



Azerpost perspectives

for financial services providers

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Positioning and context

Legislation

- ✓ Postal Law (adopted 2004)
- ✓ Banking legislation
- ✓ Civil legislation
- ✓ Bank regulative acts (licensing, prudential regulation and control)



What is postal financial services?

According to the Postal Law adopted 2004, postal financial services are the services listed below and provided by National Postal Operator. Azerpost LLC was appointed National Postal Operator in 2004:

- ✓ *Postal accounts;*
- ✓ *Money transfer;*
- ✓ *Opening correspondence accounts with financial institutions (including account at Central Bank);*
- ✓ *Postal deposits;*
- ✓ *Issuance of payment means, including debit and credit cards, postal checks;*
- ✓ *Foreign exchange services;*
- ✓ *Transportation of cash and other valuables.*

Azerpost LLC received a license for above mentioned services on April 16, 2010.

State control of postal financial services

Direct supervising institutions:

- ✓ Central Bank;
- ✓ Ministry of Communication and Information Technologies.

Central Bank supervision components:

- ✓ Granting a license;
- ✓ Prudential regulation and enforcement means.



Competition with banks

44 Banks



Azerpost



Total number of offices

626

1500

Working dates and hours

5d x 8h

6d x 8h-10h

As Azerpost offices cover all territory, number of postal clients prevail total bank clients approximately 4-5 times.

Government support

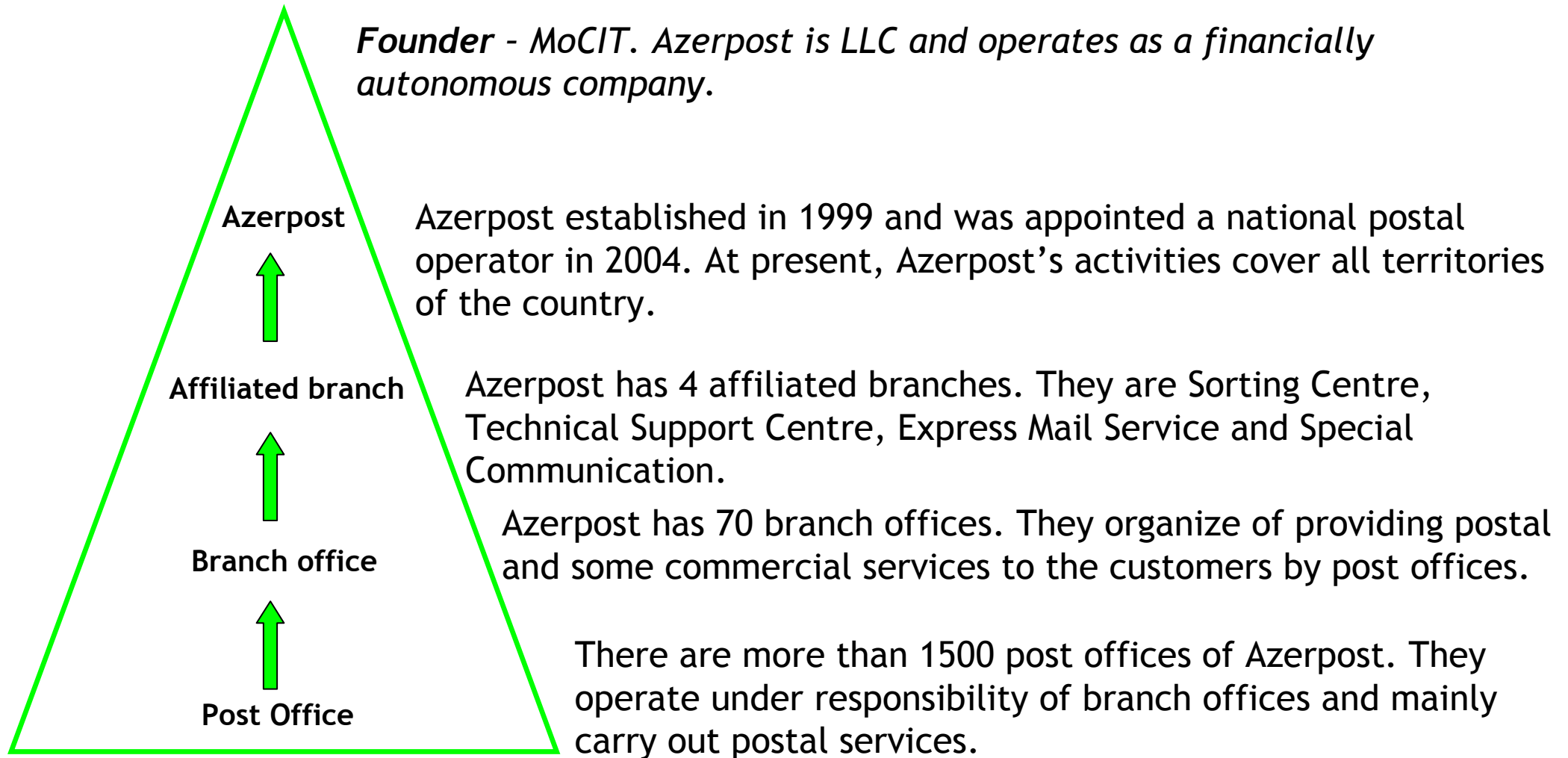
During last 3 years, more than USD 8 mln. subsidy was allocated from state budget for universal service obligations.

Azerbaijan Republic was signed an Agreement with IDA for financing Financial Services Development Project on May 24, 2005. Total amount of the project is about USD 17.75 million.

Project will be finalized at the first half of 2010.

Organization

Overall structure



New management levels

Current 3 management levels is based on territorial division.

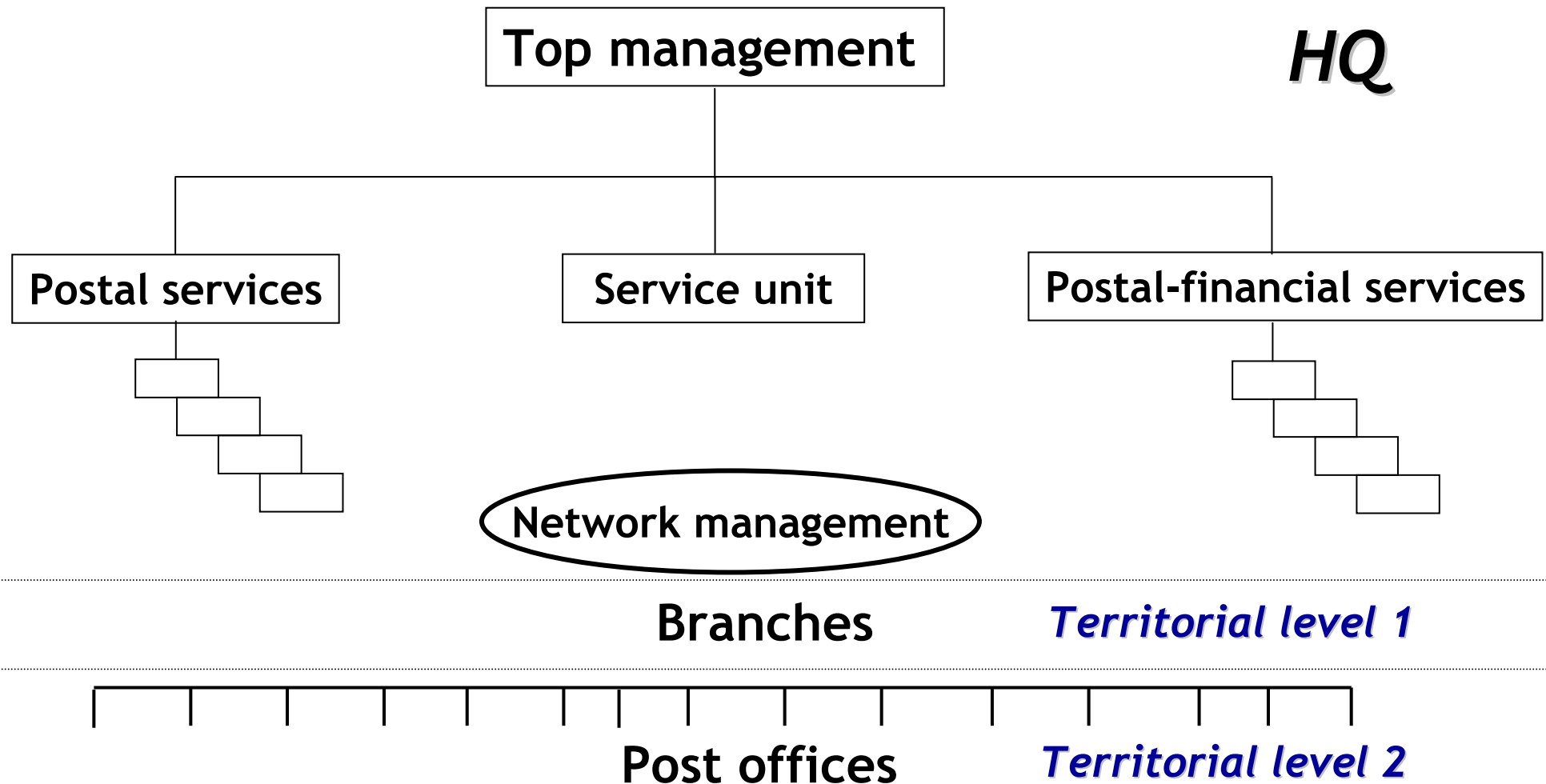
I level Headquarters in Baku
High level management

II level 74 Branches in the country

III level More than 1500 post offices as operational units

Corporate outlines

Azerpost: 2 business units + 1 service unit



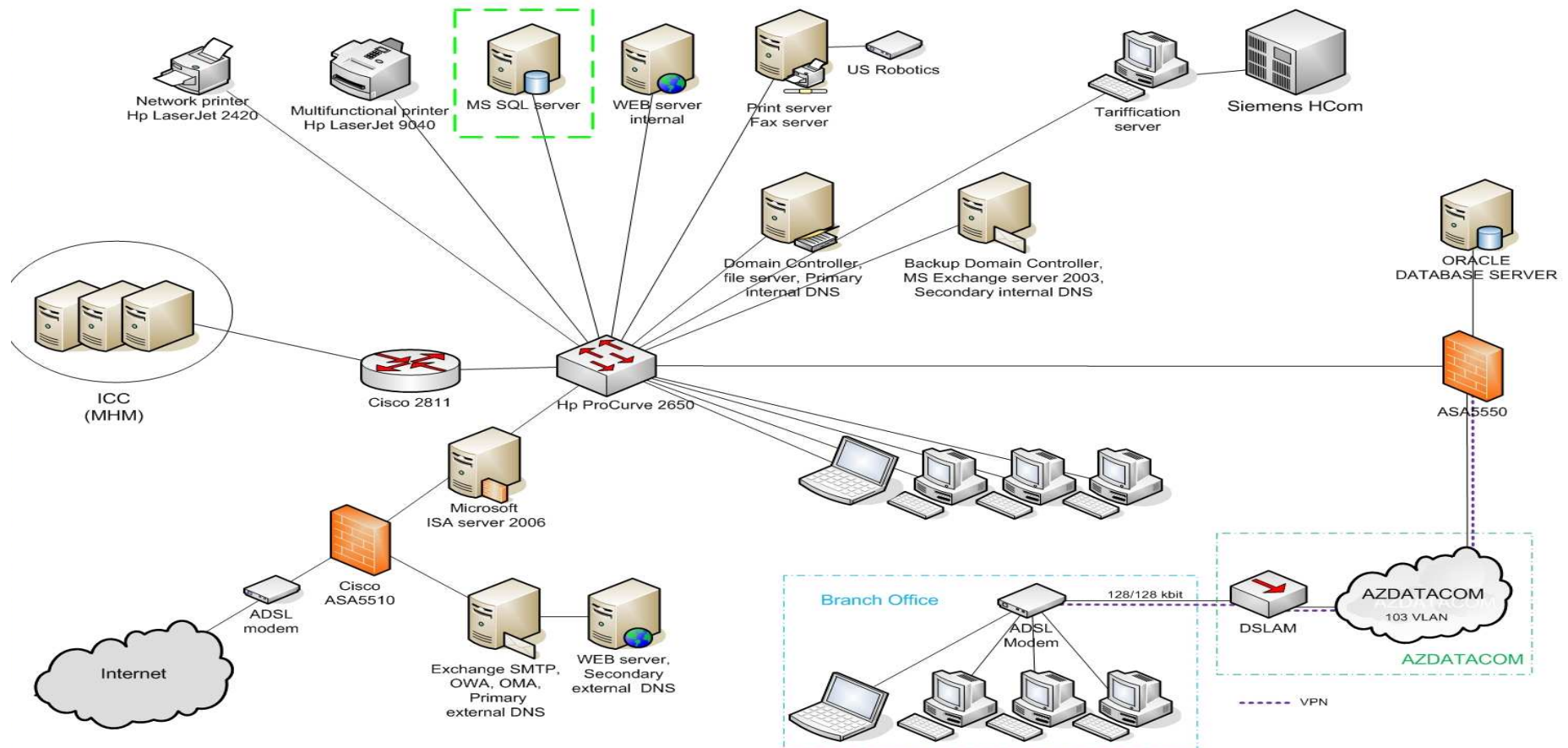
Relations between postal and postal financial entity (other financial institutions)

- ❖ Postal and postal financial services are divided as different business units. The accounting, marketing, reporting and control of them are divided too.
- ❖ This division is conditional at the Branch Office and Post Office level. So both postal and postal financial services are provided by the same offices.
- ❖ Azerpost plans to set a cooperation with commercial banks and other financial institutions in future. This cooperation can be as a allianz for providing common financial services. It is not excepted to provide agent services to the banks in providing different bank services.

Systems and networks

Network and connection

At present, Azerpost offices connected by leased lines and fiber-optic lines. Azerpost plans to connect remained offices by WiMax and Satellite.



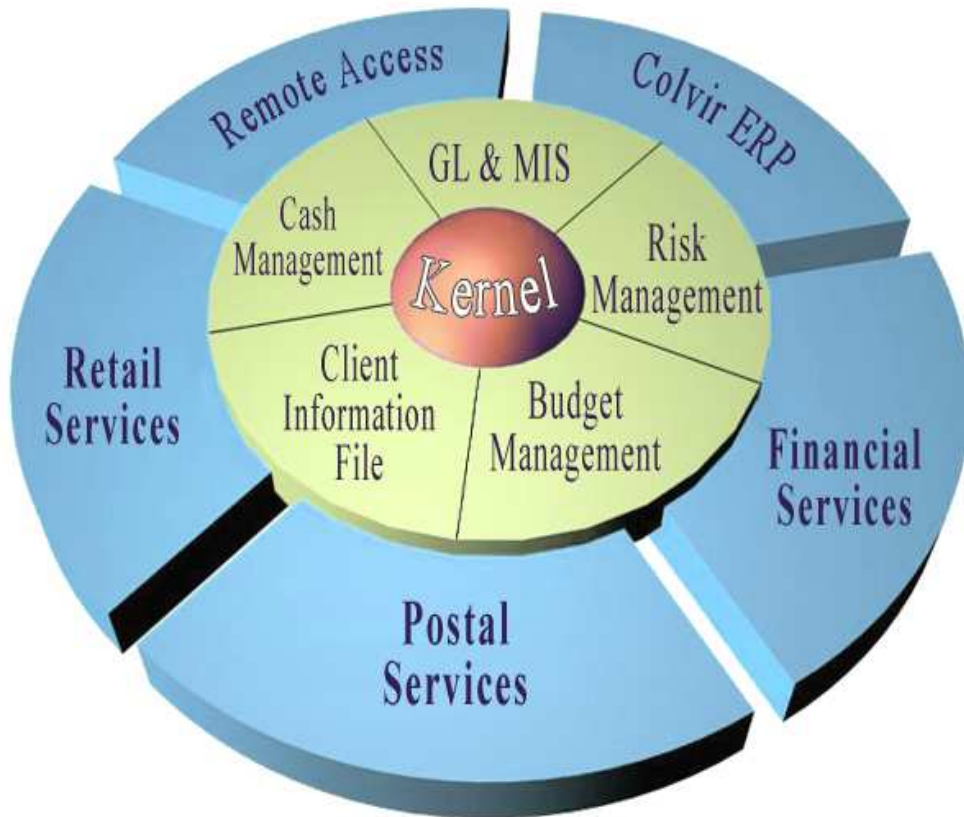
Systems

At present, Azerpost uses two separate systems. One of them was developed by Data Calculating Centre of MoCIT and used for collecting of telephone charges, telegrams and money transfers. Second one was installed by Joint Venture which established by HP Company. This software is mainly core banking system.

Besides, Azerpost started full automation process. For this purpose, HQ of Azerpost has already fully automated, main and back-up server rooms created and equipped with relevant HW and SW.

Post Branches and Offices have started to automate and network. All automation process will be completed until end of first half of this year. So 1200 POs will be Fully automated and connected to the central network.

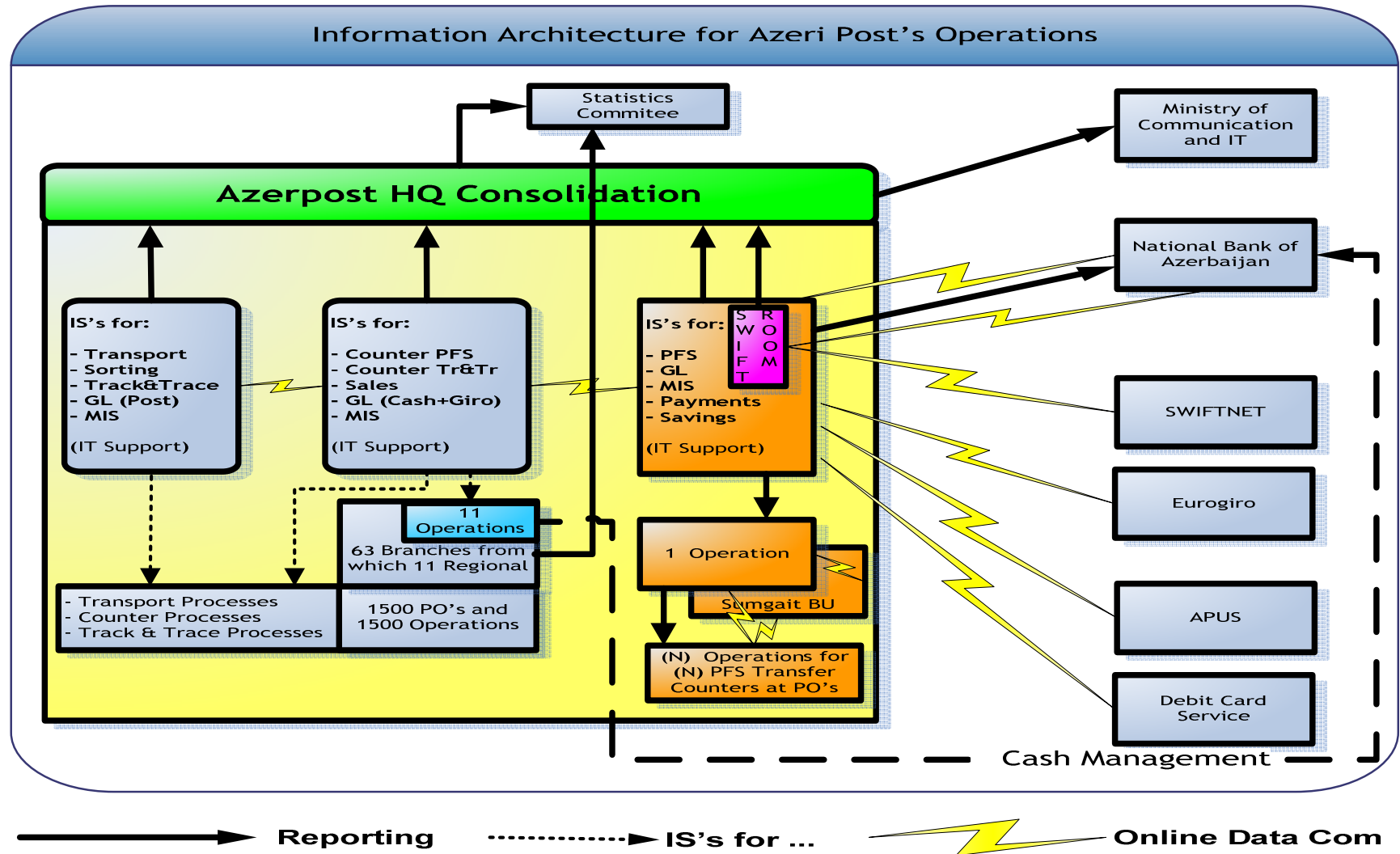
Automated Corporate Information System



Main modules:

- Utility payments
- Payment system
- Exchange
- Client and accounts
- Money transfers and agent services
- Postal services including track and trace
- Treasury operations
- Deposits
- Internet banking
- Risk management
- Budgeting

Information architecture



Trainings

Azerpost has carried out full training program for employees in order to improve financial and business services capabilities. Approximately 500 employees participated in this program in 2009 in the following topics:

- ◆ Accounting, Internal audit
- ◆ Customer relations
- ◆ Marketing and development of new products
- ◆ Risk and liquidity management
- ◆ Providing financial services
- ◆ IT
- ◆ HR planning, hiring and career development
- ◆ Strategy and corporate management
- ◆ Physical and information security



In 2010, new training program will start for the employees which work at the regional offices.

Targets, services & products

Strategy for 2010-2012

Azerpost's mission is to provide individual customers and businesses with broad, quality postal, financial and commercial services.

Azerpost's key objective is to provide quality universal and other postal and financial services, ensure sustainability of services, constantly improve quality of services and make these services available to all strata of population and businesses.

Azerpost is aiming to get a market share in domestic postal market at least 60% and PFS market at least 20% during the first 3 years. It is planned to achieve it by extent of its network and benefiting from the economies of scale.

Targets

During the next 3 years, it is targeting to increase number of client accounts to at least to 500 000, and number of annual transactions to 5 000 000.

Special weight of postal financial services in the total income of the Azerpost will be 50-60%. Main incomes will be from providing account opening operations, collecting of deposits and issuing debit and credit cards.



Services

1. Money orders

- Domestic money transfer
- International money transfer (STEFI, Western Union, Coinstar etc)



- Coinstar
- MoneyGram
- BLIZKO
- Migom
- Contact

Services

2. Utility payments

- Central Bank was created Azerbaijan Payment Utility System (APUS) in 2008.
- At present, there are 20 users of this system (19 banks and Azerpost). By using this system, Azerpost collect utility fees for gas, water, electricity services.
- Special weight of Azerpost in the collection is 95%.
- In future, the number of utility services will be increased and included telephone fees and other utility services.



APUS

Services

3. Pensions

- Nowadays, all pensions are delivered by plastic cards.
- Azerpost will issue its own plastic cards (for delivering of salary and pensions) late 2010 and early 2011.
- It was discussed initially with Central Bank and Pension Fond that to issue about 100 000 debit cards for distribution of pensions.
- Pensions will be distributed mainly by ATMs in cities, and by POS terminals in villages.



Services

4. Account based postal financial services

Post offices

Postal-financial services *with new system*



Other postal-financial services



Financial services



Money transfer



Exchange



Account opening



Savings

- Integrated operators form of all operator services system
- New post software
- Post centre service with close relation to postal-financial system and other systems
- Virtual post network by means of nationwide WAN (AzDataCom)

Channels

Internet

Home banking

ATM/POS



Telephone banking

Post

Clearing

Service diversification

Urban post offices:

- Full range of services
- Specialised operators



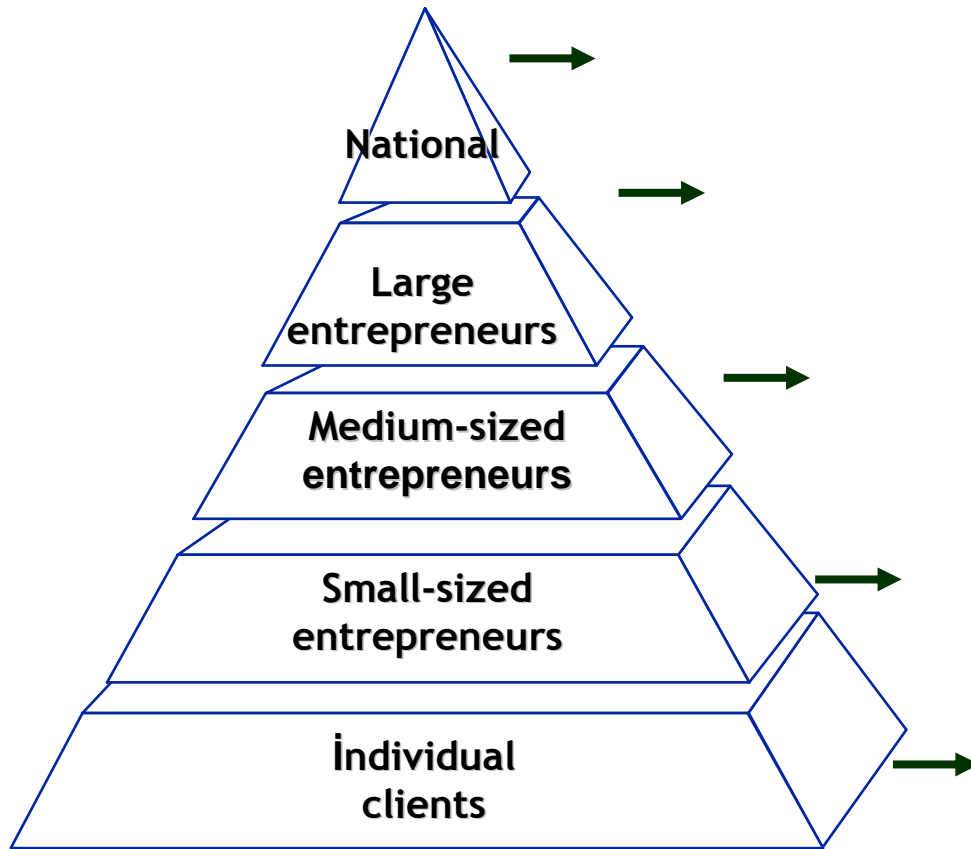
Rural post offices:

- Limited services
- Integrated operators



Marketing strategy

Client diversification



<i>Selling</i>	<i>Product support</i>	<i>Client support</i>	<i>Product management</i>	<i>Business management</i>
FULLY CENTRALISED			FULLY CENTRALISED	FULLY CENTRALISED
Head Office	Head Office	Branch		
Branch	Head Office	Branch		
Mass marketing / Branch	Branch	Support centre / Branch		
Mass marketing	Branch	Support centre		

Financial literacy activities

Central Bank carried out Financial Services Consumer Protection Project in the Country in 2009. One of the important module of this project was financial literacy of financial services consumers.

This project was implemented in the cooperation with World Bank and Swiss State Secretariat for Economic Affairs (SECO).

Azerpost participated in this project as a main partner and different meetings and forums was held at post offices.

As a result of the project, was prepared action plan for improving financial literacy. Azerpost cooperate with Central Bank closely in implementing of the action plan.

Plans for 2011-2015

- i. Increase total number of accounts up to 1,000,000 (expected in 2012 500,000 accounts)
- ii. Create own processing centre
- iii. Distribution of pensions, social benefits, salaries and other payments in all territory of the country, especially in rural areas by cards
- iv. Develop correspondent relations with banks and post-bank entities
- v. Improve E-trade and E-commerce services

Thanks for attention!