

Q2 2017: U.S. Credit Card Issuer Snapshot

Key Themes

- U.S. card issuers reported continued, strong growth in most credit card segments
- Each bank had year-over-year growth in receivables, led by Citi, American Express, Chase, and Capital One
- Purchase volume also continued to increase, with Citi, Chase, Bank of America, and US Bank reporting the highest growth rates
- Loss rates increased modestly across the board except for American Express, driven by normalization and credit expansion, however loss rates remain relatively low; some banks are pointing to flat or lower loss rates in coming quarters
- Returns continued to decline due to rising loss rates, rewards costs, and marketing costs
- Banks are pointing to FinTechs as providing growth opportunities, and generally see a healthy outlook for the economy
- The intense degree of competition is expected to continue to require substantial investment in marketing and rewards
- Digital and mobile remain important areas of investment, with some banks mentioning higher purchase volume in these channels

Industry Trends (Based on Non-Retail Card Issuers in Scorecard Section)

	Receivables (\$B)	Purchase Volume (\$B)	Net Loss Rate	After-Tax ROA ¹
Weighted Avg. ²	\$632	\$555	3.21%	2.4%
YoY Change ³	↑ 6.0%	↑ 10.7%	↑ 43 bps	↓ -51 bps
QoQ Change ⁴	↑ 3.0%	↑ 11.8%	↑ 4 bps	↑ 25 bps

¹ After-Tax ROA excludes Wells Fargo, Chase, Bank of America and US Bank. Credit specific income not reported. ² Total receivables for non-retail issuers at end of 2Q17; Total purchase volume of non-retail issuers in 2Q17. ³ YoY = Year-over-year change versus 2Q16. ⁴ QoQ = Quarter-over-quarter change versus 1Q17.

Issuer Scorecard – Q2 2017 (\$ in Billions)

Issuer	A/R (\$B) 2Q17	Change (vs. 2Q16)	Change (vs. 1Q17)	Purchase Volume (\$B) 2Q17	Change (vs. 2Q16)	Change (vs. 1Q17)	Net Loss Rate 2Q17	Change (vs. 2Q16)	Change (vs. 1Q17)	After-Tax ROA 2Q17	Change (vs. 2Q16)	Change (vs. 1Q17)
Chase ¹	\$140.1	6.5%	3.8%	\$156.8	15.3%	12.2%	3.01%	31 bps	7 bps			
Citigroup ²	\$130.8	8.3%	3.5%	\$101.1	38.1%	13.1%	3.57%	73 bps	-3 bps	2.22%	-75 bps	14 bps
Capital One ³	\$92.9	4.8%	1.9%	\$75.8	6.7%	13.2%	5.11%	104 bps	-3 bps	2.10%	-5 bps	91 bps
Bank of America ⁴	\$90.8	3.0%	2.5%	\$61.7	8.8%	11.5%	2.87%	21 bps	13 bps			
Discover ⁵	\$61.8	8.0%	3.4%	\$32.2	4.8%	10.4%	2.94%	55 bps	10 bps	2.60%	-35 bps	0 bps
American Express ⁶	\$59.6	8.0%	3.5%	\$84.8	-9.2%	9.4%	1.50%	-10 bps	-20 bps	2.98%	-91 bps	-25 bps
Wells Fargo	\$35.3	3.4%	1.6%	\$20.0	3.2%	11.6%	3.67%	42 bps	13 bps			
US Bank ⁷	\$20.9	1.4%	2.3%	\$23.0	7.9%	9.6%	3.97%	58 bps	27 bps			

Retail Card Issuers

Synchrony ^{8,9}	\$51.4	10.1%	3.1%	\$27.1	6.7%	18.1%	4.25%	46 bps	0 bps	2.20%	-20 bps	-10 bps
Citi ²	\$45.2	4.4%	2.3%	\$20.6	2.5%	21.9%	5.31%	89 bps	65 bps			
Alliance Data ¹⁰	\$15.7	16.5%	0.4%	\$7.5	5.9%	14.2%	6.20%	110 bps	-10 bps			

¹ Chase no longer discloses an ROA measure directly attributable to Card Services. ² Citi: Purchase volume includes cash advances. ³ Capital One: U.S. card business, small business, installment loans only. Purchase volume excludes cash advances. ⁴ Bank of America: Receivables, purchase volume, and net loss rates are for U.S. consumer cards. ROA estimate is discontinued. ⁵ Discover: includes U.S. domestic receivables and purchase volumes only. Restated: ROA reflective of Direct Banking segment (credit card represents ~80% of loans) and implied U.S. Cards tax rate of ~40%. ROA denominator estimated from total loans ended totals. ⁶ American Express: Changed reporting method as of 1Q16. Figures are for U.S. Consumer segment only and exclude small business. After-tax ROA adjusted to exclude gain related to Costco sale and restructuring expense. ⁷ US Bank: Purchase Volume restated to exclude commercial volume. Income attributable to

Notable Happenings

Partnership Renewals:

- American Express and Hilton renew credit card partnership
- Chase and Hyatt extend credit card partnership

New Partnerships:

- Alliance Data announced a partnership with Signet Jewelers and will acquire existing card portfolio
- Synchrony launches new private label program with zulily
- Navy Federal Credit Union and American Express agree to launch a new rewards credit card

New Products/Features:

- American Express OPEN introduces new Blue Business Plus Credit Card
- Amazon introduces Prime Reload (2% back on debit purchases)
- Banks unveil Zelle P2P payments platform

Mobile:

- UBS launches mobile payments app Twint
- Walmart introduces “apply and buy” credit card functionality in mobile app

Payments Services totaled \$274M as of 1Q17, compared to \$287M in 1Q16; Payments Services includes revenue from consumer credit cards, as well as commercial revenue and other sources.

⁸ A/R and PV for Retail Card unit only. ⁹ Loss rates and ROA include all of SYF's business lines (i.e., Retail Card, Payment Solutions, and CareCredit). Retail Card accounts for about 70% of total receivables.

¹⁰ Average Receivables.

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