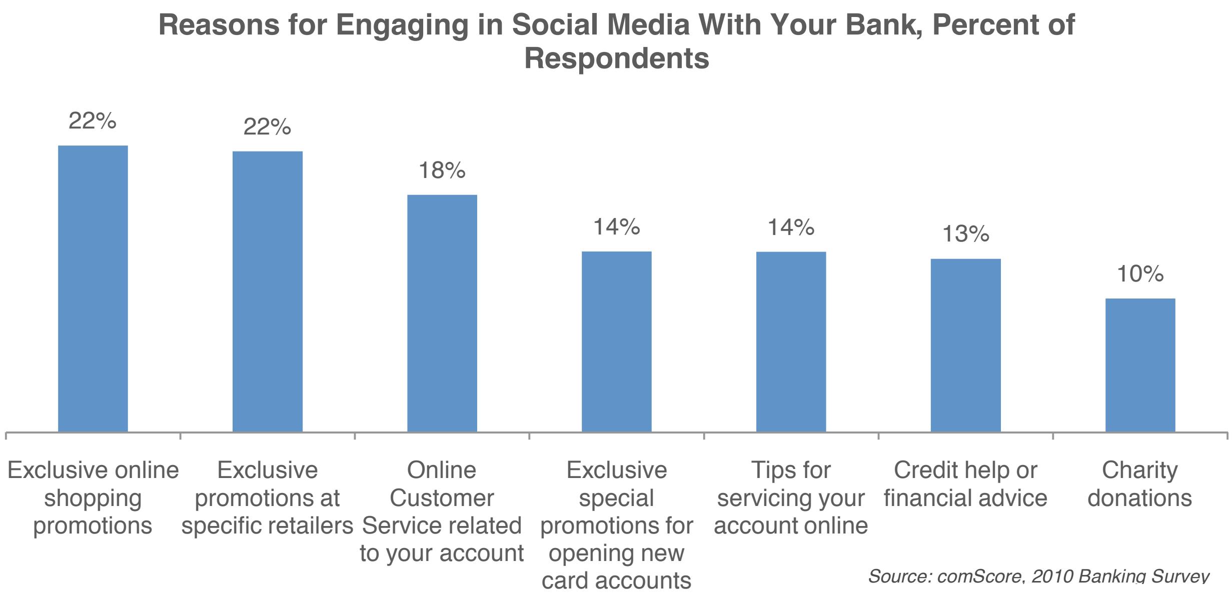
Consumers Interested in Financial Tools to Aid Them During Downturn

Throughout 2009 firms continued to enhance a number of innovative services to aid consumers in decision-making including chat, blogs, widgets and personal financial management (PFM) tools. The current economic environment has raised the importance of services that facilitate financial management, such as free credit scores and debt-relief solutions. Comprehensive PFM sites are of interest to 31 percent of respondents, but only about 10 percent knew of specific sites, and less than 4 percent of respondents actually use these sites. However despite PFM services being offered by banks, a large pool of customers prefers to use conventional tools such as Quicken and MS Money software.

Although 30 percent of respondents expressed an interest in having FIs make PFM features available, most of the respondents were not aware of the many independent sites that have been launched in this space since 2008. For example except for Quicken Online, nearly 80 percent of the respondents were not aware of some of the popular Fin 2.0 sites such as Mint and Prosper. Awareness remains low even among active online bankers. , With the recent acquisition of Mint.com by Intuit, the PFM space has become heavily concentrated with just a few providers, yet most banks are launching or about to launch their own solutions. Because awareness of these solutions remains low, those hoping to enter the market will need to educate consumers and increase awareness if they hope to gain traction.

Although PFM sites are having trouble penetrating the online banking market, social media continues to play an important role in the online community. When asked what might entice respondents to engage with their FI through social media outlets, online shopping and retail promotions ranked highest.

Respondents again indicated how valuable customer service is to the online banking experience, rating it highly as a reason for engaging with social media with their respective banks.



Conclusion

Understanding the Online Banking Customer is Essential

It is clear that the current economic climate has affected the way consumers are interacting with their finances and their FIs. Consumers' perception of the state of the economy is improving, but individuals are not as comfortable with their own financial management skills, especially as unemployment remains a concern for many Americans. For marketers in the online banking industry, this backdrop means that opportunities to cross-sell and entrench customers are critical because brand loyalty will be important as the economic climate continues to improve. The current environment presents FIs with abundant opportunities to redefine their online banking value proposition to meet the current concerns of their customers.

Banking customers are generally satisfied with their primary FI, but there are a number of ways FIs can improve this rating as well as attract new customers. With the lack of credit available and low savings interest rates, customers are looking for stability and support from their banks. Whether it's online chat or phone service, customers want to know that they have access to quality support, particularly as bank branches are frequented less and online banking becomes the norm. Customers also want to know that their hard-earned money is protected and that online banking sites are secure. Fear and uncertainty are hindering the online banking community in adopting tools like automatic bill pay, as well as keeping a significant segment of banking customers offline. If FIs can dispel this fear, they can capitalize on these untapped markets and continue to grow the online banking industry.

About comScore, Inc.

comScore, Inc. (NASDAQ: SCOR) is a global leader in measuring the digital world and preferred source of digital marketing intelligence. In an independent survey of 800 of the most influential publishers, advertising agencies and advertisers conducted by William Blair & Company in January 2009, comScore was rated the ' most preferred online audience measurement service' by 50% of respondents, a full 25 points ahead of its nearest competitor. comScore's capabilities are based on a massive, global cross-section of approximately 2 million Internet users who have given comScore permission to confidentially capture their browsing and transaction behavior, including online and offline purchasing. comScore panelists also participate in survey research that gathers and integrates their attitudes and intentions. Using its proprietary technology, comScore measures what matters across a broad spectrum of digital behavior and attitudes, helping clients design more powerful marketing strategies that deliver superior ROI. With its recent acquisition of M:Metrics, comScore is also a leading source of data on mobile usage. comScore services are used by more than 1,200 clients, including global leaders such as AOL, Microsoft, Yahoo!, BBC, Carat, Cyworld, Deutsche Bank, France Telecom, Best Buy, The Newspaper Association of America, Financial Times, ESPN, Fox Sports, Nestle, Starcom, Universal McCann, the United States Postal Service, the University of Chicago, Verizon Services Group and ViaMichelin.
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