

Bankrate, Inc. 

ANNUAL REPORT 2004

# DEAR SHAREHOLDER:



2004 was a year of transition and progress for Bankrate.

First, the company faced a change in the business environment as higher interest rates slowed the mortgage and refinancing boom that had benefited the company for the past several years. Second, the company changed leadership in the middle of the year, and third, we launched a number of new strategic initiatives that we believe will better position the company for growth in 2005 and the years ahead.

While we were in the midst of this transition during the second half of the year, 2004 was still a solid year for Bankrate in terms of continuing our business momentum. In 2004, total revenue reached \$39.2 million, or \$2.6 million higher than the previous year. Net income for 2004 was \$13.4 million, or \$0.84 per diluted share, compared to \$12.1 million, or \$0.79 per diluted share in 2003. Both 2004 and 2003 included a non-cash tax benefit related to the recognition of a deferred tax asset on our net operating loss benefit, and 2004 included a severance charge and certain legal settlement charges.

Without the non-cash tax benefit and other charges, net income for 2004 was \$9.4 million, or \$0.59 per diluted share versus the \$9.0 million, or \$0.59 per diluted share reported in 2003. The company achieved its third straight year of profitable growth in 2004.

As the leading consumer banking site on the Internet, Bankrate.com provides a comprehensive list of rates, interesting features, helpful advice and a number of tools that allow consumers to make better-informed financial decisions. During the year, we expanded the number of products offered on the Web site from 250 to over 300 rate products. We also increased the number of local markets for which we deliver information from 300 to over 400. Consumers continue to find Bankrate a trusted, objective and comprehensive source of rate information on a variety of products including mortgages, home equity loans, auto loans, CDs and money markets, credit cards and other financial products.

As we began to position the company for future growth, we introduced a handful of business initiatives during the year which we believe will pay off for the company in 2005 and beyond.

First, we underwent an in-depth evaluation of our Web site and looked for ways to improve the user experience. The first half of 2005, we intend to introduce a redesigned site with three objectives: 1) to make the site more intuitive and easier to navigate, 2) to increase the breadth of the subjects covered, by adding two new channels to our site: college financing and debt management/problem credit, and 3) to make it a better environment for advertisers.

Another key initiative was designed to deliver a greater value from one of our largest advertiser groups, lead aggregators. By limiting the number of aggregators with whom we will do business, we believe we can develop greater value for both the aggregators and Bankrate. The aggregators selected achieve a greater number of leads and Bankrate receives higher advertising rates and a share of the revenue generated.

To improve our advertiser relationships and to do a better job of selling, we repositioned our sales force at the end of the year to have a greater in-market presence. We opened new sales offices in San Francisco and Chicago, added staff in the important New York market and reduced the number of salespeople in our South Florida headquarters. We believe this to be critical in developing the growing advertiser base that we have targeted in 2005 and beyond.

A third initiative we have recently undertaken is to move toward a pay-for-performance model, which is a growing trend in Internet advertising. The company is going through an evaluation of cost-per-click and cost-per-action models that we believe will generate increased revenue and profitability to our business going forward. We anticipate introducing some pay-for-performance element to our business in mid to late 2005.

Of course, the key to all of our plans is to be able to continue to attract a large audience of consumers who find our content, tools and rate tables valuable and timely. In 2004, Bankrate generated over 38 million unique visitors to the site. We continue to expand the base of partners, both online and in print, to whom we provide content. At year's end we maintained distribution partnerships with over 75 Web sites, including Yahoo!, America Online, and MarketWatch, Inc., and with over 100 newspapers, including The Wall Street Journal, The New York Times, USA Today and other national and regional papers.

As more and more consumers use the Internet for research and for transactions, and as more and more financial institutions find the Internet an attractive and measurable advertising environment for reaching customers, Bankrate will continue to benefit by being the trusted, objective and comprehensive source for both.

We are grateful for the diligence and dedication of our employees, and appreciate the support of our shareholders.

Sincerely,



Thomas R. Evans  
President and Chief Executive Officer



Peter C. Morse  
Chairman of the Board of Directors

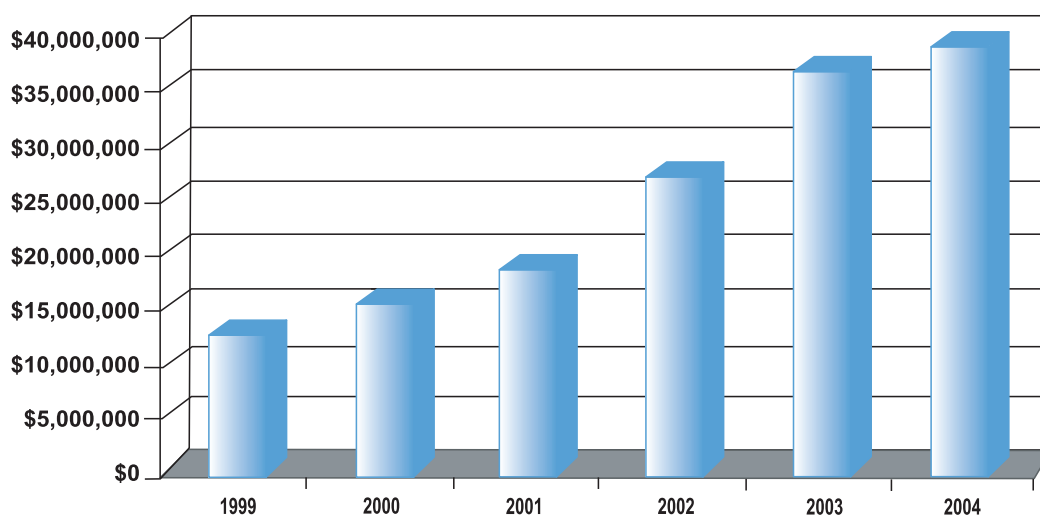
March 16, 2005

Certain matters included in the discussion above may be considered to be "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. Those statements include statements regarding the intent, belief or current expectations of the Company and members of our management team. Such forward-looking statements include, without limitation, statements made with respect to future revenue, revenue growth, market acceptance of our products, and profitability. Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include the following: our success depends on Internet advertising revenue, interest rate volatility, establishing and maintaining distribution arrangements, and increased acceptance of the Internet by consumers as a medium for obtaining financial product information; we have a history of losses; we use barter transactions which do not generate cash; our markets are highly competitive; our Web site may encounter technical problems and service interruptions; we rely on the protection of our intellectual property; we may face liability for information on our Web site; future government regulation of the Internet is uncertain and subject to change; we may be limited or restricted in the way we establish and maintain our online relationships by laws generally applicable to our business; our ownership is heavily concentrated; our success may depend on management and key employees; we may encounter difficulties with future acquisitions; our results of operations may fluctuate significantly; our stock price may be particularly volatile because of the industry we are in; and, if our common stock price drops significantly, we may be delisted from the Nasdaq National Market, which could eliminate the trading market for our common stock. These and additional important factors to be considered are set forth under "Item 1. Business - Risk Factors," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the other sections of our Annual Report on Form 10-K for the year ended December 31, 2004, and in our other filings with the Securities and Exchange Commission. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results or expectations.

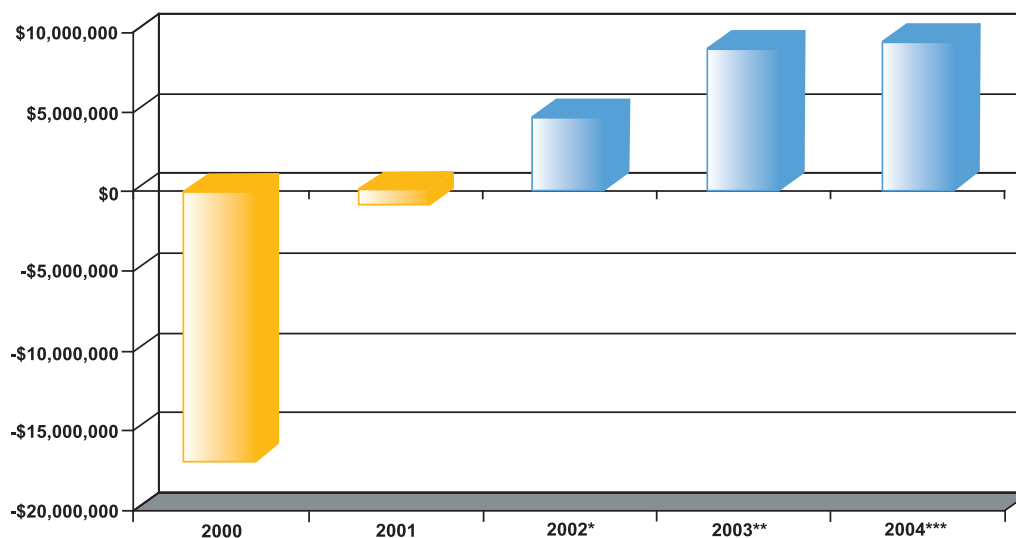
# COMPANY PROFILE

Bankrate, Inc. is the leading aggregator of financial rate information for American banks and lending institutions. The company owns and operates an Internet-based consumer banking marketplace, licenses data and editorial content to publishers and institutions and operates a newsletter business. Bankrate's rate data research offering is unique in its depth and breadth. Bankrate continually surveys more than 4,800 financial institutions in all 50 states in order to provide clear, objective and unbiased rates to consumers. The company's flagship Web site, Bankrate.com, provides free rate information to consumers on more than 300 financial products, including mortgages, credit cards, new and used automobile loans, money market accounts, certificates of deposit, checking and ATM fees, home equity loans and online banking fees. In addition to rate data, the company provides personal finance editorial content to help consumers make informed financial decisions.

## Total Revenue



## Adjusted Net Income



\* 2002 excludes \$2.0 million non-cash gain on early extinguishment of debt. \*\* 2003 excludes \$3.1 million non-cash income tax credit. \*\*\* 2004 excludes \$4.8 million non-cash income tax credit; \$0.5 million legal settlement charges; and \$0.3 million severance charge.

Bankrate, Inc. generates revenue by selling advertising on the Bankrate.com Web site. Financial institutions and marketers purchase graphic ads on our site in the form of banner, badge, billboard, poster and island advertisements.



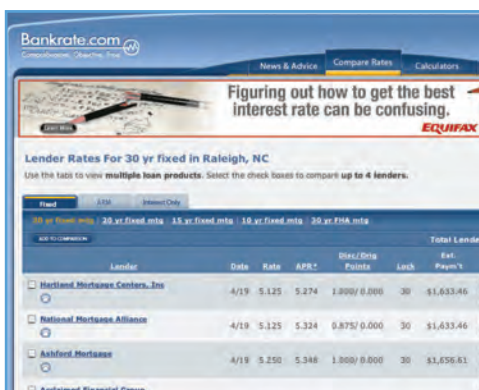
In addition, over 500 financial institutions listed on the rate tables purchase hyperlinks. These links enable consumers



to be connected directly to the financial institution's Web site, application page, or customer service department, allowing the lender to directly reach "in-market" consumers on the Bankrate site. Bankrate has revenue-sharing agreements with over 75 online partners, including Yahoo!, America Online, MSN, The Wall Street Journal Online and The New York Times Online. Bankrate had over 38 million unique visitors in 2004. comScore Media Metrix regularly ranks Bankrate.com first in unique visitors in the "Financial Information and Advice" category.



Bankrate also generates revenue from distributing rate information and content in newspapers and magazines across the United States. Approximately 100 newspapers, including eight of the nation's top 10, distribute Bankrate's content. The company's distribution partners include The Wall Street Journal, The New York Times, USA Today and numerous other national and regional publications. Bankrate publishes newsletters and licenses research data under agreements that permit the use of the data in other media. Bankrate also generates revenue by providing rate surveys to institutions and government agencies. For over 25 years Bankrate, Inc. has gathered competitive rate information on banking products. The company's experience, reputation in the banking industry and installed knowledge base have enabled Bankrate to develop a one-of-a-kind service and product offering for consumers.



Comprehensive. Objective. Free.

# FINANCIAL HIGHLIGHTS

## Stock Price

	HIGH	LOW
<b>Year Ended December 31, 2004</b>		
First quarter	\$ 19.92	\$ 12.12
Second quarter	20.30	8.46
Third quarter	11.80	7.01
Fourth quarter	16.00	9.25
<b>Year Ended December 31, 2003</b>		
First quarter	\$ 5.84	\$ 3.40
Second quarter	12.10	4.77
Third quarter	15.45	10.94
Fourth quarter	19.82	11.01
<b>Year Ended December 31, 2002</b>		
First quarter	\$ 1.29	\$ 0.65
Second quarter	1.50	1.10
Third quarter	2.09	1.02
Fourth quarter	3.91	2.05

Sources: The Nasdaq National Market; The Nasdaq SmallCap Market; The OTC Bulletin Board

## Page Views (Millions)

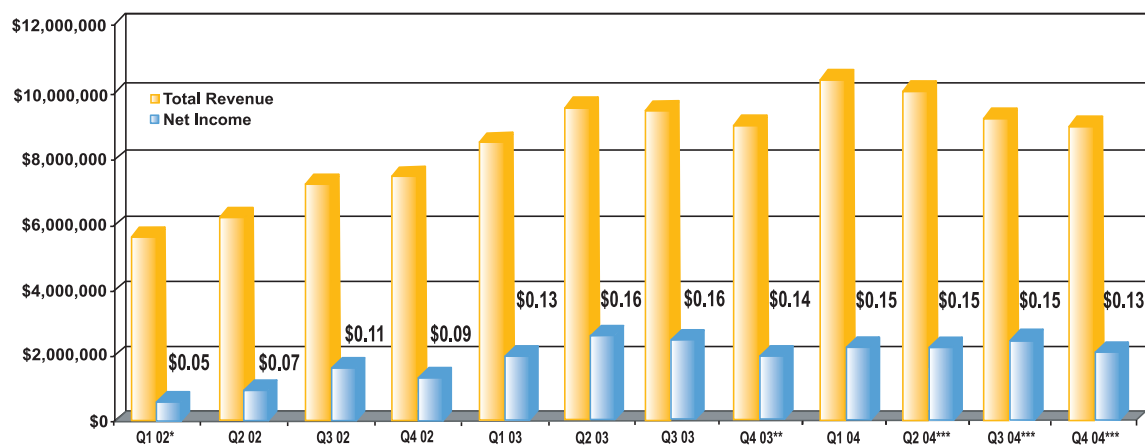
	2004	2003	2002	2001	2000
<b>Q1</b>	117.2	106.7	58.4	70.5	37.0
<b>Q2</b>	92.6	121.8	48.0	52.2	34.1
<b>Q3</b>	92.0	100.3	82.1	47.3	30.5
<b>Q4</b>	91.3	75.8	79.3	66.5	32.8
<b>Year</b>	393.1	404.6	267.8	236.5	134.4

## Adjusted Earnings (Loss) Per Diluted Share

	2004*	2003**	2002***	2001	2000
<b>Q1</b>	\$0.15	\$0.13	\$0.05	\$(0.04)	\$(0.53)
<b>Q2</b>	\$0.15	\$0.16	\$0.07	\$(0.02)	\$(0.43)
<b>Q3</b>	\$0.15	\$0.16	\$0.11	\$(0.03)	\$(0.21)
<b>Q4</b>	\$0.13	\$0.14	\$0.09	\$ 0.02	\$(0.07)
<b>Year</b>	\$0.59	\$0.59	\$0.32	\$(0.07)	\$(1.22)

\* Excludes \$0.3 million severance charge in Q2; \$0.4 million legal settlement charge in Q3; and \$0.1 million legal settlement and \$4.8 million non-cash income tax credit in Q4. \*\* Excludes \$3.1 million non-cash income tax credit in Q4. \*\*\* Excludes \$2.0 million non-cash gain on early extinguishment of debt in Q1.

## Total Revenue / Adjusted Net Income / Adjusted Diluted EPS



\* 2002 Q1 excludes \$2.0 million non-cash gain on early extinguishment of debt. \*\* 2003 Q4 excludes \$3.1 million non-cash income tax credit.

\*\*\* 2004 excludes \$0.3 million severance charge in Q2; \$0.4 million legal settlement charge in Q3; and \$4.8 million non-cash income tax credit and \$0.1 million legal settlement charge in Q4.

# EXECUTIVE OFFICERS

## THOMAS R. EVANS

President and Chief Executive Officer

## G. COTTER CUNNINGHAM

Senior Vice President and Chief Operating Officer

## ROBERT J. DEFRANCO

Senior Vice President and Chief Financial Officer

## RICHARD G. STALZER

Senior Vice President and Chief Revenue Officer

## BRUCE J. ZANCA

Senior Vice President and  
Chief Marketing/Communications Officer

# BOARD OF DIRECTORS

## PETER C. MORSE

Chairman of the Board  
President, Morse Partners, Ltd.

## THOMAS R. EVANS

President and Chief Executive Officer - Bankrate, Inc.

## WILLIAM C. MARTIN

Principal, Indie Research LLC

## ROBERT P. O'BLOCK \* +

Retired, Former Consultant with McKinsey & Company

## RICHARD J. PINOLA \*

Retired, Former Chief Executive Officer - Right  
Management Consultants

## RANDALL E. POLINER \* +

President, Antares Capital Corporation

\* Audit Committee + Compensation Committee

## Annual Stockholders Meeting

The Annual meeting of Stockholders will be held on June 16, 2005 at 9 a.m. at The Embassy Suites Hotel  
4350 PGA Boulevard  
Palm Beach Gardens, Florida 33410

## Investor Information

For further information about the Company, please visit our Web site at [www.bankrate.com](http://www.bankrate.com)

Kayleen Keneally

[Investor.relations@bankrate.com](mailto:Investor.relations@bankrate.com)

## Auditors

KPMG LLP  
450 East Las Olas Boulevard, Suite 750  
Fort Lauderdale, FL 33301

## Legal Counsel

Gunster, Yoakley & Stewart, P.A.  
777 South Flagler Drive, Suite 500 East  
West Palm Beach, Florida 33401

## Stock Transfer Agent & Registrar

SunTrust Stock Transfer  
58 Edgewood Drive  
Atlanta, Georgia 30302  
(800) 568-3476



**Corporate Offices**

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