Boosting Debit Growth through eCommerce

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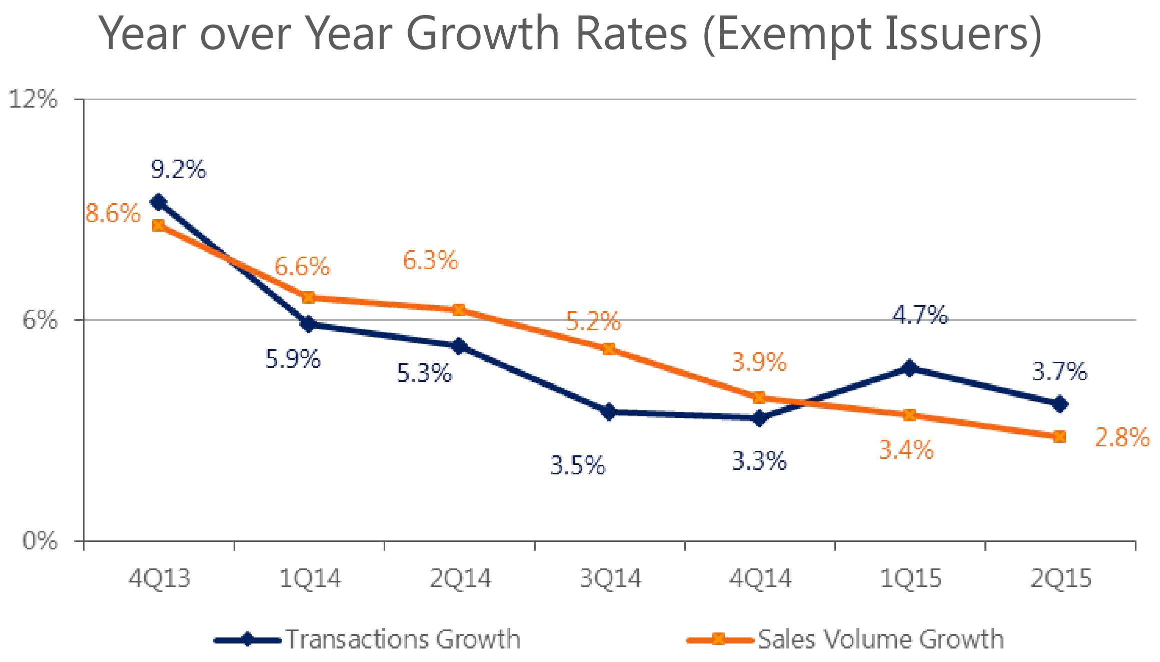
Agenda

- Debit Landscape
- eCommerce Market Opportunity
- Target Market for eCommerce Growth
- eCommerce Collateral Review

Visa Debit Growth Trends

2Q15 Exempt Issuers

Lower oil prices continued to put pressure on Visa Debit Exempt Issuer sales volume growth. However, Visa Debit sales volume growth benefited from Bill Payment (which was 2.6% higher than 1Q15) and QSRs (which was 1.2% higher than 1Q15)

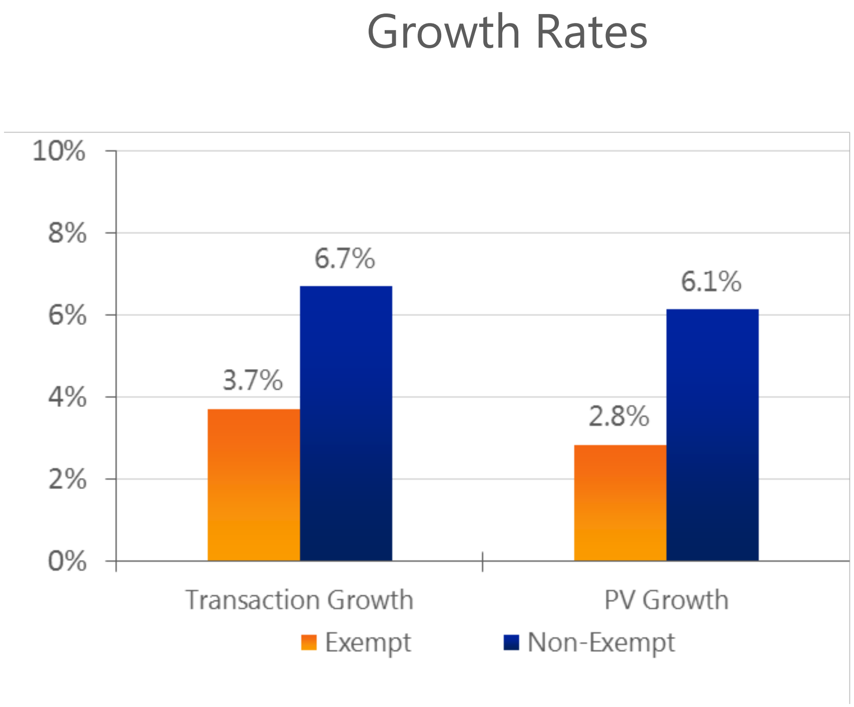


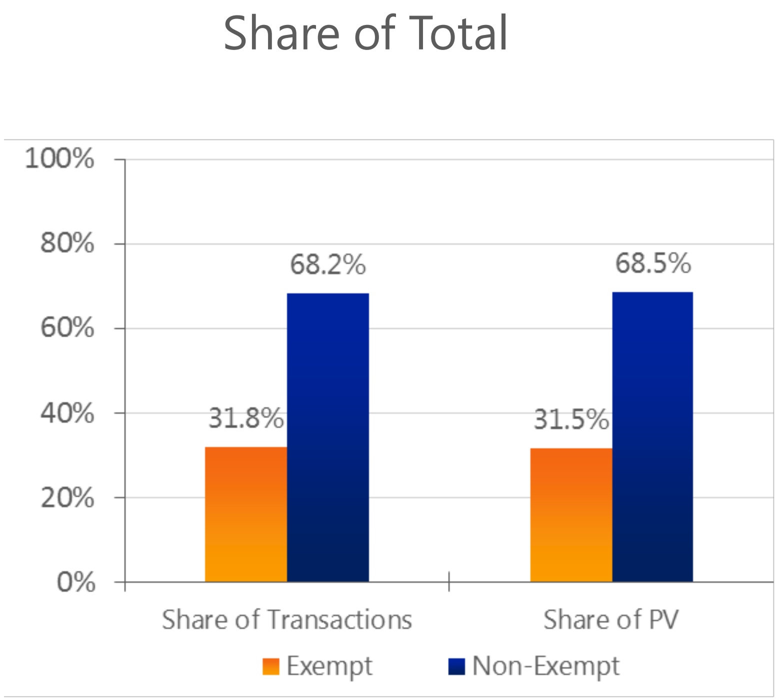
Source: Visa Transactions for Visa Consumer Debit, excludes Interlink, Prepaid. US issued cards only.

Visa Debit Growth and Share of Total

Exempt vs. Non-Exempt – 2Q15

Transaction and sales volume growth rates for both Exempt and Non-Exempt issuers declined from 1Q15, with Exempt issuers experiencing a steeper decline than Non-Exempt. Non-Exempt issuers continued to outperform Exempt as they focus on the Small Ticket segment



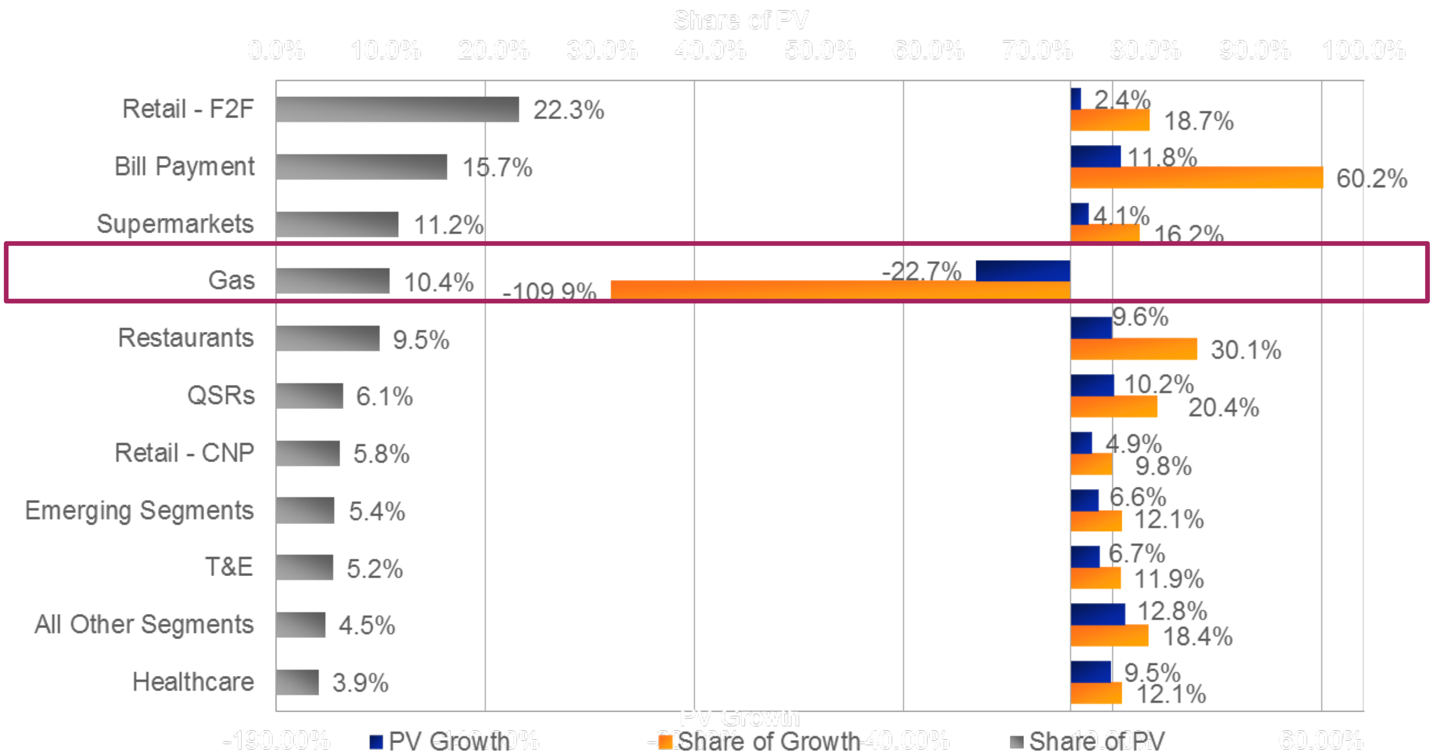


Source: Visa Transactions for Visa Consumer Debit, excludes Interlink, Prepaid. US issued cards only.

Visa Debit Sales Volume Growth – Exempt Issuers

2Q15 Exempt Issuers

Gas segment's share of growth declined -22.7% as a result of an even steeper decline in gas prices from the previous year. The Bill Pay and QSR segments were amongst the fastest growing segments for Exempt issuers in 2Q15



Source: Visa Transactions for Visa Consumer Debit, excludes Interlink, Prepaid. US issued cards only. Emerging Segments" is composed of: Government, B2B, Toll and Bridge Fees and Other Emerging. (*)"All Other Segments" is comprised of : Direct Marketing and Remaining Merchants, including social buying sites, ticket marketplaces, professional services, etc.

2016 U.S. Debit Growth Challenges

Debit growth may be challenging in 2016 due to the following headwinds

- Issuers are resource constrained
  - Focusing on EMV, Tokenization, Mobile Wallet implementations, and Visa Checkout initiatives
- Anticipated low to no growth in the Gas segment
  - Gas has experienced negative growth from 3Q14 through 2Q15
- Anticipated Costco debit impact
  - Potential shift from PIN debit to credit in Costco stores due to credit rewards value proposition
- Slower net DDA account growth
- Anticipated PINless debit expansion that may impact Visa volumes
- Rich credit rewards programs that may cannibalize debit volumes
  - Millennials, the largest segment in the U.S., are highly motivated by rewards

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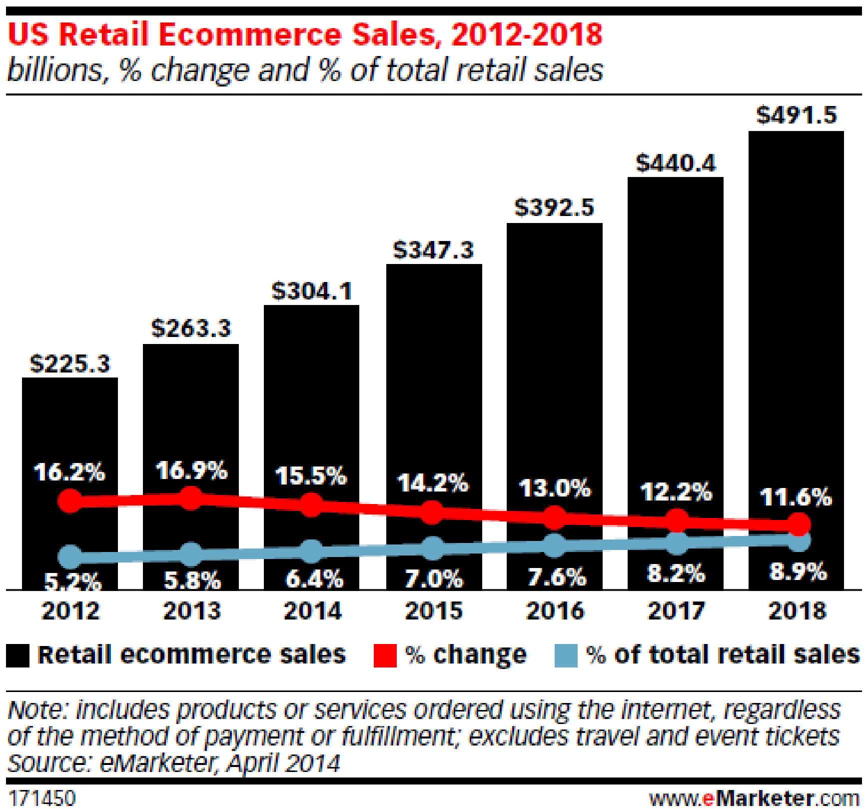
eCommerce retail sales growth continues to outpace traditional retail sales growth

Note: Excludes Travel and Event Tickets



US Retail Sales, by Channel, 2012-2017
billions and % change

	2012	2013	2014	2015	2016	2017
Ecommerce*	**$225.3**	**$263.3**	**$304.1**	**$347.3**	**$392.5**	**$440.4**
—% change	16.2%	16.9%	15.5%	14.2%	13.0%	12.2%
Non-ecommerce	**$4,125.0**	**$4,269.5**	**$4,428.2**	**$4,588.5**	**$4,740.7**	**$4,898.2**
—% change	4.6%	3.5%	3.7%	3.6%	3.3%	3.3%

*Note: excludes travel and event tickets; *includes products or services ordered using the internet, regardless of the method of payment or fulfillment*
Source: eMarketer, April 2014

171448 www.eMarketer.com

US Retail Sales & Retail Ecommerce Sales Annual Increases, 2012-2018
billions

	2012	2013	2014	2015	2016	2017	2018
Retail sales increase	$213.9	$182.6	$199.4	$203.5	$197.4	$205.3	$213.5
Retail ecommerce sales increase	$31.4	$38.0	$40.8	$43.2	$45.2	$47.9	$51.1
Retail ecommerce % of total retail sales increase	14.7%	20.8%	20.5%	21.2%	22.9%	23.3%	23.9%

Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets
Source: eMarketer, April 2014

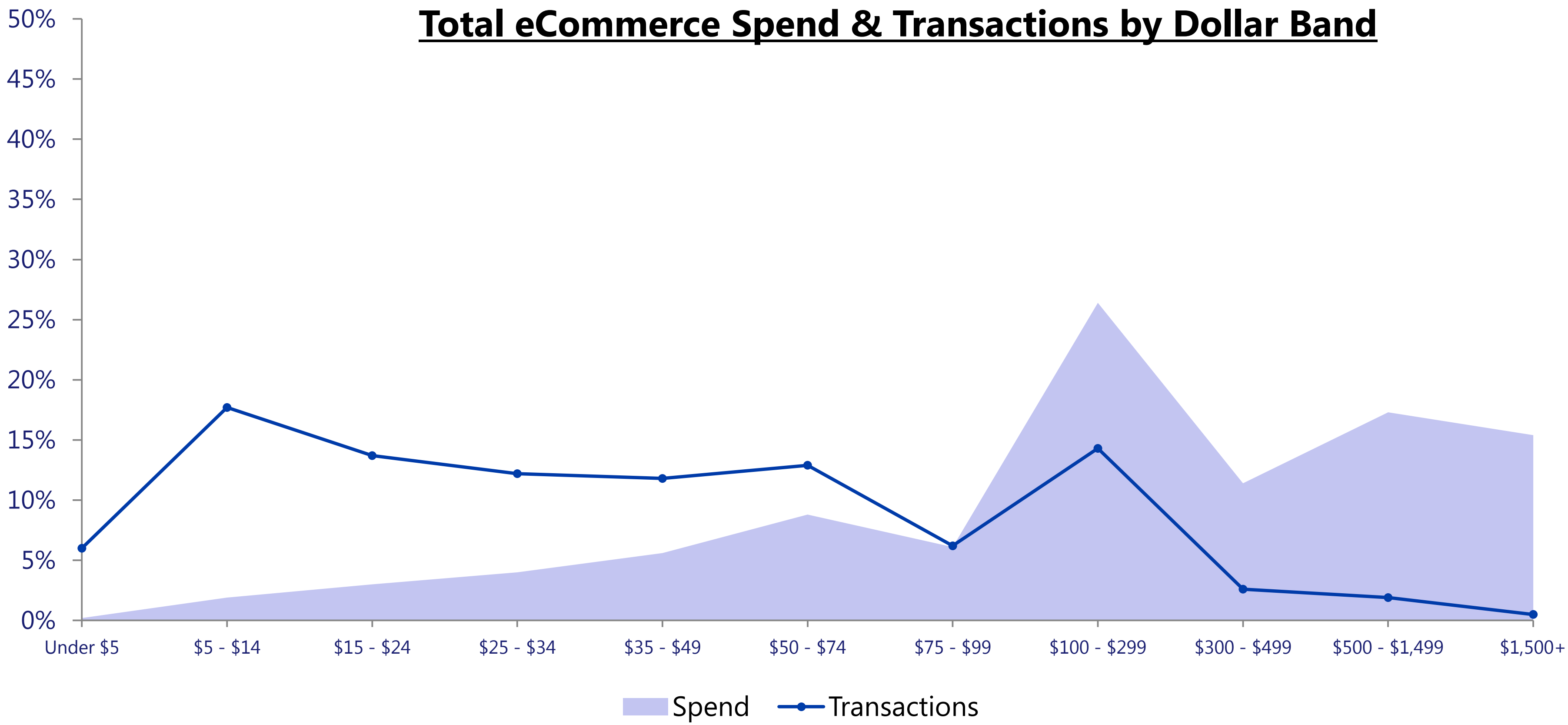
171451 www.eMarketer.com

- eCommerce will account for 7.0% of total U.S. retail sales in 2015
- eCommerce will grow 14.2% to reach $347B in 2015 while non-eCommerce will expand only 3.6%

Source: U.S. Retail eCommerce 2014 Trends and Forecast, eMarketer

A majority of eCommerce spend is made up of transactions that are $100 or more

- **71% of eCommerce spend is above $100**, representing 19% of eCommerce transactions
- eCommerce transactions are relatively evenly distributed below $75
- eCommerce transactions typically generate higher revenue due to higher average tickets

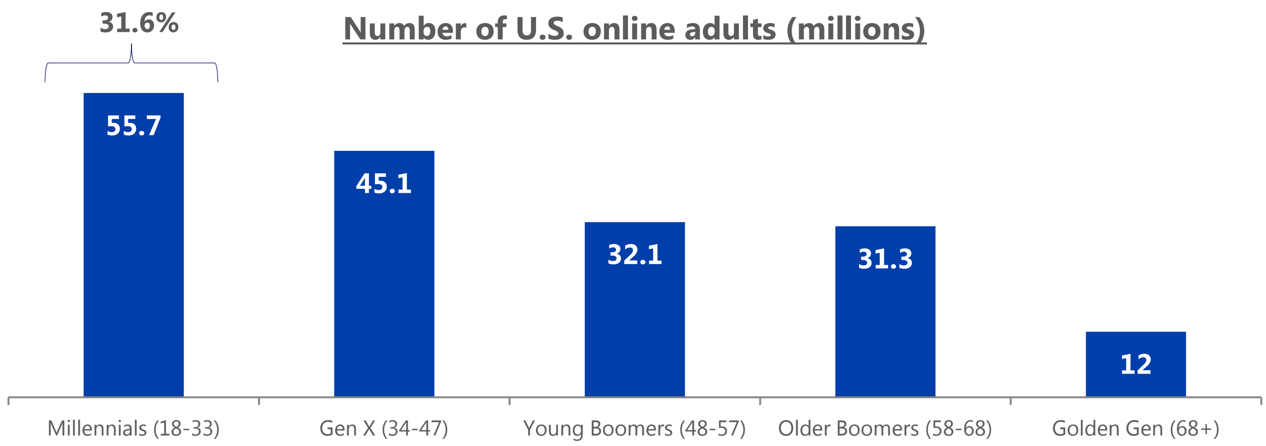


Sources: Visa U.S. Payment Panel, 4Q13 to 3Q14
Note: Excluding Bill Pay and Services

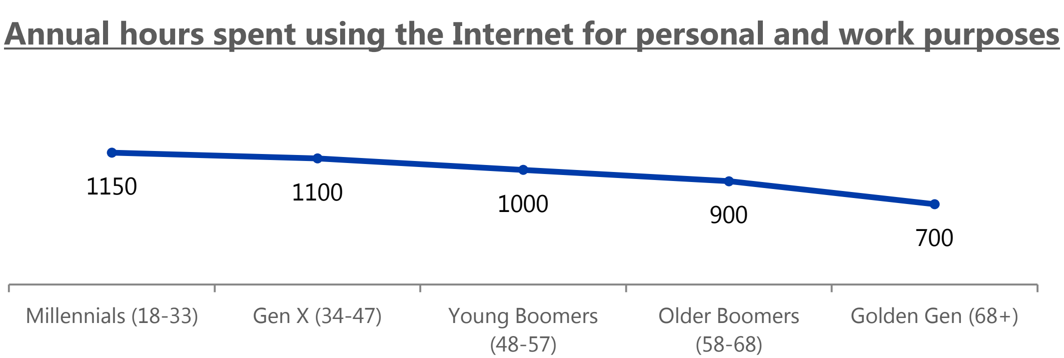
Millennials make up nearly a third of U.S. online adults and spend more money and time online than other age groups

Millennials account for 31.6% of the total U.S. online adult population

Total U.S. online adults: 176.2 million



Millennials spend a higher proportion of their salary and more time online than the average U.S. adult online



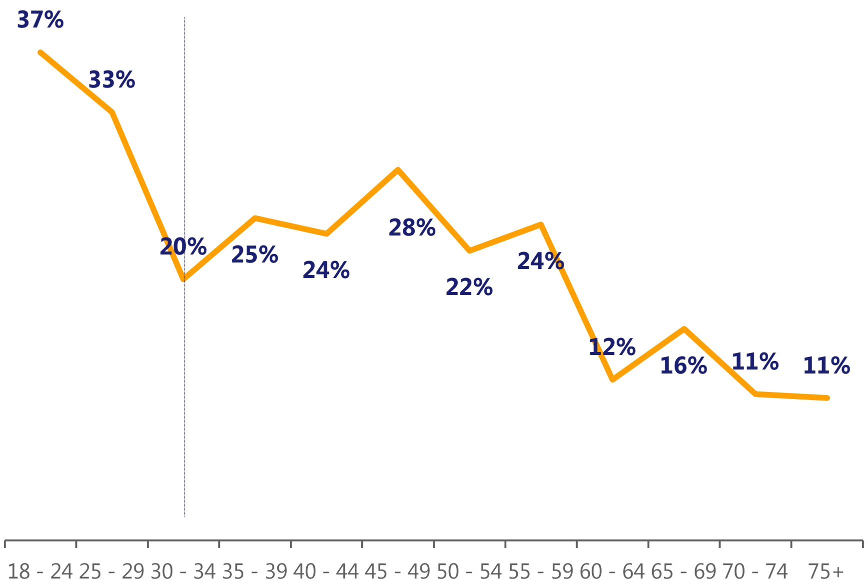
Annually, **aged 25 to 33 Millennials** spend **$411** more online than the average U.S. online adult even though they earn less

Sources: U.S. Retail Segmentation: Gen Y Online Shoppers, May 2014, Forrester
Note: Millennials include any individuals between ages 18 and 33

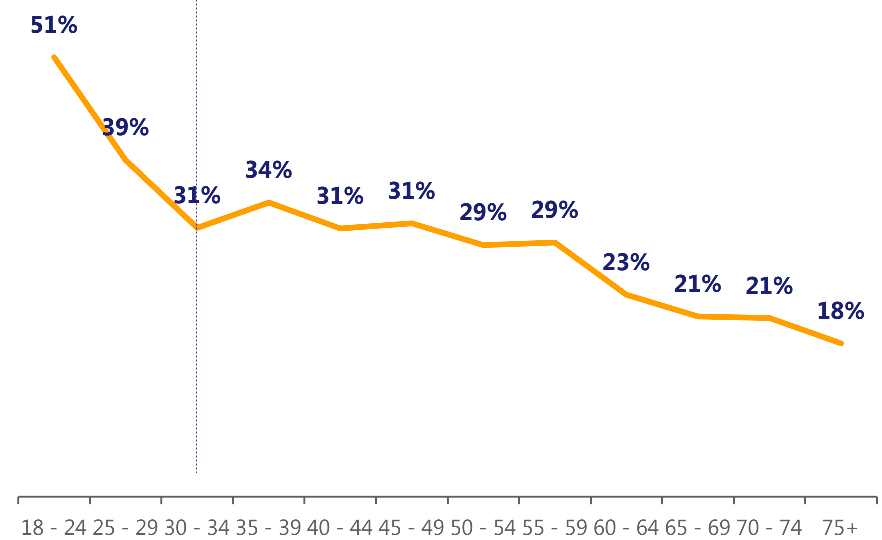
Millennials are more likely to use their Debit cards for eCommerce transactions as compared to other age groups

Millennials who are age 30 and under use Debit cards for 1/3 of their total eCommerce spend and about 40% of their total eCommerce transactions

Debit Share of eComm Spend by Age Group
Base: All Payment Methods



Debit Share of eComm Transactions by Age Group
Base: All Payment Methods



Source: Visa Payment Panel, 4Q13-3Q14
Note: Excluding eComm Bill Pay and Services transactions

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Increasing eCommerce Transactions

- eCommerce and Recurring Bill Pay (many of which are established via eCommerce) have been two of Visa Debit's fastest growing channels the past two years
- Exempt issuers earn significantly more revenue on eCommerce transactions and recurring Bill Pay transactions[1]
- eCommerce retail sales growth continues to outpace traditional retail sales growth
- **Millennials are the key segment to target for eCommerce transaction growth**
- **Medium and heavy users are the key segments to target for Recurring Bill Pay transaction growth**

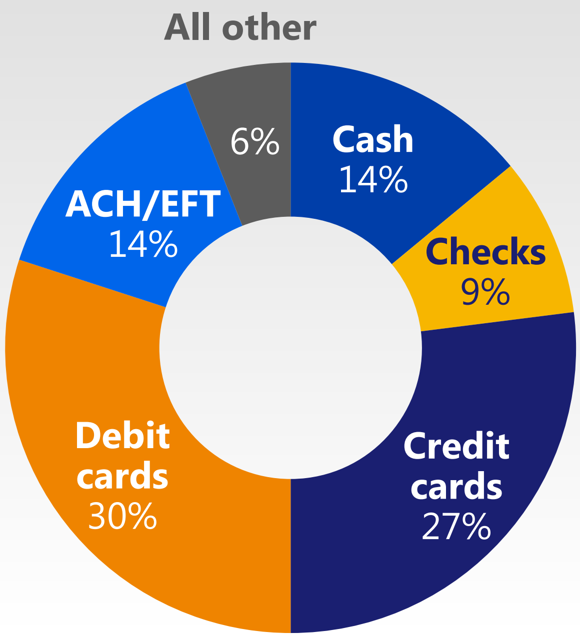
2Q15 Visa Debit Exempt Issuer Growth by Channel

Channel	Tran Volume Share	Sales Volume Share	Tran Volume Growth	Sales Volume Growth	Average Ticket
FACE-TO-FACE	84.2%	69.9%	3.1%	0.2%	$29.07
eCommerce	9.4%	16.9%	4.3%	8.7%	$63.11
Mail Order/ Phone Order	3.1%	8.6%	3.0%	5.6%	$97.36
Recurring	3.3%	4.6%	19.2%	22.0%	$47.68
Total	100.0%	100.0%	3.7%	2.8%	$35.00

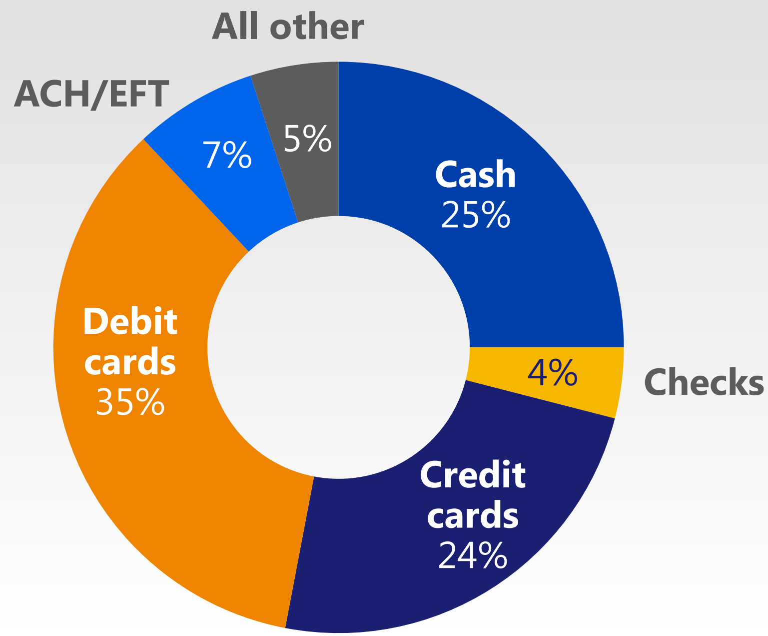
[1]Visa Global Interchange

For Millennials it's a card world

Payment method share of spend



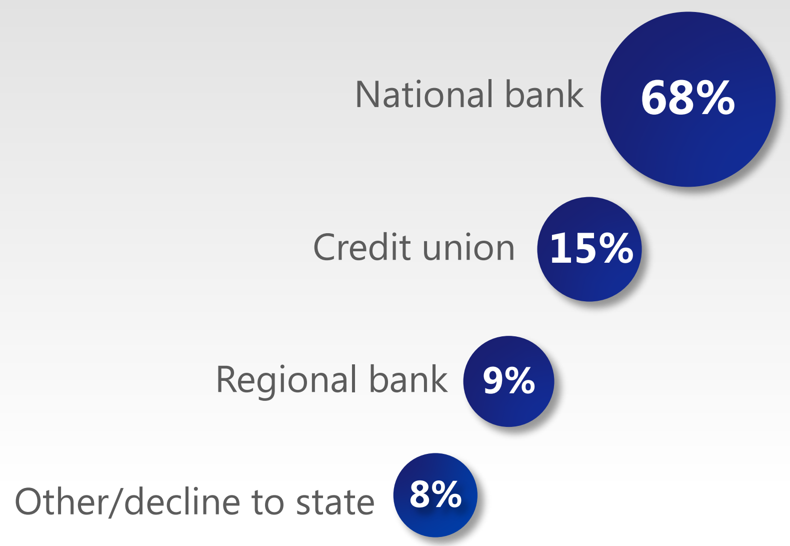
Payment method share of transactions



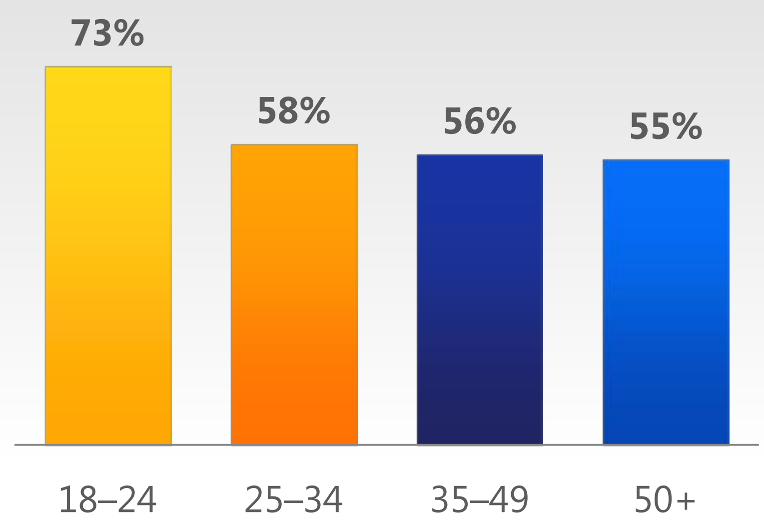
Note: ACH = Automated Clearing House; EFT = Electronic Funds Transfer
Source: Visa Consumer Payment Panel Study 3Q2013–2Q2014 Data

Regional Banks need to develop a Millennial strategy to help attract the largest demographic segment in the U.S.

Millennial primary financial institution
(Self-reported)

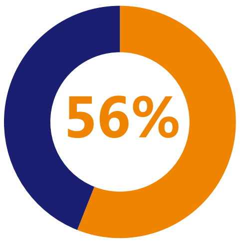


Percentage of accounts held with primary bank

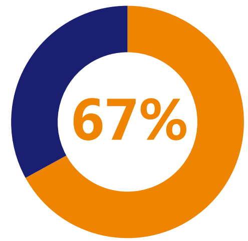


Source: Fair Isaac: Millennials and Retail Banking

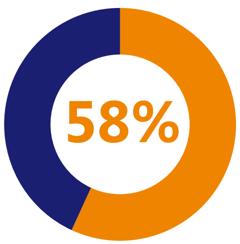
Millennials and money



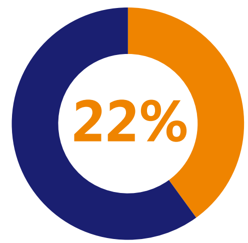
Want to bank on their time
are interested in having a video chat with a bank representative (compared to 23% for those over 55)



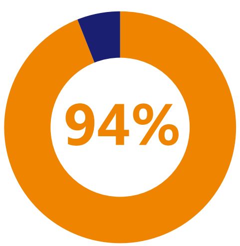
Have higher expectations of omni-channel distribution
feel the traditional and digital experience they receive from their bank is not seamless (compared to 45% for those over 55)



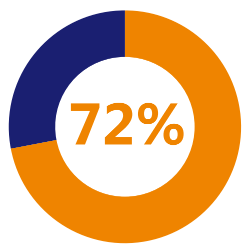
Expect their bank to be proactive
are interested in their bank proactively recommending products or services (compared to 46% for those over 55)



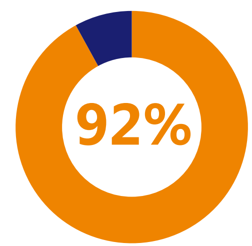
Are seeking advice through emerging channels
look for financial advice via social media (compared to 3% for those over 55)



Are active users of online banking



Are active users of mobile marketing



Are active users of social media

Note: Base: Consumers age 18–29
Source: Accenture 2014, North America Consumer Digital Banking Survey

Developing a Millennial Strategy

Six key insights that impact Millennial marketing strategy development

	INSIGHT	DETAILS	MARKETING IMPLICATIONS
1	**Not a homogenous marketing segment**	• Millennials are on track to become the most culturally diverse, highly educated and financially aware cohort[1] • 23% are married[2] while 43% still live at home[2]; the Median income (in 2011) was $57K[2] for the group yet 18% are underemployed[3]	• Marketing to Millennials requires **segmentation** (e.g. descriptive attributes, predictive modeling), based on differentiated needs and behaviors
2	**Life stage defines card behavior more than age**	• "Understanding and recognizing these distinct segments and their nuances is essential; a one-size-fits-all effort will fail to connect with every Millennial segment"[4]	• Explore alternative data sources in addition to credit bureaus (e.g. DDA, AUM, etc.) in order to better understand where Millennials are in their life stage • Consider **trigger based targeting** in order to respond to life changes that represent opportunity
3	**Heavily influenced by parents**	• 85% of Millennials look to their parents as their primary source of advice and guidance[5]	• View parents as both a **target** and a **channel**; co-market to parents of younger Millennials

[1]Pew Research Center, "Millennials: A Portrait of Generation Next," 2/10 [2] Pew Research Center, "Interactive: A Portrait of Five Generations," 2/10 [3]Gallup April 2013
[4]Boston Consulting Group, 4/12 [5]"The Millennials: Connecting to America's Largest Generation," 1/11

Developing a Millennial Strategy

Six key insights that impact Millennial marketing strategy development

	INSIGHT	DETAILS	MARKETING IMPLICATIONS
4	**More connected – "Digital Natives"**	• More than 80% sleep with their mobile within reach[1] • "Mobile app features that provide the greatest lifts in satisfaction include *viewing card benefits* and *features, redeeming rewards* and *receiving special promotions/offers*. However, these offerings are currently available to < ¼ of credit card customers"[2] • Younger Millennials are particularly engaged in using banking/mobile apps. 44% of 18-24 yr. olds used a banking app last 30 days[3]	• **Channel** strategies must incorporate mobile, social and online banking • In social channels, promote topics of interest to increase engagement • Offer mobile app features that include easy reward redemption and relevant offers/incentives and promotions (e.g. geo-targeted offers), mobile banking features/engagement
5	**Motivated by rewards**	• 78% rate rewards as a difference maker in making purchase decisions[4]	Offering **products** and **messaging** that convey a meaningful rewards structure to Millennials is essential to winning them over
6	**Apply for cards through a variety of channels**	• Online is the preferred channel for both Younger (51%) and Older (60%) Millennials[3] • However, Branch is also a key channel, particularly for Younger (37%) Millennials[3]	Utilize a **multi-channel** acquisition strategy – online and branch are key channels for acquisition

[1]Pew Research Center, Millennials: A Portrait of Generation Next, 2/10
[2] JD Power Press Release, August 2013
[3]Global Payment Tracker 2013; U.S. Payment & Attitude Survey 2013; Visa Customer Insights: Millennials 2013
[4] AIMIA: Born This Way: The U.S. Millennial Loyalty Survey, 2011

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eCommerce Campaign

Turnkey Marketing Materials

Print Elements	Education	Offer
Buck Slip	X	
Statement Insert	X	
Bi-Fold Self-Mailer	X	
Tri-Fold Self-Mailer		X

Digital Elements	Education	Offer
Banner Ads	X	
Email	X	X
Landing Page	X	X
ATM Screen	X	X
Web Image	X	
Mobile	X	

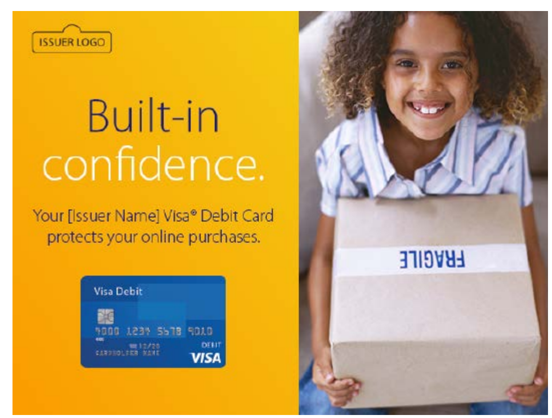
Examples of eCommerce Marketing Templates

Statement Insert (front)

Statement Insert (inside)

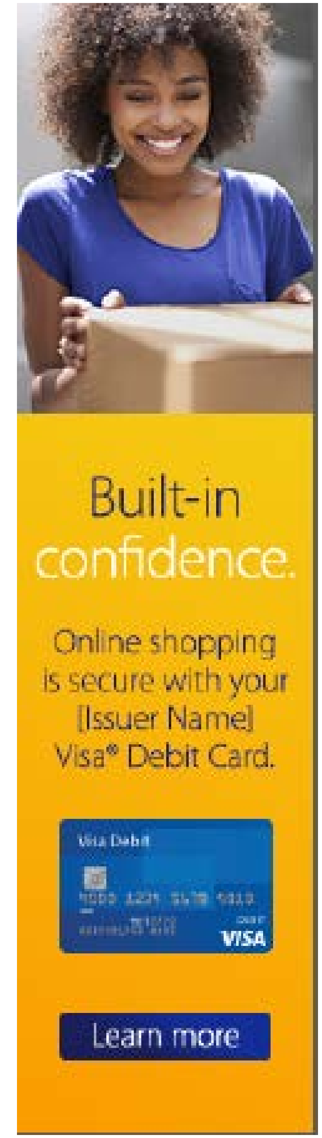
Email

Mobile Screen



ATM Screen

Examples of eCommerce Marketing Templates (cont'd)



160x600

300x250

728x90

Interactive Visa Debit Marketing Guides

We've developed interactive marketing guides for Visa Debit Small Ticket and eCommerce campaigns. Each guide features marketing assets and recommended messaging that you can customize for any channel.

Download and customize the assets you need at Visa Online today.

Visa Bill Pay Marketing Resource Guide

Recurring Bill Pay is one of Visa Debit's fastest growing channels and these transactions generate above average interchange for Exempt issuers

VISA BILL PAY | MARKETING RESOURCE GUIDE

Getting Started Planning Marketing Materials Materials at a Glance

Use this guide to build a successful Visa Bill Pay marketing program

Promoting Visa Bill Pay to your cardholders can help drive card usage and improve customer loyalty. If you have a rewards program, the opportunity is even greater. In fact, rewards are the top driver behind many cardholders' bill pay method preferences.[1]

Utilize this guide to help you promote Visa Bill Pay. You'll find customizable bill pay materials including self-mailers, emails, inserts and in-branch materials as well as mobile-optimized emails and an interstitial page. Plus you can access tools designed to support every phase of your marketing campaign. From targeting, and messaging to creative execution, it's never been easier to take advantage of Visa's wide range of industry expertise.

Getting Started

Learn why marketing Visa Bill Pay is a key opportunity for your business.

Overview
Visa Bill Pay Defined
Visa Bill Pay Opportunity
Why Promote Visa Bill Pay

Planning

Find out what steps you can take to ensure your Visa Bill Pay campaign is a success.

Targeting
Key Messaging
Response Tactics
Sample Marketing Plan

Marketing Materials

Visa makes it easy for you to benefit from the bill pay opportunity with an array of customizable materials.

Consumer
Small Business
In-Branch
Recommended Messaging

[1] Source: Visa Bill Payment Usage and Commitment Study, November 2011.

[1]Visa Global Interchange