

Building Your Banks Digital Payments Strategy

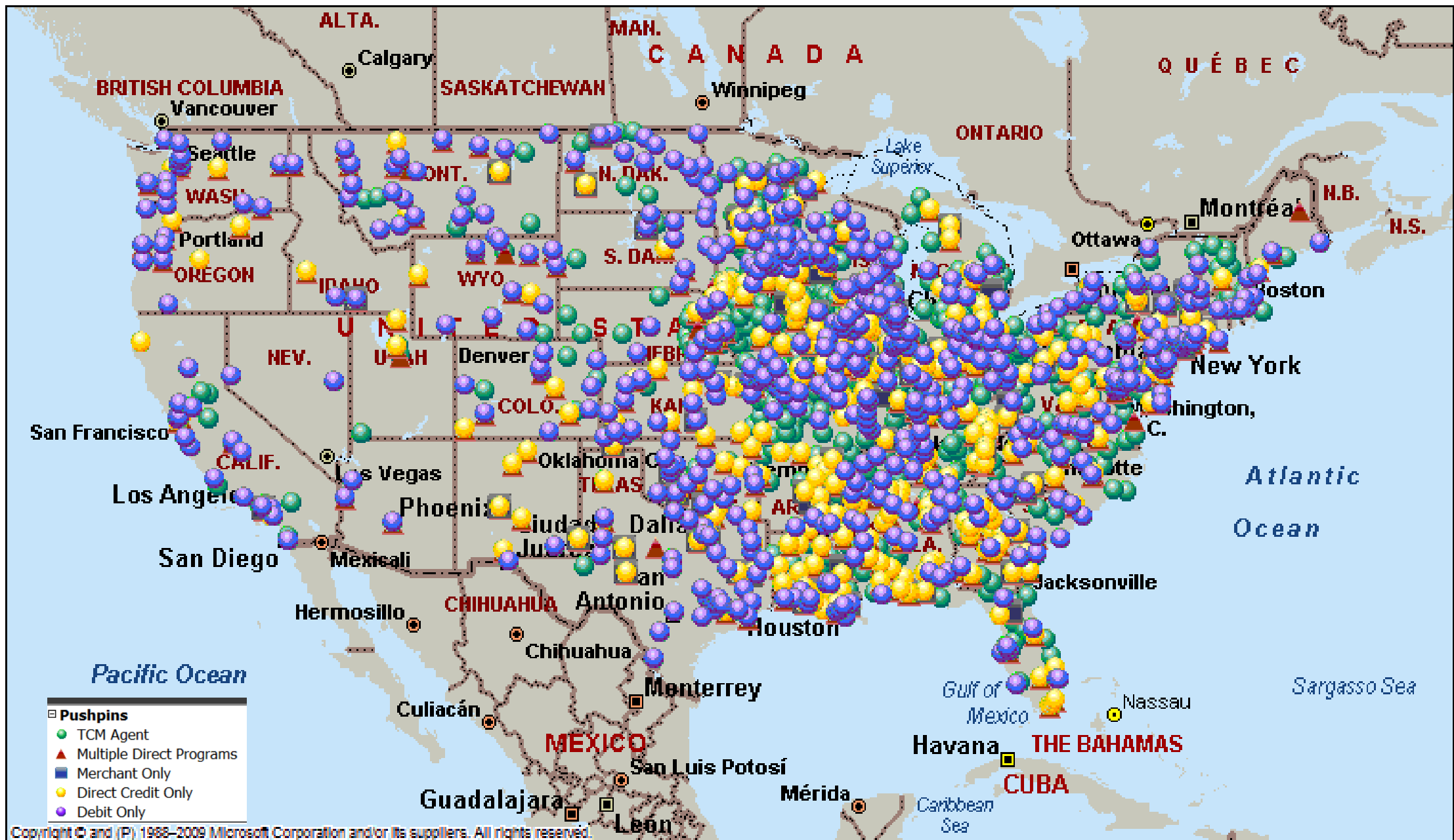
Tina Giorgio, AAP, President & CEO
ICBA Bancard & TCM Bank

About ICBA Bancard & TCM Bank

Our Mission

To deliver flexible, innovative payments and digital commerce solutions that allow community banks to flourish

- Serving nearly 2,500 community banks
- 10th largest debit issuer in the US
- 24th largest credit issuer in the US
- Over 7.3 million cards
- Over \$183 million credit revenue
- Over \$252 million debit revenue



Processing Partners



- Credit, Debit, Merchant processing
- ACE analysis tool for Credit
- Automatic Travel Accident Insurance
- Annual PAVD Credits: Quarterly
- Reporting discounts for Debit
- Fraud Loss Protection Plan
- Charitable Giving
- NYCE Processing Discount
- Partner since 1985



- Debit and Credit Processing
- Annual PAVD Credits: Quarterly
- Reporting discounts for Debit
- Fraud Loss Protection Plan
- Partner since 1995



- Merchant Referral option
- Training, marketing, and lead generation
- Partner since 2015

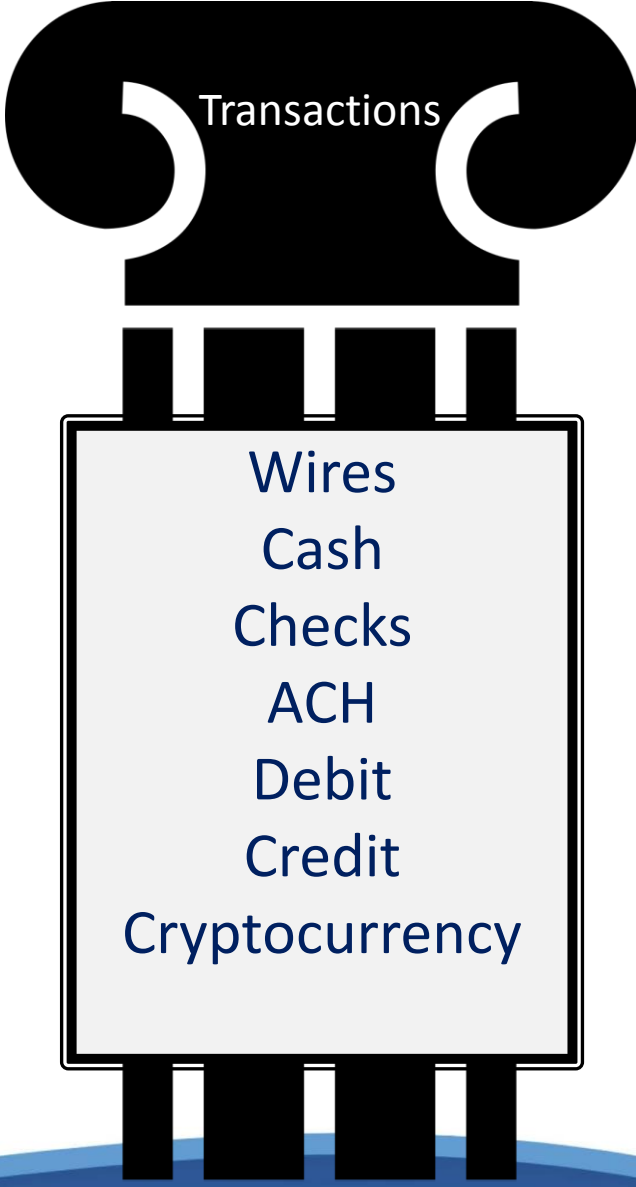


- Credit and Merchant Processing
- FLPP
- Partner since 2012



- Credit Card online application service
- Partner since 2016

Payments Ecosystem



Why Payments Are So Important

- Payment and transaction revenue is estimated to double to \$300 billion from 2012-2022 says The Boston Consulting Group
- 75% increase in retail growth through online purchases in 2017 from 2016 – (Transaction Directory)
- mCommerce accounted for 30% or \$2.87B Thanksgiving Day and 37% or \$5.03B on Black Friday (2017)
- More people shopped online than in store Thanksgiving week**

* Adobe **Oracle

Why Payments Are So Important

- Mobile in-store payments are projected to see CAGR of 154% through 2018 thefinancialbrand.com
- Internet of Things CAGR 14.4% from 2017-2021
 - \$674B in 2017
 - \$772.5B in 2018 (est.)
 - \$1.1T by 2021
- 2017 online sales exceeded \$100B
- By 2018, mCommerce is projected to be \$118 billion annually comsource.com

2016 Tri-Annual Federal Reserve Payments Survey Results

- Non-cash payment transactions grew to 144B and totaled almost \$178T a 5.3% increase
- Credit card transactions grew by 8% (#1)
- ACH transactions increased by \$25B to \$145T
- Checks declined 4.4%, the slowest decline since the mid-90s
- Cards represent nearly 72% of non-cash payments and 3.2% of the dollars
- CNP represents 19% of all card transactions

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Why Payments Are So Important

2012-2015 Comparison		
Payment Type	% Transaction Change	% Dollar Change
ACH	4.9%	4.0%
Debit Card	7.1%	6.8%
Credit Card	8.0%	7.4%
Check	-4.4%	-0.5%
All Non-Cash	5.3%	3.4%

Evaluating Your Payments Landscape

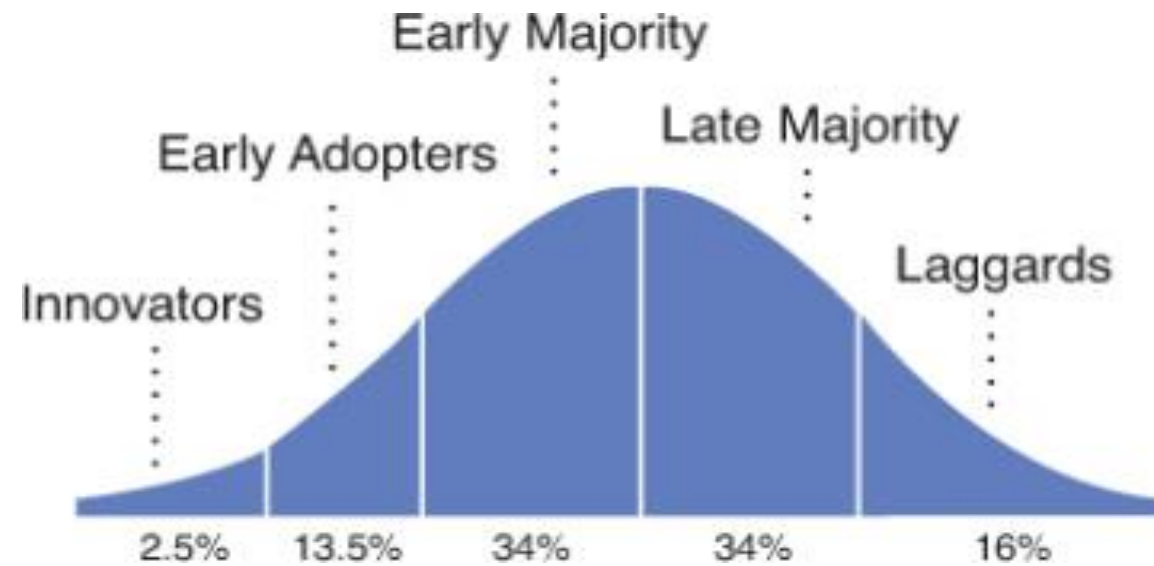
- Determine your target clients
- Assess your current payments offerings
- Identify gaps in your current offerings
- Determine your current costs by product/service
- Determine your revenue by product/service
- Determine percentage of Non-Interest Income from payments
- Assign a senior manager and executive sponsor to payments

Evaluating Your Payments Landscape

- Determine your risk tolerance
- Identify trends by payments type
- Benchmark against peers
- Establish a payments committee
- Determine vendor offerings and product roadmaps
- Develop a payments strategy
- Prioritize initiatives based on your key metrics
- Review and refresh regularly

Developing a Payments Strategy

CREATE A VISION - WHERE DO YOU FIT?



Developing a Payments Strategy

Align with your Corporate Strategy

- What corporate strategies are payments related?
 - Delivery Channels?
 - Client Experience/Service?
 - Increasing fee based revenue?

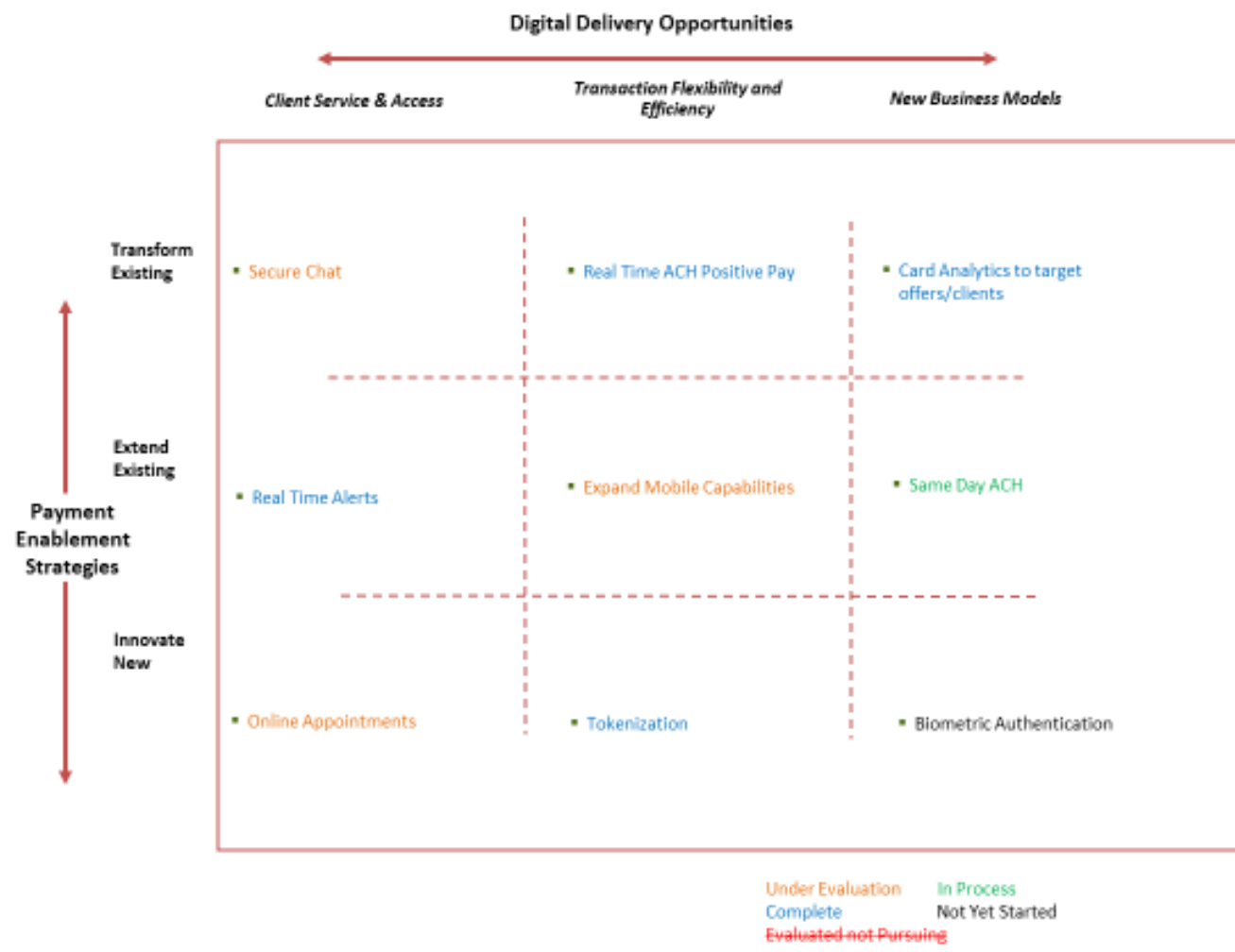
Developing a Payments Strategy

What are your strategic areas of focus?

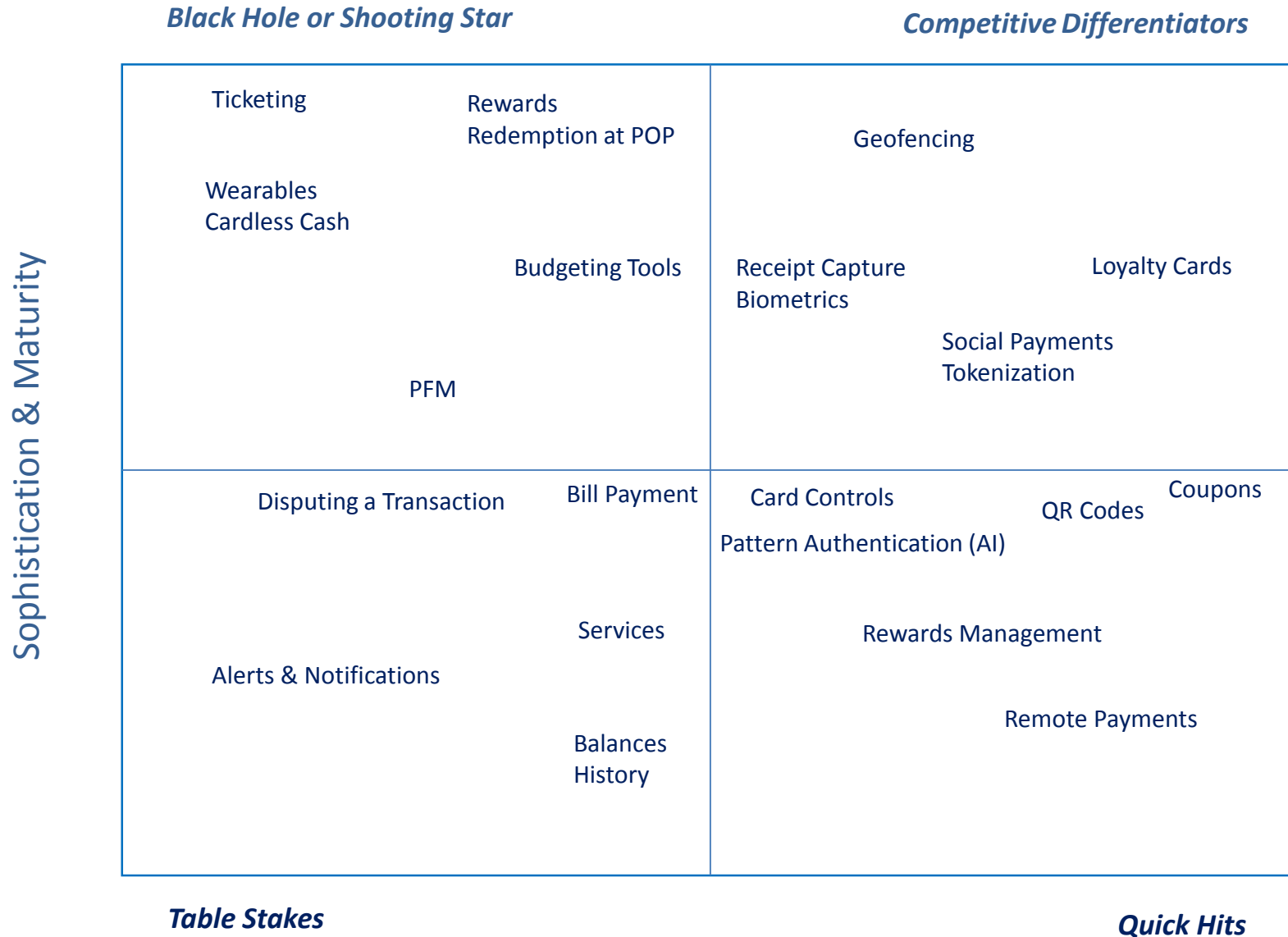
- Client importance?
- Improving client interaction?
- User experience?
- Integration?

Developing a Payments Strategy

Create a Roadmap



Mobile Wallet Opportunities



Value Proposition

Developing a Payments Strategy

Develop your decision-making criteria

- Alignment with strategic areas of focus
- Competition
- Adoption/relevance to clients
- Increase revenue/reduce expenses
- Cost/time/resources to implement
- Risk/Legal/Compliance
- Integration/user experience

Areas of Focus for Community Banks

- Think digital first
- Focus on relationship/service
- Focus on security
- Focus on multi-channel capability
- Pick the right vendors with open architecture for API solutions

What Will Prevail?

- Digital convergence will continue
- Fintech will continue to migrate to mobile-first solutions
- Tablets will replace computers
- Internet of Things (IoT) will explode
- A “Customer First” approach will become critical
- Digital wallets/tokenization
- P2P/P2B/B2P/B2B
- Blockchain/distributed Ledger

Questions?

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Blog: icba.org/bancard/news-events/tinas-take-on-payments