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ASX Announcement

## IOUpay Product Development Update

### Highlights

- IOUpay provides first product development update for upcoming financial year;
- First project initiates through Collaboration Agreement with Virtualflex for co-branded myIOU KA\$Hplus Visa Prepaid Card;
- Minimum 10,000 card issuance for myIOU KA\$Hplus Visa Prepaid Card with existing IOUpay Group customers prioritised on first issuance; and
- myIOU Islamic, a Shariah compliant BNPL offering currently under development, with Shariah compliance certification scheduled for September quarter.

IOUpay Limited (ASX:IOU) (“IOUpay” or “the Company”) and the Board of Directors are pleased to provide a product development update for IOUpay’s product suite certification and innovation initiatives.

The launch of a strategic collaboration with Virtualflex and initiation of myIOU Islamic are significant developments for the Company as it approaches its new financial year and works to mature its offering into a meaningful digital payment platform in the South-East Asia region.

### **Virtualflex Collaboration – Initiating with “myIOU KA\$Hplus Visa Prepaid Card”**

The Company is pleased to announce that the Company’s wholly-owned subsidiary, IOU Pay (Asia) Sdn Bhd (“IOUpay Asia”) is collaborating with Virtualflex Sdn Bhd (“Virtualflex”) to provide a co-branded myIOU KA\$Hplus Visa prepaid debit card (“myIOU KA\$Hplus Card”) to myIOU customers in Malaysia under a Collaboration Agreement (“the Agreement”).

The KA\$Hplus Visa Prepaid Card (“KA\$Hplus Card”) is a reloadable prepaid debit card which carries the Visa payment features that is issued by Virtualflex in partnership with Fass Payment Solutions Sdn Bhd (“Fasspay”).

There are a number of products, features and collaborations across Virtualflex’s suite of products and existing business, that are available to be accessed by IOUpay under the agreement, and the co-branded myIOU KA\$Hplus Card is the first to be initiated.

The Agreement is an exclusive arrangement for three (3) years, renewable for a further three (3) years upon mutual agreement, providing for:

- (i) Virtualflex to issue to customers of IOUpay Asia the myIOU KA\$Hplus Card subject to the usual terms & conditions for KA\$Hplus Cards;
- (ii) Virtualflex and IOUpay Asia to work together to integrate the myIOU KA\$Hplus Card to the myIOU BNPL platform;
- (iii) Mutual exclusivity: each party is precluded from entering into any arrangement or business model with another third party that is similar in nature or features of this collaboration agreement

- (iv) Either party may terminate the Agreement: without cause by giving six (6) months prior written notice, or on shorter notice if there is an instance of commercial breach of terms by either party giving notice to the other breaching party; and
- (v) Minimum card issuance of 10,000 cards within the first two years of the agreement, with no commitment schedule over that two-year period.

### **Operational Commitment for myIOU KA\$Hplus Card**

The Agreement provides for a minimum of 10,000 cards to be ordered and issued within the first two (2) years. The minimum amount payable to Virtualflex for card issuance is RM200,000 (~A\$64,725<sup>1</sup>).

An establishment fee of RM50,000 (~A\$16,181<sup>1</sup>) has been paid to Virtualflex to commence the project works. An annual maintenance fee of RM30,000 (~A\$9,709<sup>1</sup>) is payable to Virtualflex in advance commencing upon card launch with the first card application received.

The key objectives of the myIOU KA\$Hplus Card initiative include:

- Access merchants not yet onboarded to myIOU;
- Provide additional value to myIOU consumers;
- Drive growth in new consumers and enhance brand loyalty;
- Generate additional revenue streams via potential future product enhancements; and
- Expand myIOU product coverage to more merchants (local or international).

The myIOU KA\$Hplus Card is to be rolled out in two stages.

### **Initial Card Rollout (“Stage 1”)**

Stage 1 of the co-brand card initiative involves issuance of co-brand myIOU KA\$Hplus Visa prepaid debit cards to selected myIOU BNPL customers who are currently approved for and actively utilising myIOU Credit+, who have qualified for a myIOU BNPL credit limit of at least RM3,500 (~A\$1,100) by satisfying an additional credit assessment.

Additionally, the myIOU KA\$Hplus Card will also be issued to selected customers of I.Destinasi Sdn Bhd (“IDSB”) as part of a cross-sell marketing initiative being developed.

The Company has received from Bank Negara Malaysia (“BNM”), Malaysia’s central bank, the necessary approvals for issuance of the myIOU KA\$Hplus Card which enable the Stage 1 rollout.

Customers issued with the myIOU KA\$Hplus Card, once activated and pre-loaded with funds, will enjoy the features of making purchases anywhere that Visa cards are accepted.

The purpose of Stage 1 is to test the card issuance process, reward loyal customers, build IOUpay brand awareness, and facilitate special marketing initiatives such as for the selected IDSB customers.

The Stage 1 rollout is scheduled to commence in July 2022.

### **Integration with myIOU BNPL Service (“Stage 2”)**

The strategic product development objective of the initiative is to integrate the myIOU KA\$Hplus Card into the myIOU BNPL platform so that customers can purchase goods or services using the card anywhere Visa is accepted and then choose to convert that purchase into a myIOU BNPL transaction seamlessly via their mobile device using the myIOU app.

The Stage 2 integration remains subject to BNM approval for the linkage to the myIOU BNPL service.

<sup>1</sup> Assumed MYR/AUD exchange rate 3.09 using RBA sourced reference

<sup>2</sup> Islamic Finance & BNPL – The Opportunity Ahead,, 2021, The Capital Markets Company (UK) Limited)

Upon central bank approval and completion of integration, approved customers will have the flexibility to manage their personal budgets via their myIOU KA\$Hplus Card, choosing which payments to cover with 100% cash and which to pay later over time (BNPL) by selecting one of three myIOU instalment payment plans.

This is designed to streamline customer account management and personal budgeting and accommodate more flexible shopping patterns.

Importantly, using the myIOU KA\$Hplus Card to make purchases and then converting those into short term BNPL instalment payment plans means that customers are not limited in their shopping choice to merchants operating on the myIOU platform. Purchases made at any merchant that accepts Visa card for payment can be processed via the myIOU KA\$Hplus Card and then converted into a myIOU BNPL transaction.

This feature will immediately expand myIOU product coverage to many more merchants, given the Visa Prepaid Card enables purchases with any Visa merchant participant globally.

Customers who elect to convert their myIOU KA\$Hplus Card purchases into myIOU BNPL instalment plans will be charged a transaction fee (based upon the selected instalment plan) that will be added to the cost of goods/services to determine the instalment payments for each transaction. The terms and service charges will be determined prior to the launch of Stage 2.

The expected timetable for rollout of Stage 2 is six months from confirmation of BNM approval.

(Aaron) Lee Chin Wee, IOUpay's Executive Chairman commented:

*"The collaboration with Virtualflex for the issue of co-brand myIOU KA\$Hplus Visa prepaid debit cards reinforces IOUpay's best-in-class brand positioning through innovative product development. We seek to provide market leading fintech products that help our customers manage their day-to-day cash flow and personal budgeting."*

## **myIOU Islamic – Shariah Compliance**

Malaysia and South-East Asia have significant populations of people following the Muslim faith tradition. In Malaysia, the Islamic population is growing and exceeds 60%, and Islamic finance and investment comprises more than 50% of Malaysia's banking and payments market<sup>2</sup>.

Instalment based consumer finance products such as BNPL are naturally aligned with the Shariah principles of Islamic finance given they are based on interest-free, unsecured credit. However, the requirements to comply with Shariah principles go beyond not including interest charges in the calculation of loan repayments.

In Malaysia, to access Islamic financing and BNPL opportunities within industry best practice for Shariah principles requires certification from a Shariah advisor licensed by the Securities Commission of Malaysia.

The Company has been working closely with a suitably licensed, independent global Shariah advisory firm to gain certification of Shariah Compliance for its myIOU BNPL service offering. Certification is anticipated in the September quarter (Q1 FY23).

Following completion of certification, the Company will prepare to offer both conventional and Islamic financing. This requires a partitioning of the myIOU portfolio, integration with an Islamic Payment Gateway as well as separate documentation, policies and procedures, and an Islamic Bank Account for all Shariah-compliant transactions. The Company plans to offer its Shariah-compliant BNPL service under the name 'myIOU Islamic' with full brand guidelines being developed.

The Company is currently finalising a collaboration agreement with a Shariah-compliant payment gateway and expects to complete integration within 30 days of signing.

<sup>1</sup> Assumed MYR/AUD exchange rate 3.09 using RBA sourced reference

<sup>2</sup> Islamic Finance & BNPL – The Opportunity Ahead,, 2021, The Capital Markets Company (UK) Limited)

The key objectives of the Shariah Compliance initiative include:

- Enter the Islamic BNPL market, serving Islamic merchants and consumers;
- Provide an alternative to conventional BNPL;
- Increase brand standing in Malaysia and SEA; and
- Prepare for territory expansion into other SEA jurisdictions with large Islamic populations.

Datuk Khairul Ismail, IOUpay's independent non-executive Director, commented:

*“The development of myIOU Islamic will position the Company to access new communities of merchants and consumers, both in Malaysia and beyond. Certification from a licensed, independent global Shariah consultancy firm will assure the customers of myIOU Islamic that their transactions and purchases will be in accordance with Shariah principles and teachings.”*

The release of this announcement was authorised by the Board of the Company and released by the Company Secretary.

Yours faithfully,

**IOUpay Limited**

**Jarrold White**  
**Company Secretary**

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<sup>1</sup> Assumed MYR/AUD exchange rate 3.09 using RBA sourced reference

<sup>2</sup> Islamic Finance & BNPL – The Opportunity Ahead, 2021, The Capital Markets Company (UK) Limited)

### **About IOUpay (ASX:IOU):**

IOUpay Limited (ASX:IOU) provides fintech and digital commerce software solutions and services that enable its institutional customers to securely authenticate end-user customers and process banking, purchase and payment transactions.

The Company's core technology platform enables large customer communities to connect to end user customers using any mobile device and integrate mobile technology throughout their existing business and customer product offerings. The Company's business divisions consist of Mobile Banking and Digital Payments which service leading banks in Malaysia and large telcos and corporates in Malaysia & Indonesia. IOUpay also works with telecommunication network providers to provide mobile OTT (over-the-top) services that leverage their subscriber base to build active communities.

### **Forward Looking Statements**

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward-looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of IOUpay and cannot be predicted by IOUpay and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which IOUpay operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of IOUpay or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements. Statements about past performance are not necessarily indicative of future performance.

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