

THE NILSON REPORT

FOR 33 YEARS, THE LEADING PUBLICATION COVERING CONSUMER PAYMENT SYSTEMS WORLDWIDE

U.S. Credit and Debit Cards Projected thru 2007

CARD PURCHASES WILL TOP \$2 TRILLION THIS YEAR Purchases of goods and services billed to credit and debit cards issued in the U.S. will reach \$2.063 trillion this year — \$1.472 trillion on credit cards and \$591.29 billion on debit cards. Credit and debit card purchase volume in 2002 was \$1.852 trillion, up 9.8% from 2001. Credit cards, which accounted for 74.1%, down from 77.0% in 2001, will continue to drop to 64.7% by 2007. For the five years ended December 31, 2002, growth was led by Visa debit cards with an increase of \$190.44 billion, and by MasterCard credit cards with an increase of \$186.57 billion. *(turn to page 6)*

TRAVELERS CHEQUES WORLDWIDE Sales of travelers cheques in 2002 totalled \$31.79 billion, down from \$36.30 billion the prior year, continuing a slide that began 12 years ago from an all-time high of \$58.80 billion. The value ... *(turn to page 10)*

BEYOND TRAVELERS CHEQUES Ten years after prepaid magnetic stripe cards were first introduced as replacements for paper travelers cheques, they're finally beginning to catch on. Sales of about \$250 million last ... *(turn to page 5)*

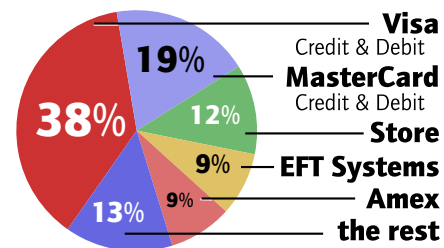
EUROPE PROCESSORS JOINT VENTURE Newly formed Sinsys, a joint venture of processors Banksys of Belgium, Interpay of the Netherlands, and SSB of Italy, will process Visa, MasterCard, JCB, Diners Club, and American ... *(turn to page 4)*

GALILEO FOR PREPAID CARDS AND BILL PAYMENTS Privately held Galileo Processing not only offers the most comprehensive real-time platform issuers can use to market prepaid cards, it also leads its competitors in the most underappreciated asset for a successful stored-value program — a network of retail outlets where ... *(turn to page 4)*

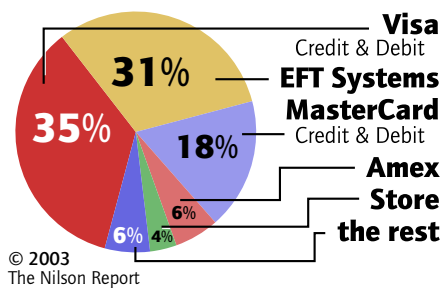
PREPAID/CREDIT CARD FROM STARBUCKS/BANK ONE The Visa brand Duetto card issued by Bank One and marketed by Starbucks Coffee Company is the first U.S. payment card to combine a revolving line of credit for general purpose spending with a reloadable prepaid account for spending at a particular merchant. *(turn to page 4)*

Purchase Transactions on Credit & Debit Cards

1997: 15.93 Bil.



2007: 54.13 Bil.



INSIDE: Fast Facts — 2, 3

Visit the companies mentioned in this issue by clicking on their names below.

American Express Incentive Services

www.aeis.com

ASA

www.asacorp.com

Bank One

www.bankone.com

Biometric Security Card

www.biometricsecuritycard.com

Brascan Financial

www.brascanfinancial.ca

Bureau of Collection Recovery

www.bureauofcollection.com

CardinalCommerce

www.cardinalcommerce.com

CCV-CardPay

www.cardpay.ch

Celero Solutions

www.celero.ca

Certegy Card Services

www.certegy.com

Commerce Bank

www.commercebank.com

Diners Club

www.dinersclub.com

Discover

www.discoverfinancial.com

Educational Employees CU

www.eecu.org

Element

www.element.be

EZ Payment Solutions

www.ezpaymentservices.com

Fair Isaac

www.fairisaac.com

Fifth Third Retail Merch. Serv.

www.53.com

Financial Technologies

www.fti.to

Galileo Processing

www.galileoprocessing.com

Gemplus

www.gemplus.com

Hypercom

www.hypercom.com

iBiz Software

www.ibiz-software.com

ICMA Solutions

www.icma.com

ID Analytics

www.idanalytics.com

Instapay Systems

www.kryptosima.com

Jeronimo

www.jeronimo.ch

KidsFutures

www.kidsfutures.ca

Krungthai Card Public Co.

www.ktc.co.th

LaGarde

www.lagarde.com

Loyalty Group

www.loyalty.com

Lynk Systems

www.lynksystems.com

Marks & Spencer

www.marksandspencer.com

MasterCard

www.mastercard.com

MFA Oil

www.mfaoil.com

Mist Wireless

www.mistwireless.com

NetBank

www.netbank.com

Northern Leasing Systems

www.northernleasing.com

Nyce

www.nyce.net

Ontario Systems

www.ontario.com

Pago eTransaction

www.pago.de

Paymentech

www.paymentech.com

Planet Payment

www.planetpayment.com

PSCU Financial Services

www.pscufs.com

Sinsys

www.sinsys.net

Smart Chip Technologies

www.sctn.com

Swiss Bankers

www.swissbankers.ch

TransFirst

www.transfirst.net

Travelx

www.travelx.com

TSYS

www.tsys.com

U.S. Wireless Data

www.uswirelessdata.com

USA Technologies

www.usatech.com

Vesdia

www.vesdia.com

Viamerica

www.viamerica.com

Visa

www.visa.com

Vital Processing Services

www.vitalps.com

Xor Technologies

www.xor-t.com

Yaga

www.yaga.com

ID ANALYTICS has completed what it calls the largest research project ever undertaken on identity theft and card fraud. More than 200 million records were analyzed including valid and fraudulent applications for credit and debit accounts. Cost is \$5,000. Karen Stadelmeier is Marketing Manager, (858) 427-2844, kstadelmeier@idanalytics.com.

AMERICAN EXPRESS INCENTIVE SERVICES, a joint venture of Amex and Maritz, now offers audio card carriers for prepaid cards which let givers record a personal message to recipients. Darryl Hutson is CEO at AEIS, (636) 226-2010, darryl.hutson@aeis.com.

YAGA'S hosted platform for digital content management and micro/macro payments processing is now being marketed by Paymentech, the largest U.S. acquirer ranked by transactions processed. Steve Elefant is COO at Yaga, (415) 901-7302, steve@yaga.com. Kerry Kodatt is Group Exec. Corp. Alliances at Paymentech, (214) 849-3508, kerry.kodatt@paymentech.com.

LYNK SYSTEMS will provide MFA Oil with processing for credit, debit, prepaid, and EBT cards. MFA will also use LYNK's FuellYNK fleet program for its Preferred and Petro-Card 24 cards. Ken Paull is EVP at LYNK, (770) 396-1616, kpaull@lynksystems.com. Jim Belcher is VP at MFA, (573) 442-0171, jbelcher@mfaoil.com.

USA TECHNOLOGIES has raised \$5 million in equity capital by selling 20 million shares of restricted common stock to institutional investors. The company supplies networked payment card and other cashless systems in the vending, laundry, hospitality, and digital imaging industries. George Jensen is CEO, (610) 989-0340 x105, gjensen@usatech.com.

ASA'S ScorXpress lets credit grantors create a predictive score on new-account applications to guard against identity fraud. Bill Gossman is CEO, (412) 429-1003, bill.gossman@asacorp.com.

BIOMETRIC SECURITY CARD'S BioProtectCK software lets check cashers use fingerprint technology to authenticate mag-stripe cardholders at the point of sale. No changes are required to their back-office systems. Bill Bardwell is President, (727) 726-0696, bill.bardwell@biometricsecuritycard.com.

NORTHERN LEASING SYSTEMS has paid \$30 million in cash to buy Golden Eagle Leasing, a wholly owned subsidiary of POS terminal manufacturer Hypercom. Jay Cohen is Pres. at Northern Leasing, (212) 216-8328, jcohen@northernleasing.com.

STOR-COM'S "Remote Point of Sale" software lets any standard telephone with peripheral mag-stripe card reader communicate with a remote POS terminal or PC point of sale system to process card payments. Kurt Farmer is VP Engineering, (937) 428-9656, storcom@aol.com.

TRANSFIRST will offer its Internet merchant clients CardinalCommerce's 3D Secure technology for Verified by Visa and MasterCard SecureCode. Joni Floyd is Pres. Strategic Services at TransFirst, (972) 249-0036, jfloyd@transfirst.net. Michael Keresman is Pres. at CC, (440) 352-8444, makiii@cardinalcommerce.com.

COMMERCE BANK is offering its merchant clients the Internet storefront services of LaGarde. The company's technology lets small- and medium-sized businesses build, manage, and promote Internet sites. LaGarde technology is used by 50,000 merchants in 70 countries. Bob LaGarde is CEO at LaGarde, (913) 489-0805, b.lagarde@lagarde.com.

FINANCIAL TECHNOLOGIES, provider of ATM services to 4,300 off-premises terminals, has been acquired for \$16 million in cash and \$1 million in restricted stock by NetBank, an Internet-based financial services company. Tommy Glenn is Pres. at FT, (601) 956-1222 x2167, tommyg@fti.to. Douglas Freeman is Chairman at NetBank, (770) 343-6006, dfreeman@netbank.com.

EZ PAYMENT SOLUTIONS offers billers a service that lets them upload invoices to a Web site so that their customers can view the information and pay on-line by electronic check and/or credit card with 128-bit SSL encryption. Jules Kaplan is Pres., (480) 991-7025, jules.kaplan@ezpaymentservices.com.

FAIR ISAAC'S ID Fraud Intercept product, available on-line to consumers for \$89.95, identifies potential fraud by monitoring hundreds of databases for changes in a person's home address or phone number – typically the earliest sign of an identity theft problem. Steve Sjoblad is VP, Consumer Solutions, (612) 758-5230, stevesjoblad@fairisaac.com.

PLANET PAYMENT will supply its Visa/MasterCard compliant dynamic currency conversion service to Web merchants linked to the Internet payment gateway operated by Plug'n Pay. Tom DeLuca is SVP at Planet Payment, (516) 670-3200 x118, tdeluca@planetpayment.com. Randy Ridings is VP Sales at Plug'n Pay, (631) 761-0159 x104, rridings@plugnpay.com.

PAYMENTECH is now offering its merchants NetConnect, a direct Internet connection to its processing center that returns authorization requests in three seconds, down from 10 to 15 seconds for dial-up terminals. James Bullard is eCommerce Product Development Mgr., (813) 351-2292, james.bullard@paymentech.com.

TSYS DEBT MANAGEMENT, a subsidiary of the card processing company, will market to its U.S. and Canadian clients the recovery system of Ontario Systems, specialists in receivables-management information systems. Wil Davis is Pres. at Ontario Systems, (765) 751-7001, wil.davis@ontario.com. Chuck Kinney is Pres. at TSYs Debt Management, (770) 453-7703, ckinney@nan.net.

EDUCATIONAL EMPLOYEES CU will convert its 85,000 debit cards to PSCU Financial's DebitAdvantage platform. PSCU also processes the credit union's 27,000 credit cards. Scott Ingram is VP at Edu. Employ. CU, (559) 437-7836, scotti@eeducufresno.org. David Serlo is Pres. at PSCU Fin. Serv., (727) 572-4599, dserlo@pscufs.com.

INSTAPAY SYSTEMS has completed the patent protection process for its PIN-based debit card system for Web merchants in Belgium, France, Germany, Italy, Spain, and the U.K. The patent (EP1218865) can be viewed at www.epoline.org. Harry Hargens is CEO, (770) 471-4944, harryhargens@kryptosima.com.

PLUG'N PAY TECHNOLOGIES, U.S.-based operator of an Internet payment gateway, has integrated into its platform the payment-processing services of Pago eTransaction of Germany. David Price is CEO at Plug'n Pay, (631) 761-0159, dprice@plugnpay.com. Ruediger Trautmann is CEO at Pago, 49 (2213) 208-770, ruediger.trautmann@pago.de.

KRUNGTHAI CARD PUBLIC CO. in Thailand has signed an 8-year agreement with Certegy Card Services for cardholder account processing. KTC has 750,000 Visa and MasterCard accounts on file. Niwatt Chittalarn is CEO at KTC, 66 (2) 665-5059, nchittal@kct.co.th. Richard Palmer is Managing Director at CCS Asia Pacific, 61 (3) 8615-1101, richard.palmer@certegy.com.

LOYALTY GROUP Canada, a subsidiary of Alliance Data Systems, has opened YourShops.ca, a portal linking 20 retailers who offer Air Miles rewards points for Internet purchases. John Scullion is CEO at Loyalty Group, (416) 228-6565, jscullion@loyalty.com.

JERONIMO, a distributor in French-speaking Switzerland of POS terminals manufactured by VeriFone, has acquired CCV-CardPay, a VeriFone distributor in the German-speaking part of the country. Michael Hartmann is Director at CardPay, 41 (43) 211-5060, michael.hartmann@cardpay.ch. Jean-Marc Fillistorf is Director at Jeronimo, 41 (22) 365-0404, jmf@jeronimo.ch.

VEDDIA, provider in the U.S. of loyalty programs BabyMint and NestEggz, has acquired an equity interest in KidsFutures, a soon-to-be launched loyalty program in Canada that has a partnership with MasterCard. Peter Davis is CEO at Veddia, (404) 591-3600, peter.davis@vesdia.com. Mark Farrell is CEO at KidsFutures, (416) 408-2156 x221, mfarrell@kidsfutures.ca.

XOR TECHNOLOGIES, a systems integrator, will offer its clients iBiz Software's CommerSafe 3-D Secure Internet payments security technology for Verified by Visa and MasterCard SecureCode. Xor serves clients in France, Israel, and Southeast Asia. Yaniv Kimchi is Mgr. E-Clearance at Xor, 972 (4) 661-9058, yaniv@xor-t.com. Yaron Charka is CEO at iBiz, (713) 667-7778, yaron@ibiz-software.com.

ELEMENT'S 3-D Secure technology platform for Verified by Visa and MasterCard SecureCode now includes an AACS (Attempt Access Control Server) module that issuers can use to deploy Verified by Visa at their own pace. Ronny Leplae is CEO, 32 (51) 248-742, ronny.leplae@element.be.

MARKS & SPENCER is reissuing up to 2.6 million of its store cards as bank credit cards, most of which will have the MasterCard brand. Eddie Nott is COO at Marks & Spencer Money, 44 (1244) 686-6151, eddie.nott@marks-and-spencer.com. Brian Moore is SVP & Gen. Mgr., U.K. at MasterCard, 44 (207) 557-6843, brian_moore@mastercard.com.

U.S. WIRELESS DATA has received a \$2.75-million bridge loan from Brascan Financial of Canada, parent company to wireless POS terminal manufacturer MIST. Dean Leavitt is CEO at USWD, (212) 750-7766, dleavitt@uswirelessdata.com. David Nyland is CEO at MIST, (416) 621-1911, dnyland@mistwireless.com. George Myhal is CEO at Brascan, (416) 956-5138, gmyhal@brascanfinancial.ca.

NYCE shared EFT system, based in the U.S., will form a card payments processing company in Canada called Everlink Payment Services with Celero Solutions, a Canadian IT company. Nyce, majority owned by First Data Corp., will own 51% of Everlink. Dennis Lynch is CEO at Nyce, (201) 476-5701, dennis_lynch@nyce.net. Bas Wheeler is CEO at Celero, (403) 258-5958, bas.wheeler@celero.ca.

Management Changes

Kathy Crumley, formerly at Hypercom, has been appointed VP at Vital Processing Services, (480) 333-7434, kathy.crumley@vitalps.com. **Marty Sarim** has been appointed COO at the Bureau of Collection Recovery, (952) 934-7777, msarim@bureauofcollection.com. **Doug Smyth** has been appointed Assoc. VP Bank Card Division at the Bureau of Collection Recovery, (952) 934-7777, dsmyth@bureauofcollection.com. **Neale Brown** has been appointed VP Sales at Smart Chip Technologies, (702) 837-3594 x712, nbrown@sctn.com. **Timothy Wright** has been appointed Dir. No. America Conventional Card Sales at Gemplus, (215) 390-2327, tim.wright@gemplus.com. **Michael Cushing**, formerly at PRS Assets, has been appointed Chief Financial Officer at Vision Management Services, (714) 919-2456, mc@visiondebtsales.com. **Augustine Salazar**, formerly at Vigo Remittance, has been appointed COO at Viamerica, (301) 215-9294 x103, asalazar@viamerica.com. **Shelly Laird**, formerly at Fifth Third Retail Merchant Serv., has been appointed EVP Sales at CardWare Int'l, (740) 522-2150, s.laird@13-inc.com.

Conferences & Seminars

ICMA'S 12TH ANNUAL CARD MANUFACTURING EXPO 2003: November 9-12, Fiesta Americana Grand in Coral Beach. Estimated attendance: 350. Cost for the three-day conference is \$895 for members, \$1,395 for non-members. Contact Lori Neuman, (609) 799-4900 x21, lneuman@cmasolutions.com.

Prepaid/Credit Card (from page 1) More than 3,900 Starbucks coffee shops in the U.S. are promoting the mag-stripe card. Bank One, the world's largest Visa issuer, expects Duetto to quickly become as successful as its other co-brand partnerships with Volkswagen, Amazon, Marriott Hotels, and the Walt Disney Company. Hugh Bleemer is

Executive VP at Bank One in Wilmington, Delaware, (302) 282-8441, hugh_bleemer@bankone.com.

When cardholders use the Duetto card at Starbucks coffee shops, the retailer's point-of-sale system prompts clerks to ask whether the buyer wants to pay by credit or from funds in their prepaid account. When cardholders choose their prepaid account, the clerk presses a button to initiate the transaction. That payment data is sent to the ValueLink service of First Data Corp.,

which operates Starbucks' existing proprietary prepaid card. First Data will also provide cardholder account processing for Duetto Visa cards until Bank One converts to TSYS in June 2004.

Starbucks launched its reloadable proprietary prepaid card in November 2001. Since then, 16 million cards have been activated. Over 80% are given as gifts or business-to-business incentives. In the third quarter of this year, the average initial load was \$15 and the average reload was \$24. Prepaid cards currently generate about 10% of all sales at Starbucks stores in the U.S. In the 2003 fiscal year that ended in September, sales at Starbucks in the U.S. were \$2.80 billion. ■

Duetto Card. For every \$1 in Visa card spending, Bank One will contribute one cent to the cardholder's prepaid Starbucks account. When cardholders schedule automatic reloads to their Starbucks account using the line of credit from Bank One, they earn three cents for every dollar.

New cardholders start with \$10 in their prepaid account after their first purchase at a Visa merchant. Starbucks will also donate \$5 to the company's philanthropic foundation for all new cardholders. Since 1997, the foundation has distributed \$7.6 million to nonprofit organizations. Starbucks plans to announce an additional philanthropic component to Duetto cards sometime next year. Prior issue: 782



Europe Processors (from page 1) ... Express transactions originated at 500,000 merchants. The joint venture will begin with annualized transaction volume of 800 million including cardholder account processing for Visa and MasterCard cards issued by banks using

Banksys, Interpay, and SSB (Societa per i Servizi Bancari) as third party processors. The joint venture will start with 18 million card accounts. International cardholder and merchant account processing will be consolidated in Milan, Italy at the SSB data center. Domestic debit and prepaid (electronic purse) card transactions will continue to be processed locally by Banksys, Interpay, and SSB data centers. POS terminal management will also be supplied locally, although Sinsys will eventually take over those functions. The SSB processing platform, installed in 1999, uses software from CSC Software for card issuing. Software for acquiring transactions from merchants was developed in-house by SSB.

Sinsys will be 51% owned by SSB, which is owned by 111 banks in Italy. Banksys, which is owned by 66 banks in Belgium, and Interpay, which is owned by 10 banks in the Netherlands, will both hold 24.5% share positions. Nicola Cordone, Deputy General Manager at SSB, is CEO at Sinsys in Brussels, Belgium, 32 (2) 247-5020, nicola.cordone@sinsys.net. ■



Galileo (from page 1) ... consumers can make cash payments to replenish their accounts. The company's platform can support gift cards, payroll cards, personal cards, and any other vertical market. The network of retailers connected to the platform, currently at



50,000, will reach 150,000 by the end of the first quarter of 2004. Retailers charge cardholders from \$1.00 to \$6.00 for each reload.

Cardholders linked to the Galileo platform can also use their prepaid bank card accounts to make bill payments using Galileo's service called Click-N-Pay. Transactions can be initiated at a Web site or by making a telephone call. Four - thousand billers are linked to Galileo for end-to-end electronic payments via the ACH network. For other billers, Galileo manufactures a paper check.

Subprime card specialist BankFirst in South Dakota has been using Galileo since the fourth quarter of 2002. Two other issuers are signed. One Global Finance is 100% owned by Galileo's principal shareholder, and is one of five marketers developing products to be processed on the platform. Two of One Global's clients, MetroPCS and TracFone, are cellular phone service providers who market Wired Plastic MasterCard cards issued by BankFirst to their customers. To load their first prepaid funds onto their MasterCard card, these customers can pay by cash or money order at 50,000 retail outlets including all Western Union agent locations. MetroPCS customers receive text messages on their cell phones within 15 minutes confirming their payments and advising them that the money is available for spending at any MasterCard merchant. When they dial #222, they can move money from their MasterCard balance to pay their monthly cellular phone bill. TracFone uses the Galileo platform to link spending on the MasterCard card to rewards of free long-distance and cellular calls. Clay Wilkes is CEO at Galileo Processing, Inc. and One Global Finance in Salt Lake City, Utah, (801) 298-8500 x110, cwilkes@galileoprocessing.com. ■



Beyond Travelers Cheques (from page 1) ... year, all on Visa-brand cards, will increase nearly 50% this year. Some of that volume will be on newly introduced prepaid products from American Express and Swiss Bankers Travelers Cheque Center. Next year, new travel-related prepaid cards will be available from MasterCard and Travelex.

Visa introduced a prepaid ATM-only TravelMoney card in 1993, a few months after Citibank introduced a

Contacts
American Express Sean O'Toole is VP, North America in New York, (212) 640-8777, sean.j.o'toole@aexp.com.
Swiss Bankers Thomas Beck is Managing Director in Grosshochstetten, Switzerland, 41 (31) 710-1122, thomas.beck@swissbankers.ch.
Travelex Russell Atkinson is Director Pre-Paid Cards in Peterborough, U.K., 44 (1733) 502-723, russell.atkinson@travelex.com.
Visa Scott Salmon is VP, Consumer Market and Segment Development in Foster City, California, (650) 432-3815, ssalmon@visa.com.

now-defunct travel-related prepaid ATM card in partnership with Japan Travel Bureau. Travelex is Visa's top prepaid-card issuer. Its ATM-only product (Visa/Plus network), available since 1997 and renamed Cash Passport last year, is sold in 15 countries. Other Visa TravelMoney card issuers market a product usable at those merchants worldwide who are able to authorize Visa Electron transactions.

Swiss Bankers Travelers Cheque Center, which issues Amex-brand paper cheques as part of a joint venture formed in 1995, launched its proprietary Travel Cash ... (turn to page 10)



Purchase Volume per Account

CREDIT CARDS	1997	2002	2007
Visa	\$1,899	\$2,517	\$3,260
MasterCard	\$1,486	\$1,781	\$2,555
Amer. Express	\$6,406	\$8,878	\$12,540
Discover	\$1,121	\$1,609	\$2,100
Store	\$232	\$300	\$362
DEBIT CARDS	1997	2002	2007
Visa	\$1,254	\$2,558	\$3,767
MasterCard	\$933	\$1,711	\$2,170
EFT Systems	\$266	\$934	\$2,639

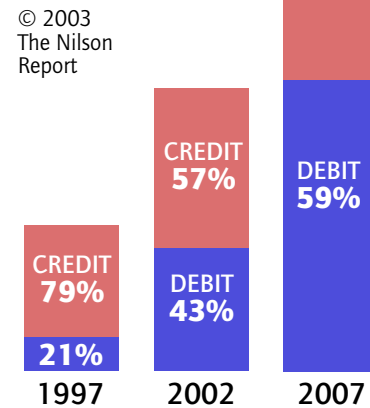
Purchase Trans. per Account

CREDIT CARDS	1997	2002	2007
Visa	24.63	30.82	33.26
MasterCard	20.41	21.76	27.35
Amer. Express	58.22	79.47	105.70
Discover	17.16	22.59	28.15
Store	3.96	4.43	4.76
DEBIT CARDS	1997	2002	2007
Visa	33.41	66.79	88.56
MasterCard	23.12	41.20	49.80
EFT Systems	8.56	30.16	93.89

Credit & Debit Cards (from page 1) ... However, growth over the next five years will be led by shared regional EFT system debit cards which are projected to gain \$315.50 billion, followed by Visa debit cards with growth of \$255.33 billion.

U.S. credit and debit card purchase volume per household equaled \$17,238 in 2002 — up 73% from \$9,968 in 1997. By 2007, that figure will be \$27,978. Debit card purchase volume per household will grow by \$5,409 over the next five years, more than the credit card increase of \$5,331. In 2002, credit and debit cards generated 30.95 billion transactions at merchants, up 12.2% over 2001. Credit cards accounted for 56.7% of these purchases of goods and services, down from 60.9% the prior year. By 2007 debit cards will account for 58.9% of purchase transactions.

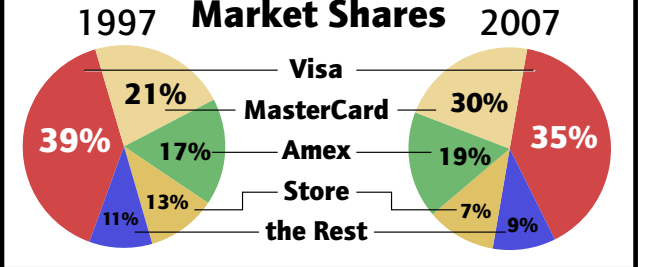
Purchase Transactions on Credit vs. Debit Cards



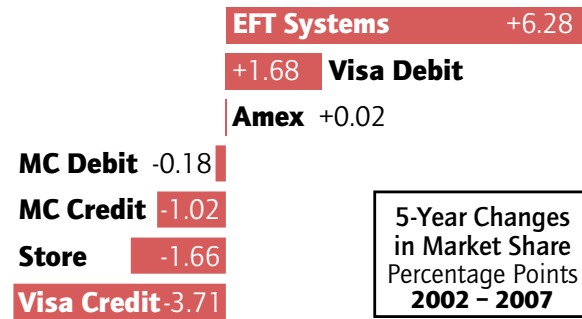
Credit Cards

There were 1.45 billion general purpose and proprietary credit cards in circulation in the U.S. at the end of last year, up 1.6% versus year-end 2001. Proprietary cards, which are usable only at select outlets, totaled 828.8 million and accounted for 57.3% of all credit cards in the U.S. By 2007, proprietary cards are projected to decline to 778.7 million, and their share of total credit cards in circulation will decrease to 52.2%. Visa, MasterCard, American Express, Discover, and Diners Club general purpose cards, usable at a wide variety of merchants, totaled 617.1 million at year-end 2002, and accounted for 42.7% of all ... (turn to page 8)

Purchase Volume on Credit Cards 1997 Market Shares 2007

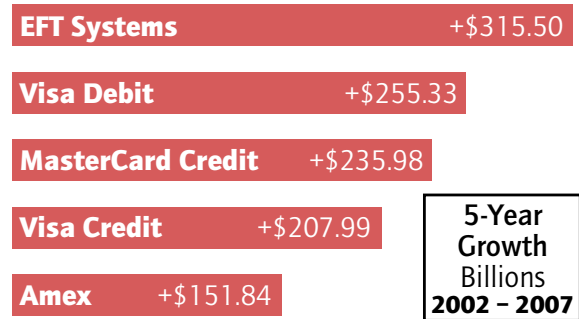


Total Volume



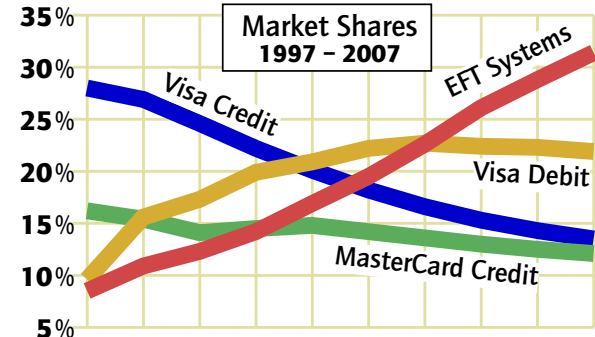
Billions	2002	5-Year Change	2007	5-Year Change
Credit Cards	\$1,632.49	+52%	\$2,390.10	+46%
Visa	\$609.27	+41%	\$860.87	+41%
MasterCard	\$485.84	+95%	\$760.92	+57%
Amer. Express	\$234.10	+56%	\$386.07	+65%
Discover	\$94.40	+67%	\$130.62	+38%
Diners Club	\$8.81	-3%	\$12.75	+45%
Store	\$127.98	+13%	\$146.88	+15%
Oil Co.	\$47.88	+24%	\$69.77	+46%
The Rest	\$24.22	-3%	\$22.22	-8%
Debit Cards	\$699.69	+331%	\$1,450.21	+107%
Visa	\$380.00	+304%	\$690.14	+82%
MasterCard	\$116.38	+594%	\$184.55	+59%
EFT Systems	\$202.57	+314%	\$574.82	+184%
The Rest	\$0.75	-71%	\$0.70	-7%
TOTAL	\$2,332.19	+89%	\$3,840.30	+65%

Purchase Volume



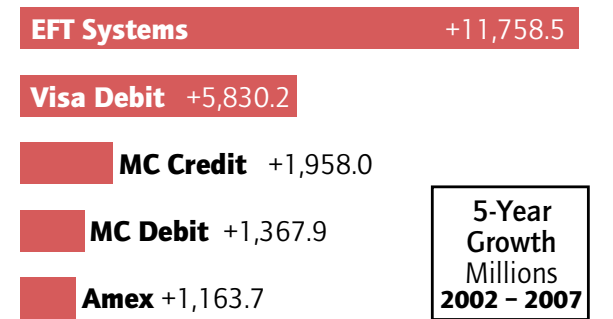
Billions	2002	5-Year Change	2007	5-Year Change
Credit Cards	\$1,371.83	+54%	\$2,038.88	+49%
Visa	\$506.90	+48%	\$714.89	+41%
MasterCard	\$374.05	+100%	\$610.03	+63%
Amer. Express	\$233.50	+57%	\$385.34	+65%
Discover	\$73.35	+64%	\$102.29	+39%
Diners Club	\$8.81	-3%	\$12.75	+45%
Store	\$127.98	+13%	\$146.88	+15%
Oil Co.	\$42.76	+20%	\$61.44	+44%
The Rest	\$4.48	-18%	\$5.26	+17%
Debit Cards	\$480.55	+304%	\$1,113.20	+132%
Visa	\$248.14	+330%	\$503.47	+103%
MasterCard	\$69.64	+319%	\$131.46	+89%
EFT Systems	\$162.17	+283%	\$477.67	+195%
The Rest	\$0.61	-74%	\$0.59	-3%
TOTAL	\$1,852.38	+84%	\$3,152.08	+70%

Purchase Transactions



Millions	2002	5-Year Change	2007	5-Year Change
Credit Cards	17,541.8	+39%	22,263.2	+27%
Visa	6,207.3	+39%	7,293.1	+17%
MasterCard	4,570.1	+77%	6,530.2	+43%
Amer. Express	2,090.0	+54%	3,248.2	+55%
Discover	1,030.0	+50%	1,371.0	+33%
Diners Club	35.2	0%	45.9	+30%
Store	1,890.9	+%	1,929.4	+2%
Oil Co.	1,707.3	+%	1,835.2	+7%
The Rest	11.1	+%	10.3	-7%
Debit Cards	13,407.9	+301%	31,867.6	+138%
Visa	6,479.0	+322%	11,838.4	+83%
MasterCard	1,676.7	+307%	3,017.1	+80%
EFT Systems	5,234.7	+285%	16,993.1	+225%
The Rest	17.5	-44%	19.0	+9%
TOTAL	30,949.7	+94%	54,130.8	+75%

Total Transactions



Millions	2002	5-Year Change	2007	5-Year Change
Credit Cards	21,897.3	+30%	26,560.4	+21%
Visa	6,330.7	+38%	7,421.6	+17%
MasterCard	4,663.2	+75%	6,621.2	+42%
Amer. Express	2,100.0	+54%	3,263.7	+55%
Discover	1,075.0	+48%	1,419.4	+32%
Diners Club	35.2	0%	45.9	+30%
Store	1,890.9	-2%	1,929.4	+2%
Oil Co.	1,761.9	+11%	1,905.9	+8%
The Rest	4,040.5	+2%	3,953.3	-2%
Debit Cards	15,584.5	+303%	34,542.6	+122%
Visa	8,111.4	+294%	13,941.5	+72%
MasterCard	2,221.0	+438%	3,588.9	+62%
EFT Systems	5,234.7	+285%	16,993.1	+225%
The Rest	17.5	-44%	19.0	+9%
TOTAL	37,481.8	+81%	61,103.0	+63%

NOTES: Numbers may not sum due to rounding. **The Rest under Credit Cards** includes telephone cards, UATP (United Air Travel Plan), car rental (cards issued for renting autos), proprietary cards for business aviation, hotels, airlines, restaurants, and clubs. **The Rest for Debit Cards** are store cards issued by supermarkets such as Safeway, Vons, Ralphs, etc. **Under Debit Cards, EFT Systems** are cards issued by financial institution members of regional and national switches such as Star, Interlink, Nyce, Pulse. Figures exclude activity at ATMs. **Purchase Volume** and **Purchase Transactions** excludes telephone card figures because transactions are processed exclusively by phone companies, not by credit card payment processors. They also exclude cash advances/withdrawals at ATMs, from convenience checks, from cash back at retailers, and from cash advances/withdrawals at bank branches.

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Credit Cards (from page 7)

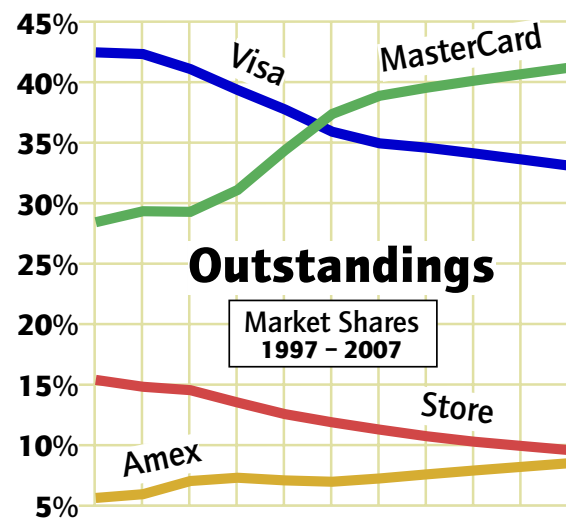
... credit cards in circulation. That share is projected to reach 47.8% by 2007 when general purpose cards will total 712.0 million.

PURCHASE VOLUME on credit cards totaled \$1.372 trillion in 2002, up 5.6% over 2001. Over the past five years, MasterCard led the growth of credit card purchase volume with an increase of \$186.57 billion compared to \$163.37 billion for Visa, \$84.50 billion for American Express, \$28.50 billion for Discover, and \$15.08 billion for store cards. Over the next five years, MasterCard will continue to lead, with growth of \$235.98 billion compared to \$207.99 billion for Visa, \$151.84 billion for American Express, \$28.94 billion for Discover, and \$18.90 billion for store cards.

PURCHASE TRANSACTIONS on credit cards totaled 17.54 billion last year, up 4.5% over 2001. These transactions are projected to reach 22.26 billion by 2007. General purpose cards generated 13.93 billion purchase transactions last year and accounted for 79.4% of all credit card purchases.

By 2007 they will be contributing 83.0%.

OUTSTANDINGS, the unpaid balances on all credit cards, grew by \$213.08 billion over the last five years and are expected to grow by \$274.12 billion over the next five. MasterCard, which led the last five years' growth with an increase of \$129.02 billion, is expected to continue to lead with an increase of \$142.28 billion over the next five years. Visa outstandings are projected to grow by \$69.51 billion by 2007, while American Express should see growth of \$35.24 billion.



Billions	2002	5-Year Change	2007	5-Year Change
Credit Cards	\$763.52	+39%	\$1,037.64	+36%
Visa	\$274.57	+17%	\$344.08	+25%
MasterCard	\$285.76	+82%	\$428.04	+50%
Amer. Express	\$53.80	+71%	\$89.04	+66%
Discover	\$49.15	+42%	\$65.12	+32%
Diners Club	\$1.11	-1%	\$1.61	+45%
Store	\$91.20	+7%	\$100.18	+10%
Oil Co.	\$4.72	+14%	\$6.57	+39%
The Rest	\$3.21	-1%	\$3.01	-6%

Credit Cards per Household

U.S. Households (mil.)	1997	2002	2007
	101.0	107.5	112.7
No. of Cards per Household			
Total	13.6	13.5	13.2
General Purpose	4.8	5.7	6.3
Visa & MasterCard	4.0	4.9	5.4
Store	5.9	5.1	4.6

Annual Purchase Transactions per Household			
Total	125	163	198
General Purpose	90	130	164
Visa & MasterCard	70	100	123
Store	19	18	17

Outstandings per Household			
Total	\$5,449	\$7,105	\$9,210
General Purpose	\$4,534	\$6,183	\$8,236
Visa & MasterCard	\$3,869	\$5,214	\$6,853
Store	\$842	\$849	\$889

Annual Purchase Volume per Household			
Total	\$8,791	\$12,766	\$18,097
General Purpose	\$7,266	\$11,135	\$16,201
Visa & MasterCard	\$5,257	\$8,198	\$11,760
Store	\$1,118	\$1,191	\$1,304

Total = proprietary and general purpose cards. Proprietary = store, oil company, airline, car rental, and any other single-purpose cards. General Purpose = Visa, MasterCard, American Express, Discover, and Diners Club. © 2003 The Nilson Report

Debit Cards

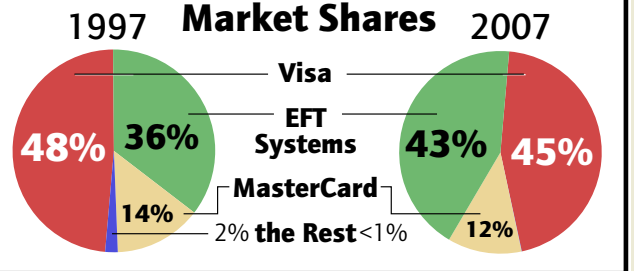
There are three types of debit cards: (1) global Visa and MasterCard brand cards with holograms, which totaled 174.9 million at the end of 2002 and are expected to reach 236.6 million by 2007, ... (2) regional and national EFT system brand cards such as Star, Interlink, Nyce, and Pulse, which totaled 249.0 million in 2002 and are expected to reach 287.3 million by 2007, and ... (3) supermarket consumer loyalty cards that totaled 11.4 million in 2002 and are expected to decline to 10.3 million by 2007. Visa or MasterCard service marks and holograms appear on the front of 67% of all debit cards issued in the U.S.

When debit cards carry a bank card brand and hologram as well as an EFT system brand, transactions are cleared and settled through the EFT system's network if the cardholder enters a personal identification number. If no PIN is used, transactions are cleared and settled through the MasterCard or Visa networks.

PURCHASES. General purpose and proprietary debit cards generated \$480.55 billion in purchases of goods and services last year, up 23.8% over 2001. This purchase volume is expected to more than double to \$1.113 trillion by 2007. The number of purchase transactions in 2002 totaled 13.41 billion, up 24.2% over 2001, and are expected to reach 31.87 billion in 2007. Visa and MasterCard debit cards generated 60.8% of debit card transactions at merchants in 2002. By 2007, their share will decline to 46.6% due to a 225% increase in purchase transactions on EFT system debit cards.

CASH. Debit cards in the Visa and MasterCard systems were also used to obtain \$178.60 billion in cash, mostly from automated teller machines (ATMs) in the MasterCard/Cirrus and Visa/Plus systems. Other sources of cash volume were transactions made over the counter at banks, and in the checkout lanes of supermarkets and other merchant outlets where POS terminals with PIN pads were linked to shared regional and national EFT systems. Cash withdrawals from ATM transactions settled within regional and national EFT systems is not counted here.

Purchase Volume on Debit Cards



Debit Cards per Household

U.S. Households (mil.)	1997	2002	2007
	101.0	107.5	112.7
No. of Cards per Household			
Visa & MasterCard	0.8	1.6	2.1
EFT Systems	2.0	2.3	2.5

Annual Purchase Transactions per Household			
Visa & MasterCard	19	76	132
EFT Systems	13	49	151

Annual Purchase Volume per Household			
Visa & MasterCard	\$736	\$2,957	\$5,636
EFT Systems	\$419	\$1,509	\$4,240

Cardholders (Millions)

	2002	Pct. of Adults	2007	Pct. of Adults
CREDIT CARDS	163.3	75%	174.2	76%
Visa	95.1	44%	100.4	44%
MasterCard	96.2	44%	105.0	46%
Amer. Express	25.2	12%	31.5	14%
Discover	38.5	18%	43.0	19%
Diners Club	1.5	1%	1.6	1%
Store	115.5	53%	114.0	50%
Oil Co.	74.6	34%	71.5	31%
The Rest	126.0	58%	120.0	53%
DEBIT CARDS	168.3	78%	177.4	78%
Visa	113.1	52%	139.7	61%
MasterCard	44.8	21%	63.6	28%
EFT Systems	167.1	77%	176.4	77%
The Rest	11.4	5%	10.3	4%

EFT Systems are debit cards issued by financial institution members of regional and national switches such as Star, Interlink, Nyce, Pulse. These are the same pieces of plastic as Visa and MasterCard debit cards and can carry multiple brands. The total debit card figure does not include duplication. © 2003 The Nilson Report

Cards (Millions)

	2002	5-Year Change	2007	5-year Change
CREDIT CARDS	1,445.9	+5%	1,490.8	+3%
Visa	258.4	+7%	290.4	+12%
MasterCard	266.9	+63%	316.6	+19%
Amer. Express	35.1	+19%	42.3	+20%
Discover	55.1	+15%	61.1	+11%
Diners Club	1.5	+6%	1.6	+7%
Store	547.3	-9%	515.3	-6%
Oil Co.	92.5	-17%	84.2	-9%
The Rest	189.0	+4%	179.2	-5%
DEBIT CARDS	260.4	+23%	297.5	+14%
Visa	127.8	+118%	169.0	+32%
MasterCard	47.1	+110%	67.6	+44%
EFT Systems	249.0	+24%	287.3	+15%
The Rest	11.4	+3%	10.3	-10%

Accounts (Millions)

	2002	5-Year Change	2007	5-year Change
CREDIT CARDS	1,029.6	+4%	1,057.2	+3%
Visa	201.4	+11%	219.3	+9%
MasterCard	210.0	+66%	238.7	+14%
Amer. Express	26.3	+13%	30.7	+17%
Discover	45.6	+14%	48.7	+7%
Diners Club	1.5	+4%	1.4	-5%
Store	426.5	-12%	405.6	-5%
Oil Co.	43.7	-27%	40.6	-7%
The Rest	74.7	+8%	72.2	-3%
DEBIT CARDS	316.7	+37%	380.1	+20%
Visa	97.0	+111%	133.7	+38%
MasterCard	40.7	+128%	60.6	+49%
EFT Systems	173.6	+9%	181.0	+4%
The Rest	5.4	-34%	4.9	-10%

Beyond Travelers Cheques (from page 5) ... card earlier this year. Travel Cash is a reloadable (euro, U.S. dollar) ATM-only (Cirrus network) product. This month American Express introduced TravelFunds in the U.S., a reloadable (euro, U.S. dollar, pound) prepaid mag-stripe card usable at Amex merchants and ATMs worldwide. Amex provides a refund on any unused balance, usually within 24 hours, if cards are lost or stolen. TravelFunds is the first Amex card to be printed with a kinogram. ■



Travelers Cheques (from page 1) ... of unused cheques, referred to as the "float" and available to be invested by cheque issuers, exceeded \$9.50 billion at year-end 2002 for all brands.

Last year, American Express acquired from Citigroup both the Citicorp-brand and Citicorp-Visa-brand cheque businesses. As a result, there are now essentially only three brands of travelers cheques sold worldwide — American Express, Visa, and MasterCard. A fourth brand, found on proprietary cheques from Swiss Bankers (denominated in Swiss francs), is sold by only a few banks in the Middle East.

American Express sells cheques through bank partners worldwide, from its own Web site, and from its travel offices. Travelex, a currency exchange company, issued \$6.80 billion in cheques last year, accounting for two-thirds of all the Visa-brand and MasterCard-brand cheques sold worldwide. Travelex sells Visa-brand cheques through its Interpayment Services subsidiary. Visa cheques are also issued directly by 15 financial institutions including Sumitomo-Mitsui Bank, Korea Exchange Bank, Bank of Brazil, and Banamex. A few financial institutions issue MasterCard cheques directly, including the Bank of Tokyo-Mitsubishi which is the top seller. Prior issues: 769, 746, 731, 725, 678, 559, 490, 302, 191, 190 ■

Travelers Cheque Sales Worldwide (Billions)*

Brand	2002	%
Amer. Express (1)	\$22.09	69.5
Visa	\$5.00	15.7
MasterCard	\$4.00	12.6
Other (2)	\$0.70	2.2
TOTAL World	\$31.79	
TOTAL U.S.	\$11.11	

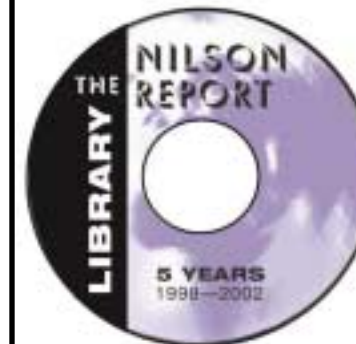
*Figures do not include sales of prepaid travel cards. (1) American Express issued \$21.90 billion. The other \$190 million was issued by Swiss Bankers Travelers Cheque Center. Amex owns 9% of SBTCC. (2) Other is proprietary Citigroup-brand sales made prior to the acquisition by American Express and proprietary Swiss Bankers-brand cheque sales (\$5 million in 2002).

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Contacts

American Express Valerie Soranno Keating is President Global Travelers Cheques in New York, (212) 640-8763, valerie.soranno@aexp.com.
MasterCard Douglas Logan is VP Travelers Cheques in Purchase, New York, (914) 249-1819, douglas_logan@mastercard.com.
Swiss Bankers Thomas Beck is Managing Director in Grenchen, Switzerland, 41 (31) 710-1122, thomas.beck@swissbankers.ch.
Travelex Tor Bengtsson is Director of Travelers Cheques in London, United Kingdom, 44 (207) 895-4163, tor.bengtsson@travelex.com.
Visa Derek Pearmund is SVP Prepaid Travel Products in London, United Kingdom, 44 (207) 795-5501, pearmund@visa.com.

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