Payments:
An Opportunity for Innovation

Margaret Weichert
Strategy, Innovation & Payments Executive
Payments are Big Business for Banks

Payments drive more revenue for banks than any other business

U.S. Banking Market Revenue Pools
2005 Estimates ($B)

<table>
<thead>
<tr>
<th>Payments Mortgage</th>
<th>Capital Markets</th>
<th>Brokerage</th>
<th>Asset Mgmt</th>
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<tbody>
<tr>
<td>$224</td>
<td>$120</td>
<td>$102</td>
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Source: McKinsey Global Concepts, Mercer Oliver Wyman, BAC Finance, BCG
Challenges of Innovation in Payments

- Costly and fragmented payments infrastructure
- Chicken and egg problems can impede scale
- Criticality of safety, soundness and security
- Existing players face “innovator’s dilemma”
- New players find it difficult to build scale
Non-Banks Role in Payments Innovation

**Opportunities**
- Ability to focus on smaller markets
- Infrastructure leapfrog potential
- Potential for scale in fragmented markets
- Less invested in status quo

**Challenges/Risks**
- Unclear regulatory oversight in emerging markets
- Potential unintended consequences: risk, fraud, security
- Unclear impact to consumers when innovations do not succeed
Bank of America’s Approach to Innovation

Enterprise view of payments provides insight that focuses on the highest impact cost opportunities, revenue opportunities, and product and service innovation.