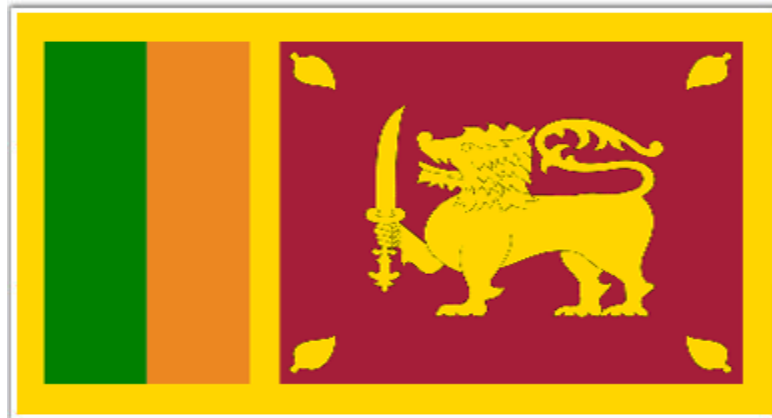




Business Plan for Money Lending Business In Sri Lanka

Prepared by APAC team



14.10.2016

Table Of Contents



| | | |
|----|------------------------------|-------|
| 1 | Investment Summary | 3-5 |
| 2 | Market Overview | 6-10 |
| 3 | Legal Setup | 11-15 |
| 4 | Product & Business process | 16-21 |
| 5 | Digital Sales & Marketing | 22-26 |
| 6 | Decision making & Collection | 27-33 |
| 7 | IT | 34-38 |
| 8 | HR & Admin Information | 39-43 |
| 9 | Finance | 44-51 |
| 10 | Project Plan | 52-53 |
| 11 | Annexes | 54-67 |



1. Investment Summary



Sri Lankan consumer lending market creates excellent opportunities for digitally advanced new comers because:

- GDP per capita twice an average GDP in South Asia and keep growing.
- After 26-year civil war (1983-2009), that caused significant hard-ship for the population, environment and the economy of the country, Sri Lanka entered an era of healing and peace building, continued by drastic development of the nation well-being.
- Few lenders offer loans without collateral. Predominantly upper segment might be able to get personal loans since these people possess a required collateral.
- Smartphone penetration demonstrates aggressive growth due to affordable prices for electronic devices.
- The Government actively promotes the increased adoption of Information and communication technology (ICT) services:
 - a free internet access was provided at public places.
 - e-Government* project was initiated to facilitate governmental services
 - an agreement with Google Inc. was signed to initiate the 'Google Loon project' (Google's balloon-powered high-speed internet service)**
- Business-oriented government creates a favourable environment for foreign investments – in June 2016 prohibition relating to non-residents acquiring shares in a company carrying the business of money lending has been removed .

Key success factors:

- Simple legal setup since license is not required for money lending as long as deposits are not taken. After entering the market we will consider and possibly select other types licensing
- Pure online is possible:
 - E-signing is recognized and e-contracts are fully enforceable in Sri Lanka (physical signing is not required, no face-to-face communications)
 - High banks account penetration and strict KYC regulation provided
 - Smartphone penetration is growing, PCs and laptops are widespread among population, the entire island is covered with 4G internet
- Market is ready: having modern electronic items, Sri Lankans demand qualitative digital services, while competitors offer off-line services.
- Easy way to deliver and collect money due to well developed and affordable money remittance between bank accounts. Payment systems are available for repayment.
- There are no restrictions upon digital advertisement of money lending business

Investment Summary



| Investments, thsd USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|----------------------------|--------------|--------------|------------|----------|----------|--------------|
| Portfolio investments | 1 295 | 1 430 | 126 | 0 | 0 | 2 851 |
| OPEX and CAPEX investments | 1 148 | 161 | 0 | 0 | 0 | 1 309 |
| Total investments | 2 444 | 1 591 | 126 | 0 | 0 | 4 161 |

| Volume indicators | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|-------------------------------|--------|--------|--------|--------|--------|---------|
| Number of loans issued, thsd | 32 | 158 | 264 | 362 | 422 | 1 238 |
| Amount disbursed, thsd USD | 3 088 | 15 408 | 25 527 | 34 957 | 40 642 | 119 622 |
| Net portfolio (EoY), thsd USD | 789 | 2 054 | 3 163 | 4 146 | 4 410 | 14 561 |

| P&L, thsd USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|--------------------------------|---------------|-------------|--------------|--------------|--------------|---------------|
| Revenue | 810 | 5 328 | 9 502 | 13 431 | 16 034 | 45 105 |
| Provisions | -659 | -2 931 | -4 479 | -5 540 | -6 472 | -20 081 |
| Variable costs | -563 | -1 407 | -2 256 | -3 096 | -3 606 | -10 929 |
| Marketing acquisition costs | -385 | -527 | -815 | -1 087 | -1 206 | -4 020 |
| Salary (variable part) | -127 | -388 | -516 | -680 | -796 | -2 506 |
| Other variable costs | -20 | -69 | -96 | -128 | -148 | -462 |
| VAT | -32 | -424 | -829 | -1 200 | -1 456 | -3 941 |
| Fixed costs | -1 016 | -1 125 | -1 036 | -1 141 | -1 171 | -5 490 |
| Salary (fixed part) | -709 | -807 | -726 | -826 | -886 | -3 954 |
| Other G&A expenses | -307 | -318 | -310 | -315 | -286 | -1 536 |
| One-off expenses | -49 | -15 | -15 | -15 | -15 | -109 |
| Net profit before taxes | -1 476 | -151 | 1 715 | 3 639 | 4 769 | 8 496 |
| Terminal value | | | | | | 20 968 |
| ROE (annualized) | | | | | | 60% |
| ROAA (yearly) | -187% | -11% | 64% | 72% | 80% | 51% |

Break-even period – 17 months

Self-capitalization period – 26 months

Payback period – 56 months

Total investments from – \$4,2M

Unoptimized Yr5 corporate tax – \$1,3M

Terminal Value – \$21,0M (Gordon growth model with discount factor 15% and growth rate 0%)



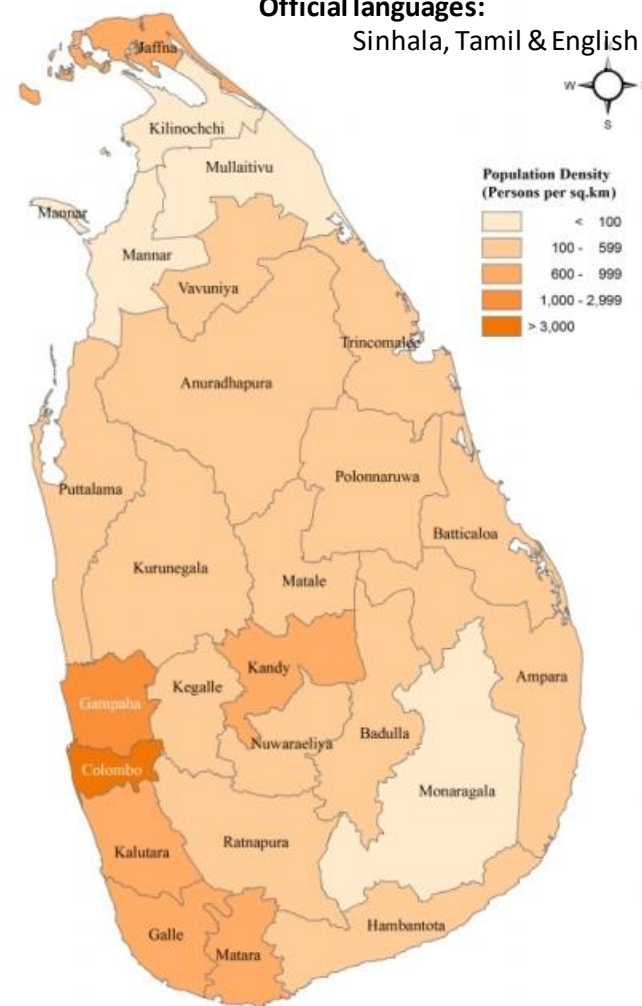
2. Market Overview

General Market Information



| No | Parameterer | Sri Lanka | Colombo |
|----|--|-----------|---------|
| 1 | Population (mln) | 21 | 2,63 |
| 2 | Labor force ratio | 42% | 49% |
| 3 | Unemployment rate* | 5,3% | - |
| 4 | GDP per capita** | \$3.9K | - |
| 5 | GDP growth (5Y average) | 6,0% | - |
| 6 | Average Monthly income**** | \$233 | \$363 |
| 7 | Mobile phone penetration (inc. smartphones)*** | 116% | - |
| 8 | Smartphone penetration (out of mobile), forecast 2016 | 41% | 60% |
| 9 | Internet users penetration (inc. mob. broad band) as of 2015 | 27% | - |
| 10 | Facebook accounts penetration***** (out of total population), as of 2016 | 21% | 95% |
| 11 | Bank accounts penetration** (out of total population), as of 2015 | 83% | - |
| 12 | ATMs per 100 000 adults**, as of 2014 | 17 | - |
| 13 | Bank branches per 100 000 adults**, as of 2014 | 19 | - |
| 14 | Debit card penetration (out of total population) | 48% | - |
| 15 | Credit card penetration (out of labor force) | 13% | - |
| 16 | Online banking penetration | 11% | 47% |

Official languages:
Sinhala, Tamil & English



Most populous cities:

Colombo – 2,63 mln Kandy – 1,40 mln
Gampaha – 2,34 mln Galle - 1,08 mln
Kalutara – 1,64 mln Matara – 0,82 mln

* source of information - http://erd.cbsl.gov.lk/presentation/htm/english/erd/sdds/rpt_sdds.aspx

** source of information - [World Bank, World Development Indicators]

*** source of information - http://www.cbsl.gov.lk/pics_n_docs/10_pub/_docs/efr/annual_report/AR2015/English/7_Chapter_03.pdf

**** Household income and expenditure survey (Ministry of Finance and Planning)

***** Face book Audience Insights

Consumer Finance Industry Landscape



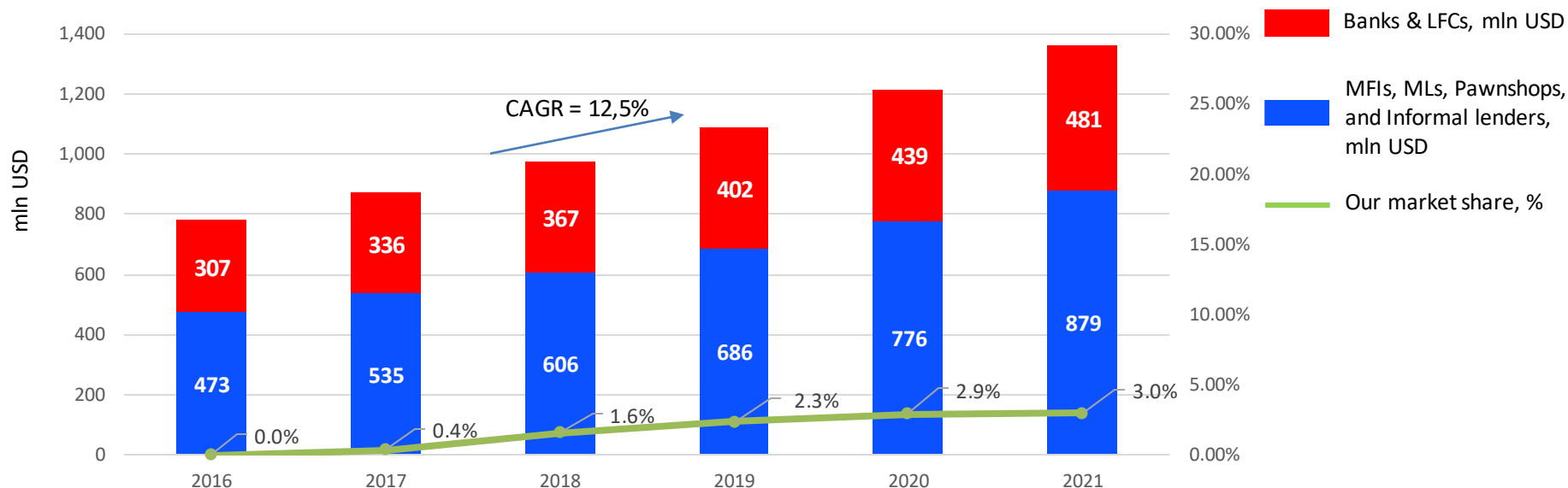
- First formal financial institutions were established in 1828 under the British rule in order to facilitate the needs of the plantation sector.
- Other sectors of economy were catered by informal lenders. Indian born money lenders emerged to finance the needs of local people in trade and consumption.
- Pawn brokerage became the common method of consumer lending. Special laws were enacted to protect pawned article owners and to implement anti usury policies.
- The opening up of the economy in 1977 paved the way for financial institutions to expand and develop new products to cater to the growing needs.
- Nowadays the formal financial sector in Sri Lanka consists of:
 - 25 Banks (19 domestic and 6 foreign)
 - 46 Licensed financial companies (LFCs)
 - 220 registered pawnshops
 - 2000+ microfinance and money lending companies.
- The access to credit from Banks and LFCs in Sri Lanka is limited due to strict credit policies. Licensed microfinance companies are supposed to provide financial accommodation to low income persons and microenterprises. Therefore more than 2000 unlicensed money lending companies + informal money lenders (Poli Mudalali) offer financial accommodation to middle income customers who are able to secure their personal loans.
- While banks' portfolios contain a portion of unsecured loans disbursed to wealthy and high quality borrowers, unlicensed money lending companies and informal lenders do always ask for security in form of collateral, guarantors or personal bonds (Promissory Notes/Post Dated CHEQUES).

In general only upper segment is eligible for bank loans. Middle class, if does not possess sufficient security, ask guarantors' support predominantly in case of emergency. There is no financial accommodation to satisfy everyday needs and facilitate consumption.

Consumer finance market size estimation



Estimated Sales of short term loans (in mln USD) and our market share



| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|------|------|------|------|------|
| Our disbursement volumes (mln USD) | 3,1 | 15,4 | 25,5 | 35,0 | 40,6 |
| Our Number of loans disbursed per year '000 | 32 | 158 | 264 | 362 | 422 |

Main assumptions:

- Market demonstrates a moderate growth from 10% to 15% depending on type of business activity. We expect that unsecured lending market will demonstrate the max. growth up to 15%.
- New volumes of licensed money lenders are relatively low with comparison to new volumes of unlicensed money lenders.
- Money lending market is a growing market and people need cash to fulfill day to day needs and services.

Licensing Options



| Parameters | Bank | Licensed Finance Company (LFC) | Finance leasing Company (FLC) | Pawnshop | Micro Finance company | Money Lending company |
|---------------------------------------|---|---|--|---|---|--|
| Main purpose | Full-range of banking services for retail and corporate clients | Lending services and deposits taking | Financial leasing | Lending services with collateral | Lending services and deposits taking (limited by Monetary Board) | Lending services |
| Minimum paid-up capitalization | \$34.48 Mln | \$2.75 Mln | \$2.1 Mln | Unspecified | Depends on Monetary Board decision | Unspecified |
| Max foreign capital share | Depends on Central Bank decision | Depends on Central Bank decision | Depends on Central Bank decision | Restricted | Up to 100% | 100% |
| Interest cap | 24% | No interest cap, Charges cap - max 5% of principal amount | No interest cap, Charges cap - max 5% of principal amount | 24% | Depends on Monetary Board directions (no such directions have been made as of date) | NO |
| Regulator | Central Bank Of Sri Lanka/ Financial Intelligence Unit | Central Bank Of Sri Lanka/ Financial Intelligence Unit | Central Bank Of Sri Lanka/ Non-Financial Intelligence Unit | Provincial Councils (Government Agent)/Police | Central Bank of Sri Lanka/ Monetary board/ Micro Finance Institution Unit | Not specified |
| Term for getting license/Registration | No new license available | No new license available | Subject to Central Bank decision | Up to 1 Month | 1 – 3 Months | Up to 1,5 months (just company registration) |
| Number of active licenses | 25 | 46 | 7 | 220 registered | No license has been issued as of date | License is not required 2000+ companies |

It is possible for foreign company to incorporate a subsidiary company in Sri Lanka to carry out the money lending business without licensing (according to F.J.&G. De Saram). Since money lending market is getting mature and more regulated, it is worth to consider which license will be the most appropriate for our business model in the future. According to our international experience a pawnshop licence is more accessible than others, however we are considering other options as well.



3. Legal Setup

| | Money lending company | Microfinance company | Pawnshop |
|---|--|--|---|
| Regulator | No | Monetary Board of the Central Bank of Sri Lanka | Government Agents (provincial councils or administrative heads of public services in the particular district) |
| Document regulating Money lending | <ul style="list-style-type: none"> • Money lending ordinance (08/1918, last amendment in 1963) | <ul style="list-style-type: none"> • Money lending ordinance (08/1918, last amendment in 1963) • Microfinance act (12/2015) | <ul style="list-style-type: none"> • Money lending ordinance (08/1918, last amendment in 1963) • Pawnbroker's ordinance (04/1942, last amendment in 1973) |
| Mandatory documents for Money lender | No | Microfinance license | Pawnbroker's license |
| Associated risks | Possible pressure from the Government (incl. CBSL) on a company or banks which held company's accounts for encouraging company to get a license. | The Monetary Board has been given extensive powers under the Microfinance Act to issue directions as to the manner in which any aspect of business of a microfinance company are to be conducted. Even if there is no certain direction as of date, it may occur case-by-case or for entire microfinance segment. | Current legislation prohibits foreign companies from doing pawning business in Sri Lanka. Therefore related business to be carried out via nominal company, that needs to be properly coordinated |
| Risk mitigation | Consider an appropriate license for obtaining | Money lending business should be carried out via Money Lender (subject to regulation) and Lead Generator | Utilize a set of documents that restrict nominee power |

Additional regulations:

- 1) *International transactions* are regulated by the Controller of Exchange of the Central Bank of Sri Lanka under Exchange Control Act
- 2) *Electronic transaction Act* (05/2006) facilitates the formation of electronic documents and other communications in electronic forms

We are launching money lending business without licensing (as long as deposits are not taken). After entering the market we will consider and possibly select other types licensing.

Critical Business Model parameters



| # | Parameters | Money lending company | V |
|----|---|--|---|
| 1 | New licenses | No necessity for obtaining a license for money lending as long as company is not accepting deposits (according legal opinion of FJ&G de Saram) | ✓ |
| 2 | Foreign Capital | 100% by non-resident investor | ✓ |
| 3 | Allowed credit products | No restrictions | ✓ |
| 4 | APR/EIR interest cap | Not Specifically Stated | ✓ |
| 5 | Late payment | No restrictions | ✓ |
| 6 | Advertising requirements | no rules or restrictions | ✓ |
| 7 | Remote contract signing | A contract is not denied legal validity or enforceability on the sole ground that it is in electronic form and it is authenticated by means of an electronic signature. | ✓ |
| 8 | Face-to-face customer's verification (KYC procedure) | No rules or regulations for Money Lending company (KYC provided by Bank) | ✓ |
| 9 | Access to credit bureau | No legal access, but we are building a partnership with lending institution to obtain credit reports available | ⚠ |
| 10 | Debt collection | No specific restrictions | ✓ |
| 11 | Possibility to use and store clients data out of the country | Yes, we can use and store clients data out of the country | ✓ |
| 12 | Necessity to obtain written customer consent for processing his personal data | It is advisable to obtain the written consent of the customer prior to processing his/her personal data even though there is no legal requirement to do so. | ✓ |
| 13 | The funding of the loan portfolio | Top-up paid up capital via inward remittance from abroad to shareholder's Securities Investment Account(SIA). Loans to residents can be granted under a special permission of the Controller of Exchange. | ⚠ |
| 14 | Money transfer from abroad | Dividends, proceeds on sale, liquidation, capital redemption or share buy back. Recovery of principal and interest is possible only for loans extended under a special permission granted by the Controller of Exchange. | ⚠ |



No specific issues

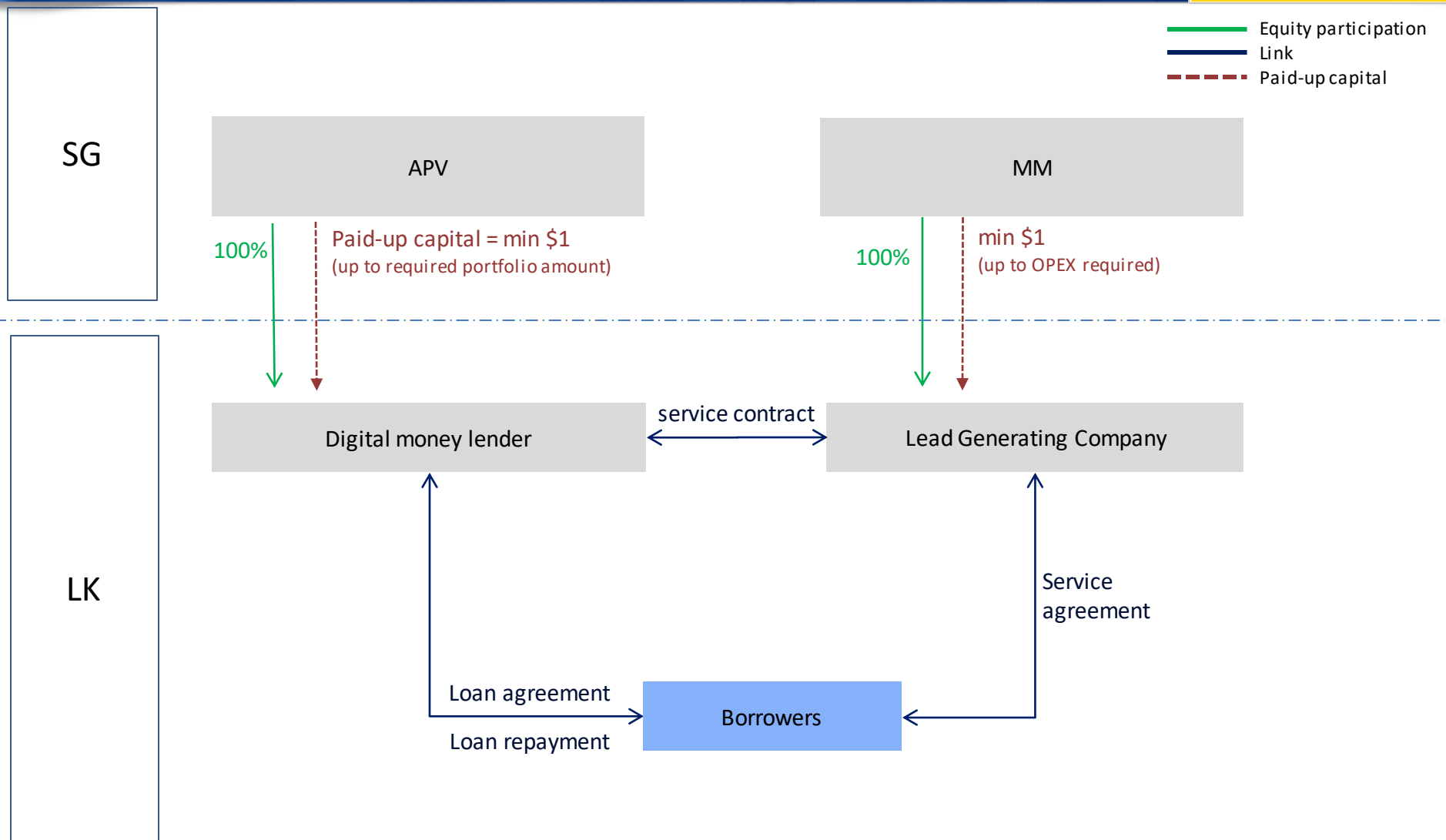


Need to pay some attention, but no serious issues



There are some issues, which require serious attention.

Legal setup: Structure



We are launching money lending business without licensing (as long as deposits are not taken). After entering the market we will consider and possibly select other types licensing.

Long term licensing options



As soon as our business volumes become considerable and the market itself become mature, the Central Bank might encourage us to obtain a license. Anticipating possible intention, we are considering several ways of getting an appropriate license. Currently we are investigating a pawnbroker's license and microfinance license whose main features are represented below.

Pawnbroker's license

| Parameter | Current regulation | Comment |
|-------------------------|--|---|
| New licenses | Available for local private company. Term of getting a license is 1 month. | Following to our experience Pawnshop can be carried out via nominal company, that needs to be properly coordinated. |
| Foreign Capital | Restricted | Power of nominee is restricted through a set of agreements* |
| Allowed credit products | Personal loan secured by collateral | Mobile phone can be used as a collateral. Special agreement of safe keeping the collateral will be signed with customer |
| Interest rate cap | 24% per annum | Service fee will be charged by LGC |

Microfinance license

| Parameter | Current regulation | Comment |
|-------------------------|---|--|
| New licenses | Available for local public company. Term for getting a license is up to 3 months. | CBSL gives a priority to register the existing MF companies who were carried out microfinance business. |
| Foreign Capital | 100% by non-resident investor | This gives us an opportunity to incorporate a local subsidiary that will 100% belong to foreign investor |
| Allowed credit products | Lending services and deposits taking | The Monetary board may issue directions to stipulate the terms and conditions under which any loan may be granted. No such directions have been made as of date. |
| Interest rate cap | No interest cap as of date | The Monetary board may issue directions to stipulate the maximum rate of interests and fees which may be charged on loans. |

* - Master agreement on business cooperation, Capital contribution assignment agreement, equity interest mortgage agreement, Guaranty agreement



4. Product & Business process

Consumer Lending Landscape



| # | Parameter | Informal Lenders (private individuals) | Money lending company | Microfinance company* | Pawnshops | Banks & LFCs |
|----|-----------------------------|---|--|---|---|--|
| 1 | Loan amount | \$250 – \$10 000 | \$200- \$3000 | \$200- \$1000 | \$50 - \$1000 | Up to \$50 000 |
| 2 | Average loan | \$1000 | \$1000 | \$700 | \$300 | \$3 000 |
| 3 | Loan tenure | 1 day - 1 month | Up to 60 months | 12 months | 9 months | 12-60 months |
| 4 | Service fees | 5% | 5% | 2% | - | 2% |
| 5 | Interest rate, per annum | 120%-240% | 180% | 25%-40% | 24%-36% | up to 24% |
| 6 | Effective IR per annum | up to 380% | up to 240% | up to 90% | up to 36% | Up to 30% |
| 7 | Late fee | no | 25\$-75\$ per week | 25\$-75\$ per week | no | 3% p.a. |
| 8 | Time to money | 1 day - 3 days | 1 day - 3 days | 1 day - 3 days | 30 minutes | Up to 21 days |
| 9 | Loan disbursal | Cash or Cheque | Cash in Office, Bank transfer | Cash in Office, Bank transfer | Cash in office | Cash in branch or to an account |
| 10 | Verification | ID, Salary proof, Address proof, Field visit | ID, Salary proof, Address proof, phone verification. | ID, Salary proof, Address proof, phone verification | ID, Collateral valuation | ID, Salary proof, Address proof, Credit Bureau check, Phone verification |
| 11 | Target Customers | Customers without official work or in an urgent need of money. | All types of clients who can provide sufficient collateral or guarantors | Official employees and entrepreneurs, rural self employed people who can provide guarantor. | All types of clients who can provide collator (Gold Items). | Only for customers that have good to strong credit history |
| 12 | Business model | Offline | Offline | Offline | Offline | Offline |

* For the purposes of comparison, in this table Microfinance company is an entity that provides financial accommodation to low income persons and microenterprises, even though it may provide a variety of financial services.

Our product offer



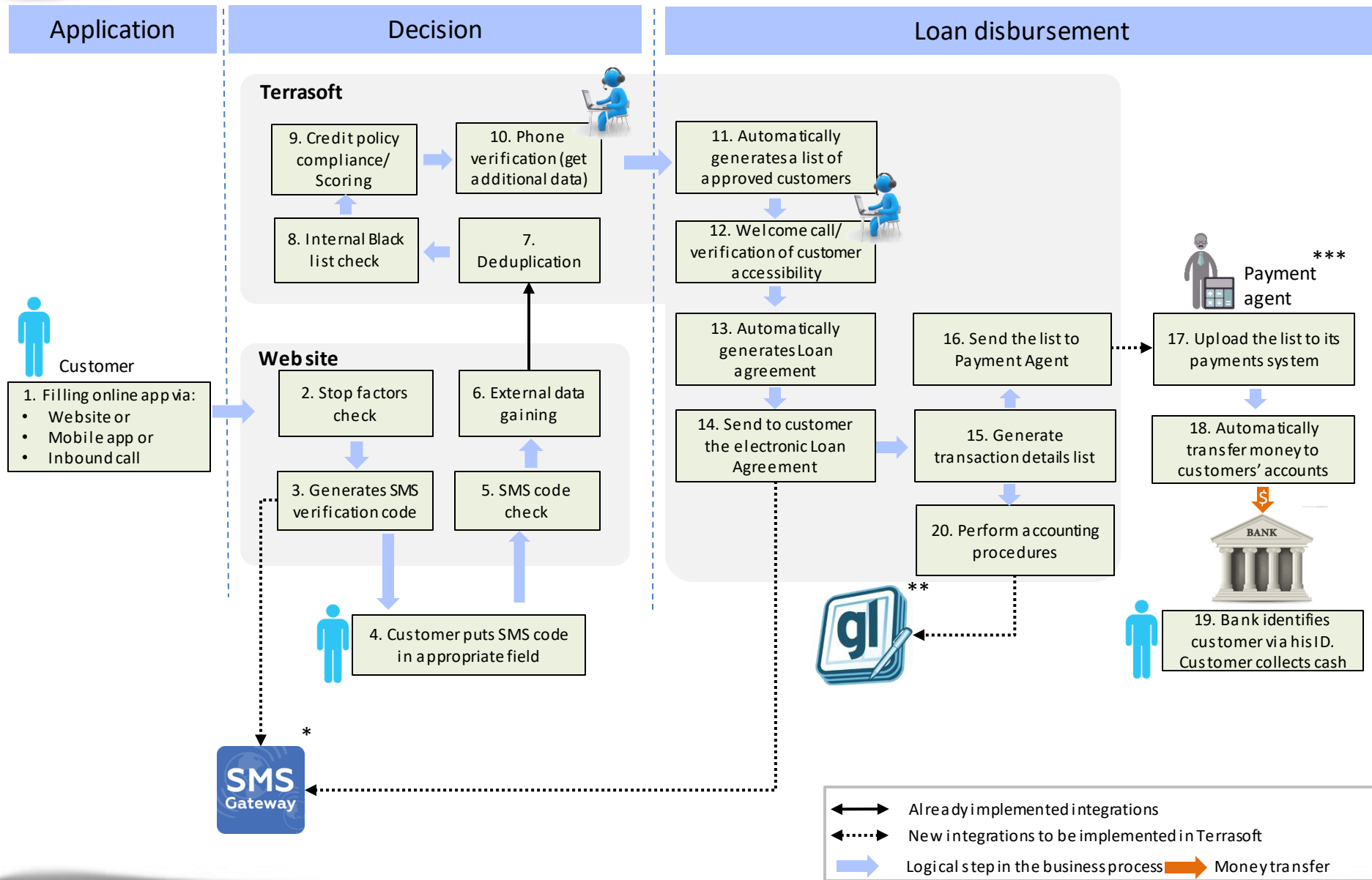
| # | Parameter | Our Offer |
|----|------------------------------|--|
| 1 | Loan amount range | max \$110 in Colombo and max \$70 in other Districts (loan amount < 30% of monthly Income) |
| 2 | Average loan size | \$80 |
| 3 | Tenor range | 7, 15, 21, 30 days |
| 4 | Average tenure | 25 days |
| 5 | Interest rate | 18,25 % per annum (0,05% per day) |
| 6 | Service fee | from 8% to 32% of loan amount depending on tenure |
| 7 | Upfront/handlig fees | 0% |
| 8 | Effective IR rate per annum | 405% p.a. = 1,11% per day = 0,05% (IR) + 1,06% (Service fee) |
| 9 | Overdue interest rate | 1,5% per day |
| 10 | Late payment fee | \$ 10 (Rs 1 500) |
| 11 | Prolongation fee | 0% |
| 12 | Early loan repayment feature | No earlier than after passing 7 calendar days |
| 13 | Time to money | 30 minutes – 1 day |
| 14 | Loan disbursal | Bank transfer |
| 15 | Business model | Pure online |

| Loan amount range | | |
|-------------------|--------|-----------|
| Rs 15 000 | \$ 110 | Colombo |
| Rs 12 500 | \$ 90 | Colombo |
| Rs 10 000 | \$ 70 | Sri Lanka |
| Rs 7 500 | \$ 55 | Sri Lanka |
| Rs 5 000 | \$ 35 | Sri Lanka |

| Tenure | Service fee |
|---------|-------------|
| 7 days | 8% |
| 15 days | 16% |
| 21 days | 23% |
| 30 days | 32% |

We are offering single payment loan with certain range of loan amounts, tenures, and service fees. Interest rate is competitive. Customer allowed to do early repayments after passing 7 days.

Initial Sales Business Process

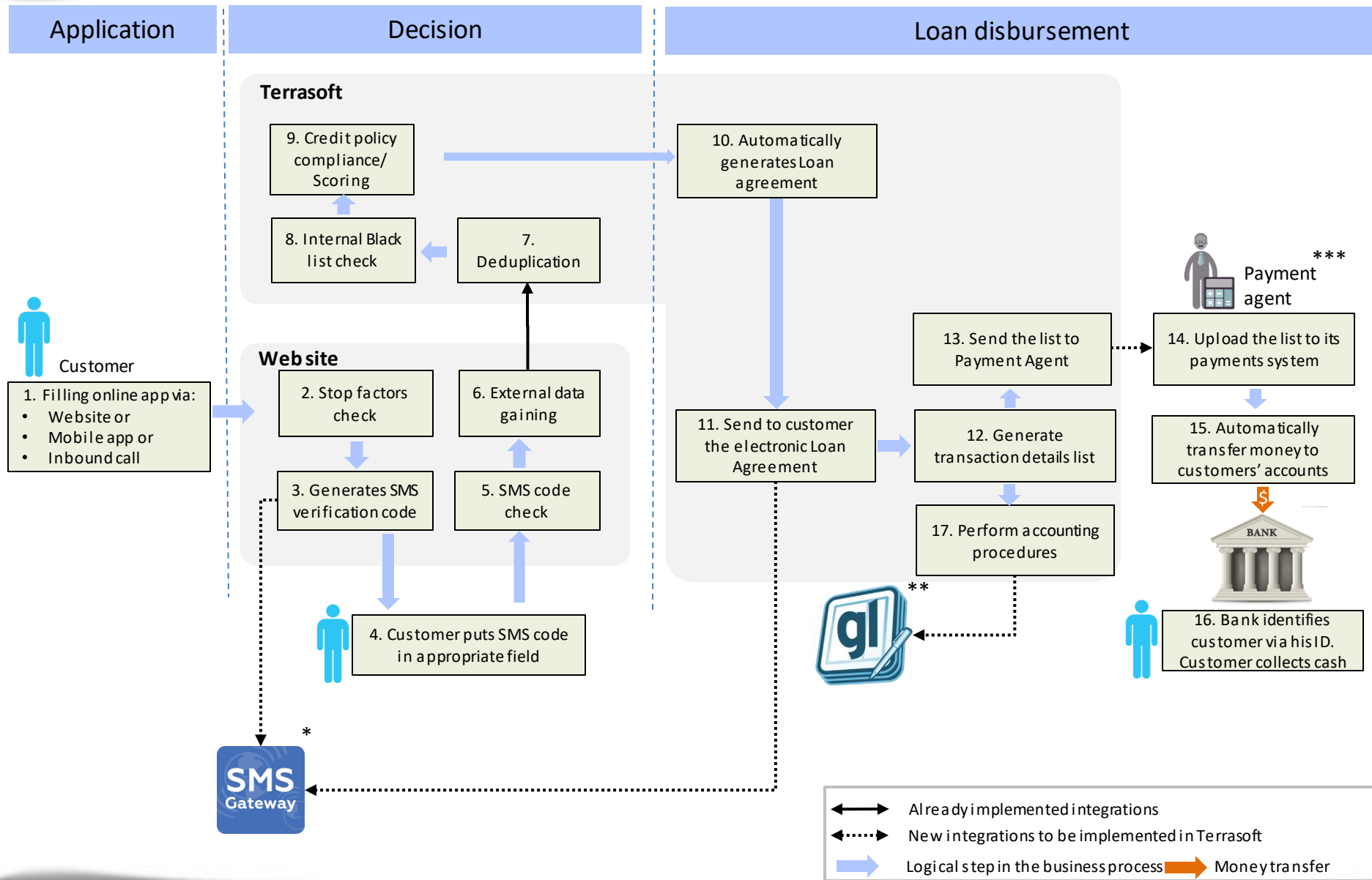


* SMS gateway provider: TextWare (Private) Limited

** GL system provider: Sci enter Technologies

*** Payment Agents: Sampath Bank (Sampath wishva Corporate), Pass accountings solution

Repeat Sales Business Process



* SMS gateway provider: TextWare (Private) Limited

** GL system provider: Sci enter Technologies

*** Payment Agents: Sampath Bank (Sampath wishva Corporate), Pass accountings solution

Repayment channels



Easy to get an access

More popular



Bank Transfer

High penetration of bank accounts (83% out of total population), and widespread bank branch network (3329 branches) make bank transfers possible in Sri Lanka. Sri Lanka Interbank Payment System (SLIPS) permitting same-day settlement among all account-to-account transfers.

Less popular



සම්පත් බැංකුව
சம்பத் வங்கி
SampathBank

BizPay

High penetration of Debit cards (48% out of total population) allows us to utilize Payment gateway facility. Access can be provided by local Bank directly (Sampath is a leader) or via specialized payment platform such as BizPay.

Hard to get an access

Both retail chains currently accept payments from individuals



The largest retail chain in the island comprising over 266 outlets including, Cargills Food City supermarkets and Cargills Express convenience stores.



Keells Super is the supermarket chain which consists of 57 outlets primarily in largely populous districts.



Money in your mobile

ezCash enables people to perform financial transactions using their Dialog, Etisalat, and Hutch mobile phone. Maximum limit per payment transaction per day Rs 10 000 (Classic account), Rs 25 000 (Power account). Maximum limit per transfer Rs 5000.



mCash is represented by Mobitel, it provides similar to ezCash services (transfers allowed to mCash customers).

All payment channels are possible. We will start with bank transfers and then proceed to retail networks and other channels.



5. Digital sales & Marketing



**MAR
2015**

DIGITAL GROWTH TRENDS

GROWTH TRENDS FOR THE COUNTRY'S KEY DIGITAL STATISTICAL INDICATORS

GROWTH IN THE
NUMBER OF ACTIVE
INTERNET USERS



we
are
social

+22%

GROWTH IN THE
NUMBER OF ACTIVE
SOCIAL MEDIA USERS



we
are
social

+40%

GROWTH IN THE
NUMBER OF MOBILE
SUBSCRIPTIONS



we
are
social

+35%

GROWTH IN THE
NUMBER OF ACTIVE
MOBILE SOCIAL USERS



+53%

Affordable prices for electronic devices stipulate a rapid growth in the number of social mobile and social media users. Same marketing approach as it is in APAC countries will be applicable in Sri Lanka.

Top 5 traffic receiving web-sites



| No | Top 5 traffic receiving web-sites | Visits per months, not unique |
|----|-----------------------------------|-------------------------------|
| 1 | Google.lk | 30 700 000 |
| 2 | Facebook.com | 30 000 000 |
| 3 | Hirufm.lk* | 2 695 000 |
| 4 | Ikman.lk ** | 2 912 000 |
| 5 | Gossiplankanews.com*** | 2 263 000 |

- ✓ The main sources of our customers are **Google** and **Facebook**
- ✓ Google Adwords (**Display network**) enables us to display brief advertising copy to web users, based in part on cookies and predefined keywords. For example Gossiplanlkanews.com (see bottom right picture) is designed to allow Google to select and display advertising copy.
- ✓ Ikman.lk (bottom left picture) is an example of **traffic partners**, which websites contain a space for prepaid digital advertisements. This advert is represented to every website user within particular prepaid period of time.

* Hiru FM, The No 01 online Radio in Sri Lanka.

** Ikman.lk is a free online classified website where you can buy and sell almost everything

*** Underground News from Sri Lanka.

Customer acquisition & Marketing cost



| # | Marketing tools* | Sales volume | Impressions | Clicks | CTR | CPC | Monthly budget | CR CPC/ Long app | Long apps | Long app cost | Total WEB CR | Applications in TS | Disbursement | Sales | Client cost |
|---|------------------|--------------|-------------|---------|-------|--------|-----------------|------------------|---------------|---------------|--------------|--------------------|--------------|--------------|----------------|
| 1 | Facebook | 55% | 14 000 000 | 140 000 | 1,0% | \$0,14 | \$19 600 | 5,0% | 7 000 | \$2,80 | 5% | 7 000 | 20% | 1 400 | \$14,00 |
| 2 | Display Network | 29% | 150 000 000 | 75 000 | 0,05% | \$0,12 | \$9 000 | 5,0% | 3 750 | \$2,40 | 5% | 3 750 | 20% | 750 | \$12,00 |
| 3 | Organic | 9% | | | | | \$0 | 5,0% | 1 176 | \$0 | 5% | 900 | 20% | 180 | \$) |
| 4 | Traffic partners | 5% | | | | | \$2 000 | 5,0% | 588 | \$3,40 | 5% | 450 | 20% | 90 | \$22,22 |
| 5 | Google Search Ad | 2% | 80 000 | 4 000 | 5,0% | \$0,33 | \$1 320 | 5,0% | 200 | \$6,60 | 5% | 200 | 20% | 40 | \$33,00 |
| | Total | 100% | | | | | \$31 920 | | 12 715 | \$2,51 | | 12 300 | | 2 460 | \$12,98 |

- The calculation is based on current statistical data. Having 40% annual growth of social media users and 22% annual growth of internet users, the projected sales volumes shall grow respectively.
- Our digital marketing experience in Philippines, Indonesia, Malaysia and Vietnam allows us to manage local marketing mix for achieving the optimal cost per client



Short term sales plan

| | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 |
|-------------------------------------|------------|------------|------------|------------|--------------|--------------|
| Number of loans disbursed per month | 100 | 300 | 600 | 900 | 1 200 | 1 500 |

Long term sales plan

| | EOY1 | EOY2 | EOY3 | EOY4 | EOY5 |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|
| Number of loans disbursed per month | 7 216 | 17 395 | 25 878 | 33 708 | 35 504 |
| Share of new sales, % | 43% | 27% | 27% | 26% | 26% |
| Share of repeat sales, % | 37% | 43% | 44% | 44% | 44% |
| Share of prolongations, % | 20% | 29% | 29% | 30% | 30% |



6. Decision making and collection

Credit and Limit Policy



| # | Rule | Description |
|----|--|---|
| 1 | Customer segment | All customers, valid bank account is obligatory |
| 2 | Loan amount | <ul style="list-style-type: none"> • max \$110 (15 000 Rupees) for customers who are registered in Colombo • max \$70 (10 000 Rupees) in other regions • Loan amount does not exceed 30% of customer's average monthly net Income • Exact loan amount depends on the region and customer's age and it is to be chosen from the list of 5 values [15 000; 12 500; 10 000; 7 500; 5 000 Rs] |
| 3 | Tenure | 7, 15, 21, 30 days |
| 4 | ID copy | not required |
| 5 | Identification | Done by the Bank at the stage of account opening |
| 6 | Address proof doc | Copy of the document is not required |
| 7 | Income proof doc | Copy of the document is not required |
| 8 | Credit bureau | No access to credit bureau at current stage. Currently we are building a partnership with lending institution to obtain credit information available with credit bureau |
| 9 | Anti-fraud auto checks | Following customer's data to be cross-checked against existing customers who are delinquent: phone numbers, bank account numbers, IDs, contact and work phones, IPs, Devices. |
| 10 | Work phone in application form | It has to be properly declared in the application |
| 11 | Contact person in application form | It must be properly declared in the application (we are planning to call to contact person in case of customer's credit history absence or negative credit history is present) |
| 12 | SMS confirmation of the phone | to be confirmed via SMS sent to customer's phone number |
| 13 | Verification phone requirement | Confirm identity of the customer. Confirm contact person phone number and relationship between customer and contact person. |
| 14 | Employment & income check | Only some occupation knowledge questions (for customer and contact person) |
| 15 | Income type & source of repayment | Customer can explain about source of repayment of the loan. |
| 16 | Restricted occupation | Applications with following occupations must be declined: Police, Military, Communication/ Media/ PR/ Newspaper, Law/ Court. |
| 17 | Disbursement channel | Bank transfer |
| 18 | Repeat loan policy | Loan amounts 10 000 – 30 000 Rupees with 5 000 Rupees step, maximum cap - 50% of net monthly income |



Credit Bureaus

- Currently we are building a partnership with lending institution to obtain credit information available with credit bureau

Anti-fraud tools

- Internal anti-fraud rules – cross checks of application data against historical data to detect links between applicants, find chains of fraudulent applications, highlight mismatches of data within one application.
- Iovation solution – tool to prevent online-fraud, multi-applying, deliver additional variables for scoring. Solution allows to get all available data of applicant's device (PC, smartphone where the application was submitted) and perform a cross check against historical database

Internal scoring

- Can be implemented after 6-8 from go live. Will use standard application parameters, Iovation data plus additional client behavior data, captured during application filling

Social data

- Facebook data (should be available for more than 50% of applicants) – we will offer optional FB authorization to the client, which will give us possibility directly got to FB API and get social data which will be used as additional variables for scoring
- Messengers (Viber, WhatsUp) – will be used during verification as additional source to confirm identity and contactability of client

Target collections procedure



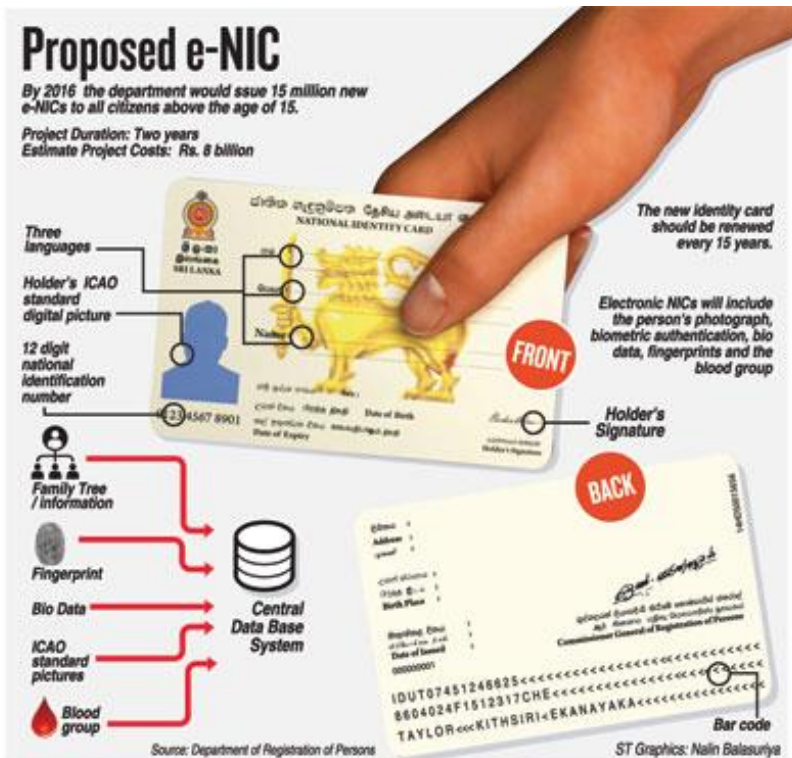
| # | Stage | Short Description | Stage Period | Resources |
|---|------------------------|---|--|--|
| 0 | Pre – Due | <ul style="list-style-type: none"> SMS Notification borrower about payment Pre-due phone calls*, active prolongation sales | [- 5 ... 2] days before/after due date | In-house Call center (soft collection) |
| 1 | Soft Collection | <ul style="list-style-type: none"> Phone collection*, SMSs, e-mails. The threat of court action can prompt payment | [3 ... 30] DPD – all clients [30-90] DPD – part of the delinquent clients | In-house Call center (soft collection) |
| 2 | Skip tracing | Look for new contact data, addresses, employers by Google Check and Facebook | 2+ | Separate skip-tracing In-house collection team |
| 3 | Hard Collection | <ul style="list-style-type: none"> Field visit to living area, work, borrower's relatives home. The threat of court action can prompt payment | [30+] DPD – part of the delinquent clients | In-house collectors |
| 4 | Litigation / Execution | Attorney-at-law to be outsourced | [90+] DPD – part of the delinquent clients | Outsourced |

- All conversations with customer will be recorded

Customer identification/ banking KYC



- Loans to be disbursed to bank accounts only. We believe that bank identification on account opening will fully replace internal KYC
- To open an account Banks perform sophisticated check and require following documents:
 - Passport or National Identity Card (NIC) to confirm the Full name and the date of birth;
 - Utility bills or tax assessment to confirm the permanent address
- Every Passport or NIC to be validated by bank employee, who must follow validation procedure (check security features, use IT system to verify ID number)
- Bank may confirm the validity of the official documentation provided through certification by an authorized person
- By 2016 the Registry of Persons Department would issue 15 million new e-NICs



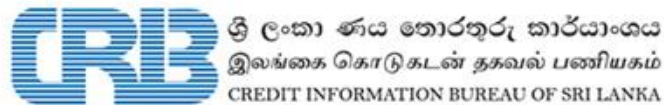
Security features on the NIC

The following items fluoresce under a UV light:

- Blue security fibres
- The Sri Lankan Crest (image of a lion and sword within a circle) on the front of the card, above the picture (fluoresces yellow)
- At the back center of the card, the Sri Lankan Crest also appears in yellow

A green line with a pattern is also a security feature, when viewed vertically, the letters RPD (Registry of Persons Department) are repeated.

- The Bank is responsible for validation of personal data provided by Customer
- Whoever forges an ID document shall be punished with imprisonment of description for a term of 7 years



Established in 1990, Credit information bureau (CRIB) is a public-private partnership, with the Central Bank holding the majority of equity while the rest is held by lending institutions regulated by the Central Bank.

- ✓ CRIB currently has 94 shareholders, including all licensed Commercial banks, Specialized banks, Finance companies, Leasing companies, few other institutions which have been declared as lending institutions.
- ✓ These entities supply CRIB with credit information that is transferred electronically through their head office to CRIB and CRIB, in turn, updates its database at the end of each month.
- ✓ In 2008 CRIB launched a first version of an automated “Credit Information Management System” (CRIMS). The Banks and approved financial institutions access their customers’ credit information online through the bureau website.
- ✓ **About 3,9 million records on private individuals are in database of CRIB** (out of 8,9 million employed)

The following persons are qualified to request for membership of the bureau:

- a) Lending institutions who are shareholders of the CRIB;
- b) The Central Bank;
- c) Any governmental agency;
- d) Borrowers and prospective borrowers;
- e) International credit bureaus;
- f) Insurance companies;
- g) other persons or bodies of persons (recommended by the Monetary Board).

The access to bureau can be obtained through partnership with one of the CRIB shareholder.

A respective procedure is under discussion. Preliminary the following can be implemented:

1. Phone verifier sends a request to our partner (customer’s ID provided) via email/messenger;
2. Partner’s employee gets CRIB report using bureau website and sends the report back to phone verifier;
3. Phone uploads obtained report or data about report absence to customer’s profile;

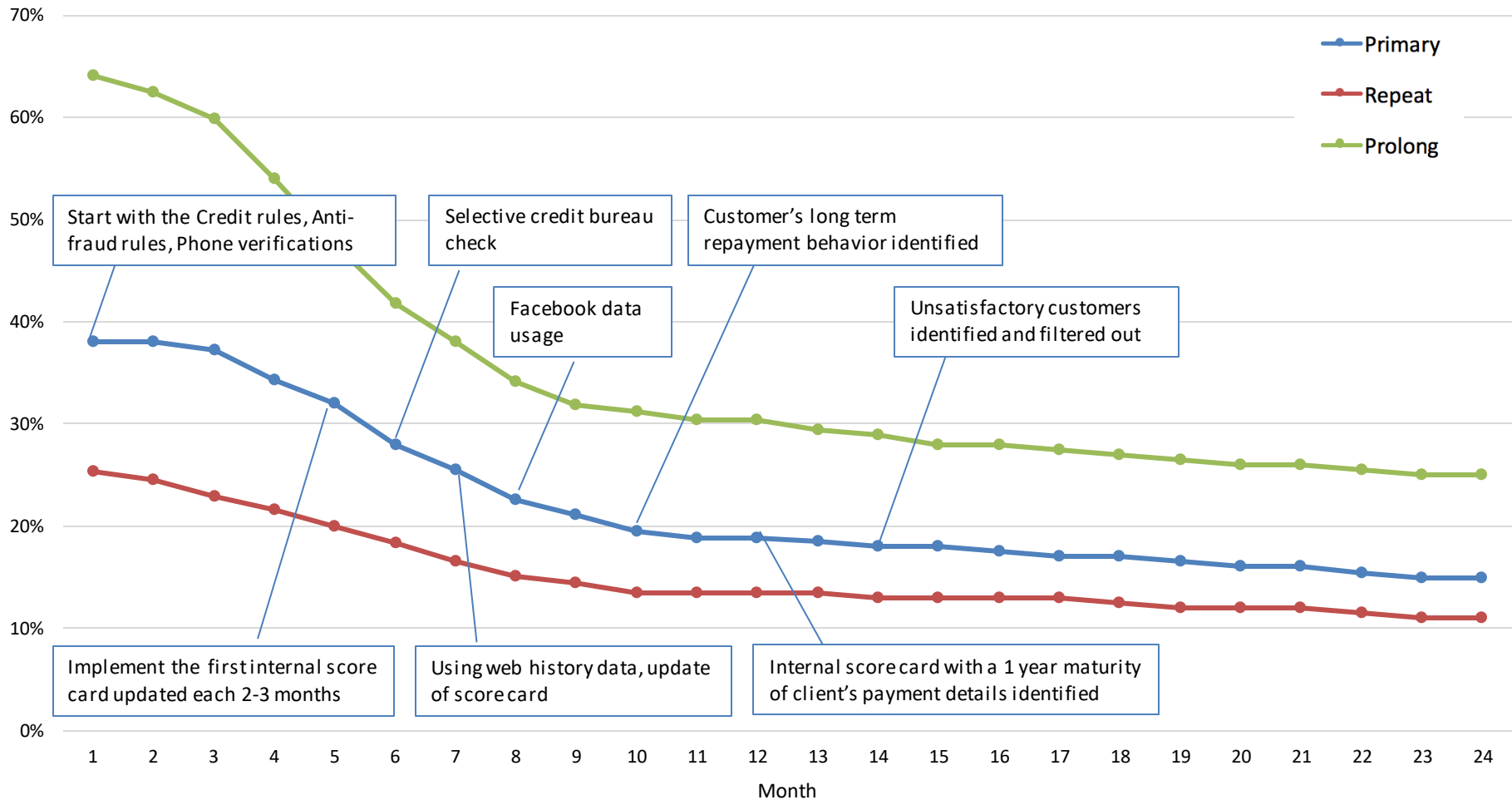
Unless we obtain a direct access to credit bureau we can get respective reports via partnership with lending institution

Currently CRIB records cover 44% of employed people which gives us an opportunity to obtain relevant data

Microfinance Act allowed licensed microfinance companies request for a membership of the CRIB.



Final losses evaluation 1-24 months

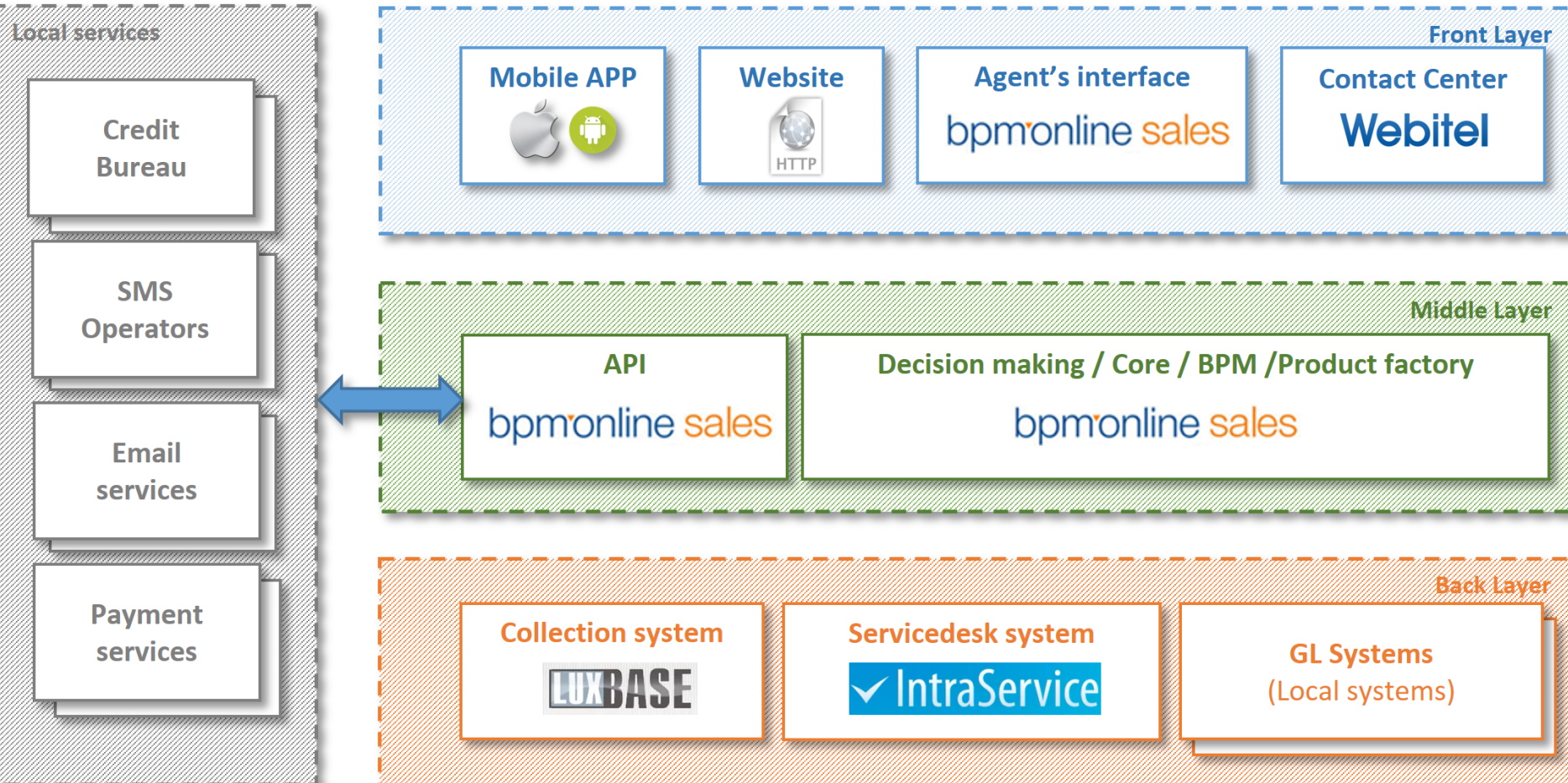


We expect the risk loss for new loans to be 30~40% at the beginning and then decrease to 20% EOY1 and then to stabilize at the level of 15% for New loans and 11% for Repeat at EOY2.

From year to year risk will continue to decreasing as a result of risk strategies optimization.



7. IT

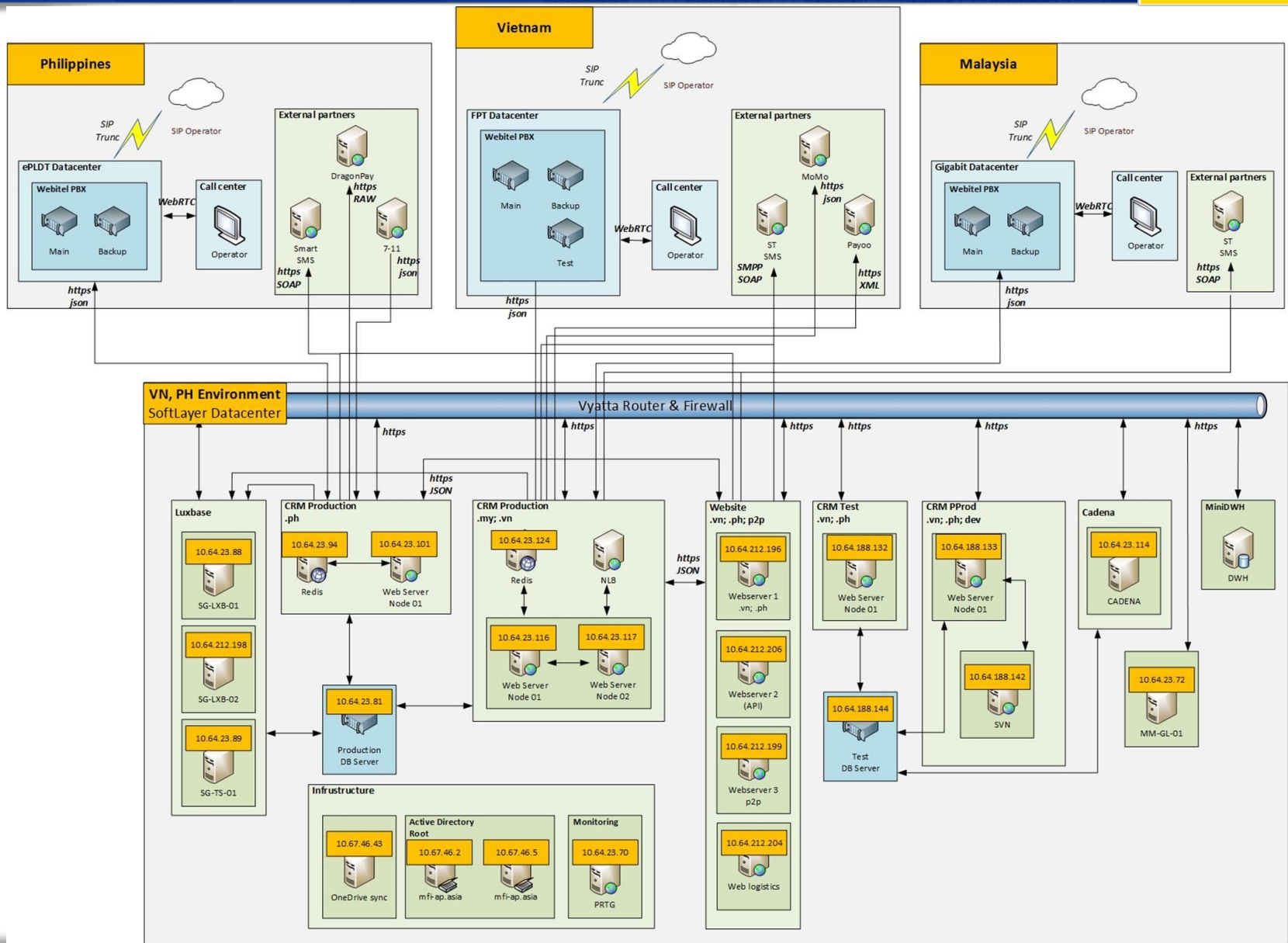


Integration scope of work



| # | Integration partner | Type of the partner | Comments |
|---|---|---|--|
| 1 | TextWare (Private) Limited http://textware.lk | SMS Aggregator | The company has integration points with all mobile operators in the country |
| 2 | Sampath Bank http://www.sampath.lk/en/ | Payment/ disbursement agent | The most technologically advanced bank in the market |
| 3 | Pass accounting solution | Payment/ disbursement agent (alternative) | Company that has required software and an experience of distributing money to customers' accounts |
| 4 | Cargills Food cities, Keels Super Markets, Singer Outlets | Repayment partner | Retail networks |
| 5 | BizPay https://www.bizpay.lk/BizPayIPG/PaymentGateway | Repayment partner | Multi-channel payment platform |
| 6 | SCIENTER TECHNOLOGIES http://scienter.lk | GL system supplier | Scienter tech provides eFinancials software for finance companies |
| 7 | OpenArc Systems Management http://openarc.lk | GL system supplier (alternative) | InBank solution developed by OpenArc gives its customers graphical user interface (GUI) to optimise profit through GL data |

IT architecture geo layout



IT expenses: One-off and Fixed



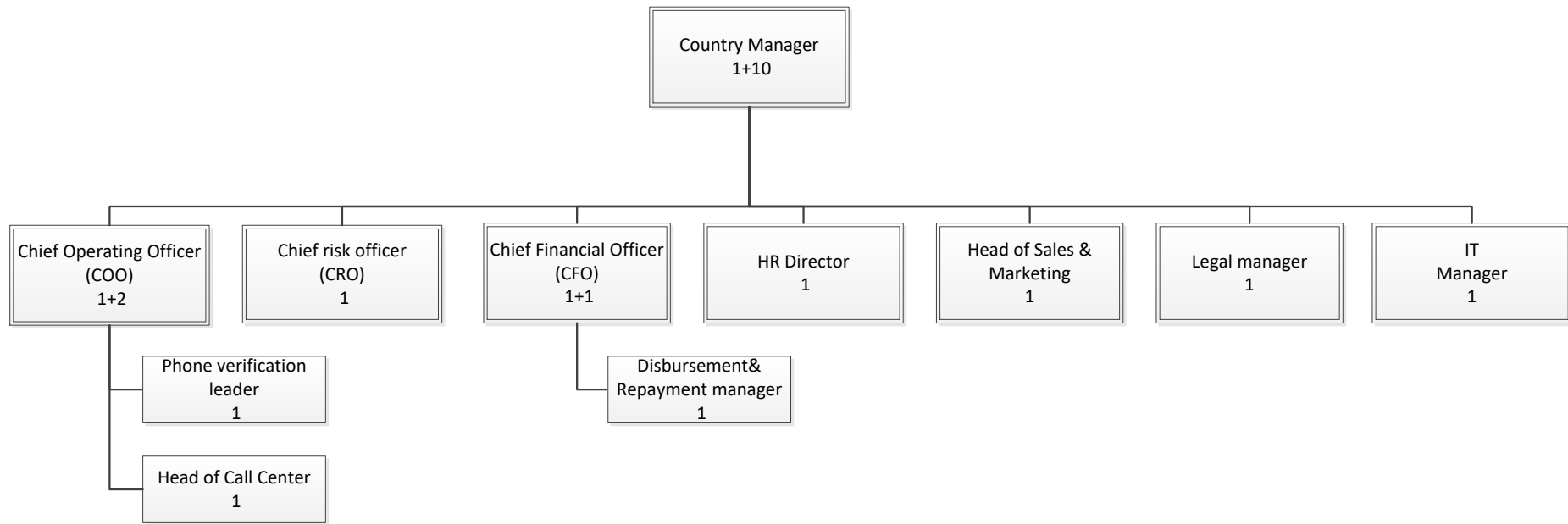
| One-off IT expenses | Values, USD |
|----------------------------------|----------------|
| Web sites | -7 000 |
| Mobile sites&app | -4 000 |
| Collection system implementation | -8 000 |
| CRM development | -56 400 |
| Total: | -75 400 |

| Fixed IT expenses, USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Internet | -24 000 | -30 000 | -30 000 | -30 000 | -30 000 |
| Data center rent | -42 000 | -12 000 | -12 000 | -12 000 | -12 000 |
| CC license | -7 254 | -11 718 | -6 975 | -7 533 | -1 674 |
| GL license | -1 000 | -1 000 | -1 000 | -1 000 | -1 000 |
| CRM Development - fixed part | -27 500 | -30 000 | -30 000 | -30 000 | -30 000 |
| Software support | -27 000 | -27 000 | -27 000 | -27 000 | -27 000 |
| Total: | -131 754 | -144 718 | -139 975 | -140 533 | -134 674 |



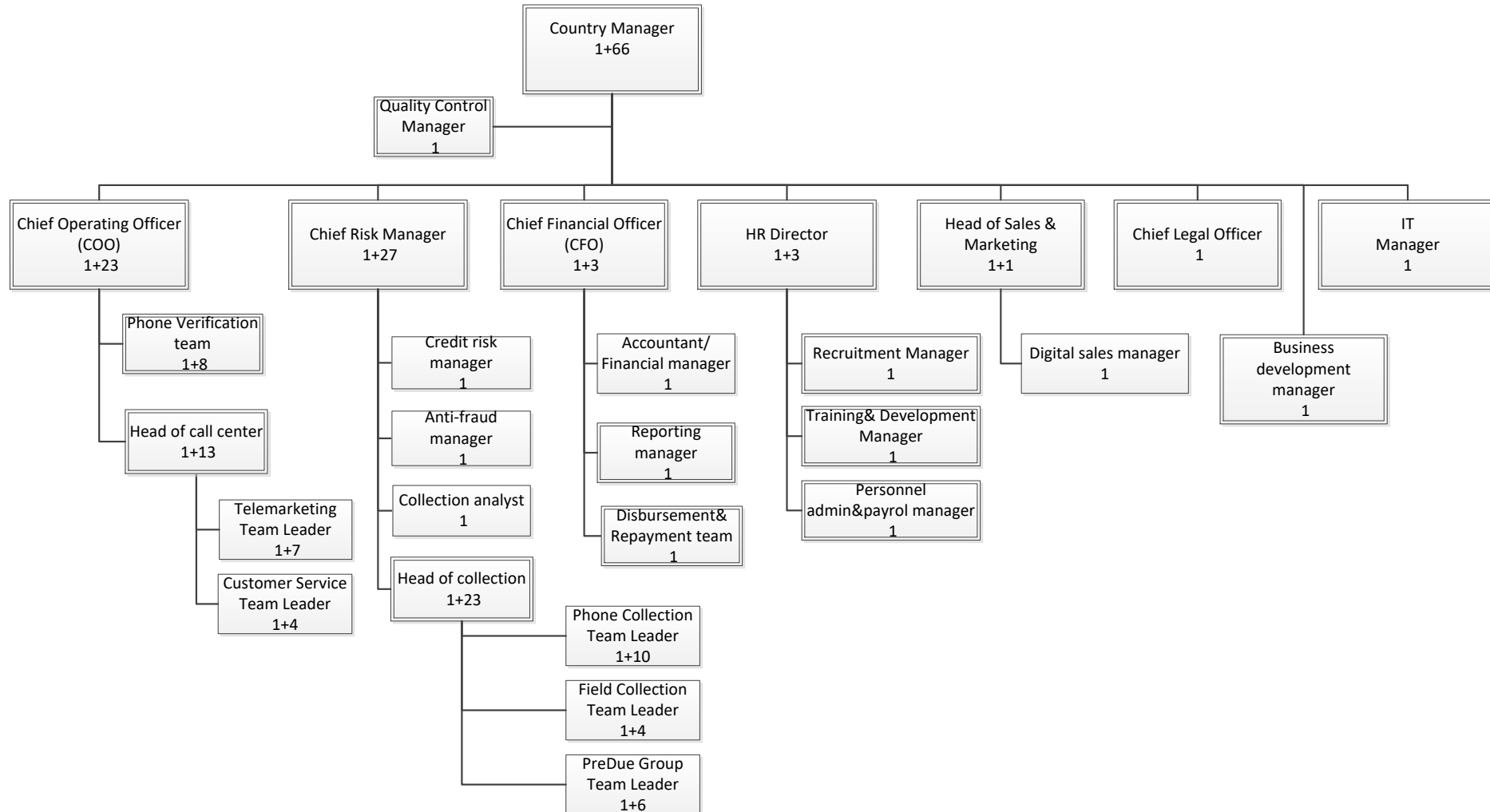
8. HR & Admin Information

Organization chart – Initial (up to 3 months)



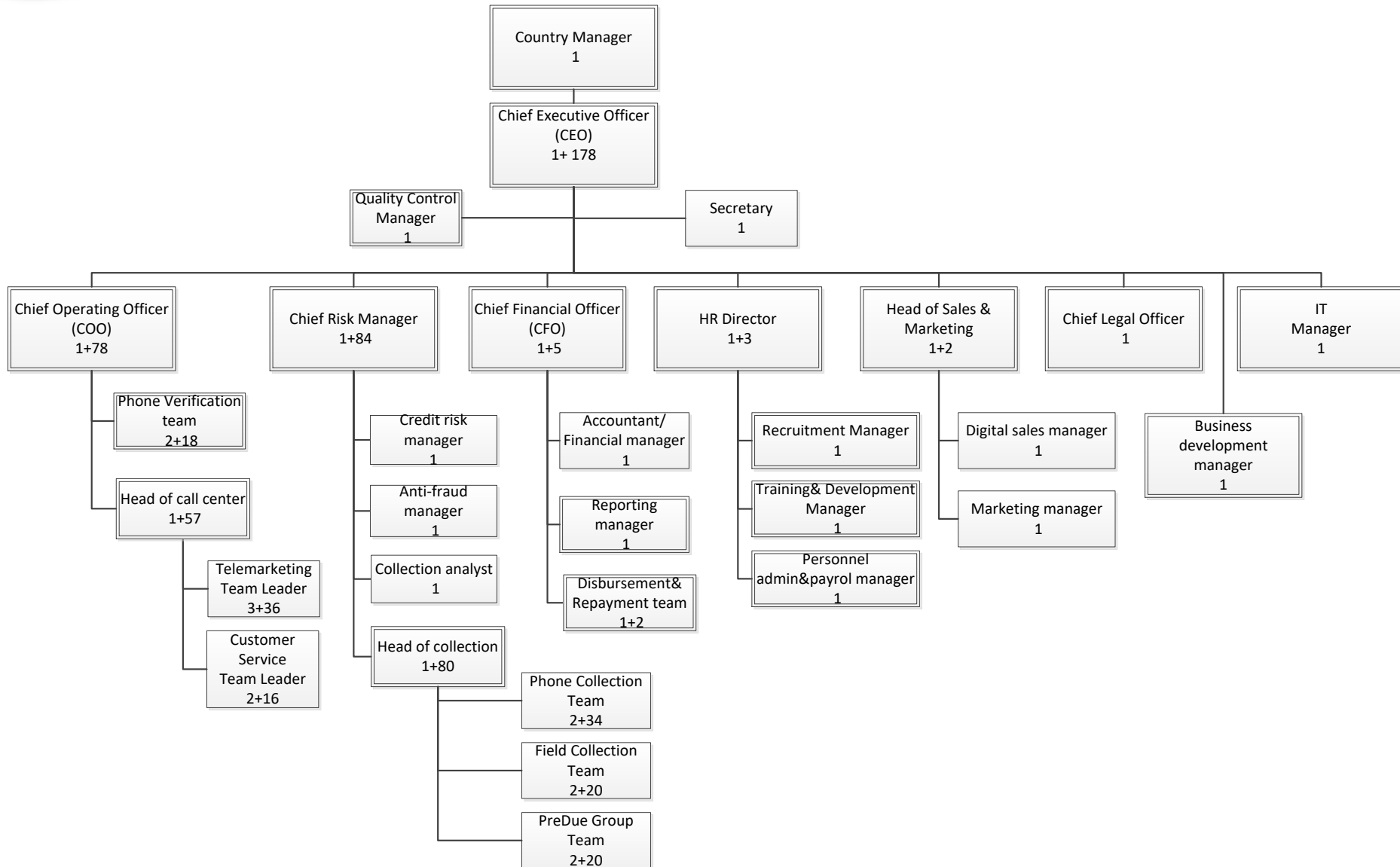
- Total 11 people

Organization chart – end of year 1



- Total 67 people

Organization chart – end of year 5



- Total 180 people

Headcount and Personnel budget



| Group/Position | Gross costs of employment, USD | Headcount | | | | | Monthly cost of employment, USD | | | | |
|-------------------------------------|--------------------------------|-----------|------------|------------|------------|------------|---------------------------------|---------------|---------------|----------------|----------------|
| | | EOY 1 | EOY 2 | EOY 3 | EOY 4 | EOY 5 | EOY 1 | EOY 2 | EOY 3 | EOY 4 | EOY 5 |
| Total staff (fixed+variable) | | 67 | 119 | 137 | 171 | 180 | 65 050 | 91 350 | 98 350 | 113 050 | 117 000 |
| Total fixed staff | | 22 | 23 | 23 | 23 | 23 | 45 000 | 50 000 | 50 000 | 50 000 | 50 000 |
| Mangement and direct reports | | 3 | 4 | 4 | 4 | 4 | 11 000 | 16 000 | 16 000 | 16 000 | 16 000 |
| Operations department | | 3 | 3 | 3 | 3 | 3 | 6 500 | 6 500 | 6 500 | 6 500 | 6 500 |
| Risk department | | 5 | 5 | 5 | 5 | 5 | 7 600 | 7 600 | 7 600 | 7 600 | 7 600 |
| Financial department | | 3 | 3 | 3 | 3 | 3 | 5 400 | 5 400 | 5 400 | 5 400 | 5 400 |
| Legal department | | 1 | 1 | 1 | 1 | 1 | 3 000 | 3 000 | 3 000 | 3 000 | 3 000 |
| Digital marketing department | | 2 | 2 | 2 | 2 | 2 | 4 000 | 4 000 | 4 000 | 4 000 | 4 000 |
| IT department | | 1 | 1 | 1 | 1 | 1 | 2 500 | 2 500 | 2 500 | 2 500 | 2 500 |
| HR department | | 4 | 4 | 4 | 4 | 4 | 5 000 | 5 000 | 5 000 | 5 000 | 5 000 |
| Total variable staff | | 45 | 96 | 114 | 148 | 157 | 20 050 | 41 350 | 48 350 | 63 050 | 67 000 |
| Operations department | | 22 | 43 | 55 | 73 | 77 | 9 550 | 17 850 | 22 050 | 29 450 | 31 200 |
| Verificator Teamleader | 700 | 1 | 1 | 1 | 2 | 2 | 700 | 700 | 700 | 1 400 | 1 400 |
| Verificator | 450 | 8 | 14 | 14 | 18 | 18 | 3 600 | 6 300 | 6 300 | 8 100 | 8 100 |
| Telesale operators Teamleader | 700 | 1 | 2 | 2 | 3 | 3 | 700 | 1 400 | 1 400 | 2 100 | 2 100 |
| Telesale operators | 350 | 7 | 17 | 26 | 34 | 36 | 2 450 | 5 950 | 9 100 | 11 900 | 12 600 |
| Customer support Teamleader | 700 | 1 | 1 | 1 | 1 | 2 | 700 | 700 | 700 | 700 | 1 400 |
| Customer support | 350 | 4 | 8 | 11 | 15 | 16 | 1 400 | 2 800 | 3 850 | 5 250 | 5 600 |
| Risk department | | 23 | 53 | 59 | 75 | 80 | 10 500 | 23 500 | 26 300 | 33 600 | 35 800 |
| Telecollector Teamleader | 700 | 2 | 3 | 3 | 4 | 4 | 1 400 | 2 100 | 2 100 | 2 800 | 2 800 |
| Telecollector | 400 | 16 | 38 | 40 | 51 | 54 | 6 400 | 15 200 | 16 000 | 20 400 | 21 600 |
| Field collector Teamleader | 700 | 1 | 1 | 1 | 2 | 2 | 700 | 700 | 700 | 1 400 | 1 400 |
| Field collector | 500 | 4 | 11 | 15 | 18 | 20 | 2 000 | 5 500 | 7 500 | 9 000 | 10 000 |



8. Finance

Financial model assumptions



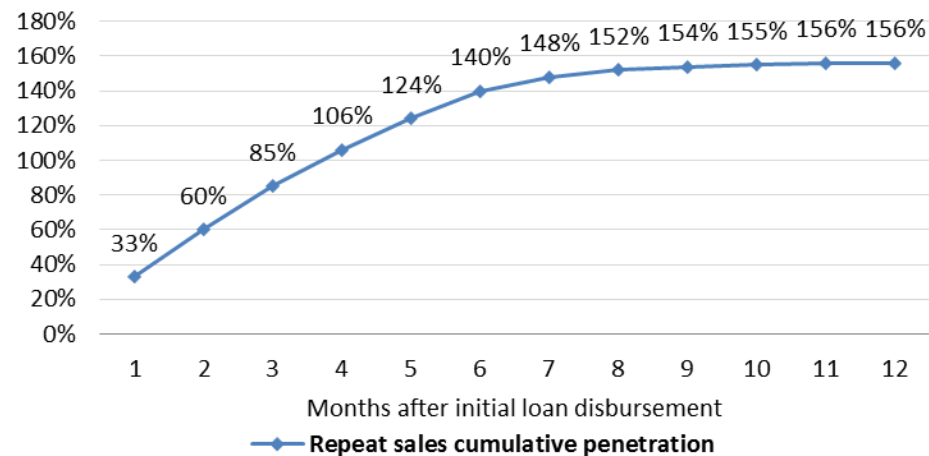
| Loan type | Avg term, days | Avg ticket, USD | Losses, % |
|---------------------|----------------|-----------------|-----------|
| New | 26 | 90 | 14.8% |
| Repeat | 26 | 160 | 11.3% |
| Prolongation new | 30 | 90 | 25.0% |
| Prolongation repeat | 30 | 160 | 25.0% |

| Year of project | 1 | 2 | 3 | 4 | 5 |
|-------------------|----|----|----|----|----|
| MAC, USD per loan | 48 | 10 | 10 | 10 | 10 |

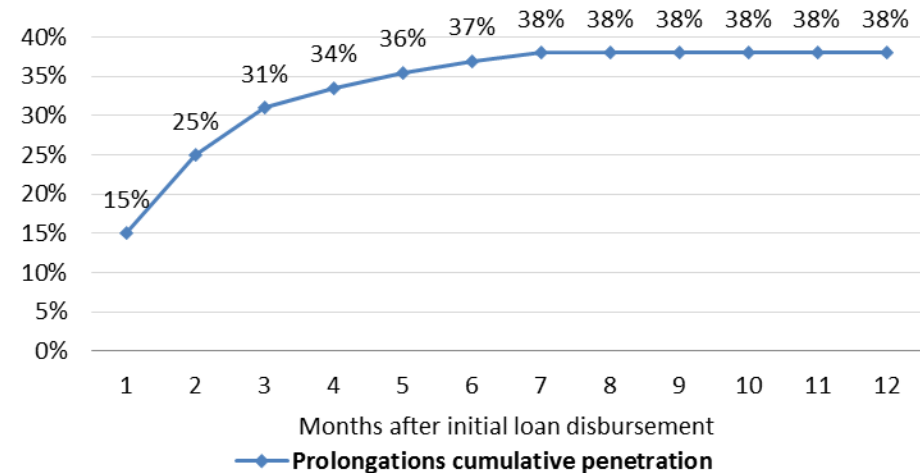
| | |
|-----------------------------|------|
| Repeat sales per new loans | 156% |
| Prolongations per all loans | 38% |

| Product parameters | Value |
|-------------------------------------|-------|
| Normal interest rate, per day | 1.11% |
| Late penalty interest rate, per day | 1.50% |
| Late payment fee, USD | 10 |

Repeat sales curve



Prolongations curve



Investment summary



| Investments, thsd USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|----------------------------|--------------|--------------|------------|----------|----------|--------------|
| Portfolio investments | 1 295 | 1 430 | 126 | 0 | 0 | 2 851 |
| OPEX and CAPEX investments | 1 148 | 161 | 0 | 0 | 0 | 1 309 |
| Total investments | 2 444 | 1 591 | 126 | 0 | 0 | 4 161 |

| Volume indicators | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|-------------------------------|--------|--------|--------|--------|--------|---------|
| Number of loans issued, thsd | 32 | 158 | 264 | 362 | 422 | 1 238 |
| Amount disbursed, thsd USD | 3 088 | 15 408 | 25 527 | 34 957 | 40 642 | 119 622 |
| Net portfolio (EoY), thsd USD | 789 | 2 054 | 3 163 | 4 146 | 4 410 | 14 561 |

| P&L, thsd USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|--------------------------------|---------------|-------------|--------------|--------------|--------------|---------------|
| Revenue | 810 | 5 328 | 9 502 | 13 431 | 16 034 | 45 105 |
| Provisions | -659 | -2 931 | -4 479 | -5 540 | -6 472 | -20 081 |
| Variable costs | -563 | -1 407 | -2 256 | -3 096 | -3 606 | -10 929 |
| Marketing acquisition costs | -385 | -527 | -815 | -1 087 | -1 206 | -4 020 |
| Salary (variable part) | -127 | -388 | -516 | -680 | -796 | -2 506 |
| Other variable costs | -20 | -69 | -96 | -128 | -148 | -462 |
| VAT | -32 | -424 | -829 | -1 200 | -1 456 | -3 941 |
| Fixed costs | -1 016 | -1 125 | -1 036 | -1 141 | -1 171 | -5 490 |
| Salary (fixed part) | -709 | -807 | -726 | -826 | -886 | -3 954 |
| Other G&A expenses | -307 | -318 | -310 | -315 | -286 | -1 536 |
| One-off expenses | -49 | -15 | -15 | -15 | -15 | -109 |
| Net profit before taxes | -1 476 | -151 | 1 715 | 3 639 | 4 769 | 8 496 |
| Terminal value | | | | | | 20 968 |
| ROE (annualized) | | | | | | 60% |
| ROAA (yearly) | -187% | -11% | 64% | 72% | 80% | 51% |

Break-even period – 17 months

Self-capitalization period – 26 months

Payback period – 56 months

Total investments from – \$4,2M

Unoptimized Yr5 corporate tax – \$1,3M

Terminal Value – \$21,0M (Gordon growth model with discount factor 15% and growth rate 0%)



| Balance Sheet (EOY) | | | | | | |
|--|------------|--------------|--------------|--------------|--------------|--|
| thsd USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | |
| Assets | 967 | 2 407 | 3 668 | 4 783 | 5 071 | |
| Liquid assets | 118 | 308 | 474 | 622 | 661 | |
| Loans to individuals (net of provisions) | 789 | 2 054 | 3 163 | 4 146 | 4 410 | |
| Total loans | 1 447 | 5 644 | 11 232 | 17 755 | 24 491 | |
| Risk provisions | -659 | -3 590 | -8 069 | -13 609 | -20 081 | |
| Other receivables | 60 | 45 | 30 | 15 | 0 | |
| Shareholders' equity | 967 | 2 407 | 3 668 | 4 783 | 5 071 | |
| Contributed equity | 2 444 | 4 034 | 4 161 | 4 161 | 4 161 | |
| Retained earnings | -1 476 | -1 627 | 35 | 2 655 | 6 089 | |
| Dividends paid | 0 | 0 | -528 | -2 033 | -5 179 | |
| Equity+Liabilities | 967 | 2 407 | 3 668 | 4 783 | 5 071 | |

P&L Statement



| P&L | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|----------------|
| thsd USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
| Revenue | 810 | 5 328 | 9 502 | 13 431 | 16 034 | 45 105 |
| Primary sales | 363 | 1 682 | 2 748 | 3 784 | 4 330 | 12 907 |
| Repeat Sales | 448 | 3 646 | 6 754 | 9 647 | 11 704 | 32 198 |
| Risk provisions | -659 | -2 931 | -4 479 | -5 540 | -6 472 | -20 081 |
| Primary sales | -356 | -1 084 | -1 503 | -1 801 | -2 013 | -6 756 |
| Repeat Sales | -303 | -1 848 | -2 976 | -3 739 | -4 459 | -13 325 |
| Variable costs* | -563 | -1 407 | -2 256 | -3 096 | -3 606 | -10 929 |
| Marketing acquisition costs | -385 | -527 | -815 | -1 087 | -1 206 | -4 020 |
| Salary (variable part) | -127 | -388 | -516 | -680 | -796 | -2 506 |
| Other variable costs | -20 | -69 | -96 | -128 | -148 | -462 |
| VAT | -32 | -424 | -829 | -1 200 | -1 456 | -3 941 |
| Operating profit (before fixed costs) | -412 | 990 | 2 766 | 4 795 | 5 955 | 14 095 |
| Fixed costs* | -1 016 | -1 125 | -1 036 | -1 141 | -1 171 | -5 490 |
| Salary (fixed part) | -709 | -807 | -726 | -826 | -886 | -3 954 |
| Other G&A expenses | -307 | -318 | -310 | -315 | -286 | -1 536 |
| One-off expenses | -49 | -15 | -15 | -15 | -15 | -109 |
| Profit before Taxes** | -1 476 | -151 | 1 715 | 3 639 | 4 769 | 8 496 |

* See slides 50-51 for details

** Estimated unoptimized amount of profit tax for 5th year is \$1.3M

Cash flow statement



| Cash flow thsd USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|--|---------------|---------------|---------------|---------------|---------------|----------------|
| Loans issued | -3 088 | -15 408 | -25 527 | -34 957 | -40 642 | -119 622 |
| Principals received | 1 640 | 11 212 | 19 939 | 28 435 | 33 906 | 95 131 |
| Interest received | 810 | 5 328 | 9 502 | 13 431 | 16 034 | 45 105 |
| Loan fees received | 0 | 0 | 0 | 0 | 0 | 0 |
| Fines & penalties received | 0 | 0 | 0 | 0 | 0 | 0 |
| Total CF from business activities: | -637 | 1 132 | 3 913 | 6 909 | 9 298 | 20 614 |
| Commissions to agents & payment systems | -3 | -3 | -3 | -3 | -4 | -16 |
| POS costs | 0 | 0 | 0 | 0 | 0 | 0 |
| People costs | -826 | -1 140 | -1 150 | -1 379 | -1 531 | -6 025 |
| Marketing & Acquisition costs | -394 | -582 | -908 | -1 215 | -1 356 | -4 454 |
| Support costs | -11 | -29 | -35 | -46 | -47 | -169 |
| Office costs | -183 | -216 | -228 | -255 | -245 | -1 127 |
| IT costs | -176 | -103 | -103 | -103 | -103 | -588 |
| Professional services | -20 | 0 | 0 | 0 | 0 | -20 |
| Other income (expenses) | -43 | -36 | -36 | -36 | -36 | -187 |
| Profit tax | 0 | 0 | -53 | -1 019 | -1 335 | -2 407 |
| VAT paid | -32 | -424 | -829 | -1 200 | -1 456 | -3 941 |
| Working Capital required | 0 | 0 | 0 | 0 | 0 | 0 |
| Total CF from operating expenses: | -1 688 | -2 532 | -3 345 | -5 256 | -6 113 | -18 935 |
| Total CF from operating activities: | -2 325 | -1 401 | 568 | 1 652 | 3 185 | 1 679 |
| Financing received | 2 444 | 1 591 | 126 | 0 | 0 | 4 161 |
| Financing returned | 0 | 0 | -528 | -1 505 | -3 145 | -5 179 |
| Interest expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Total CF from financing activities: | 2 444 | 1 591 | -402 | -1 505 | -3 145 | -1 018 |
| CAPEX | 0 | 0 | 0 | 0 | 0 | 0 |
| Total CF for the period: | 118 | 190 | 166 | 147 | 40 | 661 |
| Cash balance beginning: | 0 | 118 | 308 | 474 | 622 | 622 |
| Cash balance ending: | 118 | 308 | 474 | 622 | 661 | 661 |

Expenses detailed



| Variable costs, thsd. USD | | | | | | |
|------------------------------------|-------------|---------------|---------------|---------------|---------------|----------------|
| Expenses category | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
| Marketing acquisition costs | -385 | -527 | -815 | -1 087 | -1 206 | -4 020 |
| Salary (variable part) | -127 | -388 | -516 | -680 | -796 | -2 506 |
| Other variable costs | -20 | -69 | -96 | -128 | -148 | -462 |
| Telecommunications - acquisition | -6 | -20 | -28 | -38 | -44 | -135 |
| Outbound SMS - acquisition | -3 | -12 | -20 | -27 | -31 | -92 |
| Payment system fees | -3 | -3 | -3 | -3 | -4 | -16 |
| Telecommunications - support | -7 | -29 | -36 | -48 | -56 | -177 |
| Outbound SMS - support | -1 | -5 | -9 | -12 | -14 | -41 |
| VAT | -32 | -424 | -829 | -1 200 | -1 456 | -3 941 |
| Total | -563 | -1 407 | -2 256 | -3 096 | -3 606 | -10 929 |

| Fixed costs, thsd. USD | | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Expenses category | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
| Salary (fixed part) | -709 | -807 | -726 | -826 | -886 | -3 954 |
| Salary | -484 | -570 | -600 | -600 | -600 | -2 854 |
| Bonuses | -225 | -237 | -126 | -226 | -286 | -1 100 |
| Other G&A expenses | -307 | -318 | -310 | -315 | -286 | -1 536 |
| Rent/office expenses | -133 | -138 | -134 | -139 | -115 | -658 |
| IT expenses | -132 | -145 | -140 | -141 | -135 | -692 |
| Miscellaneous | -43 | -36 | -36 | -36 | -36 | -187 |
| Total | -1 016 | -1 125 | -1 036 | -1 141 | -1 171 | -5 490 |



| Expenses category | Total, thsd USD |
|----------------------------------|-----------------|
| HR expenses | -20 |
| Recruiting | -20 |
| IT expenses | -89 |
| CRM development | -56 |
| Call center implementation | -14 |
| Collection system implementation | -8 |
| Web sites | -7 |
| Mobile sites&app | -4 |
| Total | -109 |



9. Project plan

Project Plan



| Activity | Planning end date | Comments |
|-------------------------------|-------------------|--|
| Hiring a COO | 28/09/2016 | We already have the candidate. |
| Incorporating a company | 28/10/2016 | We plan to prepare documents in middle of September |
| Renting office | 31/10/2016 | We plan to rental office by the end of September |
| Building team | 15/11/2016 | We planning to use requiting agency for hiring top employees |
| IT settings, product settings | 25/12/2016 | We understand all our partners for integration |
| Official documents | 15/11/2016 | We will use law advisor company for preparing all documents |
| Start pilot sales | 20/11/2016 | |
| Start operations | 25/12/2016 | |

| Activity | Sept-16 | Oct-16 | Nov-16 | Dec-16 | Jan-17 |
|----------------------------------|---------|--------|--------|--------|--------|
| Incorporating a company | | | | | |
| Renting office | | | | | |
| Creating team | | | | | |
| IT Development, product settings | | | | | |
| Official documents for customers | | | | | |
| Start pilot sales | | | ✓ | | |
| Start operations | | | | ✓ | |



10. Annexes

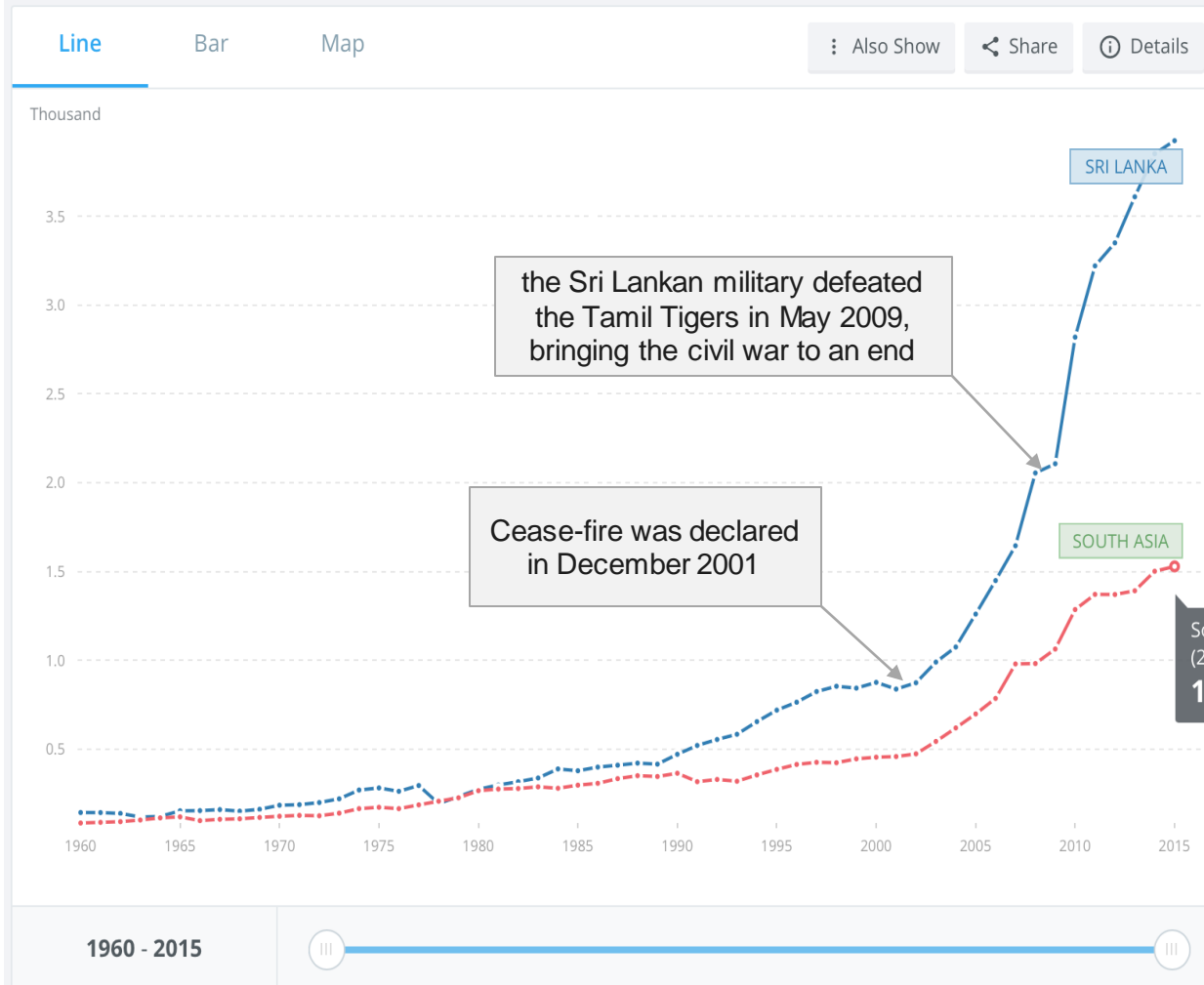
Annex 1: GDP per capita growth



GDP per capita (current US\$)

World Bank national accounts data, and OECD National Accounts data files.

License: [Open](#)



ECONOMY

REAL SECTOR

| GDP at Market Prices | Rs Bn. | US\$ Bn. |
|----------------------|--------|----------|
| 2012 | 7,579 | 59.4 |
| 2013 | 8,674 | 67.2 |
| 2014 (c) | 9,785 | 74.9 |

| Per Capita GDP (d) | Rs. | US\$ |
|--------------------|---------|-------|
| 2012 | 371,061 | 2,908 |
| 2013 | 421,509 | 3,265 |
| 2014 (c) | 471,074 | 3,608 |

| Growth of GDP (in Real Terms) | % |
|-------------------------------|-----|
| 2012 | 6.3 |
| 2013 | 7.2 |
| 2014 (c) | 7.4 |

| Sectoral Composition of GDP, % | Agriculture | Industry | Services |
|--------------------------------|-------------|----------|----------|
| 2012 | 11.1 | 30.4 | 58.6 |
| 2013 | 10.8 | 31.1 | 58.1 |
| 2014 (c) | 10.1 | 32.3 | 57.6 |

| Unemployment, % of Labour Force | |
|---------------------------------|-----|
| 2012 | 4.0 |
| 2013 | 4.4 |
| 2014 (c) | 4.3 |

| Inflation (e) : Change of CCPI (Annual Avg.) | % |
|--|-----|
| 2012 | 7.6 |
| 2013 | 6.9 |
| 2014 (c) | 3.3 |

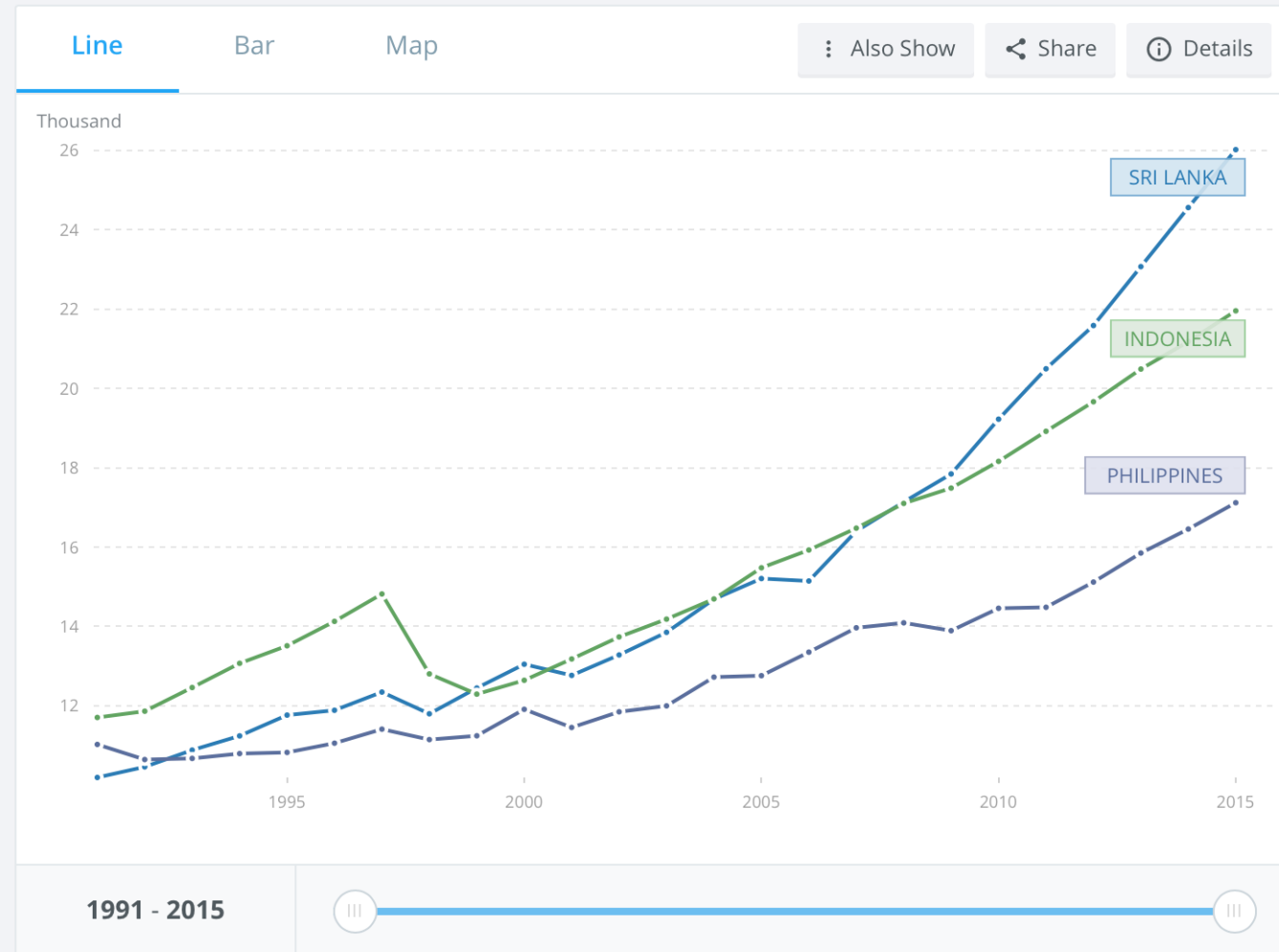
Annex 2: GDP per person employed



GDP per person employed (constant 2011 PPP \$)

International Labour Organization, Key Indicators of the Labour Market database.

License: [Open](#)



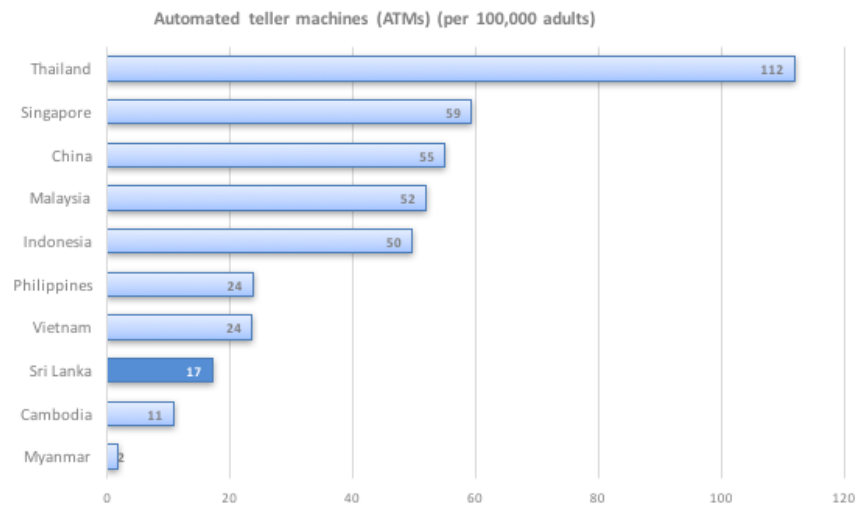
Whereas Sri Lanka, Indonesia, and Philippines have similar GDP per capita in the range of 3,2-3,9 (difference 22%), GDP per employed person in Sri Lanka significantly higher than in that of Philippines and Indonesia (difference 53%):

Sri Lanka – \$ 26 021

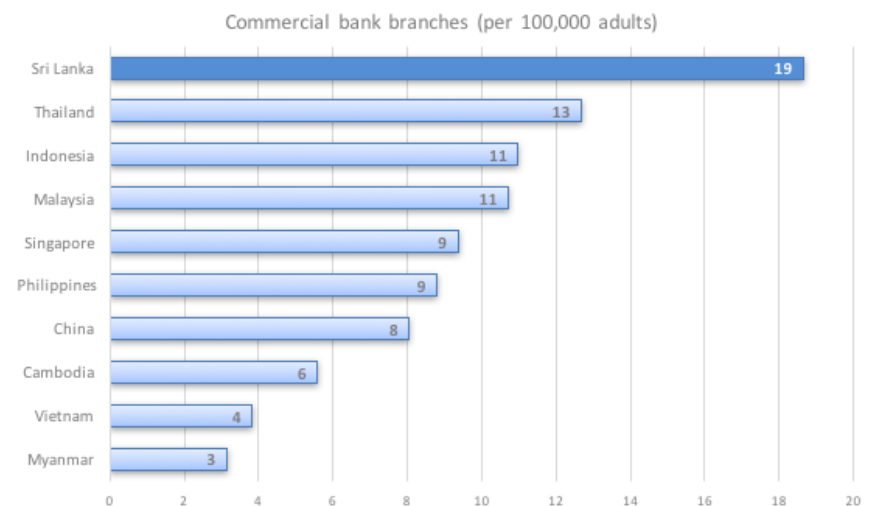
Indonesia - \$ 21 958

Philippines - \$ 17 120

Annex 3: ATM & Branches penetration



Source: International Monetary Fund, Financial Access Survey (World Data Bank)



Source: International Monetary Fund, Financial Access Survey (World Data Bank)

Annex 4: Employment by Economic Activity



Table 4.10

Employment by Economic Activity (a)(b)

| Sector | '000 Persons | | | | | | Percentage of Total Employment | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------------|--------------|
| | 2014 | 2015 (c) | | | | | 2014 | 2015 (c) |
| | | Q1 | Q2 | Q3 | Q4 | Annual | | |
| Agriculture | 2,400 | 2,500 | 2,443 | 2,340 | 2,353 | 2,409 | 28.5 | 28.2 |
| Industry | 2,229 | 2,200 | 2,206 | 2,325 | 2,167 | 2,225 | 26.5 | 26.0 |
| Mining and Quarrying | 79 | 79 | 40 | 80 | 58 | 64 | 0.9 | 0.7 |
| Manufacturing | 1,535 | 1,555 | 1,551 | 1,636 | 1,506 | 1,562 | 18.2 | 18.3 |
| Construction, Electricity, Gas, Steam and Air Conditioning Supply, Water Supply, Sewerage, Waste Management and Remediation Activities | 615 | 567 | 615 | 610 | 603 | 599 | 7.3 | 7.0 |
| Services | 3,795 | 3,801 | 3,951 | 3,889 | 4,039 | 3,920 | 45.0 | 45.8 |
| Wholesale and Retail Trade, Repair of Motor Vehicles and Motor Cycles | 1,111 | 1,127 | 1,098 | 1,207 | 1,205 | 1,159 | 13.2 | 13.5 |
| Transport and Storage | 528 | 526 | 522 | 522 | 550 | 530 | 6.3 | 6.2 |
| Accommodation and Food Services Activities | 200 | 210 | 202 | 233 | 243 | 222 | 2.4 | 2.6 |
| Information and Communication | 71 | 60 | 66 | 48 | 60 | 59 | 0.8 | 0.7 |
| Financial and Insurance Activities | 161 | 154 | 175 | 153 | 160 | 161 | 1.9 | 1.9 |
| Professional, Scientific and Technical Activities | 53 | 64 | 70 | 71 | 85 | 73 | 0.6 | 0.8 |
| Administrative and Support Service Activities | 112 | 128 | 138 | 135 | 132 | 134 | 1.3 | 1.6 |
| Public Administration and Defence Compulsory Social Security | 656 | 678 | 691 | 627 | 639 | 659 | 7.8 | 7.7 |
| Education | 341 | 292 | 393 | 355 | 366 | 352 | 4.1 | 4.1 |
| Human Health and Social Work Activities | 138 | 134 | 145 | 137 | 181 | 149 | 1.6 | 1.7 |
| Other (d) | 425 | 427 | 451 | 400 | 418 | 424 | 5.1 | 5.0 |
| Total employment | 8,424 | 8,502 | 8,601 | 8,554 | 8,558 | 8,554 | 100.0 | 100.0 |
| Percentage of Labour Force | 95.7 | 95.3 | 95.5 | 95.0 | 95.7 | 95.4 | | |

(a) Based on the International Standard Industrial Classification (ISIC) - Revision 4

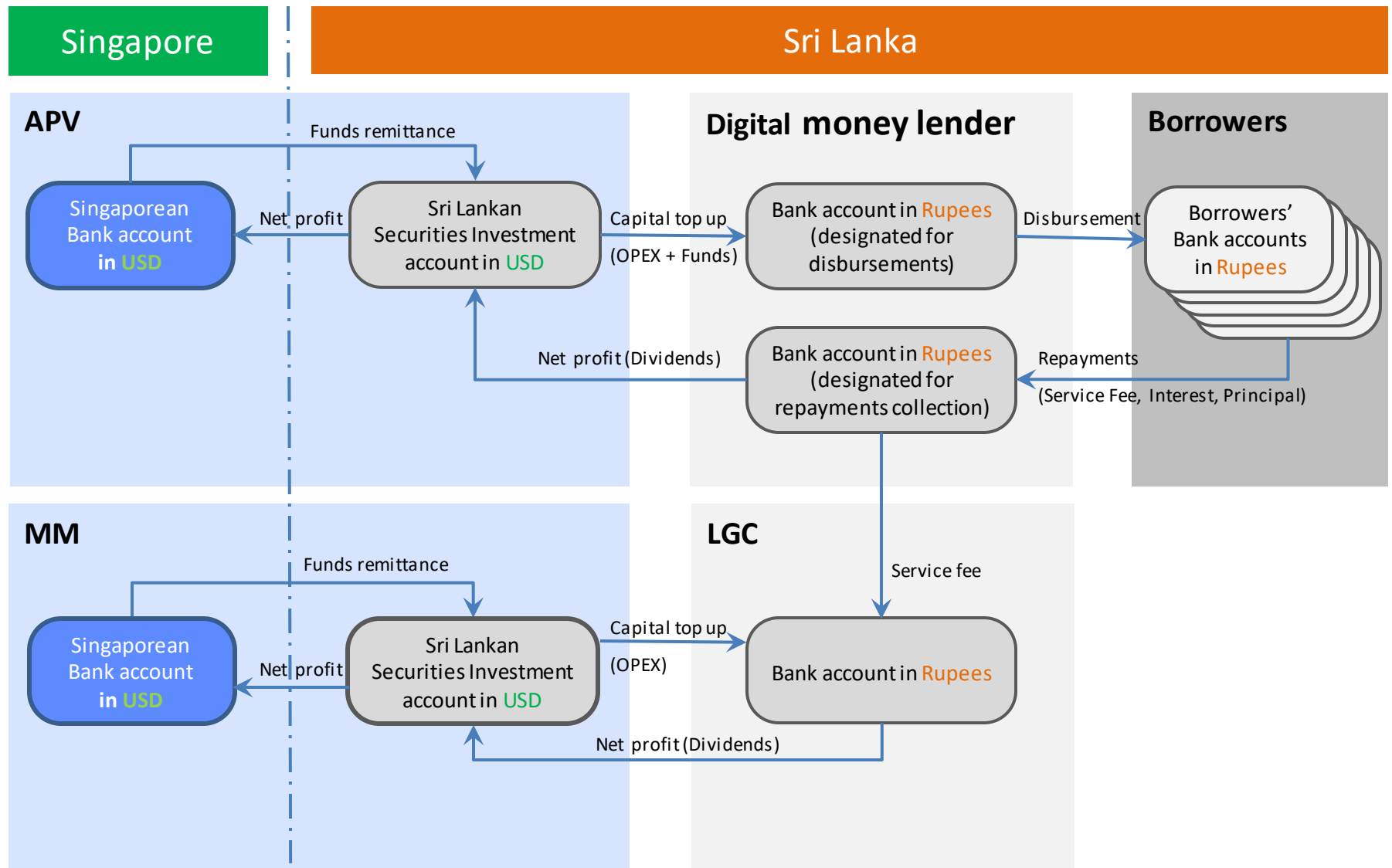
Source: Department of Census and Statistics

(b) Household population aged 15 years and above and data covers all districts

(c) Provisional

(d) Includes activities of Households as employers; Real estate; Arts, entertainment and recreation; and Extra territorial organisations and bodies

Annex 5: Cash flow



Annex 6: Incorporation procedure



| Activities | Week 1 | Week 2 | Week 3 | Week 4 | Week 5 | Week 6 | Week 7 | Week 8 | Week 9 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1) Obtain approval from Registrar for a name of the company | | | | | | | | | |
| 2) Prepare documents required for company incorporation | | | | | | | | | |
| 3) Obtain the certificate of incorporation | | | | | | | | | |
| 4) Incorporated company can be used for non-financial purposes | | | | | | | | | |
| 5) Transfer shares to foreign company | | | | | | | | | |
| 6) The entire operations can be launched | | | | | | | | | |
| 7) Give notice to the Registrar General of Companies | | | | | | | | | |
| 8) Obtain public notice* | | | | | | | | | |

The list of documents required for incorporation consists of the following:

1. Application for incorporation
2. Articles of association of the company signed by each of the initial shareholders (initial shareholder is a local citizen who consequently transfers shares to foreign company)
3. Consent from each of the initial directors to act as directors of the company
4. Consent from the initial secretary** to act as the secretary of the company (Secretarial services to be provided by Corporate Services (Private) Limited associated with F.J.&G. De Seram).

Legal consultant – F.J.&G. De Seram

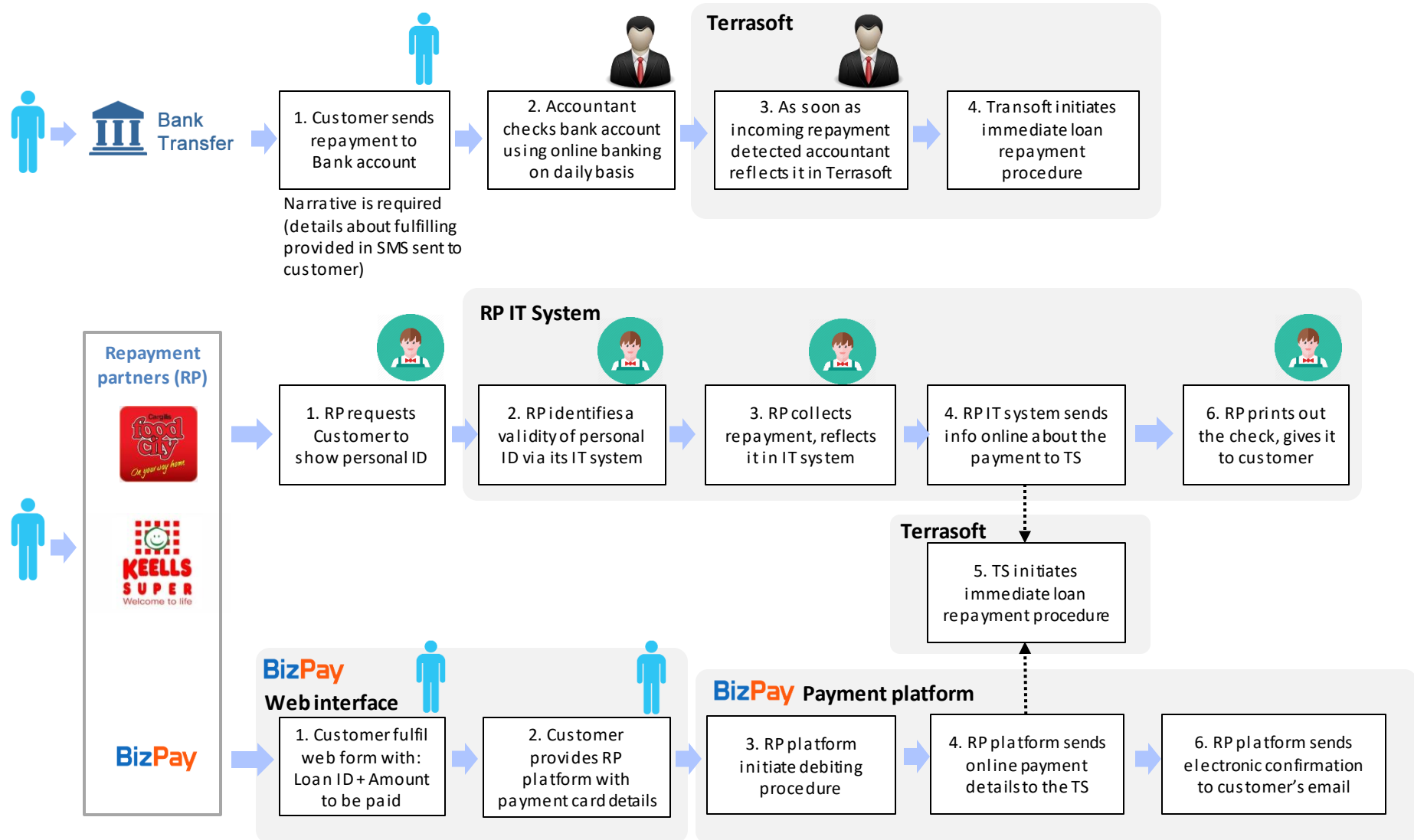
Expenses related to company incorporation (\$ 1400):

- Legal fees for attending to the incorporation of a company (\$ 1000)
- Cost of filing the forms for incorporation (\$ 140)
- The public notice of incorporation in newspapers published in Sinhala, English and Tamil languages (\$100)
- Fee for providing secretarial services (\$100)

* - The details specified in the Companies Act will be publishing in the Government Gazette and a Sinhala, Tamil and an English newspaper

** - Secretarial functions include convening meetings of directors and shareholders of the company; acting as Secretaries to all such meetings; keeping minutes and records thereof; and of circular resolutions; filing all returns and forms at the RGOC; maintaining all statutory books, except books of account.

Annex 7: Repayment procedure



Annex 8: Facebook user details



(New Audience)

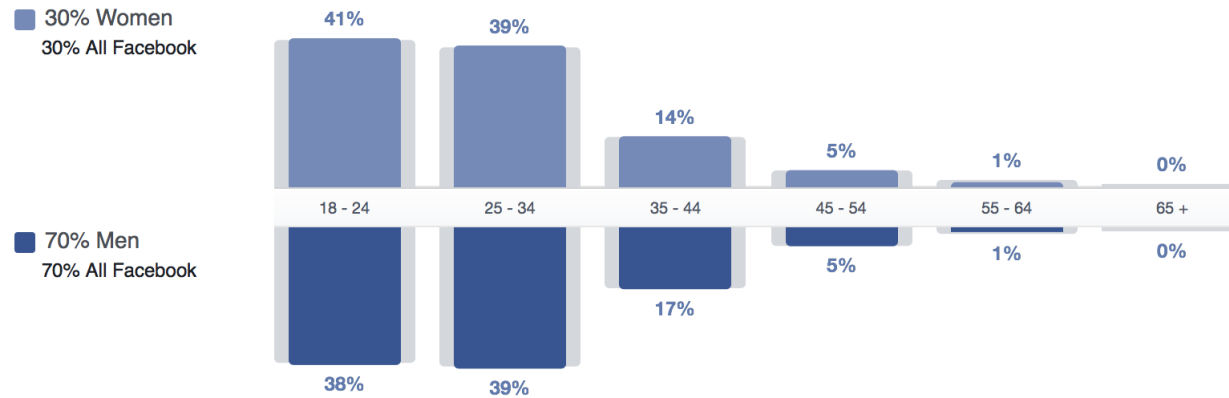
4m–4.5m monthly active people

People on Facebook

Country: Sri Lanka *i*

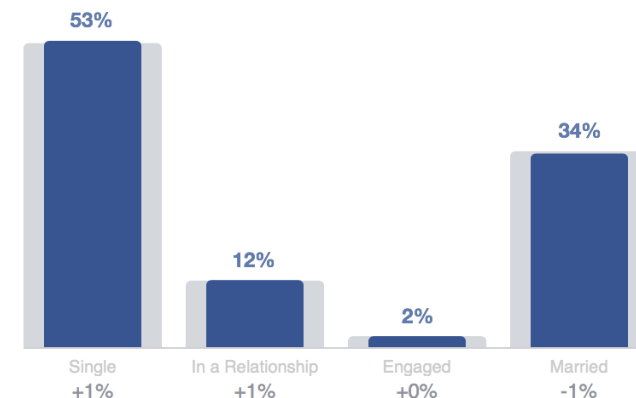
Age and Gender

Self-reported information from people in their Facebook Profiles. Information only available for people aged 18 and older.



Relationship Status

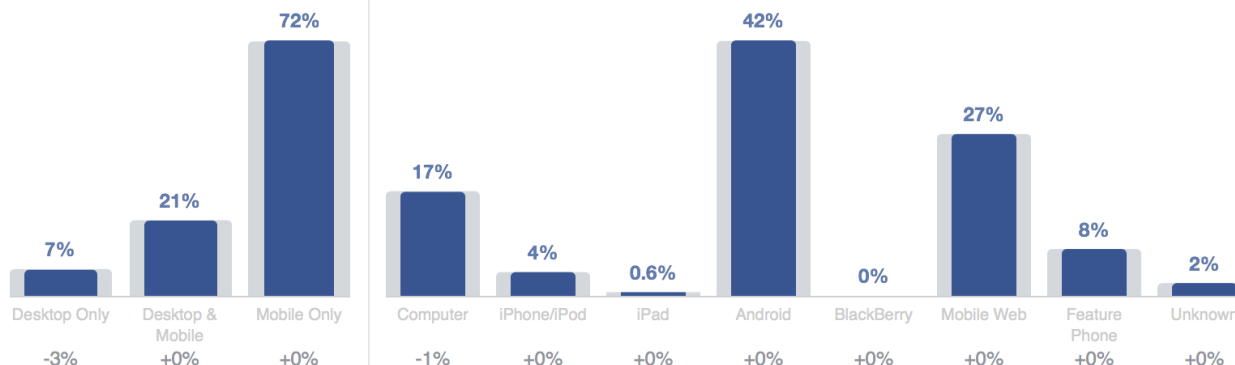
Self-reported data from people who list a relationship status on Facebook.



Device Users

How the selected audience accessed Facebook in the last 30 days, based on user activity and environmental data.

All Devices Used ▼



The majority of Facebook users are men (70%) between the ages of 18 and 34 (77%), 62% of whom are single. Predominantly people use mobile devices to access Facebook content. Although Android is commonly widespread, mobile web and feature phones are also popular way of accessing social media in Sri Lanka.

Annex 9: Markets comparison



| Country statistics | VN | PH | ID | MY | CN | MM | LK |
|------------------------------------|-----|-------|------|------|-------|-----|-------------|
| Population, mln | 91 | 101,9 | 255 | 31 | 1 376 | 51 | 21 |
| GDP per capita (nominal), thsd USD | 2,3 | 3,2 | 3,5 | 12,2 | 8,8 | 1,4 | 3,9 |
| GDP per person employed, thsd USD | 9,3 | 17,1 | 21,9 | 55,7 | 23,1 | 3,3 | 26,0 |
| Labor force ratio | 62% | 63% | 67% | 66% | 58,3 | 68% | 42% |
| Average monthly salary, USD | 200 | 208 | 250 | 961 | 730 | 120 | 233 |
| Smartphone penetration | 20% | 50% | 25% | 63% | 56% | 58% | 41% |
| Bank account penetration | 21% | 27% | 20% | 66% | 64,7% | 5% | 83% |

| Volume indicators (year 5) | VN | PH | ID | MY | CN | MM | LK |
|--|-------|------|------|-----|------|------|-------------|
| Loans issued in year 5, thsd including prolongations | 1 291 | 441 | 464 | 198 | 1154 | 620 | 422 |
| Loans issued per day in year 5 including prolongations | 3537 | 1208 | 1271 | 542 | 3160 | 1698 | 1156 |

| Investment parameters | VN | PH | ID | MY | CN | MM | LK |
|--|------|------|------|------|------------|------|------------|
| Investment, mln USD | 15,7 | 8,8 | 11,0 | 8,6 | 31,4/15,8* | 4,5 | 4,2 |
| capex + opex | 5,1 | 4,1 | 4,4 | 4,7 | 12,2 | 3,3 | 1,3 |
| portfolio financing | 10,6 | 4,8 | 6,6 | 3,9 | 3,4 | 1,1 | 2,8 |
| Break-even period, months | 15 | 20 | 20 | 18 | 25 | 22 | 17 |
| Payback period, months | 19 | 49 | 50 | 51 | 45 | 31 | 56 |
| Revenue, (Year 5), mln USD | 71 | 42,2 | 53,9 | 37,3 | 130 | 18,5 | 45 |
| Profit before taxes, (Year 5), mln USD | 19 | 15,5 | 16,8 | 15,3 | 42 | 5,5 | 8,5 |

*China investments total \$31,4 mln (15,8 investments + 15,5 debt financing)

Annex 10: new business vs. old business plan



| No | Parameter | New business plan | Old business plan |
|----|----------------------------------|-------------------|---|
| 1 | Loans disbursed, thsd | 1 238 | 2 863 |
| 2 | Total amount disbursed, thsd USD | 119 622 | 460 828 |
| 3 | Total investment, thsd USD | 4 161 | 61 553 50 935(portfolio) + 9068 (opex) + 1 550 (license) |
| 4 | Revenue | 45 105 | 151 266 |
| 5 | Profit before tax | 8 496 | 14 087 |
| 6 | ROE | 60% | --- |
| 7 | Break even | 17 | 24 |
| 8 | Pay Back, months | 56 | 72 |

Annex 11.1 Core team salary expenses



| No | Employee position | Level | LK monthly salary | APAC average salary | Difference | Joining period |
|----|----------------------------------|-------|-------------------|---------------------|------------|-----------------|
| 1 | Chief Executive Officer | B | \$ 5 000 | - | - | up to 16 months |
| 2 | Chief Operating Officer | B-1 | \$ 4 000 | \$ 3 671 | +329 | up to 3 months |
| 3 | Head of call center | B-2 | \$ 1 500 | - | +441 | up to 3 months |
| 4 | Head of collection | B-2 | \$ 2 000 | \$ 2 040 | -40 | up to 3 months |
| 5 | Chief Risk Officer | B-1 | \$ 3 500 | \$ 4 280 | -780 | up to 3 months |
| 6 | Credit risk manager | B-2 | \$ 700 | - | - | up to 6 months |
| 7 | Anti-fraud manager | B-2 | \$ 700 | - | - | up to 6 months |
| 8 | Collection analyst | B-2 | \$ 700 | - | - | up to 9 months |
| 9 | Chief Financial Officer | B-1 | \$ 4 000 | \$ 5 416 | -1416 | up to 3 months |
| 10 | Disbursement & repayment manager | B-2 | \$ 1 000 | - | - | up to 3 months |
| 11 | Accountant/ Financial manager | B-2 | \$ 700 | - | - | up to 12 months |
| 12 | Reporting manager | B-2 | \$ 700 | - | - | up to 12 months |
| 13 | HR Director | B-1 | \$ 3 000 | \$ 2 302 | +698 | up to 3 months |
| 14 | Recruitment manager | B-2 | \$ 600 | - | - | up to 12 months |
| 15 | Training & development manager | B-2 | \$ 800 | - | - | up to 12 months |
| 16 | Personal admin & payroll manager | B-2 | \$ 600 | - | - | up to 12 months |
| 17 | Head of Sales & Marketing | B-1 | \$ 3 000 | \$ 2 137 | +863 | up to 3 months |
| 18 | Digital sales manager | B-2 | \$ 1 000 | - | - | up to 12 months |
| 19 | Legal manager | B-1 | \$ 3 000 | - | - | up to 3 months |
| 20 | Business development manager | B-1 | \$ 3 000 | - | - | up to 12 months |
| 21 | IT Manager | B-1 | \$ 2 500 | \$ 2 224 | +276 | up to 3 months |
| 22 | Quality control manager | B-1 | \$ 1 000 | \$ 959 | -41 | up to 12 months |
| | Total: | | \$ 43 000 | | | |

Annex 11.2 Mass team salary expenses



| No | Employee position | LK monthly salary | APAC average salary | Difference | EOY1 total expense | EOY2 total expense | EOY3 total expense | EOY4 total expense | EOY5 total expense |
|--------|------------------------------|-------------------|---------------------|------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 | Phone verification team lead | \$ 1 000 | \$ 1 315 | - 315 | \$ 12 000 | \$ 12 000 | \$ 12000 | \$ 20 000 | \$ 24 000 |
| 2 | Phone verifier | \$ 450 | \$ 354 | +96 | \$ 22 950 | \$59 400 | \$66 150 | \$87 750 | \$97 200 |
| 3 | Telemarketing team lead | \$ 700 | \$ 1 059 | - 359 | \$ 7 700 | \$ 10 500 | \$ 16 800 | \$ 21 000 | \$ 25 200 |
| 4 | Telemarketing spec. | \$ 350 | \$ 338 | +12 | \$ 10 500 | \$ 54 950 | \$ 92 750 | \$ 127 400 | \$ 149 800 |
| 5 | Customer service team lead | \$ 700 | \$ 593 | +107 | \$ 8 400 | \$ 8 400 | \$ 8 400 | \$ 8 400 | \$ 11 200 |
| 6 | Customer service spec. | \$ 350 | \$ 468 | -118 | \$ 7 350 | \$ 25 550 | \$ 41 300 | \$ 55 650 | \$ 64 400 |
| 7 | Pre due group team lead | \$ 700 | - | - | 8 400 | \$ 8 400 | \$ 8 400 | \$12 600 | \$ 16 800 |
| 8 | Pre due specialist | \$ 400 | - | - | \$ 12 800 | \$ 51 600 | \$ 61 600 | \$ 80 800 | \$ 94 800 |
| 9 | Phone collection team lead | \$ 700 | \$ 580 | +120 | \$ 8 400 | \$ 12 600 | \$ 15 400 | \$ 16 800 | \$ 16 800 |
| 10 | Phone collector | \$ 400 | \$ 498 | -98 | \$ 22 800 | \$88 400 | \$104 800 | \$138 000 | \$161 600 |
| 11 | Field collection team lead | \$ 700 | \$ 564 | +136 | \$ 7 000 | \$ 8 400 | \$ 8 400 | \$ 14 000 | \$ 16 800 |
| 12 | Field collector | \$ 500 | \$ 345 | +5 | \$ 7 000 | \$ 47 500 | \$ 80 000 | \$ 97 500 | \$ 117 000 |
| Total: | | \$ 6 800 | \$ 5 055* | | \$ 135 300 | \$ 387 700 | \$ 499 200 | \$ 658 900 | \$ 770 400 |

* Excluding Pre Due group

Annex 11.3. Salaries comparison. APAC survey



| Job Title | Head of Accounting and Finance | HR Manager | IT Manager | Digital Marketing Manager | Head of Operations | Quality Control Head | Telemarketing Head | Senior Telemarketing Specialist | Telemarketing Specialist | Customer Service Team Leader | CSR |
|--------------|--------------------------------|------------|------------|---------------------------|--------------------|----------------------|--------------------|---------------------------------|--------------------------|------------------------------|-------|
| Job Title | 5 | 4 | 5 | 4 | 3 | 3 | 1 | 2 | 25 | 3 | 5 |
| # Incumbents | \$3 239na | | \$1 905 | \$1 811 | \$4 775 | \$1 059 | \$1 059 | \$338 | \$258 | \$631 | \$270 |
| VN | \$5 090 | \$2 134 | \$2 560 | \$2 560 | \$4 171 | \$1 067na | na | | \$294 | \$640 | \$293 |
| PH | \$1 918 | \$1 723 | \$2 401na | | \$2 068 | \$752na | na | na | | \$508 | \$376 |
| ID | \$4 625 | \$3 250 | \$1 625 | \$1 625na | na | na | na | na | na | na | \$500 |
| MY | \$12 207 | \$2 102 | \$2 628 | \$2 553na | na | na | na | na | na | na | \$901 |
| CN | \$1 918 | \$1 723 | \$1 625 | \$1 625 | \$2 068 | \$752 | | | | \$508 | \$293 |
| Min | \$12 207 | \$3 250 | \$2 628 | \$2 560 | \$4 775 | \$1 067 | | | | \$640 | \$901 |
| Max | \$5 416 | \$2 302 | \$2 224 | \$2 137 | \$3 671 | \$959 | \$1 059 | \$338 | \$276 | \$593 | \$468 |
| Average | \$4 625 | \$2 118 | \$2 401 | \$2 182 | \$4 171 | \$1 059 | \$1 059 | \$338 | \$276 | \$631 | \$376 |

| Job Title | Phone Verification Manager | Phone Verification Team Leader | Phone Verifier | Assistant Phone Verifier | Data Checking Team Leader | Data Checker | Head of Risk Management | Head of Collection | Field Collection Team Leader | Senior Field Collector | Field Collector | Phone Collection Team Leader | Phone Collector |
|--------------|----------------------------|--------------------------------|----------------|--------------------------|---------------------------|--------------|-------------------------|--------------------|------------------------------|------------------------|-----------------|------------------------------|-----------------|
| # Incumbents | 2 | 4 | 54 | 5 | 1 | 13 | 4 | 4 | 3 | 2 | 32 | 2 | 58 |
| VN | \$1 505 | \$374 | \$270 | \$225 | \$338 | \$285 | \$3 829 | \$2 297 | \$450 | \$315 | \$216 | \$720 | \$283 |
| PH | na | \$533 | \$277na | na | | \$288na | | \$1 707na | na | | \$277 | \$512 | \$288 |
| ID | na | \$526 | \$368na | na | na | | \$3 910 | \$1 654 | \$677 | \$375 | \$301 | \$508 | \$366 |
| MY | na | na | \$500na | na | na | \$458 | \$3 000 | \$2 500na | na | na | na | na | \$500 |
| CN | \$1 126na | na | na | na | na | na | \$6 381na | na | na | na | na | na | \$1 051 |
| Min | | \$374 | \$270 | | | | \$285 | \$3 000 | \$1 654 | | \$216 | \$508 | \$283 |
| Max | | \$533 | \$500 | | | | \$458 | \$6 381 | \$2 500 | | \$301 | \$720 | \$1 051 |
| Average | \$1 315 | \$478 | \$354 | \$225 | \$338 | \$344 | \$4 280 | \$2 040 | \$564 | \$345 | \$265 | \$580 | \$498 |
| Median | \$1 315 | \$526 | \$323 | \$225 | \$338 | \$288 | \$3 869 | \$2 002 | \$564 | \$345 | \$277 | \$512 | \$366 |