Business Plan For Money Lending Business In Malaysia



11.03.2016

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1. Investment Summary

Investment Summary



Malaysia Money Lending Market is one of the most promising markets in Asia due to these key factors:

- High GDP per capita (\$10.9K)
- High average income per capita (\$1.05K)
- High bank account penetration (70%)
- Low- tech and unconsolidated Loan Sharks and pawnshops are active in covering large untapped and growing unbanked market
- Money lending market regulation not tough compared to other AP markets (easy process for getting license, minimum restrictions for advertising).
- Malaysia's household debt-to-gross domestic product (GDP) ratio is 146 per cent. With high debt ratios, the
 commitment of borrowers (individual commitment includes client's existing mortgages, car loans, credit card debts,
 personal loans with the banks) prevents them from getting loan approvals easily with banks.

Key success factors in the market:

- Product new convenient product with fixed interest rate to replace Loan Shark offers (with low loyalty).
- Technology modern technology will allow customers to easily apply for a loan (via online application, mobile application, Facebook application) and receive loan amount (and repay it) via their bank account or at offline offices.
- Advertising new innovative tools of online advertising will allow us to reduce customer acquisition cost (to \$24).

We believe that MY market environment positions us for achieving success within a short time frame

Investment summary



nvestment summary Timeline						
thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5*	Total
investments	4 639	3 674	249	0	0	8 563
Total investments	4 639	3 674	249	0	0	8 563
Number of loans issued (thsd)	9	47	89	141	198	483
Amount disbursed	3 661	20 510	41 989	68 739	98 463	233 361
Net portfolio (EoY)	1 160	3 529	6 114	9 813	13 503	13 503
Revenue	700	7 059	15 496	25 452	37 314	86 021
One-off expenses	-567	0	0	0	0	-567
Net profit after taxes	-2 907	-1 171	3 705	6 774	11 440	17 840
ROE (yearly)	-113%	-17%	41%	75%	126%	51%
ROAA (yearly)	-261%	-34%	60%	69%	81%	42%

^{* -} normalized year with no new clients growth

Break-even period – 18 months.

Payback period – 51 months.

Maximum investments from – \$8,6M.



2. Market Overview

General Market Information



- Population 30.4 mln (2014)
- In employment age 20.9 mln
- Labor force 14.2 mln
- Urban population 70%
- Official languages Malay & English
- Average monthly income \$1.05K (2014)
- GDP Per Capita (Nominal) \$10.9K (2014).
- Household debt-to-GDP ratio 146% (2015).
- Household unsecured debt-to-GDP ratio 80.5% (2014)
- Mobile phone penetration 140% (2014)
- Internet penetration 67% (2015)
- Smartphone penetration 63%
- Bank accounts penetration 70% *
- Debit card penetration 63%
- Credit card penetration 12%
- Online banking penetration 58% **
- Mobile banking penetration 18.6%**
- Electronic payment penetration 13%***
- Mobile payment penetration 3%***



^{*} source of information - http://www.bnm.gov.my/index.php?ch=en_speech&pg=en_speech_all&ac=512

^{**} source of information - https://malaysiafinancialservices.wordpress.com/category/online-banking/

^{***} source of information - https://www.techinasia.com/is-southeast-asia-ready-for-online-payments/

Consumer Finance Industry Landscape



- One of the oldest credit institution in Malaysia is the business of moneylending. It began in the 19th Century where the Malay States were attractive place for the living of the immigrants from India and China. (Lal Harcharan Singh, 2003). During the British era, the Indian Community has played important role in economic development of the Malay States in rubber tapping and mining. At the end of the 19th century and early middle of the 20th century, the Chettiar** were the sole lender to the Chinese farmer to grow paddy, small rubber tappers, government servant and Malays aristocrats. (Kratoska, 2013).
- Consumer lending in Malaysia is performed by Banks, Licensed Moneylenders, Pawnshops and Finance companies (Credit Card companies). At the same time there is the big unregulated grey area which is estimated to have the largest share of short term unsecured loan market (including PDL).
- In the last seven years since the US subprime crisis (by international research firm McKinsey Global Institute),
 Malaysia's consumer debt was shown as having surpassed even that of the US. Latest data from the fourth quarter
 of 2014 showed that Malaysia's household debt-to-gross domestic product (GDP) ratio is 146 per cent, an increase
 from 139 per cent during the same period in 2007.
- Bank loans approval rate in 2015 is 41% vs 65% in 2007 respectively.
- Bank Negara, the central bank of Malaysia, implemented new regulations in July 2013:
 - New loan tenures were set for personal loans at 10 years instead of 25 years while mortgages / housing loans are now allowed a maximum payback term of 35 years versus the previous 45 years. In addition, pre-approved personal financing products such as unsolicited loans were also banned. Consumers thus had to face a higher monthly repayment amount, forcing them to curb their reliance on retail lending.

Toughening Bank regulation moves credit demand to non-bank loans providers, offering increasing opportunities

Licensing Options



Parameters	Bank	Credit Card Company	Moneylender	Pawnshop	Co-operative
Main purpose	Full-range banking services for retail and corporate clients	Lending activity with credit cards, deposit taken	Lending services for individual and corporate	Lending services with collateral	Lending services for members
Minimum paid-up capitalization	\$500M	\$75M	\$500K	\$750K	Unspecified
Max foreign capital share	60%	100%	100%	100%	0%. All members must be citizens of MY
Possibility to sell retail credit products	Yes, including credit cards	Yes, including credit cards	Yes, excluding credit cards	Yes, excluding credit cards	Yes, excluding credit cards
Interest cap	18% per annum for unsecured	18% per annum for unsecured	18% per annum for unsecured	24% per annum	18% per annum for unsecured
Regulator	Bank Negara	Bank Negara	Ministry of Housing and Local government	Ministry of Housing and Local government	Cooperative Commission of Malaysia
Term for getting license	NA	NA	30-45 Days	30-45 Days	NA
Number of active licenses	43 (including Islamic)	3	More then 3000	~400	~12,000

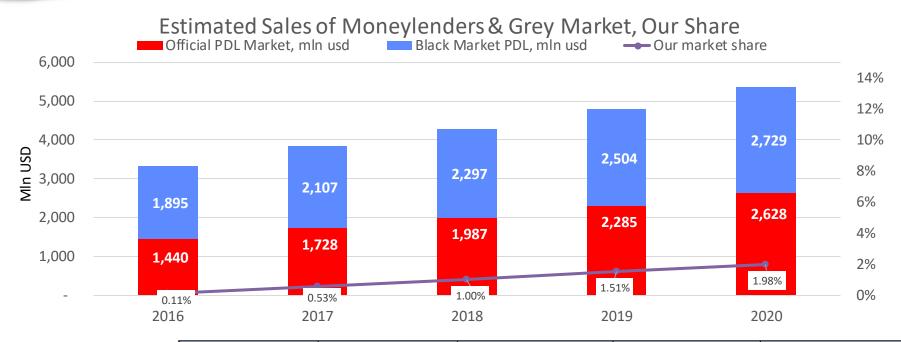
Money Lending License offers the most opportunities with the widest range of possible uses:

- In Line with our Business activities
- Low minimum capitalization

Source: Solidiance Interview & Analysis

Market Size Estimation





	2016	2017	2018	2019	2020
Our disbursement volumes, mln. USD	3.7	20.5	41.9	68.6	98.3
Our Number of loans (thousand) disbursed per year	9	47	89	141	198

Main assumptions:

- Official PDL Market is comparable with black market. The share of ML slowly increasing due to Government pressure on Grey Market
- Yearly market size growth as of 2017 based on Solidiance report, for 2018-2020 9% as estimated by MY team
- Our market share in 2020 is expected to be at 1.98%.



3. Legal Setup

ML Regulation



Regulator:

Ministry Urban Wellbeing, Housing And Local Government

Document regulating Moneylending:

- The Moneylender's Act, 1951 (Act 400)
- Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Money Services Business (Sector 3)
- Personal Data Protection Act 2010

Mandatory documents for Moneylender:

- The Moneylending License
- Advertising permit

Regulation practice:

- The Legislation is very strict, any breach of law in ML Act will result in monetary fine or prosecution or both
- At the same time, the ML regulation is not the main focus of Ministry Of Urban Wellbeing And Local Government, the ML legislation is rarely updated to be in line with modern technology instruments. As an example, there are grey areas that exists between the ML Act and Electronic Signature Act.
- The function of fighting against loan sharks was assigned to the police. For 2012-2014, more than 1000 of loan sharks were prosecuted and 50% of them were arrested.

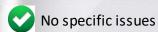
We need to use Business model and Product both not violating strict regulation and fully utilizing advantages of grey areas

Critical Business Model parameters 1/2

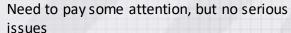


#	Parameters	Restrictions	Opportunities / Decision
	New licenses	Ongoing, no restrictions	
	Product type	No restrictions for Payday Loans	
•	APR/EIR interest cap	 Interest cap 18% per annum for unsecured loans. Only commissions allowed on top of interest rate: Stamp duties – fees charged by Taxation Authority to Validate the Loan Agreement. The amount - 2.5\$. It's not our commission. Legal costs incidental to or relating to the negotiations for or the granting of the loan. The cost is chargeable by any legal entity (external lawyers, in house counsels, legal consultations for loan process). Also to include cost to a 3rd party whilst processing the loan application including risk consultation. The amount - determined by this 3rd parties: Credit Bureau report – 2.1\$. It's not our commission. Attestation fee – 2.5\$. It's not our commission. Fees payable by law: there is no description in the Law 	 Legal costs incidental to or relating to the negotiations for or the granting of the loan: Fees that is payable by the moneylenders to a 3rd party whilst processing the loan application including risk consultation. This allows us to get target profitability: we will take commission payable to independent company which will do the clients assessment services (Due Diligence fee). Due Diligence fee – 20% from Loan Amount
1	Advertising requirements	 TV or Radio Adverts are restricted Internet, Press and BTL required special permit from Regulator 	
<u>!</u>	Possibility to use and store clients data out of the country	Not required by Moneylending Act	

There is probability to get target profitability by using fees allowed by law: we will take commission payable to independent company which will do the clients assessment services (social scoring)







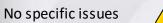
Critical Business Model parameters 2/2



#	Parameters	Restrictions	Opportunities / Decision
©	Necessity to obtain written customer consent for processing his personal data	Not mandatory (can be done on a website or mobile application)	
1	Face-to-face customer's verification (KYC procedure)	 Not required by Moneylending Act. Regulated by Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) "Reporting institutions shall not undertake any transactions without face-to-face contact with the customer unless the business relationship with the customer has been first established and CDD measures have been conducted" 	 1st loan agreement signing – face-to-face with courier Repeat loans – fully online
<u>.</u>	Remote contract signing	Moneylending Act 1951 required agreement to be in writing	 In 1997 acc to Digital Signature Act 1997 possibility of electronic signature appeared Electronic Commerce Act 2006 allows "electronic signature" means sound or any other symbol created in an electronic form adopted by a person as a signature"
1	Late payment	Calculated at the rate of 8 per centum per annum from day to day from the date of default in payment of the sum or instalment until that sum or instalment is paid	We will take commission payable to independent company which will charge an additional of 1% of the overdue amount per day as Debt Collection & Consultation fees.
	Debt collection	No specific restrictions	

Due to existing legislation it is reasonable to sign initial agreement in writing (O2O model) with courier and make repeat loans fully online using customers consent during signing the initial loan agreement by customer

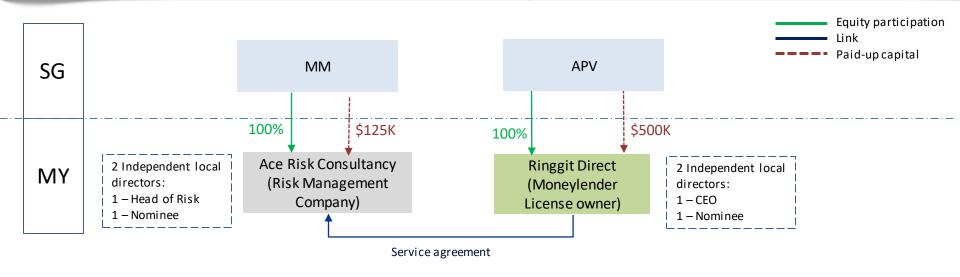






Legal setup





There should not be any visible relations between the shareholders of MFI and Risk Management Company (RMC) to provide opportunity for extracting additional profit with minimal legal risks

Each company should have at least 2 Directors, citizens of Malaysia:

Process of Obtaining the Mandatory documents



Step	Description	Time	Status
1	Establish a private limited company with 2 local directors, registered with the companies commission of Malaysia • Company must have a physical operating address in the country	7 – 14 working days	Done
2	Cover Letter stating intention to apply for a license Cover letter must be signed by the Directors of the company		Done
3	Complete necessary formsNew application LicenceStatutory Declaration		Done
4	Company Directors to submit personal identification for approval (Passport)		Done
5	Submit company credentials	15 working days	Done
6	Company must have a minimum paid up capital of RM 2,000,000 (\$500K) in the bank account. We should retain this sum of money in the company's bank account for about 2 weeks, and after that, the sum can be withdrawn from the company bank account. Must be supported by bank statements as proof.		Done
7	 Company or the Directors submitted must not have a pawnshop registered with them Money Lending businesses cannot establish or already have a Pawnshop licence.* 		Done
8	All needed documents are provided to the Regulator. Waiting for the Decision	30 days	Target date 30.03.2016
9	 Special Permit for Advertising Application can only be made once the Money Lender license is approved 	30 days	Target date 30.04.2016

^{*} Moneylenders Act 1951, Point No application of Licensing. – appendix, page 84



4. Product & Marketing

Consumer Lending Landscape



Туре	Annualized EIR	Loan Amount	Tenure	Verification	Time-to- Money	Target Customers
Unofficial lender	Up to 380%	\$250 — \$2 500	From 1 week up to 6 months	ID, Salary proof, Address proof Field visit	Up to 3 days	Customers with unofficial salaries, no documentations, in black lists, no age limit
Licensed Moneylender	18% legally, up to 318% illegally	\$250 – \$2 500	Up to 12 months	ID, Salary proof, Address proof Credit Bureau check Phone verification	60 minutes – 3 days	Customers without good credit history and overdebted
Pawnshop	Up to 24%	\$250 – \$10 000	From 1 week up to 6 months	ID, Collateral	Up to 3 days	Customers with unofficial salaries, not complete documents, in black lists, no age limit, collateral
Co-operative	Up to 15%	\$250 — \$60 000	Up to 25 years	ID, Salary proof, Address proof Credit Bureau check Phone verification	Up to 10 days	Only for government employees
Credit card company	Up to 18%	\$250 — \$60 000	Up to 2 years	ID, Salary proof, Address proof Credit Bureau check Phone verification	Up to 5 days	Fresh graduates and young adults whom newly joined the workforce
Bank	Up to 18%	Up to \$60 000	12-60 months	ID, Salary proof, Address proof Credit Bureau check Phone verification Guarantor (if required)	Up to 10 working days	Only for customers that have good to strong credit history

Our Target audience is customers without good credit history and overdebted + customers eligible for Banks, Cooperatives and Credit card companies but in urgent need of funds

^{*} Description of competitors – Appendices page 74

Current ML Industry Business Models



	Remote	Branch
Fully online*	 Application on website Documents delivered via email, whatsapp, uploading during application Contract signing by confirmation with code sent via SMS Loan disbursed to client's bank account 	Not available
Online to offline	 Application on website Documents delivered via email, whatsapp, uploading during application Couriers deliver contract for signing Loan disbursed to client's bank account 	 Application on website Documents delivered by client to ML branch Contract signing physically in ML branch Loan transferring to clients bank account / by cash in ML branch
Fully offline	Not available	 Application applying in branch Documents deliver by client to ML branch Contract signing physically in ML branch Loan transferring to clients bank account / by cash in ML branch

Fully online model is in grey area due to gaps between Moneylending Act 1951 and Electronic Commerce Act 2006 Most players are using mix business models: application could be on website or at the branch, Contract could be delivered by courier or contract could be signed at the branch

Online Loan Shark: Money 2 Loans



General Information



Established	2011
Location	Malaysia (Kedah)
Owned by	TBD
Type of Business	Money 2 Loans have 3 different products: i) Personal Loans (medium term loans). ii) Payday Loans (short term loans). iii) Foreigner loans (short term loans)

History

Products & Processes

Established in 2011 Money2Loans is a online lending company in Malaysia.

No Moneylender license

Company is located outside Kuala Lumpur at Kedah

No branches

Clients: Citizens, Foreigners
Business model: Fully online
Minimum Borrower's Income:

500 USD /month (Gross)

Features:

1. No Collateral

2. Time-To-Money: 3 hours

3. Disbursement channel – Cash deposit on account via ATM

4. Repayment channels: Cash deposit on account via ATM

5.Loan amount available:

• up to 750 USD for Personal Loans for Income less than 400 USD per month

• Not limited for Personal Loans for Income more than 2500 USD per month

Loan Period: Up to 6 months **Interest rate**: 18% per annum

Illegal fees:

Up-front fee: Establishment fee is 25% of the borrowed amount

Effective interest rate: 258%

^{*} Look appendix Mystery Shopping Online Lending Platform

O2O Money Lender: Potential Credit and Leasing



General Information



Established	1985
Location	Malaysia (Kuala Lumpur)
Owned by	TBD
Type of Business	Potential Credit has 3 different products: i) Personal Loans (medium term loans). ii) Payday Loans (short term loans). iii) Foreigner loans (short term loans)

Established in 1985	

Licensed money lender

Hist ory

Company is located in Kuala Lumpur

1 branch

Sales per month 1 200 loans

Products & Processes

Clients: Citizens, Foreigners

Business model: Online to offline **Minimum Borrower's Income:**

500 USD /month (Gross)

Features:

- 1. No Collateral
- 2. Time-To-Money:
 - O2O 24 hours
 - Offline 45 60 minutes
- 3. Disbursement channel Cash on hand, Cash deposit on ATM account
- 4. Few repayment channels: cash, bank transfer

Loan amount available:

- 250 USD to 2,500 USD for Personal Loans
- 250 USD to 750 USD for Payday Loans

Loan Period : Up to 12 months **Interest rate:** 18% per annum

Illegal fees:

Up-front fee: Establishment fee is 25% of the borrowed amount

Late payment fee: 10% from overdue loan amount

Effective interest rate: 318%

Offline Money Lender: Infinity Organization Solution



General Information



Established	TBD	
Location	Malaysia (Kuala Lumpur)	
Owned by	TBD	
Type of Business	JCL has 3 different products. i) Personal Loan (medium term loans). ii) Business Loans (medium term	

loans) under the name of the corp. iii) Hire Purchase

History

Infinity Organization Solution is a financing company that provides hire purchase as well as personal financing.

They also provide financial consulting catering to those who have been blacklisted because of a history of bad credit

3 branches in KL and Selangor

Sales per month 1 500 loans

Products & Processes

Clients: Citizens

Business model: Online to offline **Minimum Borrower's Income:**

400 USD /month (Gross)

Features:

- 1. No Collateral
- 2. Time-To-Money:
 - O2O 1-3 days
 - Offline 1-3 days
- 3. Auto debit form obligatory
- 4. Disbursement channel Bank account
- 5. Repayment channels: Direct Debit, Cash

Loan amount available:

250 USD to 750 USD for Personal Loans

Loan Period: Up to 60 months Interest rate: 18% per annum

Illegal fees:

Up-front fee: Proccessing fee is 20% of the borrowed amount

Effective interest rate: 258%

Offline Money Lender: JCL Credit Leasing



General Information



Established	1996
Location	Malaysia (Kuala Lumpur)
Owned by	TBD
Type of Business	JCL has 3 different products. i) Personal Loan (medium term loans). ii) Business Loans (medium term loans) under the name of the corp. iii) Hire Purchase

History

Established in 1996, JCL is a credit company that has recently diversified into personal loans and corporate loans

1 main office in KL

Products & Processes

Clients: Citizens

Business model: Online to offline

Minimum Borrower's Income: 400 USD /month (Gross)

Features:

1. No Collateral

2. Time-To-Money:

O2O – 1-3 days

Offline - 1-3 days

3. Disbursement channel – Bank transfer

4. Repayment channels: Bank transfer

Loan amount available: 125 USD to 12 500 USD for Personal Loans

Loan Period: From 12 to 60 months

Interest rate: 18% per annum

Fees:

Stamp duty – 0.5% from the Loan Amount

Copy of Stamp duty – 2.5 USD

Legal (Attestation) fee – 3 USD

Illegal fees: 0

Effective interest rate: 18%

Our Strategy

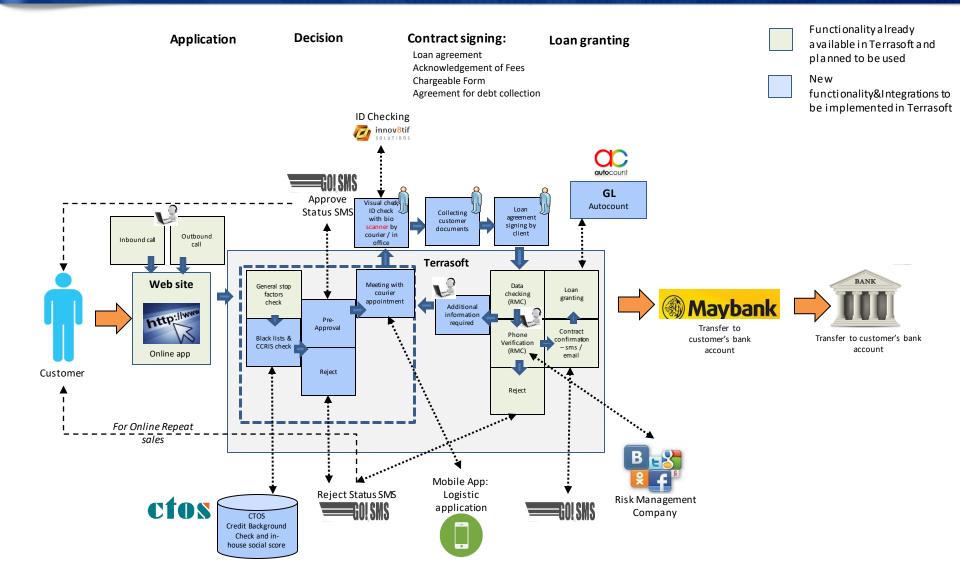


#	Parameter	ML Product	LoanSharks	Our Offer	
1	Loan amount range \$250-\$2500		\$250 – \$2500	\$250 – \$1250	
2	Average loan size	\$1250	\$1250	\$400	
3	Average tenor	3 months	3 months	25 days	
5	Upfront fees	10%-25% (illegal)	10%-35% (illegal)	0	
6	Interest rate per year	12%-18%	120%-240%	18%	
7	Effective IR rate per year	52%-318%	160%-380%	365% (1% per day)	
8	Late fee	25\$-75\$ per week (illegal)	No data	1% per day	
9	Prolongation fee No		No	No prolongation, repeat loan	
10	Time to money	1 hour - 3 days	3 hours – 3 days	30 minutes – 1 day	
11	Loan disbursal Cash in ML Office, Bank transfer, Cash by courier		Cash, Cash deposit on ATM account	Bank transfer	
12	Verification ID, Salary proof, Address proof, Credit Bureau check Phone verification		ID, Salary proof, Address proof, Field visit	ID, Salary proof, Address proof, Credit Bureau check Phone verification, Bio scanner	
13	Business model Online to offline / Offline		Online /Online to offline / Offline	Online to offline	

Our strategy – we will focus on fast loan decision for reasonable loan amounts on low tenures

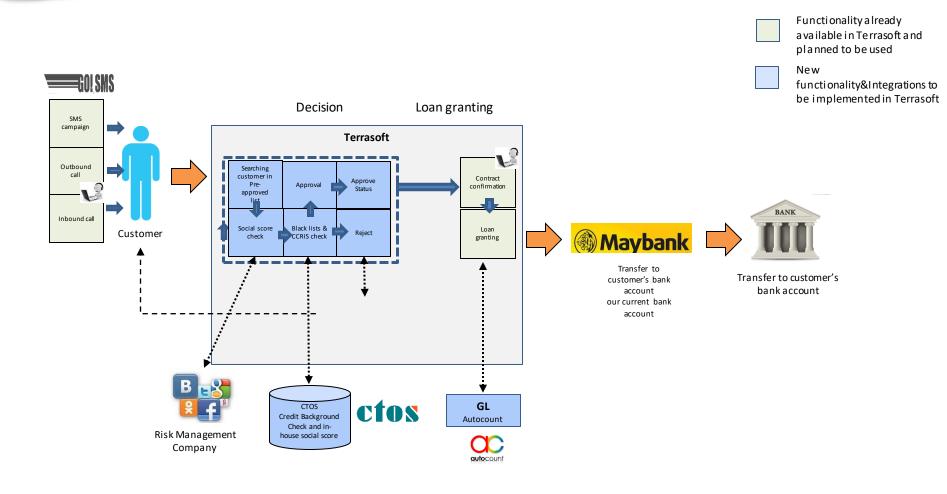
Initial Sales Business Process (O2O)





Repeat Sales Business Process & Online





Malaysia digital marketing overview



Social, digital and mobile in Malaysia

Internet indicators









19,200,408

15,600,000

5hrs 36min

internet users spend

3hrs 3mins

Social indicators



Social media as a percentage of total population

64%



Percentage of mobile users using social media apps

58%



Average time social media users on social media each day

3hrs 17mins



Percentage of mobile users using location-based services

28%

Source: www.wearesocial.org

INFOGRAPHIC BY: KAMARULARIF HUSAIN / THE MALAYSIAN (ASIDE)

Digital Market is well-developed with continuing growth World's popular players are highly presented in (Google, Facebook, Instagram, etc.). We will use the same marketing strategies as in other APAC markets

^{*}http://www.nielsen.com/my/en/top10s.html

^{**}http://blog.malaysia-asia.my/2015/03/malaysia-social-media-statistics-2014.html

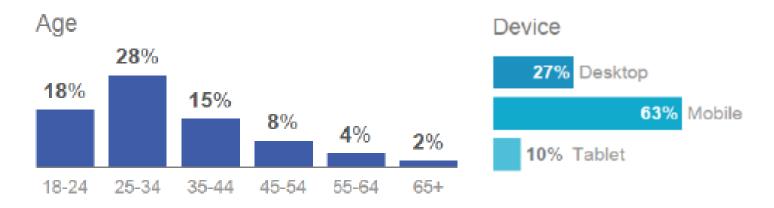
^{***}https://www.statsmonkev.com/sunburst/18436-malaysia-search-engine-market-share-usage-statistics-2014.php

Online loans demand volumes. Devices



People Looking For Loans 12 Month Average





Stable volume of demand with seasonal peaks 57% of audience are 24+ years old 73% of audience are using mobile devices

Online marketing toolkit: Google Search



ΑI

Shopping

News

Maps

mages

Search tools

About 26,800,000 results (0.39 seconds)

CTOS Blacklist Loan - Low Interest Personal Loan

Ad www.eloan2u.com/Personal-Loan ▼ 012-387 7221

Fast and easy. Call us today!

Hassle-Free Personal Loan - loanequity2u.my

Ad www.loanequity2u.my/ ▼

We offer **personal loans** according to your financial needs. Apply now! Low Interest Rate · Flexible Installment Plan · Approval in 30 minutes

Personal Loan Online - Fast Approval - htbloan.com

Ad www.htbloan.com/ ▼ 012-352 2755

Borrow Up To RM100k Interest as low as 1.5%. Call Now!

Trusted Money Lender · Referral High Commission · KL & Selangor Area

No Credit Check Loan Online Application - Northcash



https://www.northcash.com/application ▼

Trust Northcash to get your installment **loans** online with our quick and easy application process. Click here to ... **Personal** Information ... Driver License **No**. * ...

Personal Loans - PSECU



www.psecu.com > Loans ▼ PSECU ▼

We call it a Signature Loan, but it's really a **personal loan** that requires **no** ... When you apply, your Signature Loan is based on income, **credit** history and ability ...

Quick No Credit Check loans up to \$5000 at RealisticLoans ...



www.realisticloans.com/ ▼

Trust us & find many reliable lenders who can provide you instant cash even without **credit check**.Click here to get bad credit **personal loans** up to \$5000.

Contact us - Installment Loan - Unsecured Loans - Short Term Loans

Personal Loans No Credit Check - Up to \$2,500



https://www.personalloansnocreditcheck.org/ ▼
This is when a personal loan can come in handy. Often times you can apply for no credit check personal loans online. Unlike some companies we work with ...

Text Ad Targeting Opportunities:

Targeting is by keywords only. Keywords need to relate to our site's content.

Other Opportunities:

- Language Targeting
- Location Targeting (Country, State, City)
- Devices

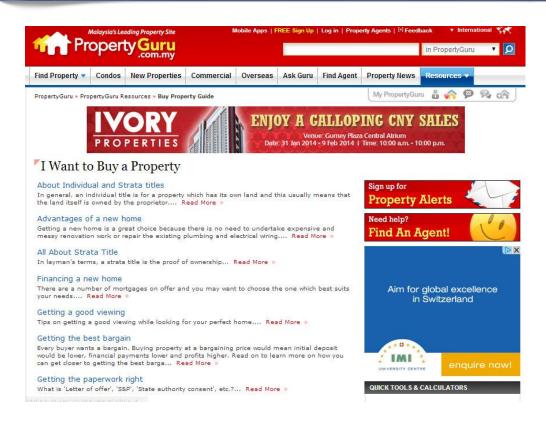
(Desktops/Laptops/Mobile/Tablets)

Category Targeting

- Generic Personal Loan Queries
- Brand Personal Loan Queries
- Competitor Personal Loan Queries
- Tactical Fast Cash Queries
- Tactical Emergency Cash Queries
- Association Travel/Holidays
- Association Health
- Association Home Loans

Online marketing toolkit: Google Display





Text & Banner Ad Targeting OpportunitiesAudiences on the Google Display Network are targeted using:

- Keywords
- Topics
- Interests
- Age
- Gender
- Devices
- Language
- Location (Country, State, City)

Category Targeting

- Finance
- Travel
- Health
- Loan Specific
- Competitor Specific

Online marketing toolkit: Google Mobile









Text & Banner Ad Targeting Opportunities

Audiences on Mobile Apps are targeted using:

- Topics
- Interests
- Age
- Gender
- Devices
 (Desktops/Laptops/Mobile/Tablets)
- Language
- Location (Country, State, City)

Category Targeting

- Finance
- Travel
- Weather

Opportunities:

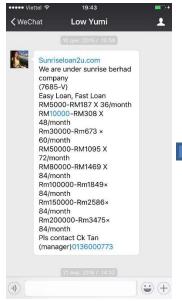
Give consumers the ability to communicate with the call center immediately or click on the ad to visit the sign up page.

Targeting

- Google Search
- Keyword selection similar to Google Search targeting approach.

Social Media Advertising case





Client gets advertising message with the hyperlink



Client approve the request



Request to add as a friend from bot with the picture of nice lady



Client open the link



Offers details



Short application form...



...with product parameters and documents required

Marketing Mix & Marketing cost



#	Marketing tools*	Sales volume %	Lead cost \$	Approval rate %	Disburseme nt rate %	Client cost \$
1	Google Search Ad	30%	\$25	60%	90%	\$46
2	Display Network	20%	\$10	60%	90%	\$19
3	Google Remarketing**	10%	\$15	60%	90%	\$28
4	Social Media***	40%	\$4	60%	90%	\$7
	Total	100%	\$13			\$24

The assumptions based on data provided by our marketing consultant Iprospect, the biggest Google's client During the first months we will manage our Marketing mix to achieve the optimal cost per client based on our digital marketing experience in Philippines and Indonesia

^{*} Will be managed by in-house Digital Marketing Manager

^{**} Remarketing lets you show a ds to people who have visited your website or used your mobile app before. When people leave we bsite remarketing helps you reconnect with them by showing relevant ads as they browse the web, as they use mobile apps, or as they search on Google

^{***} FB, WhatsApp, WeChat, Instagram, Twitter, etc

Sales Plan



Short term sales plan

	May-16	Jun-16	July-16	Aug-16	Sep-16	Oct-16
Number of loans disbursed per month	100	300	600	900	1200	1500

Long term sales plan

Parameter	EOY1*	EOY2	EOY3	EOY4	EOY5
Number of loans disbursed per month	2300	5400	9000	14000	18000
Number of New loans disbursed per month	2100	3500	5000	7500	9000
Online advertising	80%	75%	67%	65%	60%
Recommendations / Referrals	7%	9%	13%	14%	15%
Repeat sales	10%	13%	16%	17%	21%
Sms	3%	3%	4%	4%	4%



5. Decision Making & Collection

Risk Management & Collection Strategy



#	Parameter s	Restrictions	Opportunities	Decision / Instruments
1	Identificatio n	Face-to-Face for the first loan (AML/CFT)	 Mobile Biometric Scanner let to identify the client Electronic Commerce Act 2006 	 NRIC mandatory Courier with biometric scanner Courier signs with customer consent for repeat loans without signature in-written
2	Proof of Income	30% of population have unofficial income	 Bank accounts penetration – 70% Employee Provident Fund statement (EPF) penetration – 66% 	Mandatory documents: • bank statement or EPF
3	Address proof	Market practice for low-income clients: No registration at temporary address Subleasing of living place	 Registration address is in ID card (NRIC) White collars usually have Tenancy agreement or Utility bills for temporary 	 Mandatory documents: 3 months latest Utility bills or Tenancy agreement with minimum 3 months validity
4	Credit History Check	 29% of population in working age records in CB ML not obliged to report delinquencies to CB 	 4 CB available in the market 1 of 4 CB have extended data: Utility bills delinquency Nominals of bankrupt companies 	 Will be using CB CTOS as they report the most comprehensive data than compared to other CB (the largest number of records)
5	Social Scoring applicability	No restrictions	 Internet penetration – 67% Social media penetration – 67% Ave time internet user spend per day – >5h 	We will verify customers profile in FB, Google and WhatsApp
6	Collection	 ML Act 1951: harassment or intimidation is strictly prohibited. Punishment - Fine, imprisonment No clear determination 	 Direct Debit is applicable Courts will take electronic contract and voices as evidence of contract signing 	 We will sign Direct Debit form with Customer together with Loan agreement We will use audio and video record of Collection actions
7	Litigation / Execution	Markets practice is after 90 dpd	 Court can issue warrant to fix the method of payment If customer doesn't pay according to warrant premise or moveable property could be arrested or client could be jailed 	We will hire Legal council with the court cases practice. Min amount is not determined by Law. We will file by batches more than 2500\$

Based on Market Restrictions & Opportunities we will use O2O model for initial sales. Developed infrastructure gives us reason to expect relatively low Cost of Risk

TOOLS: ID Card. Documents for Verification

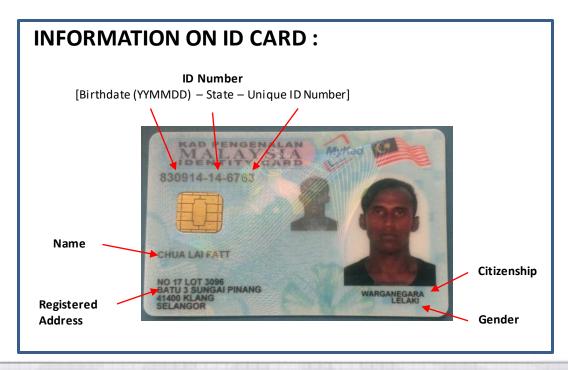




National Registration Identity Card (NRIC*)

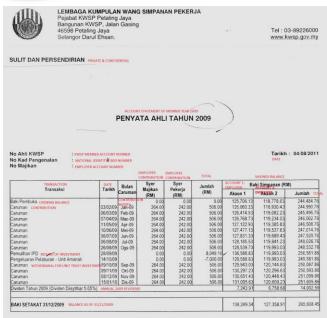
- Coverage NRIC covers 100% of citizens
- Purpose Clients' Identification
- Cost of obtaining the fake 800 2000 USD
- Features cheap incorporated
- Availability 100%, in possession with clients all the time

Always available, highly protected, cost of obtaining the fake is higher than target loan amount



TOOLS: EPF/Bank statement. Proof of Income





01/01/12

02/01/12

03/01/12

06/01/12

08/01/12

09/01/12

SALE DEBIT

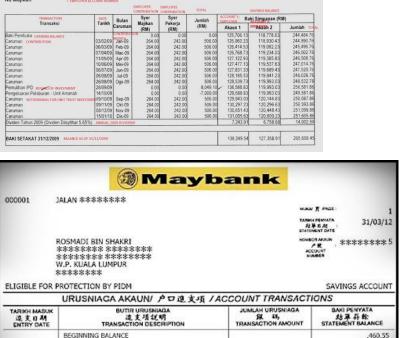
CASH WITHDRAWAL

TRANSFER FROM A/C

CASH WITHDRAWA

CASH WITHDRAWAL

FUND TRANSFER TO A/C



0.30-

0.00-

0.00-

0.00-

,980.25

,980.25

,880.25

,870.25

870.25

370.25

670.25

Employee Provident Fund statement (EPF)

- Coverage 66% of population In employment age
- Purpose Proof of Income + Status of employment
- Cost of obtaining the fake no special protection
- Features date and time of printing
- Availability easy to print from EPF kiosk machines (more than 300 in KL)

Easy available, could be printed 3 times per month for free

Bank statement (for last 3 months)

- Coverage 70% (Bank account penetration)
- Purpose Proof of Income, Proof of Address
- Cost of obtaining the fake no special protection
- Features date of printing
- Availability could be printed from Internet-bank, could be receive during the Bank's working hours

Easy available, address could be cross-checked vs NRIC, vs Credit Report, vs Utility bill

TOOLS: Utility bills/Tenancy Agreement. Address proof





PROPERTIES	Seguineed Estate Agents E (1) 1536	ran Ara Demansara, 47301 Petaling Jaya, Selangor,
	Tel: 03-7643-0585 Fax: 03-74	490 5143 Email : Hillgather.com.my
	LETTER OF OFFI	ER TO RENT/LEASE No: R 0891
PROPERTY: A-13-	02 ANGEAGA IMPIAN	V J. CONDOMINIUM, LOGONY SAHABAT, OFF
TENNACH TENNACHIN	S0206 EL Type Of Pre	sperty (CONSOUNTINIUM
Tenant's Office 1	A formaniant and	NON PROPORTION CAKLGY GGS
have inspected the abovemen	stioned property and hereby offer to a	rent the name as in its present state and condition as at the date
hereof subject to the following		
(i) Monthly Rental	RM 4,000 -	
(ii) Tenancy Term	- I YEAR	(effective from 3 ⁴⁰⁵ S(4 ¹ 1 , 2015)
(iii) Option To Renew	TYLAR	
(iv) Earnest Deposit	RM 4,000 -	(Alexand so the first execute contail in advance)
(v) Security Deposit	1KM 8,100]-	
(vi) Utilities Deposit	:RM 2,100/-	
	et of Agreement RM	(to be borne by tensor)
(viii) Bulance To the Paid	18M 10,000 pt fo	II To Career
(in) Rass-thee Period (if any)	-	
(x) Other Terms and Condition	-	
1 / Wis, undertake to sign the Landing (received all the to		days from the date of acceptance of this offer by the of by both parties), falling which the current deposit shall be
forfeited. The cost of stamp-dr such party shall bear his own.	sty and disbursement for the propurate	in of the Tenancy Agreement shall be borne by tenant. However,
1 / We hereby enalose our ou	mes depoil 4,000	positic to GATHER PROPERTIES SON BHD as
stakeholders pending the signing Charges No.:	g of the Tenancy Agreement. Bank: Co.	sh , am, 4,000 .
In the event the Landland rejects	this offer, the said summer deposit shall?	be refunded to one i us from of interest. This offer is valid for a period
of Fourteen (14) days unless of	hervise agreed by mutual consent.	Olak.
Signed by the Tenant and /Non	in Chamer	Winnedby:
Name FIMIAN TO	JA BORGERSHAUSEN	Nese : DIANK JINAF
NECKAL CHAL	64665	
NEXT NO. 1 C 7 PL	07405	NBCNs 1 520503 - 13-58 74
The second second	5/2015	NRCNs : 5/0503-U-5874 Dec : 3/05/2014
DW 1 03/0	0/2015	
Addres : ANGRAS.	A INPIAN	Dec 3/09/2015
Address : ANSARAS. Landler LANGUAGE LYA, the heety accept the Ten	S/ ZO(S A IMPIAN	Date 1 3/05/2015
Address : C3/CA Address : As in the Address : As in the Address : Landiser Ca Accompanie 2 1: Was, the heavily as expert the Tree for (and out in Severa Inhesidale of depond must load on my one both depond must load on my one both	S / ZO (S A 100 f B V and's affice on the terms and conditions that V dispose signing of the Tensory Agreement of span signing of the Tensory Agreement	Date 3 / 5 0 / 2015 and above, and to pop GATHER PROPERTIES SIGN BEDD as agency a) plan 4% Service Ten as agend and popular and disducible from the
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Utility bills (for last 3 months)

- Coverage all apartment owners, all officially rented clients
- Purpose Proof of Address
- Cost of obtaining the fake no special protection
- Features date of issuance
- Availability provided once a month, could be printed from branch, could be printed from providers site

Easy available, could be cross-checked vs NRIC, vs Credit Report, vs Bank statement

Tenancy Agreement (minimum 1.5 month before termination)

- Coverage all officially rented
- Purpose Proof of Address
- Cost of obtaining the fake no special protection
- Features Landlord contacts
- Availability stored at customer's place of living

Easy available, could be verified by contacting the Landlord

TOOLS: Credit Bureaus. Credit History Check



Credit Bureau	Report Cost	Online integration	Numbers of Records	Number of subscribers	WEB
CTOS	2,1 usd	Yes	15 mln records	+++	http://www.ctoscredit.com.my/
RAM	2 usd	Yes	13 mln records	++	http://www.ramcreditinfo.com.my/
Credit bureau of Malaysia	1,5 usd	No	9 mln records	+	https://www.creditbureau.com.my/
FIS	1 usd	Yes	9 mln records	+	http://www.fis.com.my

Credit Bureau	Credit history	Utility Bills*	Business ownership	Dishonored checks	Cooperatives loans	Rating
CTOS	Yes	Yes	Yes	Yes	Yes	
RAM	Yes	Yes	Yes	Yes	No	
Credit bureau of Malaysia	Yes	No	Yes	Yes	No	0
FIS	Yes	No	Yes	Yes	No	







We will work with CTOS due to wide coverage of data and high number of subscribers including cooperatives and ML

^{*} electricity, water, telecom

^{**} Shareholder, Directorship

TOOLS: Biometric Scanner, Identification





ALLBIN ABITHALI

Birthday

Description:

- Malaysian IDs (NRIC) comes with a readable microchip that can be read and verified by using the Mobile Biometric Scanner (MBS).
- MBS are widely used by all the Banks all over the country
- MBS are small, portable and easy to carry in the bag

Integration:

WARGANEGAR

- The MBS App must be downloaded into the Courier's mobile phone
- Biometric Scanner will be connected to Smart Phone via cable connection

Process:

- Insert NRIC into MBS Slot
- If NRIC can't be read Request Customer to change a new NRIC
- Customer places thumb (from any hand) to the MBS
 - Upon successful verification of thumb print, full details of NRIC will be displayed on the Smart Phone and ready to be sent to Data Centre/Email;
 - If verification failed, NRIC might be fake or it does not belongs to the customer.

NRIC Information

Photo

Name

IC

Birthday

Place of birth

Gender

Race

Religion

Citizenship

Address

Post code

City

State

MBS Information

Date of issue

E.M origin, Handcode

Decision Making Procedure



#	Check	On-line with courier	Full on-line				
1	Auto Stop-factors	Age, employm	ent, resident, income				
2	Black list and databases	Internal black list					
3	Credit rules	Different logic rules, depending on credit history, max. loan amount calculation, etc.					
4	Local credit bureau information	CTOS					
5	Scoring	Internet (outsour	ced), social-demographic				
6	Visual stop factors	During the meeting with courier	ID Card/Other documents				
7	Documents and data checking	ID scanner for reading ID chip	Visual checking ID				
8	Phone verification	Checking information provided by potential customer, check for obvious signs of fraud					

Documents requirement	Applicable Documents
ID	NRIC
Proof of income	EPF statement OR Bank Statements (3 months)
Proof of residence	Utility bills (3 months) OR Tenancy Agreement (min 3 months validity)

Average decisioning time will be within 60 minutes

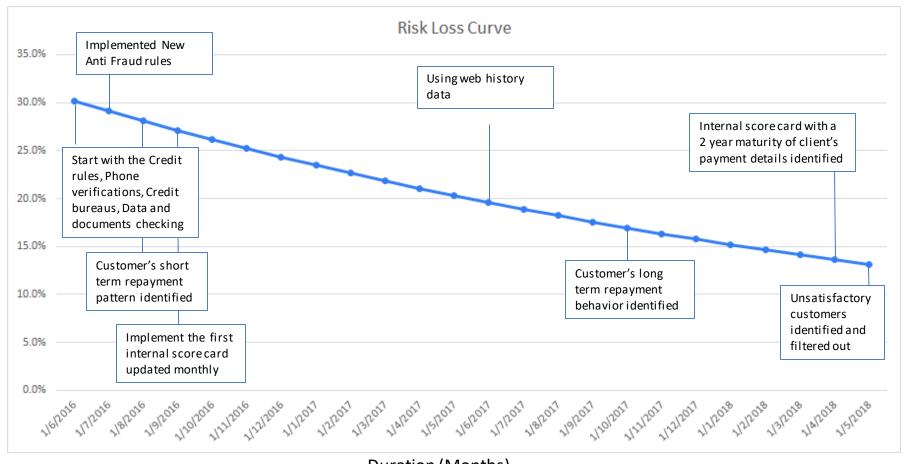
Collections Procedure – Target Model



#	Stage	Short Description	Stage Period	Resorces
0	Pre – Collection	 SMS Notification borrower about payment In case social default we offer loan restructuring for fee 	- 7 - 0 days before payback	In-house
1	Soft Collection	 Direct Debit from the clients account Telemarketing*, SMS and Email— Notification about missed payment. In case social default we offer loan restructuring for fee 	1-6 days after default	In-house
3	Hard Collection	Field visit** to living area, work, borrower's relatives home.	7+ days after default	In-house
5	Litigation / Execution	We will hire Legal council with the court cases practice	90+	In-house
6	Debt Sale	After 120 Days of default we will sell debt	120+	Outsourced

Risk Loss curve





Duration (Months)

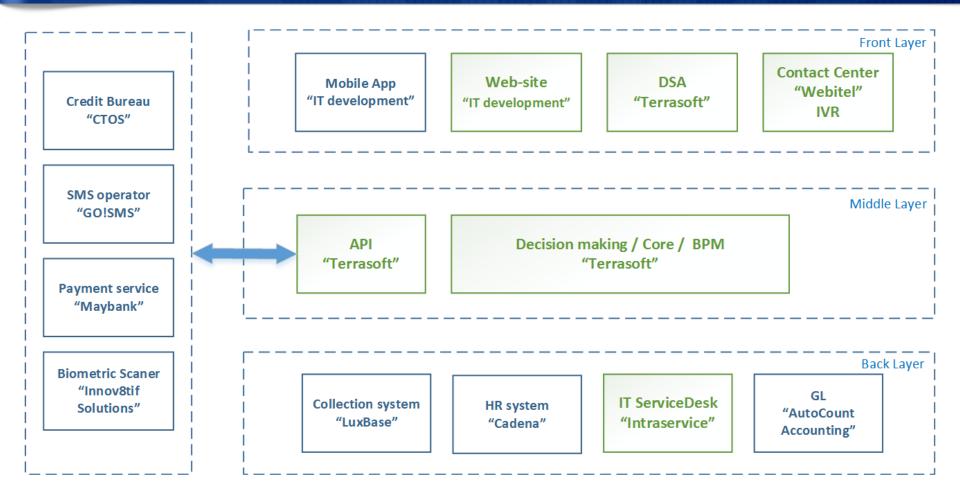
We will achieve the target risk percentage of 13% from disbursement volume at the end of the 3rd year as a result of implementing new "big data" sources and developing scoring power



6. IT

IT architecture





IT Scope Of Work

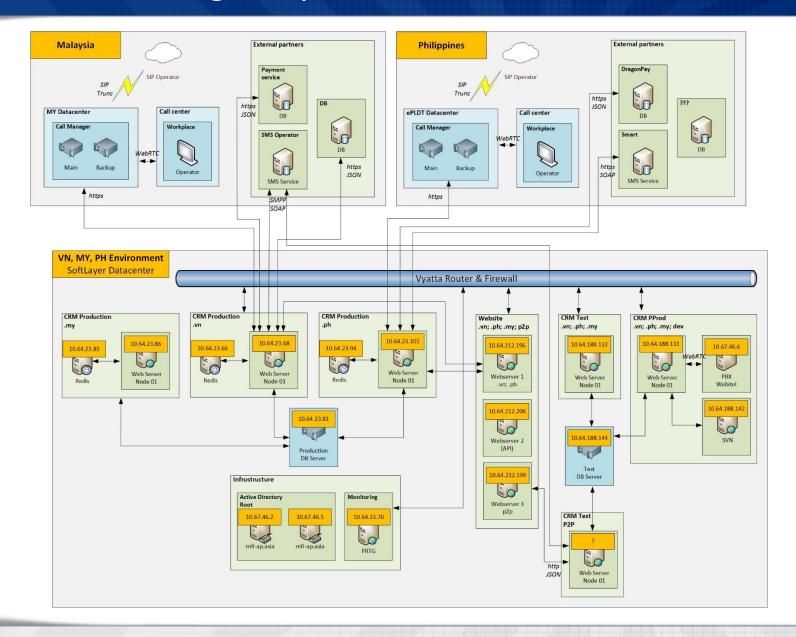


#	Integration partner	Type of the partner	Comments
1	AutoCount Accounting http://www.autocountsoft.com/	GL system supplier	Accounting software supplier
2	CTOS http://www.ctoscredit.com.my/	Credit bureau	Provides the credit report services
3	Maybank http://www.maybank2u.com.my/	Disbursement Partner	Main bank in Malaysia, permit makes integration
4	GO!SMS http://www.gosms.com.my/	SMS Partner	Leading Bulk SMS reminder service. Permits integration.
5	Innov8tif Solutions http://www.innov8tif.com/	Biometric Scanner Partner	Leading Biometric Scanner Provider. Permits Integration

#	# Newfunctionality The essence				
1	Customer notification	Integration with local SMS agent for customer information			
2	Local GL system	Required for reporting to government yearly			
3	Connection to My Credit Bureau	Use CTOS and RAM Link to get access to credit bureau before incorporation			
4	Online antifraud	Enable to detect and decrease fraud in online applications			

IT architecture geo layout



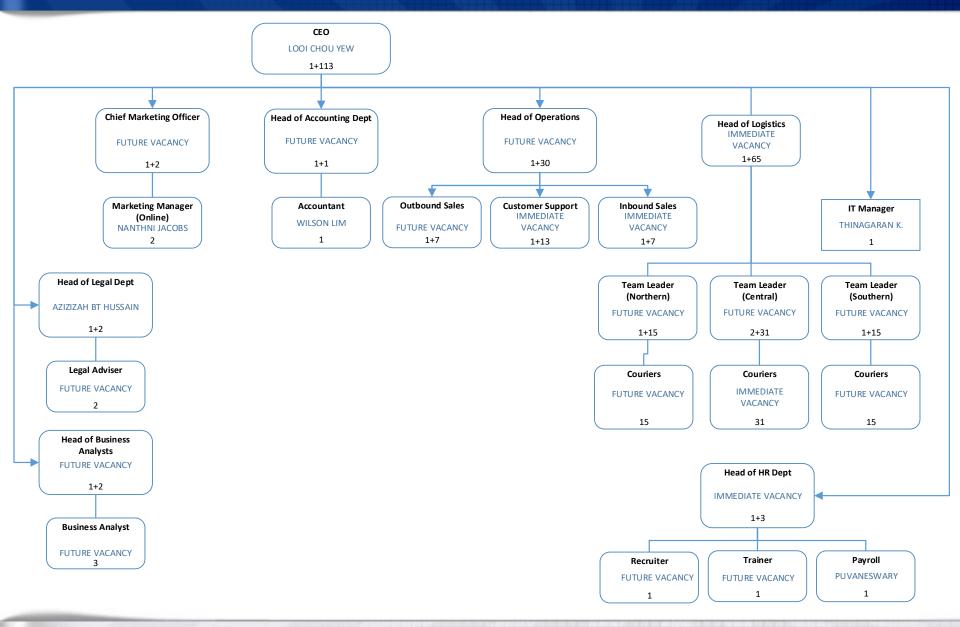




7. HR & Admin Information

Organizational Chart for ML 2020







8. Finance

Assumptions and sensitivity analysis



Main Loan parameters

Loan type	Average loan size, USD	Average term	Early repayments	1st prolongation	2nd prolongation	Conversion to next tier		Roll-rate 1->2	Roll rate 2->3+	Total losses (with prolongations)
Tier 1 loans	400	25 days	10%	33%	11%	65%	30%	70%	80%	13,2%
Tier 2 loans	520	25 days	10%	33%	11%	65%	20%	70%	80%	8,8%
Tier 3 loans	680	25 days	10%	33%	11%	65%	20%	70%	80%	8,8%

Income and expenses parameters

	Normal	Late penalty			Marketing
	interest rate,	interest rate,	Disbursement	Prolongation	acquisition
Loan type	per day	per day	fee received	fee received,	cost, USD
PDL Loans	1,00%	1,00%	0,0%	0,0%	24

Sensitivity analysis

Sensitivity to number of clients	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	9 878	12 533	15 188	17 840	20 485	23 137	25 806
5 years average yearly ROE	32%	39%	45%	51%	57%	62%	67%

Sensitivity to prolongation rates	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	16 432	16 902	17 367	17 840	18 300	18 773	19 251
5 years average yearly ROE	48%	49%	50%	51%	52%	54%	55%

Sensitivity to NPL level	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	18 842	18 505	18 172	17 840	17 507	17 174	16 845
5 years average yearly ROE	55%	54%	53%	51%	50%	49%	47%

Sensitivity to PDL size	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	6 594	10 346	14 094	17 840	21 585	25 327	29 069
5 years average yearly ROE	19%	30%	41%	51%	61%	71%	80%

Sensitivity to conversion rates	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	10 027	12 294	14 868	17 840	21 260	25 175	29 710
5 years average yearly ROE	30%	36%	43%	51%	60%	70%	82%

Sensitivity to marketing costs	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	19 997	19 278	18 559	17 840	17 121	16 402	15 683
5 years average yearly ROE	60%	57%	54%	51%	48%	46%	43%

Investment summary



Investment summary		Ti	imeline			
thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5*	Total
investments	4 639	3 674	249	0	0	8 563
Total investments	4 639	3 674	249	0	0	8 563
Number of loans issued (thsd)	9	47	89	141	198	483
Amount disbursed	3 661	20 510	41 989	68 739	98 463	233 361
Net portfolio (EoY)	1 160	3 529	6 114	9 813	13 503	13 503
Revenue	700	7 059	15 496	25 452	37 314	86 021
G&A **	-1 971	-2 664	-2 439	-2 679	-2 998	-12 752
One-off expenses ***	-567	0	0	0	0	-567
Net profit after taxes	-2 907	-1 171	3 705	6 774	11 440	17 840
ROE (yearly)	-113%	-17%	41%	75%	126%	51%
ROAA (yearly)	-261%	-34%	60%	69%	81%	42%

 $[\]underline{\ }^{*}$ - normalized year with no new clients growth

Break-even period – 18 months.

Payback period – 51 months.

Maximum investments from – \$8,6M.

^{** -} See slide 56 for details

^{*** -} See slide 57 for details

Balance sheet



Balance Sheet (EOY)			Timeline		
thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5
Assets	2 231	4 734	7 642	11 977	16 210
Liquid assets	463	629	924	1 514	2 079
Loans to individuals (net of provisions)	1 288	3 625	6 238	9 983	13 651
PDL	2 167	7 981	15 407	26 705	41 074
Risk provisions - PDL	-879	-4 356	-9 170	-16 722	-27 423
Noncurrent assets	480	480	480	480	480
Liabilities	1 616	3 655	3 904	3 904	3 904
Loans	1 616	3 655	3 904	3 904	3 904
Shareholders' equity	614	1 079	3 738	8 073	12 306
Contributed equity	3 522	5 157	5 157	5 157	5 157
Retained earnings	-2 907	-4 078	-1 419	2 916	7 149

P&L Statement



P&L		7	Гimeline			
thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	700	7 059	15 496	25 452	37 314	86 021
Risk provisions	-879	-3 477	-4814	-7 552	-10 701	-27 423
% of revenue	-126%	-49%	-31%	-30%	-29%	-32%
Acquisition costs - marketing	-205	-1009	-1915	-3 043	-4 273	-10 444
% of revenue	-29%	-14%	-12%	-12%	-11%	-12%
Acquisition costs - other	-174	-680	-1 244	-1961	-2 667	-6 726
% of revenue	-25%	-10%	-8%	-8%	-7%	-8%
Support costs	-42	-221	-355	-509	-692	-1819
% of revenue	-6%	-3%	-2%	-2%	-2%	-2%
VAT	0	-61	-213	-382	-594	-1 251
Operating profit (before fixed costs)	-600	1 611	6 954	12 006	18 386	38 358
% of revenue	-86%	23%	45%	47%	49%	45%
G&A	-1971	-2 664	-2 439	-2 679	-2 998	-12 752
% of revenue	-282%	-38%	-16%	-11%	-8%	-15%
One-off expenses	-260	0	0	0	0	-260
Depreciation and amortization	-73	-100	-100	-100	-100	-472
Profit before Taxes	-2 905	-1 152	4 416	9 226	15 288	24 874
% of revenue	-415%	-16%	28%	36%	41%	29%
Income tax	-2	-19	-711	-2 453	-3 849	-7 034
Profit after Taxes	-2 907	-1 171	3 705	6 774	11 440	17 840
% of revenue	-416%	-17%	24%	27%	31%	21%

Cash flow statement



Cash flow statement			Timeline			
thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Cash flow from operations	-1 695	2 406	8 619	14 426	22 240	45 996
Income	700	7 059	15 496	25 452	37 314	86 021
Acquisition costs	-379	-1 688	-3 159	-5 004	-6 940	-17 170
Support costs	-42	-221	-355	-509	-692	-1 819
G&A	-1 971	-2 664	-2 439	-2 679	-2 998	-12 752
VAT	0	-61	-213	-382	-594	-1 251
CIT	-2	-19	-711	-2 453	-3 849	-7 034
Cash flow from investing	-2 734	-5 814	-7 427	-11 298	-14 369	-41 641
PDL Loans disbursed	-4 765	-28 678	-59 363	-97 537	-140 373	-330 715
PDL Loans repaid	2 599	22 864	51 936	86 239	126 004	289 641
Fixed assets & software	-567	0	0	0	0	-567
Cash flow from financing	4 639	3 674	-797	-2 439	-7 207	-2 129
Contributed equity	3 023	1 635	0	0	0	4 659
Loans	1 616	2 039	249	0	0	3 904
External debt financing	0	0	0	0	0	0
Dividends paid	0	0	-1 046	-2 439	-7 207	-10 692
Cash flow total	211	266	395	689	664	2 226

G&A



G&A, thsd USD			Timeline			
Expenses category	2016	2017	2018	2019	2020	Total
Salary	1 172	1 998	1 858	2 099	2 417	9 544
Rent	137	172	191	191	191	882
Marketing & PR	78	94	94	94	94	456
IT	189	147	147	147	147	775
Legal	50	0	0	0	0	50
Travel	35	42	42	42	42	203
Contingency	310	211	107	107	107	842
Total	1 971	2 664	2 439	2 679	2 998	12 752

One-off budget



Expenses category	Total	Туре
Licensing	110	
ML License acquisition (transaction expenses)	100	Written-off to expenses
Company registration expenses	10	Written-off to expenses
Offices	174	Capitalized
<u>IT</u>	167	
Terrasoft adaptation & translation	70	Capitalized
ML Web Site development	10	Capitalized
Contact center licenses	15	Capitalized
Contact center implementation	7	Written-off to expenses
Mobile application development	15	Capitalized
Social network scoring development	5	Capitalized
Push notification system	15	Capitalized
Initial payment to payment provider (deposit)	5	Written-off to expenses
Marketing Analytics Solution	12	Capitalized
Local General Ledger license	3	Capitalized
Local General Ledger implementation	10	Written-off to expenses
Recruiting	60	Written-off to expenses
Brand registration	55	Capitalized
CAPEX total	567	



9. Project Risks & Mitigation

Main Identified Risks & Their Mitigation 1/2



#	Risk type	Risk	Mitigation tool
1	Target license	Long period of getting licenseLicense reject	 Using lobby resource Buying existing ML license Rent the license (Creative scheme)
2	Target business model	 Interest rate cap excess Electronic signature for repeat loans 	 Fees that is payable by the moneylenders to a 3rd party whilst processing the loan application including risk consultation. Electronic Commerce Act 2006 allows "electronic signature" means any letter, character, number, sound or any other symbol or any combination thereof created in an electronic form adopted by a person as a signature"
	3 Operational	Invalid and/or incorrect personal data in online application (on web site or in CRM)	 Built-in auto online checks and Credit Bureau Checks Obligatory mobile number SMS-verification procedure
3		Lose customers application data	 Saving all signature in CRM and creating back up everyday
		Technical bugs during process	 Tests carried out on a weekly by staff and IT department

Main Identified Risks & Their Mitigation 2/2



#	Risk type	Risk	Mitigation tool
		Fake ID using for application	Courier with biometric scanner will verify ID
		Using robots for mass application filtering	 Obligatory mobile number SMS-verification Using Facebook verification Developing mobile app for better verification and scoring
5	Fraudu lent	Fraudsters attack	 Automated black lists check (lists are both internal and external) and Phone verification Low initial loan amount (to minimize losses) Taking into consideration place of signing contract and desirable way of money transfer (will be taken into consideration by automatic scoring) Analyzing IP address and cookies during web application(to identify and reduce high risk)
		Customers will apply for 2 nd loan to close 1 st loan	Frozen possibility to apply 2 nd loan during first loan existence
		Telemarketing and verification staff will be in cahoots with borrowers	 New employees' obligatory check for criminal records Analyzing performance of each person Cross-check and randomizing areas (districts of country) which staff cover in operations
	Collecti	Customers unavailability in case of delinquency	 Mandatory request of providing contact person's mobile number in application in case of collections necessity Providing work and home phone numbers Application with GPS tracking setting up to customer's phone
6	ons	Denying loan receipt in case of not repaying	Taking thumbprint during signing the agreement
		Customer mention that loan repayment process fail	Get confirmation from customer to show proof that this is the case.



10. Project Plan

Project Plan



Activity	Planning end date	Comments
Hiring CEO	November 2015	Found and approved by Headquarters
Licensing	January 2016 – March 2016	Filling documents for regulator
Online Advertising permit	April 2016	After getting the license
Renting offices	January 2016 – February 2016	Signing contract
Creating team	January 2016 – April 2016	We have regular candidates screening
IT settings, product settings	March 2016 – April 2016	We have identified all key partners
Official documents	February 2015 - April 2016	Documentation preparation for customers and regulator
Start sales	29 April 2016	

Activity	Jan-16	Feb-16	Mar-16	Apr-16	May-16
Licensing					
Online Advertising permit					
Renting office: ML, RMC					
Creating team					
IT Development, product settings					
Official documents for customers and regulator					
Start operations					•

We are planning to launch operations in May 2016.



11. Appendices

Christopher and Lee Ong Legal Opinion



CHRISTOPHER & LEE ONG

that fees that fall within the description of "legal costs incidental to or relating to the negotiations for the granting of loan" may be charged in addition to interest.

- 12) You have told us that as part of the process of approving a borrower's loan application, you will be purchasing credit reports from credit bureaus and/or social scoring companies. You have told us that the information from these reports form part of your due diligence into the background of potential borrowers in order to (a) determine the solvency status of a potential borrower, and/or (b) form a basis to assess whether sufficient information about the potential borrower has been obtained, and/or (c) determine the amount that could potentially be lent. You have told us that all this information is required before the first negotiations are conducted with a potential borrower. In order to determine whether particular fees are chargeable by a moneylender to a borrower in addition to interest, the question to ask is whether the fees are costs that fall within the description, "stamp duties", "legal costs" or "legal costs incidental to or relating to the negotiations for the granting of loan". If they are, then those costs may be passed on to the borrower in addition to interest charged on the loan.
- 13) Based on the foregoing, it would seem to us that the costs for purchasing credit reports and social scores may fall within costs "incidental to or relating to the negotiations for the granting of loan". However, there are no statutory definition on "legal costs incidental to or relating to the negotiations for the granting of loan".

Legal Process Of Charging



Example based on Ave Loan amount

Client applies and confirm fees and requests:

- 1. 2.5 USD Stamp duty fee
- 2. 2.1 USD Credit Bureau
- 3. 2.5 USD Attestation fee
- 4. 80 USD Due Diligence fee





Sign loan agreement for 400 USD Transferring loan (400 USD – 87.1 USD = 312.9 USD)

Туре	Size	Payable to
Stamp duty fee	2.5 USD	Inland Revenue Board
Legal costs		
Credit Bureau report	2.1 USD	CTOS
Attestation fee	2.5 USD	External Lawyer
Due Diligence fee	80 USD (20% from Loan amount)	Risk Management Company (our company)

Request payment for credit report by credit bureaus (2.1 USD)

Credit bureau

Providing credit report about potential borrower by credit bureaus (on behalf of the customer)

Due Diligence fee – 80 USD (20% from Loan amount)

B S

Creation Due Diligence report about client (on behalf of the customer)

ML will be paying a third party (the "Risk Management Company") to conduct a background check on potential borrowers specifically focusing on potential borrowers' online presence, and based on information obtained on potential borrowers, to verify details such as address, IC details and passport details. A CONSENT form (in accordance to the PDPA Act will be signed by the Borrower to allow ML to do the checks.

Risk
Management
Company (our company)

Product parameters

Average loan size - 400 USD

Maximum loan tenure – 1 month. If client wants to use loan longer time, after one month he should get one more loan and make repayment for the initial loan

Interest Cap & Loan Agreement. Legal opinion



Restriction	Question	Answer	Risk
Interest cap «For the purposes of this Act, the interest for an unsecured loan shall not exceed eighteen per centum per annum»*	How we can charge any fees?	Fees chargeable legally and by law IN ADDITION to the interest rate (18% per annum) are as follows: - Stamp Duty - Legal Costs (Lawyer and legal fees, etc.) - Fees payable by law	No risks as legal costs incidental to and relating to negotiations for granting the loan are allowed in the Moneylenders Act and it does not have any statutory definition.
Loan agreement «"moneylending agreement" means an agreement made in writing between a moneylender and a borrower for the repayment, in lump sum or instalments, of money borrowed by the borrower from the moneylender»**	Can we use remote model?	For first loan applications, OFFLINE process is advised (In the office or by Couriers). As signing and attestation will have to be done face to face (as suggested by our panel lawyer)	No risks
	How we can granting second loan online?	As agreements are signed OFFLINE for the first time of granting the loan, second loan onwards can be done online as written in the agreement between ML and Customer.	Potential low risk

^{*} Source of information: 17A - Act 400 - MONEYLENDERS ACT 1951

^{**} Source of information: 2 - Act 400 - MONEYLENDERS ACT 1951

Attestations Of Agreements. Legal opinion



Restriction	Question	Answer	Risk
Attesting. «A moneylending agreement shall be attested by an Advocate	Who can we attest the loan agreement?	Attestation of loan agreements can be done by our own In-House Legal Employee (Certified Lawyer)	No risk
and Solicitor of the High Court, an officer of the Judicial and Legal Service, a Commissioner for Oaths, District Officer, Justice of the Peace or such other person as may be appointed by the Minister generally for such purpose»*	Could Attesting be done remotely?	Attestation of Ioan agreements can be done by SKYPE & VIDEO CALLS	Low Risk. According to ML Act there is no requirements for the place of Attestation

Collection. Legal opinion



Restriction	Question	Answer	Risk
Late payment fee not exceeding 8% per annum	Can take additional to allowed by ML Act Late Payment Fee: Calculated at the rate of 8 per centum per annum from day to day from the date of default in payment of the sum or instalment until that sum or instalment is paid	In any case of bad debts, these cases can be assigned to Third Party Debt Collection agencies. We will take commission payable to independent company (our Risk Management Company) which will charge an additional of 1% of the overdue amount per day as Debt Collection & Consultation fees.	Low Risk