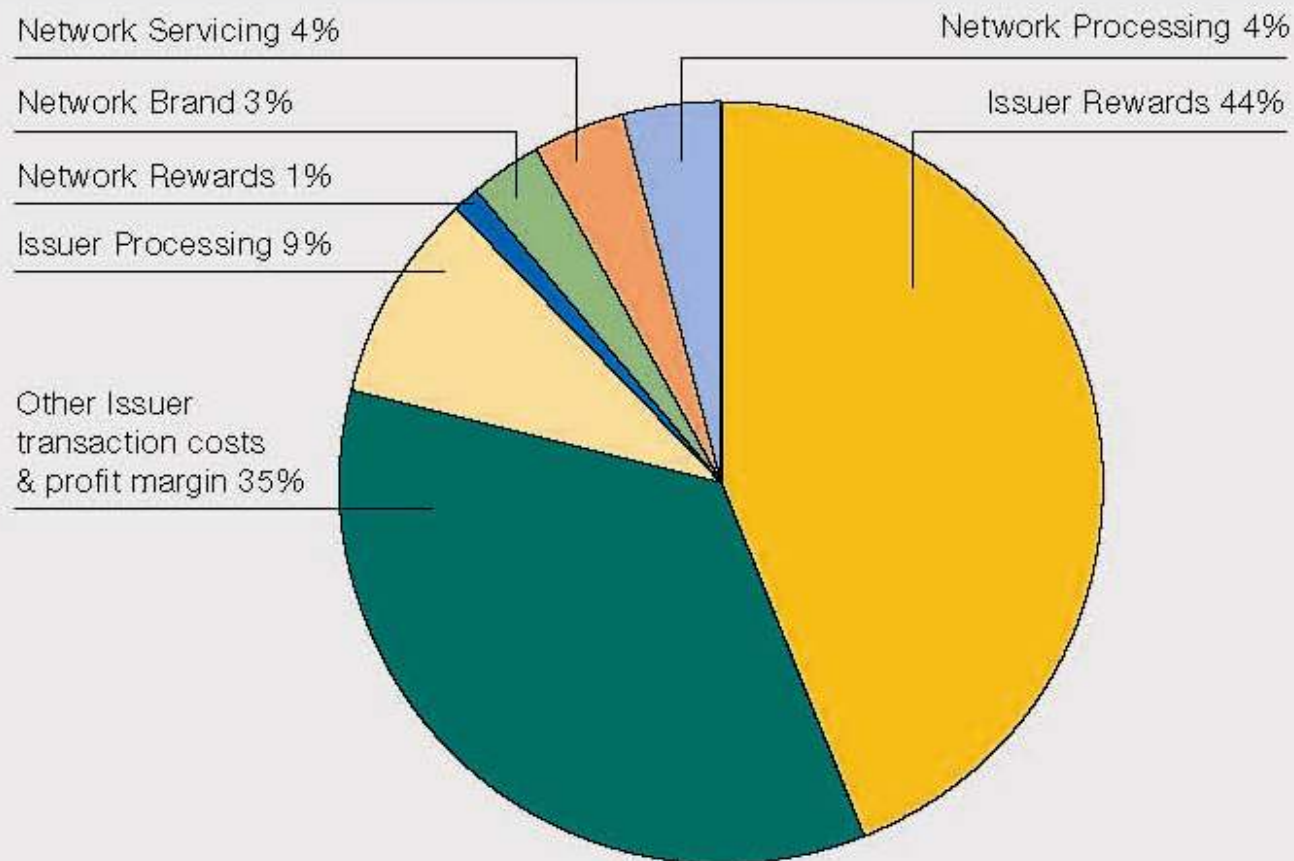


## Estimated Components of Interchange

Rewards account for 44% of interchange cost. Merchants are charged approximately 3% to pay for network branding costs (advertising, marketing, etc.). However issuers are not. Processing only accounts for approximately 13% of the interchange cost. Thirty-five percent of costs pay for other issuer costs and profit margin.



***Brand = advertising and marketing***

***Processing = transaction processing***

***Rewards = reward programs administration and benefits (assumes approx. 1% of transaction costs)***

***Network Servicing = network value added services like risk and fraud protection information and investment in infrastructure***

***Other Issuer costs and profit margins costs and or profits not covered by net interest margin***

Source: Diamond analysis.