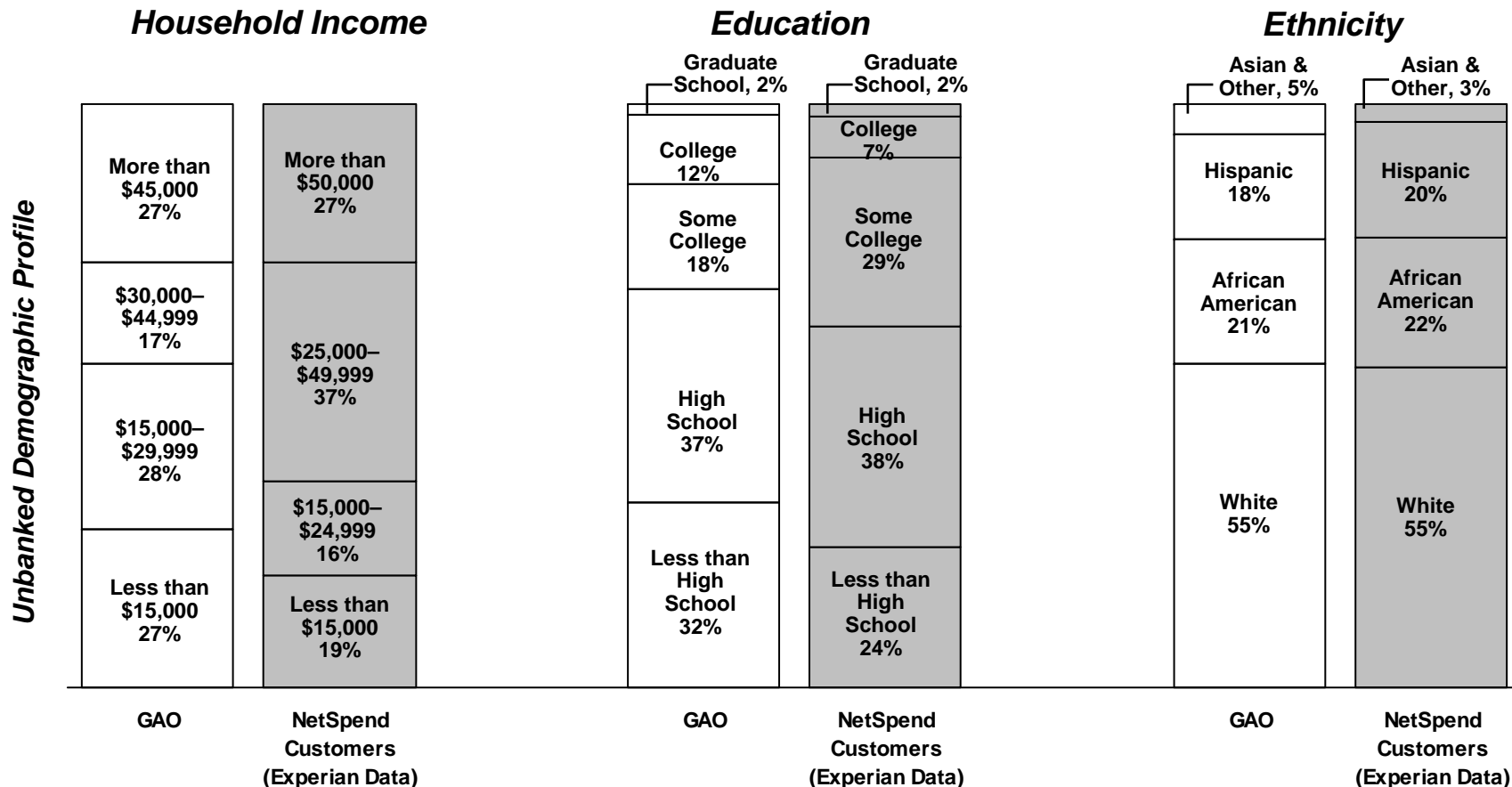


# **Risk Management, Knowing your Customer and Enhancing Products**

**To be the premier provider of  
financial services in the eyes of the  
underbanked.**

*We achieve our mission by serving our customers  
anytime and anywhere, being trustworthy, reliable  
and delivering innovative high value products and  
features.*

# Knowing the Customer

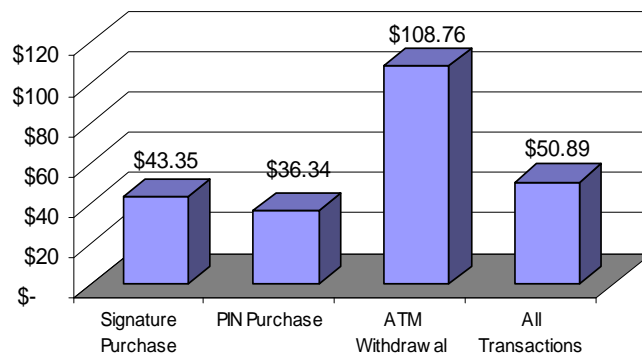


Source: "ATM's: Self-Service for the Unbanked", Celent Communications, Oct. 2002.; "Electronic Transfers", United States General Accounting Office, Sept. 2002.; Experian Market Penetration and Profile Report of Online and Offline Customers, 2005.

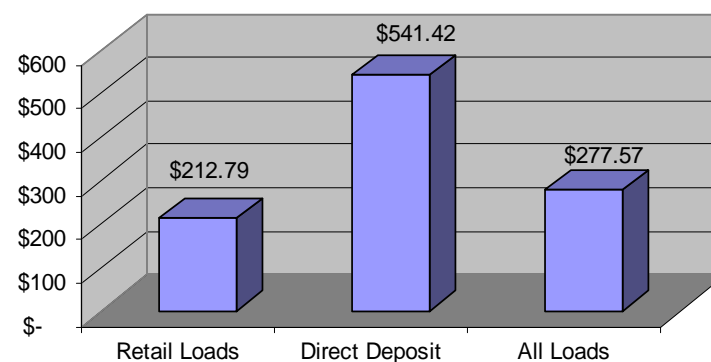
## GPR Balance Distribution (90-day Active Accounts Only)

Balance Bucket	# Accts %	\$ Balance %	AVG BALANCE
\$0 - \$1000	99.42%	71.93%	\$29
\$1000.01 - \$2500	0.48%	17.58%	\$1,464
\$2500.01 - \$4000	0.06%	4.70%	\$3,067
\$4000.01 - \$5000	0.018%	1.95%	\$4,418
\$5000.01 - \$7500	0.015%	2.20%	\$5,868
\$7500.01 - \$10,000	0.005%	1.21%	\$8,773
\$10,000+	0.001%	0.43%	\$11,740
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$40</b>

### Average Ticket



### Average Load by Channel



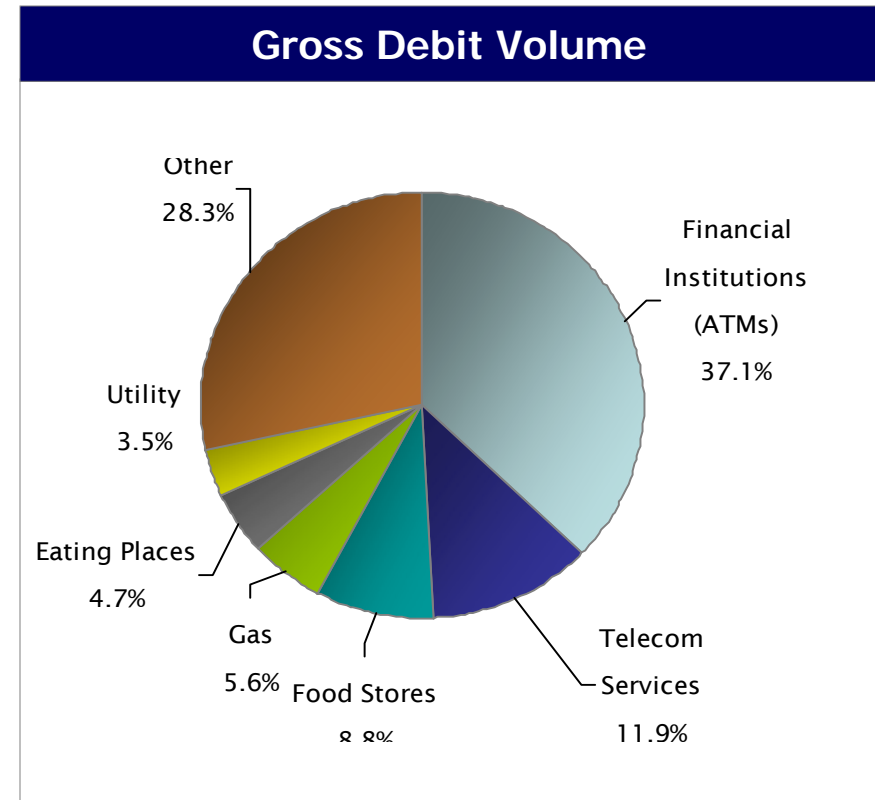
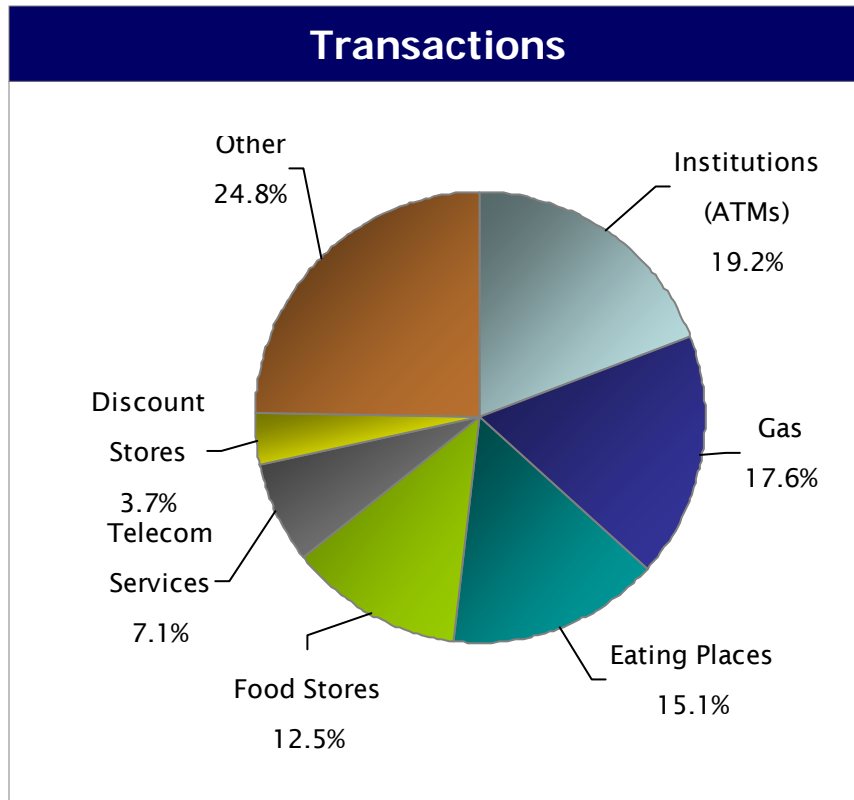
# AML Risk Management by Customer Type



**NetSpend's customer base is considered low risk per FFIEC guidelines:**

<b>Customer Risk Assessment</b>			
Risk Levels Definition	1 = Low Risk 2 = Moderate Risk 3 = High Risk		
<b>Customer/Account Risk Type</b>	<b>FFIEC Risk Level</b>	<b>% of Customers at NetSpend</b>	<b>Actual NetSpend Risk Level</b>
Resident Customer Account	1	100%	<b>1.0</b>
Non-Resident Account	1.5	0%	<b>0.0</b>
Small Business	2	0.0001%	<b>0.0</b>
Consumer Wealth Creation	2.75	0%	<b>0.0</b>
Non-Resident Alien- Offshore Investor	3	0%	<b>0.0</b>
High Net Worth Individual (Private Banking)	3	0%	<b>0.0</b>
Multiple Tiered Accounts	3	0%	<b>0.0</b>
Offshore/Shell Companies	3	0%	<b>0.0</b>
<b>Overall Risk</b>		<b>100%</b>	<b>1.0</b>

## Top Spend Categories



Risks are broken down into 3 categories:

1. Customer
  - Type
  - Risk level assessed by FFIEC BSA/AML Manual
2. Product
  - Type
  - CIP Checks
  - Limits
  - Monitoring
3. Channel
  - Load Channel Oversight
  - Channel Load Limits
  - Due Diligence
  - CIP/ID Verification

# AML/Fraud Monitoring via NetEconomy



Global AML/Fraud Control	Per Transaction	By SSN-level	By Account level	MINRISK%	Activity Period	Action	Monitoring Period	Implementation on Date	Only include if Active in the Last # Days	TRANS TYPE
Existing Account - Awakening After 3 Months of Inactivity			\$10,000			Monitor	Daily	Currently in place.	30 Days Ago	
Existing Accounts - High In/Out Activity			\$7,500		7 days	Monitor	Daily	Currently in place.	120 Days Ago	
High Aggregated ACH Transactions on Incomplete CIP			\$950		1 day	Monitor	Daily	Currently in place.	3 Days Ago	ACH (BNKC)
High Aggregated ACH Transactions on Account			\$5,000	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	ACH (BNKC)
High Aggregated ACH Transactions on Account			\$7,500	-100%	30 days	Monitor	Daily	Currently in place.	120 Days Ago	ACH (BNKC)
High Aggregated Fees on Account			\$500	-100%	1 day	Monitor	Daily	Currently in place.	Not Set	Fees (ITRS)
High Aggregated Fees on Accounts			\$500	400%	7 days	Monitor	Daily	Currently in place.	Not Set	Fees (ITRS)
High Aggregated P2P Transactions on Accounts			\$3,500	250%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	P2P (CRDT)
High Aggregated ATM Debit on Incomplete CIP			\$4,000	200%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	ATM (ATMC)
High Aggregated ATM Debit on Accounts			\$3,500	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	ATM (ATMC)
High Aggregated Gambling on Incomplete CIP			\$2,500	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	Gamb (CMMD)
High Aggregated Gambling on Accounts			\$2,500	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	Gamb (CMMD)
High Aggregated Debit card Transactions on Incomplete CIP			\$2,500	-100%	1 day	Monitor	Daily	Currently in place.	Not Set	Dbt Crd (DBTC)
High Aggregated Debit Transactions on Accounts			\$5,000	-100%	1 day	Monitor	Daily	Currently in place.	Not Set	Dbt Crd (DBTC)
High Aggregated Cash Deposits on Incomplete CIP			\$6,500	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	Cash (CASH)
High Aggregated Cash Deposits on Accounts			\$7,500	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	Cash (CASH)
High Aggregated Cash Deposit on Accounts			\$10,000	-100%	30 days	Monitor	Daily	Currently in place.	30 Days Ago	Cash (CASH)
High Aggregated Adjustments on Incomplete CIP (internal adj)			\$20,000	-100%	1 day	Monitor	Daily	Currently in place.	120 Days Ago	Adjs (INTR)
High Aggregated Adjustments on Accounts (internal adj)			\$20,000	-100%	1 day	Monitor	Daily	Currently in place.	120 Days Ago	Adjs (INTR)
High Aggregated Adjustments on Accounts (internal adj)			\$30,000	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	Adjs (INTR)
High Aggregated CHIT Reload on Incomplete CIP			\$5,000	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	CHIT (CHCK)
High Aggregated CHIT Reload on Accounts			\$5,000	-100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	CHIT (CHCK)
High Aggregated CHIT Reload on Accounts			\$10,000	-100%	30 days	Monitor	Daily	Currently in place.	120 Days Ago	CHIT (CHCK)
Overview Accts Non-Face-to-Face w/ Risk % Above (web accts)			\$20,000	500%	90 days	Monitor	Daily	Currently in place.	30 Days Ago	
Existing Accts - Overview w/ Risk % Above			\$20,000	400%	90 days	Monitor	Daily	Currently in place.	30 Days Ago	
Existing Moral Persons - Frequent Activity (business)			\$10,000	100%	7 days	Monitor	Daily	Currently in place.	120 Days Ago	
Threshold Currency a Day by Person					1 day	Monitor	Daily	Currently in place.	3 Days Ago	
New Accounts w/ Aggregated Amount Above			\$17,500		30 days	Monitor	Daily	Currently in place.	30 Days Ago	
Physical Person w/ Inordinate # of Accounts ***RULE FOR ACTIVE ACCOUNTS		+3 accts				Monitor	Daily	Currently in place.		

Program parameters designed to mitigate risk lead to enhanced program benefits for customers:

In July 2004, NetSpend initiated its Overdrawn Buffers program which granted customers an additional allowance over their available balances.

The purpose of this initiative was to provide customers with an additional buffer in the event they became overdrawn by a few dollars with the goal of increasing transaction approval rates, customer satisfaction, and hence retention.

The overdrawn buffers range were based on the profile of the customer.

Authorization Strategy based on 27 segmented nodes

Segmentation factors:

- Number of purchases
- Average Deposits
- Average Balances

This strategy is a success:

- Incremental retention increase
- Acceptable charge-off rates
- Profitable

## Program Goals

- Ability for cardholders to improve credit score through bill payments via NetSpend Pre-paid Debit card
  - Telephone
  - Cable
  - Electricity
- Educate cardholders about credit building process
- Improve cardholder retention
- Grow data asset to improve product offerings