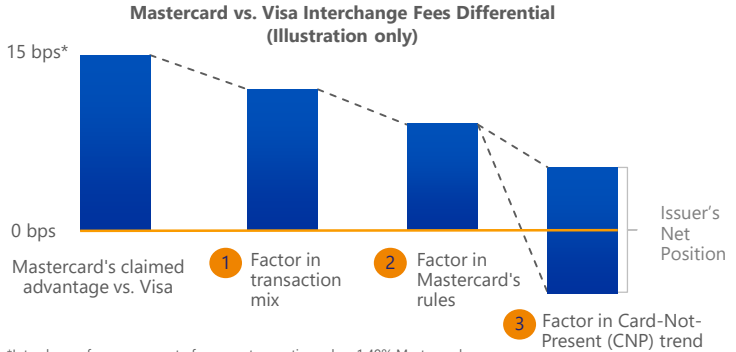


Myths vs Reality: Dispelling the Mastercard Interchange Advantage Myth

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



Issuers should consider the full picture of interchange fees



*Interchange fee as a percent of average transaction value. 1.49% Mastercard vs. 1.34% Visa. Exempt Dual Message (Signature) Transactions only. 2016 Source: Federal Reserve, "Regulation II (Debit Card Interchange Fees and Routing)," published on July 14, 2017

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, incentivizing 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, CNP payment volume share has increased from 16% in 2012 to over 40% in 2016.*
- Visa issuers will benefit from the anticipated CNP growth and its effect on transaction mix trends.

*U.S. Consumer Payments Outlook Through 2020, Market Research.com, Inc., May 2017

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, 2017; Mastercard 2017–2018 U.S. Region Interchange Programs and Rates

Example:
Effective rate for a \$35 transaction

208 bps
203 bps