





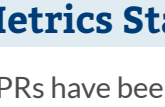


U.S. Business Credit Cards: Strong Growth & Profitability

Rewards - Nearly Ubiquitous

The vast majority of business credit cards offer rewards. Amex OPEN, Capital One Spark®, and Chase Ink® are leading product line examples.

| | | Rewards | Bonus | Annual Fee | APR |
|--------------------|---|------------------------------------|--------------------|--------------------|-----------------------------------|
| Amex OPEN |  | 1.5% statement credit ² | \$600 ³ | \$250 ⁴ | Interest free period ⁵ |
| Capital One Spark® |  | 2% cash | \$500 ³ | \$59 ⁴ | 17.24% |
| |  | 1.5% cash | \$200 ³ | no fee | 13.24-21.24% |
| |  | 1% cash | none | no fee | 23.24% |
| |  | 2 miles/\$ | 50k ³ | \$59 ⁴ | 17.24% |
| Chase Ink® |  | 5%/2%/1% cash ⁶ | \$300 ³ | no fee | 13.49-19.49% |
| |  | 5/2/1 points ⁷ | 60k ³ | \$95 | 15.49-19.49% |

Strong Profits - Heavily Fee-Driven

- Spend on U.S. business credit cards:
 - ✓ Growing at 10% a year. \$340 billion in 2016
 - ✓ 2.2% to 2.4% interchange drives fee revenue and largely funds rich rewards
 - ✓ Typically \$10k to \$20k spend per active, though can be many multiples of this for airline co-brands
- Business credit card balances:
 - ✓ Growing at 5% a year. ~\$115 billion 2Q 2016
 - ✓ Typically \$2,500 to \$5,000 per active
- Operating expenses of \$100 to \$200 per active albeit potential for multiple cards per account.
- Stable low single-digit net charge off rates.
- Most programs are earning 2% to 4% pre-tax on total business credit card balances.

¹ Headline offers also include two charge cards: Platinum and Gold.

² For payments made within 10 days of statement closing date.

³ Requires certain spending within the first several billing cycles.

⁴ Waived for the first year.

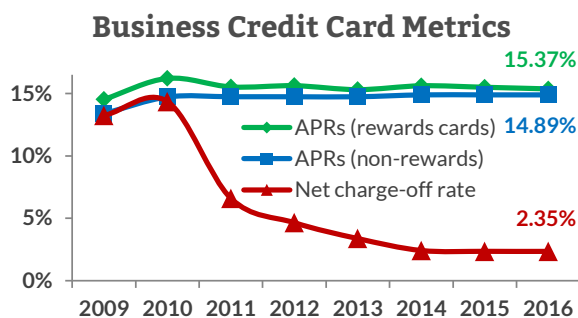
⁵ 90% of the last billing cycle's balance may be carried interest free to the following cycle. Late fee of 2.99% of past due amount (min \$38).

⁶ 5% on first \$25,000 spent on office supplies, phone, internet, or cable. 2% on first \$25,000 on gas or restaurants. 1% other.

⁷ 5 points on first \$50,000 spent on office supplies, phone, internet, or cable. 2 points on first \$50,000 on gas or restaurants. 1 point other.

Metrics Stable Post Great Recession

- APRs have been relatively stable.
- APRs tend to be ±0.5% higher for business credit card products featuring rewards.
- Lower losses reflect conservative underwriting and more transacting behavior post Recession.



Key Implications

- Business credit card products provide a flexible source of working capital or long-term financing.
- Durbin Act-related regulation of business debit interchange has shifted emphasis to credit cards.
- With a sustained period of stability, investment in business credit cards has resumed.
- Approximately two dozen U.S. co-branded business credit card programs currently exist. Business credit co-branding will grow in 2017.
- Innovations and UX offered by online business lending specialists are impressive; however, penetration of businesses may only be in the single digits, rates are often much higher than cards, and regulatory scrutiny may be increasing.

Sources: **Product lines:** Issuer websites. **Spend:** Visa, Mastercard, and Amex annual reports, SEC filings, and investor presentations and The Nilson Report. **Balances:** SNL data for C&I loans <\$100,000. **APRs:** Credit Card Monitor Archives, IndexCreditCards through 2015, and ValuePenguin for 2016. **Net charge-off rates:** Simple average for C&I loans via SNL for Amex, Barclaycard US, Bank of America (not from SNL but rather from investor reports), Capital One, Chase, and Discover. **Online business lending penetration of businesses:** National Small Business Association.

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