

Executive Summary

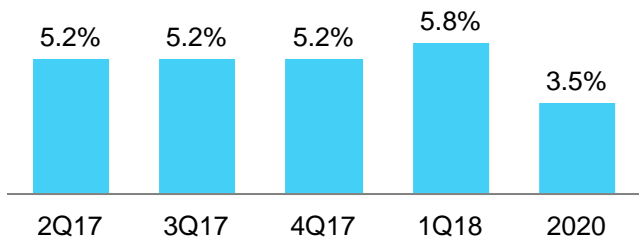
Commercial Roadmap Overview

Iraq stands to see considerable GDP growth and falling unemployment, which should create the opportunity for rapid growth of the cards market, leveraging the existing personal remittance system

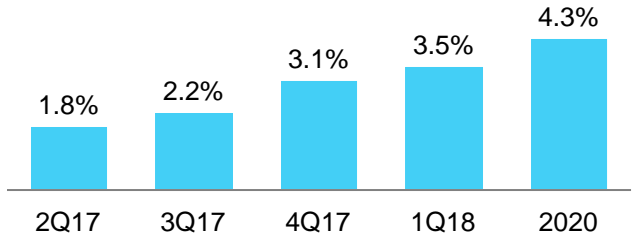
Economic Growth and the Payments Opportunity

Fiscal recovery and reforms	<ul style="list-style-type: none"> ■ After taking a US\$ 3bn credit assistance from international agencies, the government now aims to minimize the deficit (12% of 2016 GDP), enact reforms to help vulnerable citizens, strengthen the banking sector, broaden the tax base, reduce corruption, and increase transparency and governance of public funds
Increased spending	<ul style="list-style-type: none"> ■ Like similar countries in the region, the non-oil sector contracted by as much as 8% over three years, but is expected to rebound in 2017 due to an improved security situation and greater non-oil investment ■ The central government drastically cut back on spending due to 2014 political and economic crises, but now is poised to spend again
Oil prices and production rebounding	<ul style="list-style-type: none"> ■ Iraq is OPEC's second-largest producer, but production has been hit by political turmoil ■ If Iraq follows suggested cartel cuts, oil production will contract in 2017 rebounding in 2018 and 2019 to pre-2016 levels
Personal Remittance	<ul style="list-style-type: none"> ■ Personal remittances account for c. US\$ 1bn annually, driven by Iraqi diaspora sending increments of US\$ 100 - US\$ 500 to their families via agents ■ Registered charities are another source, as people remit funds to displaced people and refugees ■ The money exchange / remittance infrastructure is seen as more mature and developed than the retail banking infrastructure

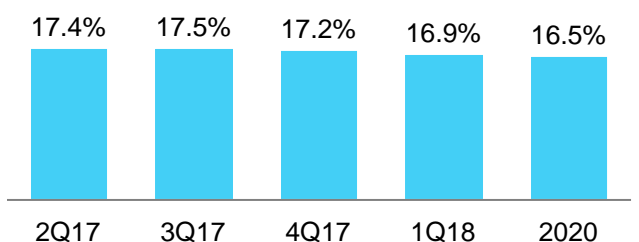
GDP growth, forecast, %



Inflation rates, forecast, %



Unemployment rates, forecast, %



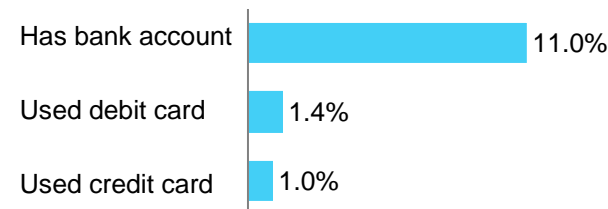
1. GDP, Constant 2010 US\$

Given the role of cash in illicit activity and economic growth, improving financial inclusion and card penetration remains a top priority for the Iraqi government

Economic Development	<ul style="list-style-type: none"> ■ <u>One study commissioned by MasterCard found that GDP growth resulting from entrepreneurial activities improved with “smarter allocation of resources and more efficient financial contracting; resulting in stronger entrepreneurial activities and new business start-ups that increase aggregate output”</u> ■ To be effective, countries must also have a good enabling environment, financial infrastructure and strong rule of law for the private sector to invest into new products, upgraded infrastructure, payment systems and communications technology
Counter-terrorism/ AML	<ul style="list-style-type: none"> ■ Mexico, South Africa, India, Pakistan and other countries have found that measures such as simplified accounts and value limits help prevent money laundering and terrorism financing as financial inclusion improves
Anti corruption	<ul style="list-style-type: none"> ■ Transparent systems make corruption more difficult, because of the greater possibility of exposure and the greater effort required to conceal wrongdoing ■ Creating a ‘due diligence trail’ helps prevent money from disappearing into a cash economy or being unaccounted for
General social welfare	<ul style="list-style-type: none"> ■ Markets that rely on high amounts of remittances, via informal schemes, put people at risk of exploitation or financial crimes ■ <u>Cash-based economies also raise the threat of theft, theft-related violence, kidnappings, and organized crime, all of which are high for Iraq</u>

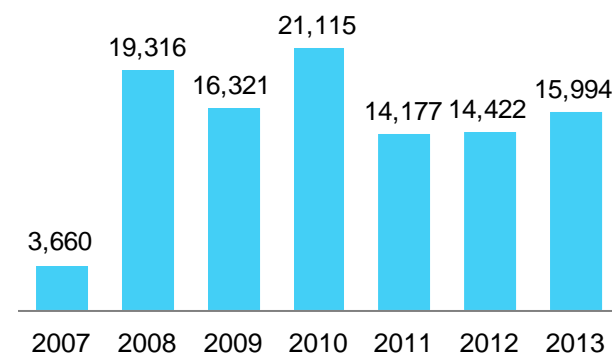
Financial inclusion in Iraq

% who have account or card and have used in past year



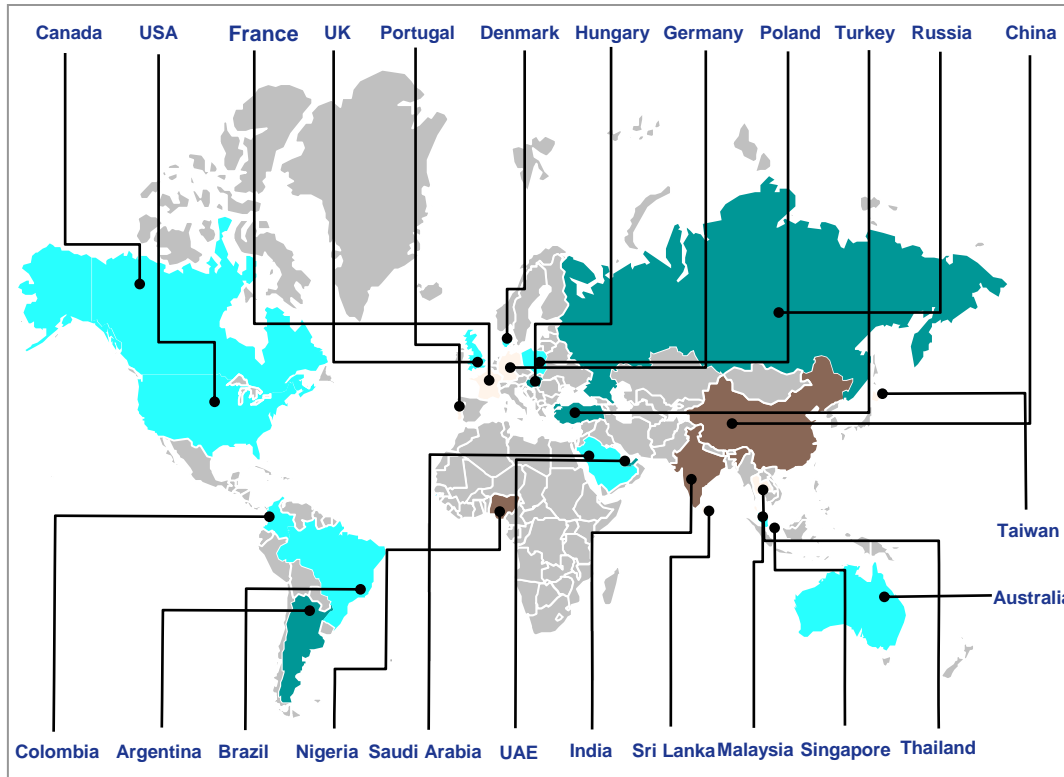
Illicit Financial Flows from Iraq

US\$, million



Improved card penetration has tangible economic benefits including an increase in overall domestic spending, consumption and GDP

Contribution of card usage on GDP^{1,2}



- A Moody's Analytics study found that card penetration drives greater overall spending, domestic consumption, and GDP
- Financial inclusion increases when people have access to both current accounts and electronic payments
- Cards provide consumers with convenient and secure access to their funds (debit cards) or credit (credit cards)

Card usage GDP contribution in countries %, (2012 – 2015)

	Developed	Developing
Overall	0.08%	0.11%
With domestic scheme	0.09%	0.15%
Without domestic scheme	0.05%	0.08%

Average contribution to GDP

■ <0.1%
 ■ 0.1% - 0.2%
 ■ >0.2%

Developing markets with domestic schemes generate twice the amount of GDP contribution compared to those without a domestic scheme

¹. Card usage is defined as a percent of total personal consumption expenditures

². The consumption figure is multiplied by the portion of GDP that is represented by consumer spending in each country. Then the impact of card usage is estimated on the overall economy

Source: Impacts of Electronic Payments on Economic Growth, Moody's Analytics

We are a major asset for Iraq's financial inclusion efforts where it can help the market reach 50% card penetration levels, by the year 2020

Key figures of RuPay and Client projections

RuPay achieved tremendous success despite the predominant positions of Visa and MasterCard

- After it was launched in 2012, RuPay;
 - Issued 260 million cards: debit and credit (as of 2016)
 - Reached almost 40% share within total cards as of 2016 and is still growing
- RuPay's unprecedented success was also driven by a coordinated effort (support) from government institutions and banks

Iraq's payment market is nascent, and a national domestic scheme could issue 6.4 million new cards

In 3 years, with 22.9 million adult population, an open-loop Qi/RAF scheme could achieve the following growth levels²:

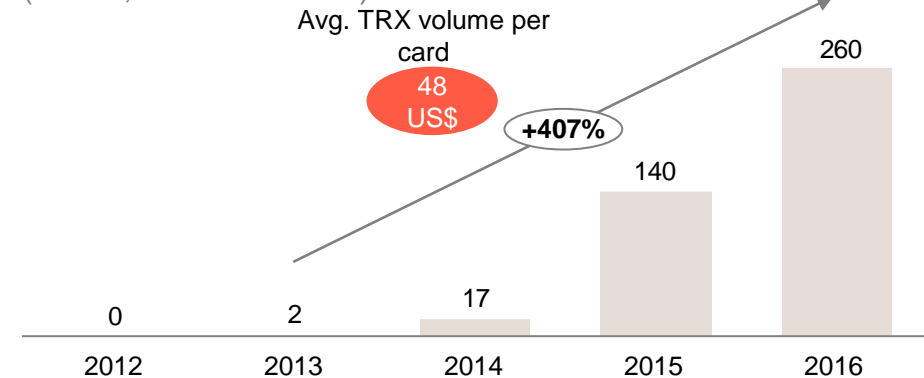
■ Moderate growth:

- Issues 4.8 million new cards
- 44% card penetration

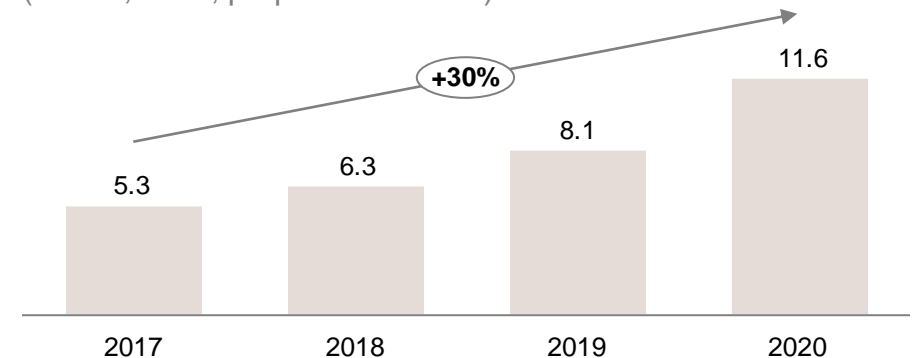
■ High growth:

- Issues 6.4 million new cards
- 50% card penetration

Number of RuPay cards in circulation¹ (million, debit and credit)



Expected number of Client cards in high growth scenario (million, debit, prepaid and credit)



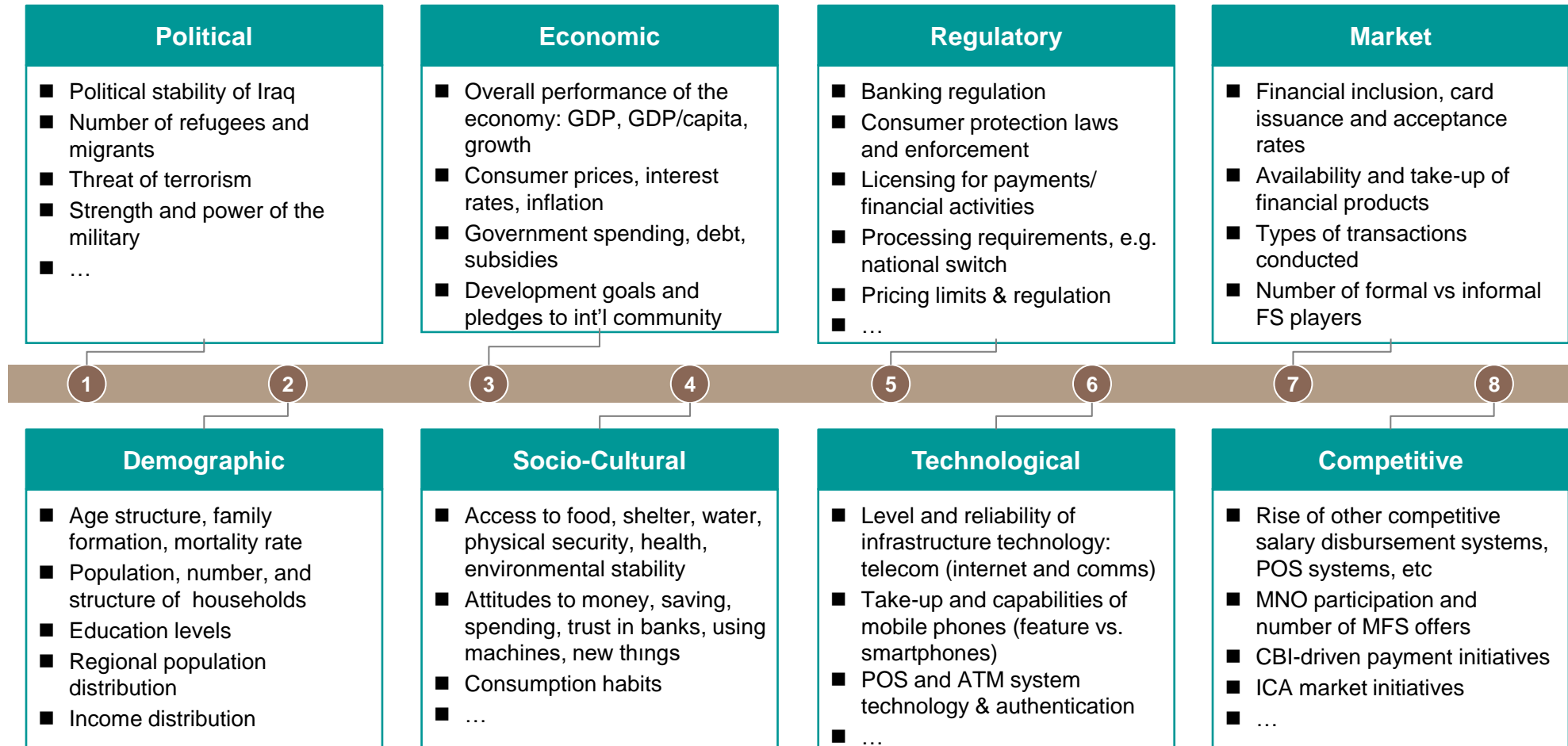
¹. Assumes all existing Cards are part of new scheme

². 2016 data is annualized

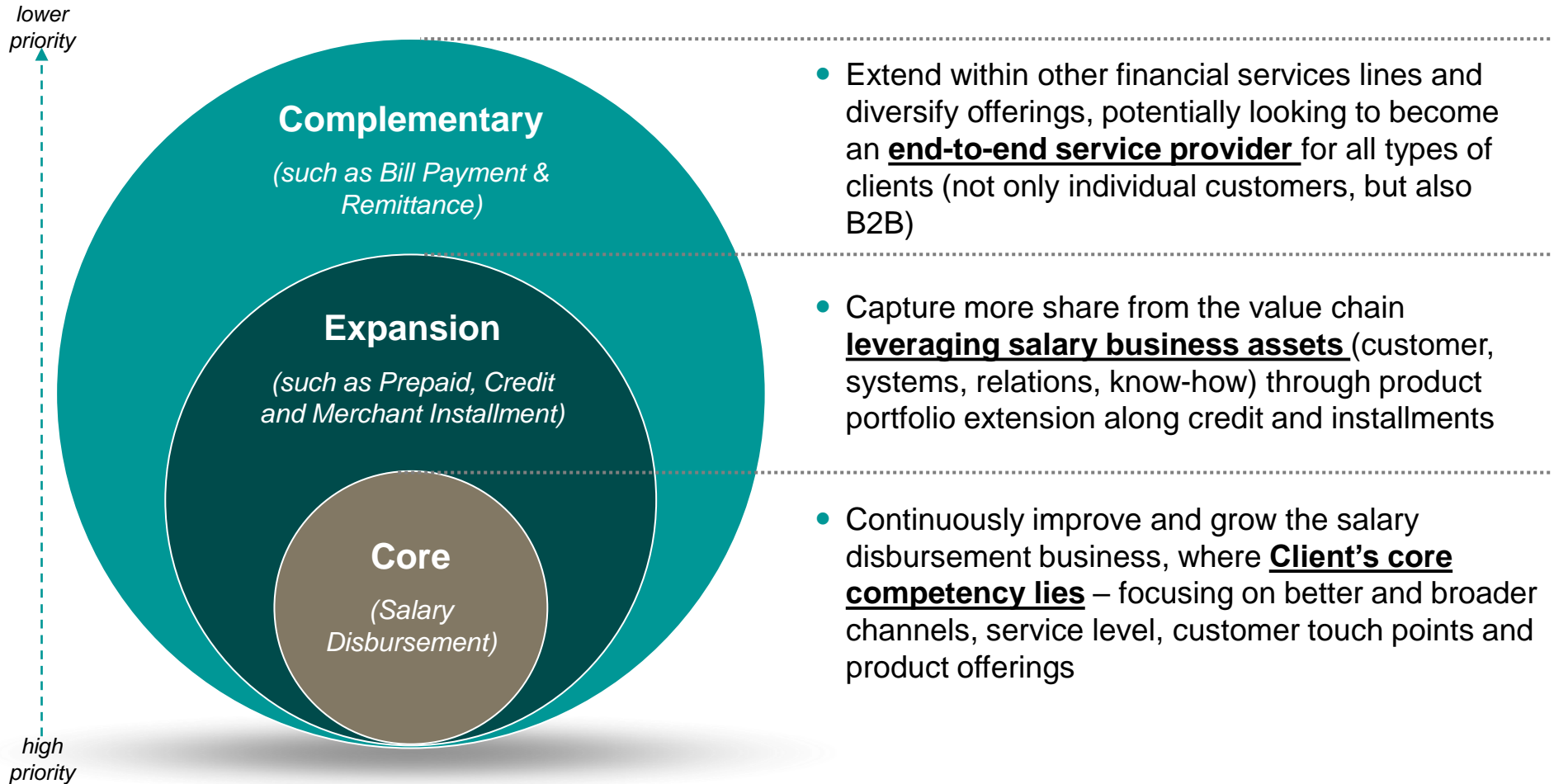
Source: Euromonitor, RBI, World Bank, JM Financial

Our success in Iraq will be affected by factors from the larger environment. Therefore, it is crucial to not only understand but actively shape the market

Environmental factors affecting Client (non-exhaustive)



In determining business expansion (or, entry into new areas of activity), Client will follow a set of strategic guidelines to help provide focus and efficiency



We have a greater role to help shape and develop the market – a role which also requires additional time and investment (today), only to increase further in the near future

Market Growth Activities

Client as a market maker

Issuance

- Consulting services
- Issuer incentives
- Cardholder usage and awareness campaigns
- ...

Acceptance

- Merchant development funds/ subsidies
- POS terminals provision and maintenance
- Support structure to retail merchants (e.g. training, onboarding, ongoing support)
- ...

Regulatory

- Research and data on the market (Iraq and international)
- CBI collaboration on financial inclusion initiatives
- Engagement and ongoing communication
- ...

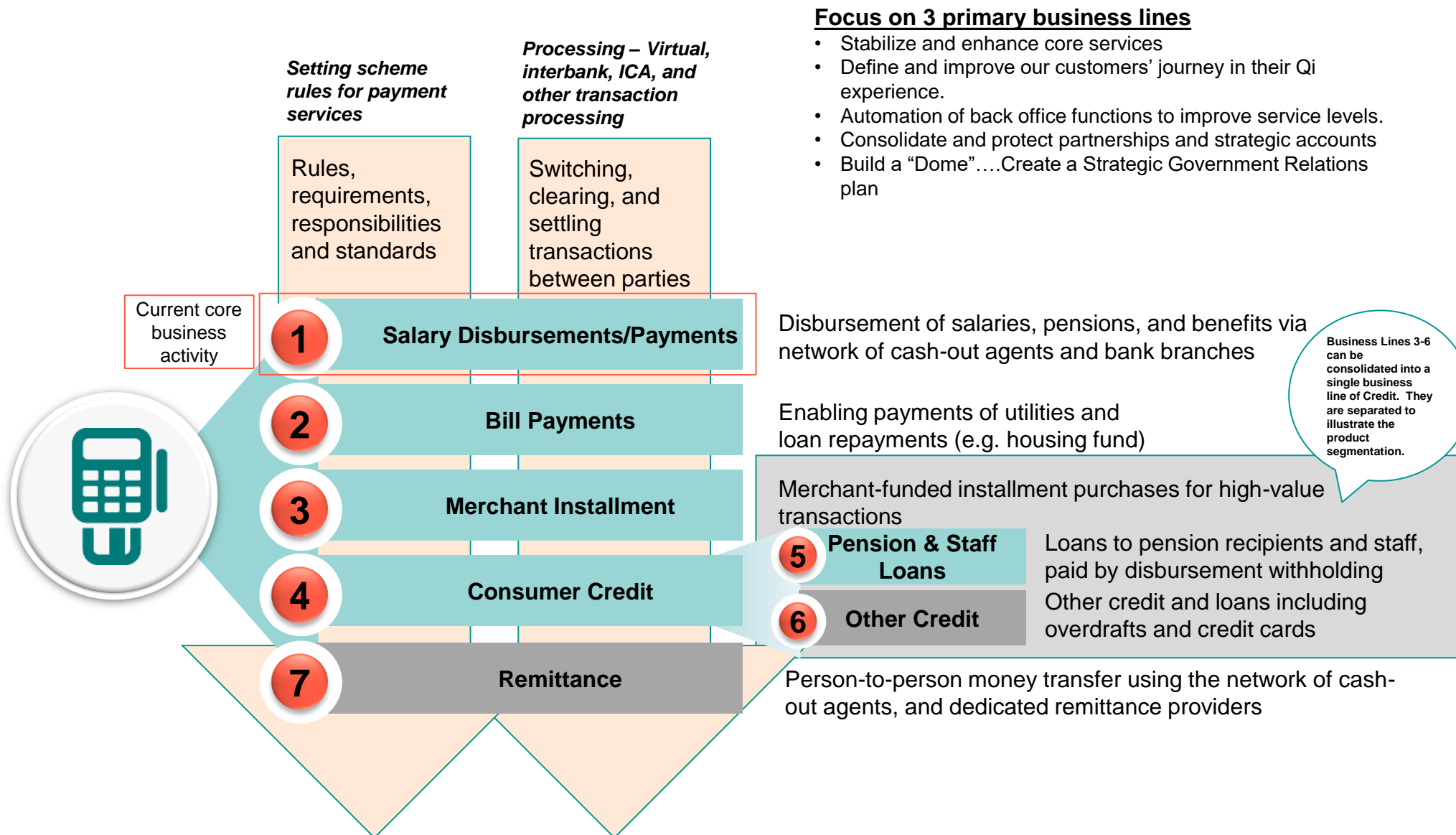
Market Growth Objective

Create general preference for using cards

Increase the attractiveness of card acceptance to retail merchants

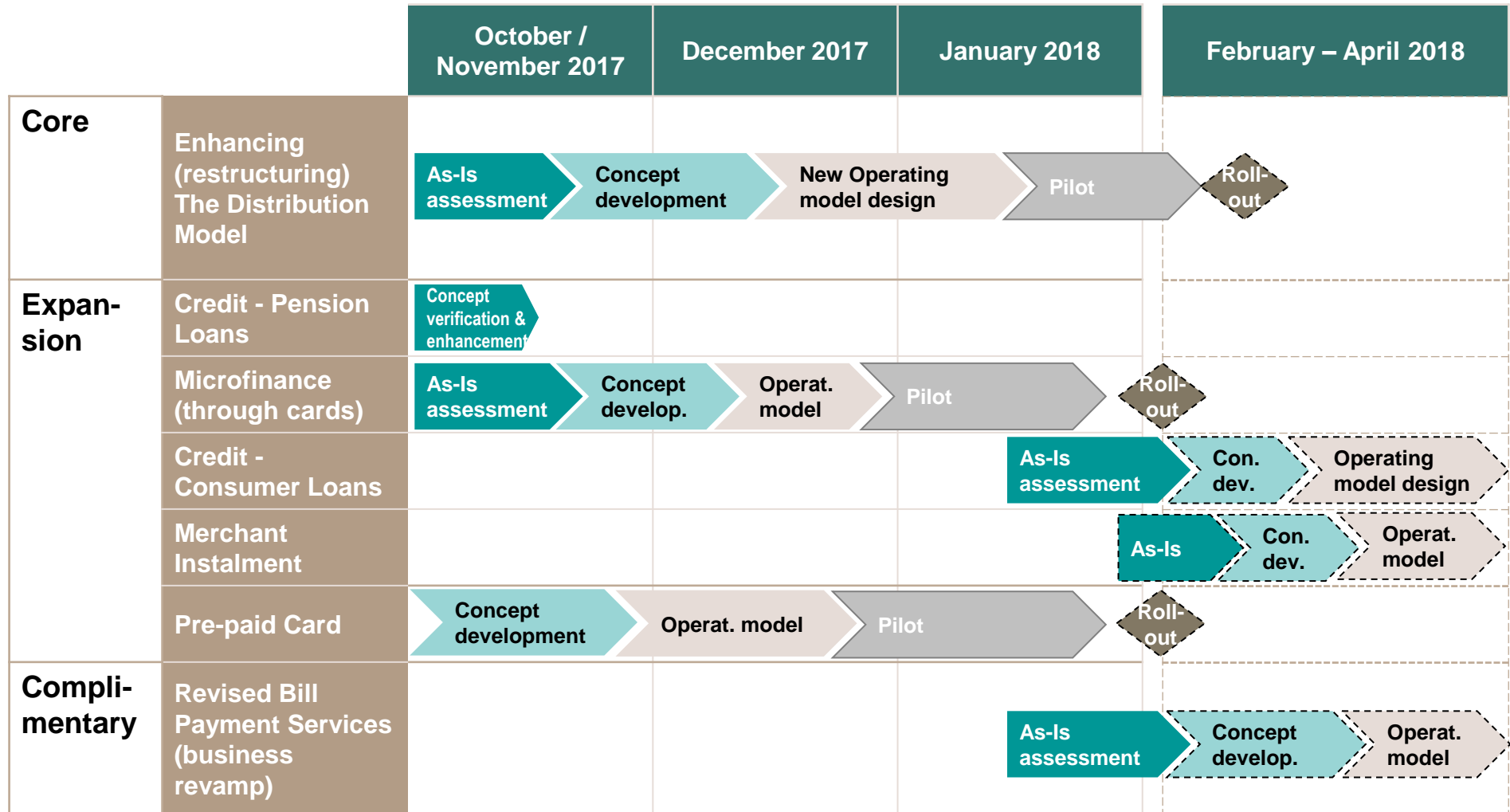
Help CBI achieve its goals, and create a positive regulatory environment

Eventually, we will operate under five core business lines, always maintaining two areas of activity for every business



Our efforts within the November – January period will be focused on conceptualization of super agents and microfinancing tools, while initiating bill payment preparations

Commercial roadmap, November – January plan



A new distribution model will be designed to enhance Client's core business while improving service level / organizational capabilities

Enhancing The Distribution Model – Activities and Deliverables

	As-Is assessment (2-3 weeks)	Concept development (3-4 weeks)	Operating model design (3-4 weeks)	Pilot (3-5 weeks)
OC&C activities	<ul style="list-style-type: none"> Understand on-going business dynamics (regulations, agreements, limitations) and extension plans Analyze existing cash out agent network, focusing on: <ul style="list-style-type: none"> - Volume and number of txn - Geographical coverage - Segments 	<ul style="list-style-type: none"> Develop super agent value proposition (incl. use case and system structure) Prioritize areas and update CoA segmentation, performance management criteria and incentive scheme Develop business case and update fee structure where necessary 	<ul style="list-style-type: none"> Define system rules and responsibilities of related parties Define high level processes Develop KPIs and audit measures 	<ul style="list-style-type: none"> Design pilot study framework, including: <ul style="list-style-type: none"> - Agent selection - Monitoring - Reporting
Deliverables	<ul style="list-style-type: none"> High level assessment of existing distribution network 	<ul style="list-style-type: none"> Super agent value proposition and revenue model Channel extension strategy 	<ul style="list-style-type: none"> Performance monitoring indicators High level rules and procedures 	<ul style="list-style-type: none"> Pilot study structure
Client activities	<ul style="list-style-type: none"> Identify pain points of CoA and customers Review CoA agreements Identify high potential areas for super agent positioning 	<ul style="list-style-type: none"> Understand expectations of CoA and super agents Revise and update CoA agreements Assess potential required investment Develop business requirement documents 	<ul style="list-style-type: none"> Define organizational requirements and re-design organization Train call center agents on new operating model Complete technological, operational and marketing improvements 	<ul style="list-style-type: none"> Track and monitor pilot activities Conduct weekly pilot update meetings

Considering current product pipeline and market developments in Iraq, the microfinancing product is prioritized for the Nov-Dec time period

Microfinance (through cards) – Activities and Deliverables

	As-Is assessment (2-3 weeks)	Concept development (2-3 weeks)	Operating model design (2-3 weeks)	Pilot (3-5 weeks)
OC&C activities	<ul style="list-style-type: none"> Review planned funding mechanism, terms and conditions (interest rate, duration of loan, limitations, etc.) and define improvement areas Evaluate existing customer portfolio (i.e. grant cardholders) 	<ul style="list-style-type: none"> Conduct global benchmarking study for microfinancing products Design value proposition and customer journey Develop business case and identify fees and revenue / cost distribution Develop communication strategy 	<ul style="list-style-type: none"> Design high level key processes (including application, disbursement and collection) Design rules and responsibilities of related parties Identify KPIs 	<ul style="list-style-type: none"> Design pilot study framework, including: <ul style="list-style-type: none"> - Monitoring - Reporting
Deliverables	<ul style="list-style-type: none"> High level assessment on potential business model 	<ul style="list-style-type: none"> Grant loan value proposition, customer journey and revenue model Go-to-market strategy 	<ul style="list-style-type: none"> High level business processes Performance indicators High level rules and procedures 	<ul style="list-style-type: none"> Pilot study structure
Client activities	<ul style="list-style-type: none"> Identify available products and their value proposition Identify available funds (or funders) for loan offers in the market Understand regulatory requirements in microfinance products 	<ul style="list-style-type: none"> Develop agreements (for founders and cardholders) Assess potential required investment (technological, operational, organizational, etc.) Develop business requirement documents 	<ul style="list-style-type: none"> Re-design organization Receive signed and approved contracts with related parties Train call center agents on new product Complete technological, operational and marketing improvements 	<ul style="list-style-type: none"> Track and monitor pilot activities Conduct weekly pilot update meetings

A pre-paid card will be developed within short term period to enrich existing salary business value proposition and capture non-Client customers

Pre-paid Card – Activities and Deliverables

	Concept development (3-4 weeks)	Operating model design (4-5 weeks)	Pilot (4-6weeks)
OC&C activities	<ul style="list-style-type: none"> Conduct global benchmarking study for pre-paid cards Design value proposition and customer journey Develop business case and identify fees and revenue / cost distribution Develop marketing strategy 	<ul style="list-style-type: none"> Design high level key processes (including application, embossing and delivery) Design rules and responsibilities of related parties Identify KPIs 	<ul style="list-style-type: none"> Design pilot study framework, including: <ul style="list-style-type: none"> - Monitoring - Reporting
Deliverables	<ul style="list-style-type: none"> Pre-paid card value proposition, customer journey and revenue model Go-to-market strategy 	<ul style="list-style-type: none"> High level business processes Performance indicators High level rules and procedures 	<ul style="list-style-type: none"> Pilot study structure
Client activities	<ul style="list-style-type: none"> Develop agreements (for issuer banks, MasterCard and cardholders) Assess potential required investment (technological, operational, organizational, etc.) Develop business requirement documents 	<ul style="list-style-type: none"> Re-design organization Receive signed and approved contracts with related parties Train call center agents on new product Complete technological, operational and marketing improvements 	<ul style="list-style-type: none"> Track and monitor pilot activities Conduct weekly pilot update meetings

Assessment on bill payment and other microfinancing tools (pension and consumer loan) is also planned to be completed by January 2018

		Credit	Bill payment
OC&C activities		Pension loan	Business revamp
		Concept verification & enhancement (1-2 weeks)	As-Is assessment (2-3 weeks)
		<ul style="list-style-type: none"> Review and update monetization and business model (including pricing and revenue sharing) Define KPIs and target setting Review customer journey and marketing strategy 	<ul style="list-style-type: none"> Review existing bill payment performance (size and number of transactions, number of billers, geographical coverage, etc.) Understand agreements with billers Assess technological / operational limitations
Deliv.		<ul style="list-style-type: none"> Business & monetization model update Performance indicators 	<ul style="list-style-type: none"> Business performance review Regulatory framework review
	Client activities	<ul style="list-style-type: none"> Identify pain points in on-going business Review key processes and operational rules Re-design organization 	<ul style="list-style-type: none"> Identify pain points of billers and customers Review current competitive landscape Review partnership / M&A options Determine risks and opportunities in the market
		Consumer loan	
		As-Is assessment (2-3 weeks)	
		<ul style="list-style-type: none"> Understand funding mechanism, terms and conditions (interest rate, duration of loan, limitations, etc.) Evaluate existing customer portfolio and performance of other credit products (microfinance) 	
		<ul style="list-style-type: none"> Portfolio assessment 	
	Client activities	<ul style="list-style-type: none"> Identify currently available products and their value proposition Identify available funds for potential loan offers in the market Understand regulatory requirements in consumer loans 	

Roadmap and other related activities are detailed to prioritize short-term objectives while also considering mid / long term strategic focus

		Ongoing work-stream items	Description	Objective
Core	Salary business revamp	Enhancing the distribution network – segmenting and expanding the channel	Introduction of a new cascading distribution model with “super cash out agents”	Improve operational efficiency and service level
		Salary business growth	Salary directory prioritization and regulatory relationship enhancement	Increase customer base and manage CBI compliance
		Scheme Strategy decision(s)	Assessment on business partnership model with MasterCard	Management against risks and opportunities
Expansion	Pension loan	Concept verification & enhancement	Assessment on newly introduced pension loan business line	Enhance product proposition and marketing strategy
	Microfinance	Concept development and operating model design	Development of microfinancing tool for grant (and, other) customers	Widen loan business line with a social responsibility perspective
		Pilot and execution monitoring		
	Consumer loan	Risk scoring model design	Design of underwriting / risk model to be used for wider customer base and consumer loan product	Leverage cardholder portfolio and know-how on loan business to capture more value
		Concept development and operating model design		
		Pilot and execution monitoring		
	Merchant instalment	Proof of concept	Value proposition enhancement with clear go-to-market and acquiring strategy	Keep money in the system with extensive retail network
		Revamp and refine business model		
	Credit card	Concept development and operating model design	Development of a co-badged card with credit features (cash advance & revolve)	Increase profitability of credit and card business
		Pilot and execution monitoring		
	Prepaid card	Concept development and operating model design	Design of co-badged to be used on physical and virtual PoS (both domestic and international)	Enrich value proposition of “core business” with complimentary product
		Pilot and execution monitoring		
Complementary	Bill payment	Existing business revamp & EBPPS readiness	Assessing and enhancing existing business lines and preparing the business for future system integration (Fawatiri & Linkaai)	Enrich financial offerings and increase share of wallet and customer retention
		EBPPS		
	Remittance	Existing business revamp Platform transfer		

Our outputs / support is coordinated under two areas of activity: design and execution

		Salary	Credit			Pre-paid	Bill payment
		Enhancing distr. model	Pension loan	Microfinance	Consumer loan	Pre-paid card	Business revamp
Product design		<ul style="list-style-type: none"> • Super agent value proposition (concept, business model, fee structure) • Channel extension strategy (where to focus, why and how) 	<ul style="list-style-type: none"> • Concept verification (pricing and revenue sharing) • Concept enhancement (marketing strategy) 	<ul style="list-style-type: none"> • Value proposition (features, business model, pricing) • Sales & marketing strategy 	<ul style="list-style-type: none"> • Portfolio assessment 	<ul style="list-style-type: none"> • Value proposition (features, business model, pricing) • Sales & marketing strategy 	<ul style="list-style-type: none"> • Business performance review
Managerial framework		<ul style="list-style-type: none"> • Managerial / operational requirements (KPIs, rules, procedures, etc.) • Pilot framework (design and how to monitor / report) 	<ul style="list-style-type: none"> • Performance tracking framework 	<ul style="list-style-type: none"> • High level business processes • Managerial / operational requirements (KPIs, contracts, rules, procedures, etc.) 		<ul style="list-style-type: none"> • High level business processes • Managerial / operational requirements (KPIs, contracts, rules, procedures, etc.) 	