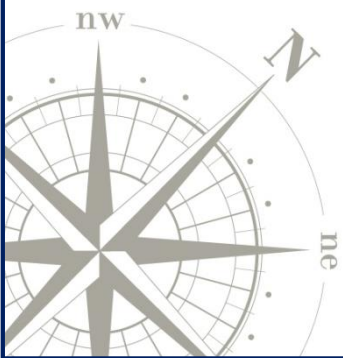


Study of Mobile Banking & Payments

Summary



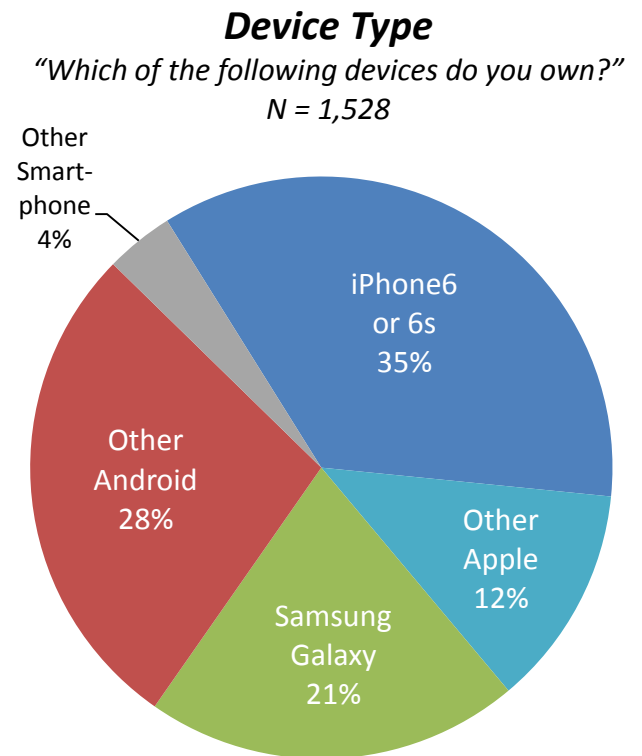
Third Edition
August 2016



The third edition of First Annapolis' semi-annual Study of Mobile Banking & Payments tracks consumer adoption and use of the mobile channel for banking and payments.

Study Background

- The online consumer survey was administered in **June 2016** and designed to explore:
 - Consumers' mobile banking and Mobile Payments and attitudes
 - Respondents' ongoing adoption and use of Apple Pay, Android Pay, and Samsung Pay
- Findings are based on a sample of **1,528 U.S. consumers** between the ages of 18 and 54 who meet the following criteria:
 - Own a smart phone
 - Have a checking account or debit card
- Sample demographics are generally in-line with U.S. census distributions; survey results for the overall sample have a margin of error of **+/- 2.5% at a 95% confidence level**.
- Previous studies were conducted in **December 2015** and **May 2015**, and are based on samples of 1,279 and 1,002 respondents, respectively.



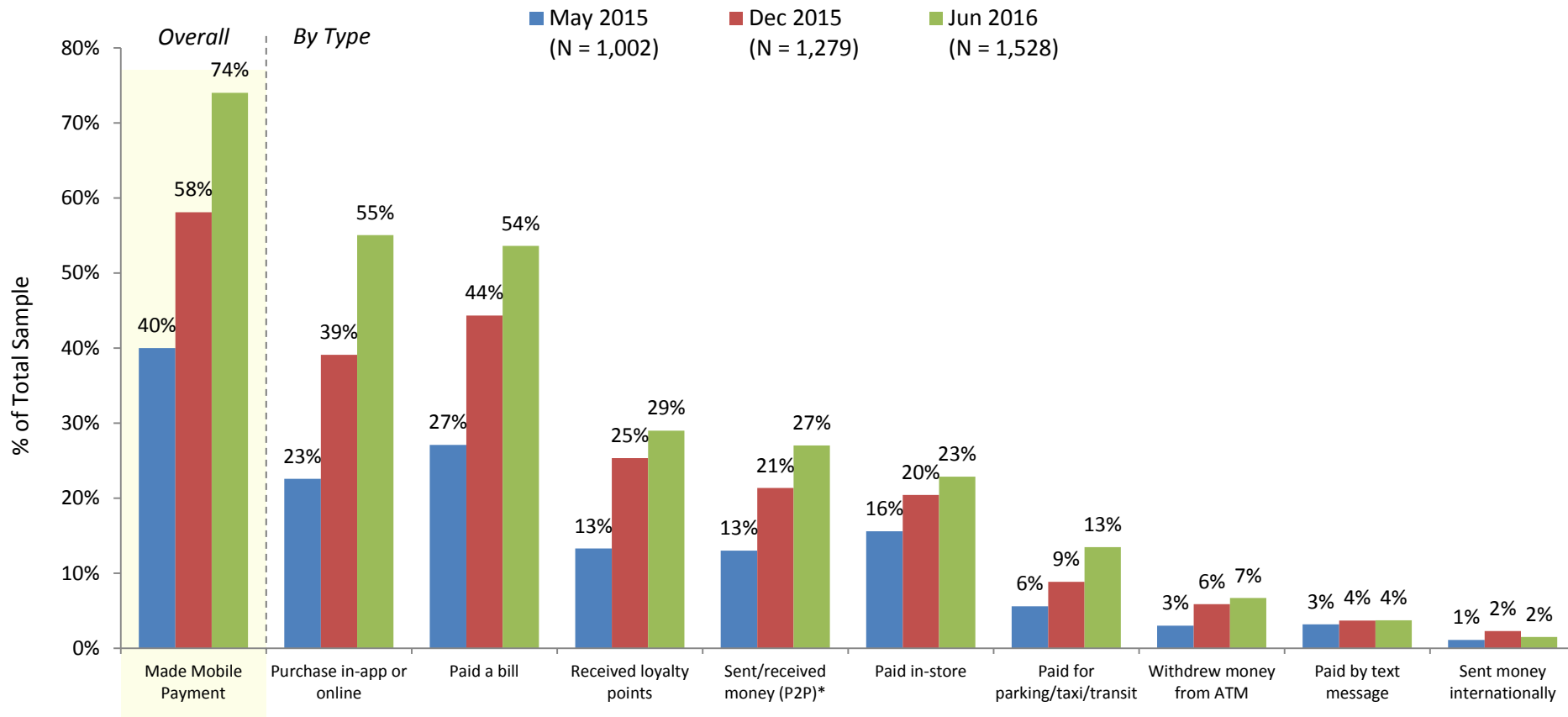
82% of respondents have a device that is compatible with Apple Pay, Samsung Pay, and/or Android Pay**.

**52% of Android device owners report having 4.4 KitKat or higher; 7% have an earlier OS; another 41% do not know the operating system version on their phone. Those that do not know are included in the definition of 'compatible'. As such, the compatible device base for Android Pay may be slightly overstated.

Adoption of mobile payments is increasing steadily: **74%** of respondents report having made at least one mobile payment in the last 12 months, up from **40%** in May 2015.

Adoption of Mobile Payments by Type

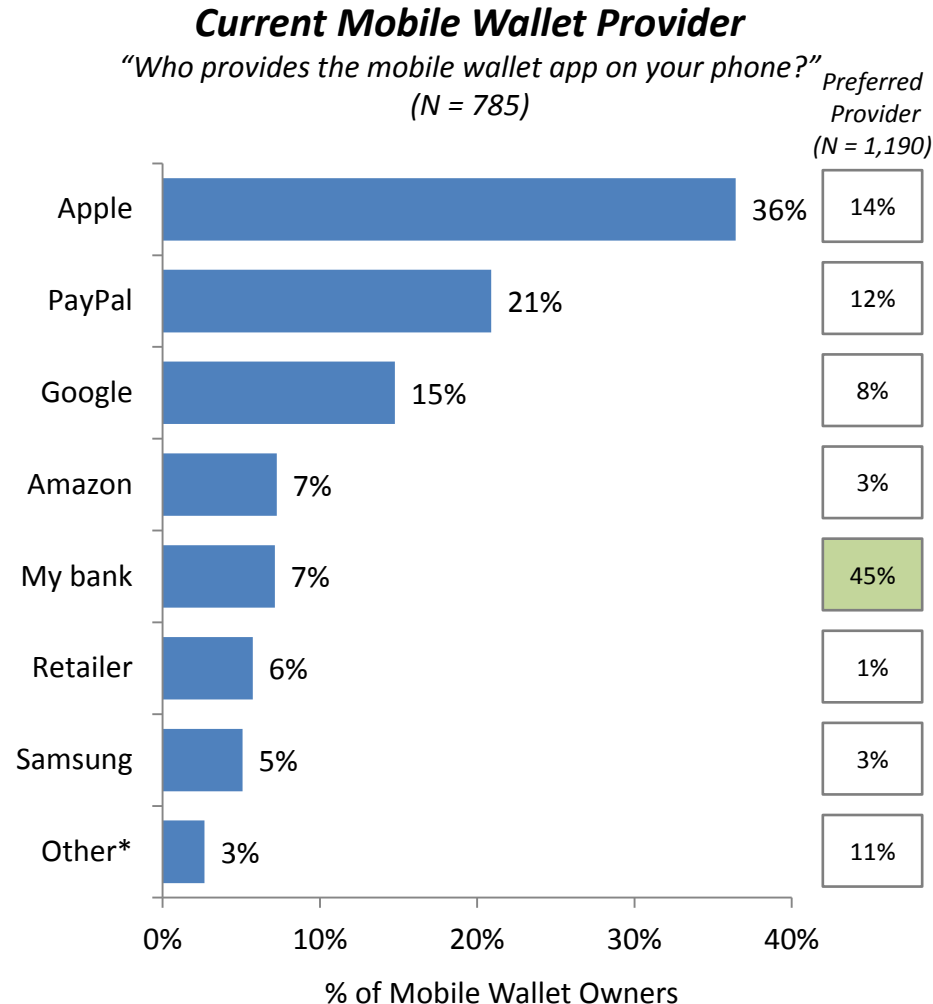
“Which of the following types of payments have you made using your mobile phone within the last 12 months?”



Respondents are most likely to have made online/in-app purchases or paid bills using their mobile device.

More than half of respondents (**51%**) now have a mobile wallet app on their phone—but only **7%** of users report having a mobile wallet through their bank.

- **51%** of respondents reported having a mobile wallet; another **27%** do not currently have a mobile wallet but are interested in the idea.
 - Apple and PayPal are the most frequently cited wallet providers, followed by Google.
 - Banks, however, are consumers’ most preferred provider, as cited by **45%** of respondents (**40%** of current users and **55%** of non-users).
- A mobile wallet can have many features; among the most important to consumers are:
 - Widespread acceptance
 - Coupon/offer functionality
 - Bill payment capabilities
 - Mobile banking integration
 - Ability to store multiple cards



*Includes the newly introduced Microsoft wallet and other third-party providers (e.g., card brand, wireless provider).

Adoption and use of the Pays is increasing—and satisfaction levels among users are consistently high—but significant runway remains.

Pays by the Numbers

	Apple Pay			Android Pay	Samsung Pay
	May 2015	Dec 2015	Jun 2016	Jun 2016	Jun 2016
N = Respondents with Compatible Devices	398	580	542	707*	318
% Aware of Pay Service	88%	84%	89%	64%	54%
% Made a Purchase	22%	20%	31%	9%	13%
% that Use 1x per Week or More	4%	3%	7%	2%	4%
	<i>19% of those that have made a purchase</i>	<i>15% of those that have made a purchase</i>	<i>24% of those that have made a purchase</i>	<i>22% of those that have made a purchase</i>	<i>32% of those that have made a purchase</i>
Average Cards Loaded/User	2.5	2.1	1.9	1.9	1.5
Avg. User Satisfaction Rating	4.4	4.5	4.4	4.4	4.4

*Excludes Android devices with earlier OS versions; includes 174 respondents that reported 'do not know'; as a result, Android Pay awareness/adoption rates for those with 'compatible devices' may be understated

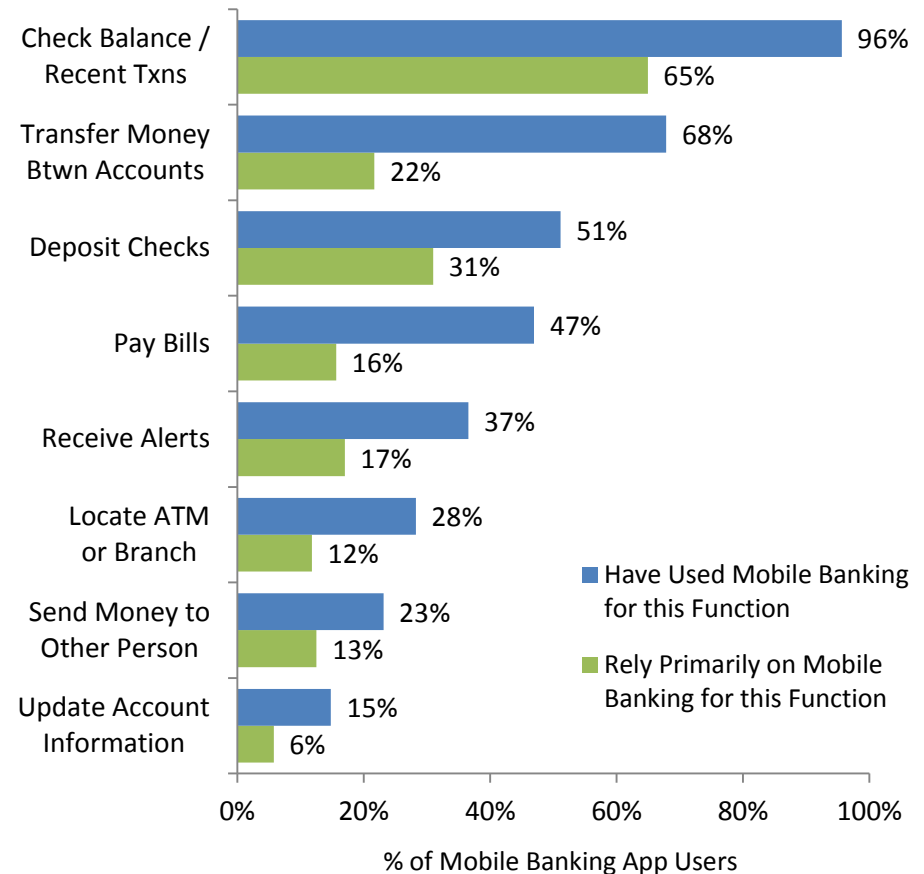
Mobile banking has rapidly established itself as an important customer service channel and critical component of a bank’s distribution strategy.

- **72%** of respondents report using mobile banking, and while mobile banking users skew younger, use is consistently high across age groups.
- Mobile banking users are highly engaged: **47%** say they log in to their bank’s mobile banking app 1-2x a week or more, and **31%** login daily.
- For many users, their mobile device has supplanted online banking and more traditional, physical channels as the primary point of interaction for key servicing functions.
 - **65%** use mobile banking as their primary channel for checking balances and **22%** for transferring funds between accounts.
 - Over half (**51%**) of mobile banking users have used mobile banking to deposit checks, but only **31%** consider mobile bank apps to be their primary channel.
 - Mobile banking users are still more likely to rely on online banking to pay bills and update account information.

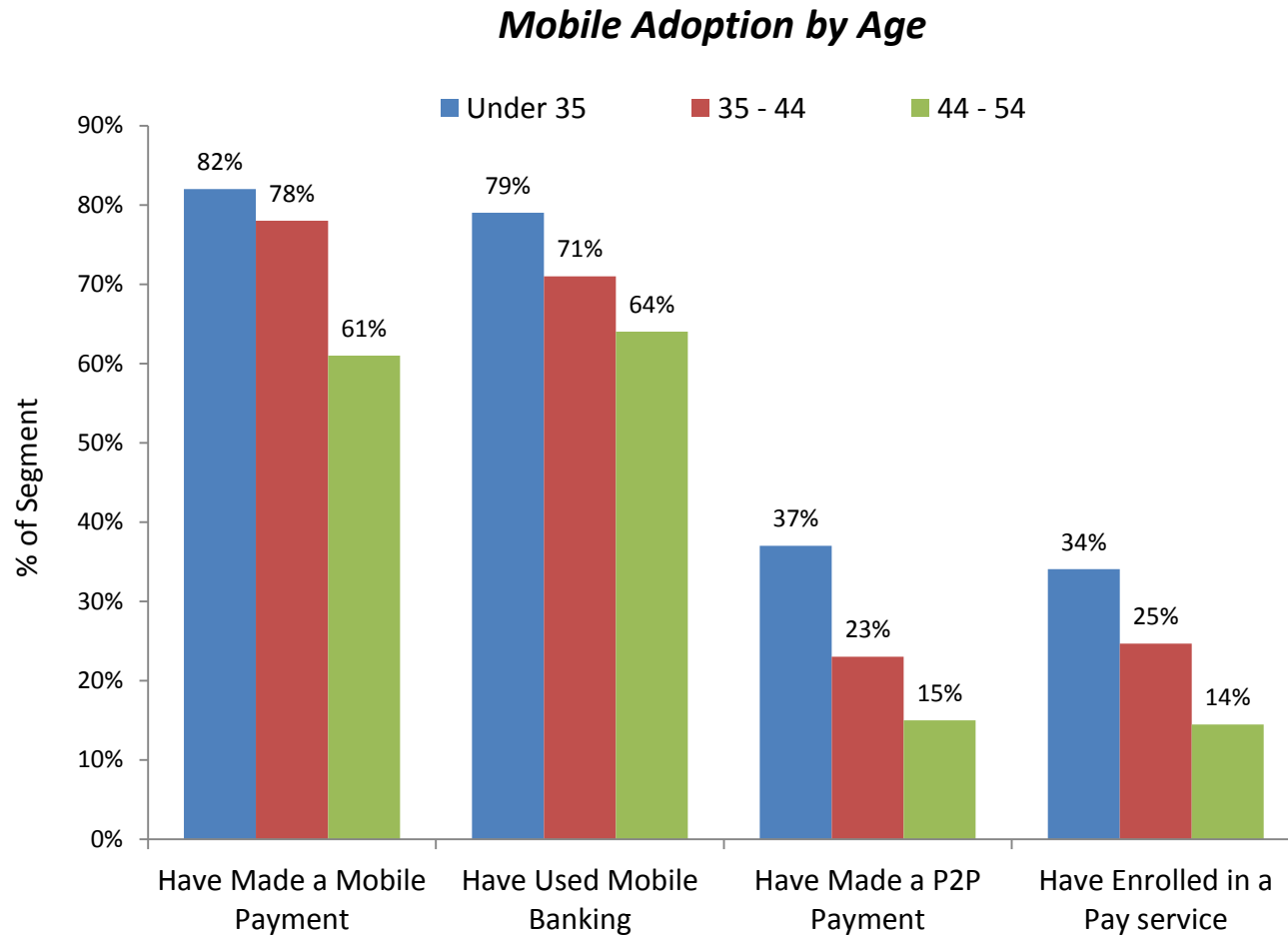
Mobile Banking Functionality

“What types of activities have you performed using your bank’s mobile app within the past twelve months?”

(N = 1,095)



Adoption of mobile is strongest among Millennials, with **82%** of those under 35 having made a mobile payment, and **37%** having made a mobile P2P payment.

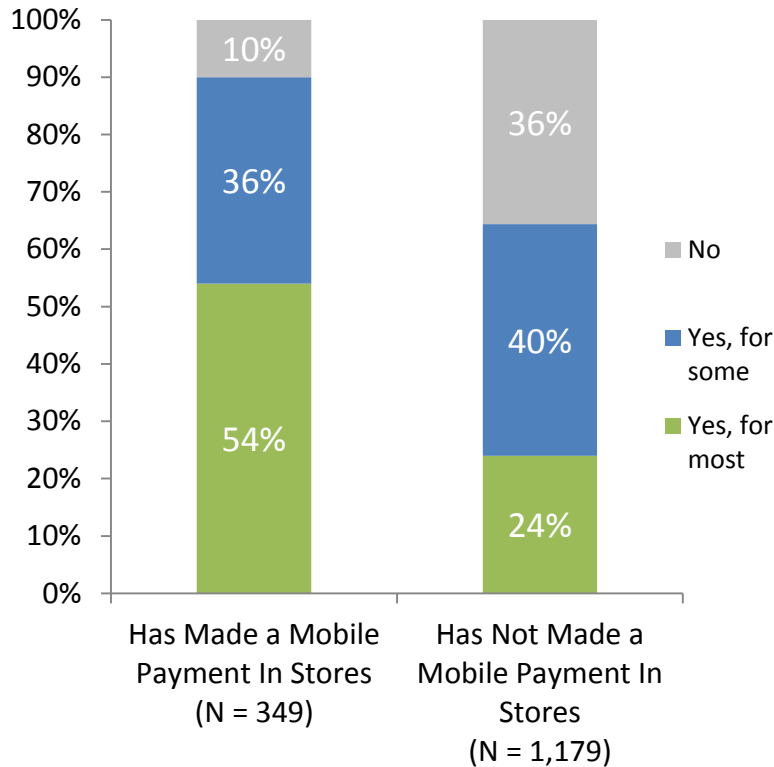


Mobile adoption, however, is not limited to Millennials—penetration and use of mobile banking and payments is becoming common across demographics.

Ubiquitous merchant acceptance would drive increased use of mobile payments (particularly among current users), but would not be enough to motivate many non-users.

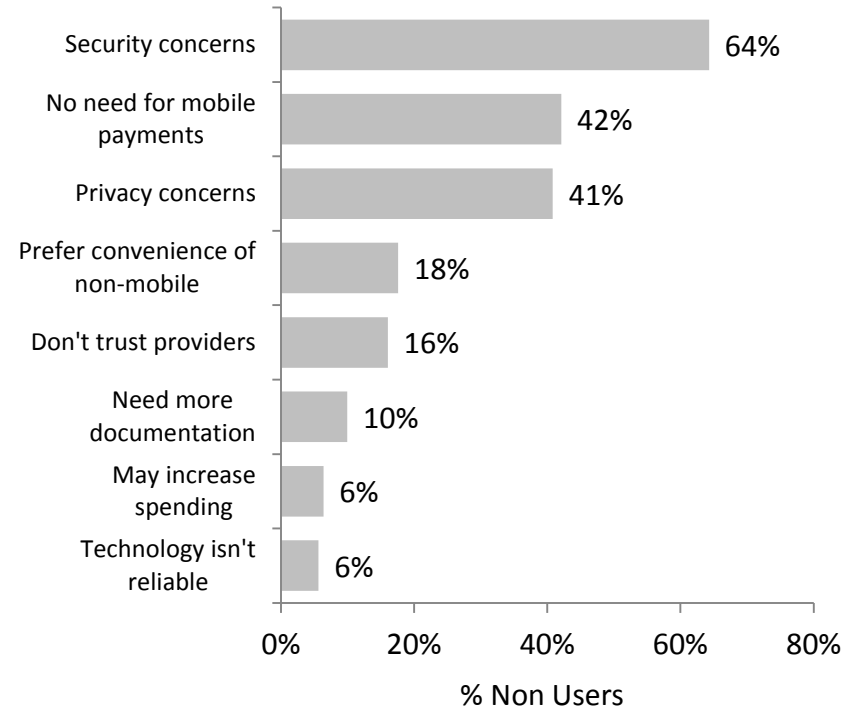
Widespread Acceptance

“If all merchants accepted tap-and-pay mobile payments in their stores, would you be motivated to use a mobile wallet as a primary way to pay?”



Reasons for Not Using Mobile Payments

“Which of the following statement(s) describe your reasons for not using mobile payments?”
(N = 392)



Security and privacy concerns are the primary reasons why individuals do not adopt mobile payments, as well as the perceived lack of need.

Observations (1 of 2)

1. Use of the mobile channel for mobile banking and mobile payments, continues to increase.
 - **75%** of respondents report having made at least one mobile payment in the last 12 months, up from **40%** in May 2015.
 - **72%** of respondents report using mobile banking; **47%** say they log in to their bank's mobile banking app 1-2x a week or more, and **31%** login daily.
2. Adoption of mobile payments is higher among young consumers, but is not limited to Millennials.
 - **82%** of respondents under 35 having made a mobile payment, compared to **64%** of those 45 to 54.
 - **37%** of those under 35 report having made a mobile P2P payment, compared to **15%** of those 45 to 54.

Observations (2 of 2)

3. Banks have an opportunity to play a greater role in mobile payments than they do today.
 - On the wallet front, **51%** of respondents have a mobile wallet; only **7%** of them get their wallet through their bank—although 45% surveyed would prefer to do so.
 - Integration with mobile banking was ranked as a “must have” feature of mobile wallet by many.
4. Adoption and use of the Pays is increasing—and satisfaction levels among users are consistently high—but significant runway remains.
 - **75%** of respondents with compatible devices have not enrolled in a Pay service.
 - **52%** of Pay users are ‘infrequent’ users (one-time users or those who use it less than once per month).
5. Lack of ubiquitous merchant acceptance and security/privacy concerns are significant barriers to adoption/use in the current environment.



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