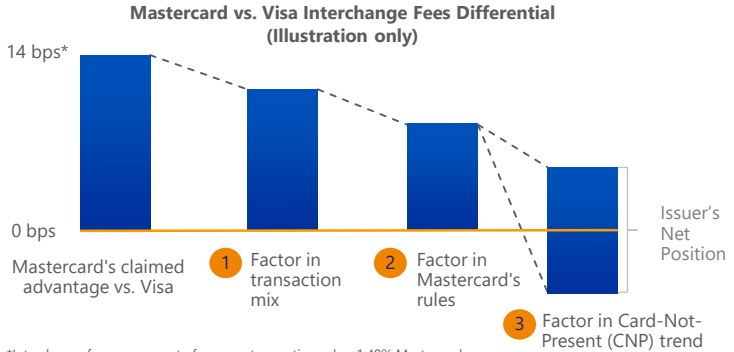


Myths vs Reality: Dispelling the Mastercard Interchange Advantage Myth

Visa may be more advantageous than Mastercard considering all factors in the transaction mix.



Issuers should consider the full picture of interchange fees



1 Transaction mix matters.



- Comparing only dual message network interchange rates without considering the single (PIN) /dual (Signature) message network mix is not accurate:
 - Merchants will typically want to route to the networks with the lowest cost.
 - Single message networks typically have lower published rates vs. dual message.
- Where single message networks are competing for transactions, merchants will typically not choose to route to Mastercard, eliminating any interchange fee advantage Mastercard may claim over Visa.
- Win rate is important. Choosing a network based on high published interchange rates is not necessarily a winning strategy in a world where merchants have a choice to select the lower rate option.

2 Mastercard's rules can reduce the interchange fee you receive.



- Unlike Visa, Mastercard requires the Maestro single message network on all Mastercard cards.
- Maestro interchange rates are at a discount to Mastercard signature in most segments, inciting merchants to route to Maestro or the unaffiliated debit network rather than Mastercard.
- Mastercard also charges a 3 bps fee for transactions routing to an unaffiliated PIN network, reducing any cost advantage it may have vs. Visa.

Mastercard / Maestro Interchange

Mastercard – Merit III (Signature)	1.05%+\$0.15
Maestro – All Other Retail	0.90%+\$0.15

Effective rate=Interchange fee/volume=(1.05%\$35+\$0.15)/\$35=1.48% or 148 bps
Source: Mastercard 2017–2018 U.S. Region Interchange Programs and Rates

Example:
Effective rate for a \$35 transaction

148 bps*

133 bps

3 Visa has a rate advantage in the fast growing Card-Not-Present (CNP) transaction categories.



- As consumers' shopping behaviors have changed, debit CNP payment volume share has increased from 19% in 2013 to 25% in 2017.*
- Visa issuers will benefit from the anticipated CNP growth and its effect on transaction mix trends.

*US Visa Payment Panel 2013 – 2017 data

Selected Card-Not-Present Transaction Interchange Fees

Visa – Card-Not-Present	1.65%+\$0.15
Mastercard – Merit I (Card-Not-Present)	1.60%+\$0.15

Source: Visa USA Interchange Reimbursement Fees, April 22, 2018; Mastercard 2017–2018 U.S. Region Interchange Programs and Rates

Example:
Effective rate for a \$35 transaction

208 bps

203 bps