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M-Pesa

Michael Joseph
Managing Director, M-Pesa
Market opportunity

Drivers of mobile money
- High levels of financial exclusion
- Limited infrastructure for financial services
- High level of mobile penetration

Leveraging the strengths of mobile
- Mass market, high volume service
- Small denominations
- Wide distribution (handsets)

Source: GSMA 2012
How does M-Pesa work?

Sender types in phone number of recipient and amount to be sent. Money is sent immediately. Fee is deducted by mobile money provider from sender for service. Sender receives notification of transaction completed.

Key Principles
- Low cost model suitable for most markets
- Pay per use model based on a fixed revenue fee per transaction
- Agents receive commission from mobile operator

Money is received on recipient phone. Recipient goes to agent to withdraw cash. Mobile money provider pays agent for services. Fee is deducted by mobile money provider from recipient for withdrawal.
M-Pesa continues to grow strongly

M-Pesa highlights – December 2012

17.3m
Active customers

27%
Year on Year customer growth

$1.2bn
Monthly P2P values

96,000
M-Pesa agents

+ customer churn benefit
What do customers use the service for?

- M-Pesa is an effective collection and disbursement mechanism for consumers and businesses alike
- In order to process payments money must be deposited within the M-Pesa system
- 3rd parties are using M-Pesa to pay for crop insurance, fund electricity solar panels, pre-pay for water at community pumps

Data as at December 2012
M-Pesa: live markets

**Afghanistan**
- Launched February 2008
- Expanding financial access

**India**
- Pilot completed
- Phased launch starting in Eastern circles

**Qatar**
- Launched November 2010
- Aimed at IMT

**Kenya**
- Launched 2007
- M-Shwari launched December 2012

**Democratic Republic of Congo**
- Launched November 2012

**Tanzania**
- Launched 2008
- Micro-insurance added 2012

**South Africa**
- Launched August 2010

**Fiji**
- Launched June 2010
The future of M-Pesa

• Continue to grow in existing markets

• Identify and launch M-Pesa in other emerging markets, within the Vodafone footprint

• To expand the products and services available to include:
  – international money transfer
  – insurance offerings
  – bill payments
  – savings and loans
M-Shwari

- Launched in November 2012
- A revolutionary new banking product initially launched in Kenya for M-Pesa customers
- Enables customers to save and borrow directly via their phone
- No additional paperwork required

M-Shwari facts – December 2012

<table>
<thead>
<tr>
<th>Amount of savings</th>
<th>Ksh 976m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of loans</td>
<td>Ksh 123m</td>
</tr>
</tbody>
</table>
Vodafone mPayments and mCommerce

Christian Wirtz
Group mCommerce Director
Our mCommerce vision

By 2020 Vodafone customers will no longer use a physical wallet!

- Vodafone Wallet for payments, loyalty, couponing and tickets
- Vodafone SmartPass
- Vouchercloud
Forecasts show significant growth potential in mobile payments

Mobile payment transaction value (US $bn)$¹

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (US $bn)</td>
<td>134</td>
<td>200</td>
<td>245</td>
<td>504</td>
<td>671</td>
<td>936</td>
</tr>
</tbody>
</table>

Contactless payments users (m)$²

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users (m)</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>11</td>
<td>20</td>
<td>31</td>
</tr>
</tbody>
</table>

¹ Source: MindCommerce August 2012
² Source: Strategy Analytics July 2012
The mCommerce ecosystem will create highly relevant customer propositions

**mMarketing**
“I will only receive messages that are relevant for me as marketing messages will be tailored to my interests”

**Notification in inbox**
“My intelligent push messaging inbox will help me to keep an overview on my messages – time, location etc.”

**Targeted coupons**
“My coupons match my needs and I am rewarded if I use them”

**Improved segmentation**
“Through an open and fair policy Vodafone showed me that my transaction data is only used to improve the offers I receive.”

**Loyalty programme**
“As loyalty and gift cards are fully integrated in my wallet and automatically updated it is no effort for me to use them”

**mWallet payments**
“My wallet does not only work online but also in the offline world and P2P”
Step-by-step development towards the integrated mCommerce wallet

**Smart plastic with App**
Vodafone-branded prepaid card & sticker, including mobile app and Peer2Peer payment functionality

**Vodafone enabling Wallet**
Wallet including a pre-activated & loaded Vodafone prepaid card as launch proposition

**Integrated mCommerce wallet**
Reflects mCommerce ambition (including coupons, loyalty, etc.)
The new mCommerce ecosystem will deliver several new revenue opportunities

### Freedom of choice
- Secure NFC
- **1st party services**
  - Direct revenues (e.g. interchange fees)
- **3rd party services**
  - Banks
  - Transport providers
  - Loyalty solutions
  - Enterprise solutions

### Fully integrated
- **Relevance**
- **Profiles**
- **Integrated Vodafone services**
- **New service opportunities**
  - Service revenues
  - Future opportunities
The first financial service launch will help us to generate customer insights

<table>
<thead>
<tr>
<th>Product features</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contactless Sticker</strong></td>
<td><strong>Convenience</strong></td>
</tr>
<tr>
<td>Attaches to a handset so that you can pay by just tapping your phone</td>
<td>“I don’t need to carry my wallet or cash to pay”</td>
</tr>
<tr>
<td><strong>Plastic Card</strong></td>
<td><strong>Ubiquity</strong></td>
</tr>
<tr>
<td>Whenever you can’t use your sticker, you can use your plastic card</td>
<td>“Can pay anywhere where Visa is accepted”</td>
</tr>
<tr>
<td><strong>Money Management App</strong></td>
<td><strong>Control</strong></td>
</tr>
<tr>
<td>Prepaid: top-up in the App</td>
<td>“I can now manage my balance on the move”</td>
</tr>
<tr>
<td>Debit: link your bank accounts</td>
<td></td>
</tr>
<tr>
<td><strong>Send Money</strong></td>
<td><strong>Simplicity</strong></td>
</tr>
<tr>
<td>Send or receive money</td>
<td>“Sending money is as simple as sending an SMS”</td>
</tr>
</tbody>
</table>
There are more NFC services to come

### Event Ticketing
- Last minute buy / yield management
- Personalised tickets & targeting
- Faster check-in

### Identification
- Secure online identification
- Improved eGovernment processes

### Access
- Hotel, Campus and Home Access Solutions making key rings and badges obsolete

### Logistics & internet of things
- Use NFC devices to optimise maintenance and service processes in the field

### Transport & transit
- Innovative tariff models
- More efficiently steer masses through transport systems

### Retail
- In-store price comparison and purchase online via mWallet
Q&A
Glossary

• IMT – International Money Transfer

• NFC - Near Field Communication technology is the global communication standard that enables mobile devices to securely communicate with a payment terminal

• P2P - Person to Person transfer

• Cash Out – Cash withdrawal

• Airtime – Mobile airtime purchase

• C2B - Customer to Business transfer

• B2C - Business to Customer transfer