

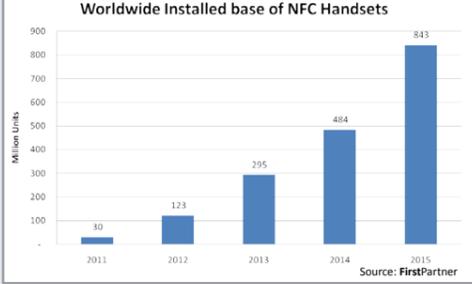
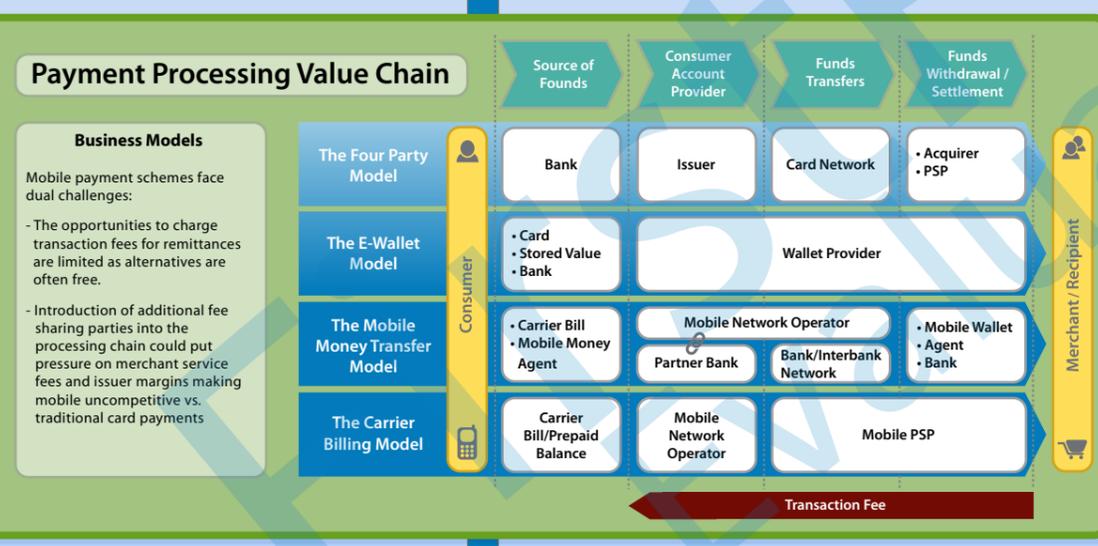
Introduction
 Mobile Payments and Banking top the strategic agenda for Mobile Network Operators, Financial Institutions and Payment Providers World-wide. Driven by the opportunity to extend consumer reach and engagement, traditional and new entrant providers are vying to offer consumers a range of complementary services via branded mobile wallets.

Market Drivers and Enablers
 In developed markets Carriers and Financial Institutions view mobile payment and banking services as a way to widen choice in consumer channels and drive retention - especially when addressing younger segments. Consumer uptake will however depend upon perceptions of convenience, speed and ease of use and security. Penetration of NFC enabled handsets and contactless Point of Sale terminal infrastructure will be critical enablers for proximity payments. In developing markets, key factors include the level of unbanked consumers and consumer need for secure money transfer and money management alternatives.

Market Outlook
M-Banking
 Juniper Research forecasts 860 Million users of mobile banking services worldwide by 2016. Retail banks are widely deploying mobile banking services. A survey undertaken on behalf of American Banker suggests that 42% of U.S. banks offer mobile banking or mobile payments and 40% of those that don't have firm plans to do so.

Mobile Money Transfer and Finance Services
 At the start of 2012 there are 117 live and 9 planned deployments of mobile money services in developing markets. The GSMA expects these to reach 20 million unbanked people by year end (source GSMA). M-Pesa in Kenya has 14.9 M customers, equivalent to 63% of the adult population with \$3.15 billion moved between April and Sept 2011 (source Safaricom). Many schemes have seen much slower rates of adoption, with barriers including lack of consumer understanding and trust, weaknesses in agent networks and complex registration requirements. The global value of international remittances was estimated at \$440BN in 2010 with expected growth to \$536BN by 2013 (source World Bank) and international remittance via mobile devices are set to reach \$55BN in 2016 (source Juniper Research).

Proximity Payments
 An estimated 6.8 million NFC SIMs were shipped during the third quarter of 2011, most of which were purchased by the 3 leading South Korean carriers. (source SIM Alliance). Korea Telecom has forecast 20M active NFC handsets in Korea by the end of 2012 - around 42% penetration, with transport being a significant driver to adoption. Eurosmart expects shipments of secure NFC devices (excluding Felica) to be in the range of 80 to 120 million units in 2012 (source Eurosmart). FirstPartner estimates the Worldwide installed base of NFC enabled handsets will reach 843 million by 2015.



Security Concerns
 Security remains a concern for mobile banking and wallet based payment services and could undermine consumer confidence and slow adoption. Leading security companies have highlighted the risk of hackers and criminals targeting mobiles to gain access to consumer bank accounts and have highlighted vulnerabilities. In February 2012 Google disabled its linked prepaid card after security flaws were highlighted in Google Wallet.

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