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Mobile Banking for the Poor

- An alternative to contribute to develop the unbanked population -

April 5th, 2008



Current situation in LATAM

Needs of the unbanked population

Alternatives for the model

Accenture... contributing to development



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Current situation in LatAm



The level of poverty in LatAm, has restrained the development within the region

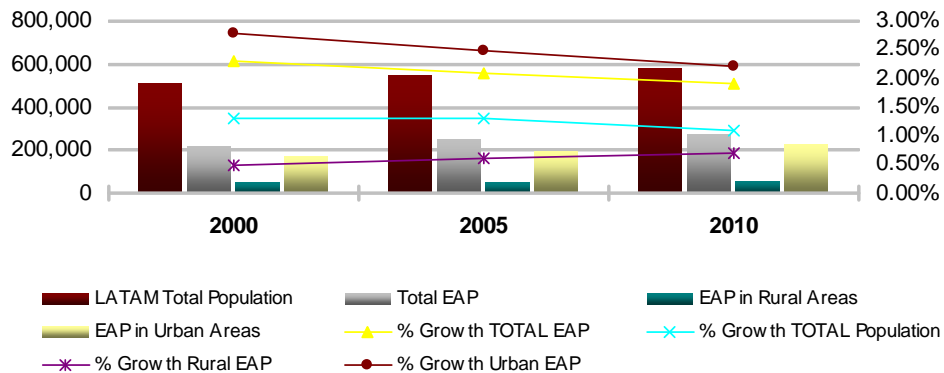


Latam's population (2006)
 555.9 million people
 Annual population growth around 1.1% for the next 10 years

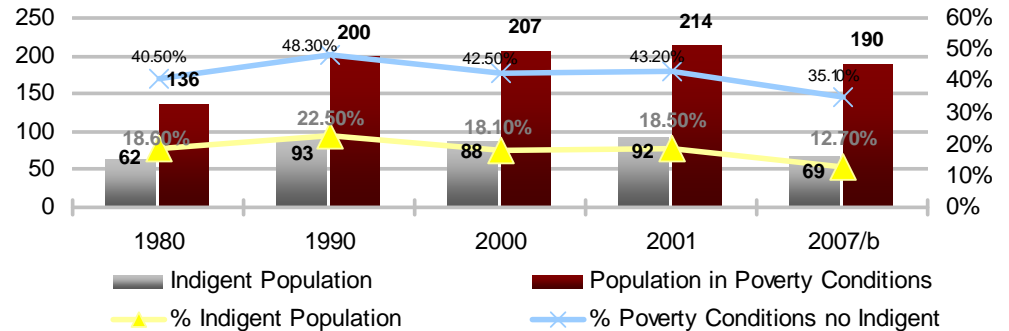
Economic Indicators (2006)
 GDP 2.9 trillion
 GDP growth of 5.5%

Poverty Index (Nov 2007)
 35% of LatAm's population lives in poverty conditions, It means more than 194 Million people, from which 71 Million people are indigents

Population Distribution in LATAM

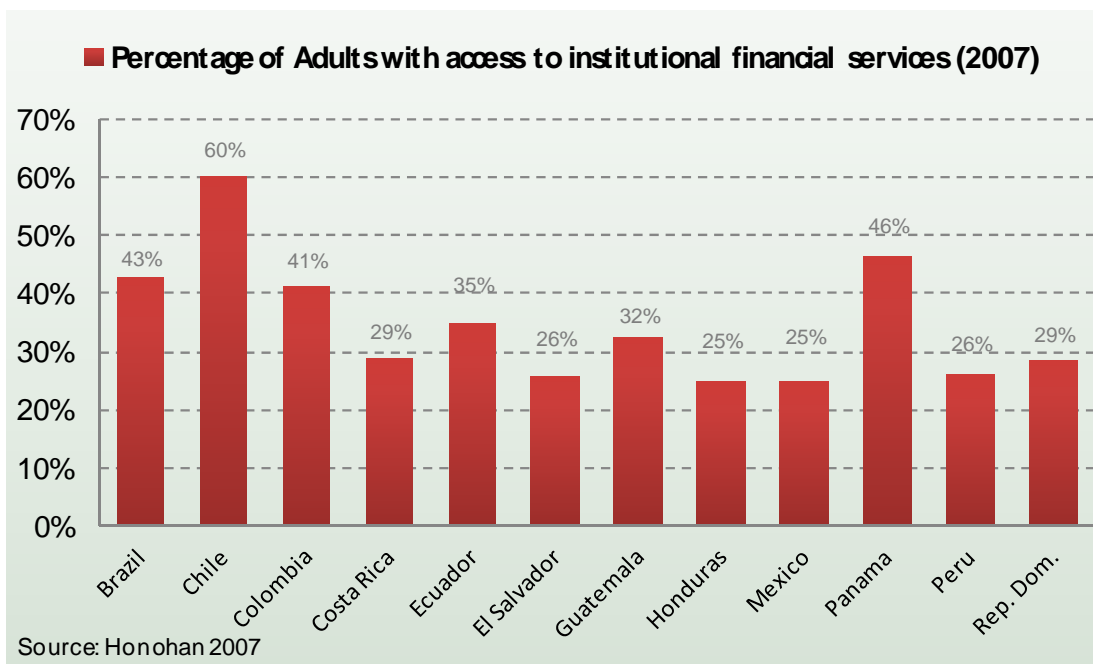


Population in Poverty and Indigent Conditions in LATAM

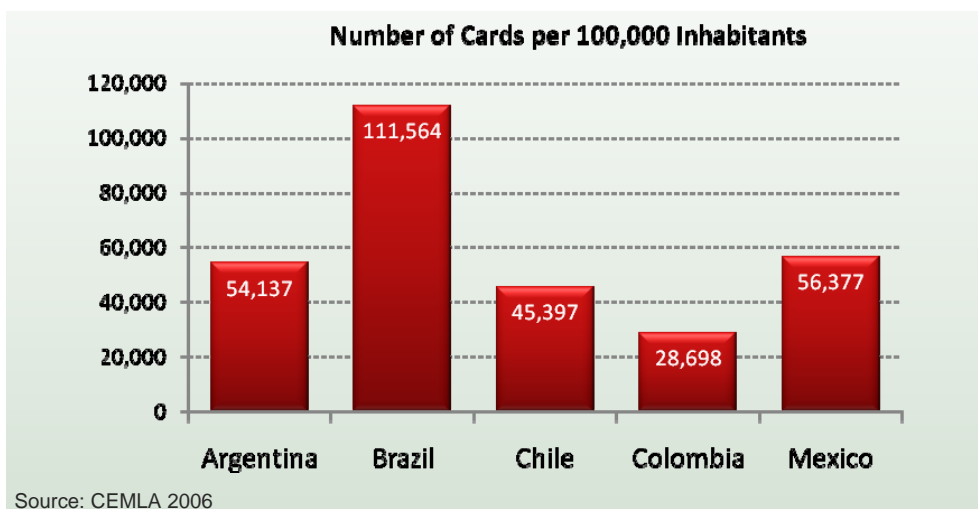


Current situation in LatAm

Furthermore, the level of unbanked population in the region is high and access to products and financial services for a sector of the population is nearly inexistent



Source: Felaban



- Low (less than 30% of population has access to financial services)
- Low to Medium (less than 40% of population has access to financial services)
- Medium (between 50% and 60% of population has access to financial services)
- High (more than 60% of population has access to financial services)
- No information available

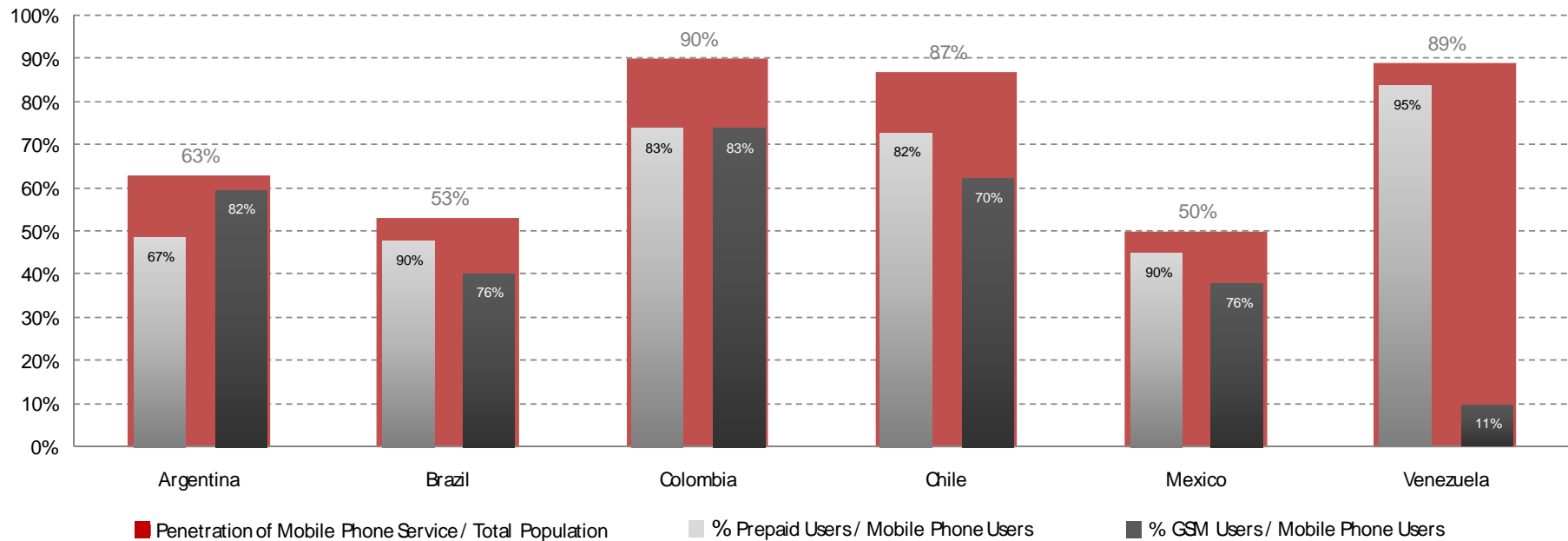


On the other hand, penetration of mobile phones has increased, turning into an attractive option to introduce new services

Over 290M mobile handsets in Latin America, 66% are GSM, 21% CDMA and 11%TDMA

Growth of GSM users in Latin America has reached 85% to 192M between September 2005 and September 2006

Penetration of Mobile Phone Service



Source: <http://telcommunity.com> http://mobileactive.org/files/MobileActive_Guide4.pdf
Consultora Latin Panel, 2006.

Current situation in LatAm

With 556 million inhabitants in LatAm, there are important challenges in the Financial Services and Telecom industries...if are properly addressed, they can contribute to the development of the region



Challenges:

- With an average of 65% of the adult population with no access to financial services, the potential for bancarization and development is huge
- With a total population of 556M and 290M mobiles, 48% of the population need access to new technologies

Mobile Banking for the Poor

- Access to financial services for at least 140M* people in Latam that lives in poverty conditions
- Considering an average of 3 transactions per month* (microcredit payment, service payment, money transfer), the mobile transactions expected would be 420M transactions per month and 5 billion transactions per year
- Within 2006, Latam received more than USD 68 billion usd** through 650 million money transfers, with an average cost of 10 USD per transaction, this represents 6.5 billion per year in potential savings
- Convenience for users with flexible schedules and operability during working hours
- Savings in fees and commissions due the usage of alternative channels
- Create a “saving culture”

* Estimated figures

** Source: BID, 2006



Current situation in LATAM

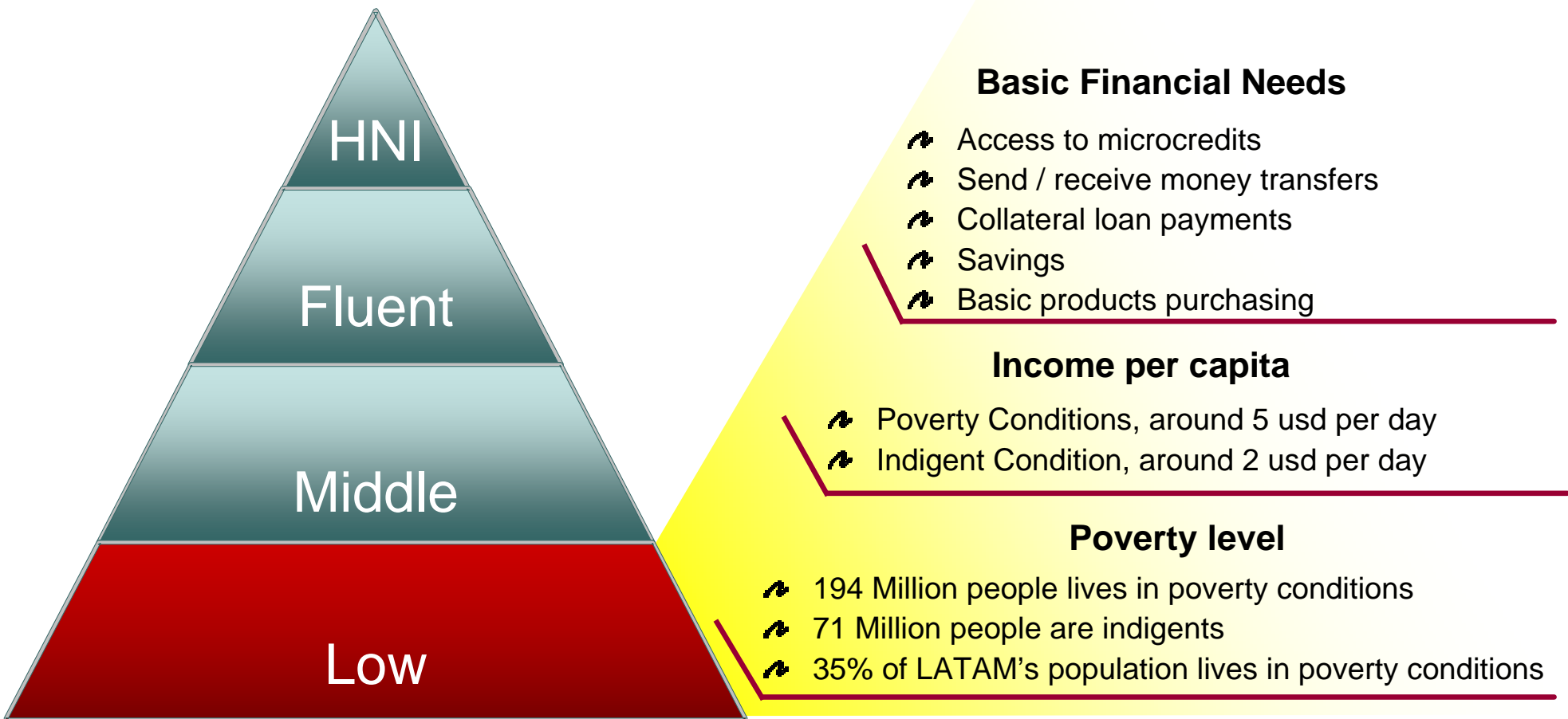
Needs of the unbanked population

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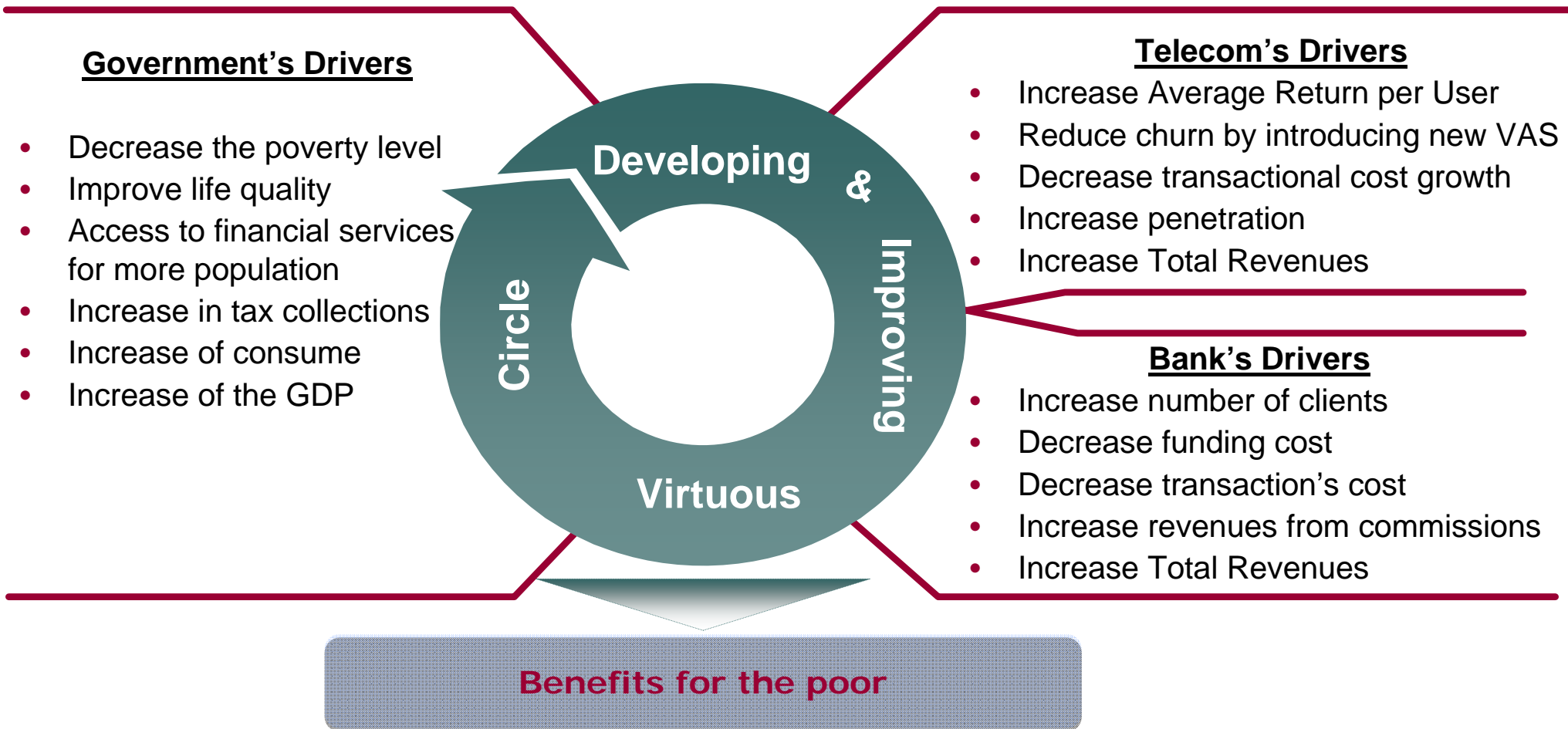
The access to products and financial services as a need and as a right, combined with the current technological beat, should turn into an effective and feasible solution that meet the basic financial needs





Moreover, a virtuous circle must be generated for all participants

There are distinct drivers for all participants in this initiative, that should generate economies of scale to be reflected in new benefits for poor people





Current situation in LATAM

Needs of the unbanked population

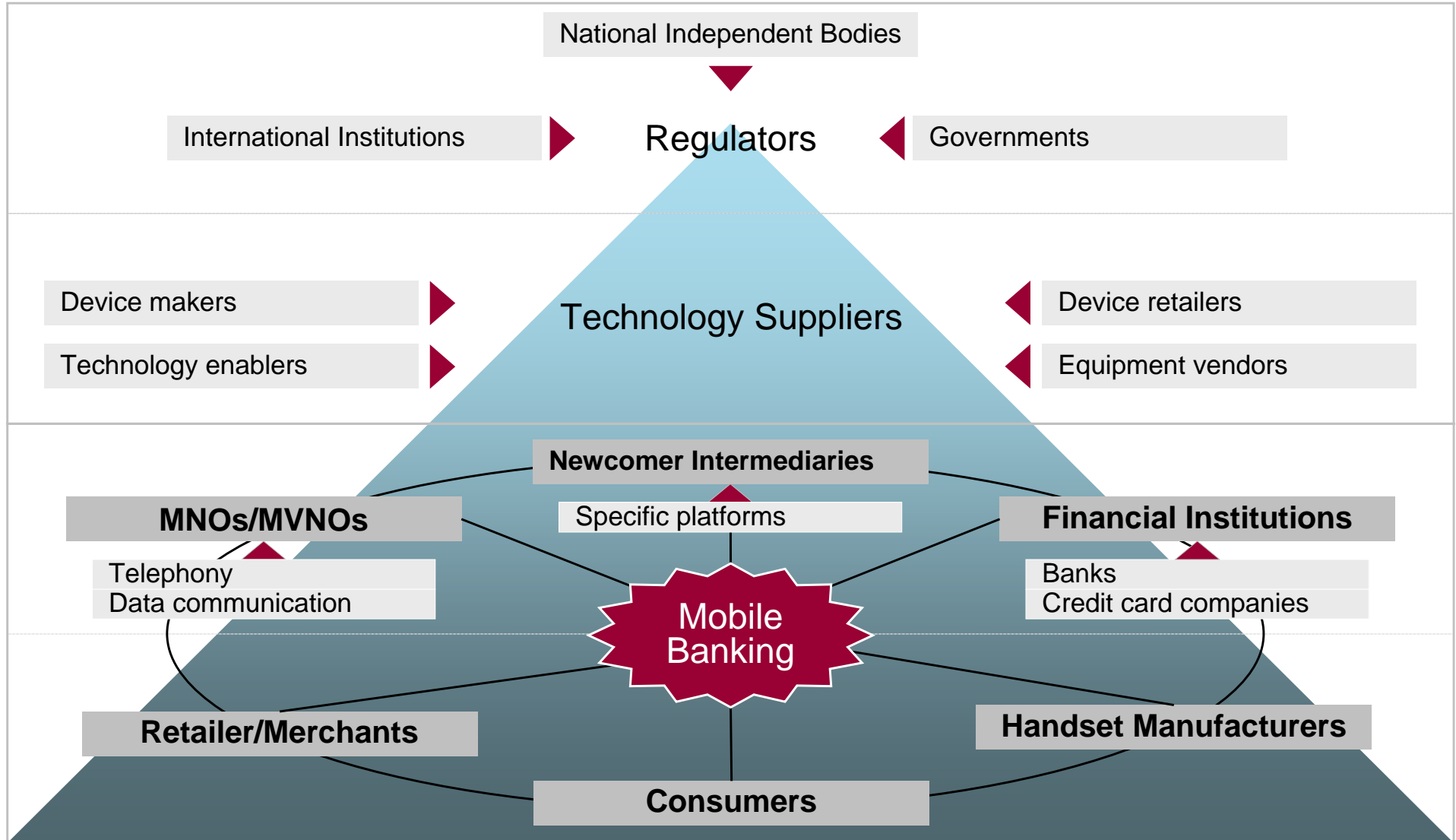
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Mobile Banking Structure

mPayment – Concept





...independent solutions are emerging and there is tension in the mPayment ecosystem. Players have different interests and priorities

mPayment – Concept

Financial Institutions

The mobile phone can be seen as new payment channel for existing payment solutions and as a mean to pursue micro-payment transactions that are still mainly performed in cash.

However, banks in Europe are moving behind the curve, being little focused on mobile payments.

MVNOs

VAS appear to be a **natural evolutions of their customer strategy**.

They can count on a widespread distribution network already in place, making the **deployment of new payment technologies easily affordable**.

Educated customers to new form of payments and loyalty instruments.

MNOs

- In search of partners for merchant acquisition and payment transaction processing.
- The new EU regulations will allow TelCos to play alone in the m-payments arena, reducing need for partnership with financial institutions.
- They will reinforce their presence on the m-payment arena to contrast MVNOs competition

Merchants

- Leverage retail chains
- Opportunity mainly to:
 - Increase customer loyalty
 - Attract new consumers
 - Reduction of cash handling




M-Payment

Early MVNOs are retailers and thus merchants!



There are several possible Mobile Banking solutions that will meet the LatAm requirements...

Players: MVNO




	 Tesco (UK)	 Afinity Mobile (USA)	 Mbank mobile (Poland)
Profile	<ul style="list-style-type: none">■ Established in 2004 in UK■ ~ 800K customers■ Joint venture between Tesco and O2 (50%-50%)■ Tesco distribution network (only)	<ul style="list-style-type: none">■ Established in 2004 in USA and funded by■ Global Player providing mobile financial services■ Trumpet Mobile (MVNO)	<ul style="list-style-type: none">■ Launched in 2006 by mBank and Polkomtel SA■ mBank Mobile integrated with the online banking accounts■ 450.000 customers expected by the end of 2009
Service offering	<ul style="list-style-type: none">■ Pay-as-you go cards, focus on lower-end market (-20 % Virgin tariff)■ Mobile Number Portability	<ul style="list-style-type: none">■ Full mWallet / mPayment■ Money transfers, Airtime, check balance, Deposits)■ Debit cards■ Remittances	<ul style="list-style-type: none">■ Mobile voice / internet■ Rewards for customers recommending the bank's services to others■ Mobile phones (also credits for phones purchase)■ mTransfert and mBank card

Alternatives for the model

A full range of mobile payment schemes is available and further options will be offered in the near future



Players: MVNO as enabler of m-payments

	 MTN Banking (South Africa)	 Smart Money (Philippines)	 G-Cash (Philippines)
Profile	<ul style="list-style-type: none">■ Joint venture Standard Bank, MTN■ The account number is the customer's cellphone number, plus one extra check digit■ Immediate access to account anytime and anywhere using cellphone, MobileMoney card and Internet	<ul style="list-style-type: none">■ Card linked to a wireless phone■ Re-loadable electronic cash wallet■ Partnership between Smart Communications and Banco de Oro■ Features available once cash has been transferred from the user's bank account to the SMART Money account	<ul style="list-style-type: none">■ Cellphone as electronic wallet■ Send / receive cash and make payments, just by texting■ Facility not associated with a bank■ Money chargeable in the wallet physically at G-Cash partners outlets or at Bancnet ATMs
Service offering	<ul style="list-style-type: none">■ P2P real time payments among Mobile Money account holders■ Send / receive payments■ Reception of salary payment from employer	<ul style="list-style-type: none">■ Purchases in stores where the retailer has a SMART Money account■ Send / receive payments between users and to prepaid account■ Cash deposits and withdrawals■ Remittances	<ul style="list-style-type: none">■ Cash deposits / withdrawals■ Transfers of credit to the prepaid account, transfers of airtime credit from one user to another■ Reception of salary payment from employer■ Remittances

Alternatives for the model – Why and how?

...countries with high mobile usage, have strong probability to succeed in the mobile financial services



The prerequisites for successful introduction of mobile financial services are already in place in Latam

Requirement	Readiness for mobile banking
Interoperable Networks	SMS interoperability across telcos
Adequate Bandwidth	Telco carriers have deployed high speed, “always on” GPRS networks
Widespread penetration of user-friendly devices	Mobile phone devices are SMS enabled Most devices are GPRS enabled with 64k SIM Fastest growing mobile market in Latam
High consumer adoption of mobile services	Over 290M mobile phone terminals Over 190M users within 5 year of introduction of GSM services Wide usage of SMS functionality
Affordable calls and flexible packages	Aggressive price competition among telcos is resulting in sharp decline in calling and data rates

Alternatives for the model – Why and how?

... on the other hand, there are macroeconomic conditions that sustain the model ...



Macroeconomic conditions of the past years and current forecasts, show a great potential for mobile financial services within the region

Indicator	Latam's Situation
GDP	Slow but sustained growth, and average of 3% within the past 6 years
Inflation	Despite inflation pressures due to a strong internal demand of energetic, the inflation has maintain in single digit levels, with a 6.3% estimated for 2008
Interest Rate	Interest rates had decreased and are in historic minimums, making loans more accessible
Foreign Direct Investment	FDI flows for the region have increased in the last decade, as well as the number of privatizations. Just in 2007, the FDI increased in 44%, reaching USD 68 billions



The Mobile Financial Services

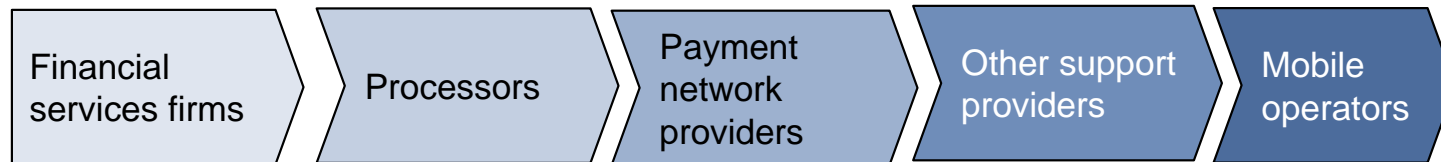
The Mobile Financial Services...by creating a Mobile Bank (mWallets)....a fully functional wallet with full-feature transactional account management

General Wallet Functionality	Functionality on the mobile phone (including balance enquiries, mini statements, fax statement requests, inter-wallet transfers and changing a PIN).
Payment Functionality	Enables real-time person-to-person payments and payments to accounts either at the existing MNO or at other accounts hosted by other banks
Money Transfer / Repatriation	Enables the customer to send or receive international money transfers – by using the Western Union functionality
Prepaid Airtime Top-Up	Allows the prepaid customer to purchase airtime for himself or someone else via virtual vouchers or direct recharge, directly from his account/wallet



There are several alternatives for the model

Within the value chain, there are Pros and Cons in the definition and management of the Mobile Banking model for Telcos and Banks, the best option could be an Hybrid model that optimize both alternatives



Managed by Telcos

Cons

- Increase in the cost of mobile service
- Few spots for cash withdraw / deposit

Pros

- More acceptance of the mobile, facilitating the introduction of financial products
- Easiness and simplicity in the use of account numbers through the mobile number
- Wide distribution network
- Knowledge of mobile consumption habits

Managed by Banks

Pros

- Knowledge of basic financial products
- Infrastructure for payments and money transfers
- Security due to transaction encryption
- Wide branch network

Cons

- Tendency to increase the share of wallet of current clients
- Regulatory barriers between countries
- Complex Open Account processes
- Poor attention hours

Hybrid



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R&D and Innovation

We are leveraging our innovation centers around the globe to develop new NFC applications. We have presented in the MWC 2008 our new FNC prototype developed in Sophia Antipolis which includes p2p money transfers and “one-swipe payments”.

Market Development

We are participating in industrial initiatives together with the GSMA, SW Vendors and technology providers to launch and host 20 mPayment pilots programs around the globe. This programs have being designed to target the un-banked segment of the population in developing markets specially.

We have developed and commercially launched, jointly with 2 different clients, mPayment solutions in NA and EU.

We have included in our Global Strategic Initiatives, the mPayment market offerings to address global demand for communications and Financial Services Industries. We have launched a cross industry campaigns.

Delivery and Operations

We have build a hosting center in EU from which we will be running mPayment Pilot programs globally

We are creating a market offering to build the business process model to manage the mPayment business operations for Telcos.



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