Experian TAPS<sup>SM</sup>
Total Annual Plastic Spend

The first commercially available spend algorithm built from credit data
Experian TAPS℠ Product Overview

- TAPS is the first ever commercially available spend algorithm built from credit data
- Experian TAPS℠ uses longitudinal credit data to estimate the last 12 months of spend on credit and charge cards
- It calculates spend, separately, on each trade line, then aggregates those trade lines to provide a snapshot of an individual's annual spend

Experian TAPS captures >90% of all credit card spend
- VISA
- MasterCard
- American Express
- Discover
- Trade lines, a.k.a. “General Purpose Type Credit Cards”

Annual

<table>
<thead>
<tr>
<th>Credit Cards</th>
<th>2010 (Bil)</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visa</td>
<td>$809.3</td>
<td>39%</td>
</tr>
<tr>
<td>Master Card</td>
<td>$479.3</td>
<td>23%</td>
</tr>
<tr>
<td>Amex</td>
<td>$476.3</td>
<td>23%</td>
</tr>
<tr>
<td>Discover</td>
<td>$107.2</td>
<td>5%</td>
</tr>
<tr>
<td>Store</td>
<td>$127.9</td>
<td>6%</td>
</tr>
<tr>
<td>Oil</td>
<td>$47.0</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>$5.2</td>
<td>&lt;1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,052.2</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Source: Nilson December 2010 – issue 961

$3,000 $8,000 $1,000 $100 $0 $12,000 $0
Annual Spend on Each Card

= $24,100

Annual Spend

= $24,100

Experian Public.
Experian TAPS℠
Features

- FCRA compliant
- Can be used for adverse action
- Validated on the accounts of multiple card issuers and network trade lines
- Available via batch processes and on line credit reports (online coming soon!)
- It’s calculated at the individual level
- Calculate a lender’s wallet share for each consumer through the use of Experian subcodes
- Returns 5 data elements: total spend, pay rate, client spend, other spend, wallet share
- It’s not aggregated by zip code (geo-modeled) or inferred – it uses actual individual data
Experian TAPS℠ can also calculate a lender’s wallet share for each consumer through the use of Experian subcodes.

What TAPS Calculates…..

<table>
<thead>
<tr>
<th>Customer</th>
<th>“Valley” Bank Spend</th>
<th>“Mountain” Bank Spend</th>
<th>“Ocean” Bank Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Morton</td>
<td>$3,500</td>
<td>$3,500</td>
<td>$8,000</td>
</tr>
<tr>
<td>John Doe</td>
<td>-</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
<tr>
<td>Sue Jones</td>
<td>$8,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tracy Smith</td>
<td>$30,000</td>
<td>-</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

What Client (i.e. “Ocean Bank”) would receive:

<table>
<thead>
<tr>
<th>Total Spend</th>
<th>Avg Balances</th>
<th>Pay Rate</th>
<th>“Ocean” Bank Spend</th>
<th>Other Spend</th>
<th>Wallet Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,000</td>
<td>$3,800</td>
<td>63%</td>
<td>$8,000</td>
<td>$7,000</td>
<td>53%</td>
</tr>
<tr>
<td>$3,000</td>
<td>$300</td>
<td>10%</td>
<td>$1,500</td>
<td>$1,500</td>
<td>50%</td>
</tr>
<tr>
<td>$8,000</td>
<td>$2,100</td>
<td>13%</td>
<td>$ -</td>
<td>$8,000</td>
<td>0%</td>
</tr>
<tr>
<td>$45,000</td>
<td>$4,500</td>
<td>87%</td>
<td>$15,000</td>
<td>$30,000</td>
<td>33%</td>
</tr>
</tbody>
</table>

Note: The best predictor of future spend is a consumer’s prior year spend. TAPS interprets the last 12 months of balance and payment history and calculates a proxy for historical spend. Therefore, it is not a model per se, but more like a complicated attribute.
Experian TAPS℠ returns 6 fields

<table>
<thead>
<tr>
<th>Total Spend</th>
<th>Avg Balance</th>
<th>Pay Rate</th>
<th>Client Spend</th>
<th>Other Spend</th>
<th>Wallet Share</th>
</tr>
</thead>
</table>

- **Total Spend**: Sum of total spend over the last 12 months for an individual
- **Average Balance**: The sum of the years average balances on credit card trades
- **Pay Rate**: The proportion of a consumer’s average monthly balance that is spend (spend/ avg bal / 12)
- **Client Spend**: Sum of total spend over the last 12 months for an individual on the clients trade lines only. a.k.a “On Us” Spend
- **Other Spend**: Total Spend – Client Spend, a.k.a “Off Us” Spend
- **Wallet Share**: Client Spend / Total Spend
Experian TAPS℠
Algorithm Development

- Algorithm calculates the last 12 months of total card spend
- Validated on the accounts of multiple card issuers and network trade lines
- The TAPS algorithm discriminates spend, accurately and independent of balances with R2 of 0.75-0.87
- TAPS is complimentary to Vantage Score, credit line strategies and utilization and thus can rank within sub-segments.

Experian TAPS℠ is the first commercially available algorithm that uses credit data to calculate spend
Predicted spend tracks actual spend with an $R^2$ of 0.87

- An independent validation sample was scored and compared with actual spend over 10 vintages of 12 months: $R^2 = .78$
- A similar validation on a different issuer was also conducted: $R^2 = .87$
- $R^2$ or “Coefficient of Determination” is a measure of the proportion of variability that two variables share, or in other words how much one can be explained by the other.
- The Coefficient of Determination above of .87 means that approximately 87% of the variability of each variable is shared with the other.
The TAPS algorithm discriminates spend, accurately and independent of balances, with R² of 0.75-0.85

TAPS algorithm Performance (Validation Sample)
Experian TAPS\textsuperscript{SM} validation
Compliments income models

TAPS varies significantly within Income Insight bins

**TAPS Bin within Income Insight bins**

<table>
<thead>
<tr>
<th>Income Insight Bin</th>
<th>% of Accounts within each Income Insight Bin</th>
</tr>
</thead>
<tbody>
<tr>
<td>$&lt;5K</td>
<td>1. &lt;$5K</td>
</tr>
<tr>
<td>$5K-$10K</td>
<td>2. $5K-$10K</td>
</tr>
<tr>
<td>$10K-$25K</td>
<td>3. $10K-$25K</td>
</tr>
<tr>
<td>$25K-$50K</td>
<td>4. $25K-$50K</td>
</tr>
<tr>
<td>$50K-$100K</td>
<td>5. $50K-$100K</td>
</tr>
<tr>
<td>$100K-$250K</td>
<td>6. $100K-$250K</td>
</tr>
<tr>
<td>$250K-$1M</td>
<td>7. &gt;$250K</td>
</tr>
</tbody>
</table>

- Income: $75-$150K
  - 40% spend <5K
  - 80% spend <$25K
- Income: $150-$300K
  - 20% spend <5K
  - 55% spend <$25K

$150k income w<5k spend = Potential debit users
Experian TAPS℠ validation
Will allow targeting across multiple risk bands

VantageScore is not correlated with spend. TAPS is a necessary complement to a risk score.

### Average VantageScore

<table>
<thead>
<tr>
<th>TAPS</th>
<th>1. &lt;$5K</th>
<th>2. $5K-$10K</th>
<th>3. $10K-$25K</th>
<th>4. $25K-$50K</th>
<th>5. $50K-$100K</th>
<th>6. $100K-$250K</th>
<th>7. &gt;$250K</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>618</td>
<td>708</td>
<td>800</td>
<td>826</td>
<td>841</td>
<td>837</td>
<td>821</td>
</tr>
</tbody>
</table>

Sources: Experian analysis
Experian TAPS℠
It’s all about “Spend”....

- Experian TAPS℠ helps Clients calculate profit by providing an estimate of consumer spend.
- The Dodd Frank act has restricted lenders ability to generate income from Fees and APR changes. Interchange is one of the last levers issuers can use to offset the reduction in income.

"Oceans" Bank Prospect Pool

Consumers that spend more than > $25k annually generate >$375 in interchange

Conversely consumers that spend less than <5k annually generate <$75 in interchange
Experian TAPS℠ helps clients prioritize marketing investments and target higher spending consumers.

Example “Oceans” bank goal is to target a Prescreen campaign of 100,000 consumers in one month. 1.5mm consumers passed their risk threshold.
Experian TAPS℠ helps Clients optimize enhanced value propositions to the right spending segments.

Example: “Oceans” bank wants to optimize their mail selections, offering rewards to some and no rewards to others. 1.5mm consumers have passed their risk threshold.

“Oceans” Bank Prospect Pool

Option 1: Offer standard rewards with no cap
Option 2: Add a cap but offer higher rewards (reduce “reward” abuse)

Option 1: No cap rewards
Option 2: Brand only
ABC Bank Acquisition Pool

- Before TAPS, ABC Bank targeted low spending consumers. More than 70% of prospects spent < $5k annually.
- The focus was lost on acquiring and managing “high potential profit” consumers.

Using TAPS to target higher spending prospects, while suppressing those with no spend, helped **lower mail costs** and enable **new and more differentiated strategies**. These enhancements included **better rewards offers, and enhanced mail pieces**.
Free Validation

- If Client provides at least 10k records from their portfolio with:
  - Name, address and SSN
  - Monthly spend for last 12 months
    - MCC code
    - Date of transaction
    - Amount of transaction

- Experian will add the TAPS values for each record, validate accuracy on client-specific trade lines and will:
  - Explain any variations and trends
  - Segment and report as requested by the client
  - Provide all the data back to the client for their analysis*

*Note: Similar to a risk analysis, this is an archive, so no PII can be returned to client, thus the transaction data must be on the input file, allowing the client to analyze the detail, when the file is returned.