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Q2 2017 U.S. Issuer Commentary:
Banks Cautious as Loss Rates Normalize

Q2 2017 Issuer Earnings Call Commentary

Growth

- "…We continue to see strong client engagement in branded cards, with end of period balances up 10% YoY." **– Citi**
- "Spending levels on debit and credit cards were up 6% year-over-year and new issuance of credit cards was solid at 1.3 million." **– Bank of America**
- "Total loans increased 8% over the prior year, driven by 8% growth in credit card receivables, which represent nearly 80% of total loans." **– Discover**
- "Organic growth remains the priority and helped to drive double-digit loan receivables and net interest income growth… purchase volume was up 6% and average active accounts were up 5% over the second quarter of last year." **– Synchrony**
- "Loan growth and purchase volume growth decelerated in the quarter, but remained strong. Compared to the second quarter of last year… average loans were up $5.8 billion or about 7%." **– Capital One**
- "Card Services had another solid quarter as revenue increased 13% to slightly over $1 billion…Card receivables grew to just under $16 billion, an increase of 17% over the second quarter of 2016." **– Alliance Data**

Competition / Rewards

- "Rewards expense increased 9% YoY... We will continue to follow the competitive environment and continue to make sure that we offer great value propositions relative to what others put in the market." **– American Express**
- "…Spending levels on cards drive revenue but are largely offset by rewards given back to customers." **– Bank of America**
- "Going forward we expect loyalty program expense as a percent of interchange revenue to trend near 100% with some quarterly fluctuations." **– Synchrony**
- "The modest reduction in our rewards rate… suggests that we're not having to pay up more on rewards to generate that growth… I think that is one indicator that rewards competition, after a big ramp-up, has sort of plateaued…" **– Discover**

Credit Quality

	Q2 NCL
American Express	1.80%
Bank of America	2.87%
Discover	2.94%
Chase	3.01%
Citi	3.57%
Capital One	5.11%
Synchrony	5.42%
Alliance Data	6.20%

- "…On consumer delinquency trends… we were seeing early signs of normalization which are generally in line with our expectations and our credit risk." **– Chase**
- "In branded cards, the NCL rate of 2.9% was down from the prior quarter… in Retail Services, the NCL rate increased to 4.8% reflecting the impact of portfolio seasoning as well as continuing softness in collection rates." **– Citi**
- "[We're] very comfortable that what we're seeing on the credit side is right within the balance of what we would've expected given the growth we're seeing in lending." **– American Express**
- "The net charge-off rate was 5.42%, compared to 4.51% last year. The largest contributing factor to the increase in NCO continues to be normalization." **– Synchrony**
- "Although our charge-off rate remains below the industry average and historical norms, we've responded by tightening certain underwriting standards over recent quarters." **– Discover**
- "We have not seen a lot of behavioral change, we've talked in prior conversations about the fact that there is some normalization generally going on... We haven't seen anything unique to the sub-prime space… we've just been a little cautious around the edges." **– Capital One**

Mobile / Digital

- "We added 2.7 million new proprietary customers globally, and in our global consumer business close to two thirds of new customer acquisitions came through digital channels and 35% of new customers were millennials." **– American Express**
- "We can't emphasize enough of the positive impacts all of these investments, especially in mobile and digital, have made… Mobile banking users have grown to 23 million at the end of the second quarter." **– Bank of America**
- "…The investments we have been making to extend our digital capabilities are having an impact on our performance. For Retail Card, our online and mobile purchase volume grew 18%... our digital sales penetration was 23% in Q2." **– Synchrony**
- "We continue to build out our mobile capabilities and leverage our recent acquisition of GPShopper, who has helped us to develop our Sy-Pi capability... Though in the early stages, 12 of our retailers' apps are utilizing the technology and we have seen a notable increase in usage by cardholders." **– Synchrony**
- "There's so much fragmentation and disruption in the retail space that our ability to bring data and sku level information, the analytics, the digital distribution channels, the omni-channel type distribution approach is something that's compelling to these retailers… They are looking at the tech side of us while looking at the card side of us." **– Alliance Data**

Sources: SEC filings, Issuer Earnings Calls.

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