

vantiv[®]

smarter / faster / easier / payments[™]

Implications of Rising Rates on Deposits and Payments

Simon Powley

SVP, Strategic Account Relationship Executive

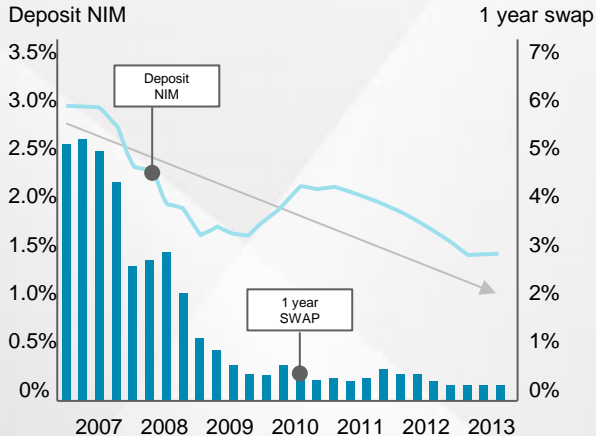
Our agenda

- Share some of our recent thinking on:
 - Impact of rising rates on deposits and payments
 - How banks should respond to rising rates
- Discuss briefly how Vantiv can help
- Take your questions

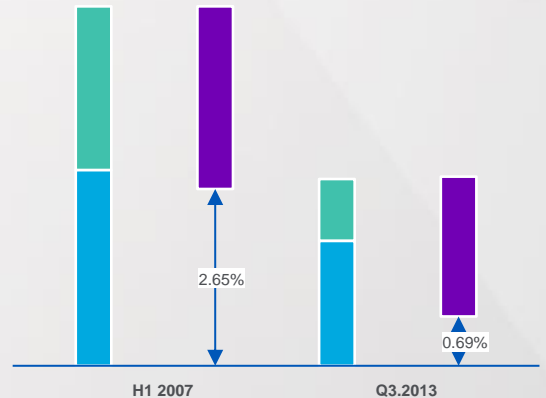


Low rates have decimated deposits profits

Base rates fall, leading to a decline in NIM



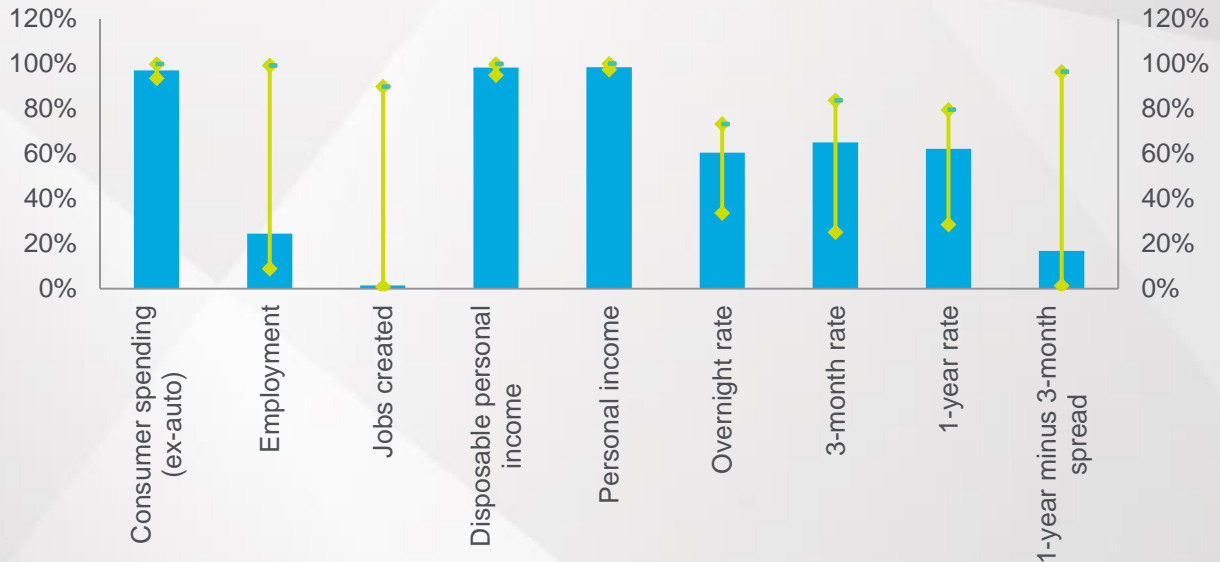
Retail deposit profit margin suffers



However, rates do not influence payments volumes

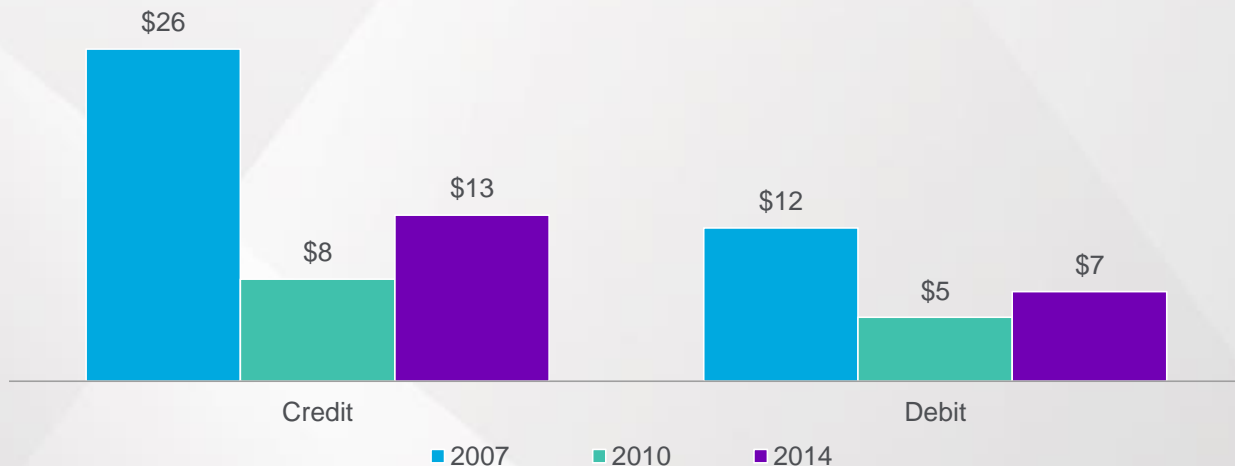
Drivers of electronic payments volume

Range of correlation coefficient, %



Payment profits have rebounded nicely but are well short of pre-crisis peak

Card issuing post-tax profit pools \$BN



Three disciplines for banks to focus on to respond to rising rates

Forecasting deposits balances

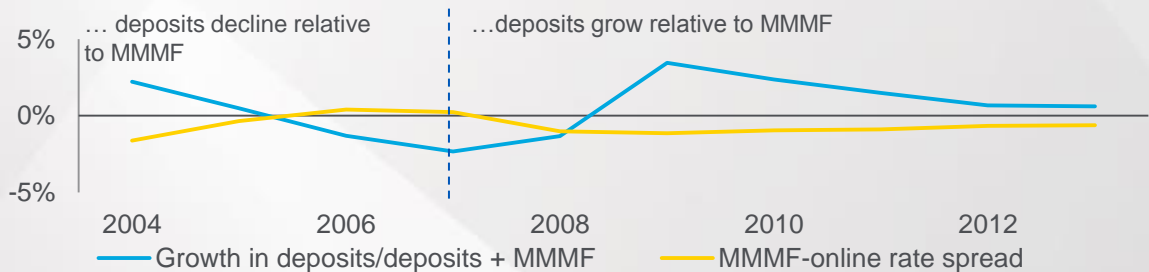
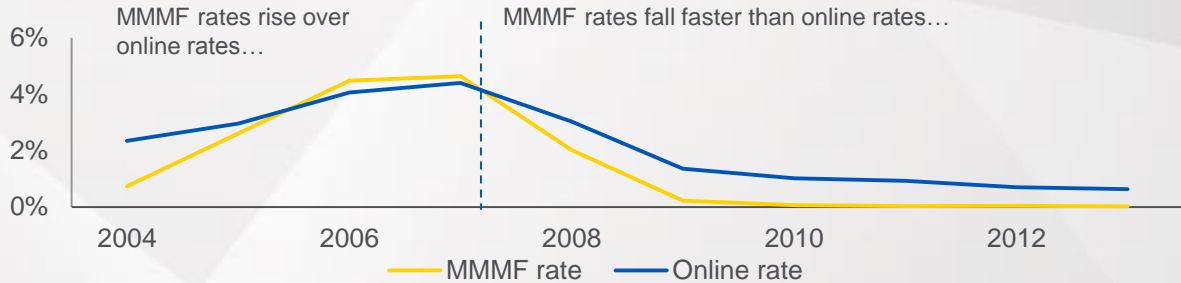
Pricing and FTP

Operational readiness

Forecasting deposits balance: Availability of alternatives

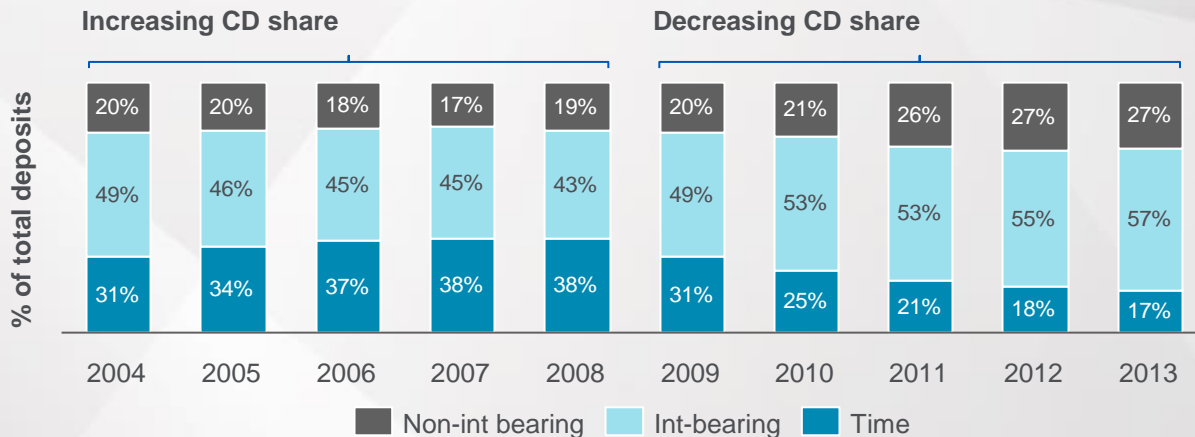
Interest rates paid

%



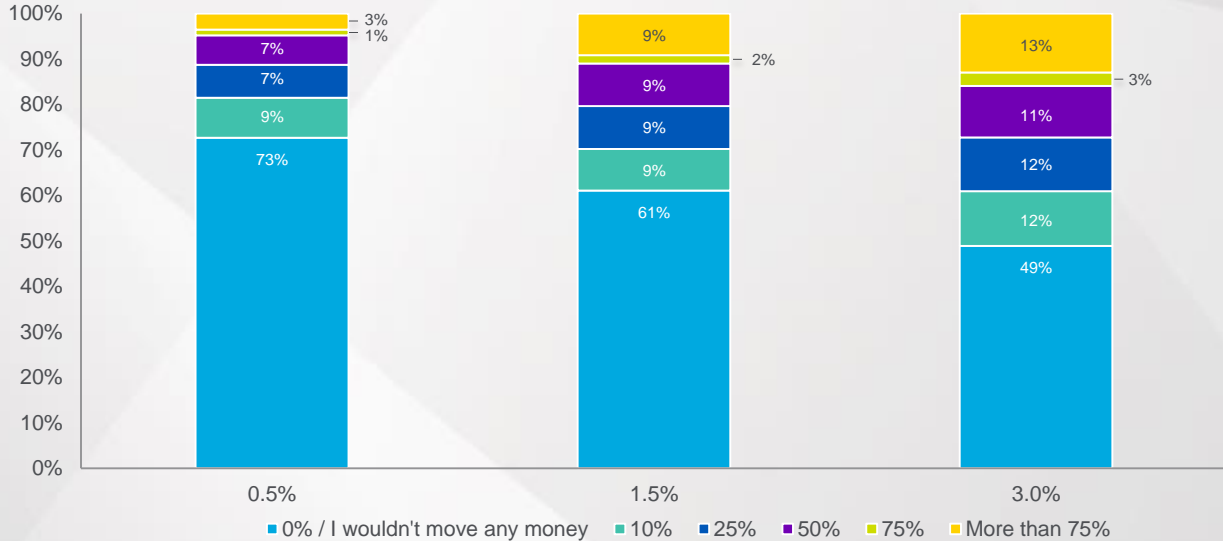
Pricing and FTP: Product Mix

Historical deposits composition



Pricing and FTP: Customer price sensitivity

Q: If you saw a savings account at a local bank that offered interest rates [X]% higher than what you receive today, but also required you to move your primary checking account to that bank, would you move any money out of your current checking account?



Operational readiness

Sales force effectiveness

- Conversations on rising rates
- Value of keeping deposits with the bank

Pricing governance

- Is there a formal process for changing prices for deposit products? When was it last used?

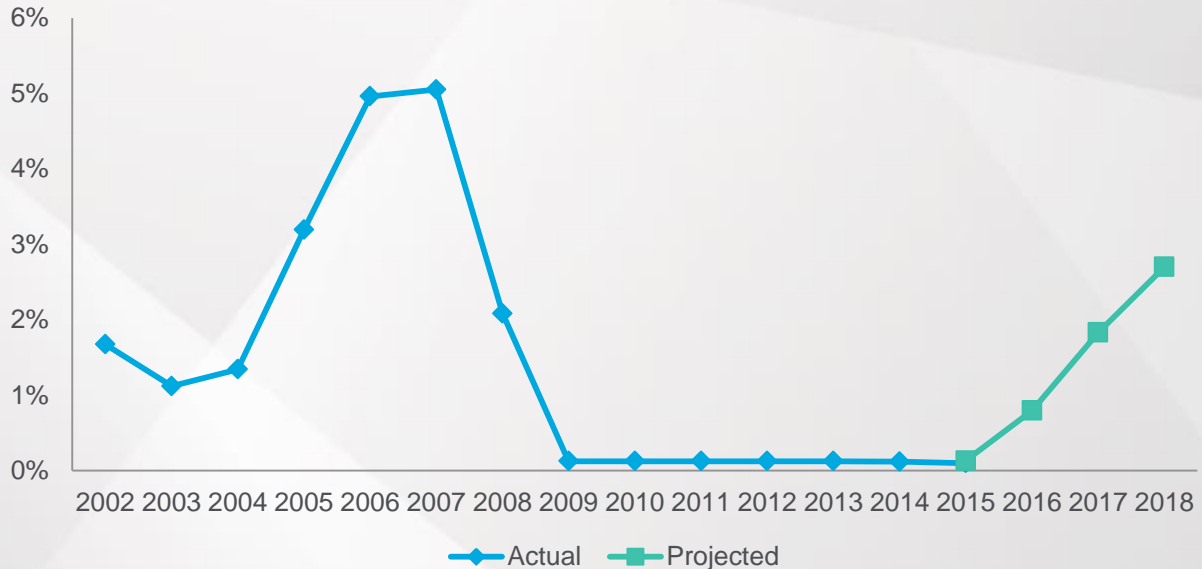
Compliance

- Disparate impact
- “Best rate” offers

Systems constraints

- Pricing linked to rates (e.g. Prime)
- Rigorous testing required

Conclusion: Even as rates rise, banks should not expect miracles





How can Vantiv help?

Our commitment – A win-win partnership

1. Investing in Payments

- We have the right capabilities to support your customers' payment needs
- We are continually investing to remain at the forefront of the industry
- We support a broad ecosystem and are open in our approach



2. Supporting Banks' Priorities

- We have deep banking expertise
- Thought leadership to provide industry perspectives
- Solutions built around your priorities – and designed to allow you to deliver best-in-class capabilities to your customers

3. Delivering Results

- FI partnerships is a top priority within Vantiv
- We are winning...more and more banks are selecting Vantiv
- And we are helping them win...track record of success

Our investments create a “network effect” with our existing technology partners



Overview

- Our platform now serves:
 - 25% of all addressable US payments developers
 - 50% of all addressable dealers
- This network connects your SMB clients to the most suitable combination of technology providers to provide them with:
 - Advanced POS technologies
 - Industry expertise
 - Differentiated functionalities suited to their industry / business segment
- Together, we work to provide your merchant clients the point-of-sale empowerment they want

Our platform

MERCURY®

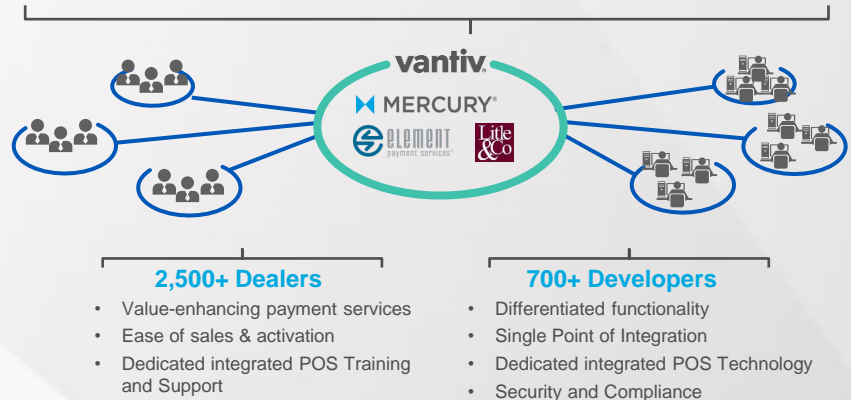
- Payments processing solutions integrated with iPOS
- Large dealer / developer network



- Provider of PCI DSS compliant technology
- Distributed primarily through ISVs



- A leader in e-commerce and online payment processing

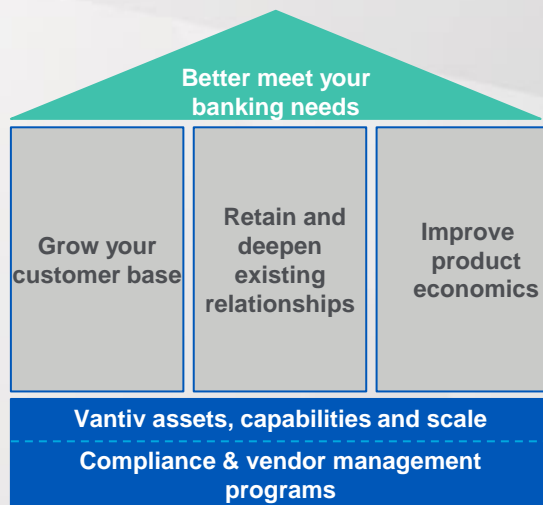


Our network of technology partners

Our goal is to help you address your overall banking growth priorities



- While Payments is core to our value proposition, our goal in partnering with financial institutions is to support their broader banking agenda
- We do so by leveraging Vantiv's breadth of assets and capabilities:
 - Our extensive Network of Providers
 - Industry Insights and Expertise
 - Superior Service Leadership
- We have been reviewed by bank regulators and many large banks' compliance teams
 - Conform with all third-party vendor requirements
 - Enable our banks to utilize other technology providers





This webinar is one of a series that we host to share our thinking on the most important issues in banking and payments

Winning With Small Businesses
Partnering to provide actionable insights to attract and retain customers

Not-so-small - SMBs account for:

- Two-thirds of newly created jobs
- Nearly half of private sector jobs
- 99% of all employer firms in the United States
- 98% of firms exporting goods
- 37% of total high tech employment

They're attractive, affluent, and profitable

Small businesses represent a highly attractive profit pool

Small businesses frequently bring their assets with them, including the profit potential for their sales

vantiv
america / faster / easier / payments

Implications of Rising Interest Rates on Deposits and Payments

vantiv
america / faster / easier / payments

Financial institutions are choosing to partner with us



Rabobank



“ *Comerica made the decision to engage a new partner with the needs of our Merchant Services customers foremost in mind. With this new agreement, our customers will benefit from a comprehensive suite of payment solutions.* ”

**Senior VP,
National Bank Card Services, Comerica**

“ *Adding Vantiv as a partner to our Commercial and Corporate banking business will add to the already extensive portfolio of working capital solutions the Bank offers to its customers. Together, we will create a powerful value proposition for winning together in the marketplace.* ”

**Managing Director,
MUFG Union Bank**

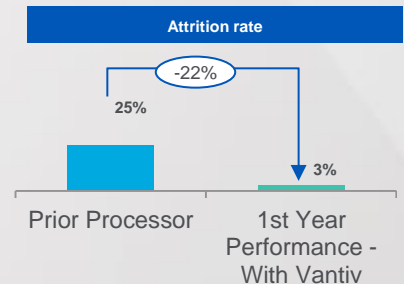
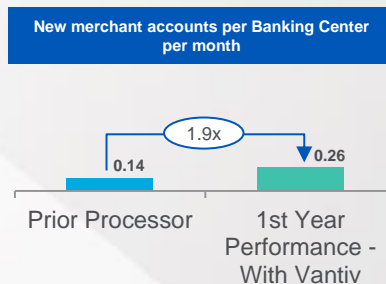
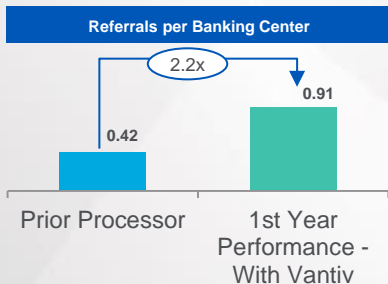
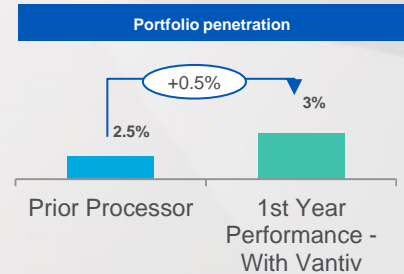
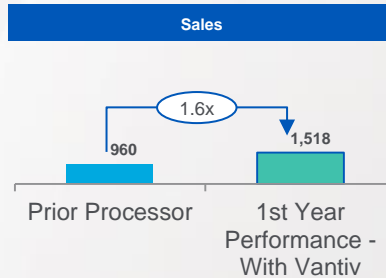
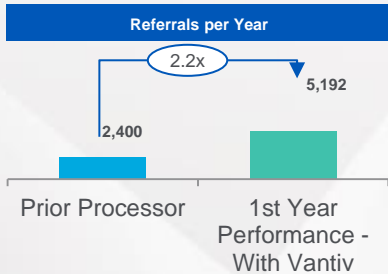
“ *Through our partnership with Vantiv, we will now be able to provide our current and prospective commercial customers in our communities with greater opportunities for growth using Vantiv's innovative payment solutions.* ”

**Vice President,
Treasury Division, Centier Bank**

We are helping them realize strong results



Partner Bank Case Study



Impact of Rising Rates Q & A

For more Vantiv Insights, visit

Vantiv.com/ResearchVantiv.com/fimerchantsservies

Simon Powley

513.900.3714

Simon.Powley@Vantiv.com

