

# 2003 Annual Report

Dear Shareholder,

We are pleased to report that 2003 was another banner year for Bankrate, Inc. We achieved record results in revenue and earnings, and increased our shareholder value.

At year-end, we achieved two consecutive years of profitable growth and 11 consecutive quarters of positive cash flow. Total revenue for the year ended December 31, 2003 increased 38% to \$36.6 million from \$26.6 million in 2002. Net income for 2003 was \$12.1 million, or \$0.79 per share on a diluted basis, compared to \$6.7 million, or \$0.46 per share on a diluted basis, for 2002.

The results for 2003 included a non-cash income tax credit of \$3.1 million in the fourth quarter related to the recognition of a deferred tax asset on a portion of our net operating loss benefits. In 2002, we recorded a non-cash gain on early extinguishment of debt of \$2.0 million. Excluding these items, net income for the year ended December 31, 2003 nearly doubled to \$9.0 million, or \$0.59 per share on a diluted basis, compared to \$4.6 million, or \$0.32 per share on a diluted basis, in 2002. We ended the year with virtually no debt and a cash position of \$21 million, nearly double the \$11 million in cash we had at year-end 2002.

Our industry position as the leading consumer banking site on the Internet during 2003 attracted a record number of consumers to our Web site. We averaged over 4 million unique visitors per month in 2003 according to comScore Media Metrix, which ranked us first in the Financial Information and Advice category. Visitors to Bankrate.com are interested in vital personal finance education and finding the best rates and information available for more than 250 consumer banking products offered by over 4,800 financial institutions across the country. Consumers look to Bankrate for the most meaningful and comparable rates available for their new mortgage, mortgage refinancing, auto loan, home equity loan, CD and other personal banking needs. Our brand has earned consumers' trust because our information is completely objective, categorized, interpreted and is not influenced by whether or not the financial institution advertises on Bankrate.

Working with leading partners has helped us to continue to build recognition of the Bankrate brand as the gold standard for consumers seeking objective data and education for their most important banking needs. Early in the year, we launched a number of new partnership initiatives, notably making Bankrate data available to subscribers of The Wall Street Journal Online, the Associated Press Radio Network's new syndication of Bankrate.com's "The Personal Finance Minute", our first project in radio, and importantly, the release of our annual Financial

Literacy benchmark survey conducted by RoperASW. The survey is often the first step consumers take in finding out just how much or how little they know about their most important personal finance needs and continues to be one of the most popular offerings on Bankrate.com.

Since we have primary eye share, Bankrate's strong brand recognition and quality lead generation for our advertisers has increased the value of our site. A key factor in understanding our business success is our core strategy of creating a profitable media business on the Internet. Our media model enables us to expand content in a timely, low cost/low risk manner. We are the central marketplace for brick and mortar financial institutions to acquire customers. We have a high quality, poised-to-transact audience that has been educated by Bankrate and is ready to do business with our advertisers.

Part of the reason for our success is our sales force, which is the best on the Internet, focused on financial institutions. Our field salespeople visit financial institutions and provide highly consultative relationship selling. Unlike others who contracted their sales force in the down years, we have doubled the size of our sales team in the past four years. This strategy has paid off with substantial revenue growth and more than triple the number of advertisers in the same period.

Strong advertising revenue growth combined with a stable expense base has resulted in more of our advertising revenue flowing directly to the bottom line. We are also extremely pleased with the continuing growth of licensing income from our print publishing business. Today, more than 100 newspapers, including eight of the nation's top 10, distribute our rate information. Our print customers include The Wall Street Journal, The New York Times, USA Today and numerous other national and regional publications. Our distribution partners, including America Online, Yahoo!, and USA Today have also played a key role in building recognition for the Bankrate brand as many consumers first visit our site through one of the major portals. With more than 75 online partners, Bankrate.com has become the preferred channel of distribution for consumer banks and other financial institutions on the Web.

Bankrate's robust business expansion and financial growth were accompanied by key milestones that spurred a substantial increase in shareholder value during the year. We:

- Became listed on the Nasdaq Small Cap Market in January and regained our Nasdaq National Market listing in August 2003.
- Presented for the first time at institutional investor conferences.
- Attracted both institutional and individual investors as Bankrate's market capitalization grew steadily throughout the year.
- Received our first stock research coverage.

- Saw our stock added to the widely followed Russell 2000 and Russell 3000 indices

Low interest rates spurred the growth of advertising for mortgage refinancing products on Bankrate.com through the first half of the year. In the second half of 2003, mortgage rates began to rise. At the same time, we began to see a return to the traditional holiday season traffic pattern, which is historically the slowest period of the year. Despite spikes in interest rates and seasonal downturns in traffic, we have demonstrated over the years our ability to grow our revenue. Bankrate is poised to profit during periods of both rising and declining interest rates.

As American consumers take a more active role in managing their money, the need for Bankrate's neutral marketplace that brings buyers and sellers together becomes ever more important. We see strong possibilities for market growth as financial institutions are still in a very early stage of adopting the Internet for advertising products that have become personal finance essentials for Americans.

We remain deeply committed to serving the needs of consumers and strengthening our position as a must buy for advertisers. With the continuing efforts of the very talented and enthusiastic Bankrate team and the wise counsel of our board of directors, we are looking forward with optimism to the year ahead and beyond. We wish to take this opportunity to thank our shareholders for their continued support.

Sincerely,

Elisabeth DeMarse

*President and Chief Executive Officer*

Peter C. Morse

*Chairman of the Board of Directors*

March 15, 2004

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, 2003, 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.