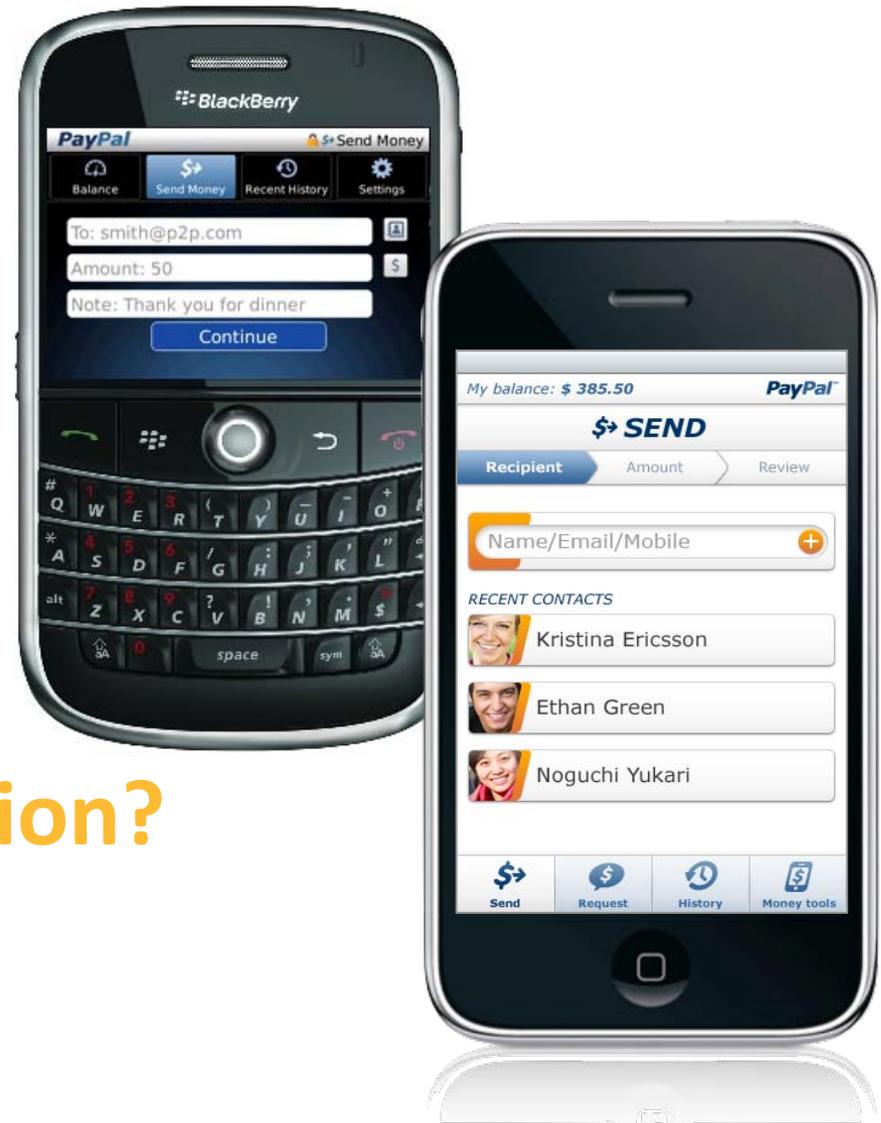




PayPal and Mobile, Evolution or Revolution?

Federal Reserve Board
Mobile Forum
February 23, 2010



PayPal Successfully Bridges Two Worlds

Global financial networks



The internet & web companies



PayPal™

Making the world's payment systems work seamlessly together

How PayPal Works

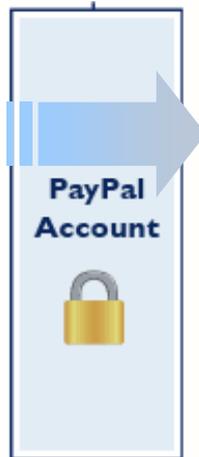
Senders choose from any one of multiple funding sources

PayPal sends the money but never shares details of the underlying financial instruments used

Receivers choose from any one of multiple withdrawal sources



Credit Cards



Bank Accounts



PayPal Balance



PayPal Plus Card



eCheck



Gift Certificates

Physical or Virtual Debit Card



Bank Account

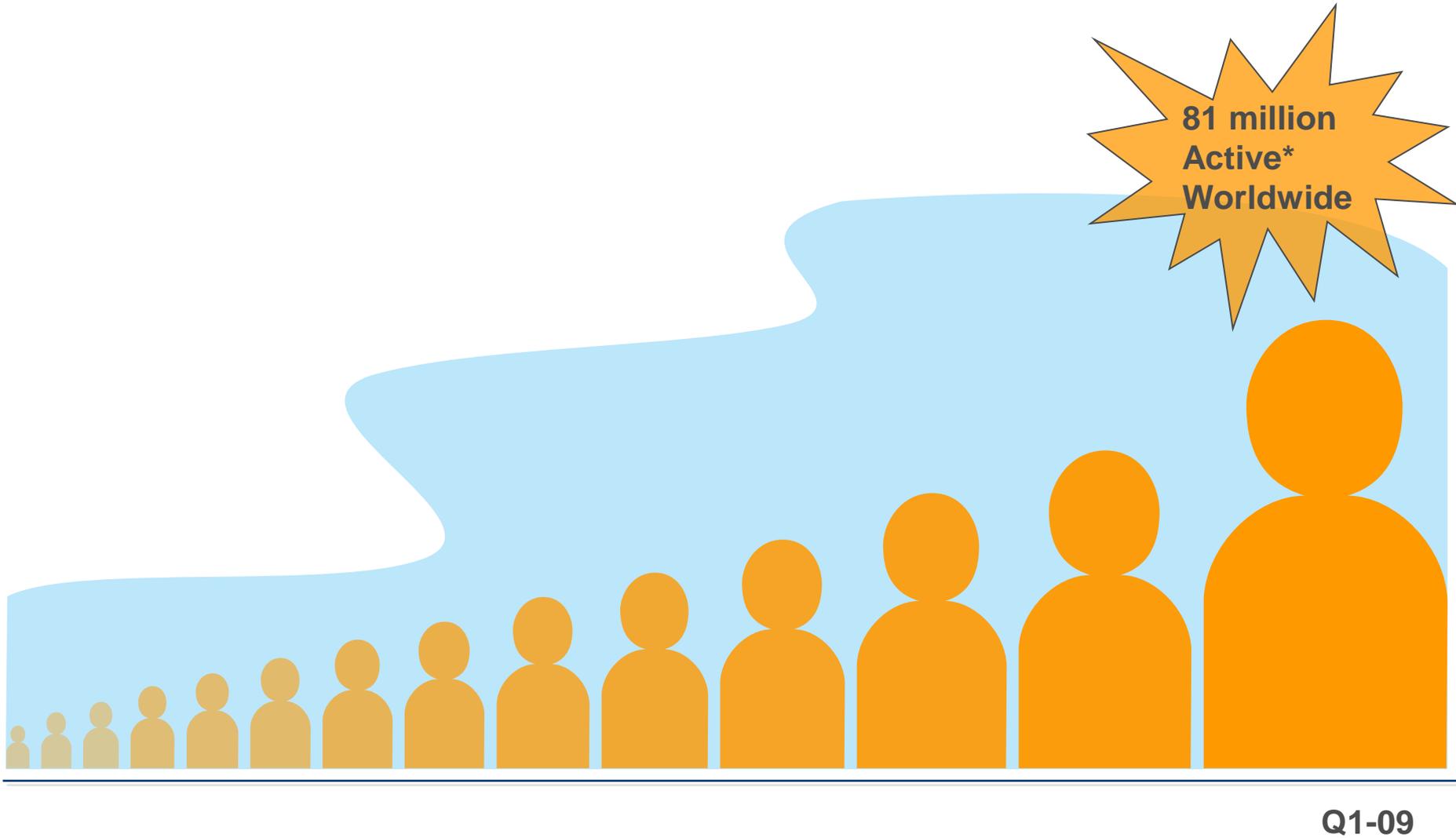


PayPal Balance 

Check



Tremendous Customer Growth

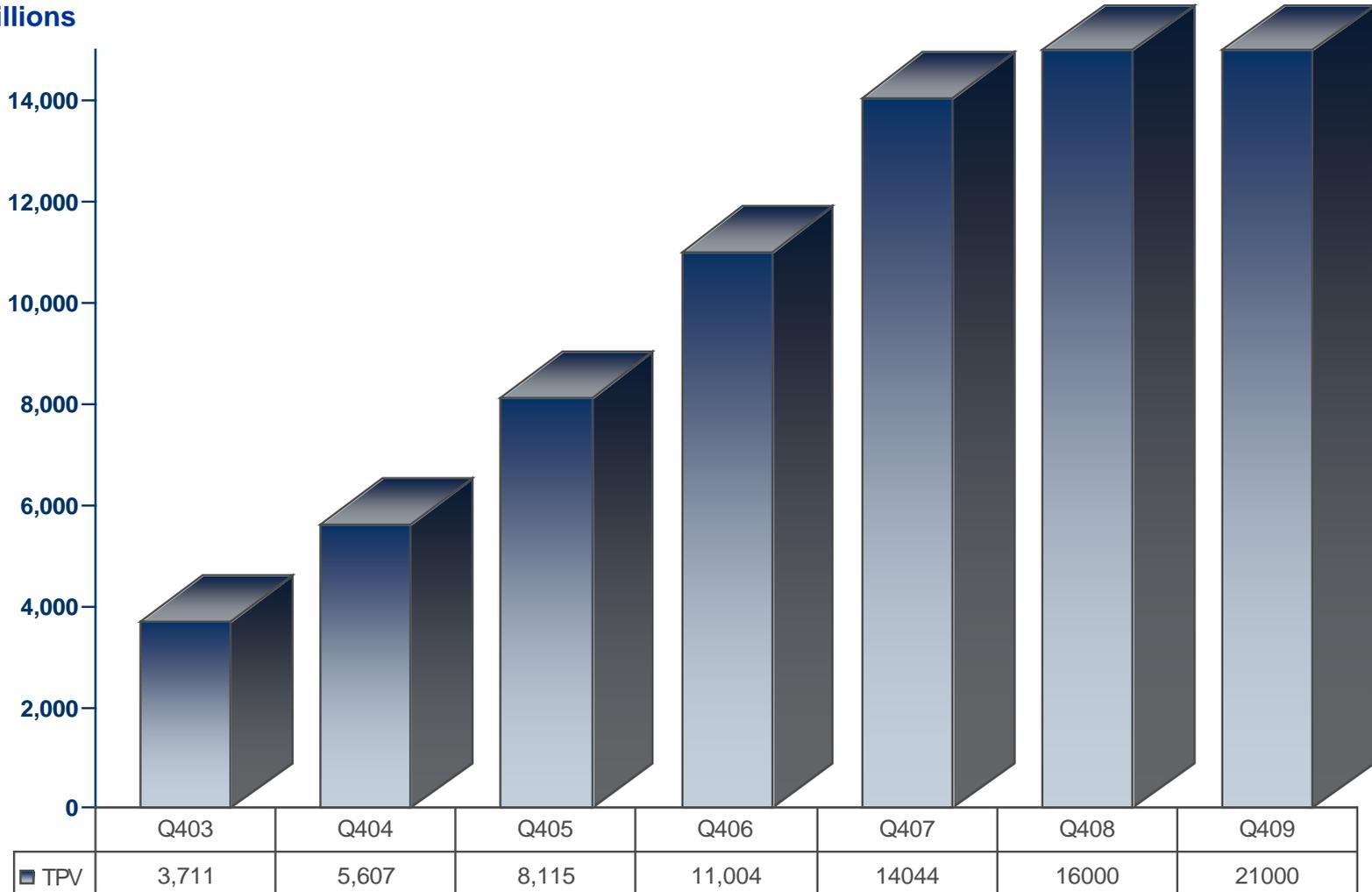


*active accounts are those that have had activity in the past 12 months.

PayPal Total Payment Volume

\$21 Billion*

Millions



* Total dollar volume of payments, net of payment reversals, successfully completed through the PayPal system during the quarter (excludes the payment gateway business).

How Mobile supports the PayPal Vision...



The world's favorite way to pay and be paid
anywhere, anytime, on any device

New trends are driving the mobile internet...

Richer User Experiences

- Rich Devices (power, form factors, displays)
- Rich Experiences (UI, browsing, apps, services)
- Fast Networks (broader 3G rollout and coverage)

Mobile data becoming mainstream

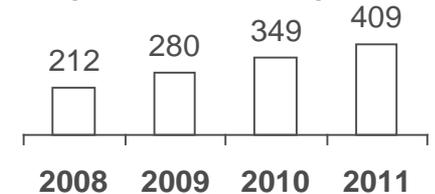
- Smartphone adoption moving from business to consumers:
 - High smartphone subsidies (i.e. \$240 on iPhone)
 - More affordable and transparent flat dataplans
 - 30-40% of new devices in NA are smartphones
 - 70% of new RIM subs are consumers

New compelling content and sticky services

- App Stores shifting industry power and economics and attracting new developers and content
- Social networking going mobile



Smartphones WW Shipments (m)



SP penetration expected to reach up to 50% in 2011 in NA and EU

The App Store Wave



- Mobile data usage (browsing, apps) booming
- Consumers increasingly extending/enhancing online activities to mobile
- Gen Y, Z connected anywhere, anytime on any device

...innovation dollars fueling experimentation

Telcos



- O2 moving from NFC trials to commercialization is seeking partners



CHINA MOBILE

- China Mobile announced partnership with Alipay on mobile payments



vodafone

- Keep expanding Mpesa model to other emerging markets (target Afghanistan & India)

- Launched mpass P2P service in Germany



- Rolling out P2P, Airtime and prepaid topup, seeking partnerships

HW Players



Connecting People

- \$70m investment in Obopay
- Upcoming Ovi store will accept carrier billing and card processing

- Leader role in NFC deployments



- iTunes controls m-commerce on iPhone
- New iPhone 3.0 SDK enhanced payments capabilities



- \$210m Firethorn acquisition

Mobile Payments

Attackers



- Google's 250M\$/year on open OS could be a Trojan horse for the expansion of G-Checkout



- Amazon offering to run apps/digital content stores

ZONG



- Growing # of startups focusing on mobile payments

VISA & FI



- GSMA and Visa announced partnership on Mobile Payments

- Visa launched 1st NFC commercial trial in APAC



- Barclays and Orange have announced a partnership to develop m-payments technology

Deutsche Bank



- DB announced to partner with Luup on mobile payments for remittances

In the last year PP has made good progress in Mobile

Customers



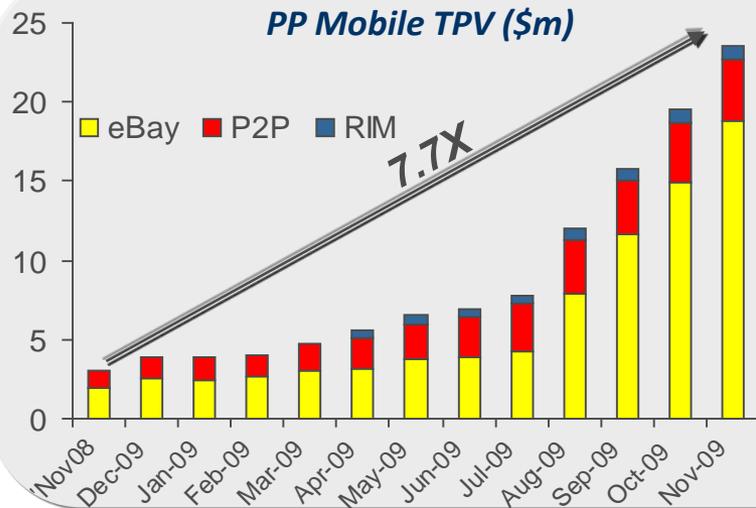
- 1.4m mobile active users (7.5X)
- 400k monthly active
- 500k unique client downloads
- #1 most visited financial WAP site

Experience



- iPhone app # 4 Finance App for installed base
- Launched Android P2P 4 stars rating
- Launched eBay Mobile integration
- Feedback/ratings improved after integrating PP
- #1 M-commerce player

Financials



Ecosystem and Innovation

- Launched RIM appstore
- Engaging with key ecosystem players



- PP Mobile team contributed for 10% of all eBay Inc. patents in 2009

How we think about the Mobile opportunity

Market opportunity

Our Goal



- Mobile phones will increasingly become the main way consumers will connect to internet
- Mobile is enhancing online through access on-the-go to local search, news, socialnetworking. Mcommerce is next

Gain relevance with consumers by embedding PayPal brand in a product core to consumers' daily lives



In emerging markets with underdeveloped banking/payments systems and high mobile penetration, mobile could be leveraged to create a disruptive payment platform

Support PayPal market entry in select emerging markets via mobile



In the future, mobile phones will be able to perform secure transactions with an easy and convenient tap

??? Still early days...

Where is the money?

Mobile payments addressable markets



Remote payments



Mobile Digital content

\$5B



Prepaid Airtime Topup

\$10B



Remittances

\$100B



Online Physical goods & services

\$250B

Proximity payments



Non traditional retail: no terminal



\$250B

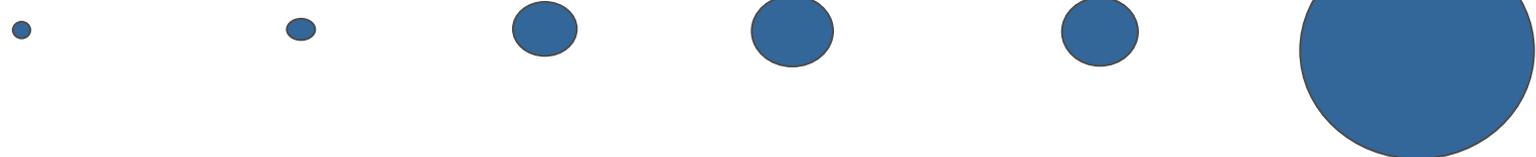


Traditional retail



\$5T

NA Payment '08 Volume Opportunity



Opportunity Timing



Source: McKinsey, Informa