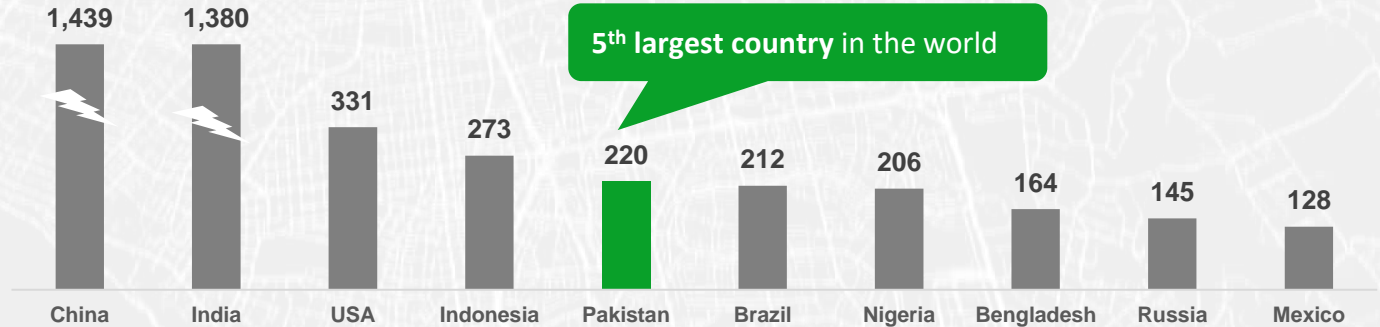


Section II

Market Backdrop and Industry Trends

Pakistan is **Massive, Young and Vibrant**

Population Ranking (Mn) ⁽¹⁾



Population Dynamics ⁽²⁾

Young

23 years
median age

**Rapidly
Developing**

3rd fastest
growing middle class

**Replenishing
Workforce**

For next two decades
each retiree will be replaced by
three young people

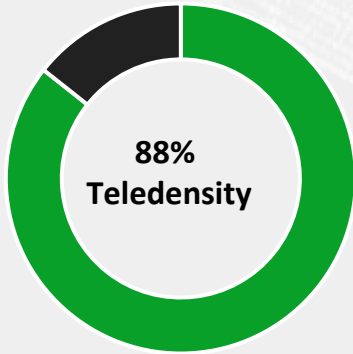
(1) Source: Worldometers global country population ranking (2022)

(2) World Economics, United Nations

Experiencing Rapid **Mobile** and **Broadband** Adoption ⁽¹⁾

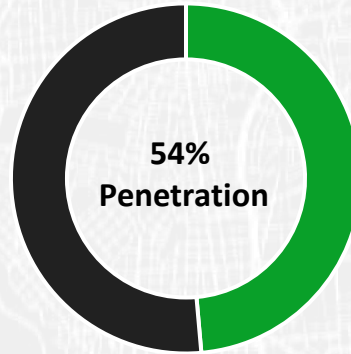
195 Million

Cellular Subscribers



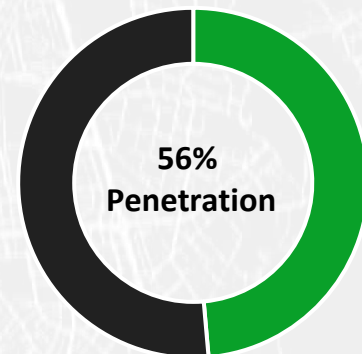
120 Million

3G/4G Subscribers



123 Million

Broadband Subscribers



Pakistan is one of Asia's fastest growing Internet markets enjoying Broadband subscriber growth of 25x in the last decade

Pakistan has more broadband subscribers than the entire population of UK!

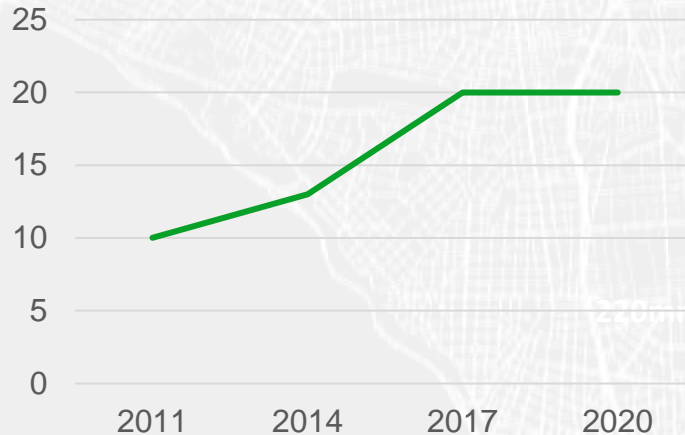
Despite Tech Penetration, Pakistan Remains Largely Unbanked

Mobile-based digital payments have the potential to unlock the digital economy

Financial Inclusion Remains Stagnant

Pakistan houses 2.8% of the world's population, but 8% of the world's unbanked adults

% of Population (aged 15+) with an account



Adult account ownership in developing countries increased to 71% in 2021 while Pakistan remains stagnant at 20%

Opening a Massive FinTech Opportunity

Digital payments is a gateway to financial inclusion

55% of unbanked adults have a cell phone

81%

Of utility payments are made in cash

69%

Of wages are received by employees in cash

23%

Of domestic remittances are sent or received in cash

Agriculture is the Backbone of Pakistan

Agriculture Powers Pakistan... ⁽¹⁾

Majority of Pakistan's population, directly or indirectly depends on the agriculture sector

Half

of Pakistan's Labor force is tied to agriculture (67% female)

24%

of Pakistan's GDP is contributed by agriculture

Largest

source of foreign exchange earnings for the nation

(1) Source: Pakistan Bureau of Labor Statistics

(2) Source: Food and Agriculture Organization (FAO) of the United Nations

...with Top Decile Crop Production Globally ⁽²⁾

63% of Pakistan's population is rural (World Bank) and represents one of the largest producers and suppliers of foods and crops globally

Crop / Produce	Production	Global Ranking
Sugarcane	88.6 M Tons	#5
Cotton	4.8 M Tons	#5
Corn	10.6 M Tons	#20
Wheat	26.4 M Tons	#7
Rice	10.8 M Tons	#10
Milk	65.7 M Tons	#4

Agriculture is Severely Impacted by Lack of Financial Inclusion

The agricultural economy of Pakistan is estimated at \$85.5 billion, and The State Bank of Pakistan has set a Agri-lending target of only ~\$7 billion, of which only 63.6% has been achieved ⁽¹⁾

“With non-existent formal financing, agricultural transformation is not possible. So, our population will continue to face food supply issues. Farmers are at the mercy of the local money lenders” ⁽²⁾

In the absence of financing from the formal channels, “the farmers are compelled to go to the middleman, who manipulates them in many ways, including very high financing rates” ⁽²⁾

(1) https://www.finance.gov.pk/survey/chapter_22/PES02-AGRICULTURE.pdf

(2) Tribune Pakistan quoting Mahmood Nawaz Shah, Senior Vice President of Sindh Abadgar Board (SAB)

Global Warming has Compounded the **Agriculture Pains**

Pakistan contributes less than 1% of global greenhouse gas emissions but is among the top 10 most climate vulnerable countries

The 2022 floods were catastrophic to Pakistan's rural socioeconomic wellbeing



- The flood-damage bill in Pakistan is estimated to be **\$32 billion** ⁽¹⁾ which is further aggravated by lack of formal financing channels to reach farmers
- Financial inclusion of the farmer has taken center stage in Pakistan's economic policy framework to solve food insecurity, crop yield optimization and human welfare

(1) Source: World Bank post-damage and need assessment survey

Despite these Enormous Challenges, There is Some Good News...

The State Bank of Pakistan is Unlocking a Massive Opportunity by Digitizing Banking



State Bank of Pakistan (SBP), Pakistan's Central Bank, has issued regulatory framework for licensing Digital Institutions

- Electronic Money Institutions (EMI). EMIs are entities that offer Digital Payment Instruments like Wallets, Prepaid Cards, Contactless Payments
- EMIs will offer inter-operable and secure digital payment products and services
- Digital Banks – Digital Retail Bank (DRB), Digital Full Bank (DFB)
- Digital banks will be able to offer all kinds of financial products and services through digital platforms or electronic channels instead of physical branches

These institutions will play a crucial role in financial inclusion, digitizing payments and credit access. It will enable new entities with a fresh mindset to focus exclusively on setting up a conducive digital eco system to reach the unbanked

SBP as a regulator has credibility in the eyes of the general public. No bank has ever failed in Pakistan. People will have confidence in the fact that the Digital Banks and EMIs are regulated by the SBP