



2016 U.S. Consumer *Payment Study*

TSYS[®]

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Sometimes the more things change, the more they stay the same.

2016 marks the sixth year of conducting our U.S. Consumer Payment Study. It should come as no surprise that much has changed in the last six years — particularly in the mobile space. But what may be more interesting is just how much many things have remained consistent. Credit, debit and cash, by far, remain consumers' most preferred ways to pay.



INTRODUCTION

What's new this year? For the first time in our U.S. study's history, credit took over the top spot as the overall preferred way to pay, replacing debit as the number-one choice in years past. We'll share more information on that, along with the most preferred methods of payment by transaction type.

This year we again surveyed more than 1,000 consumers, covering a diverse demographic to include gender, age and income representatively. Respondents were required to have at least one credit card and one debit card. Many of our questions were the same as previous years to allow us to track year-over-year trends, but, as always, we made some additions and omissions to ensure we covered topics of most interest.

Since we last completed this study, the payments industry has undergone a number of changes. The U.S. migration to chip has seen great strides. According to the U.S. Payments Forum (October 2016), approximately a third of U.S. merchants are now enabled to take chip cards and about three quarters of consumers have at least one chip card in their wallet. Although the number of chip-enabled merchant locations initially lagged card issuance, both cards and merchant terminal enablement continue to grow rapidly.

What else has changed? Mobile payments are picking up speed, through a combination of public launches of device-driven mobile as well as financial institutions' and retailers' own mobile payment options. Faster payments was also a key trend this year, with many announcements, partnerships and various activities surrounding it. The first phase of NACHA's Same-Day ACH rules took effect in September 2016, and the Federal Reserve is expected to produce their final paper on Faster Payments in mid-2017. We look forward to learning more about consumers' responses to these offerings in the coming years.

What's clear is that even with all of the 'new' changes, traditional payment features remain highly relevant. In this report, you'll find a number of data points on two particularly compelling reasons: security and rewards.

We hope this information will be useful to you as you move forward with your various payment strategy plans and initiatives. We are always here to talk about what these results might mean for your business – if you'd like to discuss further, please give us a call.



Key Insights

Seven insights from our study:

1

Credit cards replaced debit cards as the 'most preferred payment form' for the first time since we began conducting the surveys.

When presented with the question: "When given a choice, what payment form do you prefer?", 40 percent selected credit, while 35 percent selected debit and 11 percent selected cash. Overall consumer sentiment continues to grow in the U.S., as evidenced by the University of Michigan's Study, which tracks such consumer sentiment (<http://www.sca.isr.umich.edu/>) and noticed it is at the highest levels seen since 2007. In the everyday spend categories, debit remains a strong payment choice.

2

Consumers continue to prefer different payment forms, depending upon the type of purchase.

Debit is the preferred payment type for everyday spend transactions, such as supermarket/grocery, gas station and discount store purchases, as well as for bill payments. Credit is preferred for higher-dollar transactions and items that typically represent more discretionary spend, including department stores, dine-in restaurants and online shopping and travel. However, cash continues to be preferred for payments to individuals, fast food restaurants and coffee shops. The predictions over the last 30 years that cash would be going away soon have yet to come to fruition. PayPal® has long been a strong payment option for those paying online and it is a payment vehicle used by more than three-quarters of our survey respondents. It will be interesting to see if some of the in-store payment preferences change as a result of PayPal's recent announcements with Visa® and MasterCard® to enable in-store purchases.

3

Security remains an important factor to consumers.

Consumers continue to value features that enable them to control various aspects of their payments and also those features that provide added safeguards – both perceived and actual. This can be inferred by their interest in various mobile phone features and the high rankings associated with the use of the phone to stop transactions, view transactions and turn cards on and off. We also saw the focus on security in the response to a new question we asked this year, which was: "When shopping for a new card, would you select the one ranked #1 for security and fraud protection or the one ranked #1 for rewards offered?" Seventy-four percent selected the card that ranked #1 for security and fraud protection. Although most cards offer the same level of fraud and security protections, this significant variance between the two responses clearly reflects consumers' focus on security.

4

Mobile payments are growing, and are expected to continue to do so.

According to Business Insider's Mobile Payments Report from June 2016, the number of mobile payment users is projected to be 150 million by 2020. The total of in-store mobile payments is expected to be \$503 billion by 2020. Similar to last year, we asked consumers about how likely they are to load their card information into a mobile phone or wallet. We found that 44 percent are likely, definitely or have already loaded a credit card, while 42 percent answered similarly regarding their debit card. Percentages for how many consumers have used mobile payments at a retail location are also increasing, with 13 percent reporting they have done so sometime in the last year, compared to 7 percent in the previous year. Several of the current mobile wallet offerings are dependent upon the availability of NFC capabilities for in-store purchases at the merchant, and the number of merchant locations accepting NFC is growing with the overall roll-out of EMV®. That should help spur the use of mobile devices for in-store payments.

5

Rewards continue to be a powerful incentive, and were once again ranked as the most attractive card feature on consumers' most preferred credit cards.

While many things change with payment offerings and features, consumers still rank rewards as the most attractive feature and a key influencer for using one card over another. The percentage of respondents who selected rewards this year was nearly 60 percent. Cash rebates were almost double the next closest ranked rewards type, and cash rebates are redeemed a few times a year by 30 percent of our survey respondents.

6

Mobile add-on services and the use of digital communication methods also scored high marks in this year's study.

Forty-nine percent of respondents now use a mobile app to interact with their bank and/or access their banking information more than once a month. That's a sizeable increase from last year's 39 percent. When it comes to preferred communication channels from financial institutions, consumers picked email and texts as their preferences — particularly for notifications about unauthorized use or significant changes to the account.

7

Consumers are very open to receiving offers and promotions.

We asked a number of questions about coupons and special offers. These included whether or not they took advantage of special offers on their online statements, their interest level in receiving instant offers and promotions for the store they are visiting and their willingness to receive coupons or special offers based on information their financial institution collects about their purchase behavior. The interest level shown with all three questions either increased year over year or remained above the 50-percent mark from a positivity ranking. This is encouraging news for those looking to incent consumers in this manner.

A woman in a black dress is walking, carrying several shopping bags and a crossbody bag. The image is overlaid with a blue tint. The text "Findings & Insights" is centered in white.

Findings & Insights



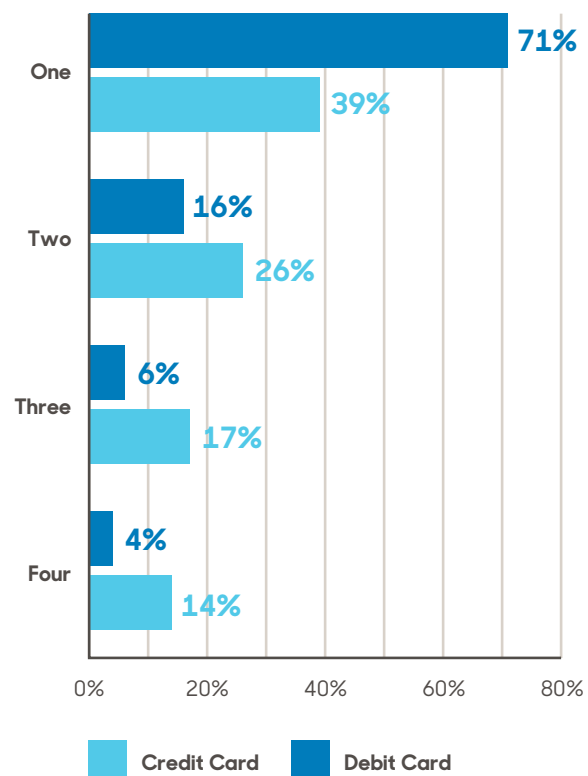
Payment Types

NUMBER OF DEBIT AND CREDIT CARDS

We asked consumers how many debit and credit cards they own. Not surprisingly, as shown in Exhibit 1, 71 percent of the respondents have a single debit card, with the majority of the remaining respondents reporting they have two. The proliferation of credit cards in the U.S. market appears in the number of credit cards the respondents have, with 61 percent indicating they have two or more. (Please note that the number of credit cards includes industry 'branded' cards – not private label cards).

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Exhibit 1:
Number of Debit and Credit Cards



OTHER PAYMENT TYPES

We believe it is also helpful to understand the different types of cards/electronic payment forms our respondents have beyond their 'branded' (Visa, MasterCard, American Express®, Discover®) debit and credit cards. Exhibit 2 reflects their response, with PayPal being at the top of the list at 75 percent. Given how many consumers have PayPal accounts, it will be interesting to see if some of the in-store payment preferences change as a result of PayPal's recent announcements with Visa and MasterCard to enable in-store purchases.

WITH THE SAME FINANCIAL INSTITUTION

New this year, we asked how important is it to "have all your financial products with the same banking institution/provider?" Exhibit 3 shows the results, which should be encouraging for U.S. financial providers. Forty-seven percent of survey respondents answered that question as important or very important. Given the thousands of financial institution providers, along with the large number of investment firms, that's good news for those focused on cross-sales to existing customers.

IMPORTANCE OF HAVING YOUR ACCOUNTS

Exhibit 2:
Other Payment Types Owned

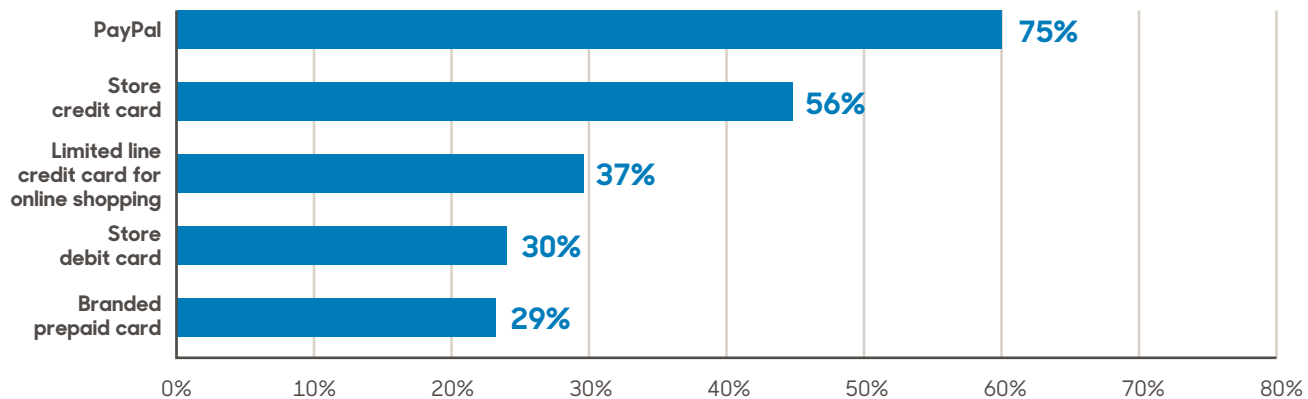
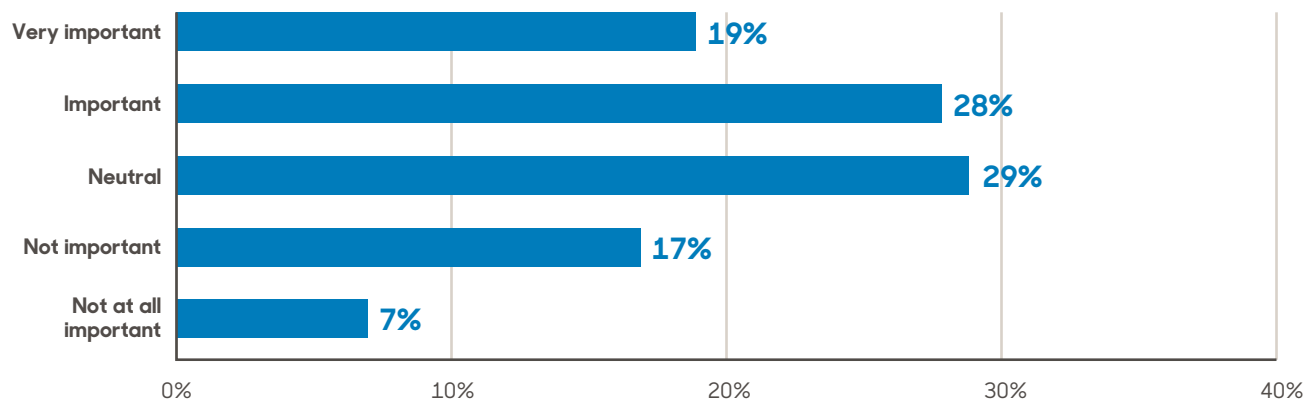


Exhibit 3:
Importance of Having Accounts with Same FI

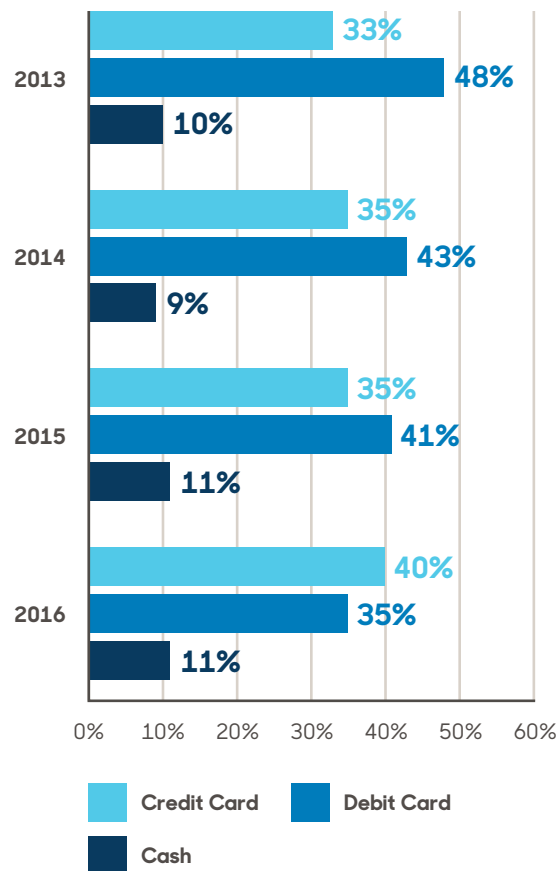




Payment Preferences

For the first time since we began requiring respondents to have a debit and a credit card to be eligible to respond to our survey, when presented with the question of "When given a choice, what payment form do you prefer?", the majority of the survey respondents selected credit. Exhibit 4 includes percentages for the top three selections (debit, credit and cash) over the last four years of our study. Although debit continues to be a strong preference, we saw a stronger preference toward credit. This is consistent with what we're seeing in the overall market as it relates to the use of credit cards. It's also not surprising given the growth in e-commerce and mobile, where many consumers express a preference for using credit in those channels. The resiliency of cash is also interesting, and consistent with what we found in our 2016 Canadian Consumer Payment Study.

Exhibit 4:
Most Preferred Payment Type



FINDINGS & INSIGHTS

We wanted to look a little deeper to see what differences might exist based upon age and income. Exhibit 5 shows the preferences between age groups for credit vs. debit, with credit preferred by those in the 25–44 age ranges and again by those age 65 and older. We were not surprised by debit being the preferred payment option by those in the 18–24 age range, but we were somewhat surprised by debit being preferred by those in the 45–54 age range. We wondered if perhaps that is due to expenses associated with college-age children and retirement planning.

Exhibit 6 reflects the most preferred payment type by income, and there were no surprises here. Credit cards were the preferred payment choice by those with household incomes greater than \$75,000, and this group is also likely driven by rewards accumulated for those purchases.

Exhibit 5:
Preferred Payment Type by Age

Most Preferred Payment Type	Age range					
	18 – 24	25 – 34	35 – 44	45 – 54	55 – 64	65 or older
Credit card	22%	57%	52%	31%	34%	42%
Debit card	47%	26%	30%	45%	35%	29%
Cash	18%	5%	8%	12%	17%	10%

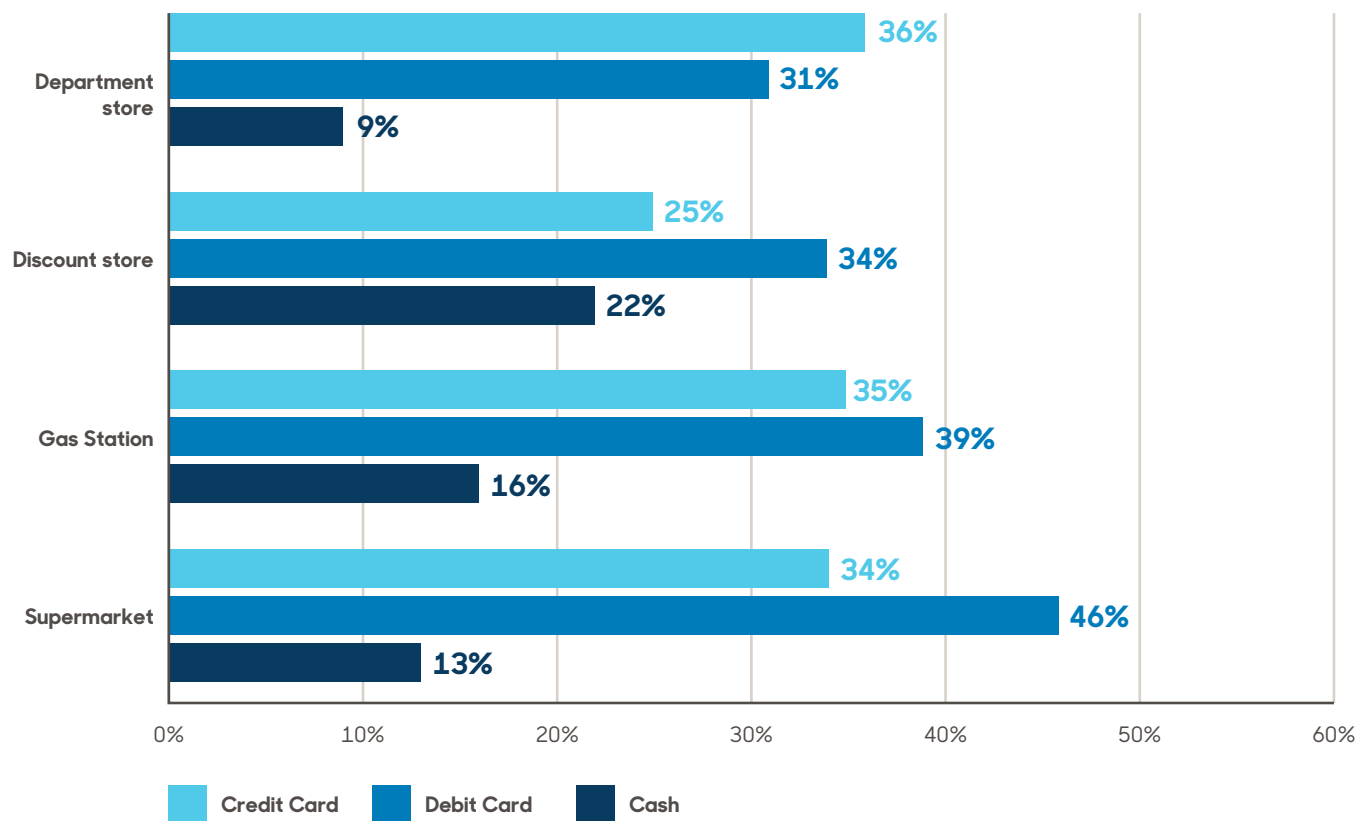
Exhibit 6:
Preferred Payment Type by Household Income

Most Preferred Payment Type	Total household income for 2015 before taxes					
	Less than \$25,000	\$25,000 – \$50,000	\$50,000 – \$75,000	\$75,000 – < \$100,000	\$100,000 – \$150,000	\$150,000 or more
Credit card	22%	23%	32%	55%	59%	69%
Debit card	30%	47%	41%	28%	28%	19%
Cash	23%	18%	13%	6%	1%	1%

PREFERENCE BY STORE TYPE

Similar to previous years, we also asked consumers their payment preference based on type of transaction. Exhibit 7 shows the top three payment preferences for stores, the results of which are very similar to what we've seen in previous years. Consumers prefer debit for daily purchases, including groceries, gas and discount store items, while showing a slight preference for credit for what are typically higher-dollar department store purchases.

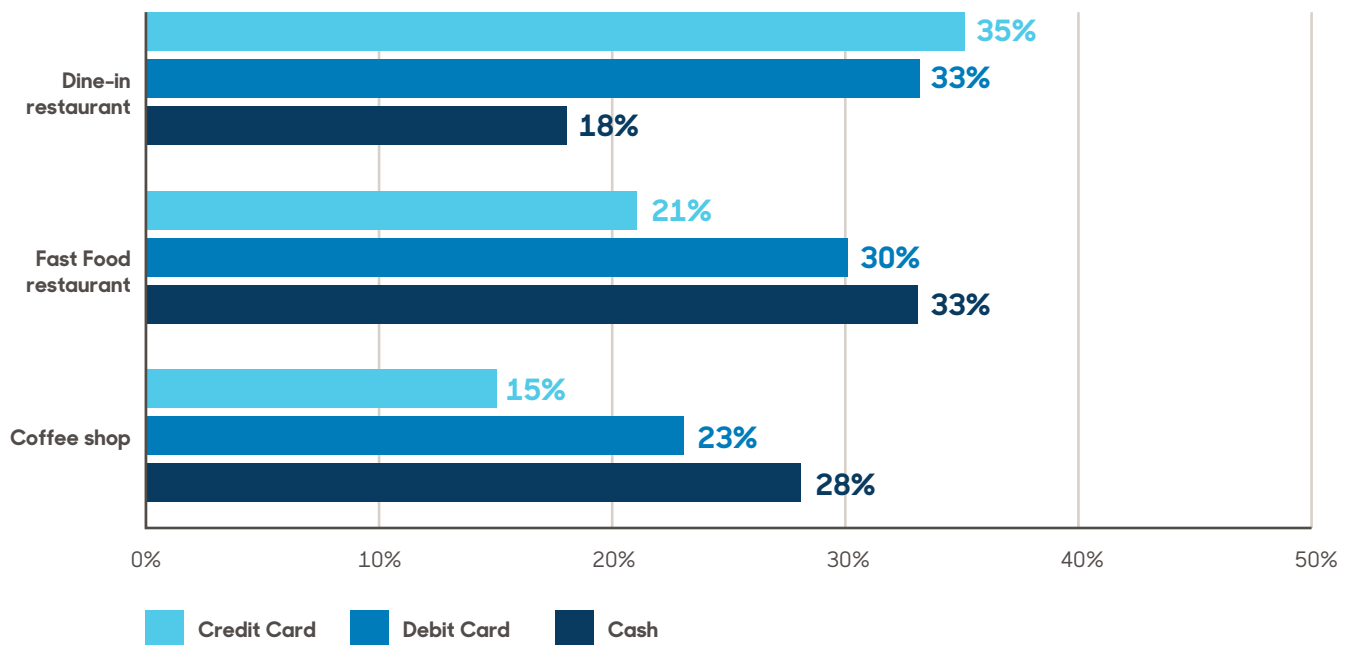
Exhibit 7:
Preference by Store Type



PREFERENCE BY RESTAURANT TYPE

The trends we observed for restaurant payments, shown in Exhibit 8, are also very similar to prior years. Cash and debit are preferred for lower dollar purchases (coffee shops and fast food restaurants), while credit is slightly preferred this year at dine-in restaurants. Although cash was still ranked as the top method of payment at both coffee shops and fast food restaurants, we did see a marked decrease from last year's 35 percent for coffee shops and 43 percent for fast food restaurants. It will be interesting to see if this trend continues or even widens as the number of locations where contactless transactions are accepted increases.

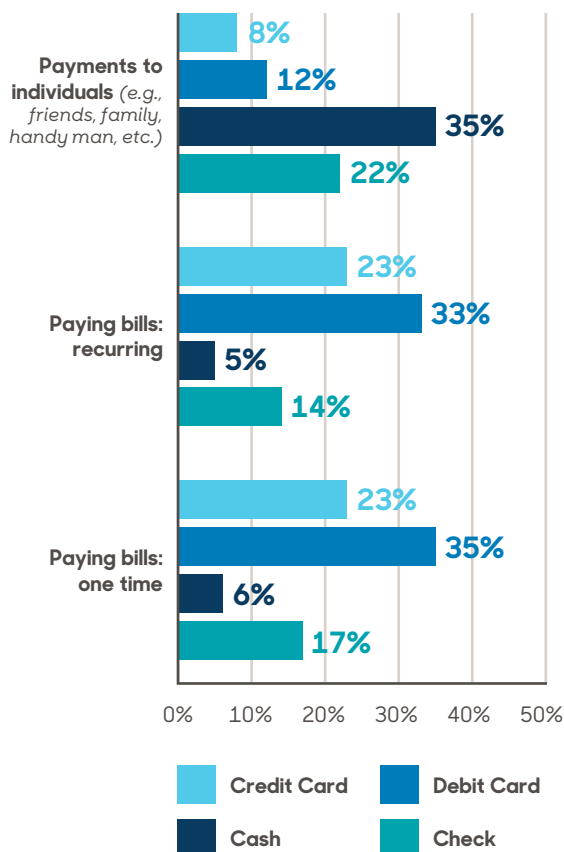
Exhibit 8:
Preference by Restaurant Type



PREFERENCE BY BILL PAYMENT/PERSONAL PAYMENT TYPES

Along with credit and debit cards, checks are still a top payment choice for paying bills, while checks and cash dominate for payments to individuals, as shown in Exhibit 9. The exploding availability of person-to-person (P2P) payment offerings, combined with the expected roll-out of 'faster payment' options, is likely to change this landscape in the coming years.

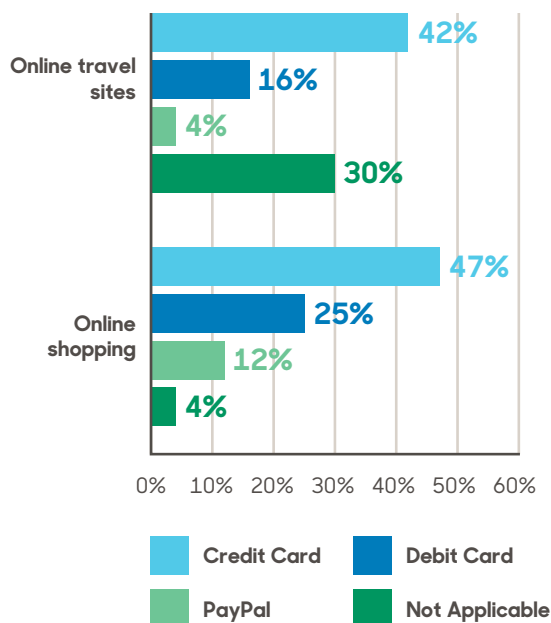
Exhibit 9:
Preference by Bill Payment/Payments to Individuals



PREFERENCE BY ONLINE CATEGORY

Credit dominates as the most preferred payment option for online purchases, as shown in Exhibit 10. Similar to prior years, credit is followed by debit and PayPal (with the exception of online travel sites, where there is a large number who again selected 'not applicable'). The preference for using credit for online purchases continues to reflect consumers' security concerns and the preference to use 'someone else's money' at locations where they perceive there could be a problem.

Exhibit 10:
Preference by Online Category





Most Attractive Card Features and Details on Rewards

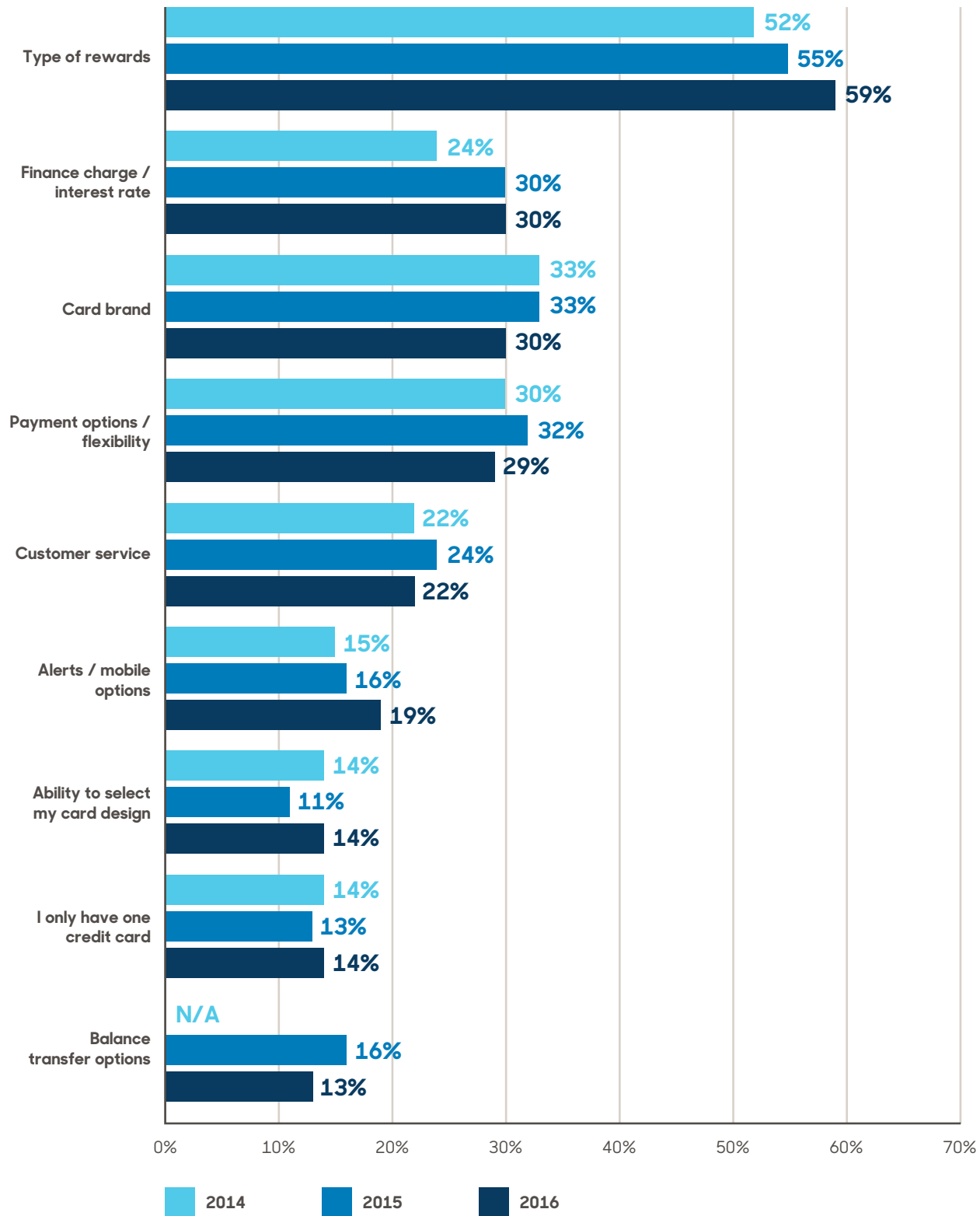
Rewards topped the list again this year for being the most attractive feature on our respondents' preferred credit card. That is a trend we've seen since we began our surveys, and you'll find the rankings from the last three studies included in the chart. One interesting item we found this year was with a new question we asked on behalf of one of our issuers. That issuer was interested in knowing how consumers rate rewards over security. The best way we could figure out testing that was to have the respondents pick between two choices if they were shopping for a new card. (You'll find their somewhat surprising answer in Exhibit 15 in the next section.) Exhibit 11 includes the rankings of the various card features, where the respondents could select all that applied. Finance charge/interest rate, card brand and payment options/flexibility all came in with relatively similar attractiveness percentages.

Rewards topped the list again this year for being the most attractive feature on our respondents' preferred credit card.

FINDINGS & INSIGHTS

Exhibit 11:

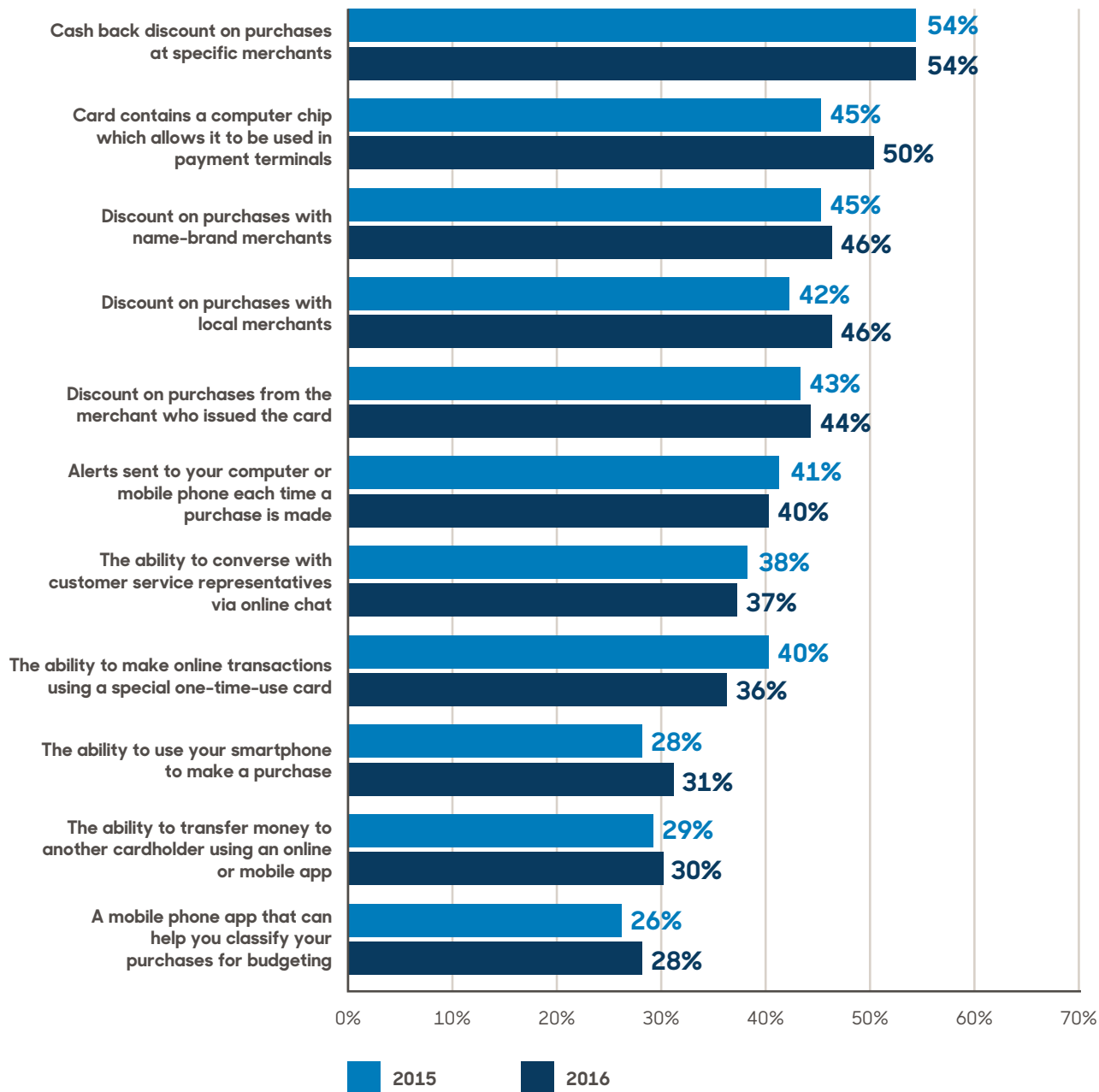
Attractiveness of Credit Card Features



FINDINGS & INSIGHTS

We also asked consumers to rate, on a scale from 1 to 7 (with 7 ranked very valuable), a number of capabilities in terms of their usefulness. The responses shown in Exhibit 12 include responses where the ranking was '6' or '7.' We also compared this year's responses to last year's, and you'll see they are very consistent.

Exhibit 12:
Usefulness of Features



FINDINGS & INSIGHTS

We then asked about certain types of rewards and how often they redeemed them. For those that answered that their most preferred credit card had a rewards program associated with it, (69 percent of respondents), we then asked what type of rewards program they had. Once again, they could select all that applied. The results are shown in Exhibit 13. Cash rebates top the list by a substantial margin, proving consumers value the flexibility of obtaining rewards they can use for anything they want. Many also redeem for gift cards. Certainly many consumers value their travel rewards, which scored high on the list of non-cash type rewards programs.

Finally, we wanted to understand how frequently they redeemed their rewards. Exhibit 14 reflects those results. Cash also ranked the highest in all of the categories where rewards were redeemed. 'Events' ranked the lowest in redemption, taking the top spot in the 'never redeem my rewards' category. Perhaps those events sound more exciting than they actually end up being when the consumers go to redeem their rewards.

Exhibit 13:
Type of Rewards Program on Most Preferred Credit Card

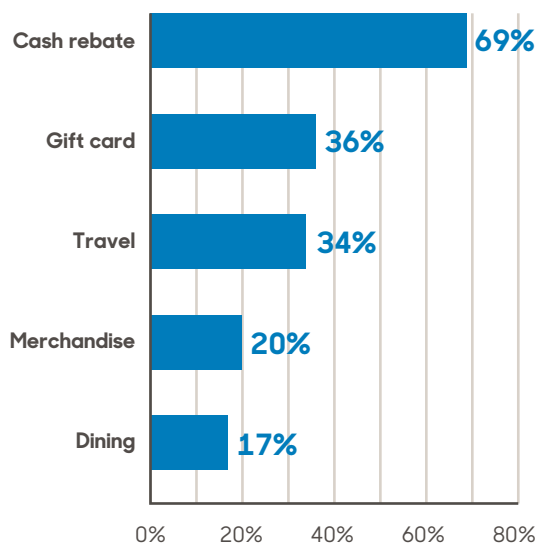
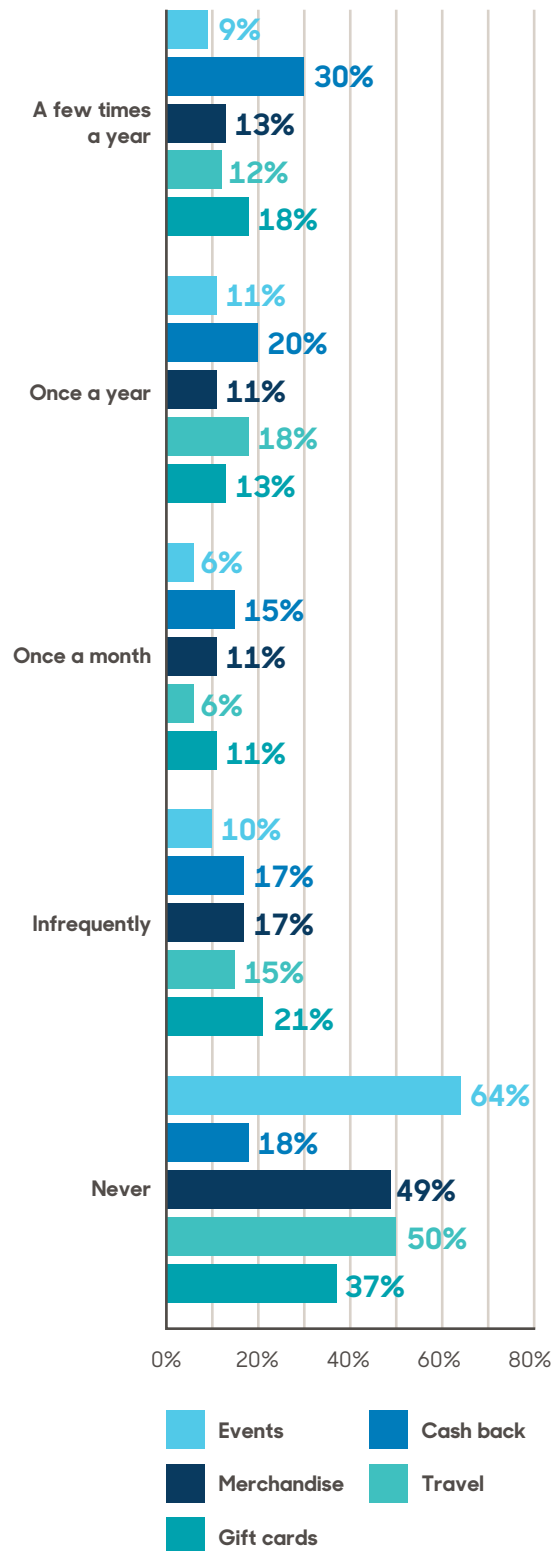


Exhibit 14:
How Frequently Rewards are Redeemed





Security

We know many consumers are concerned about card security. Although those of us in the industry recognize the security features which are in place with cards, we were interested in consumers' perceptions and how they rank rewards compared to security. We were rather surprised at the response: 74 percent ranked security and fraud protection as their priority, with 26 percent preferring rewards.

The good news for consumers is that issuers take great care to ensure the cards they issue have many security features and that transactions are encrypted and safe. The U.S. payments industry has moved to chip cards to eliminate the ability for fraudsters to successfully counterfeit cards. In the end, consumers do not need to choose security over rewards. However, the responses to the question we posed reflect consumers' focus on security. Issuers who take additional steps to educate their consumers on the safety of their payment products and those who offer additional security features should see benefits from doing so.

Exhibit 15:
Shopping for a New Card: Rewards or Security



FINDINGS & INSIGHTS

We also asked the respondents about what they believe the safest payment form is for both in-store and online purchases. Exhibits 16 and 17, respectively, contain those results. Similar to previous years, credit cards and cash topped the list for in-store purchases and credit cards and PayPal were perceived as the safest for online purchases.

Exhibit 16:
Which Payment Type Do You Feel is Safest for In-Store Purchases?

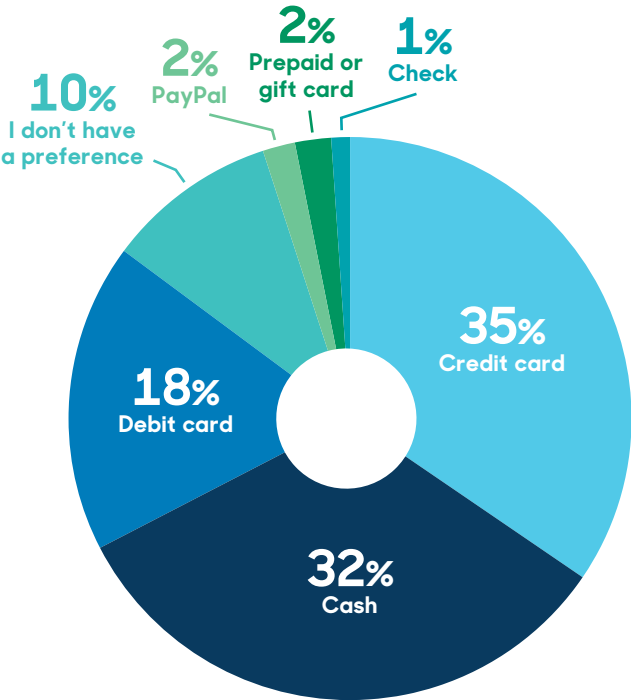
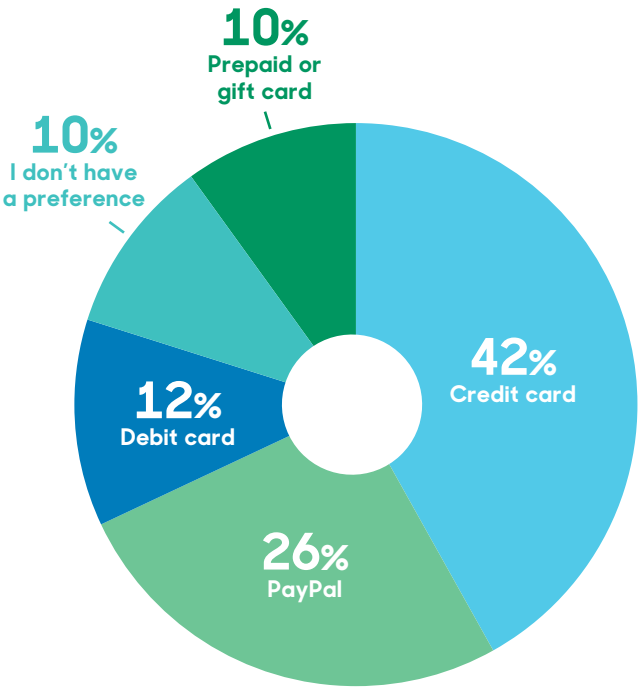


Exhibit 17:
Which Payment Type Do You Feel is Safest for Online Purchases?





Actions Taken in the Last Year

Similar to previous years, we asked the survey respondents to "select the following statement(s) that best describes the actions you took in the last year." The results can be found in Exhibit 18. We continued to see strong numbers among those who selected "I paid down debt" and "I began saving more." These sentiments are consistent with overall trends for the U.S. According to tradingeconomics.com, U.S. disposable income reached an all-time high in 2016 (since 1959) and the U.S. personal savings rate as of July 2016 was the highest it's been in the last two years.

U.S. disposable income reached an all-time high in 2016 (since 1959) and the U.S. personal savings rate as of July 2016 was the highest it's been in the last two years.

Consumers are interested and willing to make payments using their mobile phones.

We didn't see a lot of movement in most of the categories, with the exception of "I made a payment at a retail location with my mobile device," which increased from 7 percent last year to 13 percent this year. That figure is consistent with what we've seen overall as it relates to mobile payments: Consumers are interested and willing to make payments using their mobile phones. The percent of respondents who indicated they sent money to another person utilizing a P2P money transfer service also increased this year, which wasn't a surprise considering the number of P2P services now available in the market (and growing every day).

FINDINGS & INSIGHTS

Exhibit 18:
Actions Taken in the Last Year

	2014	2015	2016
I opened an account with PayPal	28%	32%	29%
I sent money to another person utilizing a P2P money transfer service	21%	18%	23%
I registered my credit card with the online retailer I shop with most often	29%	24%	28%
I made a purchase(s) using a credit card I have on file with the online retailer I shop with most often	47%	47%	46%
I registered my debit card with the online retailer I shop with most often	21%	22%	20%
I made a purchase(s) using a debit card I have on file with the online retailer I shop with most often	31%	30%	30%
I began using a reloadable prepaid card	7%	13%	7%
I made a payment at a retail location with my mobile device	9%	7%	13%
I responded to a credit card solicitation I received in the mail	9%	11%	12%
I took advantage of a discount I saw on my online statement	10%	10%	12%
I began saving more	NA	28%	26%
I paid down debt	NA	33%	31%
I borrowed to make a large purchase	NA	5%	5%
I took none of these actions in the last year	21%	13%	14%

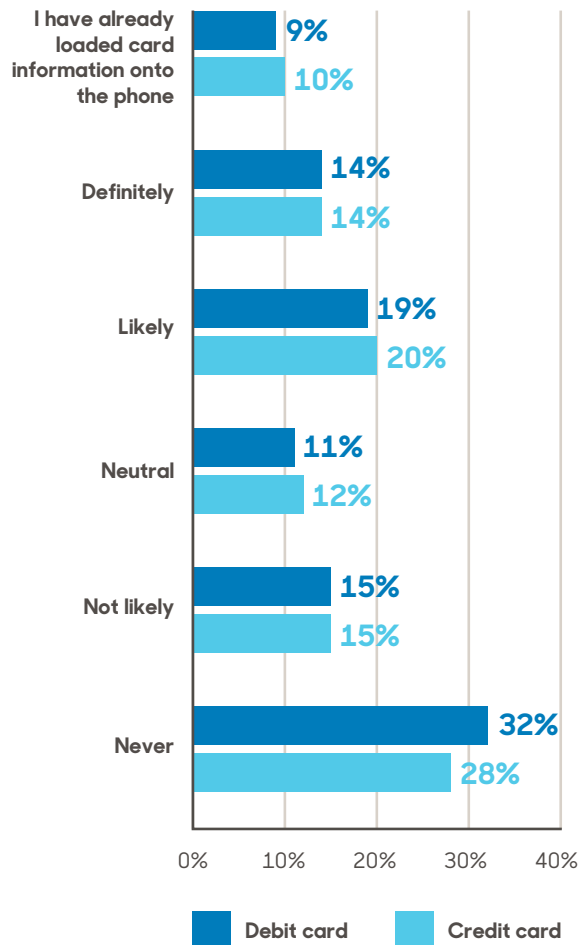


Mobile Phone Usage and Preferences

Mobile usage continues to grow, with impressive projections noted previously in this summary. As mentioned during the introduction, this past year we've seen an explosion in the number of available mobile wallets. Consumers seem very willing to try them out, although sustained usage is still somewhat low. Several of the mobile wallets utilize EMV-enabled, contactless technology, which is still growing in availability at merchant locations. As more merchants upgrade their terminals and infrastructure to support EMV (including contactless), the number of locations where these wallets can be used will increase. This will undoubtedly also increase consumers' ability to more frequently use their mobile wallets, and an increase in usage will follow.

One of the questions we asked consumers this year (and last year) was how likely they are to load their card information into a mobile phone or wallet for the purposes of making purchases. Exhibit 19 shows the results of that question. If we consider those who responded "likely, definitely and already loaded," 44 percent would load their credit card and 42 percent would load their debit card. Next year, we'll look at differentiating between loading a card to an app for purposes of making payments when compared with using a separate mobile wallet. You can find the percentage of respondents that own various mobile devices in the demographic and survey information in the Appendix.

Exhibit 19:
Likelihood of Loading a Credit/Debit Card into a Mobile Phone or Wallet

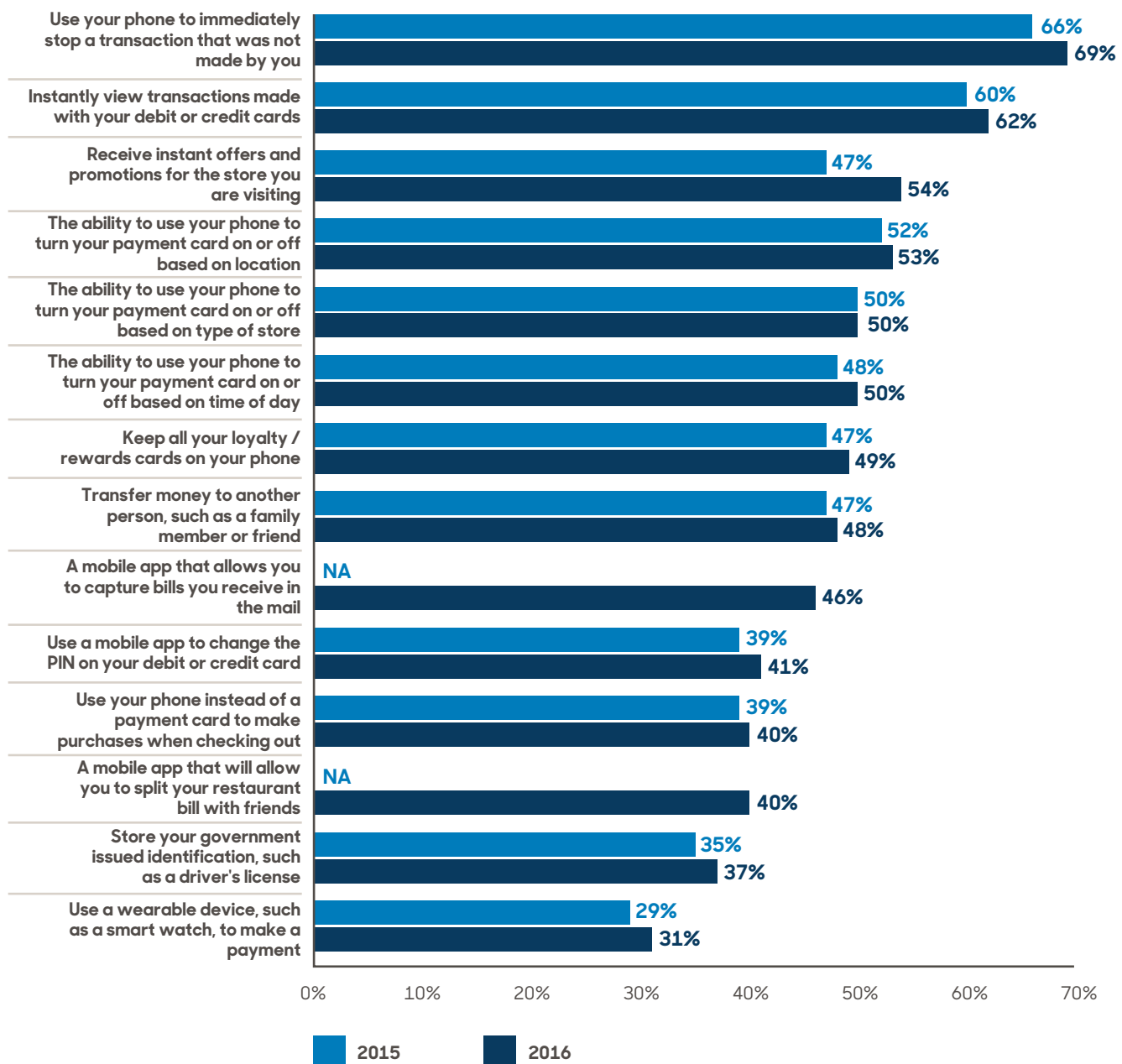


FINDINGS & INSIGHTS

We also asked our survey respondents to rate their interests in various mobile features presented to them. They ranked these on a five-point scale¹ and we included the percentages of those that were slightly interested or very interested. Exhibit 20 includes the results, with “using your phone to immediately stop a transaction that was not made by you” making the top of the list two years in a

row. The ability to instantly view transactions made with your debit or credit card is a close follower. The increasing availability and importance of account alerts and controls – particularly for unauthorized usage – has been growing in recent years. As stated previously, security is important to consumers, and these types of features help ease their concerns.

Exhibit 20:
Interest in Various Mobile Phone Features



¹ A 7-point scale was used in 2015 and the 2015 percentages are for those ranked 5, 6, or 7.

FINDINGS & INSIGHTS

There is much discussion in the news about mobile authentication and alternative forms of identification beyond the traditional passcode. Many consumers have gotten used to using their fingerprint to authenticate themselves on their phones, and the use of voice recognition and selfies is growing. We were interested in learning how comfortable consumers are in using these various methods to identify themselves and asked them to rank the options from 1 (very uncomfortable) to 5 (very comfortable). Exhibit 21 reflects the percentage of respondents who ranked the various methods (passcode, voice recognition, fingerprint and camera [selfie]) as slightly comfortable or very comfortable. You'll see that the use of fingerprints to authenticate ranks almost as high as a passcode, but camera and voice recognition are showing strong percentages too, given the early stages of their use.

For the second year in a row, we asked our survey respondents about their usage of mobile banking apps. Exhibit 22 reflects those results, which range from not using the app at all to using it on a daily basis. Forty-nine percent now use a mobile app to interact with their bank or access their banking information more than once a month. That's a fairly large increase from the 35 percent we saw in last year's survey. More information on various methods consumer use for their banking access is shown in Exhibit 24.

Finally, we also asked about what types of activities they perform using their banking app. For those that responded that they actually use their financial institution's mobile app, we've

displayed their top-four activities on Exhibit 23. Verifying balances is by far the winner, but a significant number of our respondents also view transactions, transfer funds and make deposits in fairly large numbers. This is good news for financial institutions, which have focused on adding functionality and increasing the ease of using their mobile applications in the last few years.

Exhibit 22:
Frequency of Banking App Usage

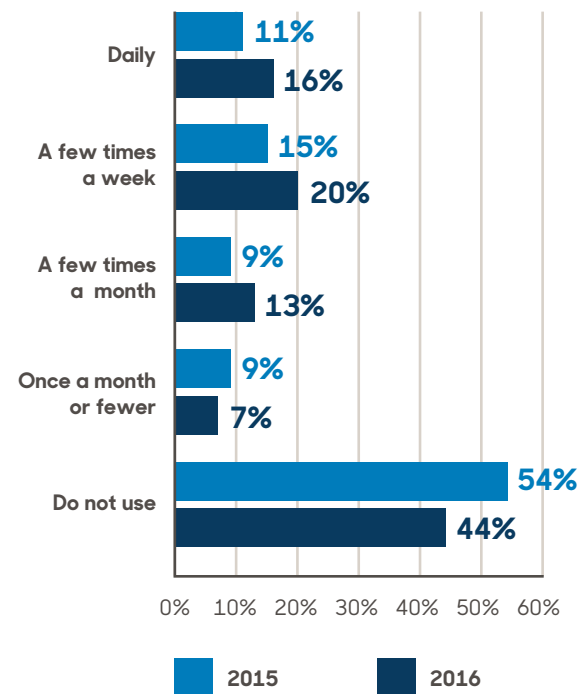


Exhibit 21:
Comfort Level with Various Forms of Mobile Authentication

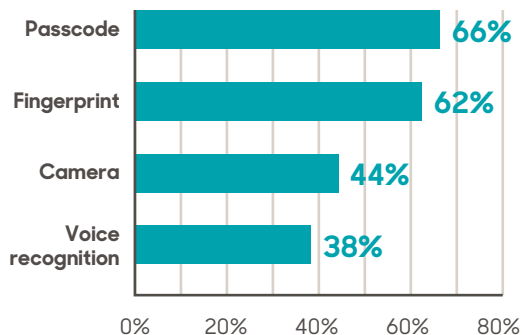
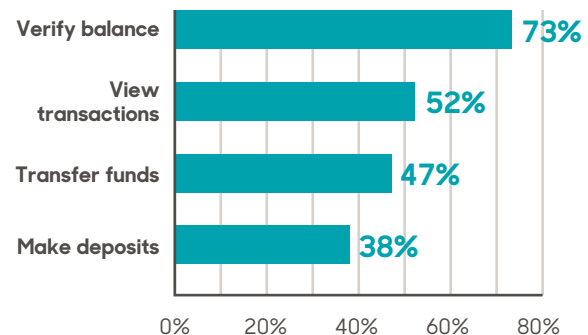


Exhibit 23:
Top Activities Performed on FI's Mobile App (of Those That Have Used It)





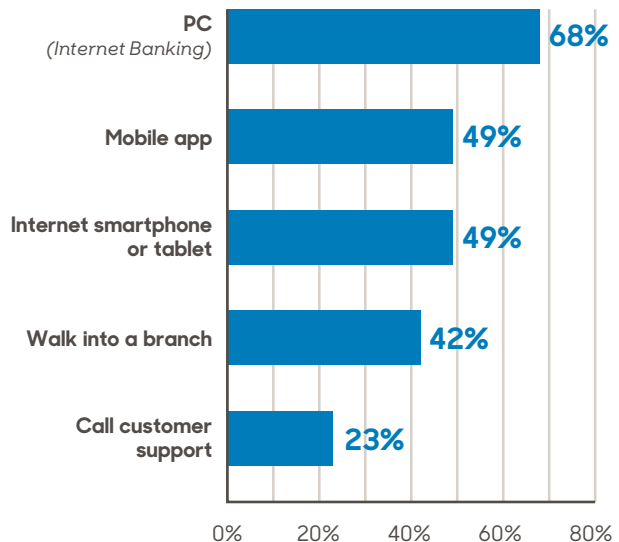
Marketing, Communication and Customer Service

In addition to asking the respondents about the use of their financial institution's mobile apps, we also asked them how else they interact with their bank and access their banking information. Surprisingly, many of our respondents are still using traditional personal computers and also going into the branch. Exhibit 24 reflects the access methods for those that stated they use the channel more than once a month. The respondents could check all that apply and clearly many of them use multiple channels to interact with their bank, showing the importance of the customer seeing the same information and having a seamless experience regardless of the channel they use.

Many use multiple channels to interact with their bank, showing the importance of the customer seeing the same information and having a seamless experience regardless of the channel they use.

Exhibit 24:

Method of Interacting With Your Bank or Accessing Bank Information (If More than Once a Month)



FINDINGS & INSIGHTS

Last year, for the first time, we asked respondents to select their preferred channel when receiving various types of communication from their financial institution. We asked the question again this year and the responses were fairly similar, with the exception of text, where we saw a marked increase particularly for unauthorized use on an account, which went from 20 percent last year to 29 percent. For significant changes to an account, the numbers increased from 9 percent in 2015 to 17 percent this year. Exhibit 25 shows the overall preferences by type of communication and the preferred channel.

Exhibit 25:
Preferred Channel for Receiving Communications from Your FI

	Do not send	Mail	Email	Phone / text	Phone call	Mobile alert	Social media
Marketing / special offers	31%	20%	33%	4%	2%	3%	6%
Availability of new products	25%	20%	37%	5%	3%	7%	3%
Change in terms of your account (e.g., interest rate, fees, etc.)	12%	28%	36%	9%	7%	6%	2%
Potential unauthorized use of your account	10%	5%	23%	29%	21%	10%	2%
Significant change to your account (e.g., address change, new card request, etc.)	10%	13%	35%	17%	14%	9%	2%
Purchases	15%	14%	40%	11%	6%	10%	4%

FINDINGS & INSIGHTS

We also asked consumers how frequently they would like to hear from their financial institution, and those results are shown in Exhibit 26. More than half (56 percent) are open to receiving communications from their financial institutions at least once a month; however, this is down from last year, when the total was 64 percent. This could be due in part to the increase in overall communications in the last couple of years as the industry moved to chip cards. It will be interesting to see if those figures are back up next year. We believe this could also be due to the overall increase in emails, texts and alerts from so many businesses, including financial institutions, credit card issuers, retailers, doctors, dentists, social media and many other entities.

We wanted to know how open consumers are to receiving coupons and special offers and asked them if they were willing to receive these "based on the information your financial institution collects about your purchase behavior." Exhibit 27 shows the results of the question, where a significant number of consumers, 53 percent, said yes. An additional 21 percent were unsure. This means

there's a sizable number — almost three quarters of the respondents — who may be open to this approach.

Finally, with all of the focus on electronic capabilities and methods, we had been surprised last year to find out how many consumers had not asked their financial institutions to stop sending them paper statements. Most financial institutions now offer electronic statements going back several years, along with the ability to view transactions at any time on a variety of channels. Yet, many consumers still seem to get paper statements. We were interested to learn if there had been a change since last year and again asked the question: "Have you asked your bank to stop sending you paper statements?" Exhibit 28 shows a comparison of responses between 2015 and 2016, and while there has been some movement, there are still not many consumers who have taken that step. With the increased costs associated with producing and mailing paper statements, financial institutions may find it beneficial to initiate campaigns to incent their customers to go paperless.

Exhibit 26:

How Frequently Do You Want to Hear from Your Financial Institution?

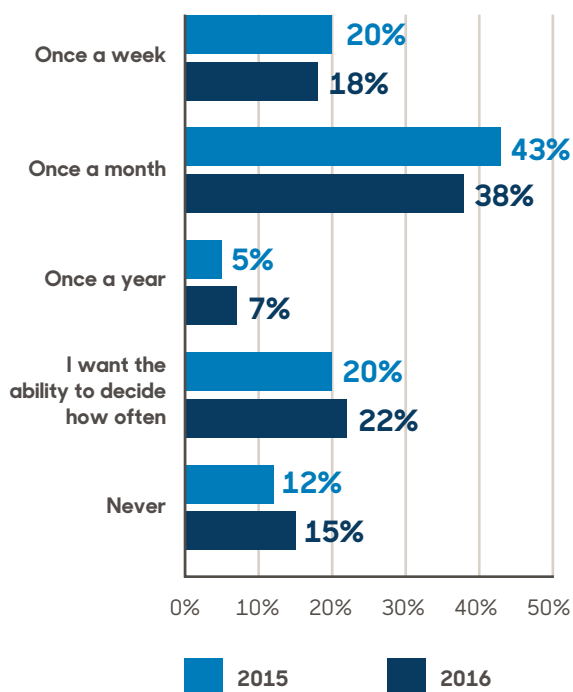


Exhibit 27:

Willingness to receive coupons/special offers based on information FI has

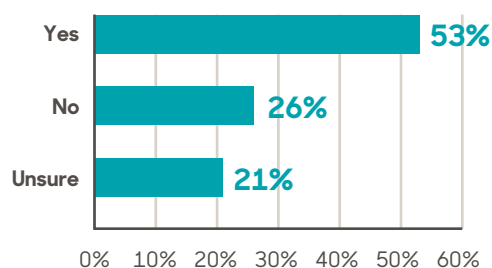


Exhibit 28:

Have You Asked Your Bank to Stop Sending You Paper Statements?

	2015	2016
Yes	42%	46%
No	55%	50%
Unsure	3%	4%

A close-up photograph of a hand with fingers slightly curled, touching the screen of a tablet. The entire image is covered with a semi-transparent green filter. The word "Conclusion" is centered in white text over the tablet screen.

Conclusion

Regardless of the payment type used, consumers are focused on security, ease of use and control, while also being influenced by features such as rewards and special offers. They have also embraced mobile offerings to manage their day-to-day financial activities. Consumers are open to purchasing more products from their financial institutions, as indicated by the 47 percent who felt it was important or very important to have all their financial products with the same provider.

It's also important to consider:

MULTIPLE WAYS TO PAY

Consumers like having multiple ways to pay and use different methods of payment depending upon the type of transaction and the channel. Credit, for the first time, was the most overall preferred payment type, but this varied by both the age and household income of the respondent. Although some consumers had a preferred payment type they use across different transactions and channels, others use multiple payment types depending upon everyday spend versus discretionary spending, in-store versus online, and payments to individuals versus companies. The use of P2P services and mobile payments is growing, and growth in these two areas is expected to continue. It's more important than ever to ensuring your financial institution is well-positioned to offer the full range of services.

MULTIPLE CHANNEL USAGE

Consumers have become accustomed to using multiple channels in which to conduct their financial business, and they expect to be able to use them interchangeably. Some also appear to prefer one channel over another, depending on the type of activity being performed (viewing balances and transactions versus paying bills). That continues to evolve, as evidenced by the shift in how consumers now make deposits (ATM and mobile versus the traditional branch). The importance of providing consumers with a consistent experience regardless of the channel cannot be understated. We saw this with our question regarding the preferred channels for receiving communications from a financial institution as well as with the question we asked about how they interact with their bank and access their banking information.

VALUE OF REWARDS AND SPECIAL OFFERS

Since our study was initiated in 2011, we've found that rewards are the single biggest influencer in deciding which payment card a consumer

uses. Again this year, we found that consumers ranked rewards as the number one feature on their most-used credit card at 59 percent, with a wide margin separating that selection from the 30 percent ranking of finance charges. Cash rewards in particular are highly valued, with 69 percent of our respondents indicating that this is the rewards structure they have on their card. Special offers and discounts also continue to be valued by consumers, and they are very willing to receive coupons and special offers based upon the information their financial institution collects on their behavior. A robust analytics program can help target those consumers who are likely to take advantage of a particular discount, and knowing the preferred channels of communication should help the response rates.

SECURITY/SAFETY, CONTROL AND EASE OF USE

Issuers who incorporate unique features that either increase the security of the payment vehicle or add to the self-management and/or usability are likely to benefit. In some cases, even increased education on the security and control features which already exist on the account may add some positive sentiment. Consumers have repeatedly indicated that security is a top concern, and obtaining instant notifications about fraudulent or unusual activity on their accounts is critical. In addition, ensuring consumers have the ability to view and stop transactions in real time is also a highly valued feature.

GROWING IMPORTANCE OF MOBILE – FOR PAYMENTS AND SERVICING

Mobile is going mainstream, and consumers expect to be able to make payments and conduct other financial business on their mobile devices, through both apps and the growing number of mobile wallets. They are open to new forms of mobile authentication, and also take advantage of tools that enable them to proactively monitor their accounts. Five of the top-six-rated mobile phone features we asked about were fraud-prevention or transaction management items (see Exhibit 20). A strong digital offering is no longer a 'nice to have,' but required.

Respondent Demographics

Exhibit 29:

Type of Device Owned (Check all that apply)

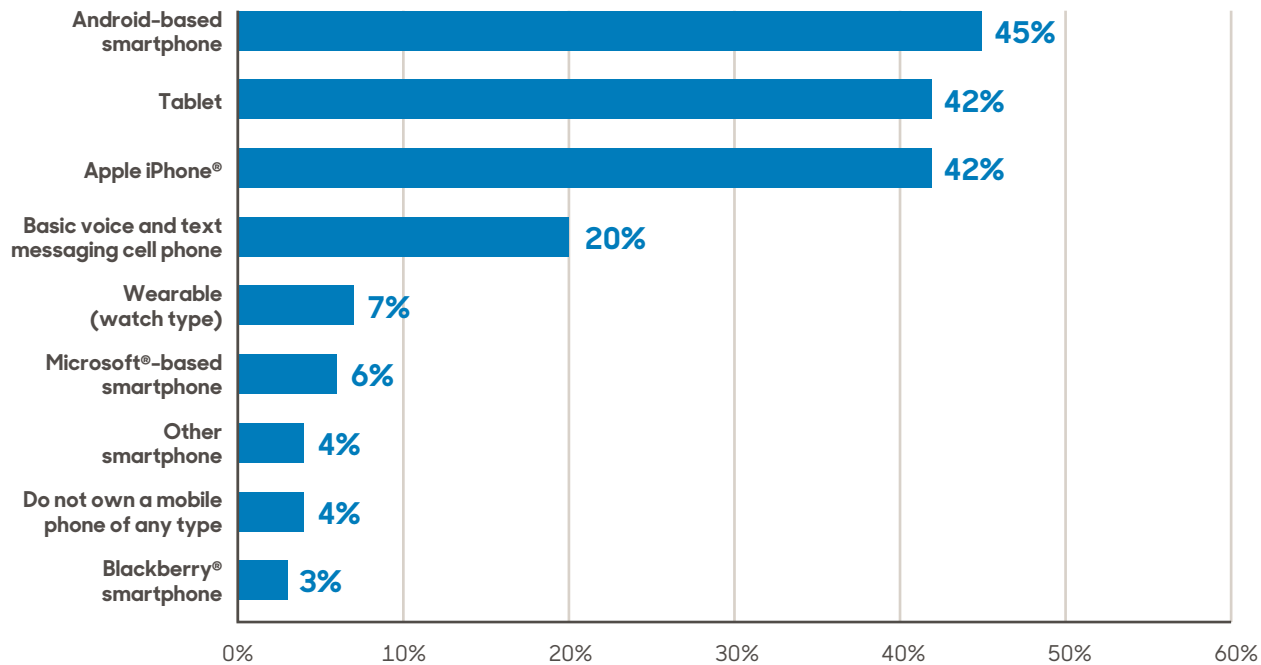


Exhibit 30:

Gender

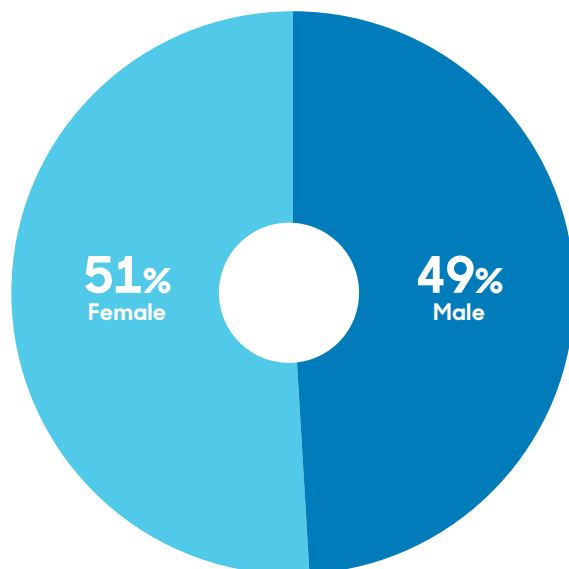
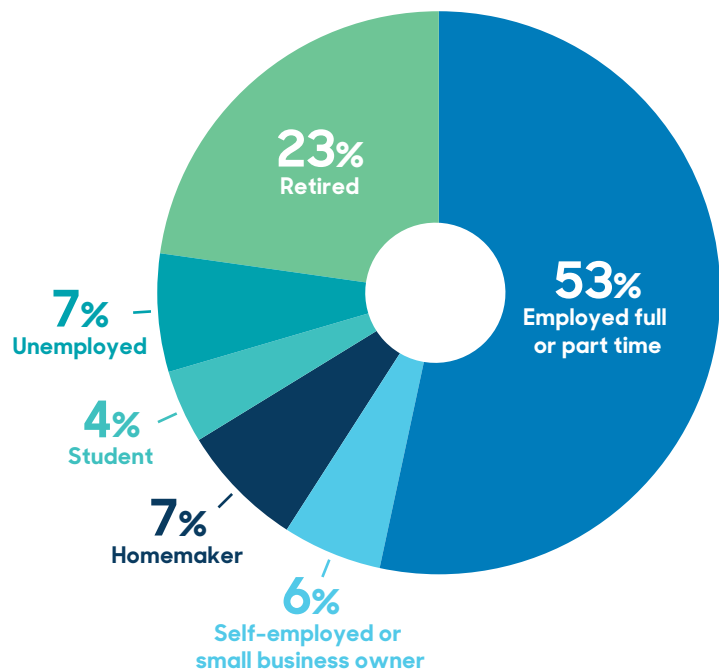


Exhibit 31:

Employment Status



APPENDIX

Exhibit 32:
Household Income

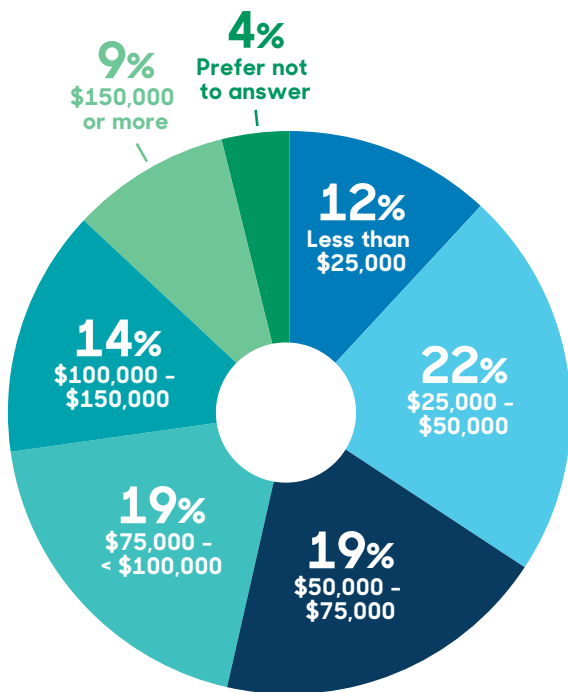


Exhibit 33:
Education

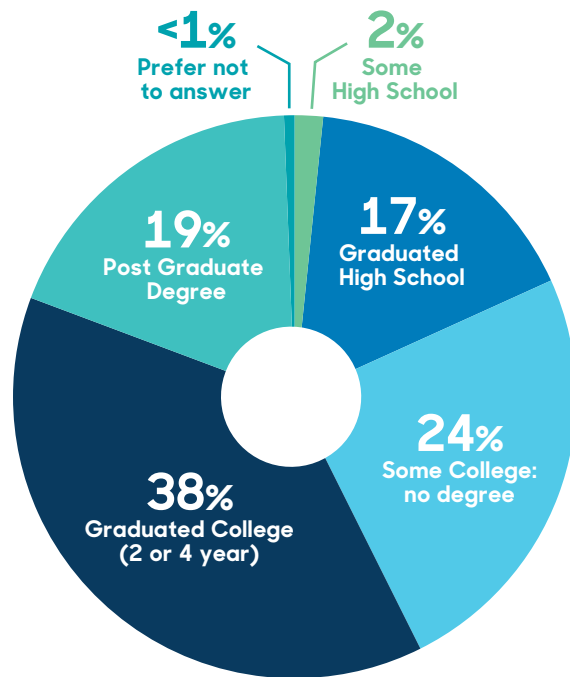
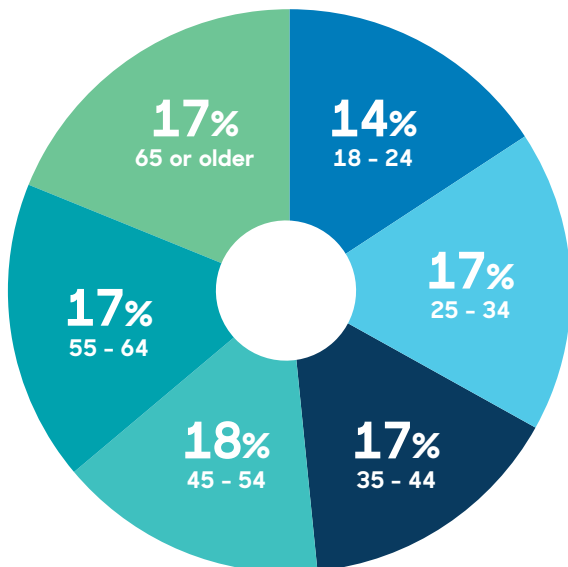


Exhibit 34:
Age



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We provide seamless, secure and innovative solutions across the payments spectrum — from issuer processing and merchant acquiring to prepaid program management — delivered through partnership and expertise. We succeed because we put people, and their needs, at the heart of every decision. It's an approach we call 'People-Centered Payments®.'

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