



*L*et's talk

Payment Systems
Consulting



Our Differentiator
Our Promise

Note from Mohamed Belarj



Hello!

In the 14 years I spent with MasterCard International, I had the privilege of meeting so many people and making so many friends.

During my tenure, I had the opportunity of starting up MasterCard's Middle East office in Dubai in 1993 and taking the business from an 8-bank, 7,000-card business to more than 200 banks and financial institutions issuing over 7 Million credit and debit cards!

From my viewpoint, I had the privilege to witness and influence the inception of the payment systems in the Middle East. While the compounded average growth rates for the 14 years exceed 45%, the potential I saw in the Middle East 14 years ago is still intact! The penetration is abysmally low, the business (already lucrative enough in mature markets with over 40% ROE) is very profitable and enjoys good economics despite country-specific restrictions. The only issue that I have seen is the scale has not been reached, therefore jeopardizing the profitability of the business, especially in consideration of the constant call on new investments due to new business requirements.

Obviously this is attracting all kinds of predators and will attract even more as the place opens up within the next couple of years.

I have now embarked on a new concept, creating Payments Systems Consulting (PSC), an advisory business that provides services to the leading players in the Middle East. My vision for PSC is to help the banking business community in the Middle East operate in a complex and fast moving environment.

The basic mission statement of PSC is to:

- Provide **strategic advice** to help design the vision for the future, the strategies to get there and the disciplines it takes
- **Fast-track** the business, in full compliance with the bank's mission and vision and according to world best practices
- Facilitate **knowledge transfer**, passing true knowledge on to the financial institutions

PSC will contribute, in its modest way, to building expertise in the region, using international best practices. You will certainly find in us professionals who care and who are in it for the long haul. My track record of building regional expertise has proven extremely successful at MasterCard.

In this brochure I will try to illustrate to you our view of the business and explain what we stand for at PSC. Rather than sending another brochure, I wanted to design it as a chat and I called it "**Let's talk about...**" I have designed it mainly to address senior professionals, most of whom are friends and some are very familiar with the many facets of our business.

So, let's talk!



Let's talk about strategy



Let's face it, the fact of the matter is that some of the banks, if not the majority, have embarked on the card business many years ago as a reaction to competition or a demand from certain customers, and without a real thought process. Then, the business never got really integrated, or spun off or outsourced. Operating with different rules to those of the banking business – in terms of operations, security, even to a certain extent Marketing – it stayed very much an exogenous business.

At PSC, for a payments strategy, the starting point is the **vision and mission** of the bank itself. Our approach is: tell me what kind of bank you are and I will tell you what payment strategy, customer segment, product range, distribution channel and market approach you need to pursue.

Generally, there are two sets of strategies...

- ✓ The **mono-line, stand-alone credit card business** strategy which only a few global players have successfully implemented. Very lucrative but it takes scale and discipline.
- ✓ The **card business as a tool to build the bank's strategy** and leverage the resource, mainly sales force, distribution channels and to a certain extent marketing.

In the Middle East, we tend to believe that for many financial institutions, building on the bank's strategy will be more productive. That's where being **truthful to the bank's vision** is critical to the success of the operation. The card business offering should complement and enhance the bank's offering.

At PSC we believe it's all about:

- taking stock of the **existing situation**,
 - **building a vision**, and that vision comes straight from the bank's vision
 - making the **strategic choices** that will lead there
- ...and then **being and staying focused** on both the vision and the choices

The key word is **Integration**. The day to day practice of the branches, the sales teams, the staff... is consistent with the card center strategy, which is consistent with the bank's overall strategy.



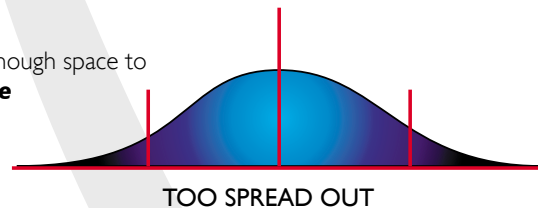
Let's talk about focus

"Focus" has been extensively used and abused since Michael Porter. Unfortunately some financial institutions, while claiming to be focused, have implemented dozens of initiatives and products, most of the time with abysmal performance and **little impact on the bank's strategy** or its profitability. Besides, this introduces a big **distraction**, adversely impacting the distribution network and consuming management time.

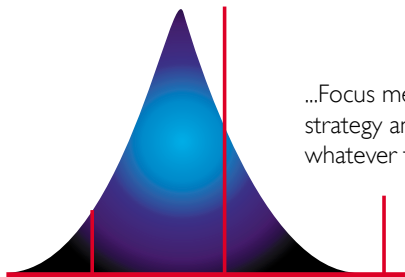
We believe it's like a chess game. If you do not occupy the center and **attend the core**, you can only lose, no matter what tactical advantage you have built. And the core is determined by the bigger picture: the **bank's mission**.

What focus really means to us:

...Focus means we are not too spread out. While we cover enough space to encompass the key segments, we have to **reduce the scope**



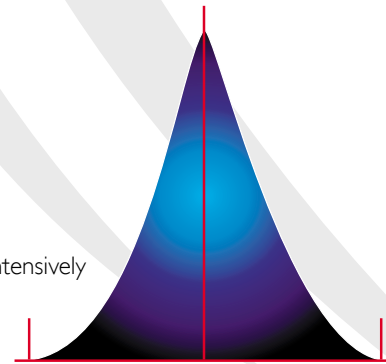
TOO SPREAD OUT



OFF CORE TARGET

...Focus means we make sure we cover the right segments that achieve the strategy and the profitability goals and we **center on the core** business, whatever the core may be for the bank

...Focus means serving the core segments thoroughly and intensively **increasing the depth** of the relationship



FOCUSED

At PSC ... we make focus a company-wide discipline

That's our differentiator and that's our promise.



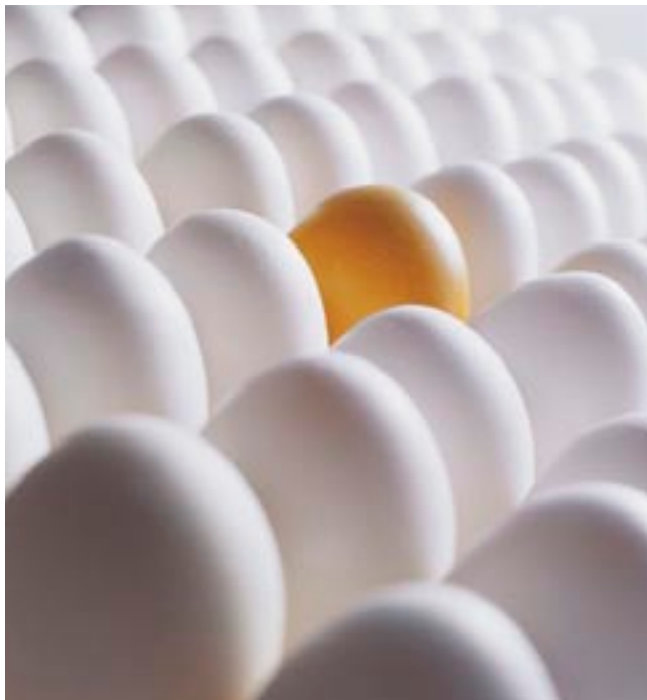
Let's talk about differentiation

Nasrudin found a weary falcon sitting one day on his windowsill. He had never seen a bird like this before.

"You poor thing," he said, "however were you allowed to get into this state?" He clipped the falcon's talons and cut its beak straight, and trimmed its feathers.

"Now you look more like a bird," said Nasrudin.

From Idries Shah, *The exploits of the Incomparable Mulla Nasrudin*



Again differentiation goes back to Porter. The reality is that some banks have gone to "me-too-land" and most of them never left there. There are very few programs with a real USP.

At PSC, we recognize that the payment business is **unique to every single institution**. There is no universal product, not even the credit card. It all depends what the bank is about, its vision and mission, what its customers value most, what kind of partnerships the bank has or can put together – and all that is **leveraged and packaged** in offerings of high relevance to the customer.

At PSC, we will work with the bank until we find that additional value that will make the rewards to your customer unique and relevant. We will **work until it works** to determine together that unique feature – that beak that makes your falcon a falcon, not just another bird.

That's our differentiator and that's our promise.



Let's talk about fast-track

Most payment systems projects take forever to implement, putting a drain on resources and taking **attention off the market**. Most of the time it is **nobody's fault**. It is just a lack of **mapping out** and **fine-tuning**. But this has severe consequences under the current competitive conditions.

At PSC, we believe that **speed matters!** Today's business is all about speed to market. And we believe that **everything is "fast-track-able"** to a large extent.

We implement processes to identify the **gaps** to market and international best practices in terms of: Strategy, Product Development/ Deployment, Target Segments, Channels and Systems. We design **Fast-track processes** to quickly and cost-effectively bridge the gaps.

Our strength is our unique **expertise** in the Payments business and our exceptional **knowledge of the players** – card associations, vendors and service providers. We know **what they stand for, what they expect, how they operate** and we **leverage** that knowledge to respond to our partners' strategic requirements.

We identify low **hanging fruit**, perform quick hits, design quickly, get the resource allocation quickly and implement quickly.



That's our differentiator and that's our promise.



Let's talk about outsourcing



Today there are over 80 card-processing centers in the Middle East. There are four main processors operating in the region. There is a clear and consistent movement towards outsourcing. That's positive.

Some banks process in-house, some even maintain obsolete systems. Legacies from the past. The reality is that things have evolved big time! The associations, the bad guys, the consumers, technology have changed the name of the game. What made sense a few years ago does not any more. There is **too much risk**. There is **too much cost**.

Some banks outsource and others started the process. At the extreme, there are two attitudes:

- ... The first is to outsource everything and **put the onus on the outsourcer**. That is giving away transaction processing, security, compliance and even to a certain extent customer support. They think that sending it to a processor (in certain cases, just the one that shows-up more often than the others, or has a better sales team) solves the problem, when in reality sometimes it can add to it and introduces other challenges. **The fact that the risk is now on the service provider does not in itself mitigate the risk.**

- ... The second is to **outsource but never let go of the key** (and sometimes not so key)

functions to the extent that there remains a fully fledged capacity staying with the bank, generating a lot of duplication and making any gain in productivity highly suspect.

At PSC, the outsourcing question is dictated by the bank's strategy. Even though, we have to admit, **we are biased towards outsourcing**. The reason is there is not much business to support a processing center in the bank. Even though some employees tend to recreate processing centers wherever their contract takes them.

At PSC, we will **evaluate the needs, perform the due diligence, review the processes**, and **suggest the right outsourcing scenario** for the bank. We will also drive the process, manage it and **accompany to a point of stability**.

That's our differentiator and that's our promise.



Let's talk about knowledge transfer

People do what they know best. That's a well-known fact. That's **the path of least resistance**. They even tweak things to get them to what they know, their comfort zone. Whether at branch level, the sales teams, the card center or the head office staff, if the intent is to develop payment systems, there **is no other way but to train people**.

At PSC, our philosophy is to **earnestly transfer the knowledge**. We have a **genuine interest in building the region that gave us a lot**. Typically, we select a panel of "trainers" from the bank itself, we customize the courses to the audience (branches, sales, card center, general management, marketing, support functions, auditors and Legal etc.), train the trainers, run the course with the trainers a couple of times and here we go. We also leverage our relationships and insider knowledge of the payment associations and vendors. The bank gains well trained trainers and well designed training tools. Then, it only takes a refresh every six months or so, depending on the institution.

This has been tested and was very effective. It takes commitment from the financial institution, but it ultimately pays off.



That's our differentiator and that's our promise.



Let's talk about partnership

Partnership is being in it together for better and for worse.

With a win-win attitude, we will leverage our vast knowledge of the business and our **insider knowledge** of the key players and we will guarantee to bring **additional value** to the relationship that **nobody else can add**.

We will be able to **demonstrate** it to you and commit to unique opportunities with value addition.

On the other hand, as true partners, we will not avoid **tough choices**. If, to be true to the vision, it takes selling-off, spinning-off, outsourcing, laying-off or whatever the case may be, we will always have the **courage to recommend and accompany the implementation**.

As true partners, we will not be "Looking in the light for ...what was lost in the dark".

There are circumstances where we would be "riding the horse in the direction it is going" but in all circumstances, at PSC, we will **"change the direction it is going"**.

We will also, leveraging our knowledge of the business and our insider knowledge of the payment players, review your current payment systems partnerships and make sure:

- they are **appropriate**, translate the needs of the bank and respond to them
- they **are best practice**
- they **work hard**, produce better value than any other and can support your vision



That's our differentiator and that's our promise.



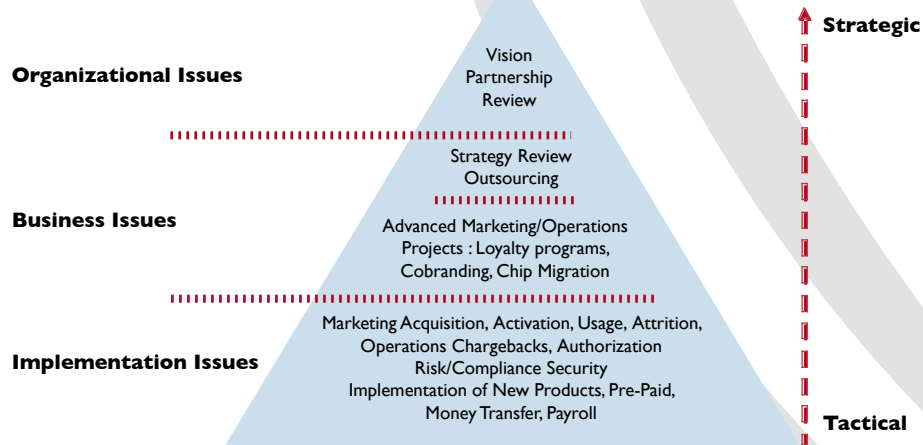
Let's talk about PSC's value proposition

At PSC we cover the payments space from what we call **plain vanilla** implementation issues to **business issues** to contributing to higher value **organizational issues**.

At the base of the value pyramid, we have implementation issues. Typically, the decision has been taken to enhance portfolio management with an acquisition, activation, usage or attrition strategy or campaign, review Operations, Risk or Security or implement a Money Transfer or Pre-paid program. No issues – PSC's **implementation** teams will deliver on that.

At a higher level, PSC will lead the bank in designing and implementing **higher value** Marketing or Operations initiatives such as Cobranding, Loyalty programs, Chip or other key programs.

At an even higher level PSC will contribute to **real organizational issues** such as helping the financial institution **design its vision** for the payments systems, or **review its partnerships** or **Outsourcing strategy and implementation**.



At PSC we fully **engage** the bank, especially for the high strategic value assignments. We believe the strategy belongs to the bank. **The “thinking” can be facilitated by a third party, but it cannot be outsourced.** Implementation of projects with low strategic impact can.

At PSC we use **scenario-planning** and **road-mapping** and involve the internal bank Think-tank to ensure we help **carry your organization ahead of the crowd**.

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