



Branchless Banking

- Brazilian Correspondent Banking Networks

June, 2006

Terence Gallagher

Introduction to Brazil



Area: 8,514,000 km²

Population: 180,000,000

PEA: 83,000,000

Poor: 40,000,000

Indigent : 20,000,000

GNI per Capita (2002): US\$2,830

N^o of municipalities: 5.561

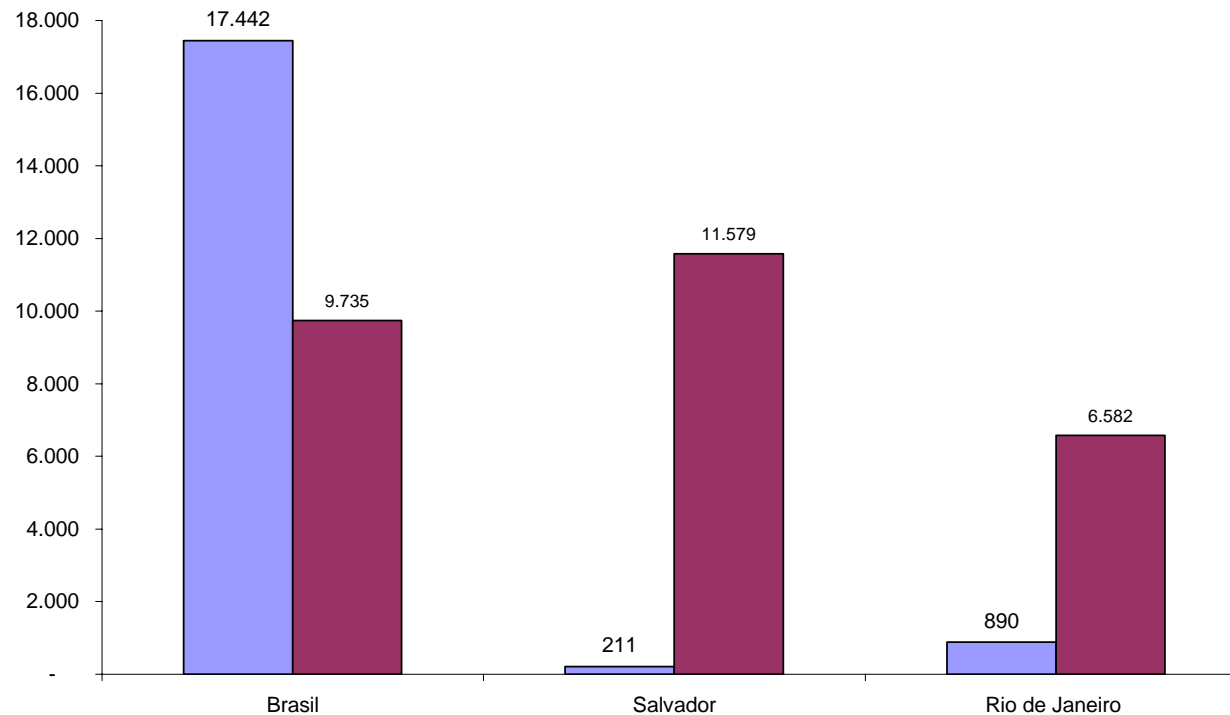
2.300 without any Bank Branches

1,382 municipalities < 5.000 inhab.

Financial Sector Coverage

	Mexico ¹	Malaysia ²	India ³	Brazil ⁴	South Africa ⁵	Kenya ⁶	Nigeria ⁷
Number of deposit accounts, thousand	22,243	12,265	446,081	77,279	12,700	1,971	7,333
Number of deposit accounts as a % of the adult population	33%	76%	63%	61%	41%	11%	10%
Proportion of the adult pop. earning above \$3 per day	73%	92%	20%	77%	76%	42%	9%
Gap, in percentage points, between adult population earning \$3 per day accounts and number of deposit acc.	40%	16%	-43%	16%	35%	31%	-1%

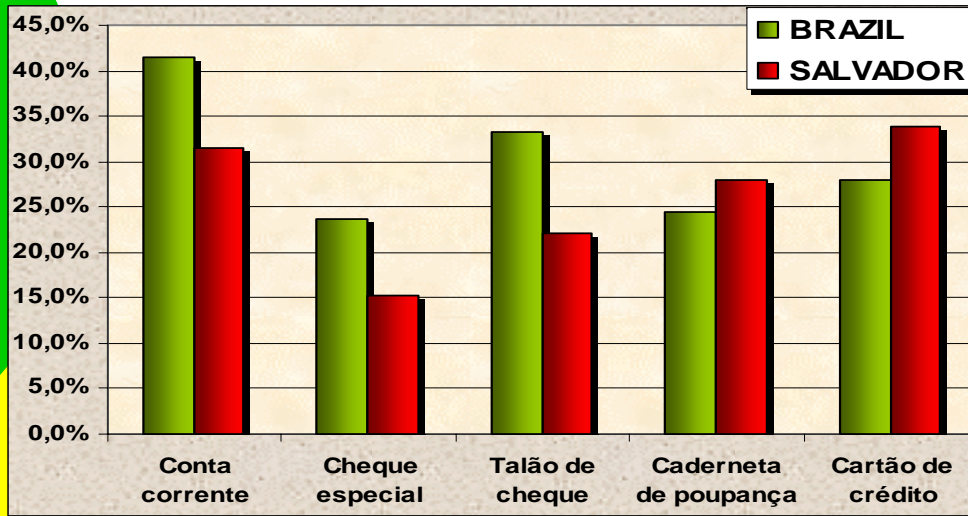
Source: Finmark Trust - Varios (2001-2004)



Source: Sisbacen and Census 2000. ■ Nº de agências ■ Habitantes por agência

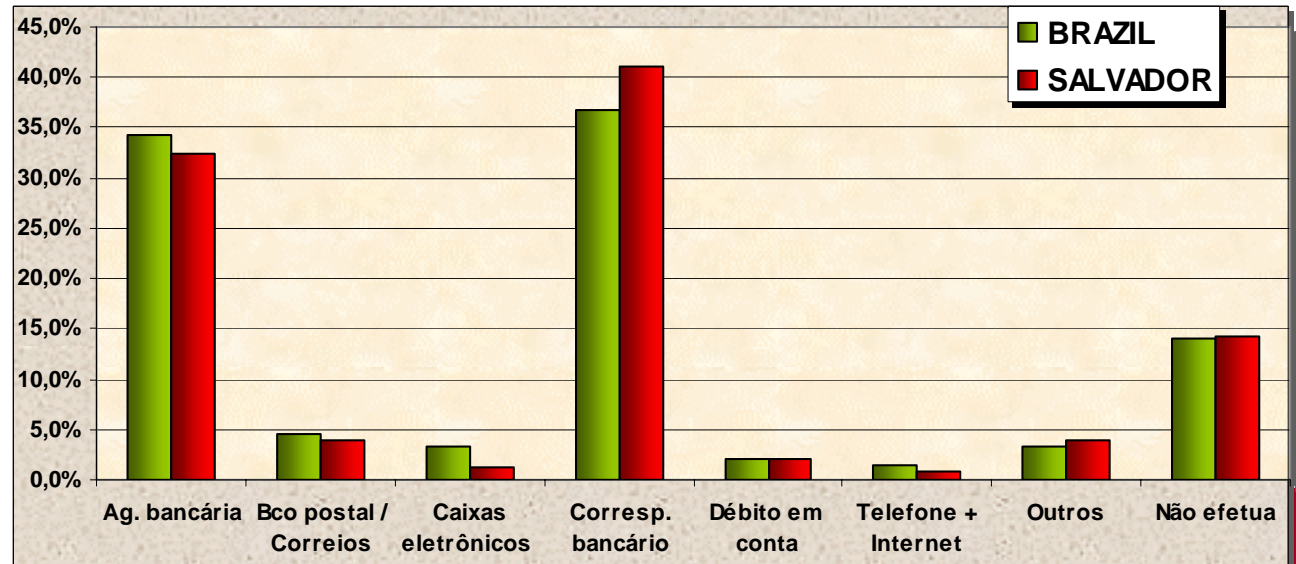
Access to Financial Services

Access to the Principal Instruments



- On Average, only 30% of the small and micro businesses have access to basic financial instruments

Principal Method of Making Payments



- Significant Penetration of the Correspondent Banking Network

Correspondent Banks

Bank partnerships with non-banks

- Typically retail commercial outlets, lottery kiosks, pharmacies, post offices, construction goods stores, etc,
- Provide distribution outlets for financial services.
- By the end of 2005, 74 financial institutions (57 banks and 17 financial companies) had over 58,000 correspondent outlets around the country.
- As of 2004, all Brazilian municipalities had access to at least a basic group of financial services.



Flows

CONSOLIDATED	2000	2001	2002	2003	2004	2005
TOTAL POINTS OF ATTENDANCE IN BRAZILIAN FINANCIAL SYSTEM ^{1/}	63.509	69.929	74.267	78.539	83.396	90.424
SAMPLE POINTS OF ATTENDANCE ^{2/}	8.172	10.361	15.869	17.483	25.415	57.936
I – TOTAL OPERATIONS ^{2/}	560.533.646	727.935.388	899.799.176	1.015.877.919	1.221.637.883	1.440.809.515
ACCOUNT OPENING	0	0	310.167	1.198.925	4.616.029	6.265.509
DEPOSITS	606	3.875.982	11.898.823	24.440.007	47.570.138	70.755.021
WITHDRAWALS	4.164	8.519.112	28.725.543	52.846.896	83.724.328	116.055.764
LOANS	921.548	816.280	909.984	1.210.205	1.744.734	3.638.392
PAYMENTS ^{3/}	6.905	7.739.495	59.982.382	84.677.202	103.978.652	122.347.745
RECEIPTS ^{4/}	559.600.423	702.807.077	783.505.607	820.997.747	927.683.909	1.011.326.965
OTHER SERVICES	0	4.177.442	14.466.670	30.506.937	52.320.093	110.420.119
II – VALUES - (R\$ MIL) ^{2/}	25.940.566	36.123.735	120.468.165	515.457.621	1.197.008.793	1.942.795.235
DEPOSITS	72	622.114	1.797.306	3.045.993	6.671.052	24.869.304
WITHDRAWALS	445	816.513	3.459.152	7.760.303	14.817.204	37.394.292
LOANS ^{5/}	3.853.072	4.481.284	5.571.164	6.313.824	8.047.913	10.628.704
PAYMENTS ^{3/}	2.625	467.968	2.772.957	4.501.474	8.413.917	11.958.209
RECEIPTS ^{4/}	22.084.353	29.735.856	106.619.336	492.289.759	1.155.661.207	1.851.436.110
OTHER SERVICES	0	0	248.250	1.546.269	3.397.500	6.508.616

- Number of financial operations x2+ in the last five years
- Volume x4+
- 80% volume = Bill Payment

Aspects of the Business

- Preconditions
 - Security
 - Suficient Volume
 - Infrastructure
 - Partner

- Estrategies
 - Short Term Revenue Max
 - Market Share of Bill Payment
 - Optimizing Agencies
 - Positioning in Community
 - Grow with busines
 - Capture New Customers
 - Bancarization

Challenges

- Cross-Sell
 - Distance from Client
 - Training
- Management of Cash Flow
 - Debit Cards
 - Benefits
- Advance Frontier
 - Visa Net
 - Distance from Banks
 - Break-even volume of business
- Risks
 - Legislation – Security & Labour

Shop



Maceio -AL



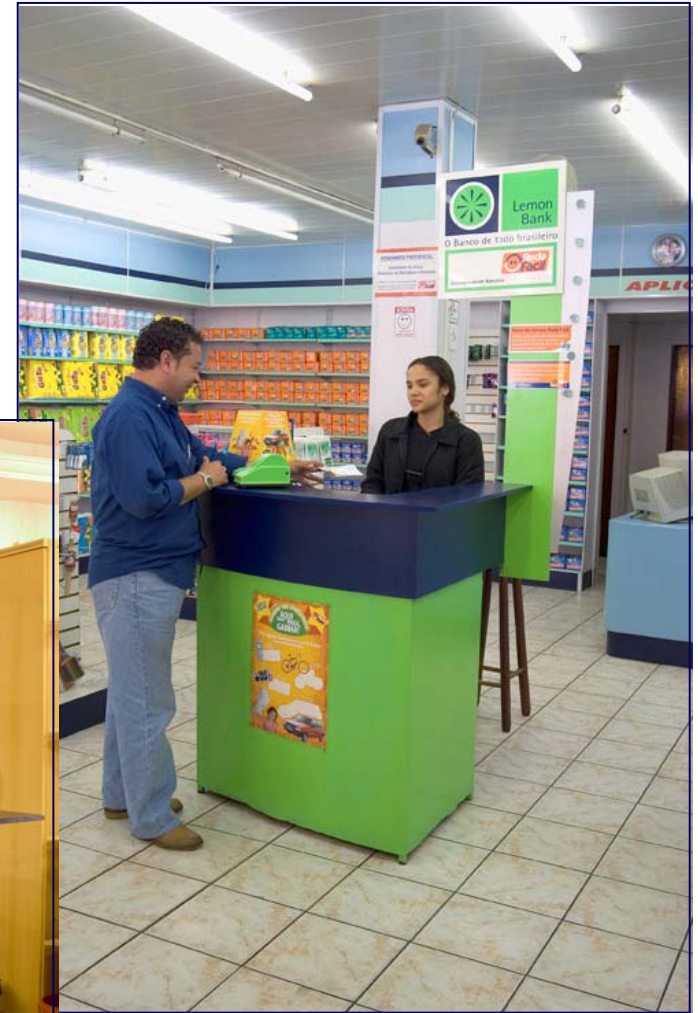
São Paulo - SP



Kiosk



Suzano - SP



Guarulhos - SP



São Paulo - SP