

PayPal, Inc.

**Innovation in Non-bank
Payment Systems**

Santa Fe, NM
May 2-4, 2007



Fast, Easy, Secure Online Payments



Internet – A Tool For Social Innovation

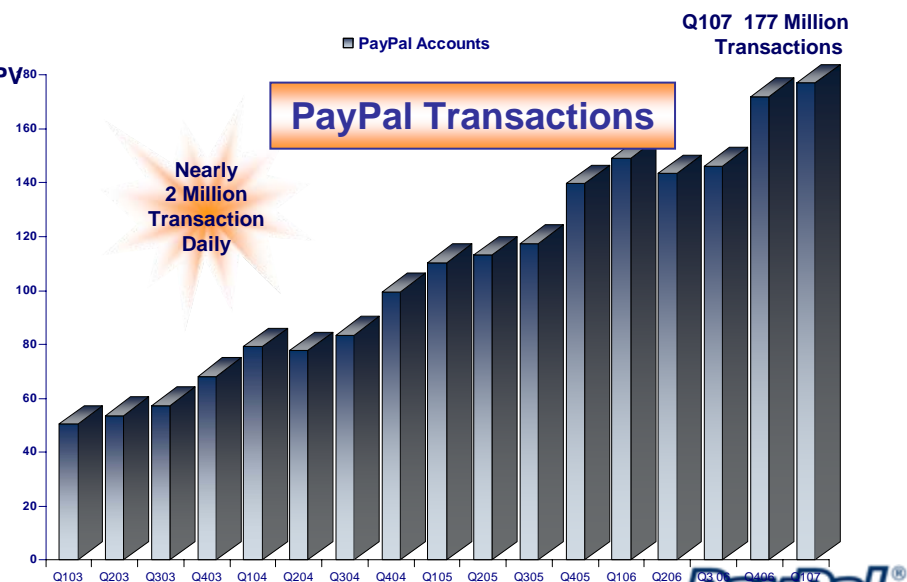
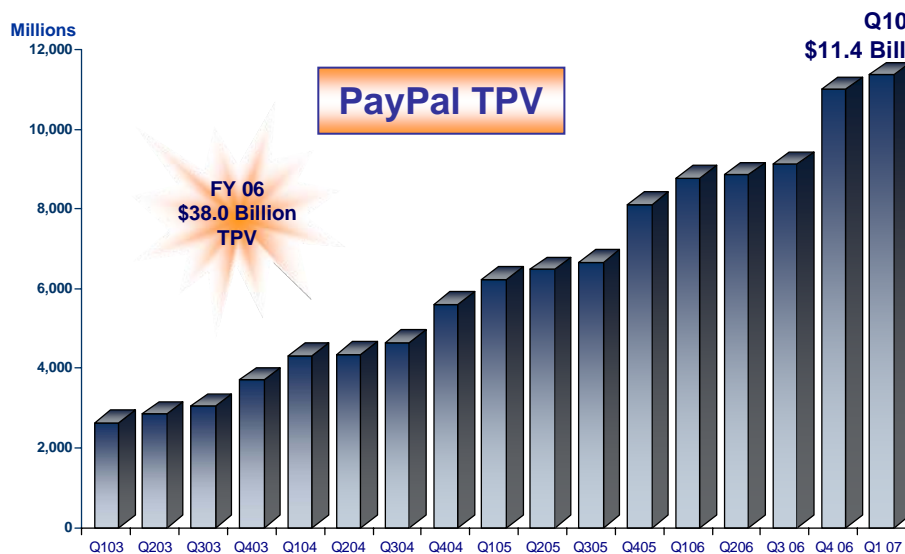
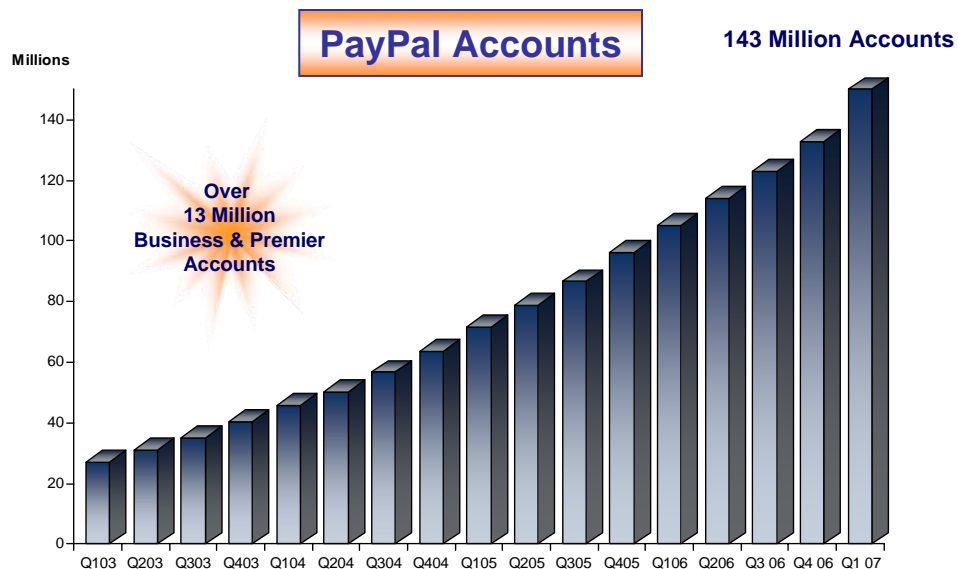
- The Internet is changing our lifestyles – it is changing...
 - How we get informed
 - How we communicate with each other
 - How we entertain and express ourselves
 - How we find things to buy and shop
- Shopping online is increasing exponentially
 - Growth rates of 30%+ per year
 - At eBay
 - A diamond ring sells every 3 minutes
 - A dress sells every 30 seconds
 - A digital camera sells every 30 seconds
 - A car sells every minute



The Internet facilitates trading between people who have never met each other

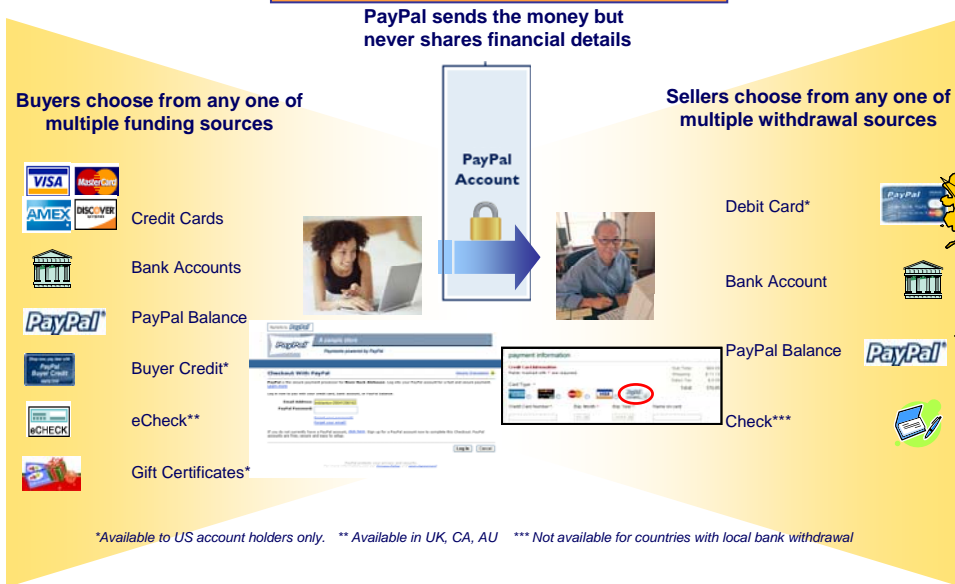
PayPal Overview

- Launched in October 1999
- Went public (IPO) in February 2002
- Acquired by eBay in October 2002
- Complement the existing financial payments networks by leveraging the payments infrastructure to deliver secure internet payments worldwide



PayPal Profile

PayPal Business Model



Geographic Footprint



- 103 markets (14 fully localized)
- 17 currencies
 - US Dollar
 - Canadian Dollar
 - British Pound
 - Euro
 - Japanese Yen
 - Australian Dollar
 - Chinese YuanRenminb
 - Czech Koruna
 - DanishKrone
 - Hong Kong Dollar
 - Hungarian Forint
 - New Zealand Dollar
 - NorwegianKrone
 - Polish Zloty
 - Singapore Dollar
 - SwedishKrona
 - Swiss Franc

Why Buyers Like PayPal



EASY

- Simple account set up
- Enables multiple financial instruments

FAST

- "Express checkout"
- Transactions take only a few seconds

SECURE

- "Shop without sharing"
- Buyer protection

Why Sellers Like PayPal



EASY

- All-in-one solution
- Immediate account set up

COST EFFECTIVE

- No set up fees
- Lower cost than competition
- Simple bundled pricing

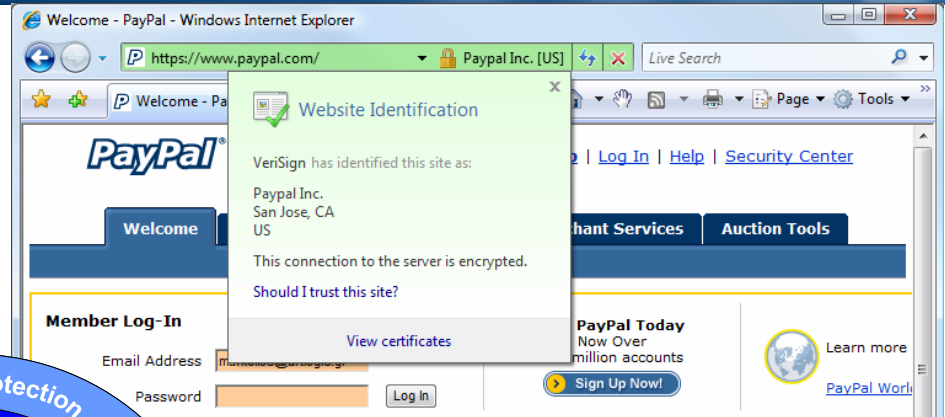
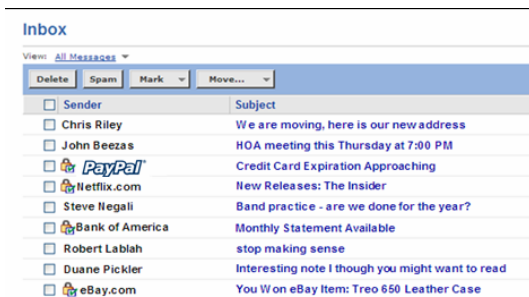
SAFE

- Fewer fraudulent transactions
- Seller protection

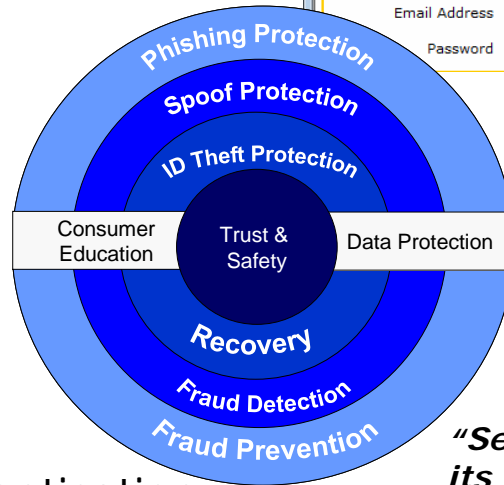
INCREASED SALES

- Incremental revenues

Leading The Industry Towards Safety & Trust



- Signing 100% of e-mails
- Passive and active phishing protection filters
- PayPal's Secure-Key provides two factor authentication
- Protects against account takeover



- Supporting EV Certificates
- Detecting Phishing sites

“Security on the Net is an arms race in its most classic form... [fraudulent activities] hurt all of our brands. It’s not necessarily our fault, but it’s our problem because it erodes the trust we have worked so hard to earn from our customers.”

Meg Whitman, eBay CEO, Visa USA security summit, March 2007



PayPal Contributions to Innovation

- Trusted Trade
 - PayPal – as trusted party – permits conclusion of a trade without sharing financial account information with either party
- Speed
 - PayPal makes funds available to sellers in a fraction of the time than if the seller accepted checks and at a smaller cost than if sellers had acquired merchant accounts
- Convenience
 - PayPal signup process is easy and PayPal is constantly looking for ways to enhance customer experience (i.e. Express Checkout, PayPal mobile)

Innovation must address an unmet customer need while preserving the trust and safety of the payments schemes