Commercial Trends

Global Commercial Payment Card Purchase Volume by Type 2007 - 2016

$Billion USD

Chart data points:
- **$589** (Purchasing and Fleet, 2016)
- **$373** (Corporate, 2016)

Legend: ◆ Purchasing and Fleet ■ Corporate

X-axis: 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016
Y-axis: $0, $100, $200, $300, $400, $500, $600, $700
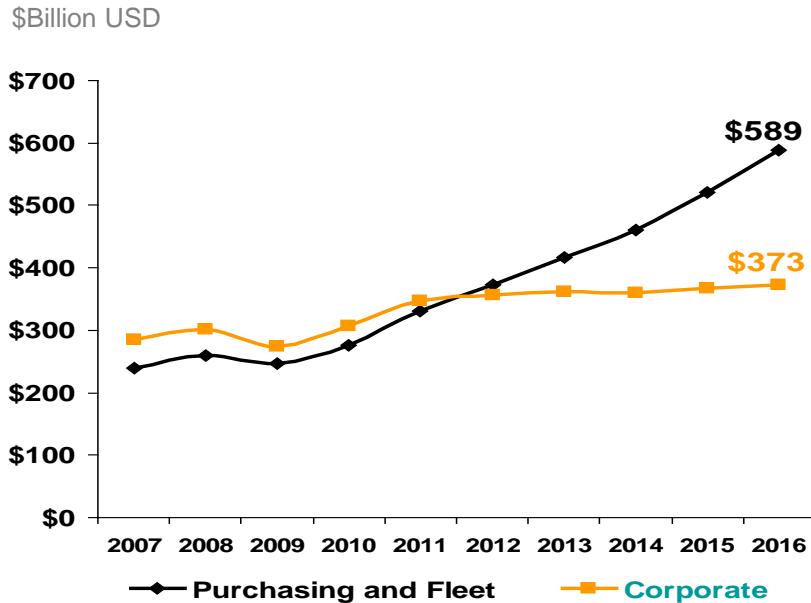
Large/Middle Market Trends

- **Cash/treasury management top of mind**; companies focused on tools that provide spend visibility and control

- **Automating the accounts payable** process continues to gain momentum, driving deeper penetration of B2B spend

- **Middle market companies are receiving increased attention** from issuers given comparative profit dynamics.

- **Companies increasingly operating globally** and issuers partnering to serve them at an accelerating pace

- **Public sector drives adoption** of payment products and solutions

- **Mobile** device usage has increased by companies.

Source: March 2012 Packaged Facts, Commercial Payment Cards: The U.S. and Global Markets and Trends, 7th edition
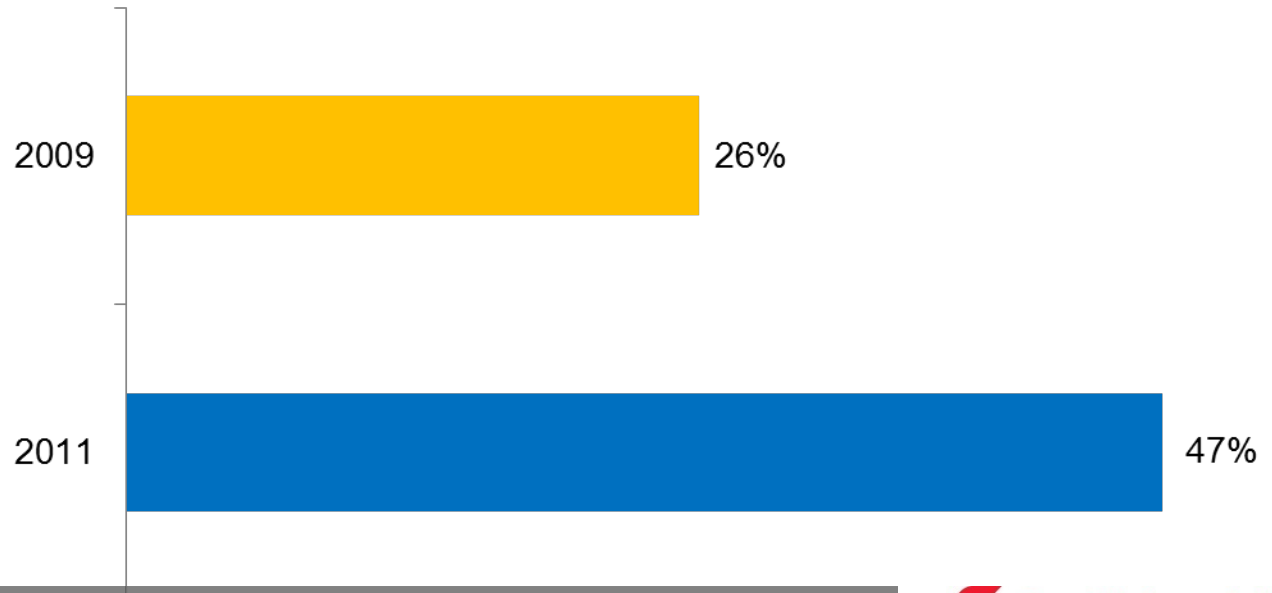
Common Themes: Payables

- Value proposition of payables is widely recognized
- Volume growth of payables spend has been strong
- Dynamic products and features are emerging which complement traditional card payables
- Significant additional growth can be tapped through optimization
- Best Practice organizations maximize program outcomes by a blend of choices about
  - Policies/Controls
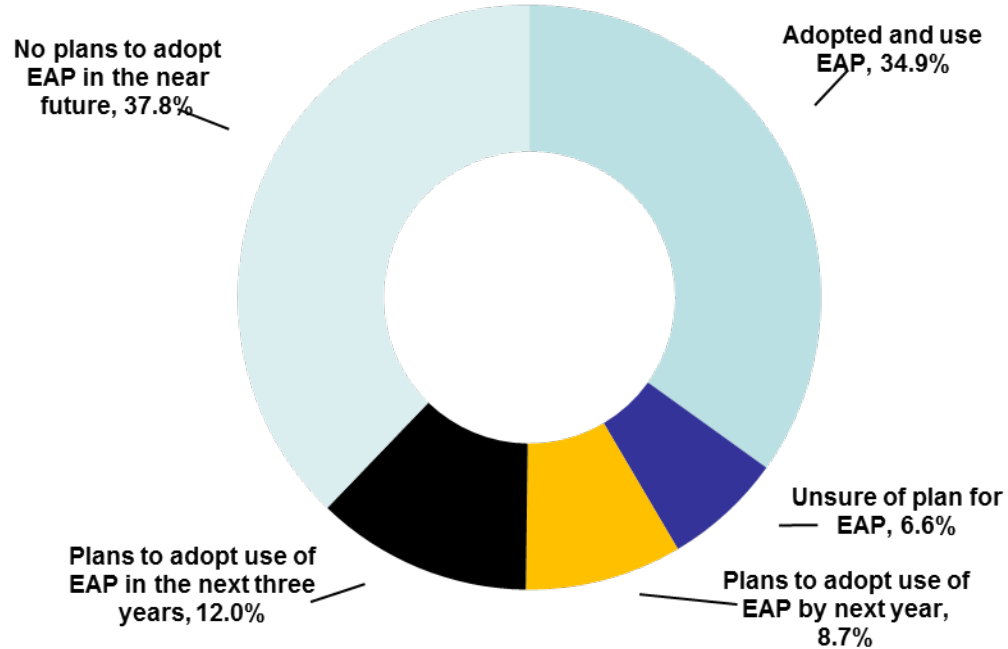 - Processes

The Impact of Electronic Accounts Payable

The "ramp-up" of EAP spending at most organizations is significant.

Average EAP spending as a percent of total "purchasing card program" spending among respondents has increased notably from 26% in 2009 to 47% in 2011.
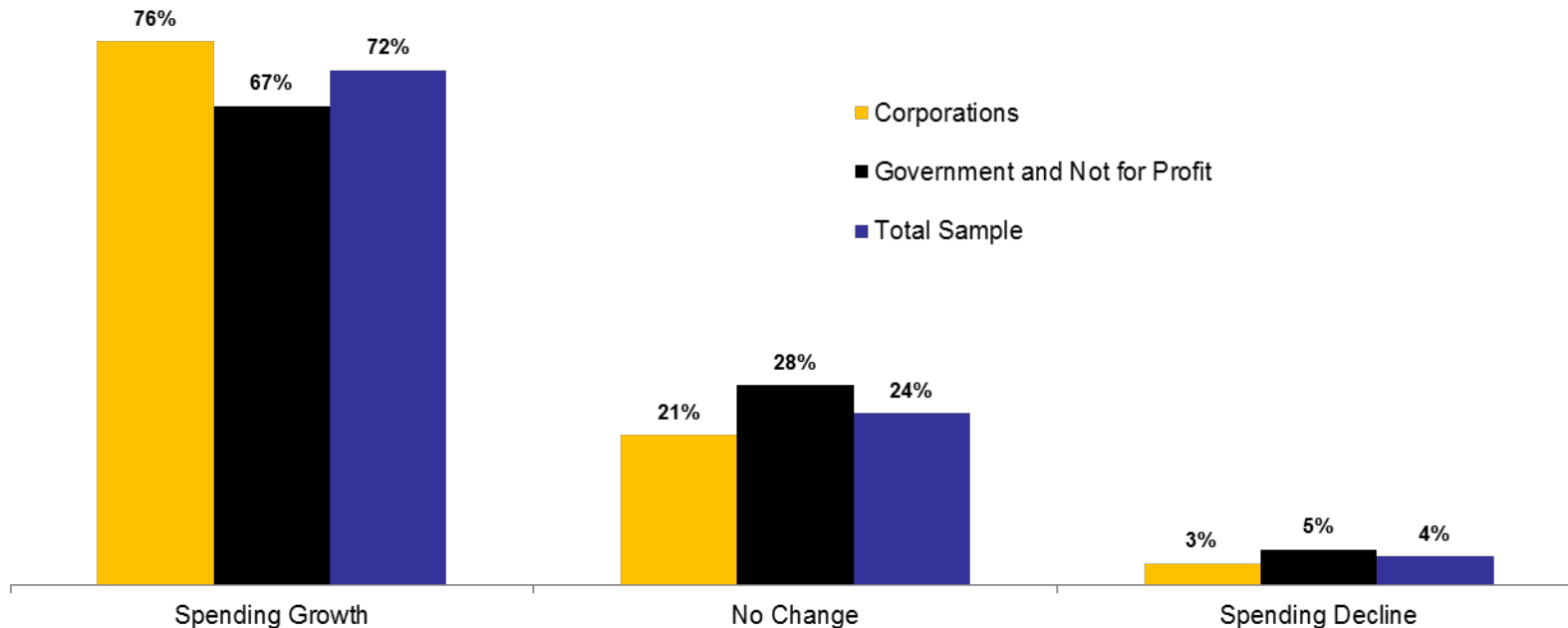
EAP Spending as a Percent of Purchasing Card Program Spending

2009 — 26%

2011 — 47%

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Source: 2012 Purchasing Card Benchmark Survey, RPMG Research

Future Plans for EAP

No plans to adopt EAP in the near future, 37.8%

Adopted and use EAP, 34.9%

Unsure of plan for EAP, 6.6%

Plans to adopt use of EAP by next year, 8.7%

Plans to adopt use of EAP in the next three years, 12.0%

Source: 2012 Purchasing Card Benchmark Survey, RPMG Research

Expected EAP Growth 2011 - 2014

Legend:
- Corporations
- Government and Not for Profit
- Total Sample

Spending Growth
- Corporations: 76%
- Government and Not for Profit: 67%
- Total Sample: 72%

No Change
- Corporations: 21%
- Government and Not for Profit: 28%
- Total Sample: 24%

Spending Decline
- Corporations: 3%
- Government and Not for Profit: 5%
- Total Sample: 4%
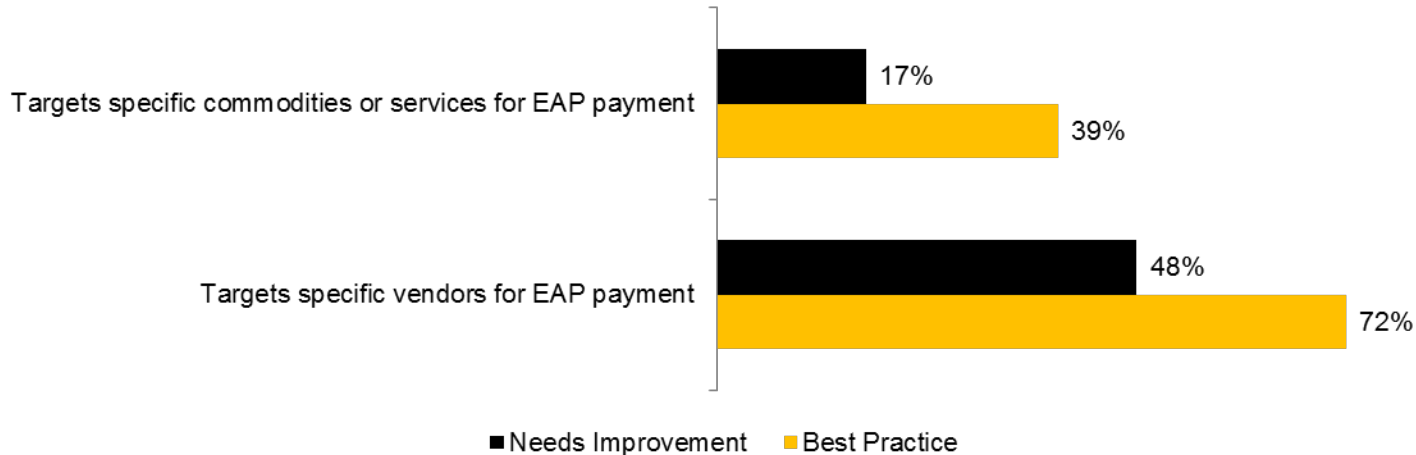
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Source: 2012 Purchasing Card Benchmark Survey, RPMG Research

Process: Optimization (EAP)

Best Practice: *Target specific vendors and commodities or services for EAP payment.*

Targets specific commodities or services for EAP payment
- Needs Improvement: 17%
- Best Practice: 39%

Targets specific vendors for EAP payment
- Needs Improvement: 48%
- Best Practice: 72%

■ Needs Improvement ■ Best Practice

By targeting specific vendors and commodities for EAP payment, Best Practice programs are getting the most out of EAP technology.

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Visa Payables Solutions

September 2014

Visa Payables Automation (VPA)

- VPA is a holistic card payables offering.

  - ✓ Delivered as a complete stand-alone solution or as a card-payables module of an issuer's treasury solution.

- VPA allows users to:
  - ✓ Create and manage suppliers
  - ✓ Request and manage card accounts
  - ✓ Process payments
  - ✓ Process payment requisitions
  - ✓ Notify suppliers about payments
  - ✓ Monitor payment status
  - ✓ Reconcile payments

Payment Types

Supplier Initiated Payments

- A traditional card-based payment process where a virtual card account is provided to the supplier.

- The supplier would manually enter the information into a point of sale terminal or through online software.

Buyer Initiated Payments

- A type of B2B credit card transaction that requires no action by the supplier.

- No point of sale terminals, other hardware or software is required to receive payment. The supplier receives the payment as a direct deposit into its bank account along with an electronic notification of the deposit.

- Currently connected to 50 acquiring platforms globally

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Account Types

Lodged Account

- **Fixed Limit:** permanently lodged account where limit does not change

- **Adjustable Limit:** permanently lodged ghost account where credit limit equals outstanding payment instructions

- One to one relationship account # to supplier

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Visa Payables Automation

1 **Buyer**

Approve Invoices for Payment → Generate Payable File from ERP → Send AP File to Visa or commercial bank

2 VISA

Processes Card Payables

3 VISA

Set Account Controls

4 VISA

Sends Remittance via Email to Suppliers

5 **Supplier**

Charges Account and Includes Invoice Numbers

6 VISA

Posts Reconciliation File

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Transaction Controls

Visa Authorization Match:

- B2B payment authorization control
- Matches payment file transaction to authorization amount
- Rejects payment if the values do not match

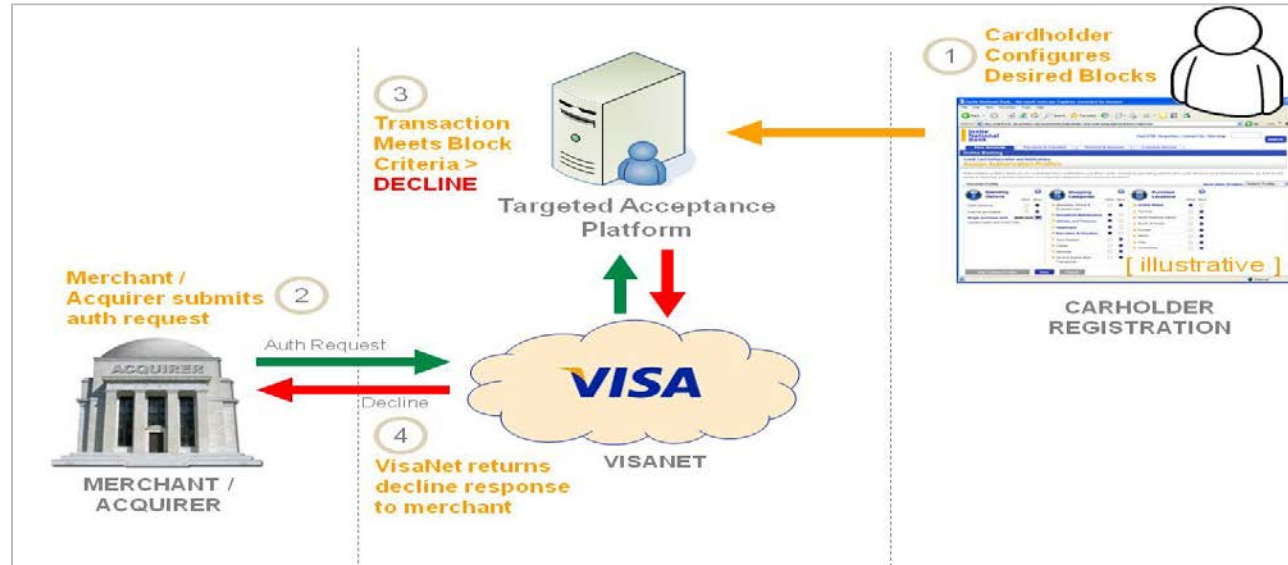**Visa Settlement Match (VSM)**:

- B2B payment settlement controls
- Matches settlement / clearing to authorization amount
- Rejects clearing if the values do not match

While both Auth Match and VSM provide value individually, the true control benefit comes from combining both on a single transaction.

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Visa Payment Controls Overview

The Visa Payment Control service integrates with VisaNet to block transactions during authorization time

Transaction Controls

Visa Settlement Match – Sample Process Flow

- A chip manufacturer submits an invoice to its client for $10,000. The client reviews the invoice and authorizes a payment via their payables solution.

$ 10,000
Payment Auth

- Manufacturer submits a clearing amount of $9,500 and is rejected

$ 9,500
$ 9,500
Settlement Match

- Manufacturer then resubmits a clearing amount of $10,000

$ 10,000 Clearing
Settlement Match

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Payables Acceptance

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Visa Payables Acceptance Strategy

The growth in payables automation solutions creates opportunities **to expand B2B card usage** for transactions under purchase order or other contractual procurement arrangements.

The Opportunity

- With <4% card penetration of current CCE, there is significant opportunity to increase commercial card penetration

- In the U.S., 67% of these payments are still made using checks[1]

Challenges

- Capturing larger B2B transactions on Commercial Cards with the existing model makes cost of acceptance exponentially high

- Cost of acceptance is also deterring many important lower dollar B2B transactions at risk (Healthcare)

- A tipping point is occurring where diverse payable platforms in the industry are having an adverse affect on the time and manual effort to accepting payables transactions

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Breaking Barriers to Payables Adoption is Key

Manual Processes

88%* of transactions are acquired by suppliers manually keying transactions:

- Increased headcount costs
- PCI adherence issues
- Reconciliation issues

Cost of Acceptance

The combination of higher CNP rates and the exponential cost of acceptance of the higher dollar transactions

Acquirer Focus

Many acquirers have not focused heavily on B2B b/c of perceived high acceptance costs, needed merchant education, and technology/process challenges

Sales Support

Many issuers & acquirers would appreciate additional assets to aid in selling supplier expansion efforts and communicate the benefits of payables acceptance

*Source: 2012 Aite Group report "Remittance Details: when & How They Arrive for U.S.-Based Companies"

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Optimization

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Visa Payables Solutions

Program Optimization

Visa PerformSource

- Accounts Payable Analysis to identify current spend and acceptors

- Best Practice guides

- Supplier Enablement Materials

Supplier Matching

- Identify Visa accepting suppliers

- Supplemental Database Match

Supplier Recruiting

- Assist with determining target suppliers

- Manage supplier recruiting campaign & detailed reporting

VISA
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Program Optimization

Supplier Matching Service

- Service matches client supplier info to the Visa Merchant Database to help identify Visa acceptors

- Also identifies suppliers capable of passing Level II and Level III enhanced data

- Issuers can work with clients to target the right suppliers and ensure that the necessary supplier information will be available for regulatory and/or client reporting needs

- Recently added supplier for issuer and/or supplemental DB support

Program Optimization

Supplier Enablement Services

- Partner with issuers/clients to support the supplier enablement process and implement program fundamentals

- Implement best practice approach

- Managed supplier recruiting campaign
  - ✓ Leverage scale-able, skilled team
  - ✓ Distribution of approved communication materials
  - ✓ Inbound/Outbound calling effort tailored to client's needs
  - ✓ Supplier on-boarding tracking & reporting

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Program Optimization

Supplier Enablement Services – Program Support

- **Partner with issuers/clients to improve the supplier enablement process and implement program fundamentals**

- **Implement and execute Visa best practices approach**

- **Managed supplier recruiting campaign**
  - Leverage scale-able, skilled team
  - Collection of contact information for approved suppliers
  - Distribution of approved communication materials
  - Inbound/Outbound calling effort tailored to client's needs
  - Detailed supplier on-boarding tracking & reporting

- **Support for VPA and other Visa issuer Payables platforms**

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Q&A Session

- VPA Client Experience:
  Canadian Blood Services – Linda Dyck

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Questions ?

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