

# ***MasterCard-WASHINGTON MUTUAL DEBIT FLIP***

*Delivered by Ruth Ann Marshall  
President of the Americas, MasterCard International  
Washington Mutual Debit Operations Group  
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*MasterCard  
International*

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Good morning, everyone! Thank you Tom and Deanna for that kind introduction; and thanks to all of you for that warm WaMu reception.

It's an honor for me to be here and meet all of you. Everyone in this room, and all your colleagues across the country, have played a major role in making WaMu the irresistible force in banking it is today.

I read on your website that almost one-hundred-and-fifteen (115) years ago to the day, on September 25<sup>th</sup>, 1889, the Washington National Building Loan & Investment Association – the company that eventually became today's Washington Mutual –incorporated here in Seattle. A few months later, in February 1890, the company made the first monthly-installment home loan on the Pacific coast. That loan was for \$700 and went to a Norwegian seaman who built a home in Ballard.

From that \$700 mortgage, Washington Mutual has grown to become the seventh-largest banking company in the country, with total assets of \$278.5 billion and more than 2,400 offices throughout the U.S., serving nearly 12 million American households. From tiny acorns mighty oaks do grow, and from that \$700 acorn WaMu has surely grown into a mighty oak.

All of us at MasterCard applaud what you've accomplished, and I'm proud to be here representing all four thousand of my colleagues when I say how very enthusiastic and energized we are to be working with the great people of WaMu.

If I might paraphrase the famous Humphrey Bogart line at the end of Casablanca, "I think this is the beginning of a beautiful partnership." The reason I believe this is because WaMu and MasterCard share so much in common:

- Dedication to innovation;
- The relentless pursuit of excellence in every *aspect* of our business;
- Laser-like focus on meeting goals and achieving success;

- A belief that ethics, honesty, and good corporate citizenship are not merely marketing slogans, but essential elements of who we are;
- A rock-solid commitment to building a world-class brand; and perhaps most important
- An unwavering devotion to meeting our customers' needs with products and services that are unsurpassed in the banking and payments industries.

WaMu has earned a well deserved reputation as a transformer in the banking industry. Whether it's:

- Pioneering the first shared ATM network (the Exchange),
- Helping finance the first pay-by-phone banking program,
- Taking free checking to the next level,
- Turning the American dream into a reality with innovative mortgage products that make home ownership possible for millions of people,
- Changing entrenched thinking about bank branches by making them “retail banking stores” and then *patenting* the concept or
- Setting the standard for personalized customer service with your Occasio locations,

Washington Mutual not only talks the talk, but walks the walk of the transformer in the banking industry.

Today marks the beginning of a new transformation for WaMu and MasterCard. Together, our partnership is going to transform the financial services and payments businesses in this country. And that's part of why we at MasterCard are so enthusiastic about the opportunity to work with all of you.

But beyond enthusiasm, MasterCard also has developed an aggressive plan of action we're confident will achieve the type of major league results for your debit portfolio that a marquis brand such as WaMu deserves.

Let me be clear: when I say major league results, I certainly don't mean that we'll be satisfied with a performance similar to what the Mariners have done this year. [PAUSE]

Well, at least the Seahawks are still undefeated, even if they've only played one game.

Over the next few minutes, I'll outline some of the most important elements of our plan and tell you how, together, we'll take WaMu's payments business to new heights.

But before I do, let me tell you a little about MasterCard. Better yet, let me show you.

**[CUE CORPORATE VIDEO]**

As I think that video shows, our approach to the payments business is clearly succeeding. The bottom line is that our business is growing, by all the significant measures that matter most in the payments business. We've differentiated ourselves and our brand with a host of new products and services that enable our members to tap into virtually every payment opportunity in every segment, whether it's consumer, small business, big business or the government sector.

Our leadership is marked by a history of achievement, including many significant "firsts," such as:

- The first gold bankcard program (1981);
- The first use of a laser hologram as an antifraud device (1983);
- The first coast-to-coast online debit transaction in the United States (1992);
- The first to introduce no-liability consumer protection against fraud (late 1990's)

But as much as I enjoy basking in the glow of what MasterCard has accomplished and continues to achieve, that's not why I'm here.

I'm here to tell you what MasterCard is going to do for WaMu and what we're going to do together to add to that list of firsts in the future.

Let me emphasize that the absolute success of WaMu's new MasterCard program is among our top corporate priorities. MasterCard resources and expertise are committed to supporting this

conversion so it is as seamless and painless as possible in the near term. In the long term, we'll focus on building the WaMu brand and increasing your debit portfolio's revenue and profitability.

We intend to demonstrate our devotion to you by providing a level of support unlike anything you've experienced in the past.

I once heard a story about two gas stations located across from each other at the same intersection. Both were about the same size and selling brand-name gasoline at the same exact price, but one station was constantly pumping gas and attending to customers while the other was always empty. When asked to explain why his gas station was doing so much more business, the manager of the busy station said, "They're in a different business than we are. They're a filling station, we're a service station."

MasterCard intends to be *the* service station for WaMu's portfolio. We will never take our partnership for granted.

To underscore our commitment to you, MasterCard has invited WaMu representatives to sit on our U.S. Region Board of Directors and a number of other committees.

To help ensure a smooth conversion and the future success of the WaMu-MasterCard program, we're creating an account team staffed with specialists in conversion, debit, and credit who are dedicated to meeting WaMu's needs.

The conversion will also be supported by marketing/brand-building, and consulting initiatives. MasterCard can and will bring you proven, world-class capabilities in those important aspects of the payments business. I'll speak more about those in a few minutes.

Our primary objective is to optimize your portfolio.

Let's talk for a moment about what that means. Right now your debit portfolio is running at about a 49 percent activation rate. That means more than half the WaMu debit cards out there haven't been activated and aren't being used.

We envision a fully optimized debit portfolio for WaMu. By fully optimized, I mean a debit portfolio in which 76 percent of the cards are activated and being used for an average of 108 transactions per year with an average spend of \$47.00 per transaction.

That fully optimized debit portfolio could mean as much as \$210 million of annual revenue lift for WaMu. It won't happen overnight, but it's not pie-in-the-sky, either. To be sure, much hard work lies ahead for both of us. But does anyone in this room doubt that the combined forces of WaMu and MasterCard, working together and focused on achieving a goal, won't succeed?

**[PAUSE. LOOK AROUND AUDIENCE]**

I didn't think so.

The success of any partnership depends greatly on the strength of the relationship. At MasterCard we take great pride in the strength and longevity of our partnerships. Simply stated, the MasterCard philosophy is: Your Best Business Partner. It governs everything MasterCard does. It's our DNA.

The way we become your best business partner is by:

- Establishing joint business objectives;
- Focusing on *your* profitability;
- Taking a flexible, hands-on approach;
- Enabling you to leverage our assets;
- Engaging MasterCard Advisors;
- Paying for performance; and
- Delivering unparalleled support and value.

Let me tell you about MasterCard Advisors, in case you're not familiar with it.

MasterCard Advisors is our in-house consulting service. The Advisors team consists of nearly 250 professionals located around the world who have high-level global consulting experience in all aspects of payment services. In the last few years, the Advisors team has participated in more than 50 successful debit and credit card portfolio conversions, and they are ready, willing, able, and available to assist WaMu as needed.

MasterCard also brings to the table a complete spectrum of payment products that will meet the needs of all your consumer, business, and public-sector customers for just about every payment occasion. WaMu will be able to offer innovative payment options such as automatic bill payment for consumers, electronic bill presentment for businesses, and an array of prepaid and stored value products that include reloadable gift cards, payroll cards, and medical benefit cards.

Our experience has shown us that these payment solutions are excellent relationship builders. They give you opportunities to increase the number of payment products and banking services you offer your existing customers as well as open the door to new customer relationships.

No discussion of MasterCard payment products would be complete without talking about our newest offering, MasterCard PayPass, a contactless payments feature that may be added to any MasterCard debit, credit, prepaid or corporate account. PayPass extends the payments frontier beyond simple plastic cards to key-ring fobs and tags, cell phones, and PDAs. **[HOLD UP PayPass fob and phone]** Payments are completed with a simple tap or wave of the PayPass device near a reader, with amounts deducted from a linked account.

PayPass is the perfect payment solution in environments where speed is essential. For WaMu cardholders PayPass means no more entering a PIN or signing a receipt at checkout. It's just tap and go.

For WaMu, PayPass could expand the payments pie by opening up new acceptance channels, including those that were previously the exclusive domain of cash, such as quick-service restaurants.

We conducted highly successful PayPass trials last year in Orlando and Dallas, and both merchants and consumers embraced PayPass enthusiastically. We've begun rolling out PayPass in those markets and in New York City. PayPass has arrived, and I'm sure it won't be too long before you'll be able to offer PayPass to your customers, too.

Just last month McDonald's announced it will begin accepting PayPass as its *exclusive* contactless payment solution in select restaurants before the end of this year and expand to additional locations in 2005. McDonald's has more than 13,500 restaurants in the U.S., and by the end of this year, 8,000 of them will be accepting some form of cashless payment.

So every time a WaMu cardholder goes to a McDonald's you'll have an opportunity to get in the middle of that purchase, whether it's McNuggets for all the kids on the soccer team or a Happy Meal for the family after seeing "The Magic City" at the Seattle Children's Theatre.

Now I'd like to switch gears and focus on branding.

There's no doubt that WaMu is among the elite brands in banking. That's a testament to the outstanding leadership of your management team and the hard work all the dedicated WaMu employees have done to sustain it.

At MasterCard, we understand the importance of a good brand name. Like you, we've also worked hard to build our brand into one that is known, respected, and accepted by consumers and merchants everywhere in the world.

The core components of MasterCard's brand building efforts are our marketing, advertising and sponsorship programs. They are global in scope and second to none in the payments industry.



You've all seen our signature "Priceless" ad campaign – playing right outside this room. Since its launch in 1997, Priceless has won more than one hundred international awards for marketing effectiveness and creativity, including a Cannes Bronze Lion and several Gold Effies.

Priceless is the only truly global ad campaign in the category. It's appeared in 99 countries and been translated into 47 languages. It resonates with people around the world because ideas based on universal insights travel successfully.

The Priceless campaign has moved the needle in a positive direction significantly in terms of consumer awareness. Our brand research told us that in 1997 the consumer perception of MasterCard was that it was an everyday, routine-type of card, geared toward older users. By 2003, thanks to our Priceless campaign, consumer perceptions of MasterCard changed to the point where our brand personality was described in terms such as "real life," relevant to "people like me," "warm," the "king of cards," and best of all, "Priceless."

Our Priceless debit advertising, which began in 1998, also has taken a significant "swipe" at our largest competitors: cash and checks. Here are two debit ads, plus one more ad I'll refer to later...

**[CUE VIDEO: "BURNED," "FLUID," & "DANCER"]**

By the way, those ads score consistently well above the norm on the consumer awareness index, with a score a seven (7) for average brand awareness among consumers, almost double the norm, which is four (4).

MasterCard's brand integration strategy goes way beyond just running TV commercials. We take a 360-degree approach that incorporates public relations, advertising, sponsorships, issuer communications, promotions, contests, and merchant tie-ins.

MasterCard, like WaMu, is obsessed with consumers. We're in constant communication with them because we want to know what matters to them, what they think, and what they want. That's how we've been able to reach target markets so effectively, including the emerging

Hispanic demographic and younger consumers, two groups with lots of current and *future* spending power that historically have been underserved by the payments industry.

Hispanics are now the largest minority group in the United States with 39 million people and 13 percent of the population. But more important for WaMu's business, 76 percent of all U.S. Hispanics live in seven states: California, Texas, Arizona, New York, New Jersey, Florida, and Illinois – all key WaMu markets. Within those states, Hispanic purchasing power exceeds \$430 billion.

One of our key objectives is to help you reach those customers.

MasterCard was the first U.S. payment card brand to advertise in the Spanish language, beginning in 1999. We know it takes more than simply translating a brochure into Spanish to reach Hispanic consumers effectively. So we've customized our Priceless campaign to include content that reflects the culture, values and aspirations of this audience.

MasterCard is a major sponsor of international soccer, and that gives us – and you – high-profile visibility at events Hispanics are passionate about. Earlier this summer, we sponsored the Copa America, won by Brazil (over Argentina in overtime), in Peru. In 2002, two-thirds of all U.S. Hispanics were among the 1.1 billion people worldwide who watched the MasterCard-sponsored FIFA World Cup Soccer finals between Brazil and Germany. That's a lot of eyeballs looking at our logo, which was displayed prominently around the stadium, the same logo we are so proud to say will now be displayed on WaMu debit cards. We're already signed on for 2006, when the FIFA World Cup tournament takes place in Germany.

Our strategy for reaching Hispanics has worked, and now it will be *working* for you.

The youth and student markets also represent an enormous opportunity for our combined businesses. Let me define enormous:

- There are 45 million people in the U.S. between the ages of 13 and 24 years old;

- They spend more than \$260 billion each year, and *influence* another \$600 billion in spending –those of you with children that age know what I mean.

MasterCard's objective is to grow your share of the youth segment because the young people of today will be your customers tomorrow for everything from credit and debit cards to mortgages, auto loans, retirement planning, and everything else WaMu offers. The goal is to introduce them to the WaMu-MasterCard brand now and grow with them as their financial needs mature.

We're constantly gathering intelligence so we can understand what the youth market wants in payment attributes. For example, in July we introduced the Usher Debit MasterCard, a prepaid card that offers his fans exclusive access to the "World of Usher."

If you're not a fan of Usher, maybe you're a fan of Hoobastank--that was a fun commercial, wasn't it? Just as we did for the Hispanic market, MasterCard customized our Priceless advertising to speak to the young demographic.

What I really want you to take away from this discussion is that the MasterCard Priceless campaign is now your campaign, too. You will have the opportunity to customize those award-winning Priceless ads to include the WaMu brand name.

Beyond our Priceless campaign, MasterCard is the official payment system and sponsor of the PGA and LPGA Tours and the Champions Tour. We're also an official sponsor of Major League Baseball and we've been MLB's preferred card since 1997. We have exclusive partnership arrangements with 13 major league teams, including the Mariners. On the gridiron, MasterCard partners with 25 of the 32 teams in the National Football League and is title sponsor of the MasterCard Alamo Bowl, which is played in San Antonio, Texas, and televised nationally by ESPN. *Our* sports sponsorships mean *you* get to score with promotional opportunities that offer your cardholders exciting opportunities to win officially licensed merchandise, travel packages, tickets to games, even a chance to shag fly balls during the home run derby at the All Star Game or run the bases at the World Series.

Outside the sports world, we've partnered with Universal Entertainment. Through various promotions, your cardholders will have chances to win trips to Universal's theme parks, free music CDs and DVDs, and invitations to screenings of first-run Universal movies.

On the merchant front, we have a portfolio of offerings designed to drive acquisition, activation, usage, retention, expansion, and marketing year-round. Through arrangements with industry leading merchants such as Home Depot and Hyatt, consumers get discounts when they use their MasterCard for purchases. And look forward to some marketing partnerships with Yarrow Bay Grill, Rover's and Wild Ginger--I hear they're the best restaurants around here!

As the old saying goes, seeing is believing; and when you see the range of products, services, and support MasterCard offers, I'm confident you'll be believers, too.

Before I conclude, I'd like to reiterate my belief that this is the beginning of a beautiful partnership. Our coming together is the convergence of two perfectly complementary brands.

We intend to be your best business partner [PAUSE] ever. You have a voice in our business and a seat at our table. Our goals are aligned and I have no doubt that we will accomplish greater things together.

Dr. Alan Kay, the visionary who is credited with pioneering the idea of personal computing, once said, "The best way to predict the future is to invent it."

I predict that together, WAMU and MasterCard will not only transform the face of the financial services and payments industries in this country, we're going to invent their future.

A future that is bright--with possibilities that are endless--marked by a vision that is boundless. In sum, our partnership will be timeless--and Priceless!

Thank you for your kind attention. I look forward to working with all of you.