

Credit Card Trends 2020 Presentation Script

Good morning. Good morning everyone thank you for joining us today. My name is Will Fountain, I'm with ServisFirst Bank and I work in Karen's group who's on the call with us today. I'm in charge of agent credit card sales and what that means is I work with banks across the country who are considering a credit card provider change but also work with our partner banks, so people that are already on our program, to help them grow their credit card portfolio. This morning Shelley gave me fifteen minutes to get through some slides with you all and just kind of, you know, catch you up on a lot of the trends where we've come throughout 2020 and then on the back side of this I'm going to share a little bit about ServisFirst Bank and our platform.

What a wild year 2020's been. I titled this credit card, excuse me, this slide deck Credit Card Trends 2020 – A new outlook emerges: how the pandemic has changed buying habits and what that means for the future of payments. You know, so we started off this year like any other year and then all of a sudden February hit, in later February and the Coronavirus appeared. And by the second week of March, the government told everybody to kind of shut down, they asked us to all go back to the house. I know many of us bankers continued to work throughout the pandemic so congrats to you, but while we were not at work we were trying to figure out how to go about our daily lives and what I mean by that is like, how do we get groceries? You know the government said let's limit grocery runs, any pharmacy runs. So, America was really forced to try and figure out how we were going to go about our daily lives and how we were going to get those goods. So, what that did was it sent us online to the internet and we all kind of shifted from going to the physical stores to internet shopping. Kind of forced to spend some new technology that we probably haven't previously adopted yet, and what that did was kind of lead to some of these headlines here that you're going to see right now.

I thought we could go through a few of the numbers to get started. Really the second bullet I think is probably where we should focus here. There's been 129% year-over-year growth in the U.S. and Canadian e-commerce orders as of April 21st, which is only about six weeks into the lockdown, to where we all kind of went back to our house to socially distance. You can see 129% year-over-year is really a sharp trajectory out of the gates, and an impressive 146% on all online retail orders. So not just here, you know, on e-commerce, but all of it was shooting up. I'll bring you down to that last bullet here. The stay-at-home orders will eventually be lifted, which they have in the majority of the states, but in the interim, millions of us were again forced to kind of adopt this new technology. And what that did was it reinforced some new habits. So now we've kind of learned the conveniences of this new technology and we'll touch on some of this in a few more slides.

If we back up and look globally, which I think is important to do because often times the European Union and even parts of Africa can kind of lead the way as far as terms of technology around payables and solutions around transactions. The vice president of the European Commission said it's "time to swap your coins for payment cards - it's safer for containing the Coronavirus." So that just kind of reiterates the fact that we were trying to figure out ways to continue to do business because we have to, it's a necessity, but we've got to find new ways instead of making those contacts and exchanging the currency, which could be carrying some sort of virus that we can't see.

This next one I thought that the New York Times article is called Our Cash-Free Society is Getting Closer. So, it just kind of continues to point to the fact that more people are looking for alternative methods as to exchanging cash, but 40 million customers went online in April to buy groceries.

Flipping to the next slide. The top bullet here from Forbes, COVID-19 has massively accelerated the growth of e-commerce, according to an Adobe report which are these next two bullets. Total online spending in May hit \$82.5 billion. So, we're continuing to go out into that lockdown and kind of the new economy that we're trying to adopt to, and you can see the growth of online retail and online spending is continuing to shoot up. Pretty eye-opening here, Vivek Pandya with Adobe's Digital Insights, according to our data, it would've taken between 4 to 6 years to get to the levels we saw in May. So that is a tremendous growth in just a matter of a couple months where we leapfrogged a few years and kind of beat expectations as far as what online retail would look like. Then lastly, to kind of drive it home here, that bottom bullet we're seeing that signs of online purchasing trends formed during the pandemic may see permanent adoption. While buy online pick up in store, that's what BOPIS stands for, was a niche delivery option pre-pandemic, it's fast becoming the delivery method of choice as consumers become more familiar with the ease and the convenience and the experience.

This really kind of hit home to me. I grew up in Brewton, Alabama, which is down on the southern part of the state, and my mother was in town a few weeks ago visiting my grandchildren, or excuse me, her grandchildren, and I overheard her say to a friend, she said hey I may never you know, walk the isles again. I've learned how to order online groceries and I pull up to the store, they deliver them to the car, and I go home. I'm thinking in my head, as I'm kind of preparing these slide decks I was like, that's very timely right now because if my mother who is a young 70 in Brewton, Alabama is adopting this technology, pretty sure the majority of America's already there. I'm sure you all have seen it in your hometowns and where you work right now the way folks are transitioning to these new technologies and new conveniences. Now with all that said, economies are starting to open back up and we're excited about that, we've got college football coming up, but as we get back out into the economy, we're trying to figure out ways to not touch things. We're telling our kids, hey don't touch that. You know, hey, it's nice to see you but stay away. We're trying to figure out new ways to do business.

So, what that brings me to is this right here I thought are some pretty impressive ways folks are adopting. You know, I point out the wine windows in Italy just because I like wine and I think that's pretty ingenious. They brought these back from a century ago or so. The middle icon you see there, that's the QR codes. So when you're going to restaurants, and I'm going to restaurants around Birmingham, I'm starting to see these QR codes pop up where you can just take your cell phone and scan it and then your menus pop up on your cell phone, which makes you wonder why we've been passing around menus this whole time anyway. I think it's pretty ingenious. Then lastly, I would point out you know, just about everywhere I go at this point is saying hey, no cash, let's go credit cards or contactless payments. So, you can see that folks are trying to figure out how to reduce contact, and then also they're trying, they're kind of pushing you away from cash.

So that kind of leads us to the next point which is where we think the future of payments is going to go and that's going to be a contactless type payment. Right here from Businesswire.com, you can see that the global contactless payment size is expected to grow from 10.3 billion this year to over 18 billion in 2025. To the compounded annual growth rate at just right around 12%. So, we're going to see pretty significant growth over the next five years in the contactless payment. Really, the reason you're going to see it is because it's a different customer experience. I downloaded our bank card ServisFirst to my mobile wallet and so now when I pull up to gas stations or the grocery store I just kind of pick up my cell phone and scan it in front of the reader and it shoots me a text message that says hey, here's what you just spent, your transactions complete, and I move on. It's really a convenient method and I don't think I'll go back really if I

can avoid sticking a card into the machine, then I'm going to avoid it. Here are those machines right here. I think you'll probably see a little bit of a delay as far as merchants adopting this technology. That's just because there's a price hurdle, you know, kind of a barrier to entry and the merchant machines are catching up with the technology. Most of your credit card companies are there. If it's not contactless then it should be mobile wallet enabled at the very least. I think that's where we're going to be headed. Lastly, before I move into the next section, just wanted to point this out here according to Fool.com, both the millennials, gen x's, and the baby boomers, excuse me, all of them, are using cash back. That's their number one preferred card. You can see some of these others, retail/store specific, low interest rate, airline, balance transfers, but the cash back kind of floats to the top of all the research I could find. It's just cleaner that way. A lot of people just want the deposits back on their card, excuse me, their account or credits to their statement, and just cut out all the treasure hunt, if you will. Figure out how to spend that cash.

So, moving on, some things I would like to challenge you guys with today who are attending this call, is I'm going to ask you is your bank in position to participate in the economic shift? So, all this online retail, you can't pay cash for that, you have to have a card. It's our belief at ServisFirst Bank it should be a card with your bank logo on it. Your client should at least have that card in their wallet as an option. Then secondly, if you are issuing, and you have credit cards, are you happy with your current card provider? Are they providing the support you need and does their culture match your culture?

So, I'm going to spend a few minutes talking about what we do at ServisFirst Bank in these next few slides and then I'll open it up for questions. You can see that ServisFirst is a partner you can trust. We're very proud of the product and the platform we've built. Alabama Banking Association endorsed us earlier this year and that comes on the heels of the American Banker endorsement that we received in 2018 and you can see these other states have also decided to endorse us. We're proud of these endorsements, and we feel like they've selected us based on a number of criteria that kind of set us apart, some of that I'll touch on in just a few minutes.

One of the reasons they selected us is we have a pretty clean offering product to you. We've got some selections, excuse me, some options that you can choose from. You can see the top here is a full custom logo where we'll do the plastics, the applications, the website, card mailers, statements. All that's going to have your bank's brand on it. You can see it's a 90-day implementation period. Then we also have the custom logo program where we'll brand the cards and the card plastics and the applications but the rest of the information's going to have a card services reference. It's a great option for folks looking for a quicker turnaround time because it's only 30 days. So, we can get you up and running pretty quickly.

Part of our platform, what we do for our partner banks is we develop, fund, and execute any marketing or advertising campaigns based on your input. So, you'll help us craft the language, craft the documents that will get your client's attention and capture their – capture your audience's attention I should say. We're going to manage and staff a portfolio team, management team, assigned to your bank to help take care of any issues and be your main points of contact. We'll do all the underwriting and card servicing activities. We'll provide reports to you monthly to show you how we're doing as a team, and then also we'll provide the revenue share to you quarterly. We are available for on-site meetings to train your staff and actually go on calls with you when we're talking about the purchase card product, which I'll touch on in a few minutes.



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So, on our program you can design your own card if you have the artwork, we appreciate that, and we'll help get that card designed for you or you can select from a stock sample of cards. About our products – I mentioned earlier, we keep it simple. We have two consumer products. One's a no annual fee, no cash back. One's a small annual fee with a 1% cash back. That's your two options for consumer. Then you have two options for business. You can see we have a very similar product offering. No annual fee, no cash back, or a small annual fee for a 1% cash back. Clean and simple. So, your customer facing folks don't have a lot to memorize or to learn, it's pretty straightforward.

In addition to these four products, we also have a commercial purchasing card program. If you're not familiar with that, I would recommend you spend some time learning up on it because it has been a game-changer for community banks. Typically, it's been reserved for the large, middle market businesses. Now it's starting to reach out to the medium to small businesses and community banks are able to offer this program. It's a great product for banks who are looking for another tool for their toolkit and it's been a great growth product for our bank as well as a lot of our partner banks because you're offering technology that previously hadn't been available most likely to some of your clients. This technology looks and feels a lot like a regular credit card, but it comes with a software piece on the back side where you can customize an additional website. You can allow the folks, your commercial clients, to control spending by setting individual card limits or controlling where the cards operate via the merchant category codes. They can make changes in real time, they can see balances in real time, spend in real time. A lot of control, a lot of functionality. What you're essentially doing is you're empowering your commercial clients to take full control of their credit card platform, but then again, you're not cutting them loose. We're going to be around to help them as far as it comes to any issues that may arise. We're going to assist them in building out their GL codes and mapping some of the data, excuse me, digital expense reports. You can remote capture receipts. So, it's really a great tool for folks who are in that need and there's a lot of people in need because the more people we talk to our commercial clients, we're really seeing a large adoption rate of that product. It's been a fun one to talk about.

So, another thing that sets us apart probably is our attention to customer service. So, we have a 24/7 call center that's available for all of your cardholders. We also provide a backup layer of customer service for your bankers. So, we have a number established in a call center right here in Birmingham. If your bankers have an issue, a client's with them, we would encourage you to call us and you get a live agent. We can have, excuse me, we do have VPN access to the main frame so we can handle any issues that arise with a credit card and we would like to be your first layer of customer service.

Another reason we feel like we've been selected by all of these banking experts is that if we underwrite a credit line for your commercial client, we will share 20% of the profit. So, it's pretty clean, it's very fair. If for some reason we can't get comfortable with the credit then we will allow you to underwrite it where you would assume the credit and the fraud risk, but it turn, we're going to pay you 80% of the net profit. So, we're hoping that compensates you for the additional risk that you carry and we're hoping that that option allows you to serve your clients if for some reason we can't get comfortable.

This next slide is just an example of income calculations. It looks a lot like the report we would share with you on a quarterly, excuse me, a monthly basis, and then we would pay the revenue quarterly. Again, just kind of pulling some of the reports that we can provide to you. Before I let you go, I would say the consumers, and the business cards, we also

provide a card manager website where they can come in and all of them would have access to take a look at their balances, if they need to make payments, updating any profile information, they can set travel alerts or spend limit alerts. All of that is located in a website where we would provide a link for you to put on your website so your clients could go from your credit card tab on your webpage, click the link, and they'll be re-directed to this other site, which can be branded. Again, just kind of going, what's on these screenshots would look like.

This is our contact information. If you're not with us, we would love to talk to you and get to know you a little bit better, get an understanding of what you and your team are thinking about as far as credit cards in the future, where that's going. If you are with us and you want to, you know, if we need to circle up to figure out how we can get some marketing materials to your team so that we can help grow the credit card portfolio, please reach out to us. These are our general contact information, here's our specific information. You can see Karen is right there and I'm next to her. We're probably your best point of contacts. Then the rest of our team is located here as well.

End of Discussion