



「Consumer Loan Offer」

「Special Product for the Iraqi Population」

Agenda

Section 01

Consumer loans at a glance

Section 02

How do countries benefit from it?

Section 03

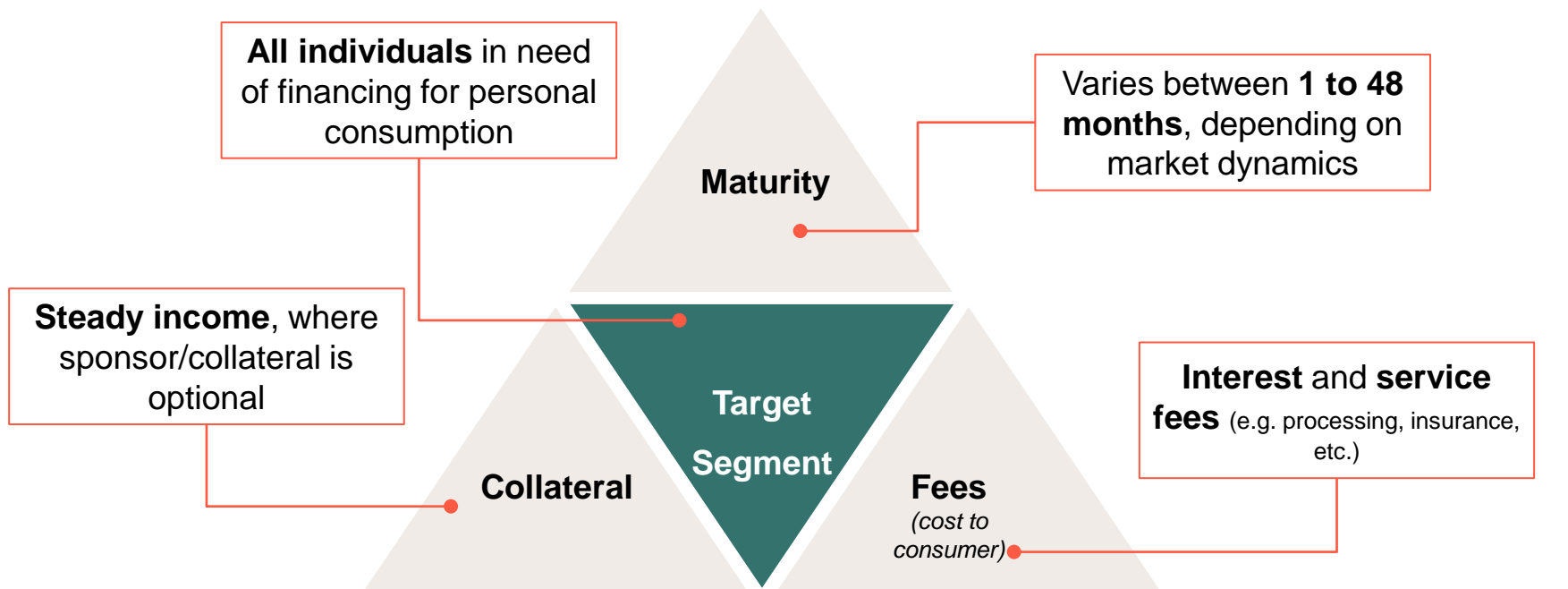
Why is it so important for Iraq?

Consumer loans are a very common financing tool, supporting individuals with their purchases of goods and services

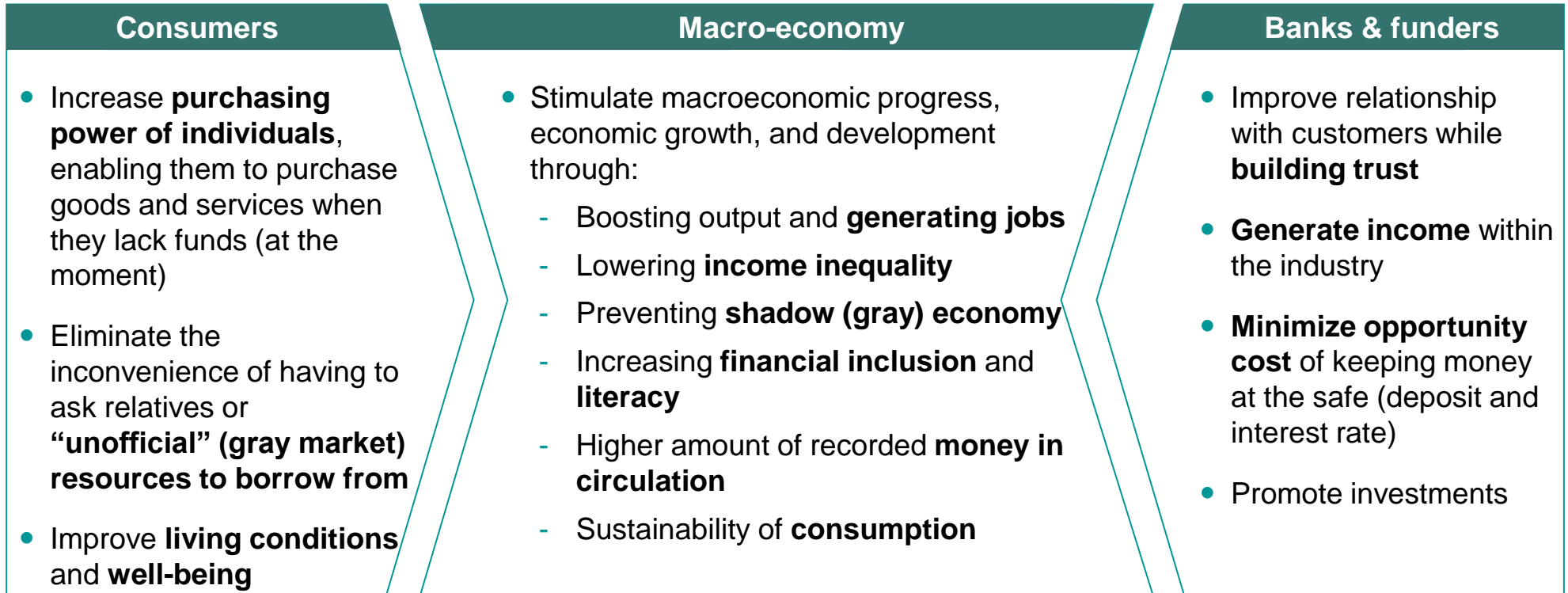
What is a consumer loan?

A **common financing tool** provided to all individuals with varying available funds to **finance their purchases for personal consumption**

Key principles of consumer loans



By promoting trade and helping to further social benefits, a loan is a crucial tool which lays a pathway towards economic growth and social well-being



Benefits (country and individual) of loans have been proven time and again in every market and the Iraqi population also deserve to have access to such benefits

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If managed appropriately, the entire market benefits from consumer lending since it utilizes circulating money for creating value and helping society

Examples to be discussed

Poverty prevention: A single loan product in Bangladesh changed a country's entire economic landscape

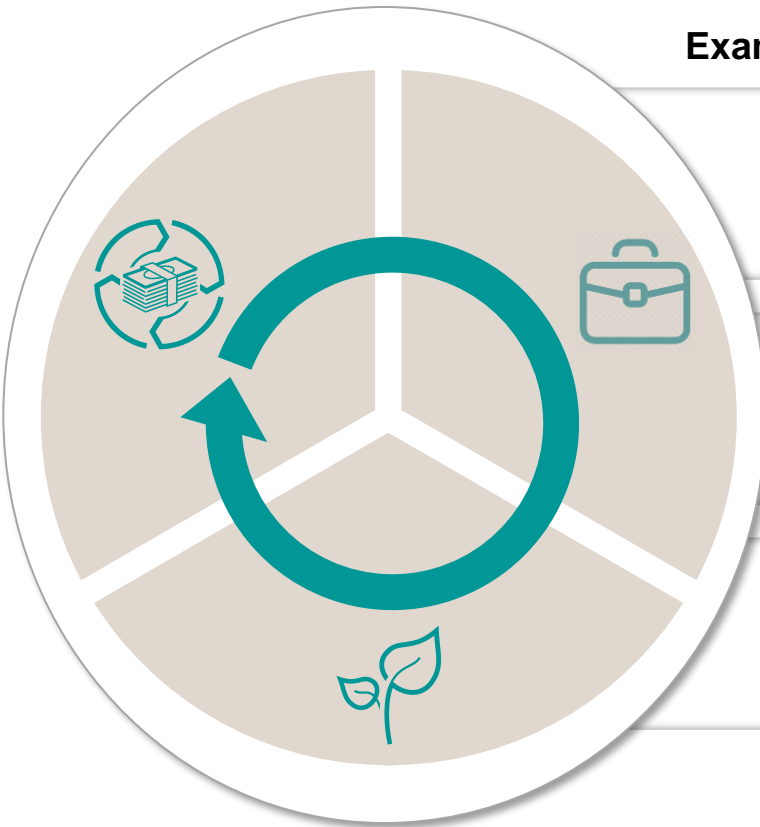
Example-1

Job creation: Banks have created thousands of jobs in different countries, through lending loans to individuals and business owners

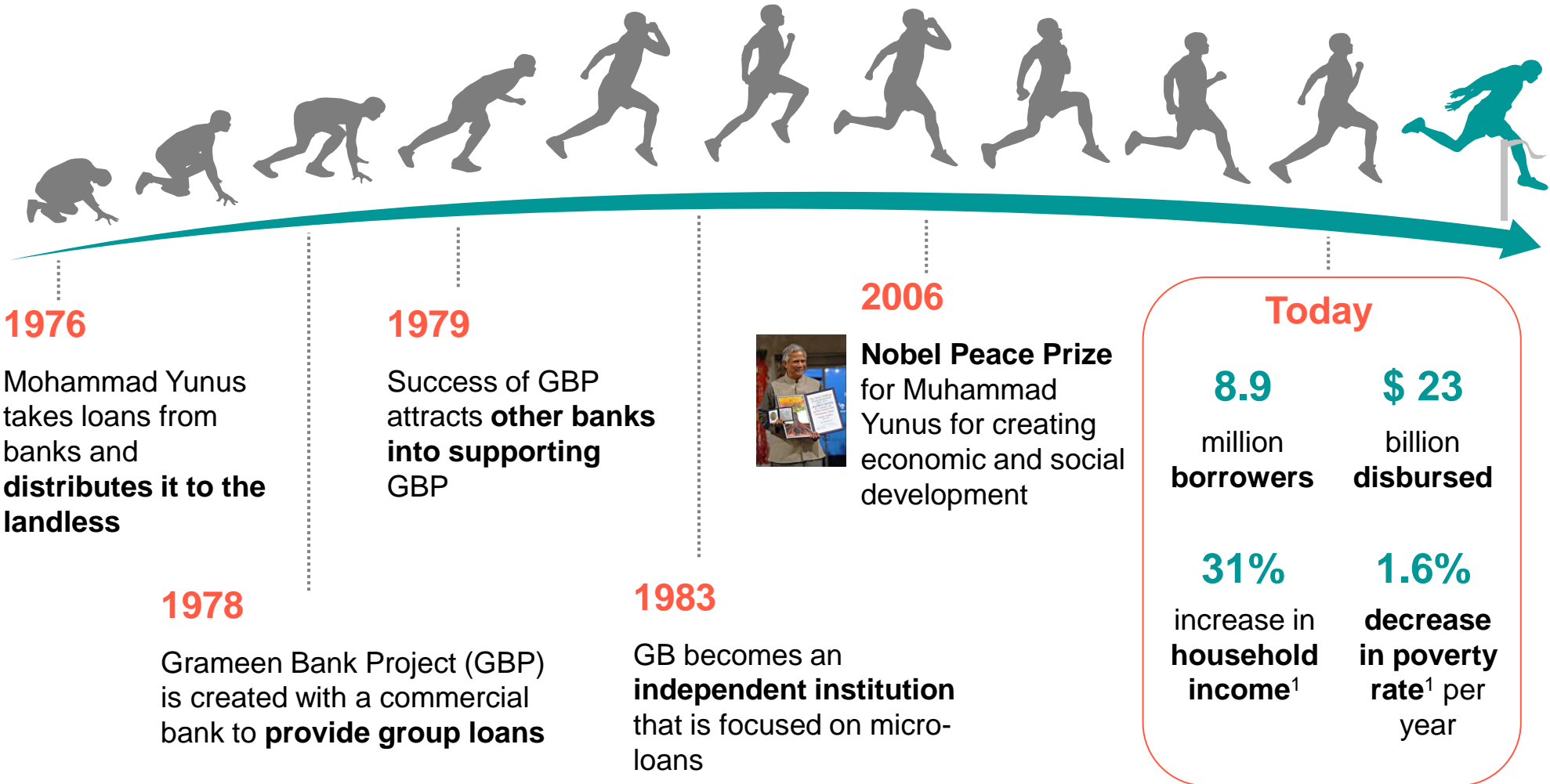
Example-2

Social welfare improvement: A loan is provided to people with no / limited access to financing tools, improving well-being of beneficiaries

Example-3



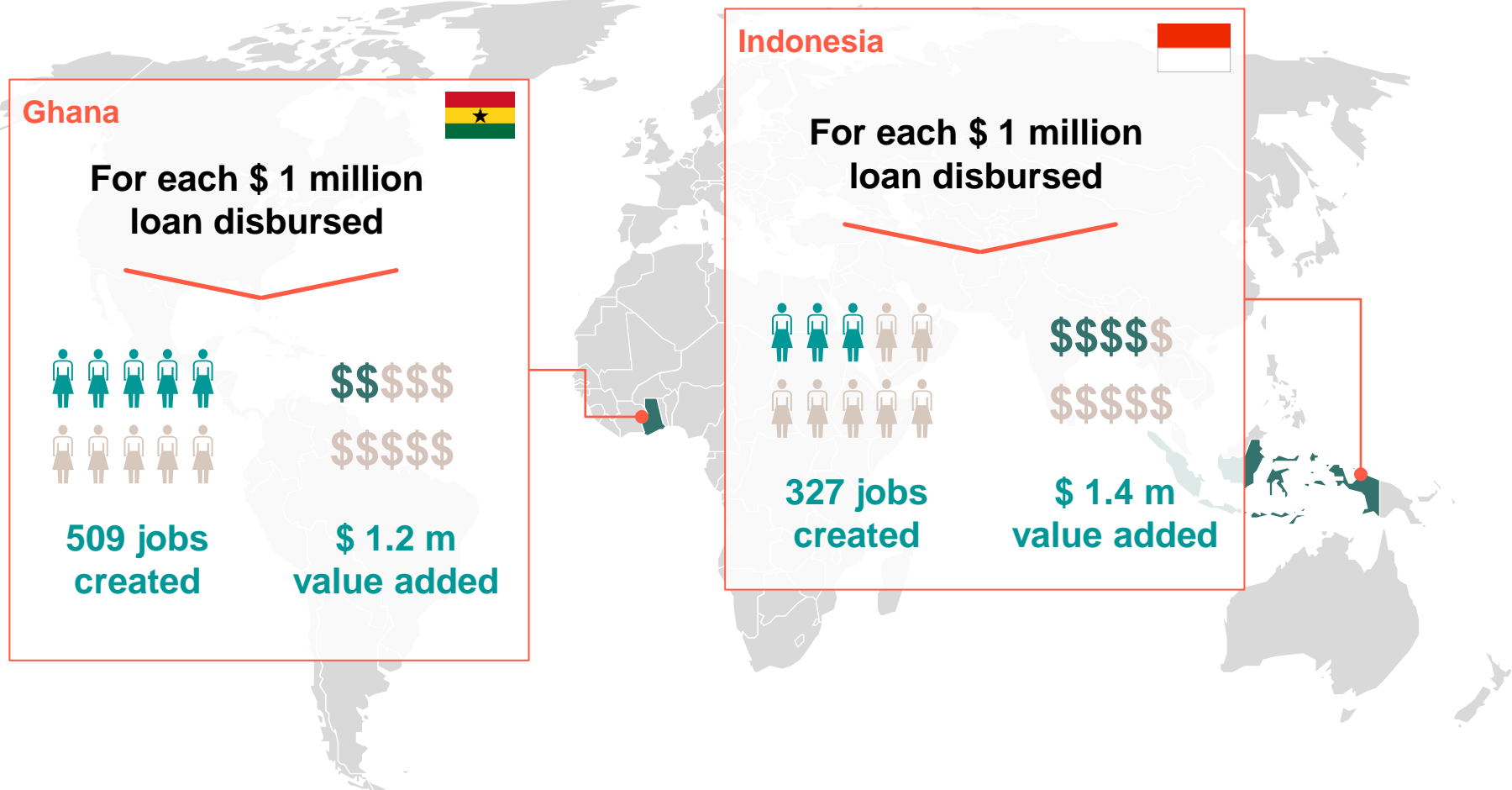
Grameen Bank of Bangladesh changed the lives of millions of people living in poverty by stimulating economic and social welfare through micro-loans



1. Among the borrowers

Source: Grameen Bank website, scholarly articles

Providing consumers and businesses with critical financing instruments results in significant improvements in job market and overall economy



In addition to quantified economic benefits of consumer loans, their positive qualitative impact on societies are an important factor to take into consideration

Overview

Loan product aiming,
18% of Australians
who



Are **financially excluded**



Lack access to
credit products



Rely on **high-interest pawn shops**

Impact on individuals

Confidence and self-esteem

61%

Living conditions

56%

Calmness

47%

Health

28%

Impact in terms of money¹

For each **\$1** loan
disbursed



\$1.4 worth of
social value
created

1. Percent of borrowers who improved an aspect of their social life

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It is time for the entire population of Iraq to take advantage of financial tools to further lives and economic growth – progress to date has been too slow

Macroeconomics



Socio-economic

- Unemployment rate is **11%** nationally
- **23%** of the population earns below the poverty line
- **+2 million** widows live in Iraq



Financing

- **11%** of the population has an account at a financial institution
- **Only 4%** of Iraqi citizens borrowed formally
- **65% of Iraqi citizens** were left to borrow informally

Financing



Housing

- Only for mortgage seekers
- 10 years maturity



Agricultural

- Only for farmers
- 5 years maturity

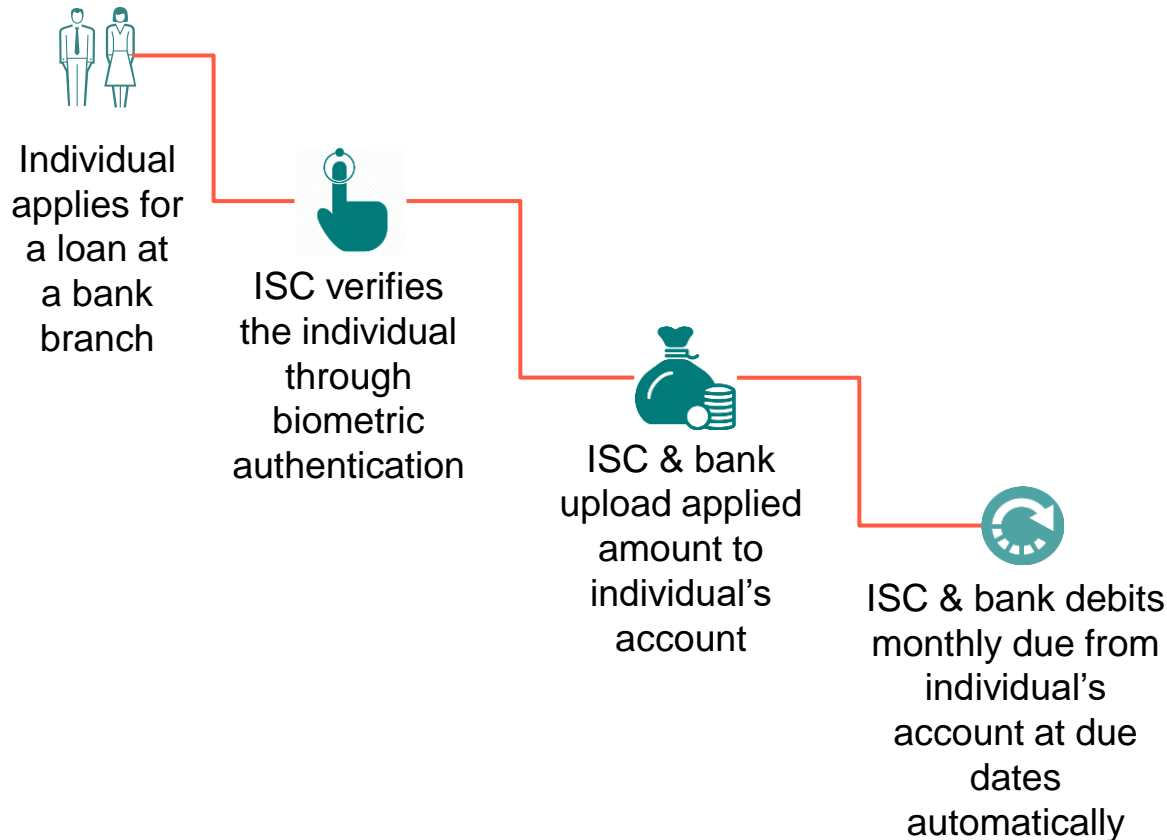


Small-projects

- Only for business owners
- 10 years maturity

We have substantial experience in the field and have already achieved major success with different financial products in the market

Existing loan application process



What we have achieved so far

1
trillion IQD
available fund

+30
thousand
pensioners served

+60
billion IQD
disbursed

As a consumer trusted financial operation with substantial technological capacity we are well positioned to manage the needed growth for the mass Consumer Loan product

Main pain points

- 01 **Limited number of financing offerings** in Iraqi market for consumers with generic needs
- 02 **Extensive set of required documents** in existing approval and underwriting processes
- 03 **Narrow coverage and low penetration rate** due to eligibility terms and sales network
- 04 **Time-consuming and labor heavy collection processes with high risk of default**
- 05 **Limited preventive actions** against bad debt and NPL

Our solution

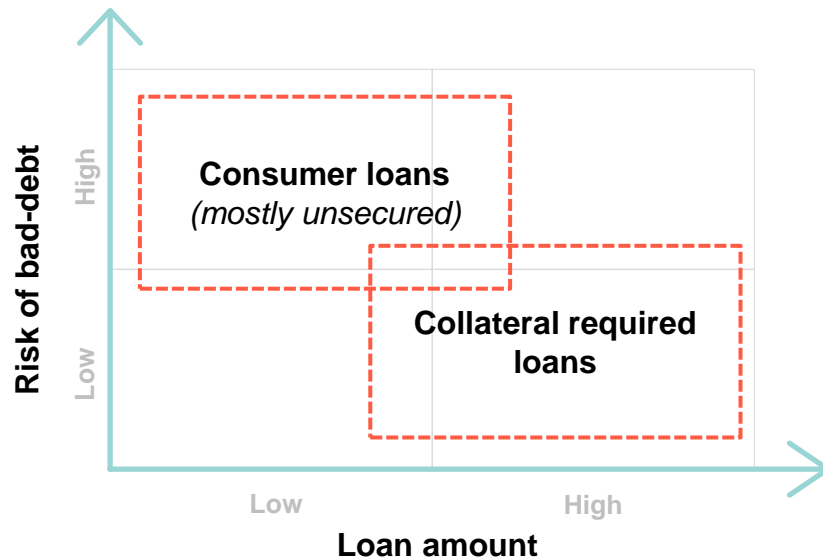
- We propose a well-designed consumer loan that will:
 - **Target all consumers** in Iraq
 - Authenticate consumers through **biometric profile authorization** without the hassle of mass document collections
 - Utilize its extensive nation-wide network and Bank partnerships to distribute the funds
 - Manage the **risk of fraud** and **NPL** thanks to salary-backed payment structure and historical experience in the market
 - Further build confidence in the Iraqi financial system and improve economic prosperity

BACKGROUND

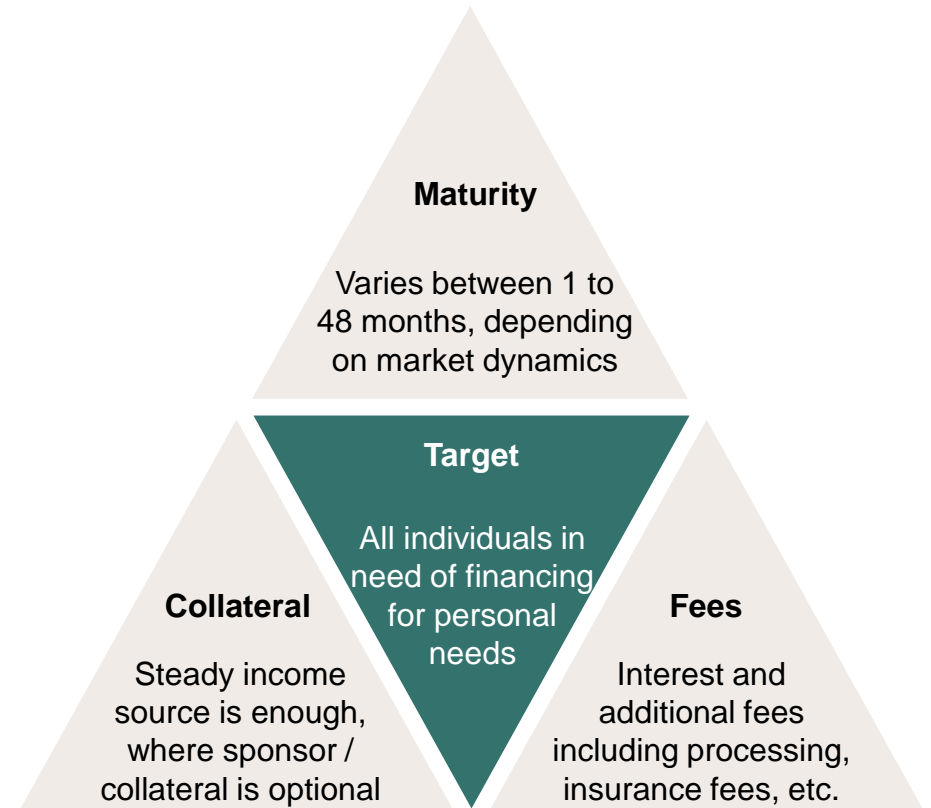
Consumer loans are a very common financing tool, aiming to assist the purchases of goods and services of individuals

General overview of consumer loans

- Consumer loan is a common financing tool provided to individuals with limited available funds to finance their purchases for personal consumption
- These types of loans are usually general purpose and for all consumers, rather than focusing on a special group (e.g. farmers, small business owners, etc.)
- Depending on the risk/credibility profile of the consumer and disbursed loan amount, financial institutions generally offer loans categorized under two areas:



Main principles of consumer loans

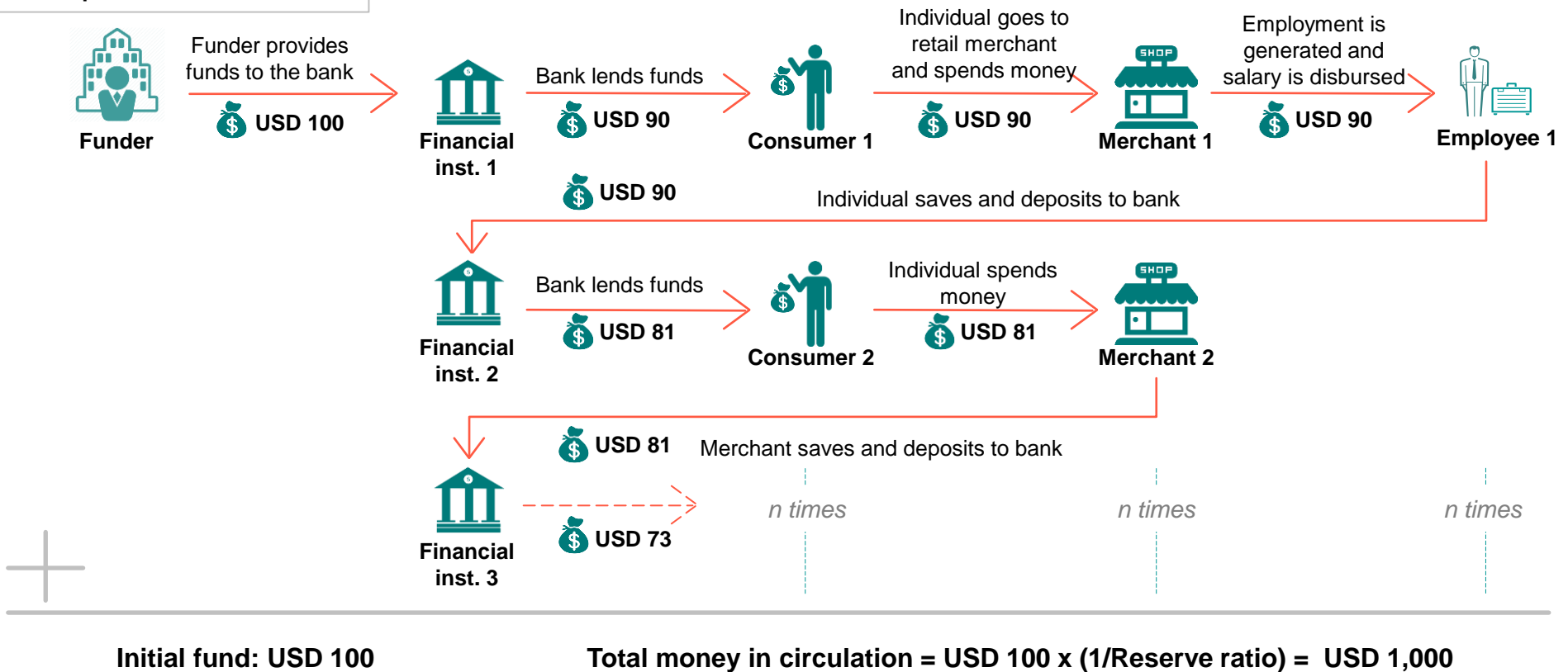


An initial fund of \$100 (for example) generates continuous growth, bringing total money in circulation to \$1,000 – fueling increased levels of financial inclusion, job creation and economic growth

Explanation of money creation process and multiplier effect

Multiplier effect¹: the expansion of money supply

Assumption: Reserve ratio = 10%

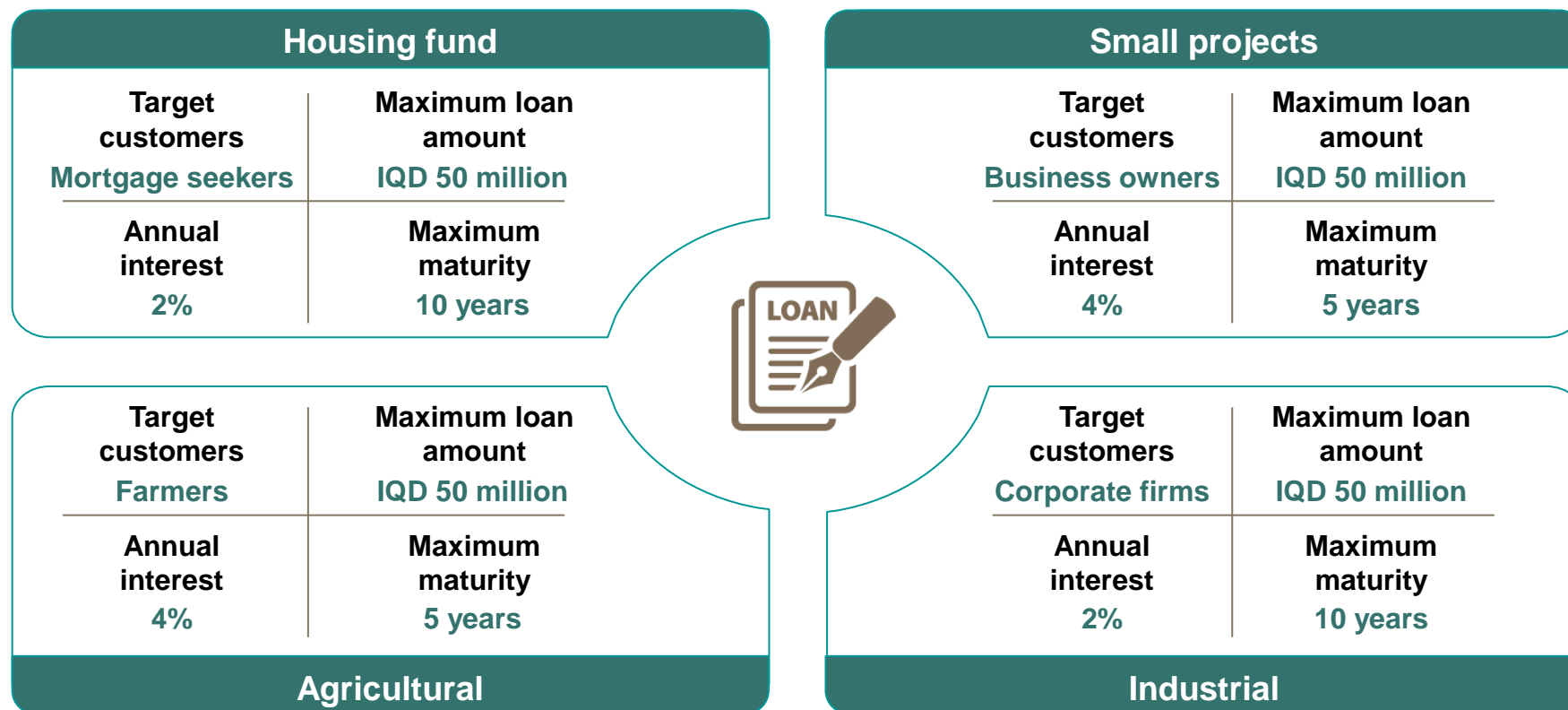


1. Multiplier effect is the term explaining how an economic activity may cause an increase with many other economic activities

The currently limited loan offering in Iraq targets only specific financing purposes, rather than answering generic consumer needs

Existing loan market and offerings in Iraq


- Currently in Iraq there are few loan products offered, mainly grouped in 4 categories: housing, small projects, agricultural and industrial
- Each loan requires extensive set of documents (collateral, guarantor, notary public approval, feasibility study, etc.), resulting in limited coverage and penetration within customer segments with special needs

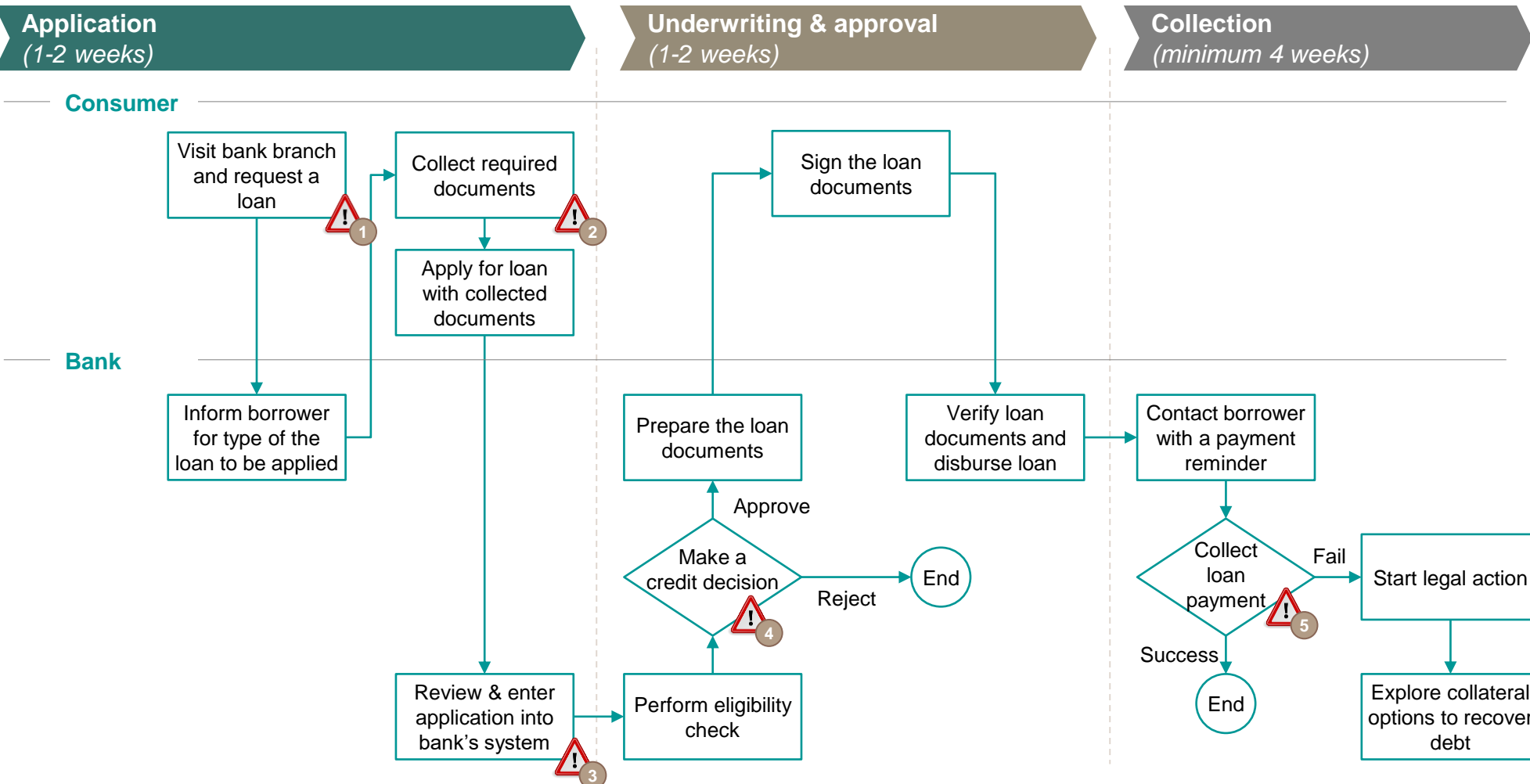


Existing loan process in Iraq takes at least 2 weeks for consumers to complete, due to extensive set of required documents and labor-heavy processes

Loan process of a regular bank in Iraq

Minimum 2 weeks to grant a loan

 Pain points within the process



The current sub-optimal loan process results in under-performance within the industry – loans in Iraq can be (should be) managed much better

Pain points defined in current loan process of a regular bank in Iraq

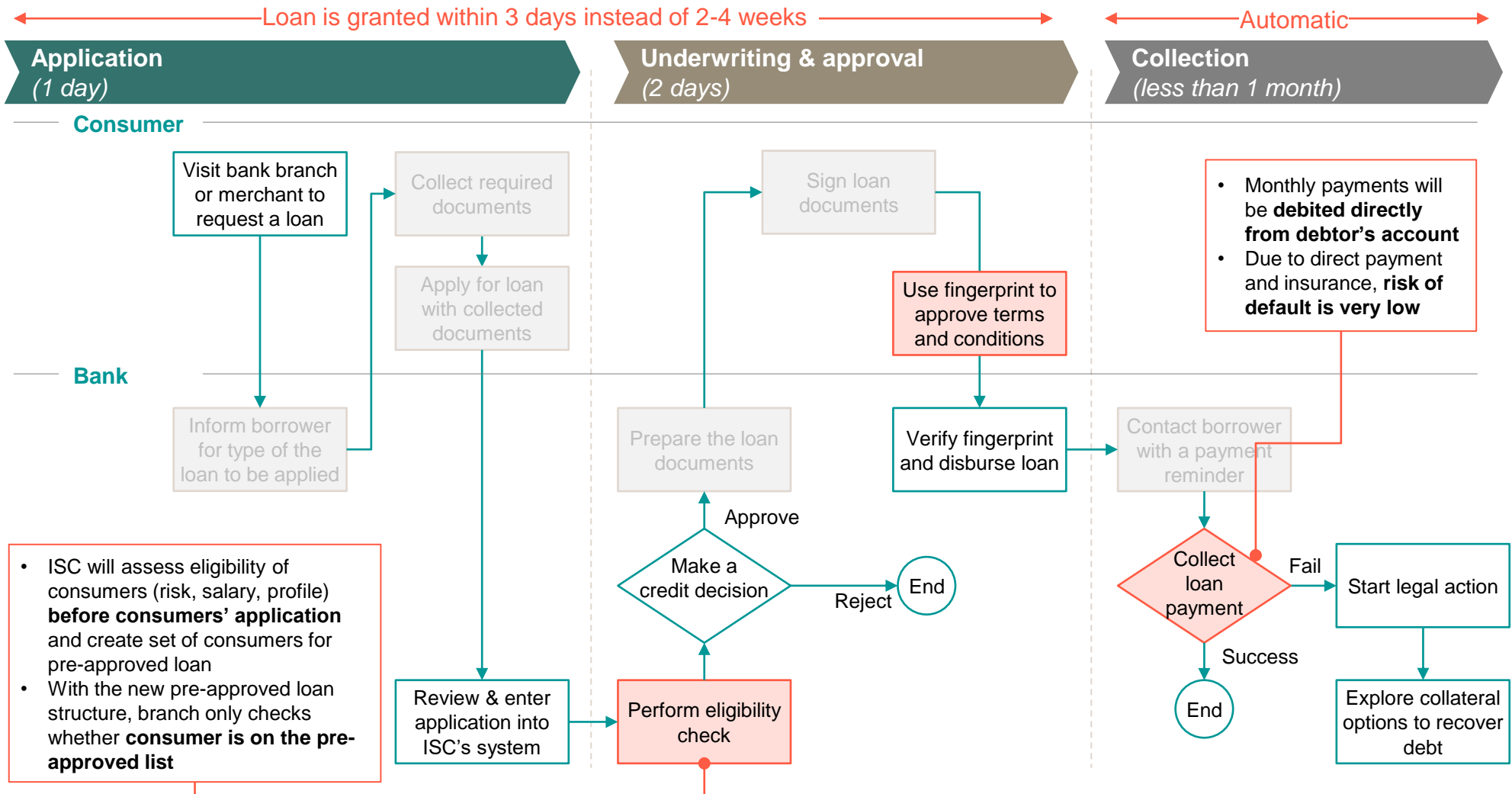
B Bank **F** Funder **C** Customer

	Step	Issue definition	Details	Result	Affected party	Impact on the parties
Application	1	Visit bank branch and request a loan	<ul style="list-style-type: none"> Inconvenience to borrowers Limiting bank's reach to potential borrowers 	<ul style="list-style-type: none"> Limited penetration Low customer satisfaction 	B C	Medium
	2	Collect required documents	<ul style="list-style-type: none"> Minimum 1 day to collect all of the documents 	<ul style="list-style-type: none"> Limited penetration Low customer satisfaction 	B C	Medium
		Requirement of collateral and sponsor	<ul style="list-style-type: none"> Restraining the potential number of eligible borrowers 	<ul style="list-style-type: none"> High labor & documentation cost 		
	3	Review & enter application into bank's system	<ul style="list-style-type: none"> Open to fraud due to potential limited supervision of branch employee 	<ul style="list-style-type: none"> High fraud risk 	B F	Medium
Underwriting & Approval	4	Make a credit decision	<ul style="list-style-type: none"> Approximately 2 weeks for banks to reach a credit decision 	<ul style="list-style-type: none"> Low customer satisfaction 	B C	Low
		Human intervention with fraud risk	<ul style="list-style-type: none"> Open to fraud as manual human intervention 	<ul style="list-style-type: none"> High fraud risk 	B F	Medium
Collection	5	Collect loan payment	<ul style="list-style-type: none"> Requiring branch visit for each payment term 	<ul style="list-style-type: none"> Low customer satisfaction 	B C	Low
		Manual collection	<ul style="list-style-type: none"> Potential increase in default rates due to low financial literacy and manual collection 	<ul style="list-style-type: none"> High NPL & bad debt ratio 	B F C	High

As ISC, we would like to introduce a technology-based approach which will optimize end-to-end loan process with our extensive financial know-how

Improved loan process with ISC technology

ISC technology step Unchanged step Eliminated step



The new structure will result in improved customer experience, operational efficiency and financial results with minimized risk of NPL

Benefits of ISC technology and proposed loan process

	Application	Underwriting & approval	Collection
Customer satisfaction	<ul style="list-style-type: none">• Hassle free application phase where required documents / information are eliminated as ISC already has database of its current customer portfolio	<ul style="list-style-type: none">• Shortened decision period from minimum 2 weeks to maximum 2 days as pre-approved limit has already assessed the consumer before consumer's application	<ul style="list-style-type: none">• Improved convenience through extended agent network of ISC with more 5,000 merchants which will be utilized as collection points
Technology & operations	<ul style="list-style-type: none">• Minimized cost of labor and document management / archiving as ISC infrastructure substitutes existing paper-based application processes	<ul style="list-style-type: none">• Automatized manual underwriting processes as pre-approved loan takes place	<ul style="list-style-type: none">• No human intervention or paper work required where debt is debited automatically at payment due
Financial impact	<ul style="list-style-type: none">• Eliminated the risk of fraud and corruption in loan applications through advanced biometric identification	<ul style="list-style-type: none">• Limited possibility of accepting high risk customers or fraud as ISC automatically checks eligibility without human touch	<ul style="list-style-type: none">• Reduced the bad debt risk as ISC introduces auto-collection