



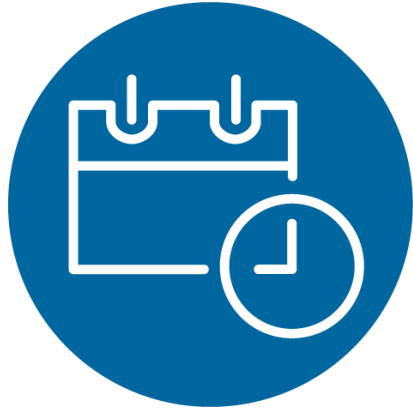
PSD2 & Instant Payment

Presentation to Investors
June 2017

worldline
e-payment services

.....

Agenda



- 1 Introduction
- 2 PSD2/Instant Payment Impacts for **Banks**
- 3 Worldline offering for **Banks**
- 4 PSD2/Instant Payment Impacts for **Merchants**
- 5 Worldline offering for **Merchants**
- 6 Conclusion



Introduction

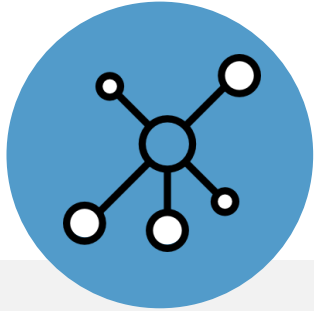
Marc-Henri Desportes
Worldline General Manager

worldline
e-payment services

Worldline covers the whole payment value chain



Payments industry is changing rapidly



New technologies

A digital revolution revealing unparalleled waves of innovation with a fast-paced evolution



Increasing Regulations

Many new regulations (SEPA, PSD2, eIDAS, etc.) stimulating innovation and putting all actors at a level playing field



Changing customer needs

Mobile-first services, always open and available, need for speed and real-time information and payments

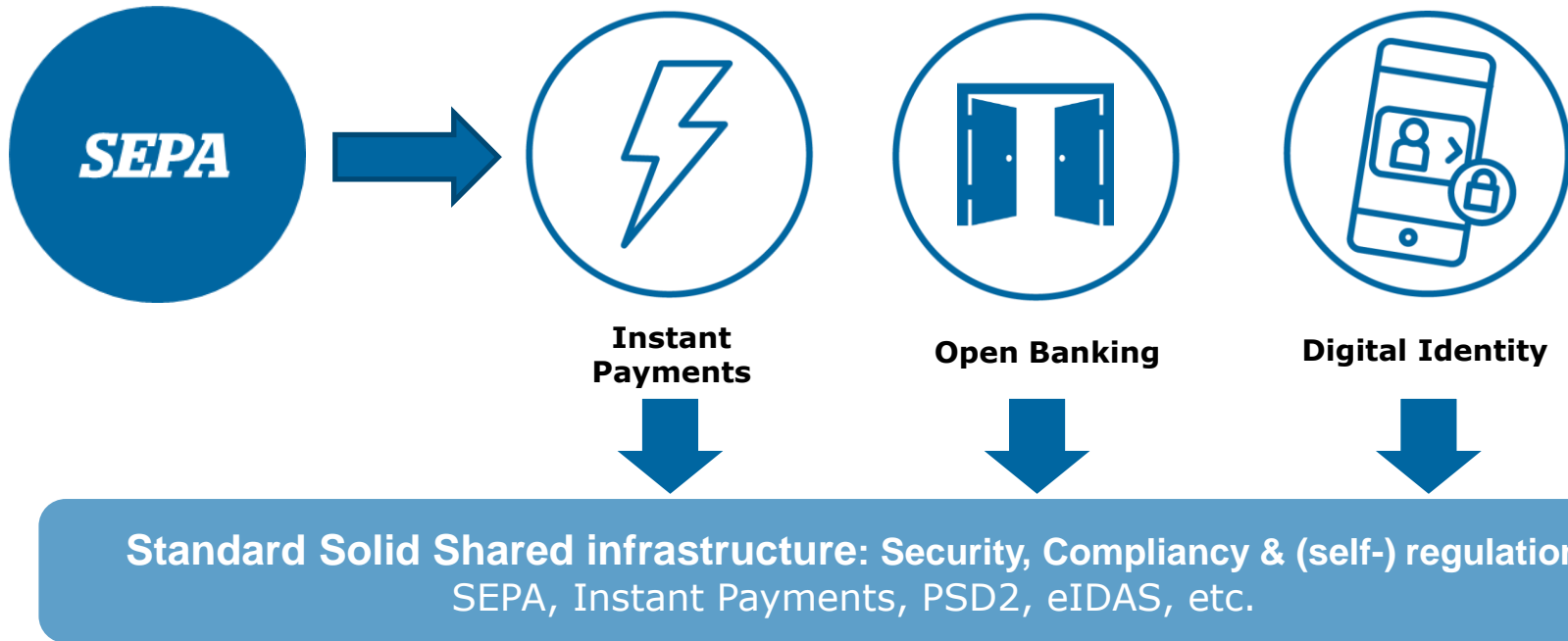


New entrants

A large range of new entrants see opportunities arising from new regulations and compete with traditional actors

A fast moving regulatory environment for payments

Preparing the industry for the demands of the digital economy



Opportunities from PSD2/ Instant payments will benefit **Worldline's business**

REGULATORY CHANGE

Banks must allow access to Payment account

to registered Third Party

Third Parties can initiate payments

/access accounts
but are more tightly regulated

Strong authentication is required

MARKET IMPACT

Reactive: Banks need to create short term interface to legacy

...

Proactive: Banks develop their own third party services

Biggest merchant need their **own internal solution**

...

Smaller players and existing clients will use **white label solutions**

Banks and Fintech need to **upgrade their systems**

WORLDLINE CAPABILITIES

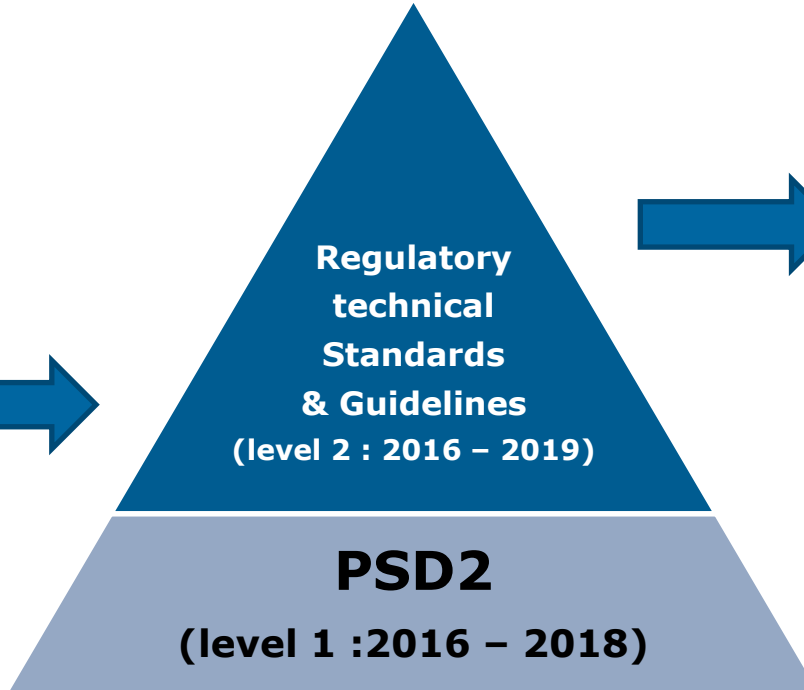
Digital banking
as a service
Instant Payment
solutions

Instant Payment
Solution
PSP

Trusted Authentication
solutions

Regulatory framework of PSD2

**PSD1
(2007)**



Coordination of home-host supervision	1) RTS on Passporting Notifications
	2) RTS on cross-border supervision
	3) RTS on Central Contact Points
Consumer Protection	4) GL on Complaints Procedures by CAs
Authorisation	5) GL on Professional Indemnity Insurance for PIS/AIS pr.
	6) GL on Authorisation of PIs
Register	7+8) RTS & ITS on EBA Register
Security (jointly with the ECB)	9) GL on Incident Reporting
	10) GL on Security Measures
	11) RTS on Strong Authentication & Secure Communicat.

Instant payment

A new SEPA scheme in November 2017



Addressing various use cases



P2P

Many applications dedicated to peer-to-peer (P2P) payments have emerged these years. With Instant Payments, end-users will be able to conveniently pay their friends or family in a few seconds, with an instant availability of funds.



P2B

Merchants, small and medium businesses (SMBs) & corporates will be able to receive payments 24/7/365. They will benefit from a decreased financial risk as the payments are irrevocable. Instant Payments improve the user experience whether online or at the point of sale.



B2B

Keeping a healthy cash flow is a crucial aspect of business activity of SMBs, suffering from late payments. Instant Payments can be especially profitable for them to be paid instantly, reducing their daily sales outstanding (DSOs) and their overdue invoices.

**Go live in
November
2017 with
new first
offers**



Impacts for banks

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These regulatory changes create new opportunities...



Become the principal bank for their clients

Create connected omni-channel experiences



Get a complete 360 degree view of their customers

Benefit from the information they can get from other banks



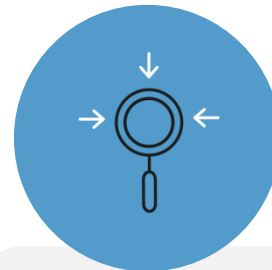
Boost revenues, upsell and cross sell

Become best in class by integrating fintech capabilities (partner / buy)



Attract new clients

Through new user experience

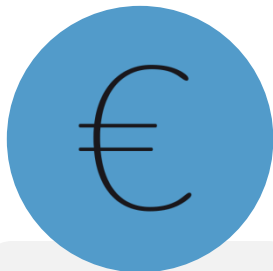


Value trust and security status

Introduce new business models

Be proactive in a changing environment

... but also risks



Loss of card transaction revenues



Security Liability

Access has to be controlled and authorized



Exposure of customer data

Loss of customer control and customer loyalty



Desintermediation

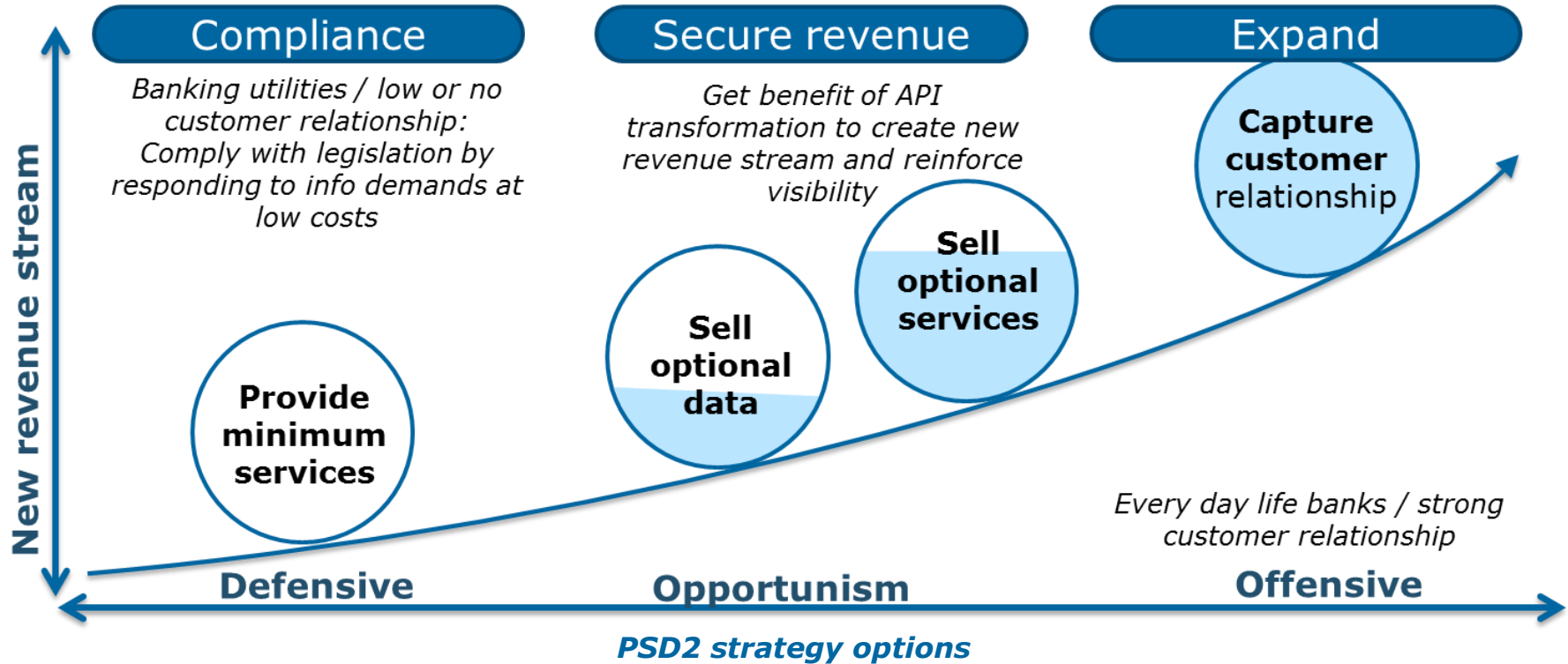
Less barriers to entry for TPP



Lack of innovation

Risk to fall behind more aggressively marketed providers

Challenge for banks is to go beyond pure compliance





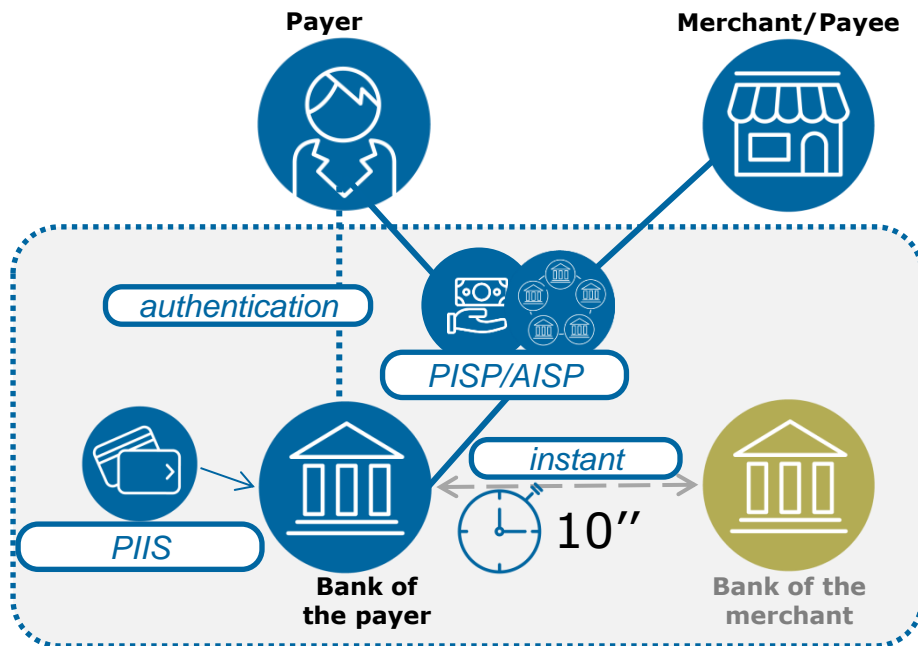
Worldline offering for banks

Sylvie Calsacy

Worldline Head of Payment Strategy

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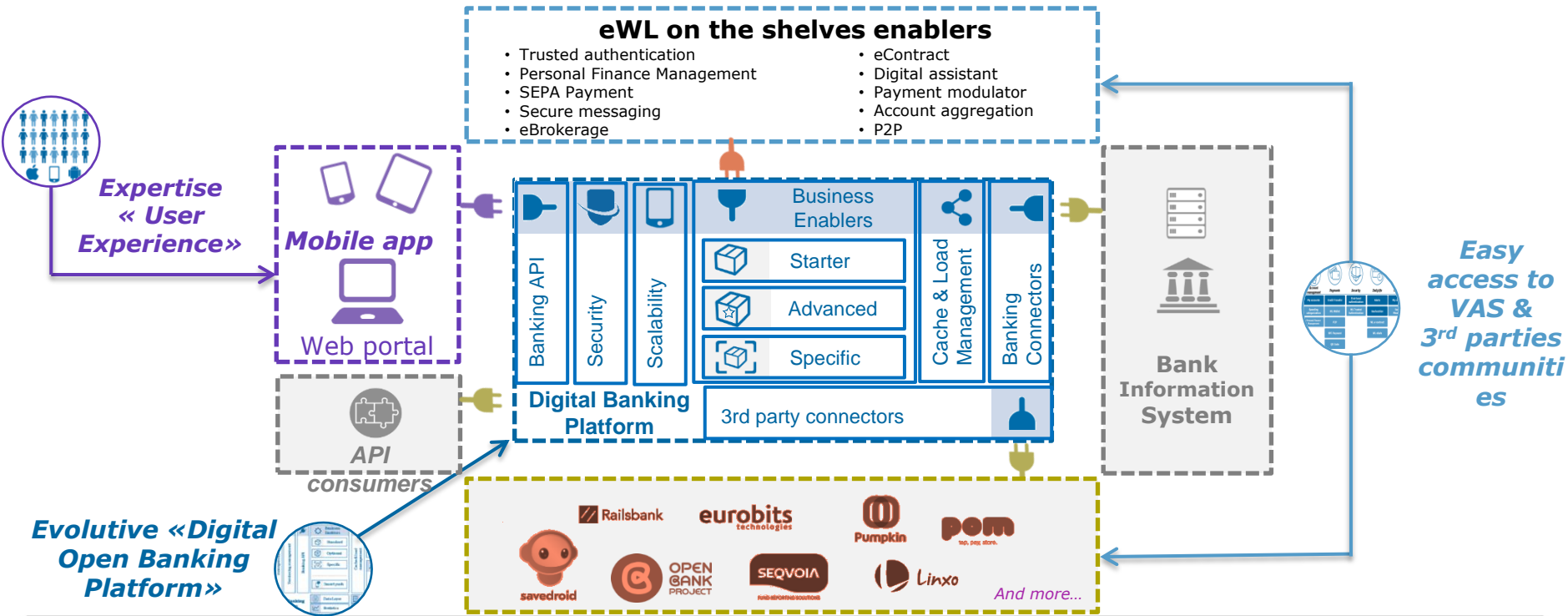
PSD2 and Instant Payment Impact on the Payment Value Chain



- **Payment Initiation Service Providers (PISP):** Establish a bridge between the merchant and the online banking platform of the payer's account in order **to initiate a credit transfer**.
- **Account Information Service Providers (AISP):** Provide the service user with **aggregated online information on one or more payment accounts** via online interfaces.
- **Provider Issuing Instrument Services (PIIS):** immediately **confirms whether sufficient funds are available** for the execution of a card-based payment (e.g. private schemes like Amex, ELV, etc.)

Worldline's Digital Open Banking Platform

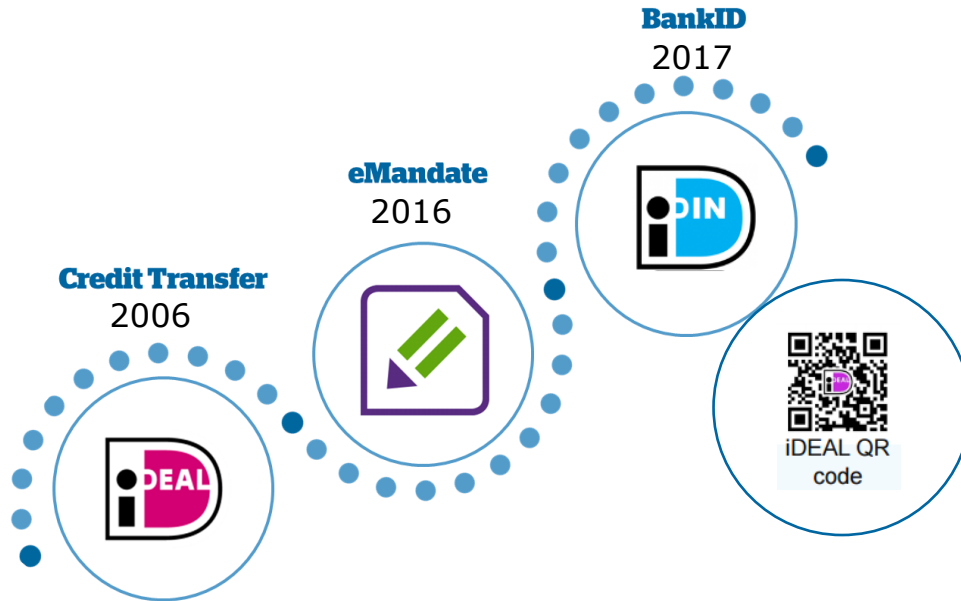
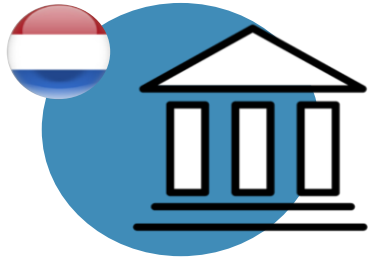
API is the new standard to build tomorrow's services



Processing of credit transfer by Worldline

Return on experience in NL

Nationwide OBeP schemes
on MSP platform,
from eSCT to digital
Identity



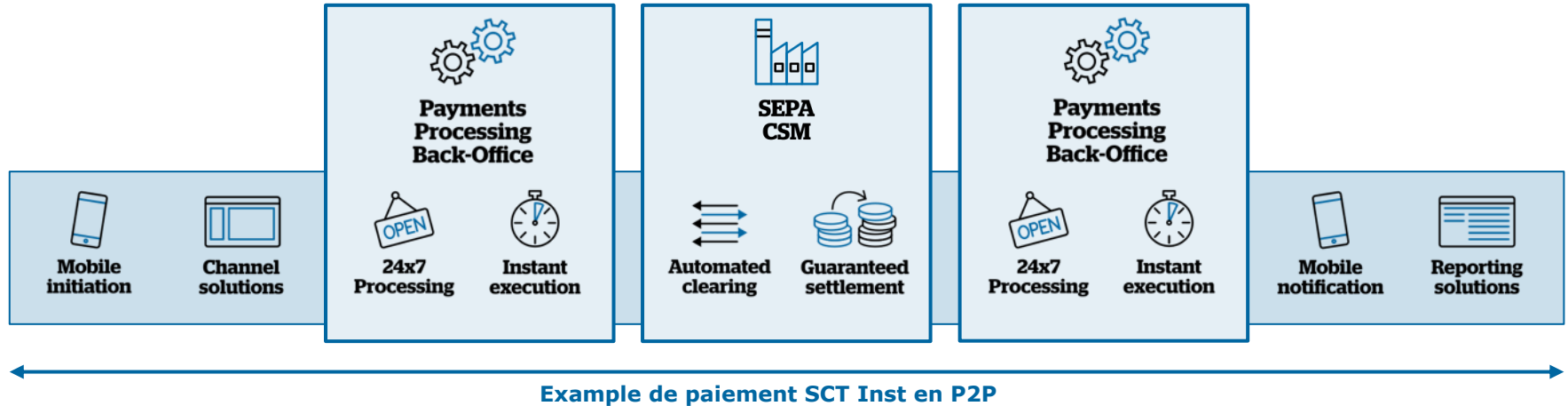
310M
eSCT
in 2016

215 000
eMandates
in 2016

200 000
merchants
in 2016

Worldline back-office processing

PAYMENTS 2.0 Program

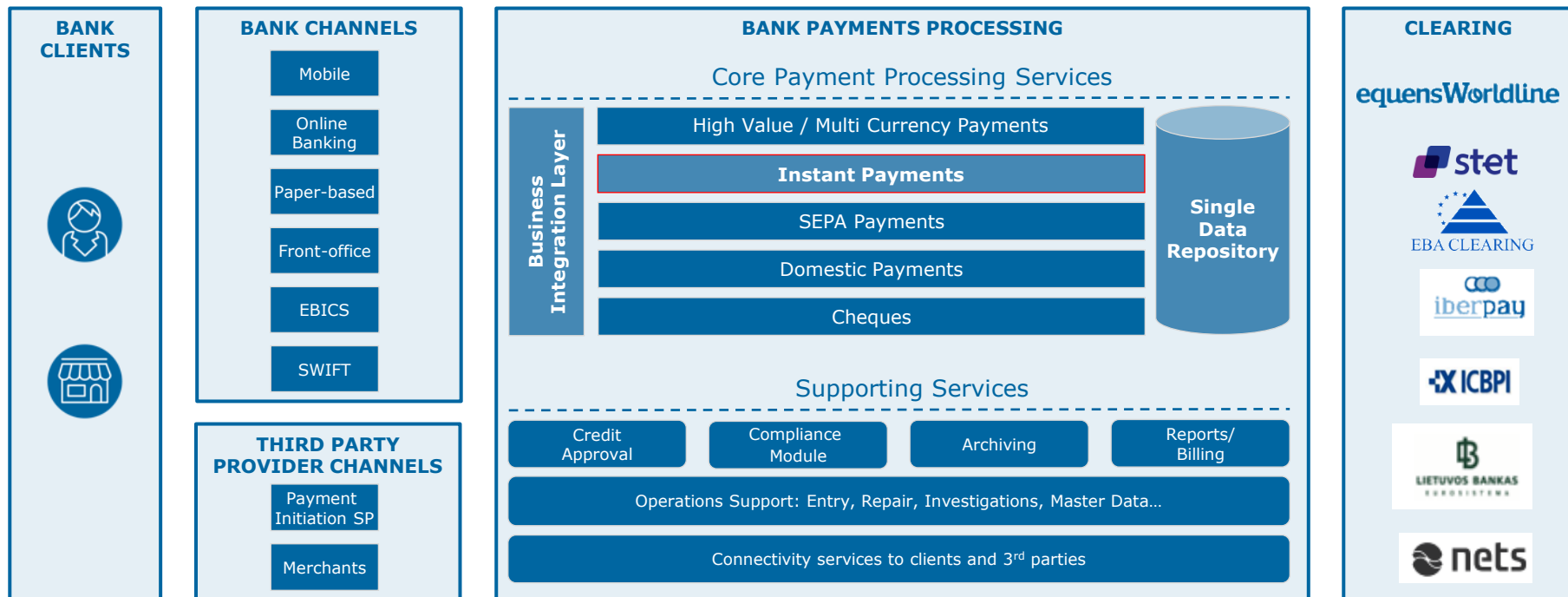


► **End to end integrated payment services including:**

- Back office payments processing
- Multi-channel solutions
- Overlay services, such as a white label mobile payment app
- Clearing and Settlement (CSM) service

Worldline back-office processing

Instant Payment "ready"



equensWorldline Instant Payment value proposition



- Instant Payment service **in SaaS mode:**

- **Speedy** time-to-market
- **Effortless** for banks



- **Limited impact on the core banking systems:**

- **Simplified connection** between the core banking platform and the instant payment platforms via BIL



- **Attracting business model tailored for newly launched payment mean**

- **Limited capex:** no licence cost and no integration cost
- Run costs variable in conjunction with volume increase

A few client cases



- ▶ **Client Type:** Global Bank
- ▶ **Trigger:** Issues with several in-house SEPA platforms across Europe
- ▶ **Scope of offered services:** SEPA flows
- ▶ **Value for the client:** Cost-efficient solution, single system across branches, supporting FI business, flexibility in custom requirements, support in corporate RFPs, fast time-to-market
- ▶ **Coming Soon:** Request for Instant Payments and usage of the Business Integration Layer



- ▶ **Client Type:** Mid-size German Regional Bank
- ▶ **Trigger:** Outdated and costly payments system with many issues and frequent incidents
- ▶ **Scope of proposed services:** Entire back-office payments portfolio
- ▶ **Value for the client:** Cost savings (10 FTE); synergies in vendor management; stable, cost-efficient and compliant end-to-end payment processing

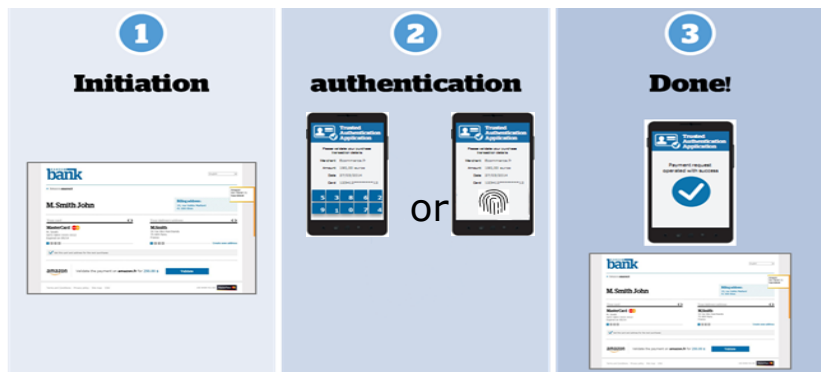
Tier 1 European bank

- ▶ **Client Type:** Tier 1 Bank active in 11 European countries
- ▶ **Trigger:** Instant Payments requirements
- ▶ **Scope of proposed services:** Instant, SEPA, Multi-Currency, Domestic, High Value, CSM
- ▶ **Value for the client:** limited upfront investment, synergies in vendor management, eased compliance.

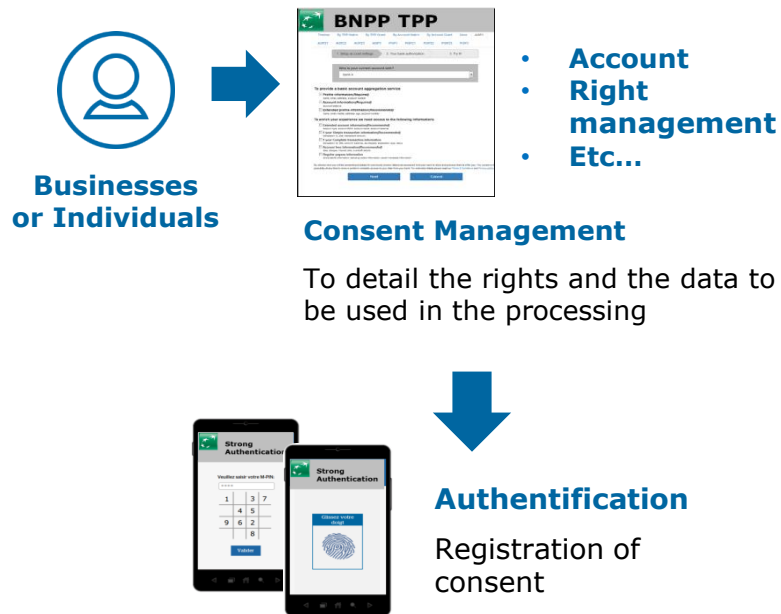


Example of additional services

Trusted Authentication



Consent Management





Impacts for merchants

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Worldline General Manager

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These regulatory changes create new opportunities...



Cheaper and secure for merchants

- Credit transfers processing is less expensive than card processing (lower scheme & Ix fee). **Up to 50% of transaction cost reduction**
- Payment is irrevocable
- **Cheaper than existing electronic payment solutions** (no interchange, no scheme)



New multi-channel payment method

- Account based payment solutions are preferred to cards in several European countries
- SCT **can answer to user payment experience with innovative solution** (e.g. large amount on ecommerce, payment at delivery, ...)
- To replace cheques (Fr) or Direct Debit (Ge)



More freedom - Support Merchant digital strategy

- Increase **customer intimacy** through Merchant app allowing SCT payment
- A unique merchant wallet solution combining payments, loyalty and coupons.
- APIzation around PSD2 enables more flexibility in developing new customer experience

... but also challenges

1

Make credit transfer a new universal payment means

- Deploy an **homogenous customer experience** multi-channels with an **attractive user on-boarding** (single registration process)
- Rethink the sales process

2

Propose an attractive SCA (Strong Customer Authentication)

- Find the right **balance between regulator requirements, security and customer experience** in-store, in-app and on-line

3

Allow a smooth shop integration

- Benefit of **integration tools to Merchants' shop, ERP and accounting system**
- Benefit of **reporting** (reconciliation) and **features** (refund) to Merchants to support existing back-office procedures
- **Avoid impacts on till systems and online shops**

4

Promote the payment methods for a large and quick adoption

- Define a **simple customer experience**
- Depend also on **value added service ecosystem** (Voucher, loyalty, fund availability before initiating the payment (AISP), choice of account..)



Worldline offering for merchants

Sylvie Calsacy

Worldline Head of Payment Strategy

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Our value proposition – in short



Enabling merchants to accept Credit Transfer

A fast and simple implementation of Credit Transfer with the same level of services as for card payments.



Secure payments with no compromise on the user experience

A payment guarantee for the merchant, a better **risk based assessment** to reduce fraud rates, and an **efficient dispute management**.



Facilitating customer experience through all channels

With a better knowledge of their customers, merchants can **facilitate the purchasing process**, for example with less friction due to SCA (Strong Customer Authentication)



Offering added value services for end-users

Merchants can enrich their offer with **additional services** as insurance, offer credit if needed, a support in case of chargeback request, etc.

The next step... with SCTinst



The Payment Initiator Service is the best way to **leverage SCTinst for the merchants**



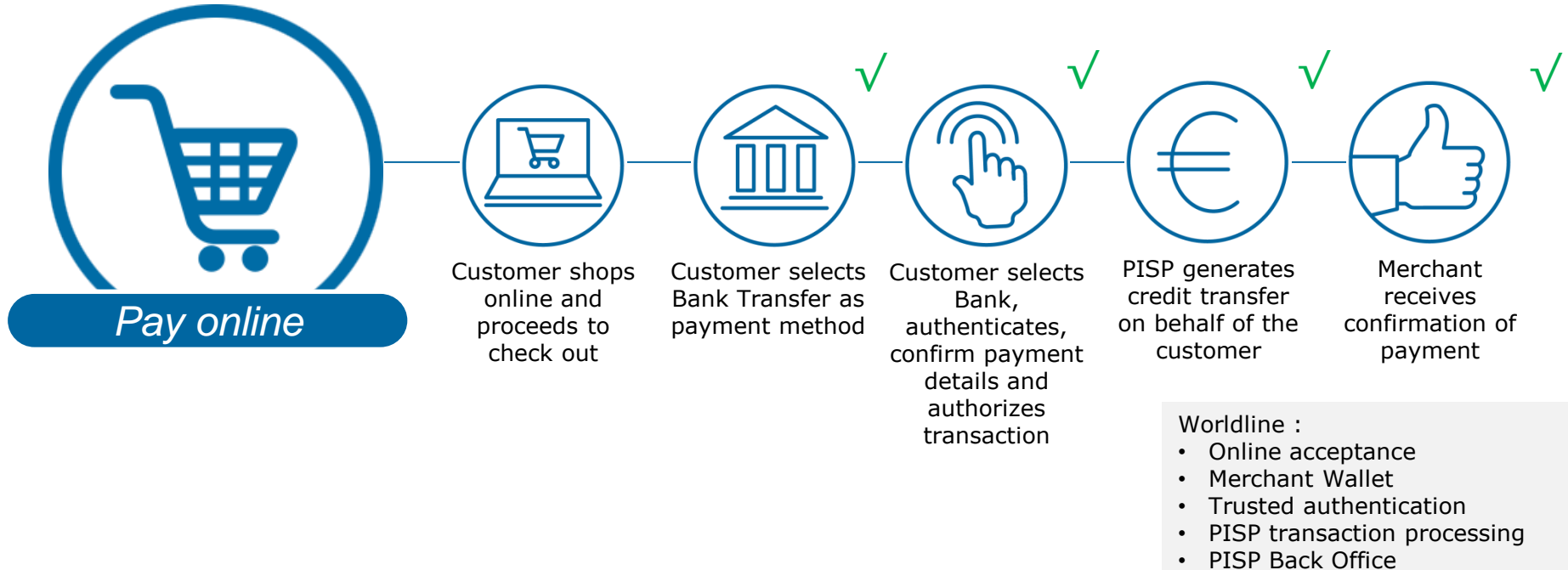
Benefits of SCTinst are:

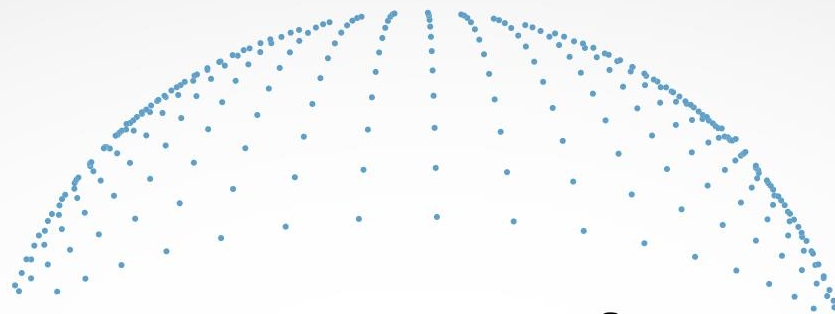
- the **instant confirmation of the funds clearing**
- **more secure**
- **more convenient for the reconciliation**



On-line Credit Transfer payment with Worldline services

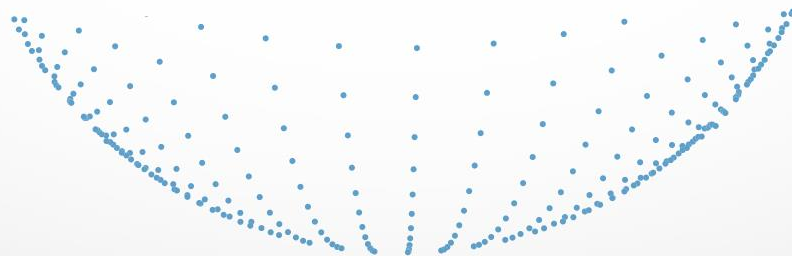
PISP allows the customer to communicate directly with their bank.



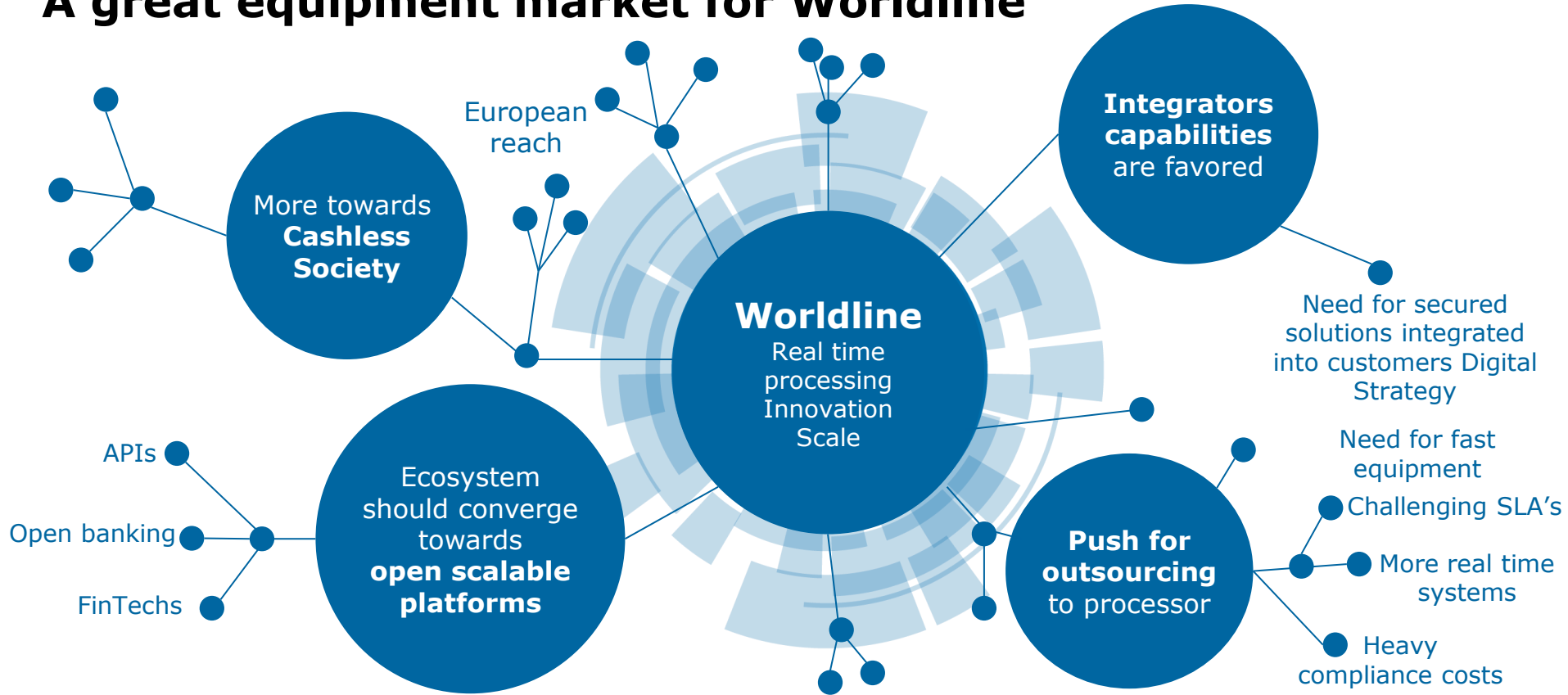


Conclusion

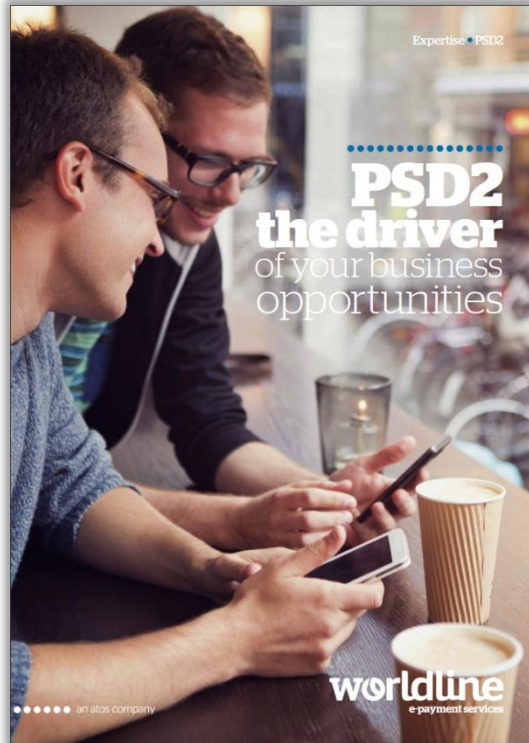
Marc-Henri Desportes
Worldline General Manager



A great equipment market for Worldline



Worldline is ready





Thank you

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