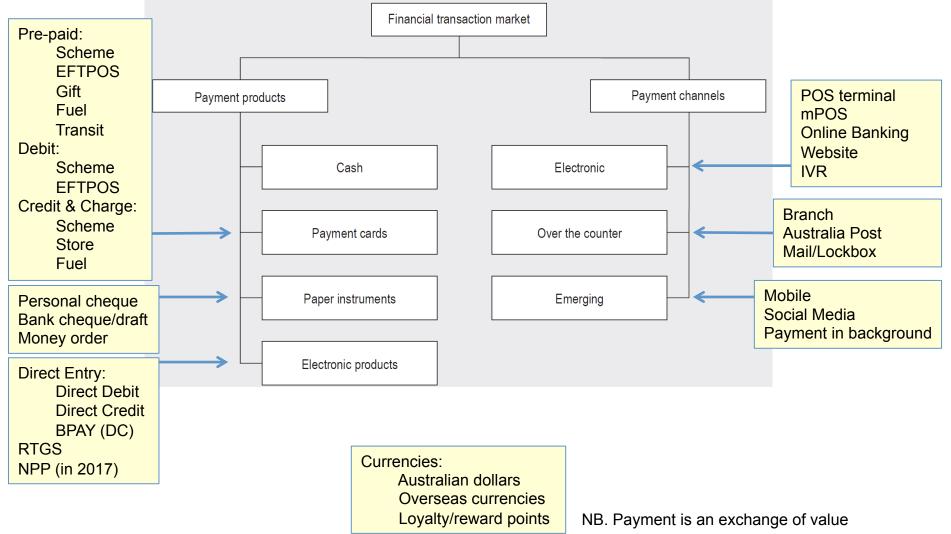
Australia Payments Landscape Overview: Methods and Channels

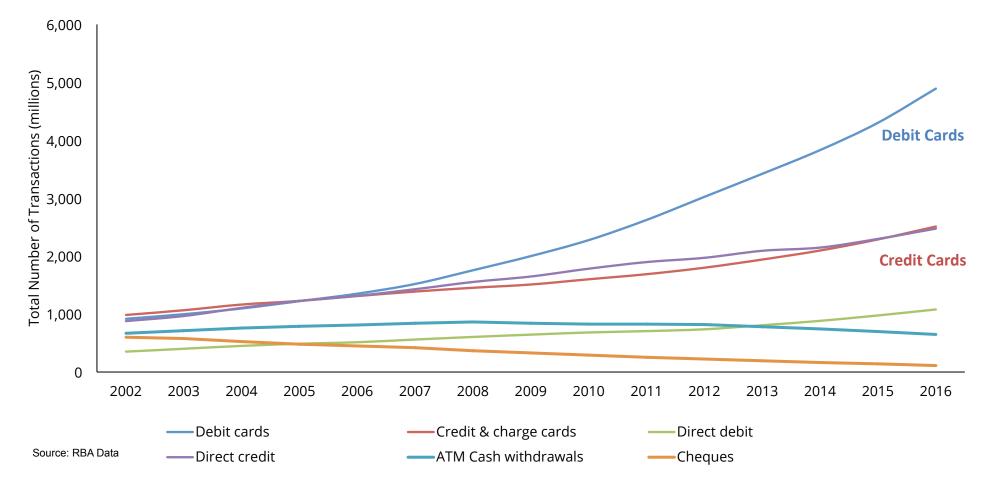






Credit card transactions are growing, albeit outstripped by Debit

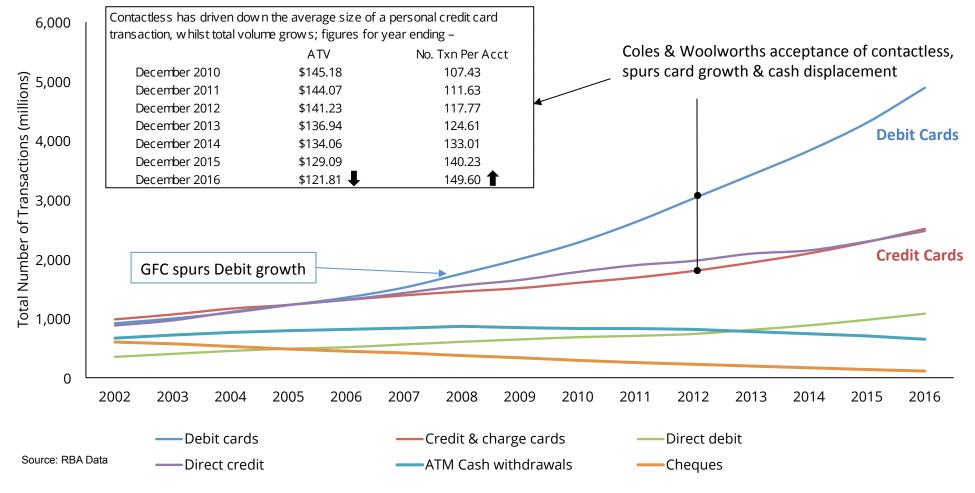
Australian Annual Transaction Volume by Type of Retail Payment





Debit card transactions have been pushed by changes in consumer payment behaviour, including contactless

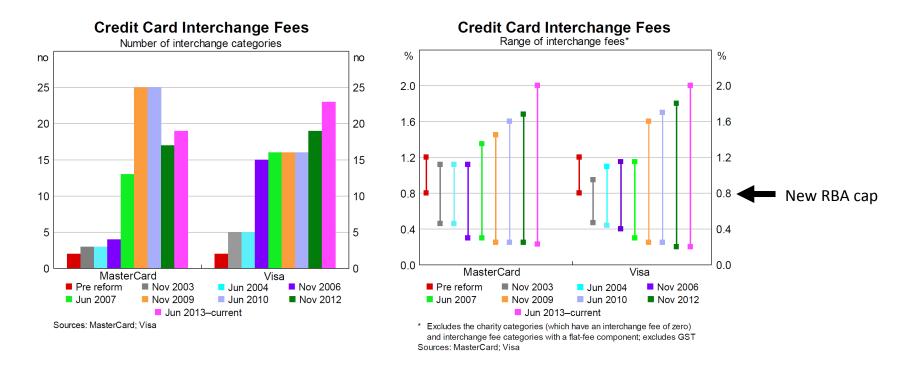
Australian Annual Transaction Volume by Type of Retail Payment





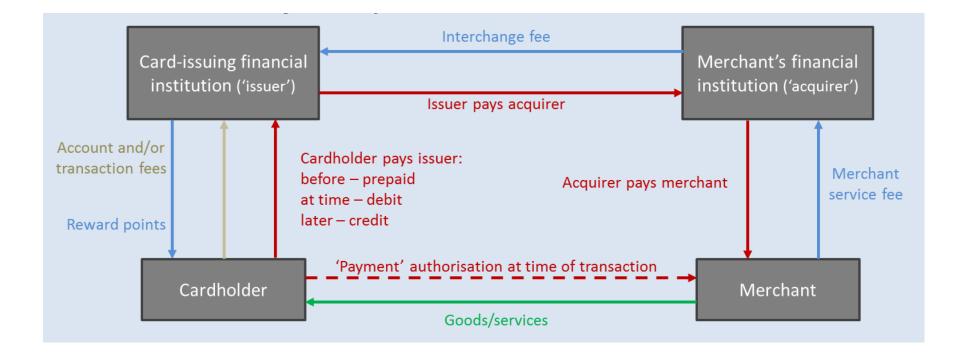
Interchange revenue streams will alter in July 2017 with the new RBA regulations

- 1 July 2017: keep 0.5% weighted average on V/MC credit cards, but checked quarterly
- Bring in American Express companion cards of the Big 4 banks
- Cap the top interchange rate at 0.8%. Bank interchange/rebate streams available on rewards cards to fund loyalty will reduce from ~75bps today to ~45bps in FY18 and going forward
- · Merchant surcharging rules tightened

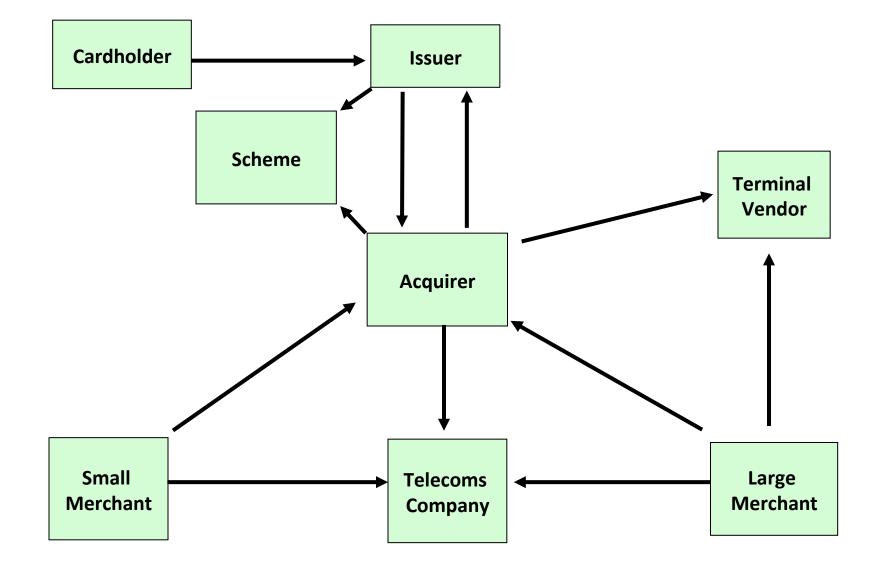


Standard four party card Scheme model – transaction flow





There are many flows of funds in a card-based transaction



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Typical MasterCard / Visa credit card charges and fees (pre July 2017)

N.B. Estimated that the payment Schemes Cardholder earn 10x as much revenue from a cross-Issuer border transaction compared to domestic. Annual Fee: \$0 to \$300+ Interest Rates: 9% to 22% Variable; maybe Credit 0.5% avg per txn Fees vary based on low rate up to 0.1% from range of 0.2 to 2.0% Scheme Issuer & Acquirer vs. rewards card combined Terminal Vendor \$350 to \$700 per terminal Rebate on large numbers Acquirer Credit 0.85% to 3.00%+ per txn \$350 to \$700 per Terminal Rental \$0 to \$65 per month terminal Establishment Fee \$0 to \$82 Rebate on large Credit 0.65% to 1.3% per txn numbers Participation Fee: \$20 per month Annual Fee \$0 to \$50 Installation Fee: \$209 plus \$22 per 15 mins Small **Telecoms** Large Line Rental \$34.95 to \$45.50 per month or Merchant Merchant Generally incorporated Company 15% discount for 1 year contract into corporate networks (Optus Only) Call Fee: Generally free to acquirer's 1800#

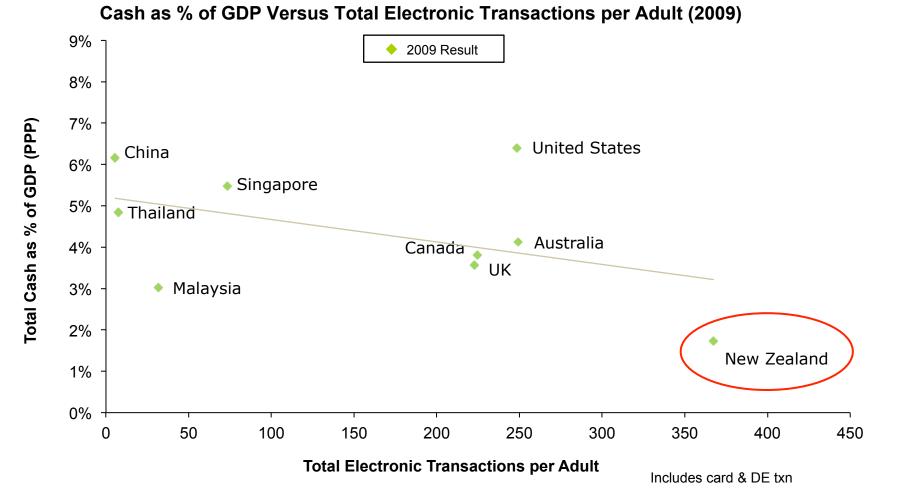
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NZ provides a benchmark for the extent to which electronic transactions can displace paper in Australia and other countries

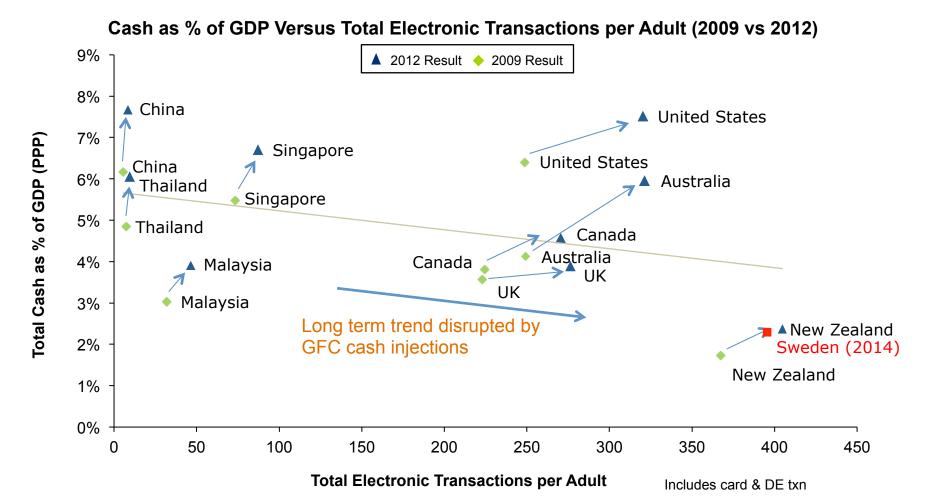




Source: RFi Consulting Estimate, World Bank, CPSS BIS Reports, RBA, RBNZ, MAS, Bank Negara Malaysia, Bank of Thailand, PBOC

Unfortunately the GFC bucked the trend, as Central Banks injected more cash into circulation – but card transactions still grew

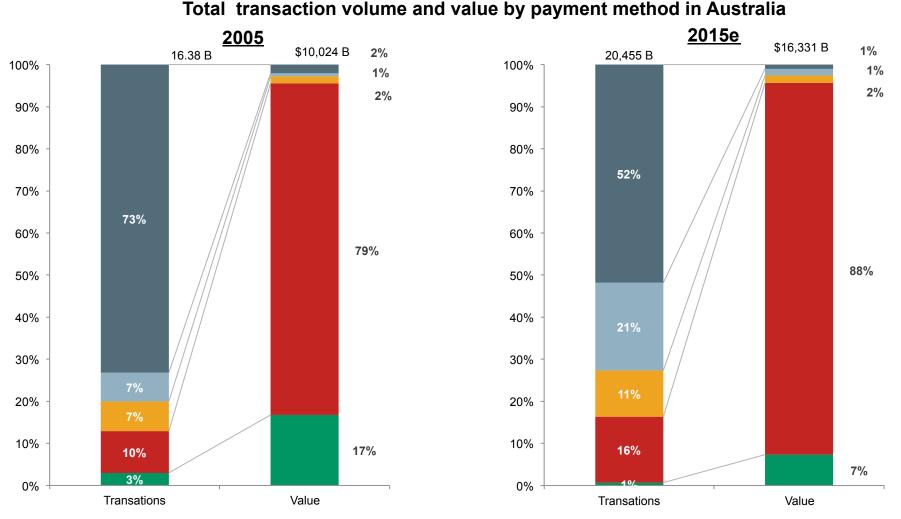




Source: RFi Consulting Estimate, World Bank, CPSS BIS Reports, RBA, RBNZ, MAS, Bank Negara Malaysia, Bank of Thailand, PBOC

Copyright The Initiatives Group Commercial in Confidence Indeed, we have seen a significant decrease in the share of cash transactions in the Australian economy between 2005 and 2015







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