

# Walmart extends financial links as it takes stake in Green Dot

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Walmart has taken an equity stake in a rapidly expanding US financial company, in a move that may also give the largest US retailer an indirect link to a small commercial bank.

Green Dot , which provides support for Walmart's pre-paid cards, said this month that it had issued more than 2m shares to Walmart, following an agreement in May that extended the existing alliance between the companies until 2015.

Green Dot is currently also seeking federal and state approval to acquire its own bank, having reached agreement in February to acquire Bonneville Bank, a small Utah-based commercial bank, for \$15.7m.

The company said in a regulatory filing that it expected to focus the bank on issuing its cards, "and initially, on a pilot basis, savings accounts to our core customer base."

Walmart abandoned a bid to acquire a banking licence in 2007, amid a storm of opposition from the banking industry and political opponents. It has subsequently focused on developing financial services with partners including Green Dot.

The holding will give Walmart less than 1 per cent of Green Dot's voting shares after a planned initial public offering by the pre-paid operator that is expected to raise up to \$150m, according to regulatory filings.

The stake reflects the growing importance of Walmart's pre-paid, reloadable MoneyCard business, which it uses largely to build customer loyalty among its primarily low-income core customers, many of whom lack bank accounts.

The cards, issued by GE Money's bank and launched in June 2007 , are linked to Green Dot's internet-based network. Customers can use the network to add cash to their cards, which they can then use for card-based purchases, without the risks of crime or loss associated with cash.

The retailer also now uses direct deposits to the pre-paid cards, rather than cheques, to deliver weekly wages to more than 90 per cent of its 1.4m employees.

Walmart does not give financial details of its financial services business. But it said this month that "billions of dollars" had been loaded on to its prepaid cards since launch.

Green Dot said in a regulatory filing this month that its card business through Walmart accounted for 63 per cent of its \$92.8m in revenues in its most recent quarter. It said it had about 3.4m active cards.

Walmart has opened more than 1,000 "MoneyCenters" at its more than 3,000 stores in the past two years, and has said it will open another 500 this year.

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