



Transformational banking For Financial Inclusion

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Agenda

- Background
- Easypaisa- theme
 - Operational View
 - Core and Value Proposition
 - Product Range
 - Market Acceptance
 - Evolving a Business Model
 - Challenges for Financial Inclusion
- Conclusion

Background

- Tameer Bank was licensed in 2005, under the MFI regulations to provide micro-credit and other financial services on a national license category. Initially capitalized at Rs. 600MM, it raised its paid up capital to Rs. 1.7MMM by end of December 2008. It started its operations as a retail microfinance bank by offering services like ATMs, 1-link ATM cards, POS based disbursements and collections, all financial instruments along with the microfinance portfolio. End of 1st Q 2010, the total outstanding loan portfolio stands at Rs. 1.8MMM, with an active customer base of 120,000+ with 37 full service on-line branches, 23 sales and service centers and 18 community centers.

- Provision of banking services using classical brick and mortar branches is costly, especially in the micro finance context, which hinders scalability of financial services to the un-banked or underserved population of Pakistan.

- State Bank of Pakistan issues Branchless Banking regulations in March 2008. Tameer was looking diversify its income stream as well as extend outreach with out onerous investments in capital expenditure as well as organic growth in small value retail deposits. The best way to approach this challenge was to offer banking services to a large captive customer base. Telecom operators having the largest customer base in Pakistan was a natural choice.



Background

TMFB and Telenor were looking for partners with similar objectives and scope and found commonality as strategic partners to offer branchless banking services on a 1-to-1 Business Model (BB regulation category), with Telenor using their vast distribution network and existing customer base and TMFB's banking know-how and commitment to offer low cost, highly secure banking and payments services in Pakistan. A major differentiation with other global models is that Telenor also acquired a 51% stake in Tameer Microfinance Bank.

Fundamo, a South African vendor of mobile banking was engaged to provide the customized solution. The banking infrastructure (core banking, financial switch, billing servers, etc.) were integrated with the m-wallet platform to create the easypaisa platform.

A new financial services brand was conceived under the easypaisa banner in July 2009. Using the cell phone and GPRS technology, *easypaisa* aims to bring efficient, instant, highly secure financial products like mobile accounts which offer, domestic remittances, utility bill payments, agent based cash deposit and withdrawal services and merchant development as value added service to complete the m-commerce initiative.

With the launch of *easypaisa* in Q3 2009, Telenor and Tameer have moved to the forefront of Branchless Banking in Pakistan.



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Easypaisa: Theme

Easypaisa slogan “ Badlay Zindagi assani say” (changes life through convenience)

Expanding agent network for cash deposit, withdrawal, money transfers and account opening

OTC Channel open to everyone

Extended timings, no queues and minimal paperwork

Mobile Accounts for more convenience and security

Product

Safe, more convenient,
more accessible

State Bank of Pakistan’s robust branchless banking framework, detailed guidelines

Licensed bank behind all transactions with country’s first branchless banking license

Telenor ownership in the bank for seamless integration of banking platform and mobile phones

Large existing customer base

Agent network and its familiarity of mobile based transactions

Platform

Platform builds on
secure regulatory
framework, trustable
banking and extensive
low cost distribution

Financial Services for the financially excluded

Empowers individuals to breakdown the barriers to get things done

Businesses to use for m-commerce

Individuals to use for transfers, deposits, bill payments, savings

Agent / franchisees to expand business

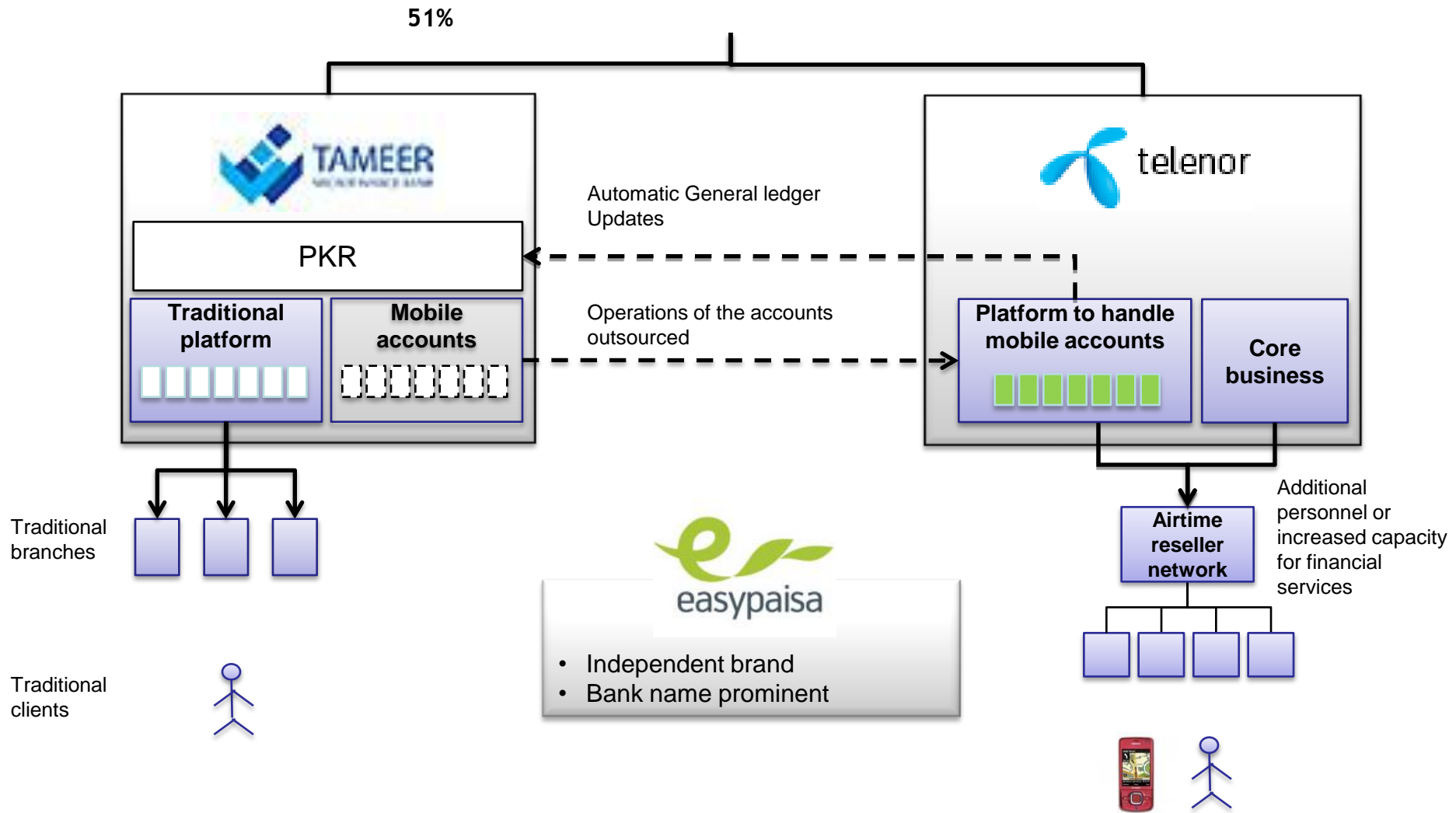
Operator to realize network and distribution for new income

Government to formalize informal transactions currently outside the banking industry

Promise

Products are going to
benefit, individuals, small
businesses, partners and
government

Easypaisa: An Operational View



Easypaisa: Core Proposition

- Majority of un-banked are not seeking
 - Bank accounts to deposit money into
 - Bank account accessible via a mobile phone
- Instead, they want something better than cash.
- They want to pay people, or transfer funds,
 - Without having to be physically travel distances
 - Instantly
 - Safely and with confirmation
- Initially transformational banking will be a transaction processing opportunity – it will develop into deposit taking opportunity

Easypaisa: Value Proposition



Agent

Generate additional revenues from commissions

- Great impact for small businesses

Increase traffic and customer stickiness

Customer might buy more of agent's products

May increase its share of customer's mind

Greater insight into customer's cash flow

Financial Services Brand Rubs off



Customer

Improved access

- Vast agent footprints, especially in rural areas
- Proximity of service Points
- Access via regulated entity

Saves time/convenient

- 'One-stop-shop'
- More flexible hours
- Money available where it is most needed

Customer-friendly

- Bank branches might intimidate low-income customer

Lower requirements

- No minimum balance
- Lower fees and charges

Tameer Bank

New client businesses

- Regional expansion
- Reach customers intimidated by branches

Convenience to current customers

Cheaper channel

Increase bank's reach and capillarity

Telenor

New sources of revenue

Higher ARPU

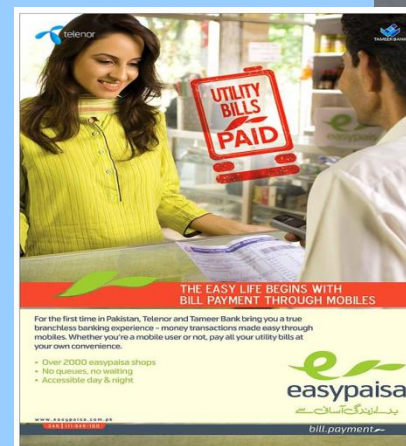
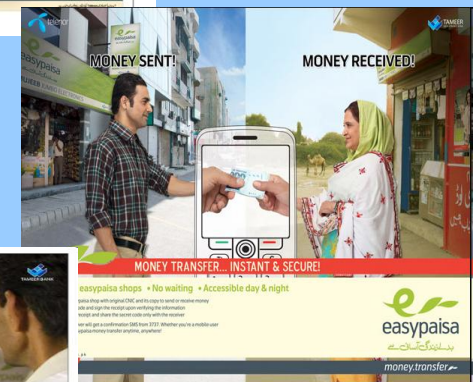
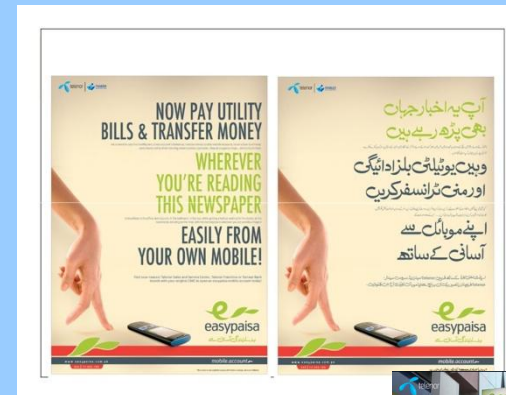
Convenience to current customers

Additional earning op for its Agents

Easypaisa: Product Range

Suite of financial services being offered:

- Mobile accounts (M-wallet)
 - Payments (bills, person)
 - Cash deposits
 - Cash withdrawals
 - Funds Transfers (Inter-bank, a/c to a/c)
- Money transfers
 - Over the Counter
- Utility Bill Payments
 - Over the Counter
- M-commerce
 - Retail Purchase and settlement



Easypaisa: Market Acceptance

Since launch in October 2009, Easypaisa locations have collected 760,000+ utility bills worth Rs.800MM (US\$ 9.4 million).

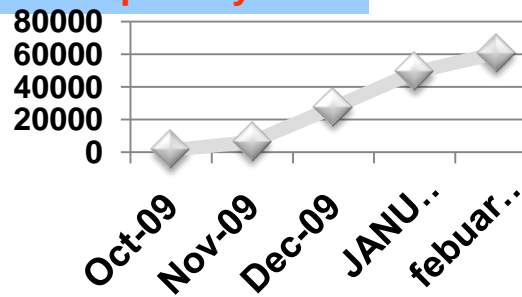
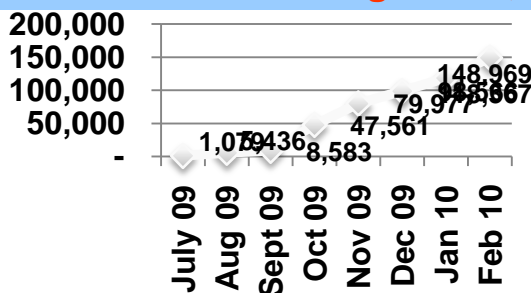
Since launch in November, Easypaisa locations have conducted 350,000 transactions worth Rs. 1MMM (US\$ 11.8 million) in domestic remittances at an average of Rs. 3,590/- each

Since launch in October 2009, 6,800 + A/c to A/c transfers using mobile phones aggregating Rs. 671MM (US\$ 7.9MM)

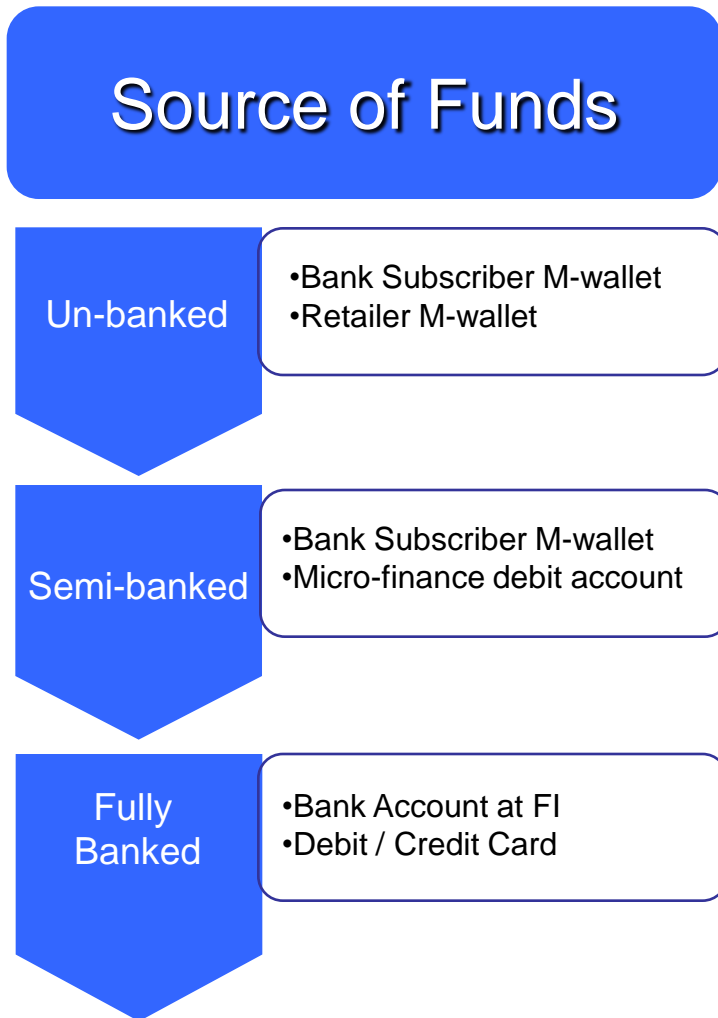
Since launch in February 2010, 18,000+ Level 1 mobile accounts 220 Level 2 and 5890 Level 3 accounts are active

Total Agent network of 5,700 (Branches / SSC : 60, TP SSC: 27, TP Franchise: 241: Retailers 5,372)

Almost 1.2 million transactions with throughput of US\$29+ million. Average of 15,000 transactions per day



Easypaisa: Evolving a Business Model



- **Hierarchy of 'Banked' status**
 - **Unverified**
 - 'Minimal' KYC
 - CNIC copy
 - Tight transaction count & value limits
 - **Partial Authentication**
 - Partial KYC
 - Verified CNIC
 - Higher transaction limits
 - **Full Authentication**
 - Full KYC
 - Normal banked limits
- **Auto Account opening on a P2P transfer**
- **Intention to move customers from Un-banked to Fully Banked status**
- **Applies to Merchants & Subscribers**

Branchless Banking: Challenges for Financial Inclusion

- After initial assessment, Level 1 KYC regulation may need to be rationalized for uptake
- Access to reliable mobile technology and partners with similar strategy and investments. Longer term sustainability of partners is important.
- Branding & Marketing – budgets and appropriate execution
- Financial capability amongst users. – focus on early adopters
- Mass registration – the marketing challenge
- Win-Win Revenue Share – what's in it for the stakeholders
- Building a community of stakeholders (who are often competitors)
 - Accepting the approach of Master Acquirer
- Building the Agent network
- Customer care – who supports the user?
- Payback period – a long-term proposition?

Agenda

- Emerging Models in Branchless Banking
- Role of Market Structure for Telecom Market
- Easypaisa
 - Mobile bank model
 - Operational View
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Conclusion

- **Large market for people who are un-banked but have a mobile phone**
 - Generally only 5% to 7% of Pakistani population has any form of bank or MFI account
 - Typically 100% – 300% more phone owners than the banked population
 - In Pakistan this equates to 30m – 40m individuals who could benefit from such services
 - The mobile phone is the branchless banking opportunity of the next decade
- **Enablers**
 - Building and training the Agent network
 - Human ATMs and Payment Points
 - Stakeholder participation
 - Trusted service branding and marketing is key
 - Central Bank regulation on minimal and partial-KYC to encourage and promote micro-account adoption

Thank You

