



PAYMENTS STRATEGY - MARKETPLACE

Amazon Customers Can Pay With Venmo Starting Next Year	Why Do Consumers Love Fintechs Like Chime and SoFi?	Congress debates pros and cons of BNPL
Visa And The Cryptocurrency Opportunity: Inside The Card Network's Digital Currency Plans	Is a Lower Debit Cap Coming?	How mobile wallet use exploded from one year in lockdown
Square Plunges Deeper Into Banking With Plans for Checking & Savings	Plaid's Payment Invasion Could Radically Alter Card-Based Transactions	Real-time payments are changing gig-economy, real estate payments at small banks
What The Square Afterpay Deal Means For BNPL, FinTech, BigTech And Banks	U.S. Bank adds real-time payments to client billing service	PayPal Wants To Be A Super App
Credit Card Growth: Gen Z Jumps, Millennials Crawl, Boomers Drop	5 reasons real-time payments are going mainstream	Detroit Pistons and Zelle® Partner to Elevate Financial Fitness in Local Community

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Topics for today's discussion

Post Pandemic
Impacts to Payments

Customer Migration to
Digital

Customers & Margins at
Risk

Disruption is impacting
Payments Revenue

WHAT MATTERS IN PAYMENTS?

- How do we adjust to today's *next normal*?
- How do you stay relevant and primary in digital commerce?
- What strategies can you deploy to drive engagement and growth?
- What investments do you make in technology and functionality?
- Do you have the right vendors and relationships?
- Do you have a payments roadmap to protect your payments business?

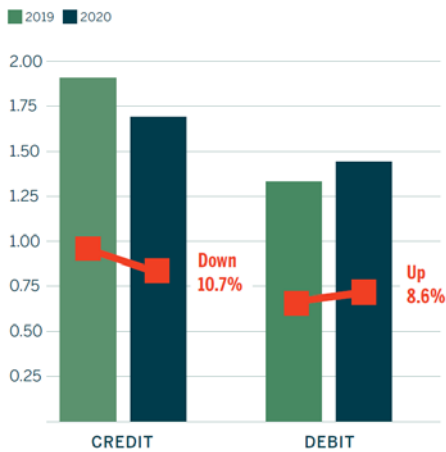
POST PANDEMIC

Impacts to Payments

SHIFTING SPEND

U.S. Credit and Debit Cards at Midyear 2020 vs 2019

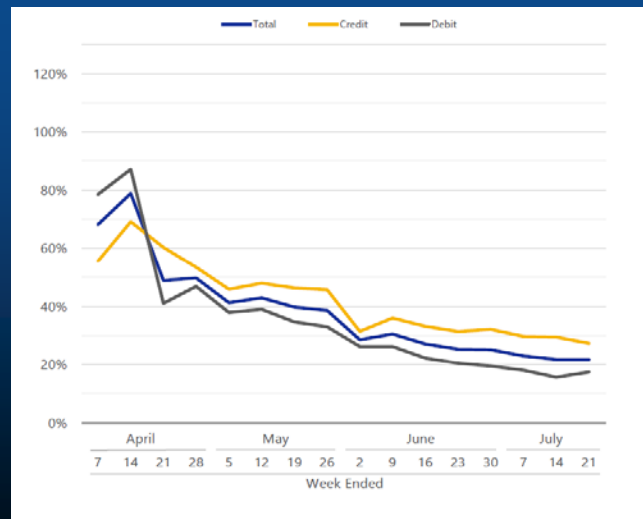
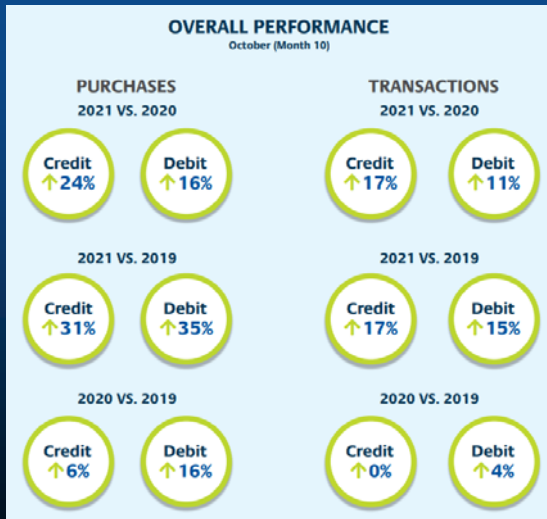
Purchase Volume in \$Trillions



- During the pandemic, there was a shift from credit to debit growth
- Debit spend increased significantly despite overall spend shrinking
- Credit spend has been where the largest impact has been in spend with over 10% reduction in spend

Source: Issue 1181, Nilson Report, August 2020

CONSUMER SPENDING TRENDS



November 2021 PSCU Payments Index

Visa Q3 Earnings Presentation

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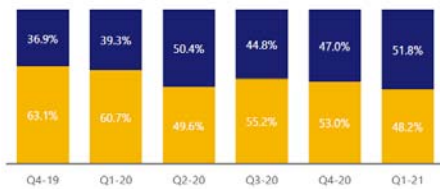


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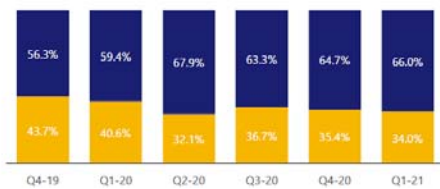
SHIFTING SPEND

Channel Share and YOY Growth

Transaction Volume Share



Sales Volume Share



Transaction Volume Growth



Sales Volume Growth



Source: Visa, May 2021

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LONG TERM IMPACTS TO CONSUMER SPENDING

Ways US Adults Shop for Groceries Before the Coronavirus Pandemic vs. Now, June 2021

% of respondents

Before pandemic



Now



■ Mostly in-store
 ■ Mostly digitally
 ■ Both equally

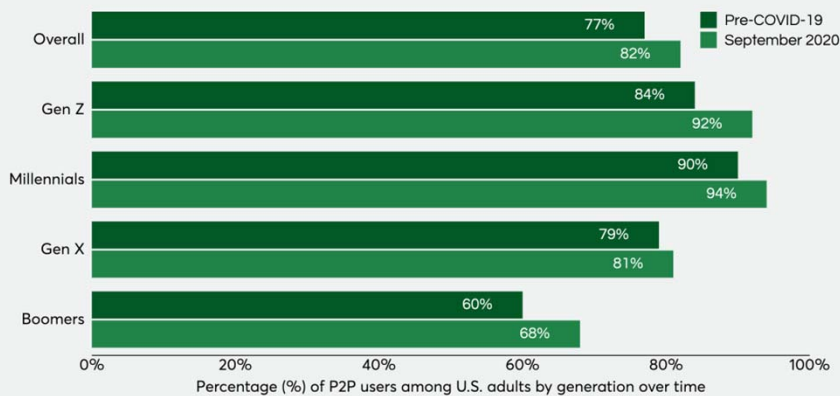
Note: numbers may not add up to 100% due to rounding
 Source: Morning Consult as cited in company article, Aug 4, 2021

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eMarketer | InsiderIntelligence.com

CONSUMER PAYMENTS PREFERENCES

COVID-19 drove up P2P usage across all generations

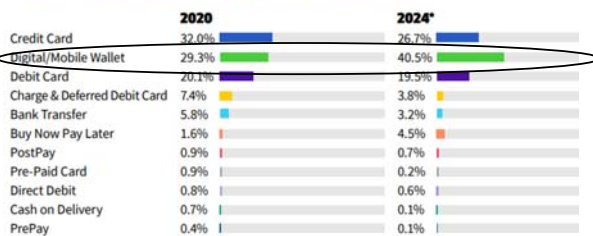


Source: PaymentsSource Future of Money Study November 2020

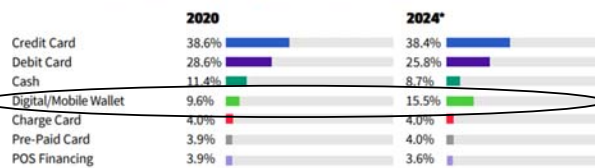
CUSTOMER MIGRATION TO DIGITAL

CONSUMER PAYMENTS PREFERENCES

North America e-com payment methods



North America POS payment methods



Source: WorldPay

YOU MUST BE TOP OF WALLET IN DIGITAL COMMERCE

US Proximity Mobile Payment Users, by Platform, 2021

millions

Apple Pay	43.9
Starbucks	31.2
Google Pay	25.0
Samsung Pay	16.3

Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past 6 months; includes point-of-sale transactions made by using mobile phones as a payment method; excludes transactions made via tablet
Source: eMarketer, March 2021

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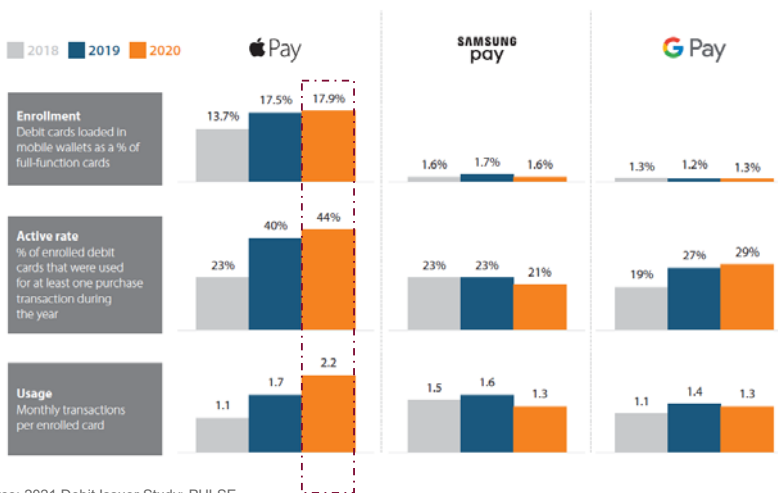
eMarketer | InsiderIntelligence.com



- Are you at the top of these digital wallets?
- What happens when most of your customers do more than 50% of transactions digital?

DIGITAL WALLETS ARE CRITICAL TO DIGITAL GROWTH

Figure 10 Enrollment, active rate and usage of top mobile wallets



Source: 2021 Debit Issuer Study; PULSE

- 17.9% of your customers should be enrolled in Apple Pay
- Customers should be 44% active and doing 2.2 transactions per month



DURBIN UPDATE: CARD NOT PRESENT PROPOSAL

Board of Governors of the Federal Reserve System

Press Release

May 07, 2021

Federal Reserve Board invites public comment on proposed changes to Regulation II regarding network availability for card-not-present debit card transactions and publishes a biennial report containing summary information on debit card transactions in 2019

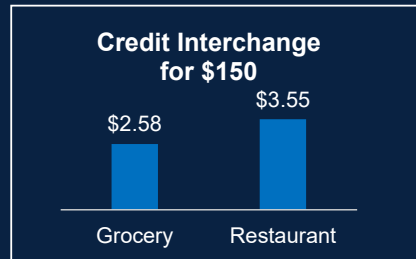
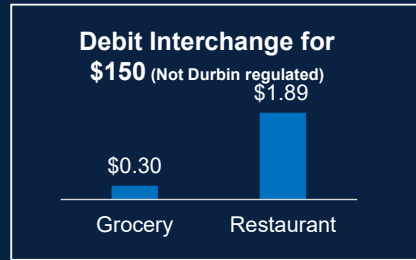
- In May 2021, the Fed proposed changes to Durbin that could impact card-not-present debit card transactions
- The proposal would extend the requirement for merchants to choose from at least two unaffiliated networks for Card Not Present transactions

INTERCHANGE IMPACTS

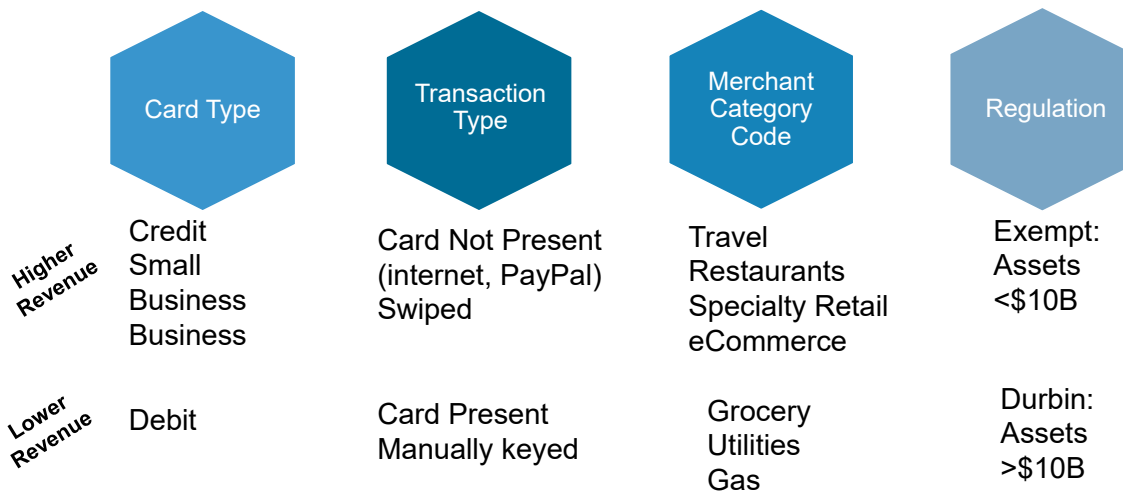
The type of merchant where your cardholders shop can make a big difference in your interchange income

If you are not a Durbin regulated institution (under \$10B in assets) and a cardholder spends \$150 at a grocery store with their debit card, average interchange is \$0.30, whereas the same amount of spend at a restaurant yields \$1.89

On the credit side, spending \$150 at a grocery store yields \$2.58 in interchange, whereas the same amount of spend yields \$3.55 at a restaurant



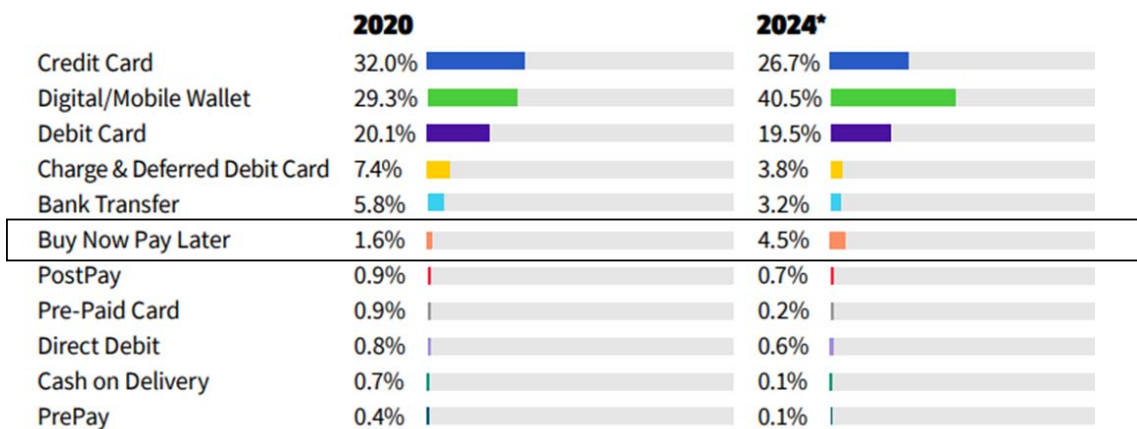
INTERCHANGE IMPACTS



DISRUPTION IS IMPACTING TODAY'S REVENUE

BUY NOW PAY LATER

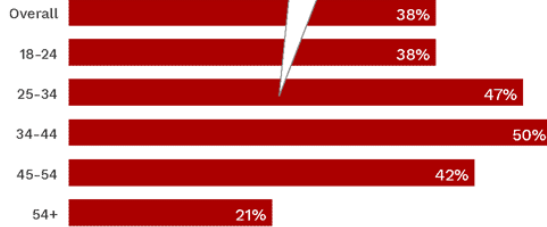
North America e-com payment methods



WorldPay Payments Report

BUY NOW PAY LATER

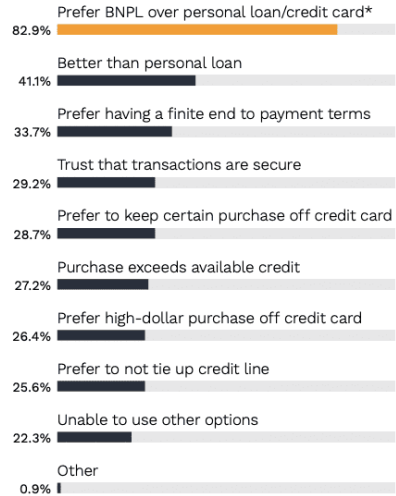
Share of US consumers who have used a BNPL service



SOURCE: The Ascent/Motley Fool © February 2021 The Financial Brand

Reasons consumers would like to use BNPL options to purchase high-value services

Share who cite select reasons for wanting to use BNPL to purchase high-value services

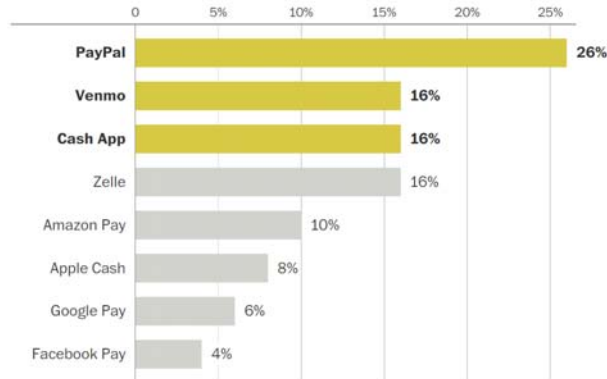


Source: PYMNTS | Amazon Web Services The Next BNPL Horizon Report

PERSON TO PERSON PAYMENTS

Top peer-to-peer payment apps

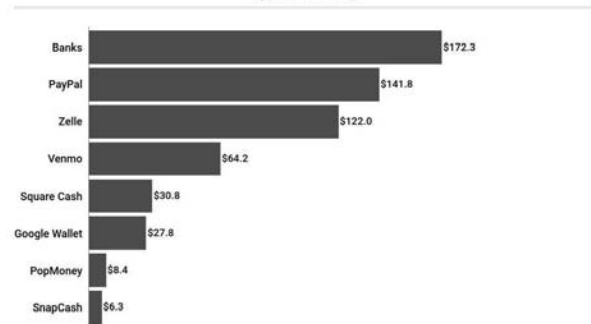
Percentage of online adults who recently sent money to another person using a payment app



Source: Forrester

TATUM HUNTER/THE WASHINGTON POST

2018 P2P Transaction Volume by Provider (\$ in billions)



ALTERNATIVE PAYMENTS – P2P / WALLETS



As a part of the government stimulus, **Cash App**, **Venmo**, and **PayPal** publicly appealed for the money to be deposited into their accounts



Amazon Customers Can Pay With Venmo Starting Next Year



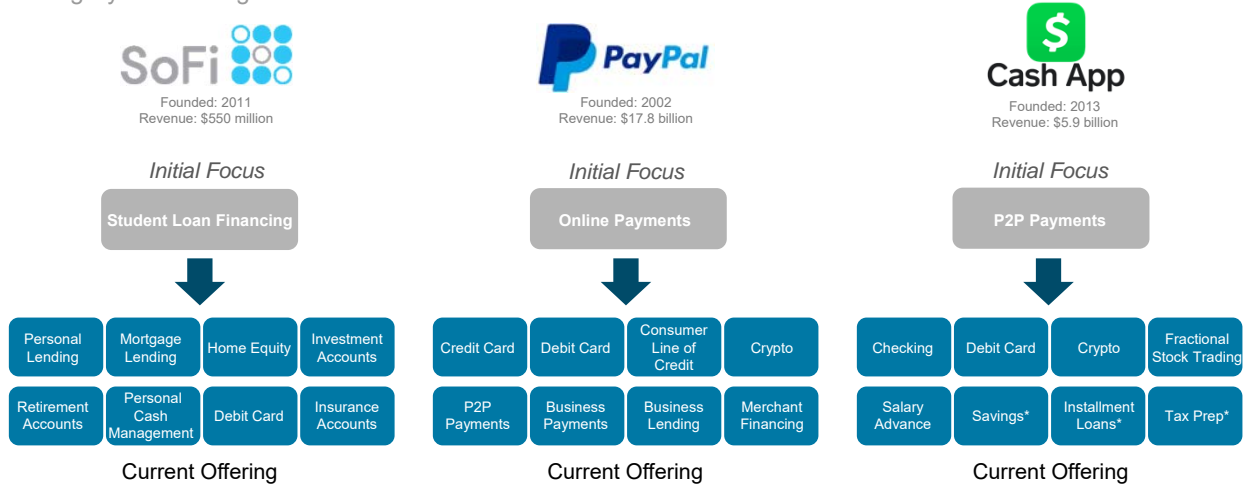
Customer funds held (\$M)

Fiscal year	2015	2016	2017	2018	2019	2021
Square Cash App	9.4	43.6	103.0	334.0	676.3	2,850
Starbucks*	983.8	1,171.2	1,288.5	1,642.9	1,269.0	
PayPal*	12,261.0	15,163.0	19,742.0	21,562.0	24,527.0	31,000

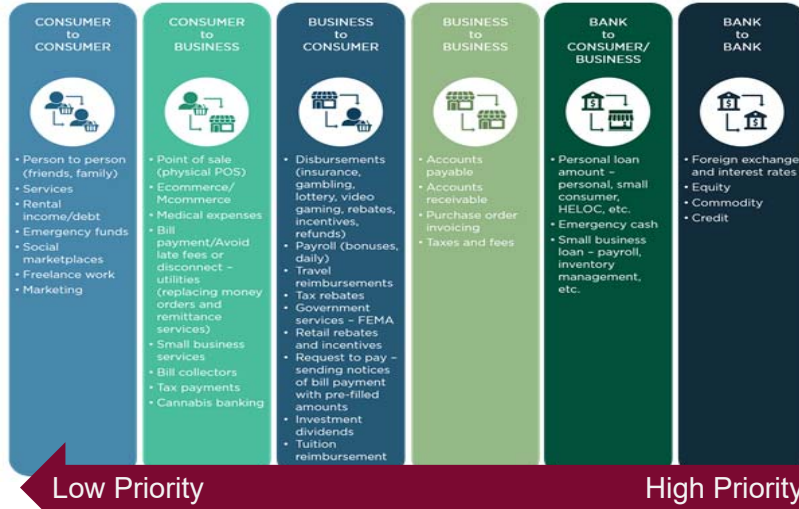
Source S&P Global

FINTECH

Scaling By Rebundling

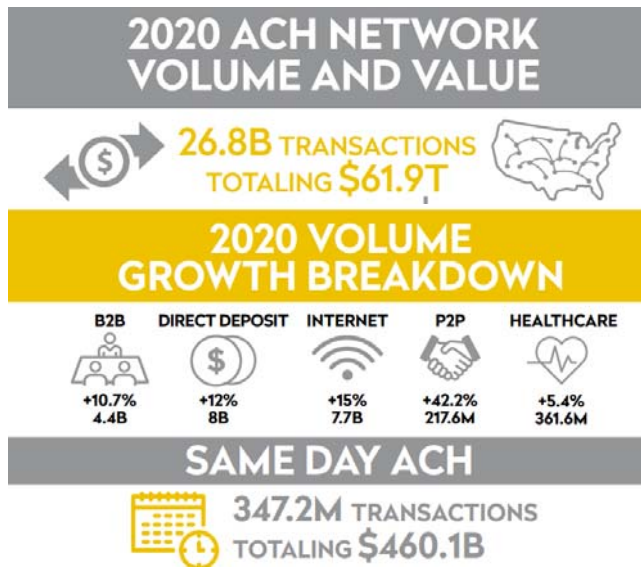


FASTER PAYMENTS – REAL TIME PAYMENTS



Javelin Strategy & Research 2019

ALTERNATIVE PAYMENTS – FASTER PAYMENTS



- FedNow is the Federal Reserve's real time payments solution and is scheduled to launch in 2023
- This is the Fed's answer to alternative real time payments solutions.

PAYMENTS – CRYPTO PAYMENTS



Bitcoin Daily: Sotheby's Teams With Coinbase To Accept Crypto At Auction; Binance CEO: CBDCs Will Be More Restrictive Than Current Crypto

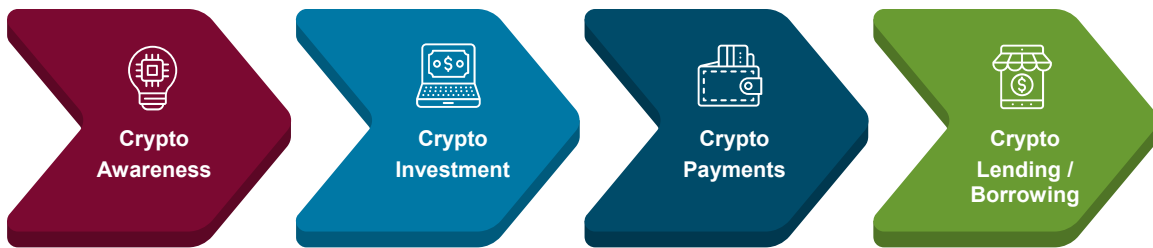
Beeple sold an NFT for \$69 million

Through a first-of-its-kind auction at Christie's

MarketWatch
As dogecoin prices spike, one big-league baseball team is selling tickets in exchange for the meme crypto

INSIDER
More companies, including PayPal and Xbox, are accepting bitcoin and other cryptocurrencies as payment, despite volatility warnings

PHASES FOR CRYPTO IN BANKING



Awareness

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Investment

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Payments

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 vnyzfhv# lk#fu|swe

Lending / Borrowing

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 eruz# #jdljw#fu|swe#
 dvhw#z qhg#e|#
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Cornerstone's Payments School

Coming to Portland, Oregon
August 2022

Contact Lori Kaliher to register today!
lkaliher@oregonbankers.com



Payments School Course Curriculum

Day 1 Topics

- Payment Trends
- Debit Card Keys to Success
- Digital Landscape & Trends
- Customer Onboarding
- Fraud – The Balancing Act
- Networking Dinner with Attendees

Day 2 Topics

- FinTech Landscape
- Credit Card Keys to Success
- Payments Vendor Landscape
- Competitive Analysis
- Card Marketing Strategies
- Best in Class Payments Management Practices

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Thank You!

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