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Premium Card Strategy Council Meeting September 11-12, 1996

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Premium Card Strategy Council Meeting September 11-12, 1996

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Premium Card Product Mission

The new Premium MasterCard seeks to provide affluent consumers with unique access to financial flexibility, individual attention, and convenience delivered through a high degree of personalized service. The Premium MasterCard benefits will drive clear preference for its selection as the primary card.

Product Definition

With results of consumer research and member feedback, the product definition can now be finalized and set for pilot implementation

The Product

- No pre-set spending with option to revolve
- Global mileage rewards program
 - Every domestic and international airline
 - No blackout dates
- Global access
 - Acceptance and cash access
- Gold Card insurance and protection services

The Product

- Exemplary service (live 24x7)
 - Preferred Treatment (concierge services, upgrades, airline club admission)
 - Expedited billing dispute resolution
 - Security and Privacy features
 - Activity monitoring
 - No liability for unauthorized charges
 - Global Assistance
 - Year End Account Summary

Product Positioning

- Combines the best features of an American Express card, a mileage card and a gold bankcard all in one.
- Emotional benefits: simplify my life, flexibility, no limits, control

Naming and Card Design

Product name must adhere to selection criteria

- Supports product positioning
- Supports MasterCard brand positioning
- Consumer appeal
- Member appeal
- Global fit
- Trademark capability
- Communications

Target Market

- Income > \$75M single, \$100M household
- >35-60 years old
- Spend at least \$1000/month on cards
- Revolve 2-3 times/year, carry balances of at least \$1000 when revolving
- Travel domestically and internationally





Premium Card Consumer Research

Presented to Premium Card
Strategy Council

September 12, 1996

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Premium Card Product Mission

The new Premium MasterCard seeks to provide affluent consumers with unique access to financial flexibility, individual attention, and convenience delivered through a high degree of personalized service. The Premium MasterCard benefits will drive clear preference for its selection as the primary card.



Premium Card Research

A three-pronged research program was implemented, which included:

- Qualitative Focus Groups
- Optimization Research
- Conjoint Analysis



Research Goal

The purpose of this research program was to determine whether there was an opportunity for an "upscale" premium card product and develop the parameters for such a product.

Research: Qualitative

- Fourteen focus groups were held in March-June in New York, Los Angeles and Atlanta
- Product concept, concept refinement, individual features and benefits as well as positioning were tested
- Ideal target market was refined

Qualitative Research: Target Market Refinement

- Income > \$75M single, \$100M household
- >35-60 years old
- Spend at least \$1000/month on cards
- Revolve 2-3 times/year, carry balances of at least \$1000 when revolving
- Travel domestically and internationally

Qualitative Research: Key Feature Areas Explored

- High line size vs..... no pre-set spending
- Depth of travel/concierge concept
- Rewards: Travel, merchandise, rebates
- Importance of Customer Service
- Product Concept

Qualitative: Market Interest

- What do target consumers expect?
 - Expect just “another” card that doesn’t offer anything meaningful
 - Ideally, they talk about their desire for “one card that does it all”
- What do they need to consider switching?
 - Superior product...superior offerings

Qualitative: Market Interest

- What do these target consumers want?
 - To be treated "special"
 - Value...more, for less
- Target consumers felt their business was important; no one card made them feel "special" and "smart"
 - Bankcards not meeting need for "specialness"
 - American Express not meeting need for "good value" and "smartness"

Qualitative: Feedback

- The Premium Card features discussed in depth met their need for superiority
 - No pre-set spending with option to revolve was clearly preferred among target audience to either high line or no pre-set spending
 - Travel rewards seen as superior
 - No one feature totally sold the product, importance was in package of features

Qualitative: Product Concept

MasterCard has developed a new credit card that's specially designed to meet the needs of customers like yourself. Here's what the new MasterCard offers you:

- The financial flexibility of no pre-set spending with option to revolve
- Competitive rates and fees
- Special care and handling
- Exceptional travel rewards
- Superior level of security

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Qualitative: Feedback

- Consumers in focus groups expressed clear desire for next generation product
 - Concept was top rated (4 or 5) by strong majority of target audience

Qualitative: Concept Feedback Verbatims

- Concept was described by target consumers as:
 - “goes beyond traditional cards”,
 - “the whole thing is unlimited,”
 - “one card does it all”,
 - “I need three cards to get all this,”
 - “more preferred treatment”
 - “better than American Express”

Qualitative: Concept Feedback

- Consumers selected imagery that embodied rewards, personalization and service as well as freedom and empowerment:

Luxury/Service

"Comfort"

"The good life"

"Being taken care of"

"Rewards"

"Do what I want"

Freedom/Empowerment

"World at your fingertips"

"You're in control"

"Unlimited"

"Opportunities-Possibilities"

"Yes -- can do"

Qualitative: Product Positioning

- Combines the best features of an American Express card, a mileage card and a gold bankcard ... all in one.

Qualitative: Concept Feedback

- The Premium Card Positioning embraces a range of important end benefits:
 - “Helps me simplify my life because its all in one”
 - “Gives me more flexibility because now I can do anything with just one card”
 - “Has no limits on how, where and when you use it because there’s no pre-set limit and it has all these features combined so you’re not limited like other cards”
 - “Puts me in control because I can use one card anywhere I want”

Qualitative: Concept Feedback

- Premium Card combines the best of....

American Express

Reputation

No Limits

Hasslefree Service

Extra Services

Travel Offices

Gold MasterCard

Acceptance

Revolving

Can be Tied To Your
Bank

Rebates

Extra Perks

Lower Fees

Mileage Card

Any Airline

No Blackouts

Product Optimization Research: Objective

The purpose of this research was to determine which specific feature and benefit ideas provide greater potential leverage among key Premium Card targets.

Product Optimization Research

Quantitative research supported qualitative findings in three distinct areas of importance:

- No pre-set spending limit with option to revolve
- Rewards program
- Worldwide acceptance/cash access

Product Optimization Research: Methodology

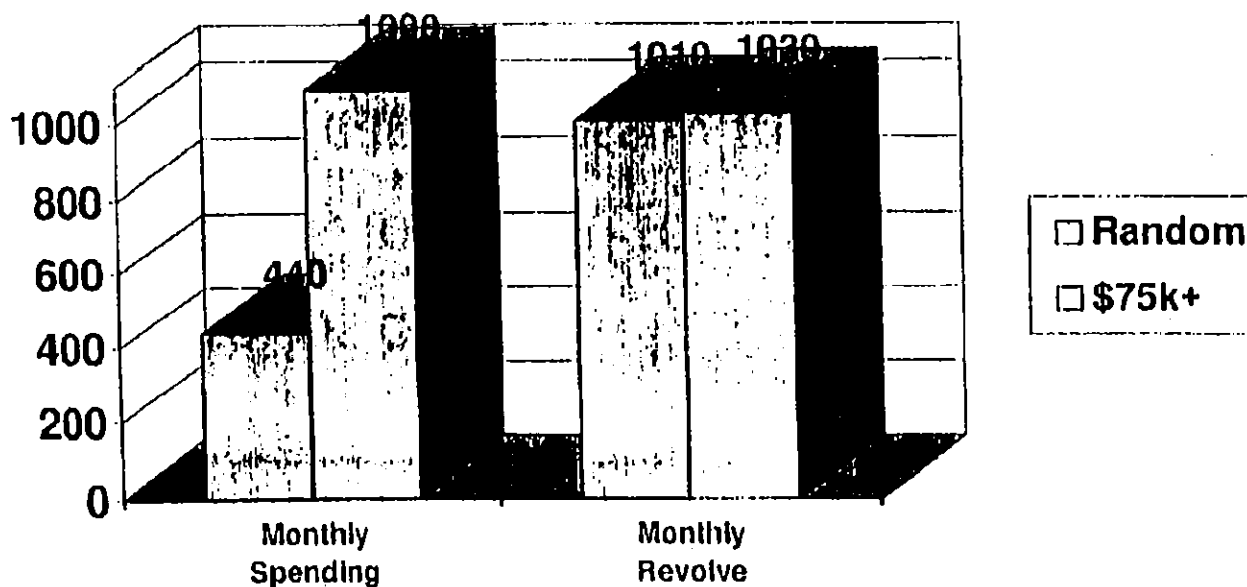
- Interviews held at central locations, 45 sites nationwide
- Random sample of 609 multi-purpose credit cardholders
 - 18 years of age and older, minimum income of \$18K, equal male/female split
 - Research designed to address standard, Gold, Premium, activation/utilization
- Augmented with key sub-groups for Premium

Product Optimization Research: Key Sub-Groups

- Sub-groups of general study included:
 - >\$75K income (Premium target)
 - American Express with \$75K income
 - MC Gold/Visa Gold most often
 - American Express Green/Gold/Platinum
 - Frequent air travelers
 - Small business owners

Product Optimization: Findings

Target market (\$75K income) spends significantly more and revolves more than general population*



* Key sub-segments revolve/spend at higher level

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Product Optimization: Findings

Top 15 rated features among random audience:

No Liability On Stolen Cards	57%	
Fraud Protection	50	
Lost/Stolen Card Reporting	43	
Privacy Commitment	42	
Emergency Card Replacement	41	
No Interest On New Purchases		39
Cash Back Feature		37
Lowest Price Guarantee		35
Purchases Protection		33
Worldwide Acceptance		32
Photo Card		32
Extended Warranty		32
Gasoline Rebate		30
Instant Savings At Major Retailers		29
Customer Service Toll-Free Number		28

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Product Optimization: Findings

Top ten rated features not differentiated from random to \$75k+ target...the exception being "Worldwide Acceptance."

	Total Random %	Income \$75k+ %	Diff %
No Liability On Stolen Cards	57	54	-3
Fraud Protection	50	48	-2
Lost/Stolen Card Reporting	43	43	+/-0
Privacy Commitment	42	40	-2
Emergency Card Replacement	41	39	-2
No Interest On New Purchases	39	36	-3
Cash Back Feature	37	36	-1
Lowest Price Guarantee	35	32	-3
Purchases Protection	33	32	-1
Worldwide Acceptance	32	40	+8

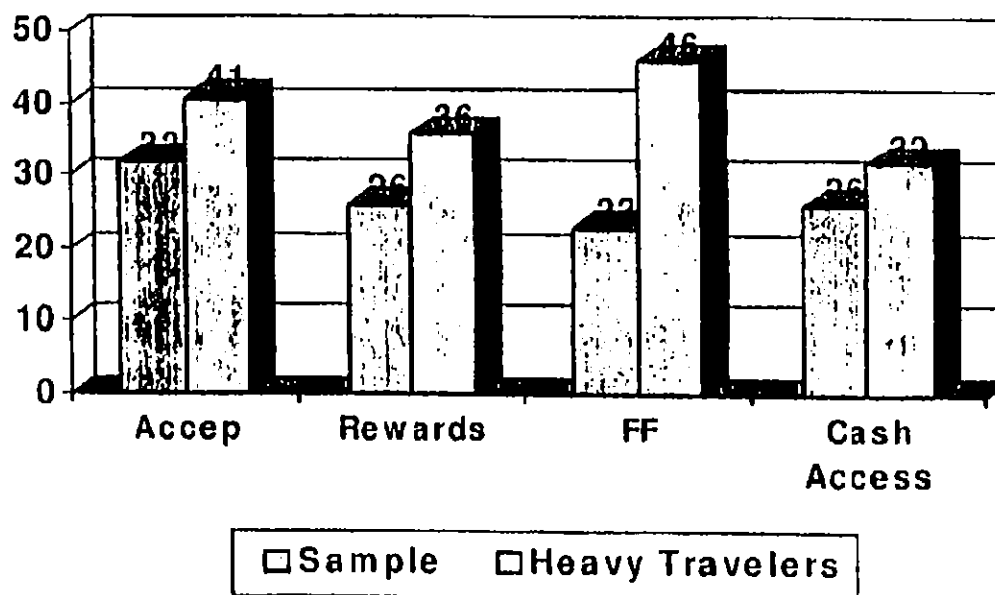
Product Optimization: Findings

The \$75k+ target exhibited significant skews for key Premium Card features among mid-rated set:

	Total Random %	Income \$75k+ %	Diff %
Rewards Program	26	31	+5
High Line Of Credit	25	29	+4
Rental Car Insurance	25	27	+2
Disability Insurance	25	20	-5
Expedited Billing Dispute Resolution	24	23	-1
Frequent Flyer Mileage	23	34	+11
Guaranteed Hotel Reservations	22	26	+4
Automatic Travel Accident Insurance	22	20	-2
Guaranteed Approval	21	19	-2
No Pre-Set Spending Limit	21	29	+8

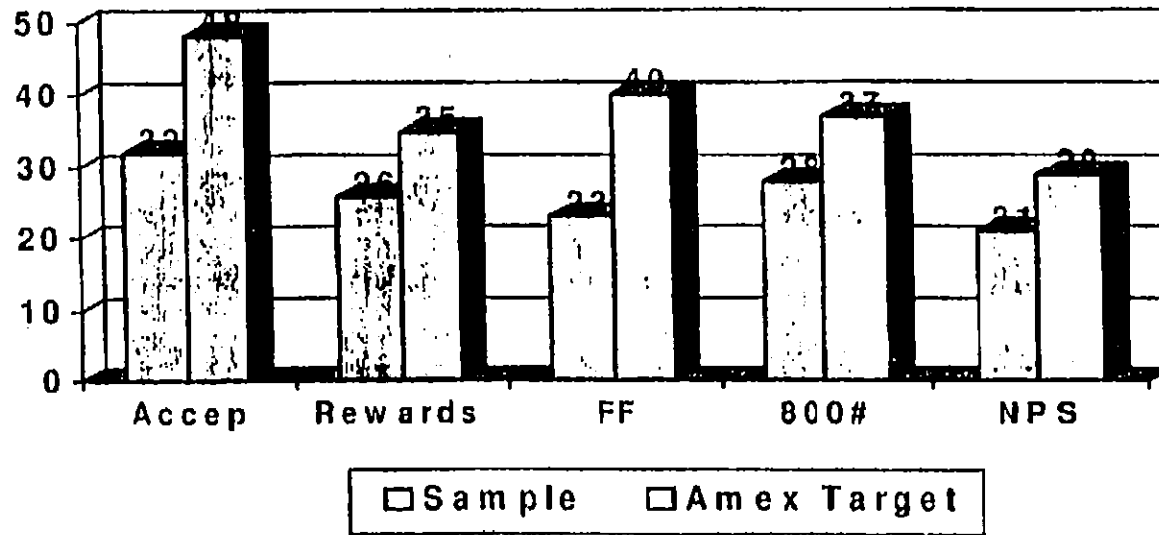
Product Optimization Research

Key travel related features skew strongly in favor of the heavy traveler segment



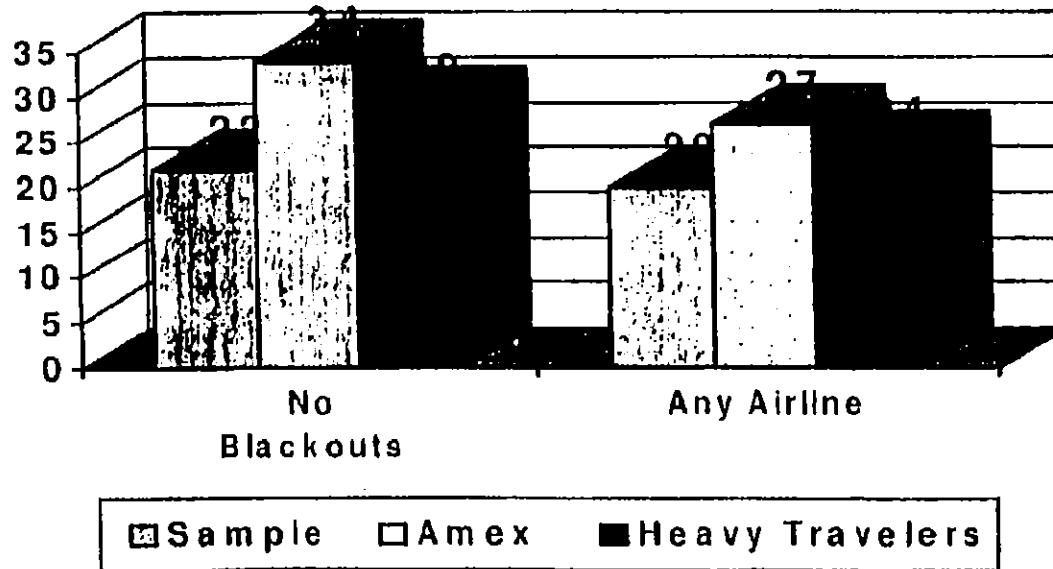
Product Optimization Research

The primary components of Premium Card display significantly greater appeal to the American Express target.



Product Optimization Research

Of the top rated specific travel rewards, "No Blackouts" and "Any Airline" demonstrated significantly greater appeal to key targets



Product Optimization Research: Summary

- In summary, the Optimization research validated the qualitative findings identifying the target segment key drivers as being:
 - Worldwide Acceptance
 - Frequent Flyer Mileage
 - Rewards Program
 - No Pre-Set Spending Limit

Conjoint Analysis: Objective

The purpose of this research was to provide a vehicle by which cardholder appeal of the products' proposed features and benefits could be maximized.

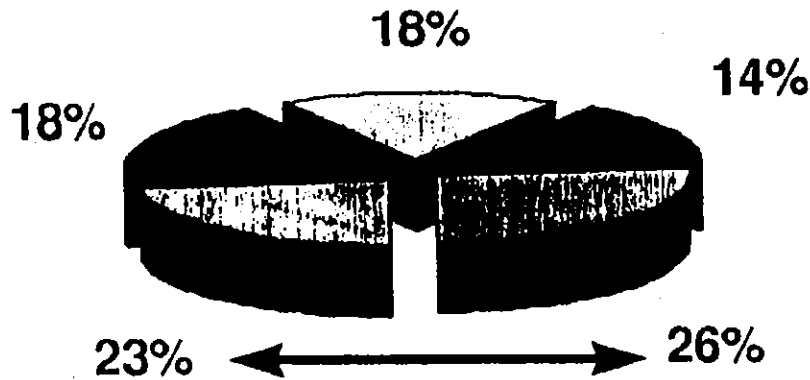
Conjoint Analysis: Methodology

- Interviews conducted among 298 multi-purpose credit cardholders:
 - ages 18-64
 - gold/platinum cardholders
 - household income >\$75K
 - equal split between male/female

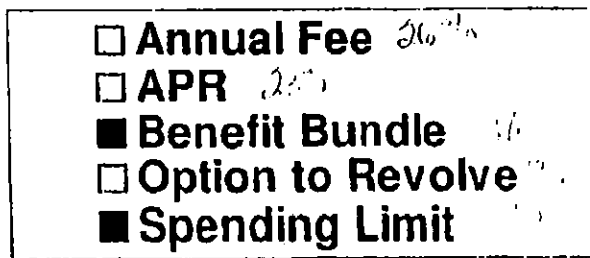
Conjoint Analysis: Methodology

- Key Segments for analysis included
 - Total American Express
 - MasterCard/Visa Gold
 - Heavy travelers (5+ trips/year)
 - Heavy Spenders (\$550/month or more)
 - Revolvers

Conjoint Analysis: Customer Decision Importance

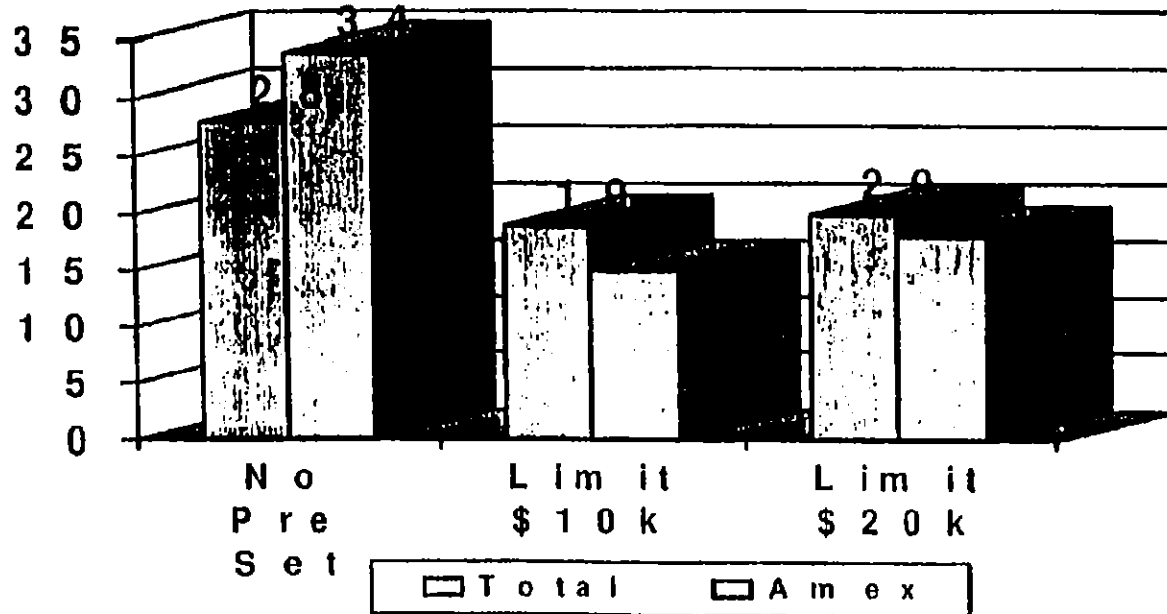


- APR/Annual Fee account for 49% of the purchase decision.
- Credit line and policy account for 33% of the purchase decision.
- Benefits account for the balance of 18%.



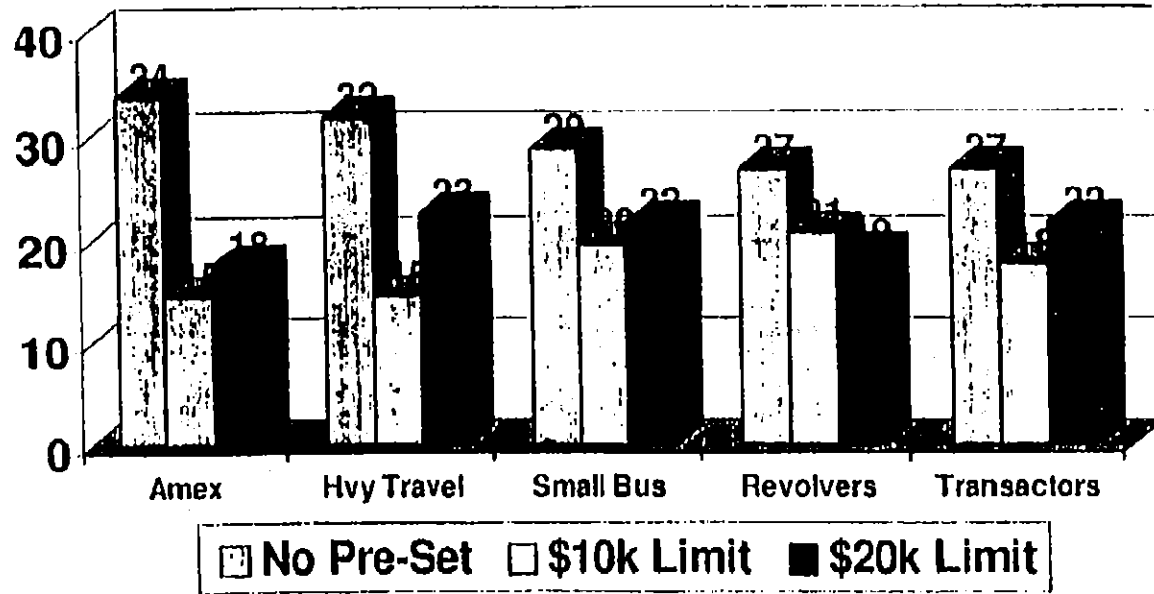
Conjoint Analysis: Confirmation of Key Findings

No pre-set spending outcores high line size (at \$10M and at \$20M) and grows substantially with American Express cardholder segment



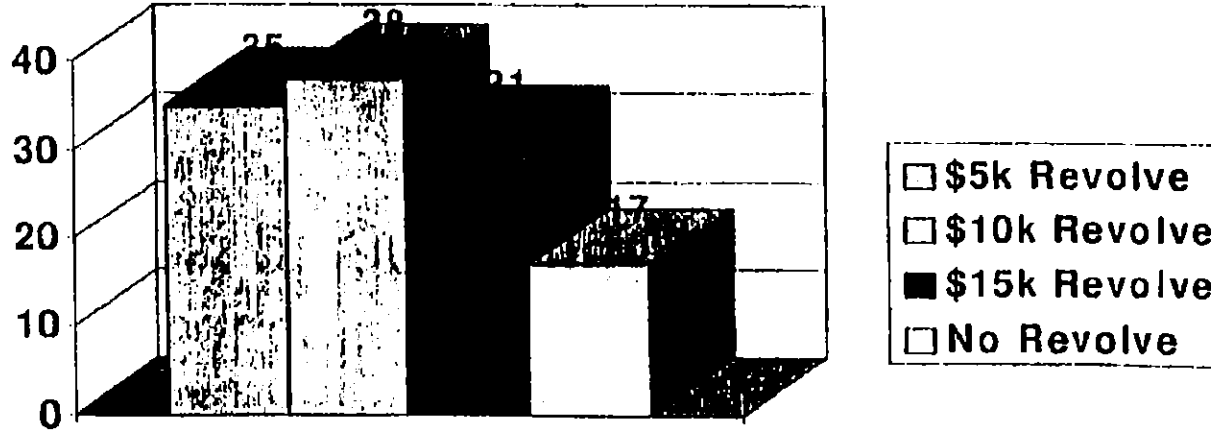
Conjoint Analysis: Confirmation of Key Findings

No Pre-Set enjoys a substantial advantage regardless of target sub-group examined



Conjoint Analysis: Confirmation of Key Findings

Having an option to revolve significantly outperformed having no option and \$10k was the preferred revolve line





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Premium Card Issuer Financial Modeling

9/12/96

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Introduction

- This Presentation summarizes the inputs and NPV analyses associated with the five year Premium Card Issuer Financial Model
 - handouts will be given to meeting participants
- The model reflects our understanding of the revenues and expenses associated with providing Premium Card features to an affluent segment

Legal Disclaimers

- The data generated by the model is for informational purposes only; it is not a guarantee of actual financial results. Members will make their own individual pricing decisions based on their specific circumstances and assumptions.
- Certain cost elements are estimated based on the current product concept, third party vendor price quotes and other service performance assumptions. A material change to any of the above would impact the expenses or fees estimated.

Key Drivers of Profitability

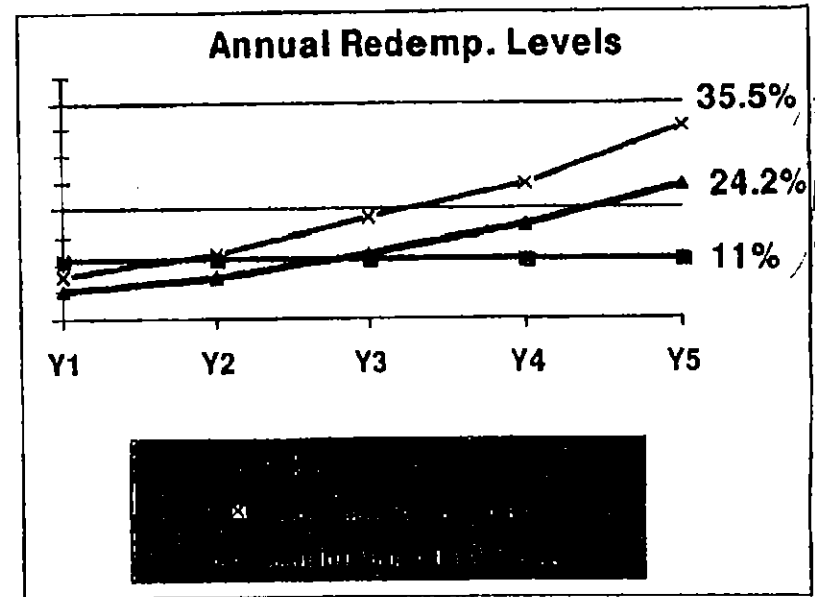
- Credit and fraud loss rates ⇒ Model peaks at 6% for credit; 0.75% for fraud
- Higher APR for cash advance vs purchases ⇒ 18% for cash vs 15% for purchases
- Annual account fee ⇒ \$35 used for base case
- Reward program redemption levels ⇒ Base case assumes 37% of available reward points are redeemed by Year 5

Key Drivers of Profitability^{-cont'd}

- Transaction vs. revolve spending ratio ⇒60% of spending is non-revolve
- Growth of Spending levels ⇒Y1 spending is \$7200 + \$1080 in cash advances, increasing to \$12.5M in Y5. Average of \$10M per account overall

Reward Program Assumptions

- 100% cardholder participation
- Base Case: % of C/H's redeeming annually grows from 5% in Y1 to 24% in Y5
 - Airline programs show annual rates of 11%, comparatively
- Sensitivity analysis shows that product is also profitable, using Accelerated Case and annual fee of \$50+



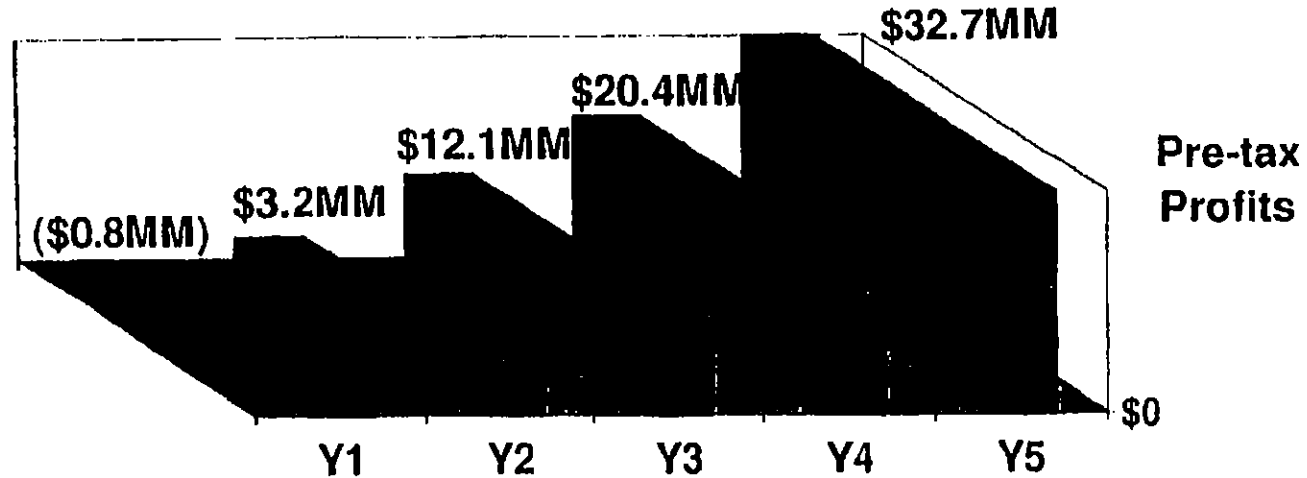


Other Business Assumptions

- Interchange rate: 1.48%
- Cardholder Servicing fee:
 - Includes CDW, MasterAssist, Purchase and Warranty, and Concierge Services
 - \$2.15-\$3.47 per account (years 1-5)
- One time MC implementation fee:\$30M
- Attrition rates of 5-15% (Y1-5)
- Activation rates of 95-90% (Y1-5)
- Operating estimate of \$27-\$22/account (Y1-5)

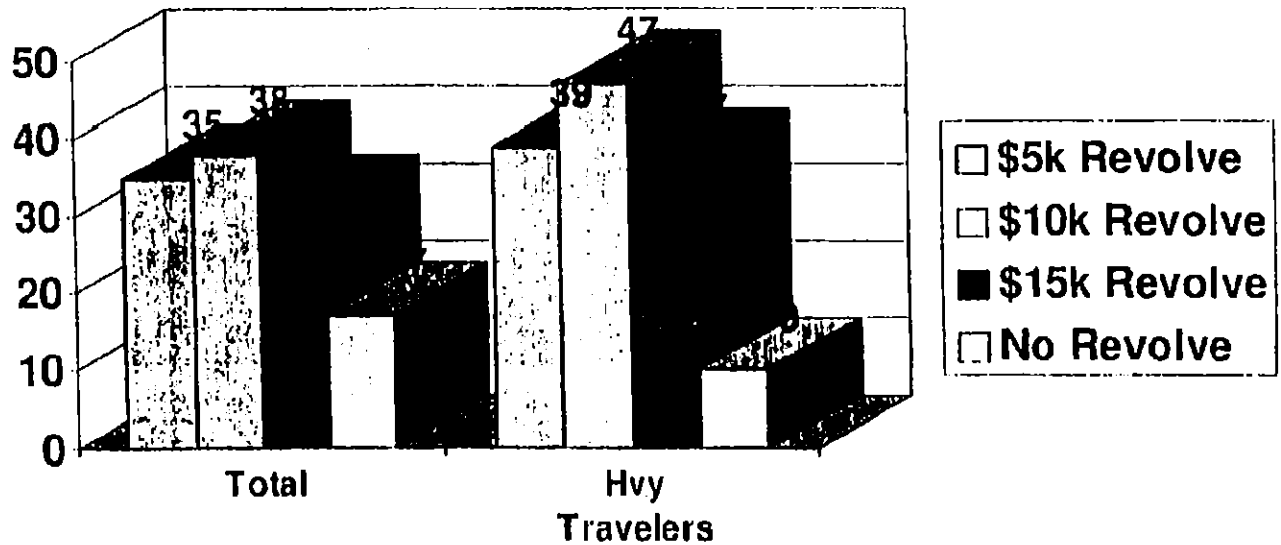
Five Year Cash Flows from Base Case

- assumes level \$35 account fee
 - \$10M annual spend, 500M accounts
 - MC base rewards program
- 3 yr. NPV@15%=\$9.8MM
5 yr. NPV@15%=\$37.7MM



Conjoint Analysis: Confirmation of Key Findings

Heavy travelers exhibit a substantially greater need for an option to revolve, with \$10k remaining the key line size.



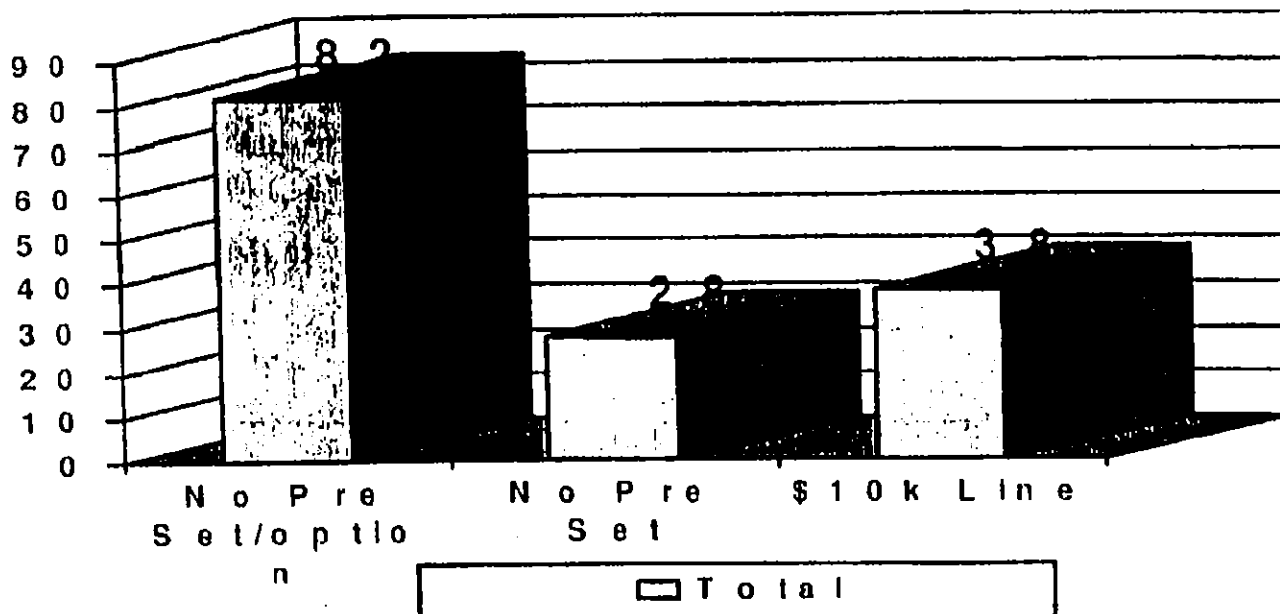
Conjoint Analysis: Confirmation of Key Findings

Despite the fact that Amex owners do not currently revolve on their Amex card, interest in an revolve line does not diminish



Conjoint Analysis: Confirmation of Key Findings

Combination of no pre-set spending plus \$10M line offers greater appeal than either no pre-set spending alone or revolving line alone.



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Conjoint Analysis: Features Clustered By Respondents

Service

Privacy Commitment
No Lost Card Liability
Global Assist
Simplified Billing Dispute
Year End Summary
24 Hour Customer Service

Travel

Free Air Companion Ticket
Free Airline Travel/No Blackout
Airline/Car/Hotel Upgrades
Free Car Rental/Hotel /Restaurant
Extra Air Points Based on Spending
Air Points by Distance Traveled

Security

Free Collision/Damage Waiver
Purchase Protection
Extended Warranty

Conjoint Analysis: Features Clustered By Respondents

Travel Planning

Travel Aid
Pre Trip Information
24 Hour Travel Agency

Free Products/Services

Free Phone Usage
Free Merchandise

Flexibility

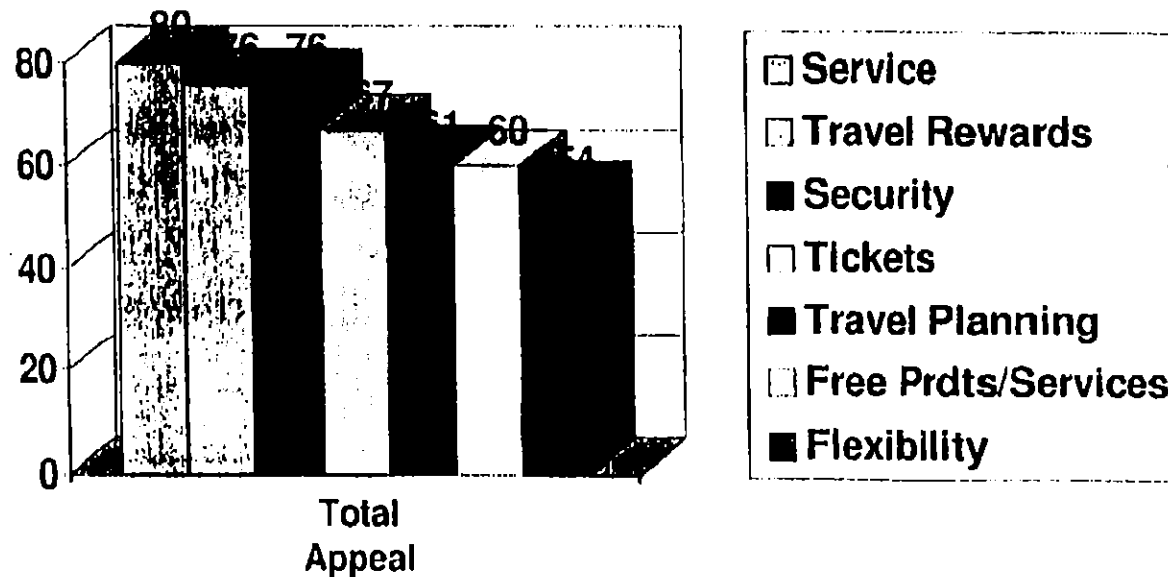
Borrow from Future Points
Purchase Add'l Points
Access to Airline Clubs

Other

Theatre/Sporting Tickets

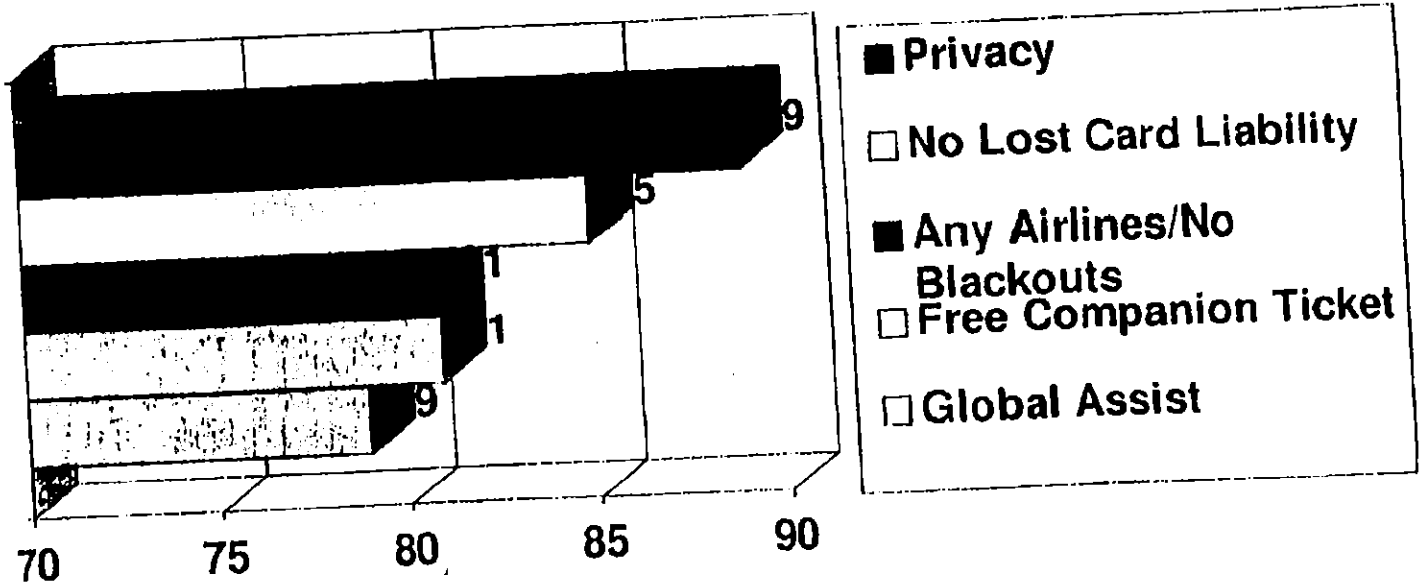
Conjoint Analysis: Feature Importance

Of the seven feature groupings, Service, T&E and Security are the key platforms



Conjoint Analysis: Feature Importance

Of the top five conjoint dimensions, the two airline rewards programs rank #3 and #4.

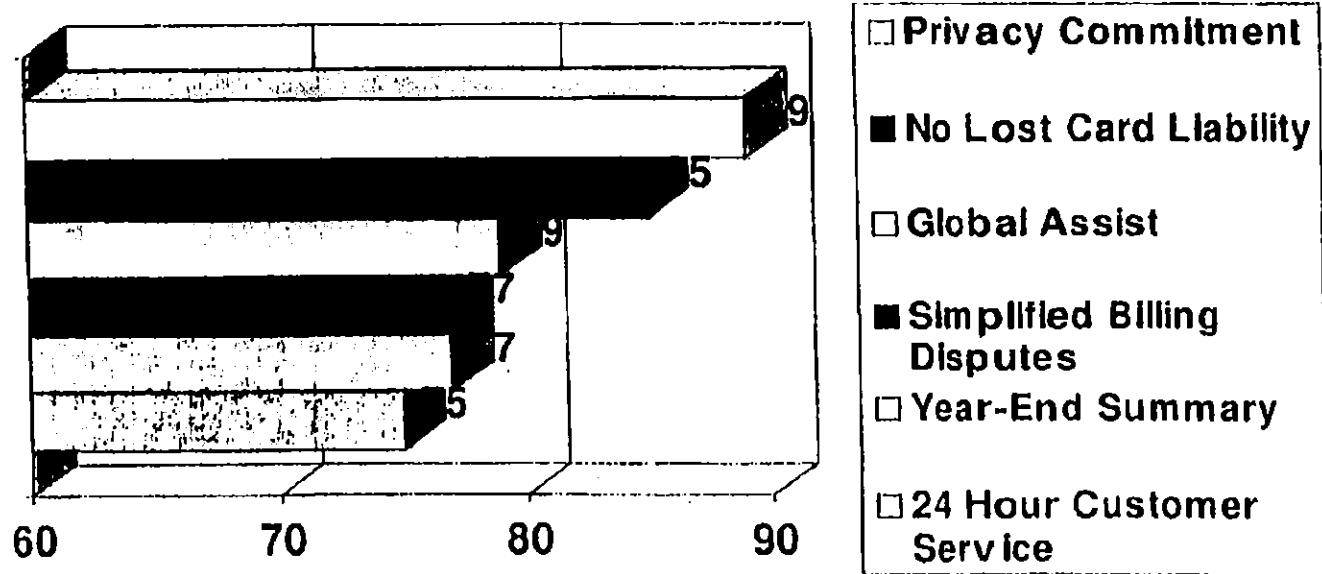


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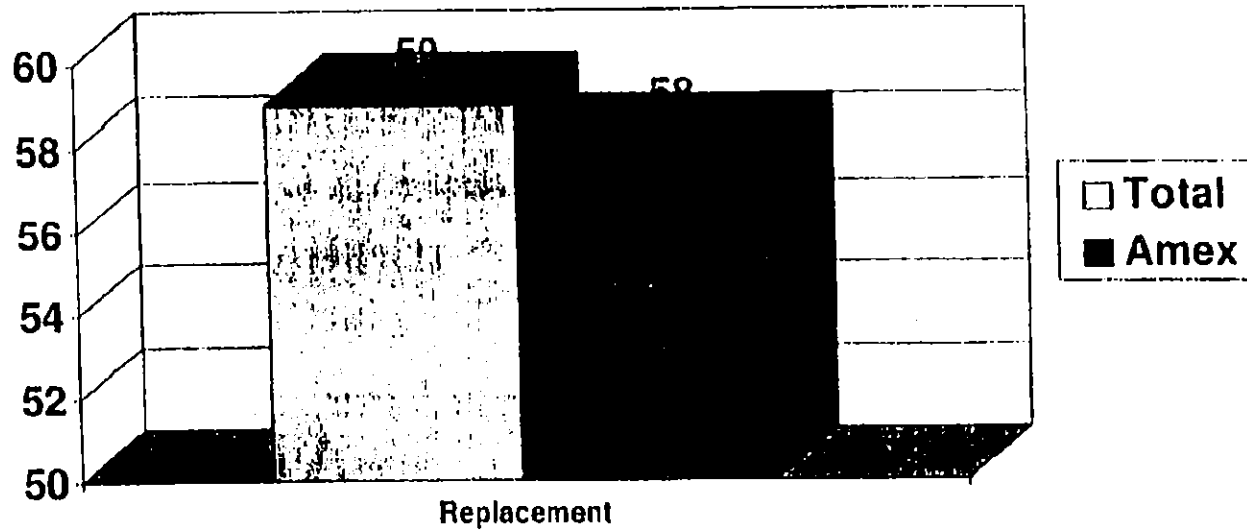
Conjoint Analysis: Feature Importance

Within service, Privacy Commitment and No Lost Card Liability tend to stand out...however all service dimensions were highly rated



Conjoint Analysis: Appeal of Product

American Express cardholders are just as likely to replace their current card as bank cardholders



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Conjoint Analysis: Summary

- Clearly, Premium Card provides a greater level of appeal to the target than any pre-existing line of credit products.
- No Pre-Set most strongly appeals to the Amex owner as well as Bank Card customers.
- Amex owners are just as open to replacing their card with the Premium Card as are Bank Card owners

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No Pre-Set Spending with an Option to Revolve

U.S. Region
September 12, 1996
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No Pre-Set Feature Update

- Redefine feature from a cardholder experience and expectation view
- Provide general guidelines for execution
- Integrate support through processor involvement and external development opportunity
- Outline potential areas for MasterCard assistance
- Continue risk management alternatives discussion

Feature Definition

Cardholders want the freedom to be able to charge responsibly

The cardholder will:

- Not be assigned a pre-set spending limit that is linked to his/her credit line
- Receive transaction-based authorizations, not driven by a pre-assigned credit line
- Have the option to revolve a portion of their balance each month

Cardholder Experience/Expectation

The Cardholders Will:

- Not be initially declined at the point of sale, unless they are delinquent or the card is being used fraudulently
- Be able to spend a dynamic amount each month based on their spending/payment profile
- Have the ability to contact their issuer prior to and after making certain purchases for payment amounts

Cardholder Experience/Expectation

The Cardholders Will:

- Be notified of their predetermined “revolve” line on an ongoing basis
- Receive one statement clearly indicating the payment options and amounts due
- Not be inconvenienced at the point of sale if their account is in good standing

Cardholder Experience/Expectation

The Cardholders Will:

- Receive proactive notification if unusual spending has occurred on their account
- Be referred at point-of-sale if extreme out of pattern transacting has occurred

Cardholder Experience/Expectation

Cardholders:

- Spending behavior will be tracked and used to dynamically customize the authorization profile of their account
- Those who have established identifiable spending trends should be able to routinely transact within these patterns

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Issuer Guidelines

Optimal Authorizations

- Issuers must provide optimal level of approvals
 - Approve 98.5% of all authorizations
 - Call referrals should not exceed .50% of total authorizations
 - Declines should not exceed 1.00% of total authorizations

Issuer Guidelines

Optimal Authorizations (*cont'd*)

- Issuers/processors must maintain authorization systems availability of 99%
- Issuers/processors must send all authorization responses through Banknet

X-Code Parameters

- X-code limits should initially be set at the MasterCard Gold Card X-code limits until Banknet Release 97.2
- At this time X-code parameters should be changed to the MasterCard-defined parameters for Premium Card

PROCESSOR UPDATE

- FDR/TSYS Support
 - Able to support No PreSet today
 - Utilization of VIP approach
 - Adjust credit line parameters
 - Adjust overlimit parameters
 - Override daily spending

FDR/Tsys Support (continued)

- Ticket Posting System
 - Set account to revolve or transact
 - Issuer chooses by transaction
 - Issuer chooses by MCC
 - Issuer chooses by time period
- Transaction based authorization process potential for consumer products

SOFTWARE ENHANCEMENTS

- Falcon
 - Fraud neural network
- Profit Max
 - Credit Risk/Profitability System

HNC DEVELOPMENT

- PROFIT MAX - Cardholder account profitability management system - multi dimensional decision support at the individual account level
 - 3 technologies: neural networks, dynamic profiles and transaction based scoring.
 - Account management by profitability - realistic prediction of future profitability
 - Reduce credit losses

HNC Software Enhancements (continued)

- Reduce Attrition
- Market with pinpoint accuracy using transaction data
- Perform real time cardholder management decisions

SUPPORTING MASTERCARD INITIATIVES

- CORPORATE FOCUS ON WORLD CLASS PERFORMANCE IN FOUR AREAS:
 - Delivering acceptance excellence
 - Providing new profitable ways to pay
 - Supporting member product customization
 - Achieving Best-in-class service quality

SUPPORTING MASTERCARD INITIATIVES

Call Referral Improvement Program

- Call referral process is an integral piece of the fraud and risk control strategy
- Endorsement of processing standards for issuers and acquirers
- Must be managed to minimize its impact on the cardholder service proposition
- Introduction of monitoring mechanisms to track standards compliance

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Call Referral Improvement Program

- Increase Merchant Response Rates
 - Regional response rate standards
 - Incentive pricing for call referral response
 - Higher response standards for high risk merchants
 - Prohibiting call referrals for certain TCC's and MCC's

Call Referral Improvement Program

- Acquirer Generated Referrals
 - Monitor calling via MC processor certification program
 - Consider standard terminal wording to differentiate issuer and acquirer referrals
 - Monitor availability/outages

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Call Referral Improvement Program

- Authorization Data Integrity
- Improve Referral Processing Time/Quality
 - Voice calls
 - Telex calls
 - Acquirer/Merchant response times
- Improve Merchant Compliance

Next Steps

- Compliance Plan — obtain concrete plans from interested issuers and processors to give formal approval to No PreSet execution plan
- Evaluate all intended execution strategies
- Dimension external risk management options, should issuer desire them

Next Steps (continued)

- Allocate staff to each participating processor/issuer initiative
- Finalize plan to expedite product launch



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Premium Card Rewards Program

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Premium "Rewards" Program

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- Background
- Objectives
- Consumer Research
- Premium Card Rewards Program
- MasterCard Advantage

Premium "Rewards" Program

Situation Assessment

- "Added Value" is a primary driver behind card acquisition and usage
 - Consumers are not willing to trade off price for extras
 - Premium target feels they "Deserve more for less"
- Airline travel rewards are the most desired incentive
 - American Express "Membership Rewards" is benchmark
- There is an opportunity to capitalize on market needs not being met by American Express and the Gold Product
 - Target Desires to feel "Special"
 - Target demands "Value"

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Premium “Rewards” Program

Objectives

- Deliver meaningful value to premium cardholder target
 - “Better than what’s out there”
- Reinforce feelings of **Exclusivity** and **Specialness** through program content and positioning
- Incent Primary Card Usage
- Leverage Merchant Partnerships to Deliver Access to Luxury Packages at affordable awards levels

Premium “Rewards” Program

Research

- Consumers associate highest perceived value with Airline Miles programs
- Airline Mileage Program rated highly; increases amongst target market
- Highly desired features include redemption for:
 - Travel on Any Airline
 - Travel year-round, No Blackout Periods
- Airline Mileage Program strong influence on spending volumes

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Premium “Rewards” Program

Consumer Feedback

Assumptions About Rewards Concepts

- Includes airline miles -- “Or else forget it”
- Free enrollment
- Link/combine with current airline miles - “Not deal breaker”
- Points never expire

Premium "Rewards" Program

Consumer Feedback

American Express Primary

- "Better than American Express - better rewards"
 - Even without:
 - Linking to Frequent flyer accounts
 - No point expiration

Co-Branded Cardholders

- Highly responsive to combining premium with their current card - "Why wouldn't I - a better miles program and a lot of other perks"
- Less fee resistant; "I pay for perks now and I get more with this" - "Combining everything in one card would be worth a lot to me"

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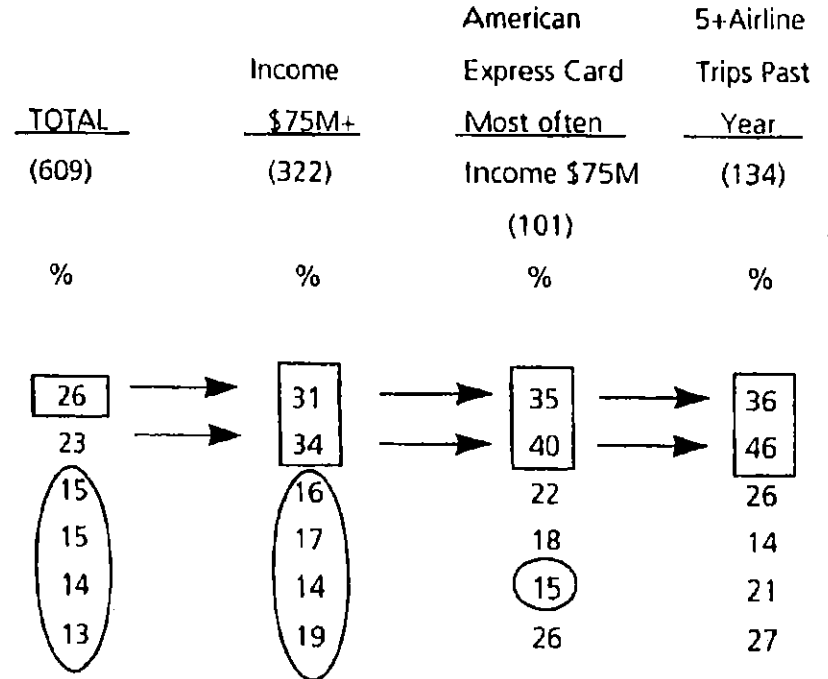
Premium "Rewards" Program

Interest Ratings

Base: Random Sample, Product Optimization 1996

Perks

- Rewards Program (incl. Airline)
- Frequent Flyer Mileage
- Ticketing and Travel Rebate Program
- Dining Adventures
- Preferred Ticketing Program
- Preferred Traveler Program



Above Average Rating



Below Average Rating



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Premium "Rewards" Program

Most Interested Reward Program Features

	TOTAL <u>RANDOM</u> (609) %	INCOME <u>\$75M+</u> (322) %	American Express <u>Card Most Often</u> Income \$75M+ (101) %	5+ Airline Trips <u>Past Year</u> (134) %
Free companion ticket with full fare international airfare purchase	42	36	33	29
Points used as credits toward paying down card balance	39	33	17	28
Point redemption for airline travel year-round, no blackout periods	22	22	34	29
Points can be redeemed for US savings bonds	20	22	27	18
Link multiple accounts within a household for faster point accumulation	14	20	13	26
Point redemption for travel rewards on any airline	20	17	12	24
Combine points with current frequent flyer accounts	13	17	24	18
Points can be redeemed for upgrades, short vacations and long weekend packages	15	16	16	15

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Premium “Rewards” Program

Summary of Learning

Key Competitive Benefits/Features

- One (1) airmile for every dollar spent
- Redeemable any airline
- No blackout periods
- More usage → more benefits

Premium “Rewards” Program

Summary of Learning

Second Tier Benefits/Features

- Zoning Concept
- Destination Market Values (Hotel, car rental, dining)
- Borrow/Purchase Points
- Upgrades

Non-Airline Rewards

- Points to Pay-Down Balances

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Premium “Rewards” Program

Program Overview

- Rewards Feature with points/miles redeemable for
 - Travel on Any Airline
 - Travel year-round No Blackout Periods
- Cardholder earns one (1) point/mile for every dollar spent;
- Three (3) year point expiration

Premium “Rewards” Program

Program Overview

Member Options

- Proprietary Reward Program Integration
- Additional Redemption Categories
- Incentives (e.g. Bonus Miles)

Premium “Rewards” Program

Member Benefits

MasterCard will Provide Members with:

- Superior Travel/Airline Pricing
- Superior Rewards Fulfillment
- Superior Rewards Partner Programs
- Superior Customer Service

Premium "Rewards" Program

Responsibilities

Member

- Premium Reward features
 - Earn one (1) point/mile for every dollar spent on card
 - Points redeemable for free air travel on "any airline"
 - No blackout restrictions apply
- Members may elect to offer additional redemption options
- Specialized transactional data for point accrual (Optional)
 - Cash Advance
 - Balance Transfers
- Expense of Rewards Program
 - Points
 - Administration

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Premium “Rewards” Program

Responsibilities

MasterCard

- Develop and Maintain Reward Database
 - Point Assignment
 - Point/Redemption Processing
 - Front-End Screens
 - Remote Access
- Third Party Management; Negotiate fares and expenses
- MIS; Point Accumulation/Redemption
- Member Set-up and Training

Premium “Rewards” Program

Responsibilities

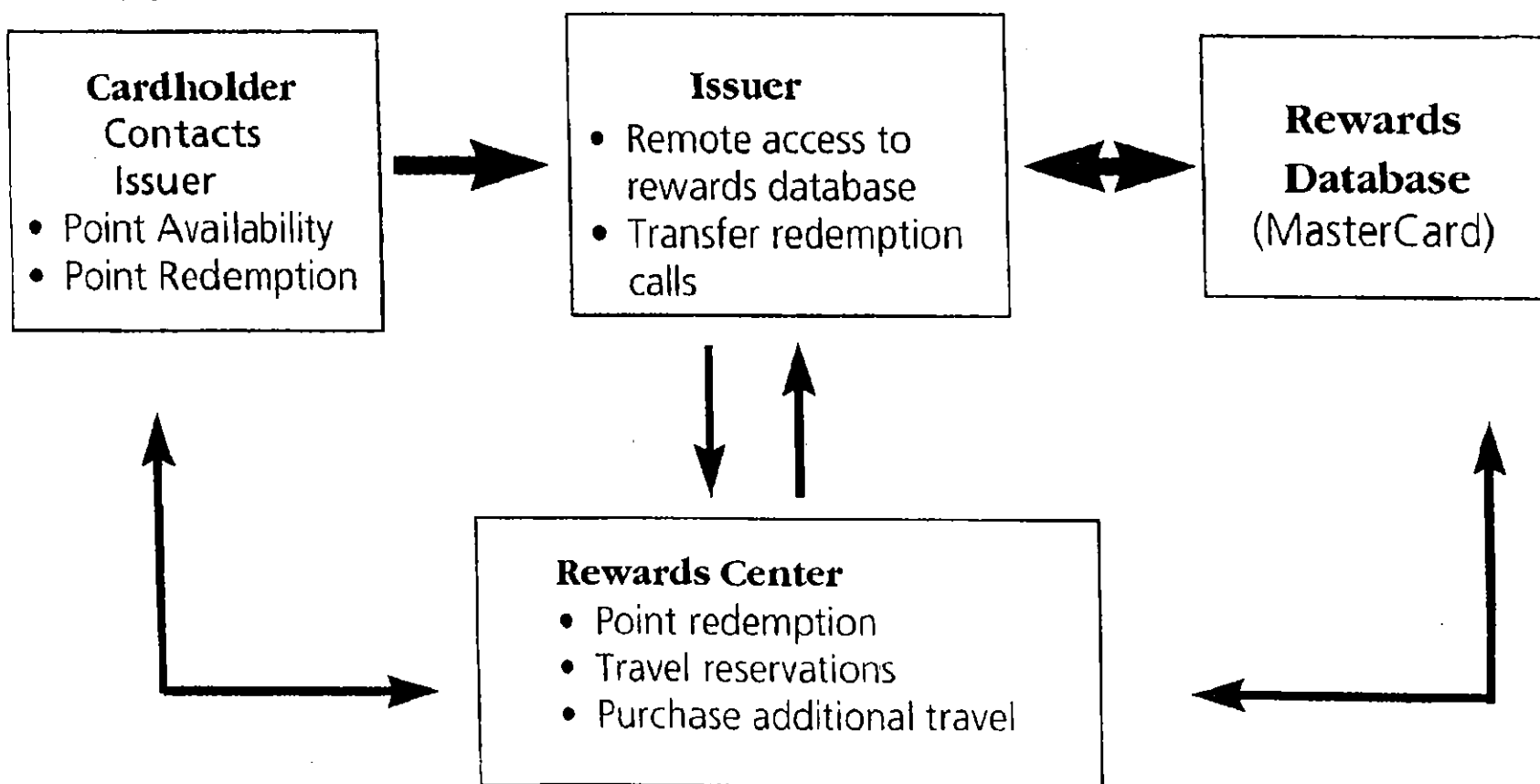
Third Party

- Reward Redemption/fulfillment
- Travel Agency Service
- Optional Member Services
 - Enrollment Processing
 - Customer Service
 - Statement Rendition

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Premium "Rewards" Program

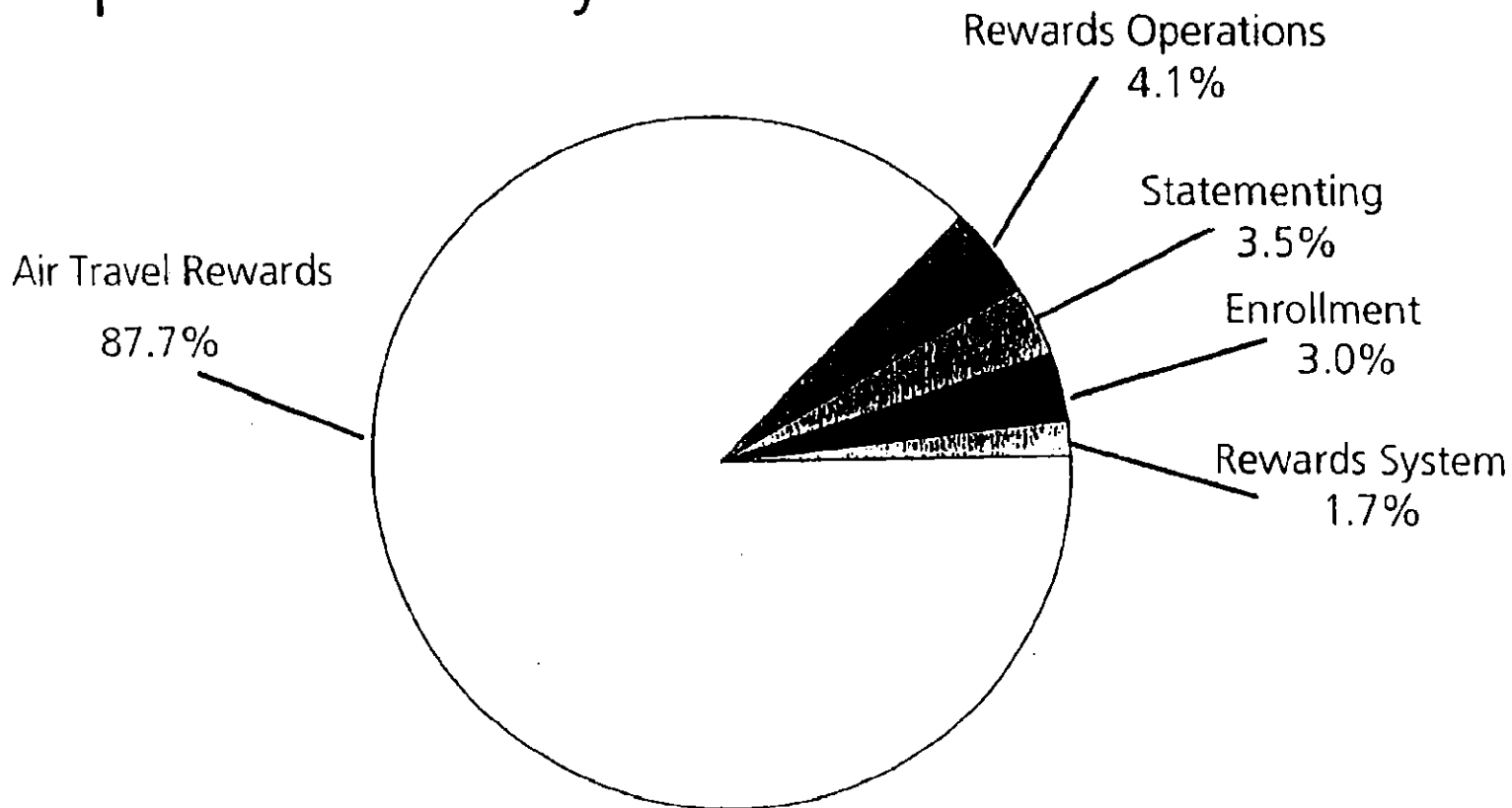
Consumer Process



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Premium "Rewards" Program

Expense Summary



Air Travel Rewards Largest Expense

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Premium “Rewards” Program

Travel Redemption

Purchase Miles

- Expense approach; pay for all miles
- Usage restrictions - blackouts dates
- Limited airline partners
 - Top tier carriers are restricted (American, United, Delta)

Purchase Tickets

- Expense exposure deferred to redemption; contingent liability
- Any airline (Domestic and International)
- No blackout restrictions

Premium "Rewards" Program

Travel Redemption

MasterCard Advantage

Avg. Domestic Airfare*	➔	\$325.00
"Capped" Domestic Airfare**	➔	\$300.00
Avg. International Airfare*	➔	\$641.00

- Any Airline (Domestic/International)
- No Black-out period Restrictions
- Infrastructure and systems to deliver other redemption categories

*(14-21 Day Advance Purchase; Round-trip Airfares)

** (Net Fare Arrangement Negotiated with 1-2 Airlines)

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Premium “Rewards” Program

Program Benefits

- Program definition and marketing
- Critical to Premium Card product platform
- Association advertising
- Superior point redemption and customer service platform
- Program design and Execution
- Volume purchases
- Negotiate merchant partners
- On-going promotion and maintenance

Sensitivity Analyses

3 Year NPV values - \$000's	Annual Fee Levels			
	\$0	\$35	\$50	\$75
Base Case Rewards	(7,992)	9,765	17,317	30,001
Accelerated Rewards	--	--	10,710	23,395
5 Year NPV values	\$0	\$35	\$50	\$75
Base Case Rewards	2,280	37,692	52,657	75,951
Accelerated Rewards	--	--	33,848	59,142



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International*



Premium Card

Pilot Structure Launch Plan

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Pilot Structure and Launch Plan: Objectives

- Introduce Premium Card in the US with 1.4MM accounts within one year of launch
- Prove profitability of product design
- Launch Premium Card with sufficient differentiation and economies of scale to help members meet competitive challenges
- Grow share of personal expenditure spending

Pilot Structure and Launch Plan: Objectives

- Determine strength of Premium Card with target American Express cardholders
- Validate qualitative and quantitative research results indicating significant consumer interest
- Become lead market for success transfer to non-US regions

Pilot Structure and Launch Plan: Strategy

- Introduce Premium Card in 2-5 markets in US
- Acquire Premium Card accounts through targeted direct solicitation
- Support pilot issuers with strong advertising, public relations and promotions platforms

Pilot Structure and Launch Plan: Target Market

- Target inactives, transactors, conversions, acquisitions (Amex users)
- \$75-\$100M minimum household income recommendation
- Screen for minimum credit line of \$7500 (for screen only, minimum line not communicated to customer)

Pilot Structure and Launch Plan: Guidelines

- Guidelines established in order to maintain product integrity
- Licensing Agreement to be signed by each issuer
 - Revocation of agreement for non-compliance

Pilot Structure and Launch Plan: Guidelines

- Issuer must offer three features which are cornerstones of the product
 - No pre-set spending with option to revolve
 - Exemplary service
 - Superior rewards program
 - All airlines, no blackouts

Pilot Structure and Launch Plan: MasterCard Tactics

- Advertising
- Public Relations
- Promotions
- Research

Pilot Structure and Launch Plan: Advertising

- Develop targeted print and radio campaign including regional magazines and newspapers in two-five key markets
- Creative will reflect product positioning and tie into brand campaign
- Co-op advertising
- Spending levels to reflect rollout weights

Pilot Structure and Launch Plan: Promotions

- Targeted “preferred access” privileges available through inserts, direct mail, concierge services
 - Premium Card events with Ticketmaster
 - Leverage existing golf sponsorships and spokesperson with promotional travel offers to exclusive golf courses around the world

Pilot Structure and Launch Plan: Promotions

- Develop programs and promotions designed to activate card usage at outset
 - Create exclusive promotion components that features cardholder's lifestyle

Pilot Structure and Launch Plan: Public Relations

- Public relations will focus on three distinct media audiences: trade, general business and consumer
- Product introduction announcement prior to actual product launch

Pilot Structure and Launch Plan: Public Relations

- Utilize pilot issuer spokesperson(s) and MasterCard spokesperson for press briefings
- Provide ongoing press support for long lead time publications, personal finance and travel books

Pilot Structure and Launch Plan: Research

- Conduct survey research at Month 3 to assess initial reaction to offer, service delivery and package elements
 - Include responder/non-responder research
 - Identify responder audience demographics
- Conduct awareness, penetration (trial) study at six months for attitude and usage
- Observe internal tracking data for sales volumes and ticket size

Pilot Structure and Launch Plan: MasterCard Measurement

- Test usage characteristics of key services
 - Concierge, Rewards
- Achieve Account and Sales goals
- Perception Monitor: Impact of Premium Card on brand image? Is product positioning producing desired results?
- Assess impact of advertising on response rates, usage characteristics

Pilot Structure and Launch Plan: Maintaining Exclusivity

- Product parameters limit entry by many players into market
 - Risk factors, operational issues
- Proposal: Minimum credit line of \$7500 or minimum no preset spending limit (indexed over time) - creates exclusivity and differentiation from gold
- Stringent product guidelines, card design specifications and compliance

Pilot Structure and Launch Plan: Issuer Tactics and Testing

- Solicit creditworthy consumers through direct solicitation
- Test creative to determine control package
- Test trade-up, conversion, acquisition and retention strategies
- Test price/value proposition
- Validate card usage characteristics across responder base



MasterCard Support

- Credit risk support
- Creative development of direct mail
- Public relations blitz
- Significant advertising and marketing support in key markets
- Issuer specific post responder/non-responder research

1997 Marketing Plans

- Expanded advertising support
- Continuing information/analysis flow to issuers
- Enhancement development
 - On-line access
 - Financial software download capability
 - Shopping/medical security
 - Chip technology
- Compliance unit established to maintain product integrity

Conclusions

- Opportunity exists to launch first major personal credit card product introduction in a decade
 - Product can be profitable for MasterCard and issuers
 - Product concept and design is shown to have consumer appeal through extensive qualitative and quantitative research



Next Steps

- Finalize name and card design
- Finalize operational and systemic guidelines for credit facility
- Distribute draft of Licensing Agreement to prospective pilot issuers for comments

Issuer Model Printouts & Detailed Assumptions

Section	page
Base Case Portfolio Summary	1
Model Inputs Listing	2
Fraud & Credit Loss Tiering	3-4
Reward Cost Tiering	5
Account flows	6
Detail on Reward program price components	7-14
High Fee/High redemption scenario	15-16
Mid-level fee/base redemption scenario	17-18

MasterCard International Inc.
Issuer Model for Premium Card

see General Input page for assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5	
Total Purchase Volume	\$649,800,000	\$1,835,257,500	\$3,080,052,000	\$4,330,399,725	\$5,667,684,951	
Outstandings Charge Card Based	389,880,000	1,052,214,300	1,694,028,600	2,502,008,730	3,400,610,970	
Outstandings Credit Card Based	259,920,000	783,043,200	1,386,023,400	1,828,390,995	2,267,073,980	
Cash disbursements (drawn from credit li	102,600,000	326,268,000	462,007,800	609,463,665	755,691,327	
Balance Transfer Outstandings	0	0	0	0	0	
--subtotal of purchases and advances:	\$752,400,000	\$2,161,525,500	\$3,542,059,800	\$4,939,863,390	\$6,423,376,278	
Total Transactions	8,664,000	24,470,100	38,500,650	48,115,553	59,659,842	
Accounts	95,000	251,750	356,488	445,514	502,187	
Cards	133,000	352,450	499,083	623,720	703,062	
Average Days Receivable Charge Card	20	19	18	17	17	
Average Days Receivable Credit Card	200	200	200	200	200	
Finance Charges	\$21,363,288	\$64,359,715	\$113,919,732	\$150,278,712	\$186,334,848	Credit outst x customer apr x (avg day credit/365)
Fees from cash advance	\$456,000	\$1,510,500	\$2,138,925	\$2,673,086	\$3,013,123	
Finance Charges from cash advance	\$10,119,452	\$32,179,858	\$45,567,893	\$60,111,485	\$74,533,939	Assumes same rates used for purchases
Annual Fees	3,325,000	8,811,250	12,477,063	15,593,003	17,576,553	
Interchange income	9,617,040	27,161,811	45,584,770	64,089,916	83,881,737	
Other Fees	40,613	101,959	144,377	180,433	203,386	
TOTAL REVENUE	\$44,921,392	\$134,125,092	\$219,832,759	\$292,926,635	\$365,543,586	
Cost of Funds for revolving& cash advance	\$12,911,671	\$39,509,714	\$65,820,289	\$86,827,700	\$107,660,134	Credit bal x COF x avg days out/365
Cost of funds for transactors	\$1,388,614	\$3,560,232	\$5,430,174	\$7,574,574	\$10,295,000	charged bal x COF x avg. days out/365
Acquisition Costs	5,250,000	10,350,000	9,375,000	10,125,000	9,425,000	
Retention Costs	475,000	1,258,750	1,782,438	2,227,572	2,510,936	
Operations costs	2,565,000	5,538,500	7,129,750	8,910,288	10,043,744	
Credit Losses from revolve/cash advance	10,721,700	39,004,416	68,145,535	86,868,999	101,755,911	see credit loss tiering
Fraud Losses	4,873,500	11,136,204	15,013,791	19,261,518	22,110,930	see fraud loss tiering
Credit Losses from transactors	3,573,900	10,766,844	18,018,304	23,769,083	29,471,962	
Authoriz./processing/assoc. costs	840,700	2,089,000	3,177,400	4,209,000	5,124,200	(est. 10bp)
Reward program and service costs	2,543,245	7,583,266	13,805,817	22,714,088	34,481,357	base case assumption
One time costs	\$30,000	100,000	0	0	0	
TOTAL EXPENSE	\$45,673,330	\$130,896,926	\$207,698,498	\$272,487,821	\$332,879,174	
ISSUER NET PROFIT / (LOSS)	\$ (751,938)	\$ 3,228,167	\$ 12,134,261	\$ 20,438,814	\$ 32,664,412	
CUMULATIVE PROFIT / (LOSS)	(\$751,938)	\$2,476,229	\$14,610,490	\$35,049,304	\$67,713,716	

Three year NPV @ 15% \$9,765,572
Five year NPV @ 15% \$37,691,516

This model is intended to be illustrative only. Each issuer's assumptions will differ and each issuer will make its own pricing decisions. MasterCard makes no warranty as to the accuracy of the information provided.

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MasterCard International Inc.
 Profitability Model Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
GENERAL INPUT					
Number of Months for Model	12	12	12	12	12
Number of New Accounts	100,000	180,000	150,000	150,000	130,000
Activation Percent	5%	15%	15%	15%	15%
Total Accounts	95,000	251,750	336,488	445,514	502,187
Percent of Accounts Activated	95%	90%	90%	90%	90%
Number of Activated Accounts	90,250	226,575	320,839	400,963	451,968
Number of Inactivated Accounts	100%	100%	100%	100%	100%
Number of Inactivated Accounts	1.4	1.4	1.4	1.4	1.4
Number of Cards per Account Ratio					
Merchant 1 Average Transaction Amount	\$75	\$80	\$90	\$95	\$95
Merchant 1 Number of Transactions / Month	8	9	10	10	11
Merchant 2 Average Transaction Amount	0	0	0	0	0
Merchant 2 Number of Transactions / Month	0	0	0	0	0
Merchant 3 Average Transaction Amount	0	0	0	0	0
Merchant 3 Number of Transactions / Month	0	0	0	0	0
Total transactions/year	96	108	120	120	132
Dollar transaction total per month	\$ 600	\$ 720	\$ 900	\$ 950	\$ 1,045
Average spending per account	\$ 7,200	\$ 8,640	\$10,800	\$11,400	\$12,540
Average Balance per Account	\$ 7,200	\$ 8,640	\$10,800	\$11,400	\$12,540
Average Balance Transfer	0	0	0	0	0
Percent of Balance Revolving	40%	40%	40%	40%	40%
Cash advances as % volume	15%	15%	12%	12%	12%
Cash advance -dollar total per year	\$ 1,080	\$ 1,296	\$ 1,296	\$ 1,368	\$ 1,505
Cash advance transaction count	2	3	3	3	3
Average size per acct per advance	\$ 450	\$ 432	\$ 432	\$ 456	\$ 502
INCOME AND FEES					
Annual Percentage Rate - Purchase/Rev.	15.0%	15.0%	15.0%	15.0%	15.0%
Annual Percentage Rate - Cash advance	18.0%	18.0%	18.0%	18.0%	18.0%
Interchange Rate	1.48%	1.48%	1.48%	1.48%	1.48%
Interchange Transaction Fee	\$0	\$0	\$0	\$0	\$0
ACCOUNT FEES					
Annual Fee per Account (On all accounts)	\$35	\$35	\$35	\$35	\$35
Setup fee per account	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Cash advance: per item charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Cash advance minimum fee	2.00	2.00	2.00	2.00	2.00
Late charge fee	15.00	15.00	15.00	15.00	15.00
Percent of accounts incurring late charges	3%	3%	3%	3%	3%
ACCOUNT EXPENSES					
Credit Loss Rate on revolving portion	3.00%	6.00%	4.50%	4.00%	4.00%
Credit Loss Rate	0.75%	0.45%	0.45%	0.45%	0.45%
Credit Loss Rate on transactions	1.00%	1.00%	1.00%	1.00%	1.00%
Internal Cost of Funds (LIBOR)	6.50%	6.50%	6.50%	6.50%	6.50%
Acquisition cost per account	\$45.00	\$50.00	\$55.00	\$60.00	\$65.00
Retention cost per account	5.00	5.00	5.00	5.00	5.00
Operations expense	27.00	22.00	20.00	20.00	20.00
Marketing material development	5.00	5.00	5.00	5.00	5.00
Advertising expenses	0.00	0.00	0.00	0.00	0.00
Rewards Costs per Cardholder	\$ 21.03	\$ 29.46	\$ 45.50	\$ 66.74	\$ 93.69
OW, PP, EW, Concierge Costs	2.15	2.45	2.75	3.09	3.47
Rewards Participation Rate	100%	100%	100%	100%	100% All C/N's participate
One Time Costs					
Implementation Fee	\$30,000	\$0	\$0	\$0	\$0
System & MIS Changes	\$500,000	\$100,000	-	-	-
Total	\$530,000	\$100,000	\$0	\$0	\$0

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MasterCard International Inc.
Issuer Model Assumptions

Active Accounts	FRAUD LOSS TIERED RATES					Total Active Accounts
	Year 1 0.75%	Year 2 0.45%	Year 3 0.45%	Year 4 0.45%	Year 5 0.45%	
Year 1	90,250					90,250
Year 2	153,900	72,675				226,575
Year 3	128,250	130,815	61,774			320,839
Year 4	128,250	109,013	111,193	52,508		400,963
Year 5	111,150	109,013	92,661	24,514	44,632	451,968
	611,800	421,515	265,627	147,022	44,632	
SPENDING						
<u>Per Account</u>						
Year 1	\$7,200					
Year 2		\$8,640				
Year 3			\$10,800			
Year 4				\$11,400		
Year 5					\$12,540	
Total Outstandings						
Year 1	\$649,800,000					
Year 2	1,108,080,000	\$627,912,000				
Year 3	923,400,000	1,130,241,600	\$667,156,500			
Year 4	923,400,000	941,868,000	1,200,881,700	\$598,587,638		
Year 5	800,280,000	941,868,000	1,000,734,750	1,077,457,748	559,679,441	
FRAUD LOSSES						
Year 1	4,873,500					\$4,873,500
Year 2	8,310,600	2,825,604				11,136,204
Year 3	6,925,500	5,086,087	3,002,204			15,013,791
Year 4	6,925,500	4,238,406	5,403,968	2,693,644		19,261,518
Year 5	6,002,100	4,238,406	4,503,306	4,848,560	2,518,557	22,110,930

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Active Accounts	CREDIT LOSS TIERED RATES FOR REVOLVING BALANCES					Total Active Accounts
	Year 1 3.00%	Year 2 6.00%	Year 3 4.50%	Year 4 4.00%	Year 5 4.00%	
Year 1	90,250	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	90,250
Year 2	153,900	72,675	[REDACTED]	[REDACTED]	[REDACTED]	126,575
Year 3	128,250	130,815	61,774	[REDACTED]	[REDACTED]	320,839
Year 4	128,250	109,015	111,193	52,508	[REDACTED]	400,963
Year 5	<u>111,150</u>	<u>109,013</u>	<u>92,661</u>	<u>94,514</u>	<u>44,632</u>	451,968
	611,800	421,515	265,627	147,022	44,632	

Revolving Outstandings Per Account

Year 1	\$3,960				
Year 2		\$4,752			
Year 3			\$5,616		
Year 4				\$5,928	
Year 5					\$6,521

Total Outstandings

Year 1	\$357,390,000	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Year 2	609,444,000	\$345,351,600	[REDACTED]	[REDACTED]	[REDACTED]
Year 3	507,870,000	621,632,880	\$346,921,380	[REDACTED]	[REDACTED]
Year 4	507,870,000	518,027,400	624,458,484	\$311,265,572	[REDACTED]
Year 5	440,154,000	518,027,400	520,382,070	560,278,029	\$291,033,309

Net Credit Losses from revolved balance

Losses	Year 1	Year 2	Year 3	Year 4	Year 5	Total
		0	0	0	0	
Year 1	10,721,700	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	\$10,721,700
Year 2	18,283,320	20,721,096	[REDACTED]	[REDACTED]	[REDACTED]	39,004,416
Year 3	15,236,100	37,297,973	15,611,462	[REDACTED]	[REDACTED]	68,145,535
Year 4	15,236,100	31,081,644	28,100,632	12,450,623	[REDACTED]	86,868,999
Year 5	13,204,620	31,081,644	23,417,193	22,411,121	11,641,332	101,755,911

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MasterCard International Inc.
 Issuer Model Assumptions
per account

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	REWARDS COST TIERED					Total
	\$ 21.03 1997	\$ 29.46 1998	\$ 45.30 1999	\$ 66.74 2000	\$ 93.69 2001	Active Accounts
Active Accounts in year 5						
from Year 1	90,250					90,250
Year 2	153,900	72,675				226,575
Year 3	128,250	130,815	61,774			320,839
Year 4	128,250	109,013	111,193	52,508		400,963
Year 5	<u>111,150</u>	<u>109,013</u>	<u>92,661</u>	<u>94,514</u>	<u>44,632</u>	451,968
	611,800	421,515	265,627	147,022	44,632	
<u>Portfolio cost</u>						
Year 1 accts	1,897,958	2,658,765	4,088,325	6,023,285	8,455,523	\$23,123,855
Year 2	3,236,517	4,533,894	6,971,670	10,271,286		25,013,367
Year 3	2,697,098	3,778,245	5,809,725			12,285,068
Year 4	2,697,098	3,778,245				6,475,343
Year 5	2,337,485					2,337,485
						\$69,235,117
Year 1 cost	1,897,958					
Year 2 cost	5,895,282					
3	11,319,317					
4	19,470,298					
5	<u>30,652,263</u>					
	69,235,117					

This model is intended to be illustrative only. Each issuer's assumptions will differ and each issuer will make its own pricing decisions. MasterCard makes no warranty as to the accuracy of the information provided.

New Accounts Tiering

Issuer Model Assumptions

Active Accounts						Total
	1997	1997	1998	1999	2000	
in year 5						
from Year 1	95,000					95,000
Year 2	171,000	80,750				251,750
Year 3	142,500	145,350	68,638			356,488
Year 4	142,500	121,125	123,548	58,342		445,514
Year 5	<u>123,500</u>	<u>121,125</u>	<u>102,956</u>	<u>105,015</u>	<u>49,591</u>	502,187
	674,500	468,350	295,141	163,357	49,591	

This model is intended to be illustrative only. Each issuer's assumptions will differ and each issuer will make its own pricing decisions. MasterCard makes no warranty as to the accuracy of the information provided.

MASTERCARD INTERNATIONAL
 PREMIUM CARD REWARDS
 ISSUER MODEL / BASE
 50% OF ELIGIBLE POINTS REDEEMED
 POINTS EXPIRE AFTER THREE YEARS
 September 9, 1996

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	Year 1	Year 2	Year 3	Year 4	Year 5	Remarks
Number of Cardholders	1,070,018	3,196,093	5,607,378	8,728,851	7,431,738	
Percent Participation in Rewards Program	100%	100%	100%	100%	100%	Average annual spending of \$10,000
Number of Rewards Participants	1,070,018	3,196,093	5,607,378	8,728,851	7,401,738	
Number of Rewards	53,501	240,058	667,203	1,142,953	1,793,590	
Percent of Points Redeemed Annually	6.00%	7.51%	11.90%	16.99%	24.23%	
Percent of Eligible Points Redeemed	50%	50%	50%	50%	50%	
REWARD REDEMPTION OPERATIONS						
Staffing	1,852,828	4,914,374	8,368,921	10,001,548	10,970,500	
Telecom	124,957	372,345	853,259	763,911	642,302	1 call for every 4 participants; 5 minutes per call at \$0.0932 per minute
Subtotal	1,977,483	5,286,719	9,039,881	10,765,457	11,632,802	
SYSTEMS						
Development	250,000	0	0	0	0	
Operations	782,000	1,270,000	1,895,000	2,020,001	2,222,001	
Subtotal	1,032,000	1,270,000	1,895,000	2,020,001	2,222,001	
TRAVEL REWARDS						
Airline Tickets	17,397,793	81,811,085	233,707,854	425,637,424	647,933,048	Average domestic ticket price = \$325 International ticket price = \$641 Domestic/International ticket ratio: Y1 = 100%/0%, Y2 = 85%/15%, Y3 = 92%/8%, Y4 & Y5 = 85%/15%
SUBTOTAL	20,397,276	88,367,804	244,442,835	438,442,882	881,987,850	
ENROLLMENTS						
Scanning	461,608	956,734	1,086,077	504,664	302,798	100% enrollment by scanning; \$0.45 per enrollment
TOTAL WITHOUT STATEMENTS	20,879,784	89,324,537	245,627,913	438,947,548	882,290,648	
COST PER CARDHOLDER	19.51	27.95	43.79	65.23	92.18	
COST PER PARTICIPANT	19.51	27.95	43.79	65.23	92.18	
COST PER REDEMPTION	388.25	372.10	388.00	384.05	380.40	
STATEMENTS						
Laser Printing	149,803	447,453	785,033	842,039	1,036,243	Quarterly statements at \$0.035 per statement
Printing of Stationery/Envelopes	193,673	676,483	1,014,935	1,217,922	1,339,714	\$45.25 per thousand participants
Assembly	138,692	409,100	717,744	801,293	947,422	\$32.00 per thousand participants
Postage	1,134,219	3,387,859	5,943,819	7,132,582	7,845,840	Postage at \$0.265 per statement
Programming	12,000	0	0	0	0	
Subtotal	1,528,387	4,822,894	8,461,530	10,153,836	11,169,220	
TOTAL WITH STATEMENTS	22,505,441	94,147,442	253,989,443	449,101,382	893,459,867	
COST PER CARDHOLDER	21.03	29.48	45.30	66.74	93.69	
COST PER PARTICIPANT	21.03	29.48	45.30	66.74	93.69	
COST PER REDEMPTION	420.68	392.19	380.66	392.83	386.63	
Estimated cost per point	0.0130	0.0138	0.0140	0.0149	0.0148	
Estimated liability per point at 25% contingency	0.0033	0.0034	0.0035	0.0037	0.0037	
geocom/maester/50%exp						

CONFIDENTIAL

MULTIPLYING INTERNATIONAL
 PREMIUM REWARDS
 \$10,000 AVERAGE SPENDING
 80% OF ELIGIBLE POINTS REDEEMED
 POINTS EXPIRE AFTER THREE YEARS
 September 9, 1998

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Highly Confidential, Subject to Protective Order

ANNUAL SPENDING GROUP 2	DISTRIBUTION	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		TOTAL REDEMPTIONS
		NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	
\$5,000	40%	0	0	0	0	0	0	0	0	0	0	0
\$10,000	35%	0	0	0	0	0	0	0	0	0	0	0
\$15,000	15%	0	0	0	0	0	0	0	0	0	0	0
\$25,000	10%	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL		0	0	0	0	0	0	0	0	0	0	0
NUMBER OF REDEMPTIONS		0	0	0	0	0	0	0	0	0	0	0

ANNUAL SPENDING GROUP 3	DISTRIBUTION	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		TOTAL REDEMPTIONS
		NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	
\$5,000	40%	0	0	0	0	0	0	0	0	0	0	0
\$10,000	35%	0	0	0	0	0	0	0	0	0	0	0
\$15,000	15%	0	0	0	0	0	0	0	0	0	0	0
\$25,000	10%	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL		0	0	0	0	0	0	0	0	0	0	0
NUMBER OF REDEMPTIONS		0	0	0	0	0	0	0	0	0	0	0

ANNUAL SPENDING GROUP 4	DISTRIBUTION	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		TOTAL REDEMPTIONS
		NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	
\$5,000	40%	0	0	0	0	0	0	0	0	0	0	0
\$10,000	35%	0	0	0	0	0	0	0	0	0	0	0
\$15,000	15%	0	0	0	0	0	0	0	0	0	0	0
\$25,000	10%	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL		0	0	0	0	0	0	0	0	0	0	0
NUMBER OF REDEMPTIONS		0	0	0	0	0	0	0	0	0	0	0

ANNUAL SPENDING GROUP 5	DISTRIBUTION	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		TOTAL REDEMPTIONS
		NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	
\$5,000	40%	0	0	0	0	0	0	0	0	0	0	0
\$10,000	35%	0	0	0	0	0	0	0	0	0	0	0
\$15,000	15%	0	0	0	0	0	0	0	0	0	0	0
\$25,000	10%	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL		0	0	0	0	0	0	0	0	0	0	0
NUMBER OF REDEMPTIONS		0	0	0	0	0	0	0	0	0	0	0

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CONFIDENTIAL

MASTERCARD INTERNATIONAL
 PREMIUM REWARDS
 \$10,000 AVERAGE SPENDING
 50% OF ELIGIBLE POINTS REDEEMED
 POINTS EXPIRE AFTER THREE YEARS
 September 8, 1998

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
REDEMPTION TOTALS	53,501	240,658	687,203	1,142,958	1,783,890
PARTICIPANTS REDEEMING	6.00%	7.81%	11.90%	18.89%	24.23%
TOTAL OUTSTANDING POINTS	8,830,182,000	36,388,715,250	77,184,238,000	112,832,168,563	135,768,537,563
TOTAL ISSUED POINTS	246,041,758,500				
EXPIRED POINTS	18,827,838,888				
PERCENT OF POINTS REDEEMED	37.17%				
geographical 50% cap					
Redemption Percentage	0.5				

Highly Confidential, Subject to Protective Order

MASTERCARD INTERNATIONAL
 PREMIUM CARD REWARDS
 ISSUER MODEL / BASE
 80% OF ELIGIBLE POINTS REDEEMED
 POINTS EXPIRE AFTER THREE YEARS
 September 9, 1998

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Highly Confidential, Subject to Protective Order

	Year 1	Year 2	Year 3	Year 4	Year 5	Remarks
Number of Cardholders	1,070,018	3,198,083	5,807,378	8,728,851	7,401,738	
Percent Participation in Rewards Program	100%	100%	100%	100%	100%	Average annual spending of \$10,000
Number of Rewards Participants	1,070,018	3,198,083	5,807,378	8,728,851	7,401,738	
Number of Rewards	85,801	384,090	1,028,005	1,882,312	2,827,488	
Percent of Points Redeemed Annually	8.00%	12.02%	18.35%	24.70%	35.50%	
Percent of Eligible Points Redeemed	80%	80%	80%	80%	80%	
REWARD REDEMPTION OPERATIONS						
Staffing	1,852,828	4,814,374	8,388,821	10,001,545	10,870,500	
Telecom	124,857	372,345	653,259	783,911	682,392	1 call for every 4 participants; 5 minutes per call at \$0.0032 per minute
Subtotal	1,977,685	5,286,719	9,042,081	10,785,457	11,552,892	
SYSTEMS						
Development	250,000	0	0	0	0	
Operations	782,000	1,270,000	1,895,000	2,020,001	2,222,001	
Subtotal	1,032,000	1,270,000	1,895,000	2,020,001	2,222,001	
TRAVEL REWARDS						
Airline Tickets	27,820,488	130,897,738	380,438,714	819,044,982	978,478,855	Average domestic ticket price = \$325, International ticket price = \$841 Domestic/International ticket ratio: Y1 = 100%/60%, Y2 = 85%/51%, Y3 = 82%/55%, Y4 & Y5 = 85%/51%
SUBTOTAL	30,829,951	137,484,454	371,174,595	831,850,448	992,514,458	
ENROLLMENTS						
Scanning	481,588	858,734	1,085,077	504,864	302,788	100% enrollment by scanning; \$0.45 per enrollment
TOTAL WITHOUT STATEMENTS	31,311,459	138,411,188	372,259,673	832,355,113	992,837,257	
COST PER CARDHOLDER	29.28	43.31	66.39	93.88	134.14	
COST PER PARTICIPANT	29.28	43.31	66.39	93.88	134.14	
COST PER REDEMPTION	365.78	380.38	361.77	388.41	377.68	
STATEMENTS						
Laser Printing	149,803	447,453	785,033	942,039	1,038,243	Quarterly statements at \$0.035 per statement
Printing of Stationery/Envelope	183,873	578,489	1,014,835	1,217,822	1,339,714	\$45.25 per thousand participants
Assembly	138,982	408,100	717,744	881,293	947,422	\$32.00 per thousand participants
Postage	1,134,218	3,387,859	5,943,818	7,132,582	7,845,840	Postage at \$0.285 per statement
Programming	12,000	0	0	0	0	
Subtotal	1,628,857	4,822,894	8,461,530	10,153,836	11,189,220	
TOTAL WITH STATEMENTS	32,938,118	143,234,093	380,721,203	842,508,949	1,004,006,478	
COST PER CARDHOLDER	30.78	44.82	67.80	95.48	135.84	
COST PER PARTICIPANT	30.78	44.82	67.80	95.48	135.84	
COST PER REDEMPTION	384.78	372.92	389.89	388.52	382.12	
Estimated cost per point	0.0130	0.0138	0.0140	0.0149	0.0149	
Estimated liability per point at 25% contingency	0.0033	0.0034	0.0035	0.0037	0.0037	

geocom\master\80%exp

MASTERCARD INTERNATIONAL
 PREMIUM REWARDS
 \$10,000 AVERAGE SPENDING
 80% OF ELIGIBLE POINTS REDEEMED
 POINTS EXPIRE AFTER THREE YEARS
 September 9, 1998

CARDHOLDERS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
GROUP 1	1,070,018	1,070,018	1,070,018	1,070,018	1,070,018
GROUP 2	0	2,126,076	2,126,076	2,126,076	2,126,076
GROUP 3	0	0	2,411,283	2,411,283	2,411,283
GROUP 4	0	0	0	1,121,475	1,121,475
GROUP 5	0	0	0	0	672,866
TOTAL	1,070,018	3,196,093	5,607,378	6,728,851	7,401,738

PARTICIPANTS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
GROUP 1	1,070,018	1,070,018	1,070,018	1,070,018	1,070,018
GROUP 2	0	2,126,076	2,126,076	2,126,076	2,126,076
GROUP 3	0	0	2,411,283	2,411,283	2,411,283
GROUP 4	0	0	0	1,121,475	1,121,475
GROUP 5	0	0	0	0	672,866
TOTAL	1,070,018	3,196,093	5,607,378	6,728,851	7,401,738

Participation rates: 100% in all years

ANNUAL SPENDING	DISTRIBUTION	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		TOTAL REDEMPTIONS				
		NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS	NO. ACCTS	NO. PTS					
\$5,000	40%	428,807	8,000	2,140,838,000	428,807	18,000	4,280,872,000	428,807	18,000	8,420,108,000	428,807	18,000	8,420,108,000			
\$10,000	35%	374,809	10,000	3,748,089,000	374,809	28,000	7,496,126,000	374,808	30,000	1,408,028,200	288,805	15,000	4,494,075,806			
\$15,000	15%	199,803	15,000	2,407,840,600	160,803	30,000	642,018,800	126,402	20,000	2,568,043,200	128,402	35,000	1,027,217,288	102,722	25,000	1,498,928,200
													448,407,560	14,860	30,000	298,805,040
\$25,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	888,815,120	25,860	45,000	613,608,840
													57,780,872	1,284	45,000	178,783,024
\$35,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	284,804,880	8,428	15,000	231,123,884
													102,721,728	8,138	45,000	102,721,728
\$45,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	178,783,024	8,138	45,000	82,177,362
													178,783,024	8,138	45,000	178,783,024
\$55,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	48,224,778
													102,721,728	8,138	45,000	102,721,728
\$65,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	41,088,881
													102,721,728	8,138	45,000	102,721,728
\$75,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	35,892,605
													102,721,728	8,138	45,000	102,721,728
\$85,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	20,344,348
													102,721,728	8,138	45,000	102,721,728
\$95,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	11,556,184
													102,721,728	8,138	45,000	102,721,728
\$105,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	0
													102,721,728	8,138	45,000	102,721,728
\$115,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	218,138,686
													102,721,728	8,138	45,000	102,721,728
\$125,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$135,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$145,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$155,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$165,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$175,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$185,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$195,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$205,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$215,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$225,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$235,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$245,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$255,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$265,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$275,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$285,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728
\$295,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	109,568,843
													102,721,728	8,138	45,000	102,721,728
\$305,000	10%	107,802	25,000	0	85,801	26,000	0	88,441	28,000	0	64,783	25,000	102,721,728	8,138	45,000	219,138,686
													102,721,728	8,138	45,000	102,721,728

MASTERCARD INTERNATIONAL
 PREMIUM REWARDS
 \$10,000 AVERAGE SPENDING
 40% OF ELIGIBLE POINTS REDEEMED
 POINTS EXPIRE AFTER THREE YEARS
 September 9, 1998

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
REDEMPTION TOTALS	85,801	384,090	1,029,003	1,667,317	2,627,188
PARTICIPANTS REDEEMING	8.00%	12.02%	18.33%	24.70%	35.60%
TOTAL OUTSTANDING POINTS	8,827,848,500	31,885,381,750	83,735,851,950	88,142,021,820	101,158,823,858
TOTAL ISSUED POINTS	248,041,758,500				
EXPIRED POINTS	11,345,781,110				
PERCENT OF POINTS REDEEMED	54.27%				
provisional at 100% cap					
Redemption Percentage	0.8				

Highly Confidential, Subject to Protective Order

see General Input page for assumptions

**MasterCard International Inc.
Issuer Model for Premium Card**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	
Total Purchase Volume	\$649,800,000	\$1,835,257,500	\$3,080,052,000	\$4,330,399,725	\$5,667,684,951	
Outstandings Charge Card Based	389,880,000	1,052,214,300	1,694,028,600	2,502,008,730	3,400,610,970	
Outstandings Credit Card Based	259,920,000	783,043,200	1,386,023,400	1,828,390,995	2,267,073,980	
Cash disbursements (drawn from credit lin)	102,600,000	326,268,000	462,007,800	609,463,665	755,691,327	
Balance Transfer Outstandings	0	0	0	0	0	
--subtotal of purchases and advances:	\$752,400,000	\$2,161,525,500	\$3,542,059,800	\$4,939,863,390	\$6,423,376,278	
Total Transactions	8,664,000	24,470,100	38,500,650	48,115,553	59,659,842	
Accounts	95,000	251,750	356,488	445,514	502,187	
Cards	133,000	352,450	499,083	623,720	703,062	
Average Days Receivable Charge Card	20	19	18	17	17	
Average Days Receivable Credit Card	200	200	200	200	200	
Finance Charges	\$21,363,288	\$64,359,715	\$113,919,732	\$150,278,712	\$186,334,848	Credit Outst x customer apr x (avg day credit/365)
Fees from cash advance	\$456,000	\$1,510,500	\$2,138,925	\$2,673,086	\$3,013,123	
Finance Charges from cash advance	\$10,119,452	\$32,179,858	\$45,567,893	\$60,111,485	\$74,533,939	Assumes same rates used for purchases
Annual Fees	7,125,000	18,881,250	26,736,563	33,413,578	37,664,041	
Interchange income	9,617,040	27,161,811	45,584,770	64,089,916	83,881,737	
Other Fees	40,613	101,959	144,377	180,433	203,386	
TOTAL REVENUE	\$48,721,392	\$144,195,092	\$234,092,259	\$310,747,210	\$385,631,075	
Cost of Funds for revolving & cash advance	\$12,911,671	\$39,509,714	\$65,820,289	\$86,827,700	\$107,660,134	Credit bal x COF x avg days out/365
Cost of funds for transactors	\$1,388,614	\$3,560,232	\$5,430,174	\$7,574,574	\$10,295,000	charged bal x COF x avg. days out/365
Acquisition Costs	5,250,000	10,350,000	9,375,000	10,125,000	9,425,000	
Retention Costs	475,000	1,258,750	1,782,438	2,227,572	2,510,936	
Operations costs	2,565,000	5,538,500	7,129,750	8,910,288	10,043,744	
Credit Losses from revolve/cash advance	10,721,700	39,004,416	68,145,535	86,868,999	101,755,911	see credit loss tying
Fraud Losses	4,873,500	11,136,204	15,013,791	19,261,518	22,110,930	see fraud loss tying
Credit Losses from transactors	3,573,900	10,766,844	18,018,304	23,769,083	29,471,962	
Authoriz./processing/assoc. costs	840,700	2,089,000	3,177,400	4,209,000	5,124,200	(est. 10bps)
Reward program and service costs	3,423,183	10,470,031	19,459,808	32,007,273	48,644,052	
One time costs	530,000	100,000	0	0	0	
TOTAL EXPENSE	\$46,553,267	\$133,783,691	\$213,352,490	\$281,781,006	\$347,041,869	
ISSUER NET PROFIT / (LOSS)	\$ 2,168,125	\$ 10,411,402	\$ 20,739,769	\$ 28,966,204	\$ 38,589,206	
CUMULATIVE PROFIT / (LOSS)	\$2,168,125	\$12,579,526	\$33,319,296	\$62,285,500	\$100,874,706	

Three year NPV @ 15% | \$23,394,576
Five year NPV @ 15% | \$59,141,753

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High Fee/High Rewards
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MasterCard International Inc.
 Mer Profitability Model Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
GENERAL INPUT					
Number of Months for Model	12	12	12	12	12
New Accounts	100,000	180,000	150,000	130,000	130,000
Attrition Percent	5%	15%	15%	15%	15%
Total Accounts	95,000	251,750	356,488	443,514	502,187
% of Accounts Activate	95%	90%	90%	90%	90%
Activated Accounts	90,250	226,575	320,839	400,963	451,968
Retained Accounts	100%	100%	100%	100%	100%
Cards per Account Ratio	1.4	1.4	1.4	1.4	1.4
Merrit 1 Average Transaction Amount	\$75	\$80	\$90	\$95	\$95
Merrit 1 Number of Transactions / Month	8	9	10	10	11
Merrit 2 Average Transaction Amount	0	0	0	0	0
Merrit 2 Number of Transactions / Month	0	0	0	0	0
Merrit 3 Average Transaction Amount	0	0	0	0	0
Merrit 3 Number of Transactions / Month	0	0	0	0	0
Total transactions/year	96	108	120	120	132
Dollar transaction total per month	\$ 600	\$ 720	\$ 900	\$ 950	\$ 1,045
Average spending per account	\$ 7,200	\$ 8,640	\$10,800	\$11,400	\$12,540
Average Balance per Account	\$ 7,200	\$ 8,640	\$10,800	\$11,400	\$12,540
Average Balance Transfer	0	0	0	0	0
% of Balance Revolving	40%	40%	40%	40%	40%
Cash advances as % volume	15%	15%	12%	12%	12%
Cash advance -dollar total per year	\$ 1,080	\$ 1,296	\$ 1,296	\$ 1,368	\$ 1,505
Cash advance transaction count	2	3	3	3	3
Average size per acct per advance	\$ 450	\$ 432	\$ 432	\$ 456	\$ 502
INCOME AND FEES					
Annual Percentage Rate - Purchase/Rev.	15.0%	15.0%	15.0%	15.0%	15.0%
Annual Percentage Rate - Cash advance	18.0%	18.0%	18.0%	18.0%	18.0%
Interchange Rate	1.48%	1.48%	1.48%	1.48%	1.48%
Interchange Transaction Fee	\$0	\$0	\$0	\$0	\$0
ACCOUNT FEES					
Annual Fee per Account (On all accounts)	\$75	\$75	\$75	\$75	\$75
Setup fee per account	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Cash advance per item charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Cash advance minimum fee	2.00	2.00	2.00	2.00	2.00
Late charge fee	15.00	15.00	15.00	15.00	15.00
% of accounts incurring late charges	3%	3%	3%	3%	3%
ACCOUNT EXPENSES					
Credit Loss Rate on revolving portion	3.00%	6.00%	4.50%	4.00%	4.00%
Fraud Loss Rate	0.75%	0.45%	0.45%	0.45%	0.45%
Credit Loss Rate on transactions	1.00%	1.00%	1.00%	1.00%	1.00%
Internal Cost of Funds (LIBOR)	6.50%	6.50%	6.50%	6.50%	6.50%
Acquisition cost per account	\$45.00	\$50.00	\$55.00	\$60.00	\$65.00
Retention cost per account	5.00	5.00	5.00	5.00	5.00
Operations expense	27.00	22.00	20.00	20.00	20.00
Marketing material development	5.00	5.00	5.00	5.00	5.00
Advertising expenses	0.00	0.00	0.00	0.00	0.00
Rewards Costs per Cardholder	\$ 30.78	\$ 44.92	\$ 67.90	\$ 95.49	\$ 135.64
DDW, PP, EW, Concierge Costs	2.15	2.45	2.75	3.09	3.47
Rewards Participation Rate	100%	100%	100%	100%	100% All OH's participate
One Time Costs					
Implementation Fee	\$30,000	\$0	\$0	\$0	\$0
System & MIS Changes	\$500,000	\$100,000	-	-	-
Subtotal	\$530,000	\$100,000	\$0	\$0	\$0

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see General Input page for assumptions

MasterCard International Inc.
Issuer Model for Premium Card

	Year 1	Year 2	Year 3	Year 4	Year 5	
Total Purchase Volume	\$649,800,000	\$1,835,257,500	\$3,080,052,000	\$4,330,399,725	\$5,667,684,951	
Outstandings Charge Card Based	389,880,000	1,052,214,300	1,694,028,600	2,502,008,730	3,400,610,970	
Outstandings Credit Card Based	259,920,000	783,043,200	1,386,023,400	1,828,390,995	2,267,073,980	
Cash disbursements (drawn from credit lin	102,600,000	326,268,000	462,007,800	609,463,665	755,691,327	
Balance Transfer Outstandings	0	0	0	0	0	
--subtotal of purchases and advances:	\$752,400,000	\$2,161,525,500	\$3,542,059,800	\$4,939,863,390	\$6,423,376,278	
Total Transactions	8,664,000	24,470,100	38,500,650	48,115,553	59,659,842	
Accounts	95,000	251,750	356,488	445,514	502,187	
Cards	133,000	352,450	499,083	623,720	703,062	
Average Days Receivable Charge Card	20	19	18	17	17	
Average Days Receivable Credit Card	200	200	200	200	200	
Finance Charges	\$21,363,288	\$64,359,715	\$113,919,732	\$150,278,712	\$186,334,848	Credit outst. x customer apr x (avg day credit/365)
Fees from cash advance	\$456,000	\$1,510,500	\$2,138,925	\$2,673,086	\$3,013,123	
Finance Charges from cash advance	\$10,119,452	\$32,179,858	\$45,567,893	\$60,111,485	\$74,533,939	Assumes same rates used for purchases
Annual Fees	4,750,000	12,587,500	17,824,375	22,275,719	25,109,361	
Interchange income	9,617,040	27,161,811	45,584,770	64,089,916	83,881,737	
Other Fees	40,613	101,959	144,377	180,433	203,386	
TOTAL REVENUE	\$46,346,392	\$137,901,342	\$225,180,071	\$299,609,351	\$373,076,394	
Cost of Funds for revolving & cash advance	\$12,911,671	\$30,509,714	\$65,820,289	\$86,827,700	\$107,660,134	Credit bal. x COF x avg days out/365
Cost of funds for transactors	\$1,388,614	\$3,560,232	\$5,430,174	\$7,574,574	\$10,295,000	charged bal x COF x avg. days out/365
Acquisition Costs	5,250,000	10,350,000	9,375,000	10,125,000	9,425,000	
Retention Costs	475,000	1,258,750	1,782,438	2,227,572	2,510,936	
Operations costs	2,565,000	5,538,500	7,129,750	8,910,288	10,043,744	
Credit Losses from revolve/cash advance	10,721,700	39,004,416	68,145,535	86,868,999	101,755,911	see credit loss tiering
Fraud Losses	4,873,500	11,136,204	15,013,791	19,261,518	22,110,930	see fraud loss tiering
Credit Losses from transactors	3,573,900	10,766,844	18,018,304	23,769,083	29,471,962	
Authoriz./processing/assoc. costs	840,700	2,089,000	3,177,400	4,209,000	5,124,200	(est. 10bp)
Reward program and service costs	2,543,245	7,583,266	13,896,067	22,867,988	34,609,607	
One time costs	530,000	100,000	0	0	0	
TOTAL EXPENSE	\$45,673,330	\$130,896,926	\$207,788,748	\$277,641,721	\$333,007,424	

ISSUER NET PROFIT / (LOSS)	\$ 673,062	\$ 7,004,417	\$ 17,391,323	\$ 26,967,630	\$ 40,068,970
CUMULATIVE PROFIT / (LOSS)	\$673,062	\$7,677,479	\$25,068,802	\$52,036,432	\$92,105,402

Three year NPV @ 15% | \$17,316,694
Five year NPV @ 15% | \$52,656,884

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Mid-Fee/Base Rewards

MasterCard International Inc.
Issuer Profitability Model Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
GENERAL INPUT					
Number of Months for Model	12	12	12	12	12
New Accounts	100,000	180,000	150,000	150,000	150,000
Attrition Percent	5%	15%	15%	15%	15%
Total Accounts	95,000	251,750	356,488	445,514	502,187
% of Accounts Activate	95%	90%	90%	90%	90%
Activated Accounts	90,250	226,575	320,839	400,963	451,968
Retained Accounts	100%	100%	100%	100%	100%
Cards per Account Ratio	1.4	1.4	1.4	1.4	1.4
Merrit 1 Average Transaction Amount	\$75	\$80	\$90	\$95	\$95
Merrit 1 Number of Transactions / Month	8	9	10	10	11
Merrit 2 Average Transaction Amount	0	0	0	0	0
Merrit 2 Number of Transactions / Month	0	0	0	0	0
Merrit 3 Average Transaction Amount	0	0	0	0	0
Merrit 3 Number of Transactions / Month	0	0	0	0	0
total transactions/year	96	108	120	120	132
dollar transaction total per month	\$ 600	\$ 720	\$ 900	\$ 950	\$ 1,045
Average spending per account	\$ 7,200	\$ 8,640	\$10,800	\$11,400	\$12,540
Average Balance per Account	\$ 7,200	\$ 8,640	\$10,800	\$11,400	\$12,540
Average Balance Transfer	0	0	0	0	0
% of Balance Revolving	40%	40%	40%	40%	40%
Cash advances as % volume	15%	15%	12%	12%	12%
Cash advance -dollar total per year	\$ 1,080	\$ 1,296	\$ 1,296	\$ 1,368	\$ 1,505
Cash advance transaction count	2	3	3	3	3
Average size per acct per advance	\$ 450	\$ 432	\$ 432	\$ 456	\$ 502
INCOME AND FEES					
Annual Percentage Rate - Purchase/Rev.	15.0%	15.0%	15.0%	15.0%	15.0%
Annual Percentage Rate - Cash advance	18.0%	18.0%	18.0%	18.0%	18.0%
Interchange Rate	1.48%	1.48%	1.48%	1.48%	1.48%
Interchange Transaction Fee	\$0	\$0	\$0	\$0	\$0
ACCOUNT FEES					
Annual Fee per Account (On all accounts)	\$50	\$50	\$50	\$50	\$50
Setup fee per account	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Cash advance per item charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Cash advance minimum fee	2.00	2.00	2.00	2.00	2.00
Late charge fee	15.00	15.00	15.00	15.00	15.00
% of accounts incurring late charges	3%	3%	3%	3%	3%
ACCOUNT EXPENSES					
Credit Loss Rate on revolving portion	3.00%	6.00%	4.50%	4.00%	4.00%
Fraud Loss Rate	0.75%	0.45%	0.45%	0.45%	0.45%
Credit Loss Rate on transactions	1.00%	1.00%	1.00%	1.00%	1.00%
Internal Cost of Funds (LIBOR)	6.50%	6.50%	6.50%	6.50%	6.50%
Acquisition cost per account	\$45.00	\$50.00	\$55.00	\$60.00	\$65.00
Retention cost per account	5.00	5.00	5.00	5.00	5.00
Operations expense	27.00	22.00	20.00	20.00	20.00
Marketing material development	5.00	5.00	5.00	5.00	5.00
Advertising expenses	0.00	0.00	0.00	0.00	0.00
Rewards Costs per Cardholder	\$ 21.03	\$ 29.46	\$ 46.30	\$ 66.74	\$ 93.69
CDW, PP, EW, Concierge Costs	2.15	2.45	2.75	3.09	3.47
Rewards Participation Rate	100%	100%	100%	100%	100%
One Time Costs					
Implementation Fee	\$50,000	\$0	\$0	\$0	\$0
System & MIS Changes	\$500,000	\$100,000	-	-	-
Subtotal	\$550,000	\$100,000	\$0	\$0	\$0

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