

Strategy Road Map & Completion of Phase 1

Investment Highlights

- Successful completion of Phase 1 which has successfully integrated the existing payments processing platform and acquired technology together
- Existing Platform enhanced by BNPL functionality, InstallPay and Major Purchase which is now live in the market
- Change is in discussions with a number of banks about moving their technology from on-site to the cloud via its new combined platform
- Large global addressable market moving bank's existing technology to the cloud
- Global payments advisory team engaged to assist with strategy road map
- Strong foundation to grow post completion of recent acquisition

21 April 2021 Change Financial Limited (ASX: CCA) ("Change" or "the Company"), is pleased to provide the following update on its key strategic initiative to combine its two platforms (certified processing platform and payments management platform) leveraging both the Company's existing technology and the recently acquired features and functionality.

Change is a global FinTech developing innovative and scalable payments technology offering Banking as a Service (**BaaS**) solutions to businesses and financial institutions. Change has built a global enterprise payments and card issuing platform and financial transaction testing solution used by more than 125 customers in 36 countries globally. Change's Platform currently processes more than 16 million credit, debit and prepaid cards worldwide with approximately 50% of those cards being VISA, 40% Mastercard and 10% others (including, Amex, Diners, JCB and UnionPay).

Technology Update - Completion of Phase 1

As announced in the previous quarter's update, the Company now plans to accelerate development of its payment processing technologies. Phase 1 – Proof of Concept is now complete, and the Change team has delivered a positive assessment of the testing to combine the platforms.

Technology

Change set up a cloud environment and installed the payments management platform (acquired technology). The environment has been configured for credit, debit and prepaid cards and an API gateway developed to link the certified processing platform, mobile apps and payments management platform. The hardware security module which safeguards and manages digital keys, performs encryption and decryption functions has been installed and regression and load testing completed. The system has been set up with non-production data to allow for functional demonstrations.

Design and Product

Change has designed a resilient environment that will ensure server uptime and multi-region support. The architecture is designed to ensure flexibility for future feature development and customer requirements.

Completion of Phase 1 gives Change a platform to demonstrate its new capability to customers and accelerate the sales and business development cycle. Change is already in discussions with a number of banks regarding bringing their technology into the cloud and onto Change's BaaS Platform.

Platform Feature Spotlight – Buy Now, Play Later

Following the strategic review of the existing technology, the Company is pleased to announce Change's Platform has two Buy Now, Pay Later (BNPL) capabilities which are live in the market.

Unlike traditional BNPL providers, which generally require direct connection to merchant's POS systems, the Change Platform capability allows split payments direct to customers' debit, prepaid and credit cards (via Mastercard, VISA and other card networks). The Change Platform therefore does not require any specialised merchant or POS system integration, thus removing a major friction point for mass adoption.

The Company's Platform empowers banks and FinTechs to offer their end customers BNPL products direct to any merchant without having to partner with third-party providers. It allows them to offer BNPL under their own brand, and most importantly, consolidating ownership of their customer base.

The Company believes this functionality is disruptive to incumbent BNPL providers as it reduces the barriers to entry through opening up the BNPL capability to any bank or FinTech that offers digital wallets or physical debit, pre-paid or credit cards. Change has already observed what it believes to be the start of this trend back towards customer consolidation with Commonwealth Bank's recent release of its BNPL credit card.¹

The BNPL functionality is live in all markets globally and Change has a number of large clients in Latin America and Asia using the product, including one of SE Asia's largest banks. To date the Company has undertaken limited marketing of the BNPL capacity and following the finalisation of Phase 1 has commenced engagement with new and existing customers to continue its roll out.

Change's InstallPay technology powers a dedicated BNPL card or account while Major Purchase allows customers to turn their large purchases or existing balances into BNPL repayments. The feature is fully customisable by the clients in terms of fees charged and the number of instalments. A summary of the functionality for the products and a comparison to incumbent BNPL products are provided below.

Install Pay

InstallPay is a dedicated BNPL payment card functionality. Every transaction made on the card is split into instalments that the end-user pays back over time.

Change's customers (banks and FinTechs) can configure InstallPay to meet their product needs:

- Variable plans and periods (weekly, fortnightly, monthly, day of the month)
- Flexible interest and fee configuration
- Total balance limits
- Can be used for microfinancing products
- Instant issuance and available on all consumer cards









Major Purchase

Major Purchase allows the end-user to turn a traditional purchase or balance into BNPL instalments. End-users can turn any purchase from any merchant into a BNPL transaction.

Change's customers (banks and FinTechs) can configure Major Purchase to meet their product needs:

- Minimum purchase value threshold
- Instalment period and durations (monthly)
- Flexible interest and fee configuration
- Multiple concurrent transactions
- Use a combined limit or separate facility solely for Major Purchase transactions

BNPL Offering Comparison

	Change's Solution	Traditional BNPL Offering
No POS integration required and accepted everywhere		
Empowers partners to own their customer relationships		
White-label offering to banks and FinTechs		
Part of an integrated payments platform		

¹ <https://www.commbank.com.au/digital-banking/buy-now-pay-later.html>

Strategy Road Map

Change has engaged a global payments advisory team to assist with defining the Company's strategic road map, building on the strong foundations of the Company's technology and completion of Phase 1 of its plan to accelerate the development of its payment and processing technologies

The engagement will focus on the following key initiatives:

1. Develop a purpose-led, clear and actionable strategy to deliver on Change's growth path
2. Redefine Change's market niche in a rapidly evolving and disruptive payments landscape
3. Determine industry sectors to target proactively versus opportunistically by market
4. Align Change's service offerings and roadmap to the evolving needs of existing and target sectors
5. Accelerate the building of partnerships and Change's capabilities

In parallel, Change is currently in discussions on multiple commercialisation opportunities from its pipeline of new and existing customers. These strategies include partnering with customers, banks and other FinTech and payment companies to accelerate new offerings in key markets such as Oceania, Asia, the US and the Americas.

Growing Market

Change's Platform enables banks and FinTechs to offer flexible payment solutions to their end-users including issuing credit and debit cards, BNPL, virtual cards and other digital/mobile wallets.

The payments market is growing at a rapid rate with global payment revenue exceeding US\$1.9 trillion last year². E-commerce was a huge winner in 2020 with the highest growth rate in five years as house-bound consumers sought alternatives to closed retail stores. Global e-commerce growth accelerated in 2020 posting U.S.\$4.6 trillion in transactions, a 19% increase from 2019 and by 2024, digital wallets, credit and debit cards are projected to make up more than 84% of e-commerce payments with BNPL expected to double its share to 4.2%.

COVID-19 has had a massive impact on retail store payments with cash only accounting for 20.5% of global POS volume, down 32.1% from 2019. Mobile wallets accounted for most of this shift away from cash at the point of sale, rising 19.5% over 2019 to represent 25.7% of 2020 POS transactions. The pandemic ushered in a wave of interest in contactless payment methods, accelerating already growing interest in mobile wallets. Credit cards (22.4%) and debit cards (22.3%) continue to account for the majority share of POS payments in Europe, Latin America and North America while payments such as BNPL and other alternative payment methods represented 3.5% of payments.³

Deloitte's research shows that the future of payments will be more competitive, digital, data-rich, and disruptive. The pandemic has accelerated the trend toward more digital payments, greater digitisation of the payments experience, and increased automation. Banks are implementing strategies that phase down legacy payments businesses over time and accelerate the growth of efficient, automated, digital payments.

Banks that compete with fully integrated payments business models will need dramatic investment to build and maintain modernised systems with robust client authentication, end-to-end digital enablement, real-time fraud management, improved resilience and availability, enhanced data management, compliance with ongoing regulatory requirements and value added features to enhance customers payment experience. Banks that cannot compete at this level or who choose to exit proprietary manufacturing will need to source these services from BaaS providers such as Change.⁴

Phase 2 & 3 – Accelerating Development and Commercialisation

The Company will now focus on Phase 2 – Customer Ready Platform which is due for completion in H1 FY2022 and Phase 3 – Advanced Platform Features all anticipated to be delivered by H2 FY2022. Change will provide further updates on the progress of Phase 2 and Phase 3 as the project progresses. Change's current business development initiatives and commercialisation plans around its existing solutions will not be delayed or impacted by the undertaking of Phase 2 and 3.

Change has completed an initial market assessment and concluded that there is a strong global market growth opportunity for its Platform solution. Combining the two platforms (certified processing platform and payments

² The 2020 McKinsey Global Payments Report

³ The Global Payments Report 2021 - WorldPay

⁴ Global Future of Payments - Deloitte

management platform) and leveraging both the Company's existing technology and the recently acquired features and functionality including debit and credit capabilities, EMV, virtual cards as well as BNPL functionality is estimated to bring-forward Change's previous product development roadmap timeline by approximately 24 months.

The combined Platform will also allow Change to accelerate the commercialisation of existing features and functionality such as the Company's BNPL features, InstallPay and Major Purchase.

Authorised for release by the board of Change Financial Limited.

For more information, please contact:

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About Change Financial

Change Financial Limited (ASX: CCA) is a global FinTech developing innovative and scalable payments technology offering Banking as a Service (Baas) solutions to businesses and financial institutions.

- Change has built a global enterprise payments and card issuing platform and financial transaction testing solution
- Leading Global BaaS Platform
- More than 125 customers in 36 countries
- Annuity income from Blue-Chip Client Base including the big 4 Australian banks, major Australian supermarkets, Asian and South American banks and FinTechs
- Highly experienced management and technical team

To learn more, please visit: www.changefinancial.com