

# Business plan of Money lending business in Indonesia

prepared by APAC team



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# Investment Summary

# Investment summary

Indonesia is **very promising market** due to its size and supply glut in consumer finance services. We plan step-by-step penetration to capital metropolitan area of Greater Jakarta, Java Island, and other big cities.

- 1** Indonesia is **one of the biggest markets** in Micromoney A&P orbit:
  - Total population is 253M.
  - Our target segment will grow from 100M to 160M in 2012-2020<sup>1</sup>.
- 2** Only 23% of retail borrowers use **formal financing channels**:
  - Loan market is strictly regulated and has high requirements for borrowers and provides limited offering of uncollateralized cash loans.
  - Local mentality is relationship-driven and most of lending/borrowing activities are run via friends and family (F&F).
  - PDL market is in grey zone and not regulated, mostly represented by Black Money Lenders (BML).
- 3** We see huge opportunity for our business model in transferring lending/borrowing practices to **digital lending** by offering the product that is:
  - Really fast – credit decision to be obtained within hours, not days.
  - Convenient – without necessity to go to the branch and sign papers.
  - Accessible – easy to apply in 24/7 mode.
- 4** Our **key challenges** are:
  - Absence of conventional licensing options to meet our business model requirements.
  - Credit risks due to lack of borrowers' checking capacities.

# Investment summary

thsd USD	Q4'2015	Year 1	Year 2	Year 3	Year 4	Year 5*	Total
Micromoney investments	201	6 663	3 590	576	0	0	11 030
Total investments	201	6 663	3 590	576	0	0	11 030
Number of loans issued (thsd)	0,02	41	151	286	408	464	1 350
Amount disbursed	3	8 438	32 726	63 401	91 682	105 535	301 786
Net portfolio (EoY)	1	2 148	6 155	10 837	14 555	15 708	15 708
Revenue	0	2 782	14 095	29 528	44 915	53 942	145 262
One-off expenses	0	-908	0	-27	0	0	-935
Net profit after taxes	-198	-3 491	744	4 508	9 144	12 807	23 512
ROE (yearly)	-197%	-91%	8%	40%	78%	110%	51%
ROAA (yearly)		-184%	12%	42%	60%	73%	39%

\* - normalized year with no growth

- Break-even period – 20 months.
- Payback period – 50 months.
- Maximum investments from Micromoney – \$11,0M.

# Market Overview

# General market information

Geographic area	1.9M km <sup>2</sup>	
Population	253M	
	Java Island 140M	Greater Jakarta 30M
Official language	Bahasa	
GDP per capita (Nominal)	\$3,6k <sup>1</sup> nationwide	
	>\$10k in Jakarta	
Average monthly income	\$250 <sup>2</sup> nationwide	
	\$740 <sup>3</sup> in Jakarta	
Taxable population rate	11% <sup>4</sup> nationwide	



<sup>1</sup> World Bank

<sup>2</sup> <http://bisnis.liputan6.com/read/2171479/di-2014-orang-ri-kantongi-penghasilan-rp-418-jutatahun>

<sup>3</sup> <http://data.jakarta.go.id/dataset/pendapatanperkapitajakartadannasional/resource/8043ea60-9c7d-4948-8d61-2cc2622b0ee0>

<sup>4</sup> <http://economy.okezone.com/read/2015/04/29/20/1141734/jokowi-kaget-dari-250-juta-penduduk-hanya-10-juta-bayar-pajak>

# General market information

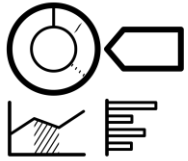
Penetration	Nationwide
Mobile phone	108%
	180% in Jakarta <sup>1</sup>
Smartphone	25% <sup>2</sup>
	55% <sup>9</sup> in Jakarta
Internet	36%
	65% in Jakarta <sup>2</sup>
Facebook	28% <sup>2</sup>
Bank account	25% <sup>2</sup>
Formal lending sources	23% <sup>2</sup>
Online-banking	11% <sup>2</sup>
Credit cards	6% <sup>2</sup>
Debit cards	40% <sup>2</sup>

<sup>1</sup> <http://ugm.ac.id/id/berita/8776-menkominfo%3A.270.juta.pengguna.ponsel.di.indonesia>

<sup>2</sup> Solidiance marketing agency analysis

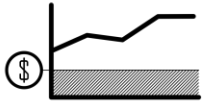


# General market specifics



## GDP is driven by following industries:

- Services 41%.
- Manufacturing 24%.
- Agriculture 15%.
- Mining 10%.
- Construction 10%.



**MSMEs numbers are estimated at 50-60M, comprising 57% of GDP<sup>1</sup>**



## Despite the wide spread of Islam (88% of the population):

- Indonesia is a secular state with democratic rule.
- Religion is not affecting peoples behavior and payment discipline.
- Syariah banking accounts for less than 5% of the banking system.



## Population' financial literacy is very low

making it an easy target for Black Money Lenders



## Huge share of unofficial employment

creates difficulties in determining the difference between individual borrowers and Micro, Small and Medium enterprises (MSME), thus they are basically inseparable

## Payment discipline could be affected by:



- Family culture - close relatives are likely to repay the loans for borrowers or motivate them to do so.
- Workplace reputation - contacting HR departments is a powerful tool to motivate borrowers to repay the loan.

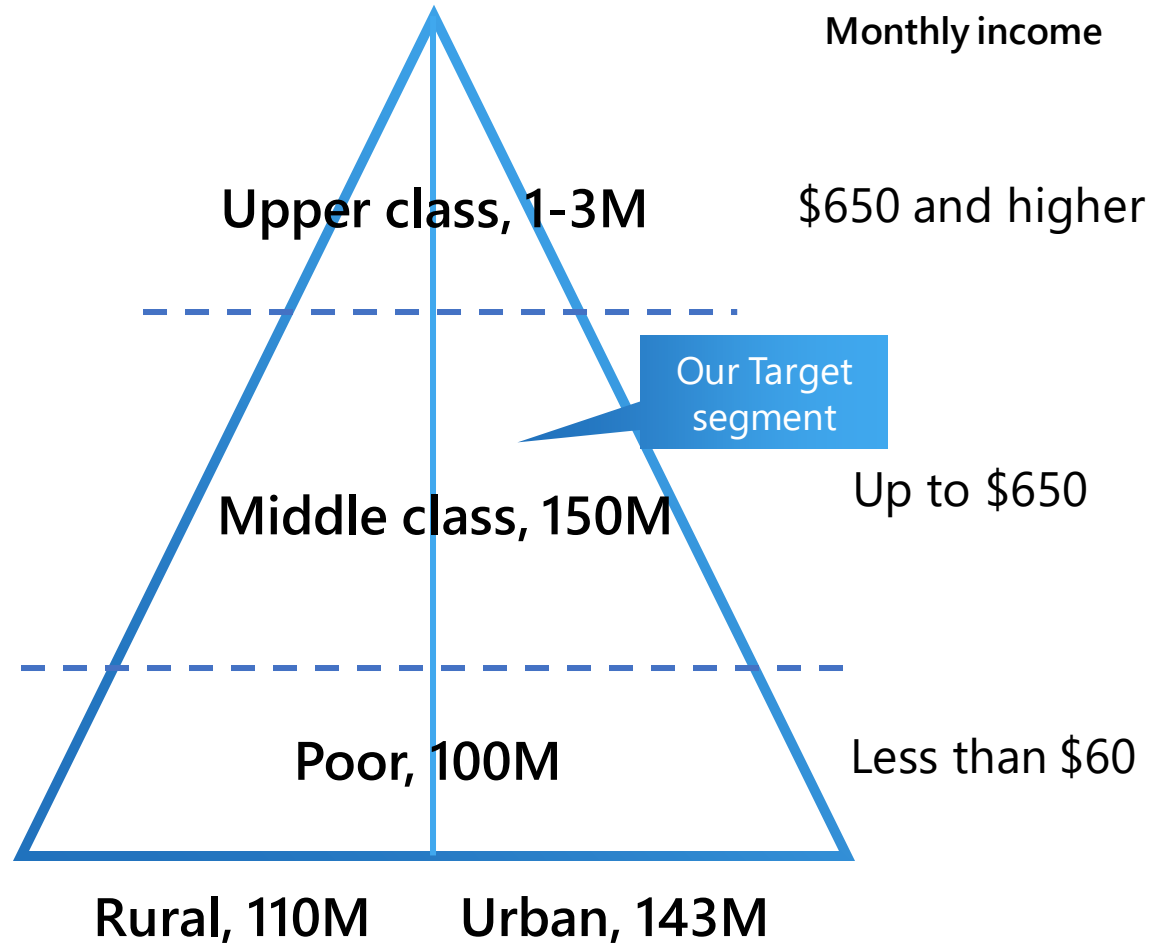


## Active social network usage (namely Facebook) provides opportunities for:

- Initial online social scoring assessment (social validation).
- Current borrowers behavioral analysis and reactive approach.
- Powerful collection practices.

<sup>1</sup> KPMG estimates.

# Customers Segmentation



Our target market size is 100M individuals - middle class living in easy reachable urban areas

Specifics	Approach
Indonesia consists of 17,5k islands with only 6k being populated	We will approach people living in easy reachable areas
Urban and rural population is split by 143/100M	We will approach urban population with higher average income and internet penetration rate
Income segmentation is per the graph	We will approach the fast growing middle class segment

# Consumer lending landscape intro

## Lending activities initially developed via 2 streams:

- **Commercial banks:**
  - Appeared under Dutch rule (1602-1942).
  - Historically focused on commercial lending.
  - After 1997 crisis the market was open to foreign ownership, now the access is limited and the attitude towards foreign ownership is worsening.
- **Cooperatives and Micro-finance institutions (MFIs):**
  - Are the oldest traditional financial institutions.
  - Currently are focused on community-based consumer and MSME loans.
  - Are forerunners of modern rural banks.

## Recently 2 other types of financial institutions branched out:











- **Rural banks (BPRs):**
  - First one (current BRI) appeared in 1895 and formally recognized in 1978-1992.
  - Currently are focused on lending/depositing activities in rural areas.
  - Can operate in a certain province only, do not have right to open branches.
- **Multi-finance companies (MFC):**
  - Appeared in 1970s to meet increasing demand for financing large infrastructure projects.
  - After 1997 crisis focused tapped consumer finance.
  - Local experts believe that soon MFCs will be allowed to enter unsecured consumer finance market.

## Finance regulation activities have been recently transferred from Bank Indonesia (BI) to Financial Services Authority (OJK). Currently OJK focuses on:

- Increasing financial inclusion, introducing branchless banking regulation for selected banks (outsourcing KYC procedures).
- Studying the micro-finance market to develop the respective legislation.
- Legalizing widely used (mostly in rural area) unofficial MFIs by enforcing them to obtain license with mandatory 60% state share.














# Consumer lending landscape: Banks

Есть ли источник?

#	Name	Ownership	Total assets (\$B)	Share of retail portfolio	# of branches	Key retail credit offerings
1		State owned	64	33%	>5k	mortgage, credit cards, personal loans
2		State owned	56	16%	>10k	micro-lending
3		Privately owned	40	16%	15k	mortgage, credit cards
4		State and privately owned	30	19%	2k	mortgage
5		Join-venture with foreign capital	15	14%	1k	mortgage, credit cards, personal loans
6		Privately owned	14	27%	2k	personal loans
7		Privately owned	12	17%	5k	mortgage, car loans, credit cards
8		Join-venture with foreign capital	12	15%	<1k	mortgages, personal loans
9		Join-venture with foreign capital	10	22%	<1k	mortgages, credit cards, personal loans
10		State and foreign owned	10	11%	<1k	mortgage, personal loans











# Consumer lending landscape: MFCs











Есть ли источник?

#	Name	Total assets (\$B)	Affiliated with Bank	Foreign share	# of Branches	Key products financed
1	 ASTRA SEDAYA FINANCE	2,3		No	73	Cars and heavy equipment
2	 ADIRA MULTIFINANCE	2,1		No	653	Cars, motorbikes
3	 CENTRAL JAVA POWER	2,1	Japan Bank for International Cooperation	Sumimoto Corporation 85%	-	Power plants and generators
4	 FEDERAL INTERNATIONAL FINANCE	1,8	No	No	169	Motorbikes and electronics
5	 OTO MULTIARTHA	1,5	No	Sumimoto Corporation 85%	69	Cars
6	 DIPO STAR FINANCE	1,1	No	Mitsubishi Corporation 85%	31	Cars, heavy vehicles
7	 TOYOTA ASTRA FINANCIAL SERVICES	1,1	No	Toyota Financial Services Corporation 50%	27	Cars
8	 SUMMIT OTO FINANCE	0,7	No	Sumitomo Corporation 85%	177	Motorbikes
9	 BUSSAN AUTO FINANCE	0,7	No	Mitsui & Co.Ltd 70%	173	Agricultural machinery
10	 BFI FINANCE INDONESIA	0,7	No	Trinugraha Capital & Co. 44%	177	Cars, motorbikes
102	 HOME CREDIT AND FINANCE	0,02	No	Home Credit and Finance Group 85%	1,2K outlets 5K outlets target	Electronics (mobile phones)

# Consumer lending landscape: Rural Banks and Cooperatives

Есть ли источник?

#	Name	Total assets (\$B)	# of branches	Area of operations
1	 BUMI ARTHA NUGRAHA	0,38	1	Lampung
2	 BPR KS	0,31	1	Bandung, West Java
3	 BPR LESTARI	0,18	1	Denpasar, Bali
4	 bankjatim	0,13	1	Surabaya, East Java
5		0,08	1	Ambon, Maluku
6	 BANK SURYA YUDHA	0,07	1	Banjarnegara, Central Java
7	 BPR	0,07	1	Palu, Central Sulawesi
8	 Utomo bank	0,07	1	Lampung
9		0,07	1	Makassar, West Sulawesi
10	 BANK RAPAS	0,04	1	Magelang, Central Java

#	Name	Total assets (\$M)	#branches	Area of operations
1	 KOSPIN JASA Bersama membangun usaha	0,34	120	Pekalongan, Central Java
2	 KISSEL cooperate towards growth	0,15	54	Nationwide
3		0,09	257	Pasuruan, East of Java, branches 80% east & Central java
4		0,07	50	Pontianak, West Kalimantan (Borneo)
5	 KWSG	0,05	52	Gresik, East Java
6	 Your Financial Solution	0,05	30	Bogor, West Java
7	 koperasi ASTRA	0,05	-	Jakarta
8		0,03	38	Pontianak, West Kalimantan (Borneo)
9	 kopindosat Koperasi Pegawai PT Industri Tbk	0,03	-	Jakarta
10	 KelingKumang Member-TBL-Entrepreneur	0,01	61	Sintang, West Kalimantan

# Standard licensing options comparison

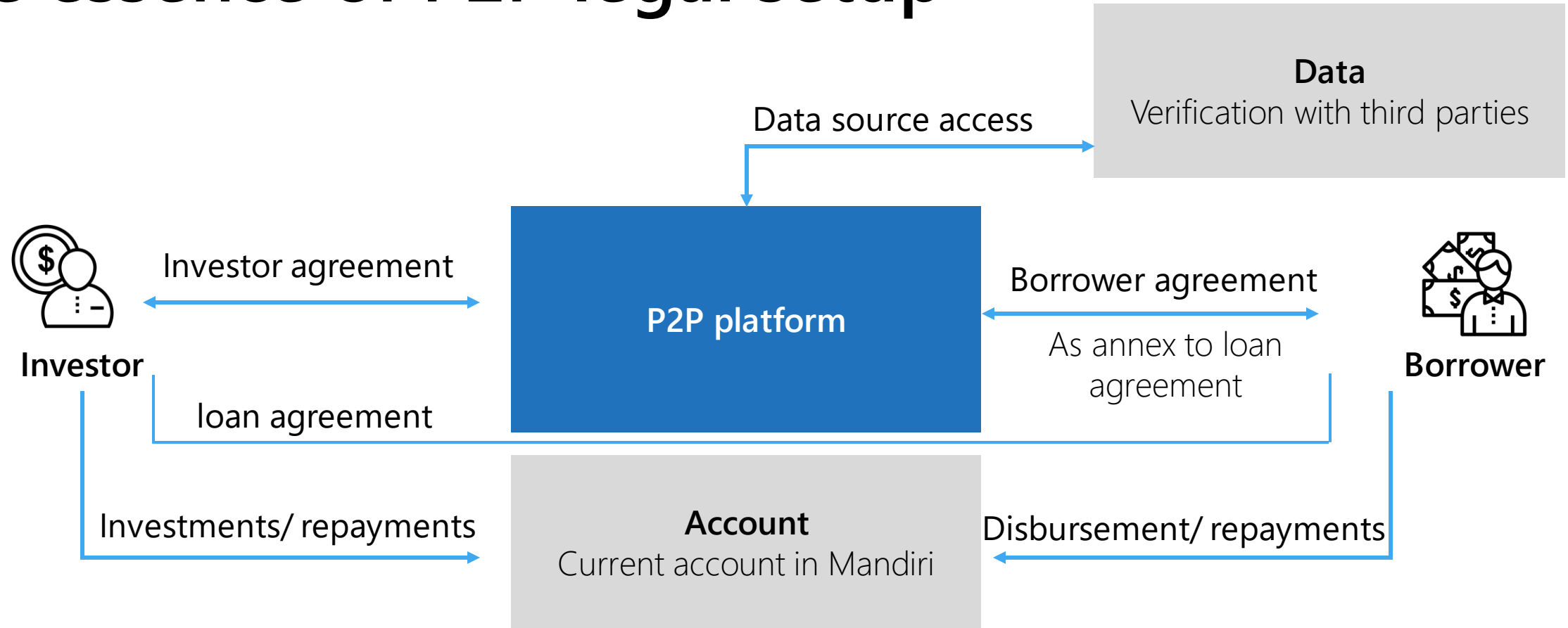
Parameter	Bank	MFC	Rural Bank	MFI	Pawnshop	Cooperative
Main activities	Full-range banking activity for retail, SME and corporate banking	Specializes on non-cash consumer finance activity	Specializes on loans and deposits in specific provinces	Specializes on microfinance activity with SME on village/city level	State-owned monopoly	Specializes on microfinance and deposits, for members only
Allowed territory of operation	Nationwide	Nationwide	Specific province	Village, Sub-district or Regency/Municipality	Nationwide	Nationwide
Min.capital requirements	\$70,000K	\$7,000K	\$285K-1000K depending on the province	\$3,5k for Village \$7K for Sub-district \$40K for Regency/ Municipality	n/a	\$1K
Max. foreign share	40% (could be increased to 99% by special permission)	85%	0%	0% (and 60% must be state-owned)	0%	0%
Ability to sell unsecured cash loans	Yes	No (secured only, for example POS-loans)	Yes	Yes	No	Yes, to members only
Ability to collect retail deposits	Yes	No	Yes	Yes	No	Yes, from members only
Main regulator	OJK	OJK	OJK	OJK	OJK	OJK/Ministry of Cooperative
Average licence obtaining time	> 12m	> 9m	~9m	~6m	n/a	~6m
Licenses issued and currently operating	~120	~200	~1 640	Up to ~600K	1	~188K

# MFC and Creative licensing options comparison

Parameter	MFC	"Uangteman" (using web portal)	P2P (using web portal)
Main purpose	Specializes on non-cash consumer finance activity	Providing small cash loans to individuals	Acting as an intermediary between individual investors and borrowers, not conducting loans issuances or credit decisioning
Allowed territory of operation	Nationwide	Nationwide	Nationwide
Min.capital requirements	\$7,000K	\$180k in 6m, \$750K in 12m	\$180k in 6m, \$750K in 12m
Max. foreign share	85%	100%	100%
Ability to sell unsecured cash loans	No (secured only)	Yes	Yes (in the form of loans of individual investors provided to individual borrowers)
Ability to collect deposits from individuals	No	No	Yes, in the form of funding received from individual investors
Main regulator	OJK	Investment Board Coordinator (BKPM) is granting the Web portal license for foreign investments	BKPM is granting the Web portal license for foreign investments
Average license obtaining time	>9m	~4m	~4m
Licenses issued/companies operating to the date	~200	1	1
Regulatory issues	Fully in compliance with current legislation, no issues	Clearly violating BKPM license because of issuing loans from its own without obtaining a credit institution licence	No signs of violating any current legislation articles of Indonesia (confirmed by legal opinion of reputable local firm)



# The essence of P2P legal setup



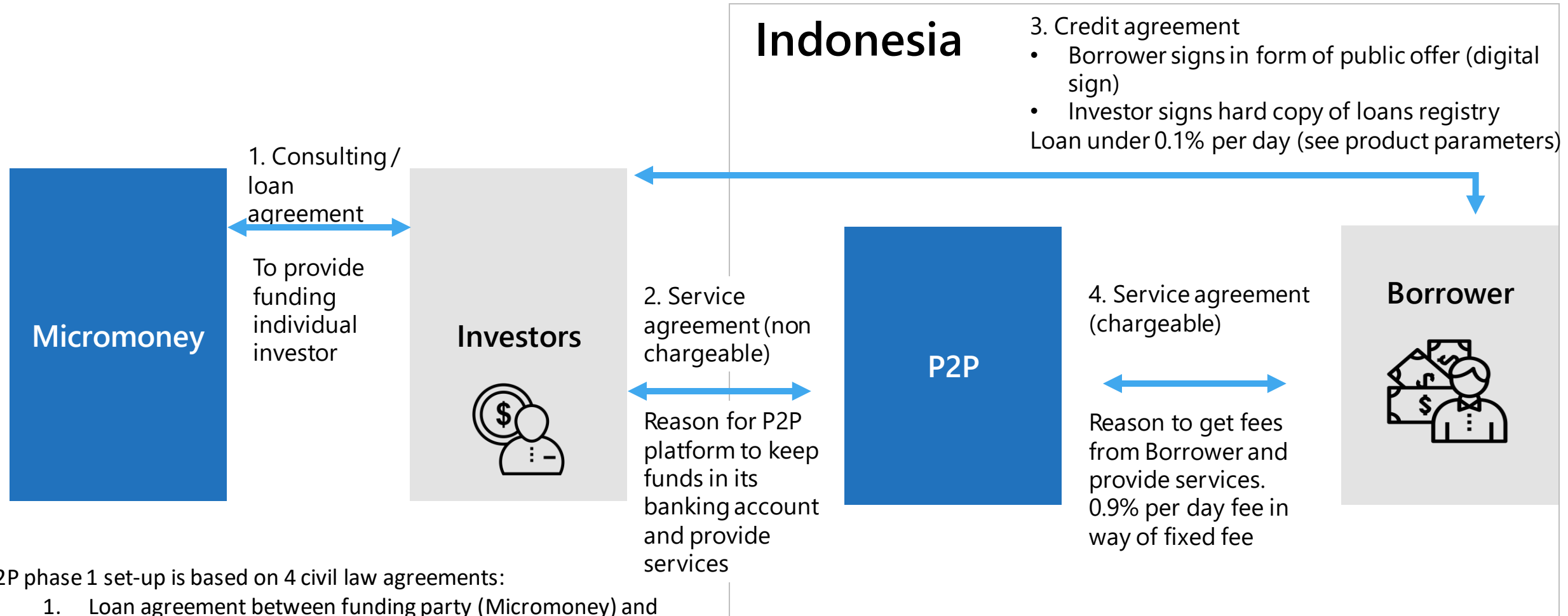
P2P platform acts only as an intermediary among borrowers and investors. Its key activities are:

- Providing informational services
- Performing data checking for investors
- Acting as an intermediary in online documents signature, funds disbursement, repayment and collection.

P2P platform will use innovative mechanisms (i.e. social network scoring) in scoring process.

P2P platform will also provide Investor Reminding service (soft collection).

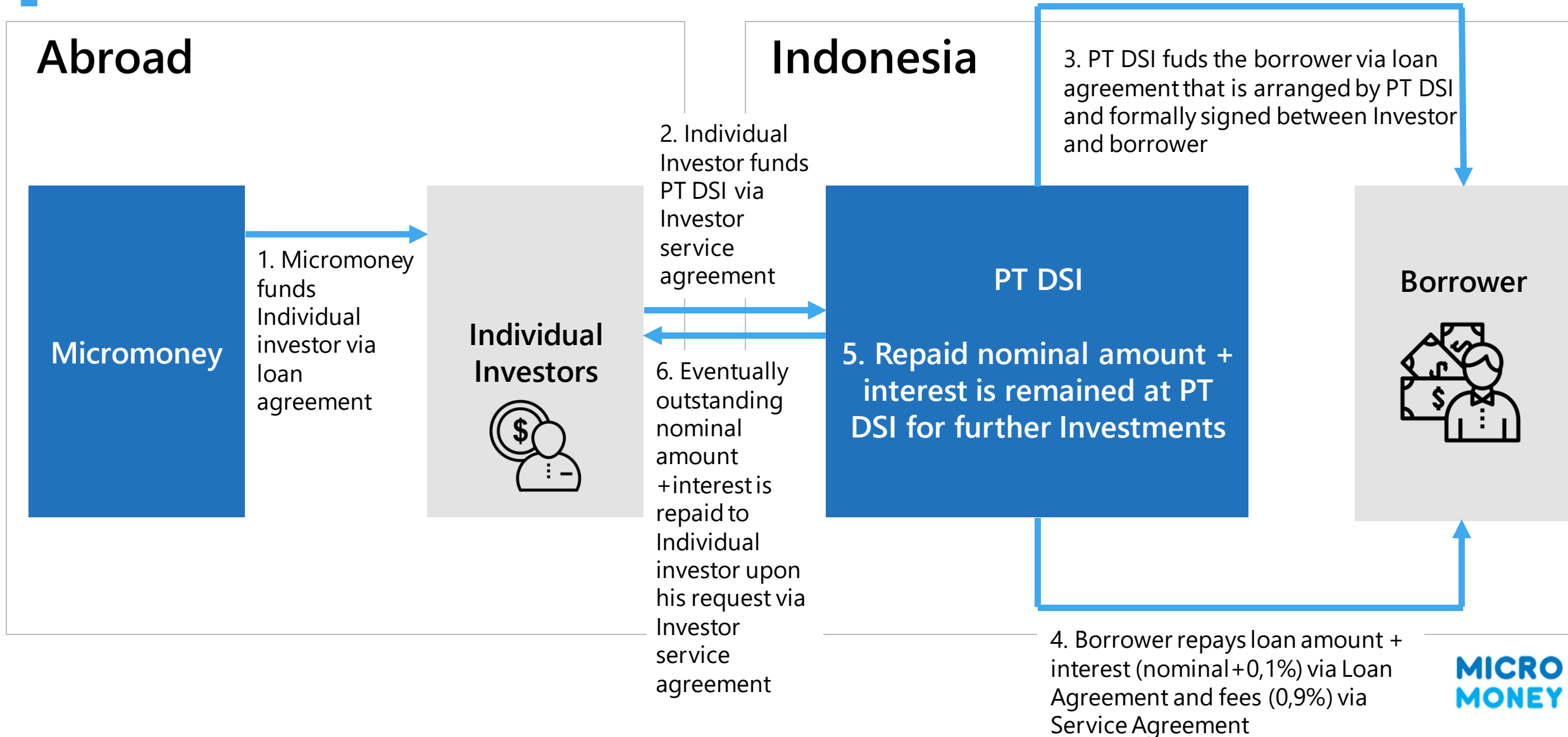
# P2P Legal setup contractual relations



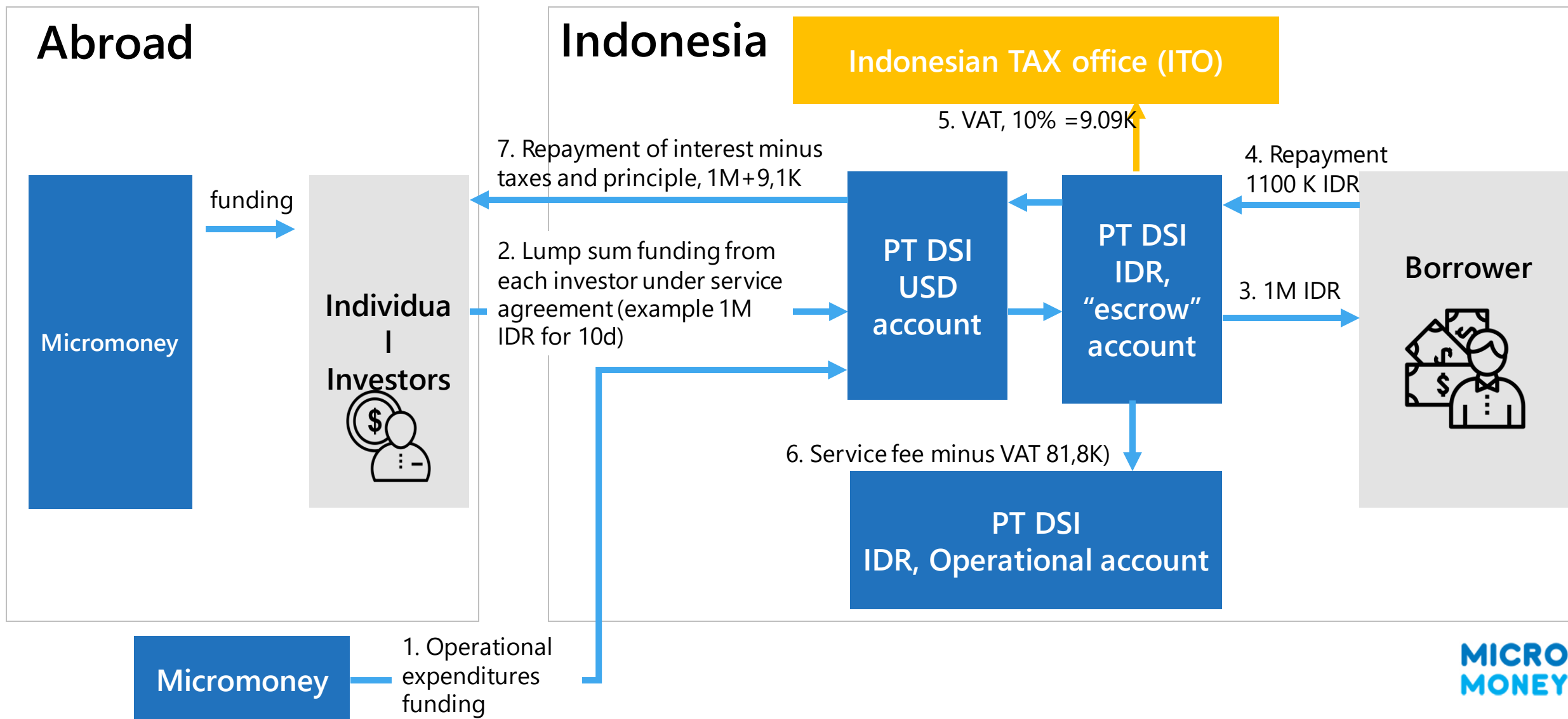
P2P phase 1 set-up is based on 4 civil law agreements:

1. Loan agreement between funding party (Micromoney) and Individual investors
2. Service agreement between PT DSI and Individual investors
3. Loan agreement between Individual investors and borrowers
4. Service agreement between PT DSI and borrowers

# P2P Legal setup business processes

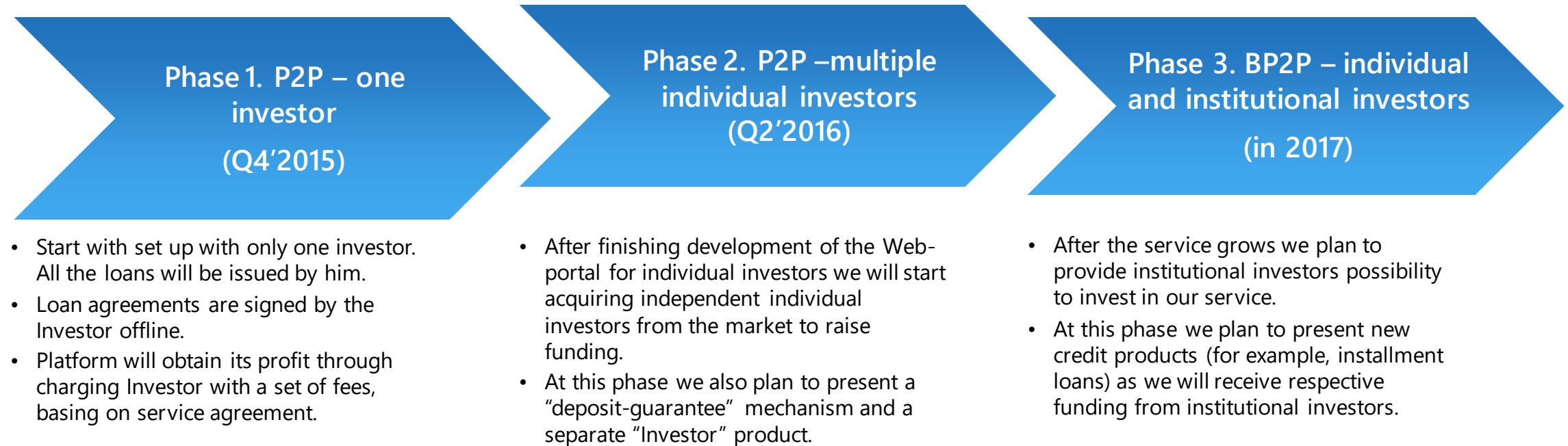


# P2P Legal setup cash flow



# P2P development phases










We plan to develop P2P platform using the following phases:



We plan to use Creative licensing option of P2P platform to quickly enter the market, avoid high expenses of the full-scale licensing process and fasten time-to-market to start obtaining local lending expertise.

In parallel we also will finish preparing the dossier for obtaining a new MFC licence and will activate obtaining in case of receiving such a request from appropriate local authorities’.

# Key regulatory points

	Sphere of regulation	The essence
	New licenses issuance	For P2P: Available, no restrictions. For MFC: Available, no restrictions, will take min.9 months.
	Foreign capital restrictions	P2P: No. MFC: max.85% foreign share.
	Allowed loan types	P2P: any loans, including PDLs and installment loans. MFC: secured loans only and (theoretically) Credit cards (additional permission need to be obtained from the Central bank of ID).
	Interest cap	P2P: No MFC: No, except 39.5% per annum for Credit cards.
	Advertising limitations	No restrictions, just basic requirements.
	Necessity to obtain written customer's consent for processing his personal data	No, obtaining consent on a website or in mobile application will be ok.
	Necessity to obtain written customer's consent for requesting/sending data to credit bureau	P2P: - (P2P can't get official access to credit bureaus). MFC: Not obligatory (can be done on a website or mobile application).
	Face-to-face customer's verification (KYC procedure)	P2P: Not mandatory. MFC: Mandatory.
	Remote contract signing	Online contract signing is feasible.
	Collection process limitations	P2P: Not regulated. MFC: Hard collection can't be outsourced.
	Restrictions for peer to peer lending activity	No (allowed basing on the Civil Code)

# Product and Marketing

# Traditional competitors' credit products

Player	%%	Loan amount	Loan Tenor	Documents	Time-to-Money	Contract Signing
MFCs (secured loans)	10-30% per annum	Up to \$11K	Up to 3y	<ul style="list-style-type: none"> <li>ID</li> <li>Tax/salary slip</li> </ul>	Up to 1 day	At branch
Rural Banks (unsecured loans)	10-12% per annum	\$740-\$7,4K	Up to 5y	<ul style="list-style-type: none"> <li>ID</li> <li>Salary slip</li> <li>Account statements</li> </ul>	~1 week	At branch
State Banks (unsecured loans)	11-12% per annum	Up to \$15K	Up to 3y	<ul style="list-style-type: none"> <li>D</li> <li>Credit card copy</li> <li>Account statements</li> </ul>	~3 days	At branch
Foreign + Commercial Banks (unsecured loans)	20-40% per annum	Up to \$15K	Up to 5y	<ul style="list-style-type: none"> <li>ID</li> <li>Credit card copy</li> <li>Account Statements</li> </ul>	~3 days	At branch
Cooperatives/MFIs (unsecured loans)	10-15% per annum	No limit	Up to 5y	<ul style="list-style-type: none"> <li>Membership is obligatory</li> </ul>	~1 week	At branch
State Pawnshop (secured)	18-30% per annum	Up to \$15K	Up to 4y	<ul style="list-style-type: none"> <li>ID</li> <li>Collateral</li> </ul>	~1 hour	At branch

Currently traditional market players do not provide any fast lending due to conservative business approach, except Pawnshops with appropriate collateral requirements.



# Closest competitors products (loans)

Player	Loan %%	Loan amount	Tenor	Documents	Time-to-Money	Contract signing
"Uangteman" (unsecured loans)	365% per annum	\$110-150	7-30 days (with 1 extension option)	<ul style="list-style-type: none"><li>• ID (mand.)</li><li>• photo (mand.)</li><li>• salary slip (optional)</li></ul>	~3 days	Remote (Online)
Black Money Lenders (secured/ unsecured loans)	120-240% per annum	\$50-500	30-60 days	<ul style="list-style-type: none"><li>• ID</li><li>• Collateral</li></ul>	1 hour	At branch or without official contract signing
Crowdo P2P (unsecured loans, works in a test mode)	10,25-13% per annum	\$40-5000	90-180 days	<ul style="list-style-type: none"><li>• Investor: ID Bank account details</li><li>• Borrower: N/A</li></ul>	A few days	Claimed remote, info is unavailable

Market offerings are limited and mostly in grey zone. But "Uangteman" is the closest one in terms of the product parameters which are almost the same with ours.

# "Uangteman" case study



Description	<ul style="list-style-type: none"><li>• Launched in Mar 2015, owned by Digital Alfa Group PTE Ltd.</li><li>• Led by Mr. Aidil Zulkifli, internet entrepreneur.</li><li>• Employs 18 people.</li><li>• Operates in Jakarta due to collections area limitations in Indonesia, expands business to Thailand and Philippines in 2016.</li><li>• UT's activities are not falling under "finance company" description of OJK, but violate BKPM license.</li><li>• Issued around 1000 loans since Mar 2015.</li></ul>
Product	PDL
Advertising	<ul style="list-style-type: none"><li>• Digital, billboards, trains.</li><li>• Presents itself as client friendly product with no hidden fees</li></ul>
Application process	Pure online (using digital signature)
Business process description	<ul style="list-style-type: none"><li>• Manual: ID verification, phone verification, data checking, field verification, credit decision, disbursement.</li><li>• Automated: anti-fraud and social validation check</li></ul>
Insiders' info	<ul style="list-style-type: none"><li>• UT wants to be recognized and regulated by OJK, approaching them with explaining business model and claimed positive social impact. We are monitoring this process to assess the future of the business model.</li><li>• We have received consulting services from UT employees, recognizing its legal set-up, business model.</li></ul>

# "Crowdo" case study

**CROWDO**

## Description

- Business model - P2P.
- Launched in 2015 and so far runs in test mode.
- Led by ex-McKinsey consultant Mr. Leo Shimada and ex-Standard Chartered banker Mr. Castelnovo.
- Registered as Crowdonomic Media Pte. Limited in Singapore, not Indonesian legal entity.
- Crowdo's role is limited to an administrative nature in arranging for customer to enter into a facility , Crowdo is not regulated under OJK or other specific laws.
- To the date has <100 active loans.

## Product

- Personal loans: education, medical, purchase, others.
- Business loans: working capital, project finance, expansion, others (claimed collateralized).
- Based on group lending, minimal share per bid is \$14.
- Applies risk-based pricing:
  - A class: pricing 10,25-11,00% per annum.
  - B class: pricing 11,50-12,00% per annum.
  - C class: pricing 12,50-13,00% per annum.
  - D class: N/A.

## Application

- Claimed online for borrowers.
- Claimed online (with qualification verification) for lenders.
- To the date borrowing or lending testing is not feasible.

## Special Features

- Cashflow is run through Crowdo trust account.
- See business process details in Appendix 1.

# “Mekar Exchange” case Study



## Description

- Business model – P2P.
- Launched in 2011 as a network for entrepreneurs to find investors.
- Employed 18 people.
- In 2013 reorganized as P2P platform for MSMEs.
- Processed 3844 loans with total loans amount of \$350K.
- Loan agreement was concluded between the Lender and Cooperative, not the final Borrower.
- Lender's pool amounted to ~200 people.
- Wanted to be regulated by OJK but OJK postponed its actions. Closed for reshuffle in 2015, [currently is not operating](#).

## Products

- Funding opportunities for MSMEs and investment opportunity for lenders, both individual and collective.
- Investment tickets amounted to \$100-5000.
- Tradable debt notes for investors run in test mode, clearly violated OJK regulation.

## Application process

- Lenders to P2P: remote, T&C confirmation on the website.
- Cooperative to Lender: remote, providing scanned copy of the signed loan agreement.
- Borrower to cooperative: offline, signed loan agreement and field verification required.
- See business process details in Appendix 2.

## Insider's info

- Business failed due:
  - Lack of risk management capabilities of the firm – they could not adequately assess the partner cooperatives, one of them defaulted and the firm compensated the losses to lenders, bringing the bottom line to negative.
  - Sales&marketing activities were limited due to unclear attitude of OJK towards the business model.

# "HomeCredit" case study



## Description

- Business model – classic "POS-loan business".
- Launched in 2013.
- Owned by Home Credit and Finance Group (85%) and PT SL Trio (15%), large mobile phones retailer.
- Employees around 1,5k of staff and planning to expand to 5k in 2 years time.
- So far operates in Jakarta and Bandung but plans to go nationwide.
- Total assets is around \$20M.

## Product

- Specializes on POS loans, mainly mobile phones (70% of portfolio).
- Develops 2 unsecured products: credit cards and holiday loans.

## Advertising

Digital and at branches

## Application process

- Customer submits loan application at the outlet when purchasing the good.
- HCF staff is validating the customer and runs the documents check.
- If approved, the customer signs the loan agreement and makes the purchase.

## Business process description

- Time to purchase is 45 minutes.
- Down payment is 10-50% of the loan amount

## Insiders' info

Credit cards licensing is lasting since March 2015 and they still are waiting for obtaining official permission.

# "Asia Funding Club" case study



## Description

- Business model – P2P.
- Singapore-headquartered crowd lending portal.
- Plans to start operations in Singapore, Thailand and Indonesia in 2016.
- The website is not ready yet, that's why project info is limited.

## Product

Secured and unsecured loans and investments.

## Advertising

Very limited twitter presence (2 posts since Feb 2015).

## Business process

- Asia Funding Club (AFC) will run initial assessment of the borrower.
- All investment monies will flow through banks directly to borrowers without going through AFC.
- Each investor will have max of 5% exposure to a single loan.
- No fees will be charged to investors.

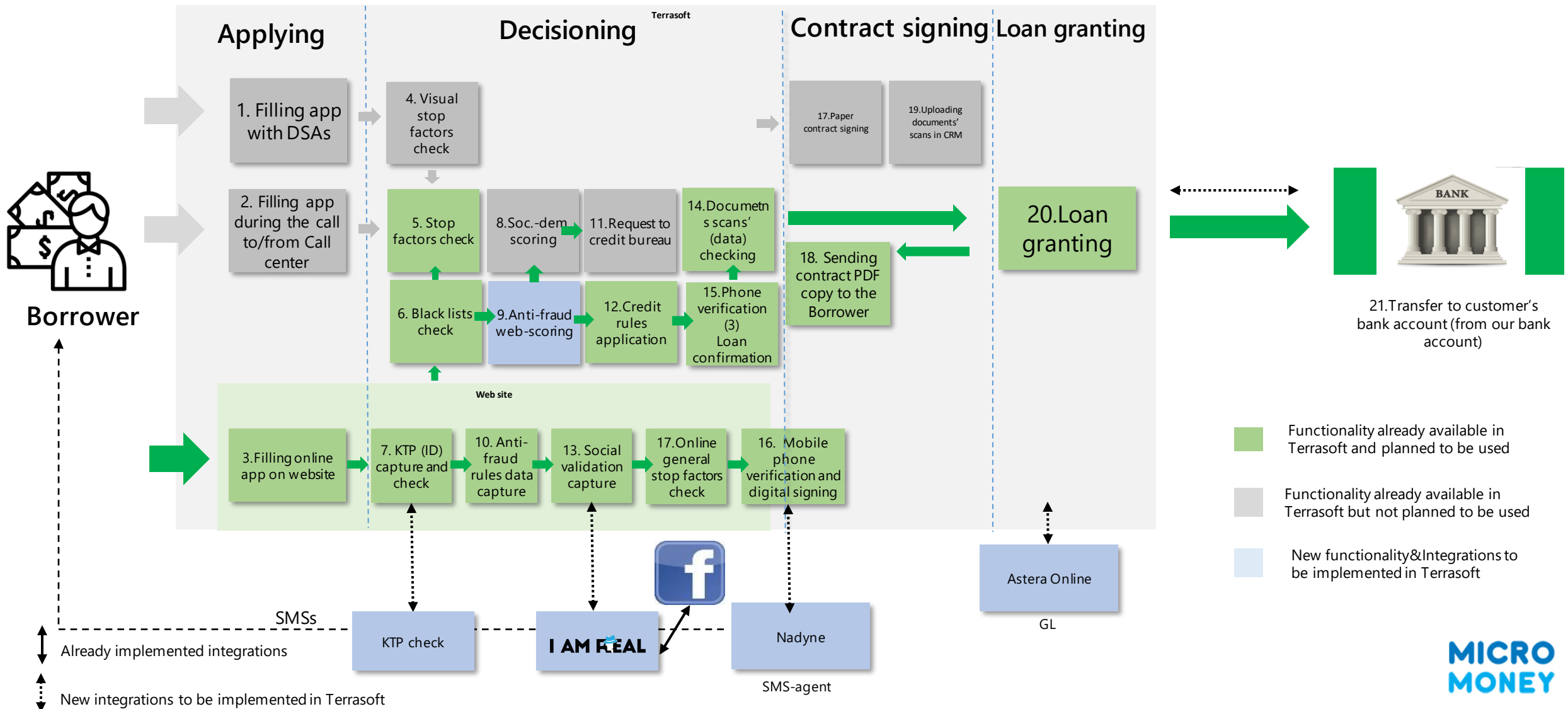
# Our credit product parameters

Parameter	Value
Product type	Payday loan (PDL)
Currency	Indonesian rupiah (IDR)
Loan amount	1M-8M IDR (equivalent of \$75-600)
Loan tenor, calendar days	7, 15, 21, 30, 40
Prolongation service	Yes, allowed once for another 30 calendar days on condition of all %% and fees accrued repayment
Interest rate, % per day	1%
Overdue interest rate, % per day	1.5%
Late payment fee (one-time fee) (LPF)	200K IDR (equivalent of \$14)
Prolongation fee	150K IDR (equivalent of \$10,5)
Disbursement fee	0
Special features	"First loan for free"

We plan to start with basic PDL credit product parameters with minimum changes.

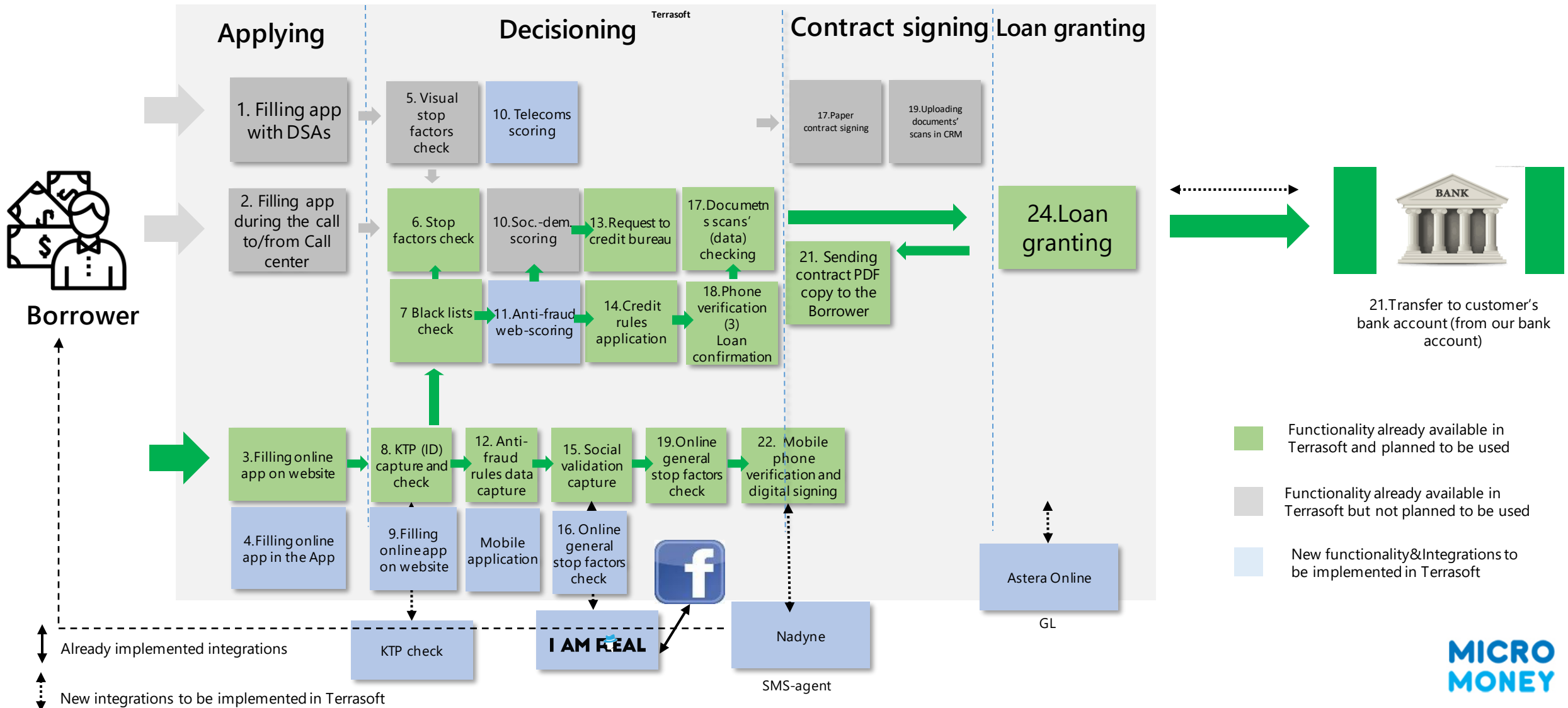
As for deposit product parameters – during the Phase 1 we are not planning to charge Investor with any fees. On the Phase 2 we plan to present a "quasi-deposit" product for 6-12 month term and rate of "average deposit rate+from 3 to 5pp". Exact deposit rate will be defined after launching several tests in Q2-3'2016.

# Initial first sale business process (Phase 1)

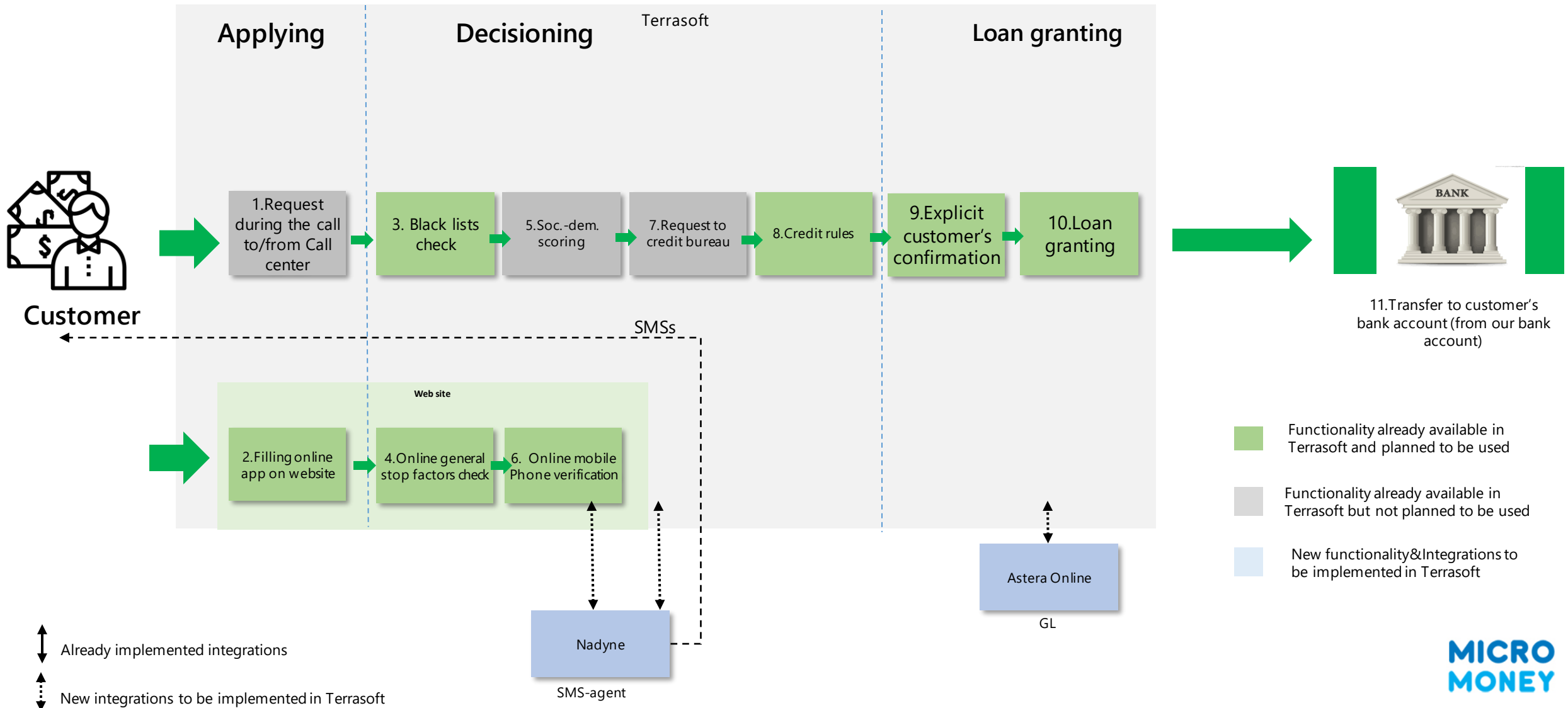




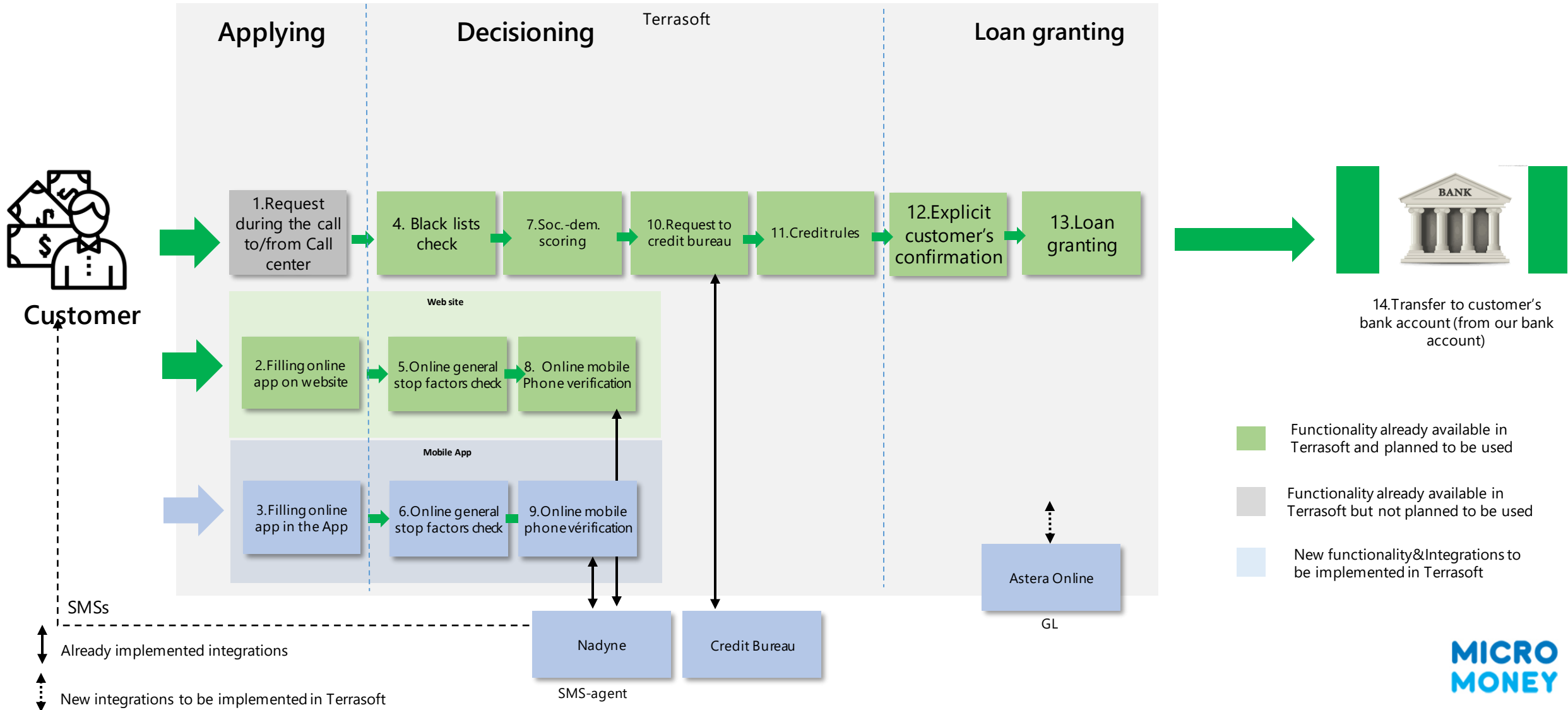
# Target first sale business process (Phase 2)



# Initial repeat sales business process (Phase 1)



# Target repeat sales business process (Phase 2)



# Technological scope of work

Integration partner	Partner type
"Iamreal"	For Social validation. Integration with the site (Phase 1).
Bank "Mandiri"	Disbursement partner. Integration with Terrasoft (Phase 2).
"Finnet-Indonesia"	Repayment partner. Integration with Terrasoft (Phase 1).
"PT Kokatto Teknologi Global"	E-mail blasts. Integration with Terrasoft (Phase 1).
"PT. Nadyne Media Tama"	SMS outbound. Integration with the site and Terrasoft (Phase 1).
"PT Kokatto Teknologi Global"	SMS outbound (reserve). Integration with the site and Terrasoft (Phase 1).
"PT Jasnita Telekomindo"	Toll free number and SIP trunk. Integration with Terrasoft (Phase 1).
"Astera Online"	GL system. Integration with the site and Terrasoft (Phase 1).

New functionality	The essence
Web-robot procedure development	State web database of IDs available for identification needs. Site development (Phase 1).
Web portal for individuals Investors&Borrowers development	Web portal with online applications for both credit and debit products, personal accounts for Borrowers and Investors with possibility to get related services (Phase 2).

Readiness to start sales is planned to be achieved in December 2015. Full completion of the Phase 1 works planned to happen in February 2016. Phase 2 development planned to be completed within Q2'2016.

# Marketing data sources

1

Three groups of insiders who's data would be most relevant and up-to-date:

- **Closest active competitor in the niche:** "Uangteman".
- **Similar players:** leading web-portals for borrowers (brokers) "Duitpintar", "Aturduit".
- **Suppliers:** leading local digital agencies with strong and relevant portfolio (financial services):
  - "Inbound".
  - "DoxaDigital".
  - "WebArq".

2

We have briefed all on our upcoming project and set marketing tasks

3

We have received the feedbacks and analyzed them to evaluate relevancy and trustworthy (initial data available in agencies presentations).

4

We came up with the main marketing target parameters for the business model.

The data is submitted by various industry insiders based on our brief. They are: market players, experts and suppliers.

# Key marketing parameters

SOURCE OF INFO	Marketing mix	Acquisition cost (Client)	Volumes (Disbursed loans)
Closest competitor (Uangteman.com)	a. SEO b. Paid Search (Google AdWords) c. Banners (Google Display Network) d. SMM (FB) e. Remarketing	\$ 37	Month 1 – 300 Month 2 – 600 Month 3 – 1 000 ----- Non of the suppliers and insiders could estimate the further volumes without test data.
Similar business models (Duitpintar.com)		\$ 20	
Similar business models (Aturduit.com)		\$ 17	
Digital Agencies (aggregated)*		\$ 36	

Planned average Marketing acquisition cost: \$27 per loan.

\* Digital agencies presented wide variety of acquisition cost data. Based on presentations quality, portfolio and direct communication we selected the most trustworthy scope

# Marketing strategy



## “Establish and stabilize” (3 months).

Digital channels performance is affected by many factors both outside (e.g.: inventory cost, payment models, volumes, suppliers quality, etc. ) and inside the sales funnel (e.g.: client interfaces, processes, operations, etc.). Digital channels require some time to establish.

At this phase we shall:

- test and optimize all elements of our proposition;
- stabilize the initial sales funnel;
- establish performance benchmarks for our media mix (cost, conversion, volumes);
- identify actions to achieve desired mid and long term sales goals.



## “Optimize and pump up” (3 months).

At this phase we shall run optimized digital activities (based on phase 1) and increase investments into optimized mix. Ongoing tests and optimization never stop.



## “Integrate” (6 month onwards).

At this phase we shall roll out integrated marketing activities based on the established performance benchmarks. This campaigns go beyond digital tools, but overall working for it.

**ATL CAMPAIGNS:** (TV, Radio, Outdoor) to pulp brand awareness and recognition to support Direct Traffic, Organic Search, Paid Search, Display, Social media.

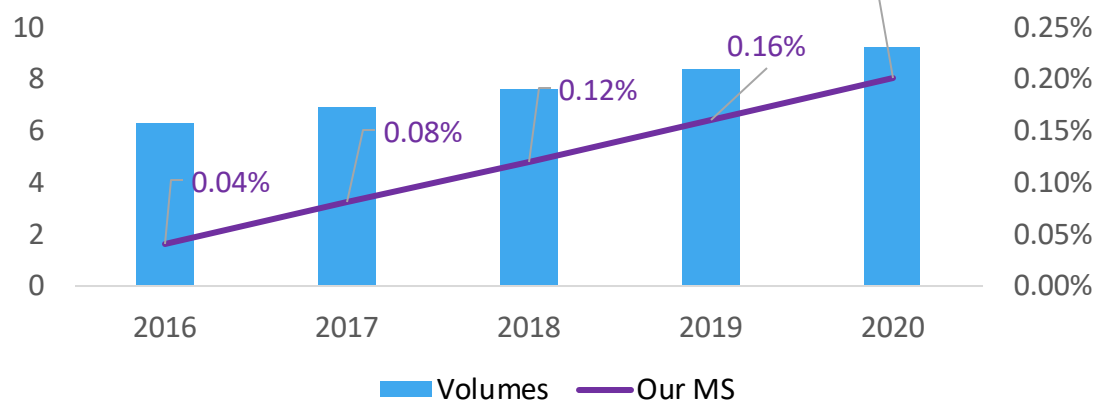
**BTL:** Add direct marketing (mailing), databases and different forms of BTL.

# Market size estimations and sales plan

Our market size estimation is based on:

- Poaching current official market by providing faster and convenient service
- Institutionalizing grey market by gaining shares from F&F and BML

Formal Consumer Lending Issuances  
(Cash Loans) (\$B)\*

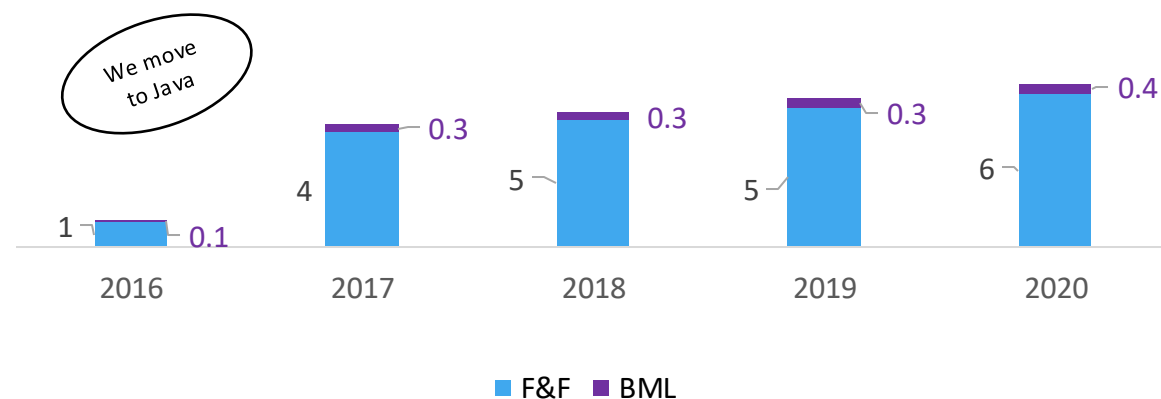


## Main assumptions:

Yearly market size growth is estimated at 10% in 2015-2020.

Our market share gain from formal lending for 2020 is expected at 0.20%

Grey Consumer Lending Market (Jakarta/Java) Volumes (\$B)



## Main assumptions:

Target segments

- F&F borrowers (Jakarta 9M ppl Java 40M ppl)
- BML borrowers (Jakarta 0,6M ppl Java 3M ppl)

Average loan amount: \$50; Average # of loans p.a.: 2

Our market share for 2020 is expected at: F&F 1%; BML 5%



# Market size estimations and sales plan

Our volumes	2016	2017	2018	2019	2020
Total sales (\$M)	8	32	62	90	103

Parameter	#0 month	#1 month	#2 month	#3 month	#4 month	#5 month	#6 month	YE 1 (2016)	YE 2 (2017)	YE 3 (2018)	YE 4 (2019)	YE 5 (2020)
New loans sales plan	20	300	600	1 000	1 300	1 600	1 900	4 200	9 700	15 700	19 500	19 500

# Risk Management

# Main risk challenges of the market

Challenge	Our actions
There are at least 6 different types of the official identification documents (IDs) in the country and it's relatively easy to buy a fake ID – that leads to considerable fraud risks.	<ol style="list-style-type: none"><li>1. Using most popular "KTP" document as the main ID and will require all the customers to present it.</li><li>2. Connecting to the state database of KTPs to mandatorily verify validity of the KTP presented online.</li><li>3. Conducting Social network check to ensure applicant's reality of the personality.</li><li>4. Requesting customers attach photos at least 2 different IDs when applying for a loan and accepting only clear pictures (otherwise decline).</li><li>5. Conducting manual verification of the scans of the documents to ensure absence of obvious signs of falsification.</li><li>6. Conducting 100% "3 in 1" (work, spouse/relative, mobile) phone verification check to ensure actuality of the data stated in application.</li><li>7. Using disbursement to bank accounts (with obligatory face-to-face verification and ID checking while opening an account) to ensure making face-to-face identification at point of withdrawal.</li></ol>
Salary slips are unreliable, market experts believe it is up to 80% fraud.	<ol style="list-style-type: none"><li>1. Not relying on salary slips, instead we will imply calls to borrower's employer to validate the employment status and income.</li><li>2. We will assess claimed income via Social network validation.</li></ol>
No face to face KYC procedures will take place in our business model.	Using disbursement to bank accounts (with obligatory face-to-face verification and ID checking while opening an account) to ensure making face-to-face identification at point of withdrawal.
No centralized collections agencies are presented in the country	We will start business from the biggest country's city - Jakarta and will expand to other provinces after finding respective partners.

# Examples of various official IDs in use



## Passport

Travel document issued by the Directorate General of Immigration, Ministry of Justice and Human Rights, and the representatives of Indonesia abroad. People only have it if they travelled abroad.



## Driving license

Any person driving a motor vehicle on the road is required to have driving license.

Applicant requirements are:

1. >17 years old
2. KTP (ID Card)



## KTP

Residents' official identity card issued by the government. Required for all Indonesian citizens aged >17 and all foreign workers.

# Examples of various official IDs in use



## Tax ID

The mean of tax administration that is used to identify of the taxpayer. KTP is required to obtain Tax ID.



## Family Book

Family identity card containing info about the structure, relationships and the number of family members. Each family is required to have one.



## Medical Insurance/ Pension Card

Given out as a part of public program to provide protection to workers.

The program contains of:

1. Pension program
2. Work Accident Insurance Program
3. Death Insurance Program

# IDs are easily faked...

KTP



Salary slip

The image shows a salary slip for June 2015. It includes personal information such as Date of Hire (02-Mar-15), Marital Status (S/O), and Employee Number (9). The slip details the Gross Salary (15,000,000), various allowances (Transport, Child, Income tax), and deductions (Income Tax, Jamsostek). The Total Gross Salary is 16,764,706, and the Total Take Home Pay is 14,922,351.

SALARY – JUNE 2015	
<b>Salary Details</b>	
Gross Salary	15,000,000
Basic Salary	1,500,000
Transport Allowance	264,706
Child Allowance	-
Income tax Allowance	-
Bonus	-
Total Gross Salary	16,764,706
<b>Salary Deduction</b>	
Income Tax	(1,542,355)
Income Tax (bonus)	-
Jamsostek	(300,000)
Total Salary Deduction	(1,842,355)
Total Take Home Pay	14,922,351
<b>Other Details</b>	
JHT 2%	300,000
JHT 3.7%	555,000
JKK 0.24%	36,000
JK 0.3%	45,000
Total	936,000

- Fake ID price is within \$7-20.
- Production time is less than 1 hour.
- Local fast loans issuers (HFC) experience organized fraud attacks with fake IDs.

- No means of protection (watermark, stamp, signature).
- Currently not used as main income proof documents by local credit institutions.



# ...KTP ID validating capabilities

Below are the tools that are used by local anti-fraud specialists to validate KTP

Person born in odd year will have the picture in red

Person born in even year will have the picture in blue



For males, 7-12 digits will repeat the date of birth in format DDMMYY  
26-10-1977=261077



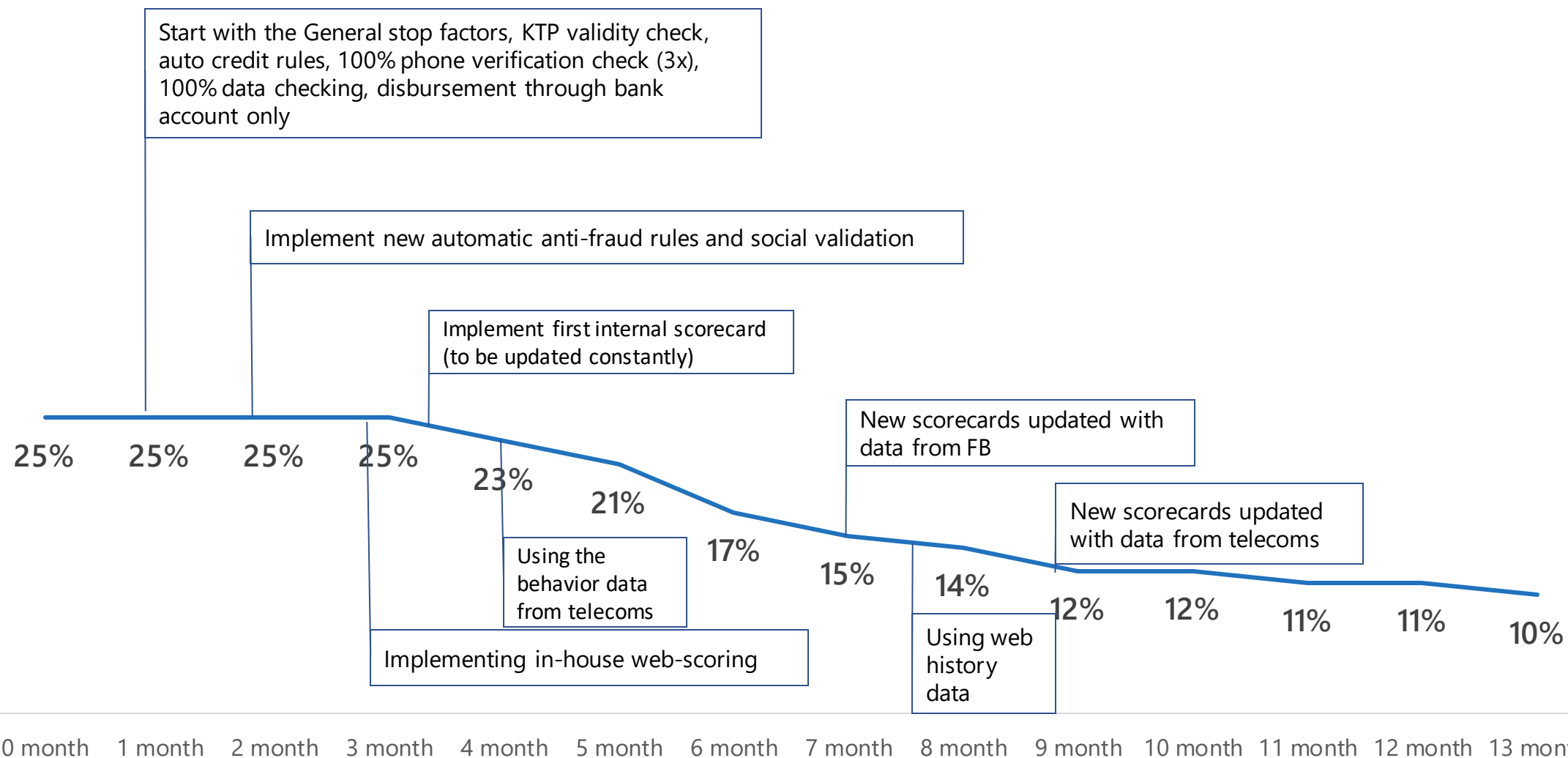
For females, 7-12 digits will repeat the date of birth in format DDMMYY,  
but 7<sup>th</sup> digit would be increased by 4: 30-05-1986 = (3+4)=700586

First 2 digits of KTP assigned for certain traceable areas

Conducting 100% "3 in 1" phone verification is the most effective tool to mitigate the risk of fake documents. We plan to start using it as an obligatory check from the very beginning together with traditional manual data checking and Social media validation and Telecom scoring (the last to be introduced on Phase 2).

# Risks costs & Risk action plan

— Cost of Risk (% of disbursement)





# Decision procedure general description

Check	Procedure	Auto/Manual	System
Basic stop-factors	Checking data, entered in the fields of the online application from.	Auto	Website
SMS verification check	Verifies mobile phone number and its availability.	Auto	Website
Web robot check	Verify KTP, applicant's name, address.	Auto	Website
Social-demographic scoring	Checking age, employment, resident, income, etc.	Auto	Website
Social validation and initial documents verification	Through "Iamreal". Validates Facebook account of the applicant.	Auto	Website
Black List check	Checking if the applicant is in the uploaded list of bad customers.	Auto	CRM
Anti-fraud check	In-house check basing on different service data.	Auto	CRM
Credit bureau (selective) check	Through the partners with access to credit bureaus (Phase 2).	Auto	CRM
Credit rules	Assessment of the results of the checks done, defining loan amount.	Auto	CRM
Work phone verification	Checking information provided by potential customer, check for obvious signs of fraud, check for negative information about the customer.	Semi-Auto	CRM
Spouse/close Relative verification	Checking information provided by potential customer, check for obvious signs of fraud, check for negative information about the customer.	Semi-Auto	CRM
Mobile phone verification	Checking information provided by potential customer, check for obvious signs of fraud.	Semi-Auto	CRM
Documents' scans verification	Checking information provided by potential customer, check for obvious signs of fraud.	Semi-Auto	CRM
Disbursement via bank account	We will disburse loans inly to customer's account at bank to ensure obligatory KYC check done by the bank.	Outsourced	

# Key inhouse risk activities

## Web-robot to validate ID (KTP).

State data base of ~180M unique IDs

When entering the ID number, you can check

- if it is valid
- ID holder sex
- ID holder residence province

We will develop web-robot that will check it automatically.

## Anti-fraud rules.

We will implement anti-fraud rules developed by Pareto Pulse (Singaporean anti-fraud software developer).

## SMS verification.

We will verify the phone number of the customer via sending digital code with SMS.

**DATA PEMILIH TETAP PILPRES**

PEMILIHAN UMUM PRESIDEN

**Pencarian Nasional**

Masukkan NIK \*:  
3174062610770002

Can

\* Data yang disediakan dalam pencarian ini adalah data yang masuk hingga 14 Juni 2014 12:00.

**Provinsi**

1. ACEH						
2. BALI						
3. BANTEN						
4. BENGKULU						
5. DAERAH ISTIMEWA YOGYAKARTA	8.354	1.333.925	1.418.350	0	2.752.275	1 (0,00)
6. DKI JAKARTA	12.408	3.581.723	3.488.752	0	7.070.475	0

**Hasil Pencarian DPT**

Lokasi TPS

No. TPS : 54  
Alamat TPS : -

NIK: 3174062610770002  
Nama: BLASIU INDRAWAN  
Jenis kelamin: LAKI-LAKI  
Kelurahan: KLENDER  
Kecamatan: DUREN SAWIT  
Kabupaten/Kota: JAKARTA TIMUR  
Provinsi: DKI JAKARTA

Close

# Key outsourced risk activities



- Israeli online validation company
- Service provided:
  - Video face verification
  - Social network (Facebook) verification
  - SMS verification
  - Social network quality prediction

Estimated hit rate  
among internet users:  
**78%**

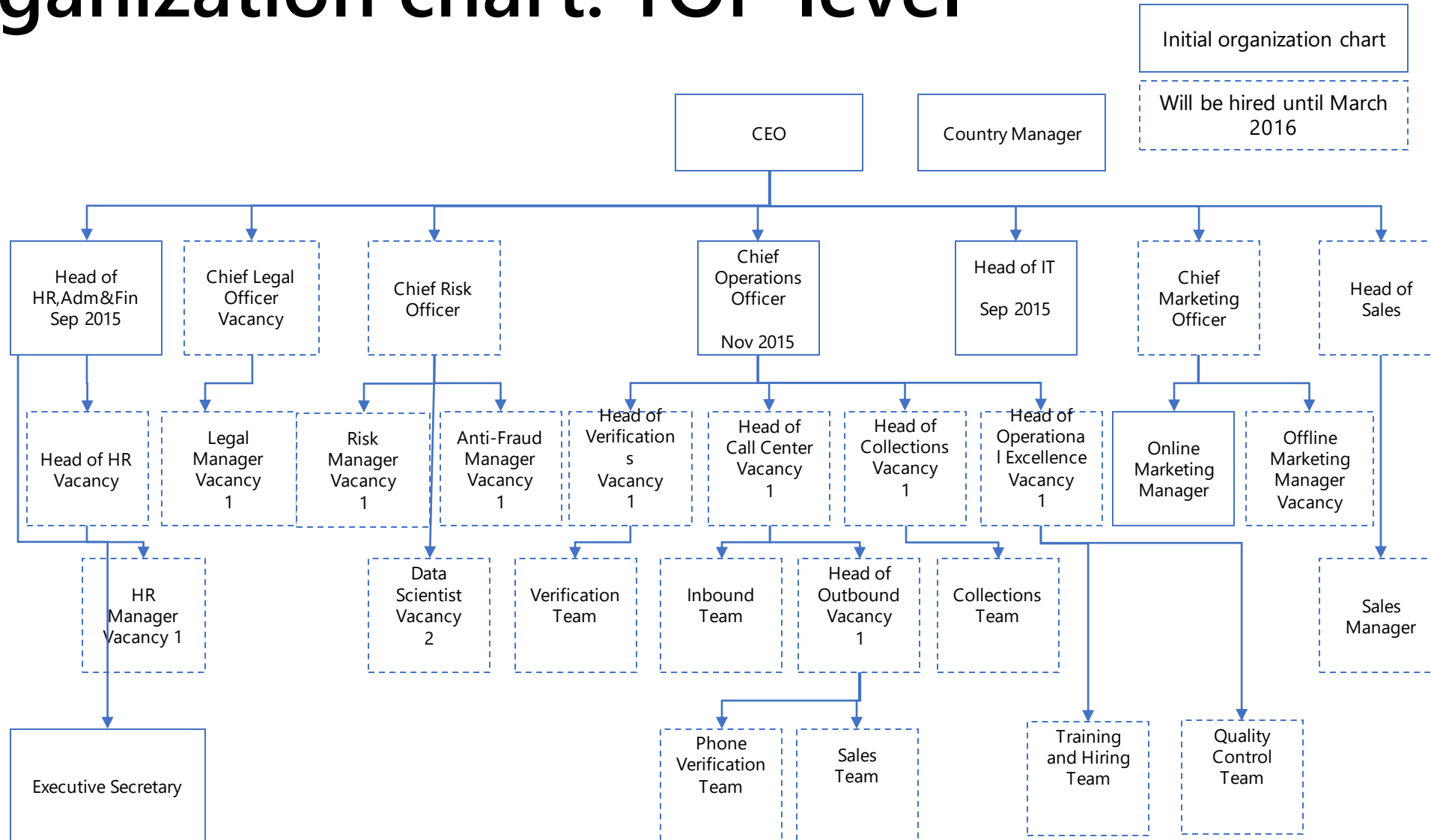


- First privately-owned CB in Indonesia
- Starts operations in Nov 2015
- Has access to state CB data base
- Will formalize the state CB data in convenient way
- Formally cannot cooperate with unlicensed (by OJK) entities
- Creative scheme is being developed to cooperate with them

Estimated hit rate:  
**20%**

# HR and Administration

# Organization chart. TOP level



# 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 0->1	Roll-rate 1->2	Roll rate 2->3+	Total losses (with prolongations)
Tier 1 loans	180*	30 days	10%	33%	11%	50%	39%	70%	80%	17,8%
Tier 2 loans	250	30 days	10%	33%	11%	50%	20%	70%	80%	9,1%
Tier 3 loans	320	30 days	10%	33%	11%	50%	20%	70%	80%	9,1%

"Free loans": 150 USD for 15 days

## Income and expenses parameters

Loan type	Normal interest rate, per day	Late penalty interest rate, per day	Disbursement fee received	Prolongation fee received, USD	Marketing acquisition cost, USD
PDL Loans	1,0%	1,5%	0,0%	11	27

## Sensitivity analysis

Sensitivity to number of clients	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	5 255	7 065	8 862	10 706	12 513	14 308	16 122
5 years average yearly ROE	34%	40%	46%	51%	55%	59%	63%
Sensitivity to prolongation rates	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	6 599	7 965	9 339	10 706	12 077	13 443	14 810
5 years average yearly ROE	35%	40%	46%	51%	57%	62%	67%
Sensitivity to NPL level	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	14 626	13 325	12 010	10 706	9 396	8 084	6 768
5 years average yearly ROE	77%	68%	59%	51%	44%	38%	32%

Sensitivity to PDL size	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	-353	3 345	7 030	10 706	14 376	18 043	21 706
5 years average yearly ROE	10%	23%	37%	51%	65%	78%	91%
Sensitivity to conversion rates	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	2 636	4 913	7 591	10 706	14 433	18 908	24 349
5 years average yearly ROE	21%	29%	39%	51%	65%	80%	97%
Sensitivity to marketing costs	70%	80%	90%	100%	110%	120%	130%
5 years Profit after taxes	14 958	13 542	12 124	10 706	9 287	7 866	6 442
5 years average yearly ROE	74%	66%	58%	51%	44%	38%	32%

# Investment summary

thsd USD	Q4'2015	Year 1	Year 2	Year 3	Year 4	Year 5*	Total
Micromoney investments	201	6 663	3 590	576	0	0	11 030
Total investments	201	6 663	3 590	576	0	0	11 030
Number of loans issued (thsd)	0,02	41	151	286	408	464	1 350
Amount disbursed	3	8 438	32 726	63 401	91 682	105 535	301 786
Net portfolio (EoY)	1	2 148	6 155	10 837	14 555	15 708	15 708
Revenue	0	2 782	14 095	29 528	44 915	53 942	145 262
One-off expenses	0	-908	0	-27	0	0	-935
Net profit after taxes	-198	-3 491	744	4 508	9 144	12 807	23 512
ROE (yearly)	-197%	-91%	8%	40%	78%	110%	51%
ROAA (yearly)		-184%	12%	42%	60%	73%	39%

\* - normalized year with no growth

- Break-even period – 20 months.
- Payback period – 50 months.
- Maximum investments from Micromoney – \$11,0M.



# Balance Sheet, EOY

thsd USD	Q4'2015	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>	<b>3</b>	<b>3 795</b>	<b>8 128</b>	<b>13 212</b>	<b>17 052</b>	<b>18 077</b>
Liquid assets	0	1 007	1 408	1 916	2 232	2 353
Loans to individuals (net of provisions)	2	2 282	6 338	11 038	14 686	15 714
PDL	3	3 395	11 636	24 364	39 537	53 750
Risk provisions - PDL	0	-1 113	-5 299	-13 325	-24 851	-38 037
Noncurrent assets	0	506	382	258	134	10
<b>Liabilities</b>	<b>3</b>	<b>2 970</b>	<b>6 047</b>	<b>6 623</b>	<b>6 623</b>	<b>6 623</b>
Loans from Micromoney	3	2 970	6 047	6 623	6 623	6 623
<b>Shareholders' equity</b>	<b>0</b>	<b>825</b>	<b>2 081</b>	<b>6 589</b>	<b>10 429</b>	<b>11 454</b>
Contributed equity	199	4 514	5 027	5 027	5 027	5 027
Retained earnings	-198	-3 689	-2 945	1 562	5 403	6 427

# P&L Statement

thsd USD	Q4'2015	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	0	2 782	14 095	29 528	44 915	53 942	145 262
Risk provisions	0	-1 113	-4 186	-8 027	-11 526	-13 186	-38 037
<i>% of revenue</i>		-40%	-30%	-27%	-26%	-24%	-26%
Acquisition costs - marketing	-1	-1 057	-3 659	-6 953	-9 918	-11 282	-32 869
<i>% of revenue</i>		-38%	-26%	-24%	-22%	-21%	-23%
Acquisition costs - other	-5	-293	-889	-1 611	-2 233	-2 494	-7 524
<i>% of revenue</i>		-11%	-6%	-5%	-5%	-5%	-5%
Support costs	-3	-181	-781	-1 619	-2 464	-2 974	-8 024
<i>% of revenue</i>		-7%	-6%	-5%	-5%	-6%	-6%
VAT	0	-62	-749	-1 767	-2 845	-3 513	-8 937
Operating profit (before fixed costs)	-8	75	3 831	9 552	15 929	20 492	49 872
<i>% of revenue</i>		3%	27%	32%	35%	38%	34%
G&A	-190	-3 157	-2 932	-3 056	-3 333	-3 547	-16 215
<i>% of revenue</i>		-114%	-21%	-10%	-7%	-7%	-11%
One-off expenses	0	-288	0	-27	0	0	-315
Depreciation and amortization	0	-114	-124	-124	-124	-124	-609
Profit before Taxes	-198	-3 484	775	6 345	12 472	16 821	32 732
<i>% of revenue</i>		-125%	5%	21%	28%	31%	23%
Income tax	0	-7	-32	-1 838	-3 329	-4 014	-9 219
Profit after Taxes	-198	-3 491	744	4 508	9 144	12 807	23 512
<i>% of revenue</i>		-125%	5%	15%	20%	24%	16%

# Cash flow statement

thsd USD	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Cash flow from operations</b>	<b>-198</b>	<b>-1 976</b>	<b>5 053</b>	<b>12 685</b>	<b>20 793</b>	<b>26 116</b>	<b>62 474</b>
Income	0	2 801	14 168	29 670	45 118	54 175	145 932
Acquisition costs	-5	-1 350	-4 548	-8 563	-12 151	-13 777	-40 393
Support costs	-3	-181	-781	-1 619	-2 464	-2 974	-8 024
G&A	-190	-3 157	-2 932	-3 056	-3 333	-3 547	-16 215
VAT	0	-62	-749	-1 767	-2 845	-3 513	-8 937
CIT	0	-7	-32	-1 838	-3 329	-4 014	-9 219
<b>Cash flow from investing</b>	<b>-3</b>	<b>-4 300</b>	<b>-8 242</b>	<b>-12 754</b>	<b>-15 174</b>	<b>-14 213</b>	<b>-54 685</b>
PDL Loans disbursed	-3	-11 436	-46 119	-90 352	-131 671	-152 555	-432 136
PDL Loans repaid	1	8 044	37 877	77 624	116 497	138 342	378 385
Fixed assets & software	0	-908	0	-27	0	0	-935
<b>Cash flow from financing</b>	<b>201</b>	<b>6 663</b>	<b>3 590</b>	<b>576</b>	<b>-5 303</b>	<b>-11 782</b>	<b>-6 055</b>
Contributed equity	199	3 696	513	0	0	0	4 407
Loans from Micromoney	3	2 967	3 077	576	0	0	6 623
External debt financing	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	-5 303	-11 782	-17 085
<b>Cash flow total</b>	<b>0</b>	<b>387</b>	<b>401</b>	<b>508</b>	<b>316</b>	<b>121</b>	<b>1733</b>

# G&A

Expenses category	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Salary	67	1 762	1 893	1 884	2 160	2 374	10 140
Rent	14	324	330	476	476	476	2 094
Marketing & PR	0	124	124	124	124	124	620
IT	77	361	281	377	377	377	1 852
Legal	0	48	12	12	12	12	96
Travel	0	48	48	48	48	48	240
Contingency	32	490	244	135	136	136	1 173
<b>Total</b>	<b>190</b>	<b>3 157</b>	<b>2 932</b>	<b>3 056</b>	<b>3 333</b>	<b>3 547</b>	<b>16 215</b>

# One-off budget

Expenses category	Total, thsd USD	Type
<b>Licensing</b>	<b>15</b>	
MCC registration	15	Written-off to expenses
<b>Offices</b>	<b>463</b>	Capitalized
<b>IT</b>	<b>283</b>	
Terrasoft adaptation & translation	75	Capitalized
Web portal development	100	Capitalized
P2P Web Site development	15	Capitalized
Contact center licenses	57	Capitalized
Contact center implementation	7	Written-off to expenses
IMREAL (Social Validation Service)	7	Written-off to expenses
Indonesian Cloud	2	Written-off to expenses
Netsistem - PC & peripherals	5	Capitalized
Netsistem - Network Equipment	3	Capitalized
<b>Recruiting</b>	<b>100</b>	Written-off to expenses
<b>Brand registration</b>	<b>73</b>	Capitalized
<b>Total</b>	<b>935</b>	

# Projects risks and mitigation

# Main identified risks and their mitigation

Risk type	Risk	Mitigation tool
Regulatory	Regulator might start regulating P2P scheme in the future	We will monitor the regulator's action (currently no any activity detected) and will try to adjust our business model to potential regulations. As the worst scenario we will activate Plan B - obtaining MFC credit institution license and will share licensing action plan with authorities.
Operational	Invalid and/or incorrect personal data in online application (on web site or in CRM)	Built-in auto online checks. Obligatory mobile number SMS-verification procedure.
	Loose customers application data	Saving all signature in CRM and everyday back up.
	Technical bugs during process	Every week testing process with staff and IT.
Behavioral	The customer will claim that he did not take the loan and did not sign the loan agreement	<ol style="list-style-type: none"><li>1. Automatic compilation and sending to the Borrower PDF file of the credit contract text, concluded between Investor&amp;Borrower. PDF will contain both parties personal data and information about exact time of signing and SMS-codes used as signatures. PDF will be sent via email immediately after the loan approval.</li><li>2. Requesting explicit Borrower's consent during confirmation phone call before loan disbursement, recording conversation and storing it to be restored in case of disputes.</li></ol>
Risk-related	Most of the working population is not officially employed, apart from that up to 80% of salary slips are claimed fraud	We will start low volume issuances first to test the market and gain solid statistics base.

# Main identified risks and their mitigation (cont)

Risk type	Risk	Mitigation tool
Fraudulent	Fake ID using for application	Mandatory requirement of KTP ID, checked via state data base. Using phone verification to identify person. Using lamreal to identify person in Facebook. Providing loan only to bank account to ensure the KYC procedure.
	Using robots for mass application fulfilling	Obligatory mobile number SMS-verification. Using Facebook verification. Developing mobile app for better verification and scoring.
	Fraudsters attack	Applied anti-fraud rules. Automated black lists check and phone verification. Low initial loan amount (to minimize losses).
	Customers will apply for 2 <sup>nd</sup> loan to close 1 <sup>st</sup> loan	Deduplication check will be applied in CRM.
	Telemarketing and verification staff will be in cahoots with borrowers	Analyzing performance of each staff member. Cross-check and randomizing areas which staff cover in operations.
Collections	Customers unavailability in case of committing delinquency	Mandatory request of providing family member's mobile number in application in case of collections necessity. Obtaining work and home numbers.
	Denying loan receipt in case of not repaying	Encrypting and storing digital signature data to be presented in court in selected cases.



# Project plan and next steps

# Project Plan and next steps

Activity	Planning end date	Comments
Hiring CEO	February 2016	CEO is hired, will starting working in February
Licensing	November 2015	License is obtained
Renting office	February 2015	Temporary office is rented, permanent is in the search stage
Creating team	December 2016	Key team members (Risks, IT, Ops, HR, Finance) are hired
IT settings, product settings	December 2015	All local vendors are contracted, Terrasoft integration is on; fist supply took place in Dec, final will take place in Feb
Official documents	December 2015	Internal documents are ready and clients documents are to be finalized December 2015
Start sales	December 2015	We plan to do the first sale in 1H of December

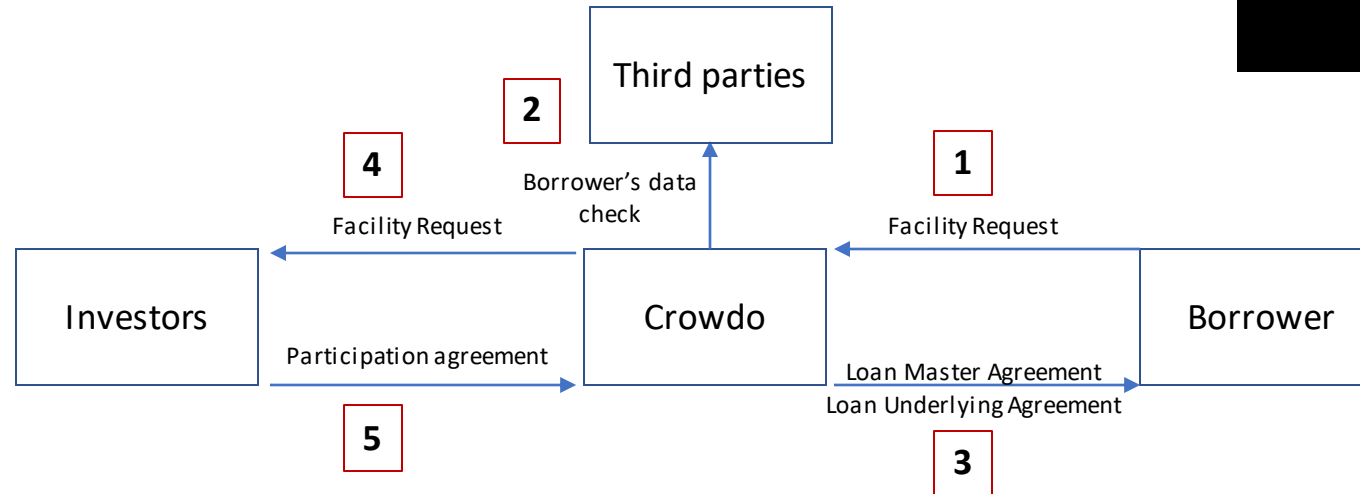
Activity	Sept-15	Oct-15	Nov-15	Dec-15	Jan-16
Hiring CEO					
Licensing					
Renting office					
Creating team					
IT settings, product settings					
Legal Setup for our business process					
Start operations					

We are planning to launch operations in 1H of December 2015

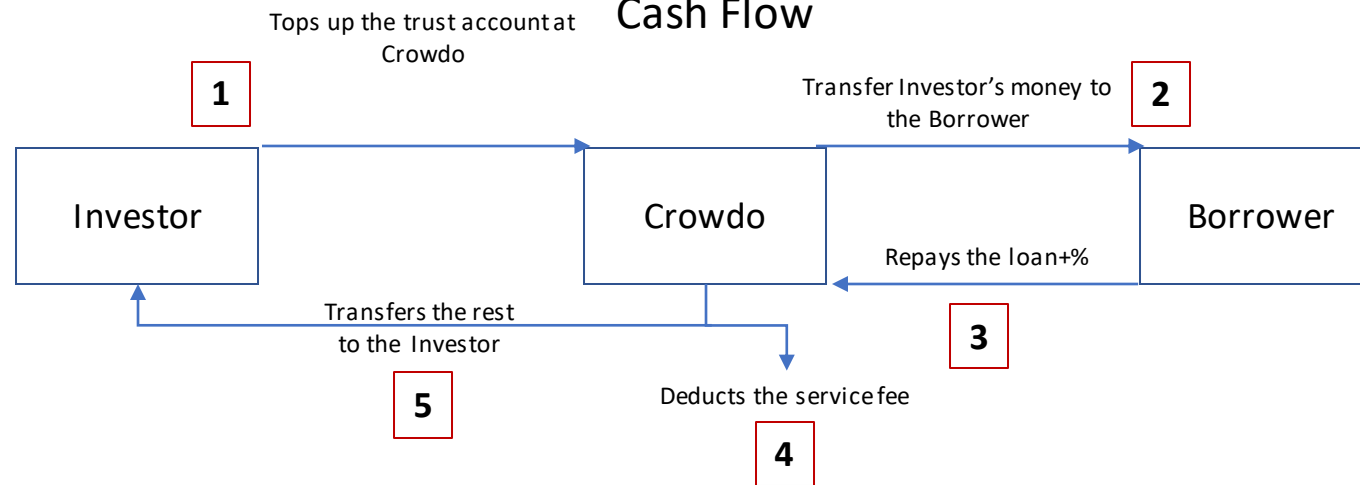
# | Appendix

# Crowdo (P2P) Case Study Business Processes

## Contractual Relations

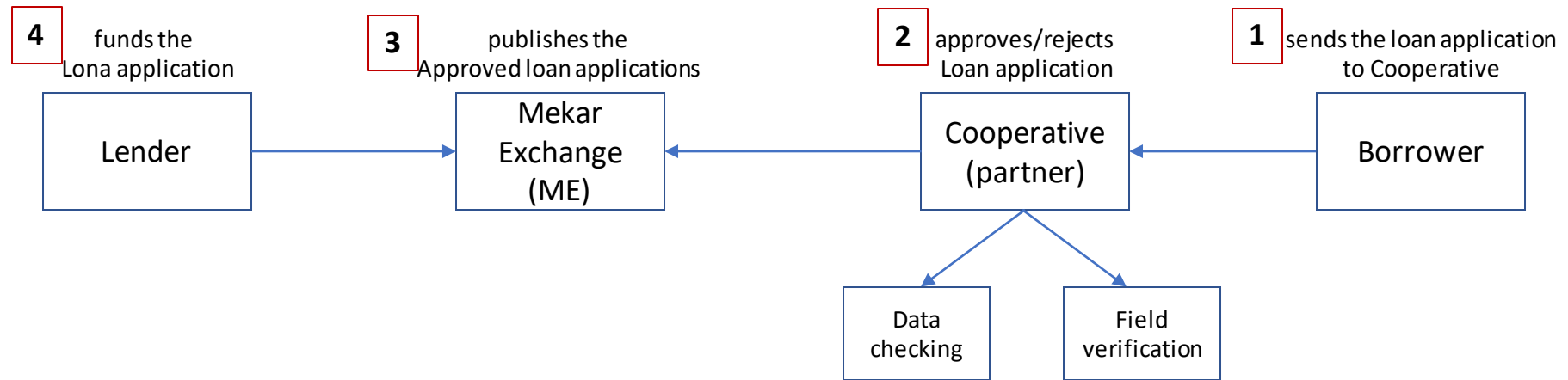


## Cash Flow

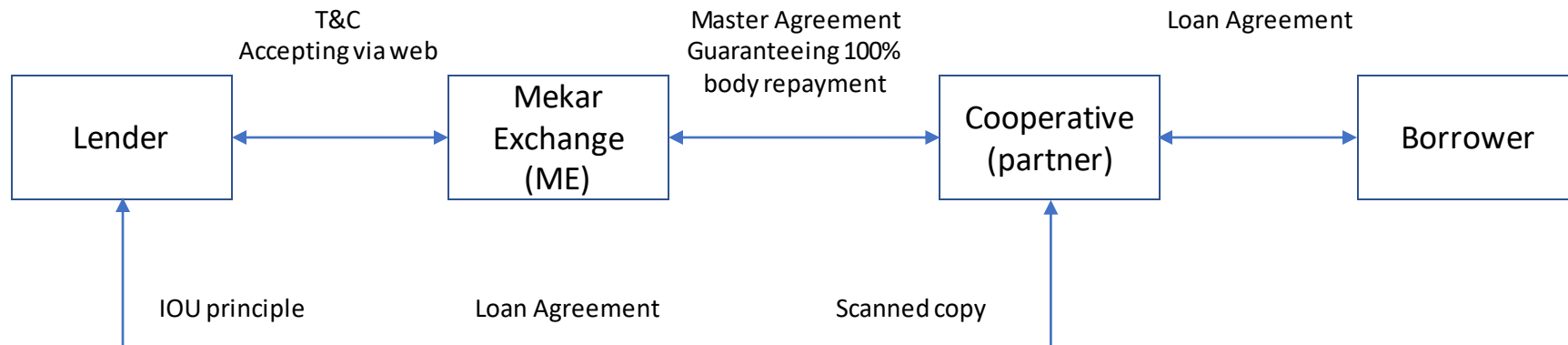


# Mekar Exchange Case Study (P2P) Business Process

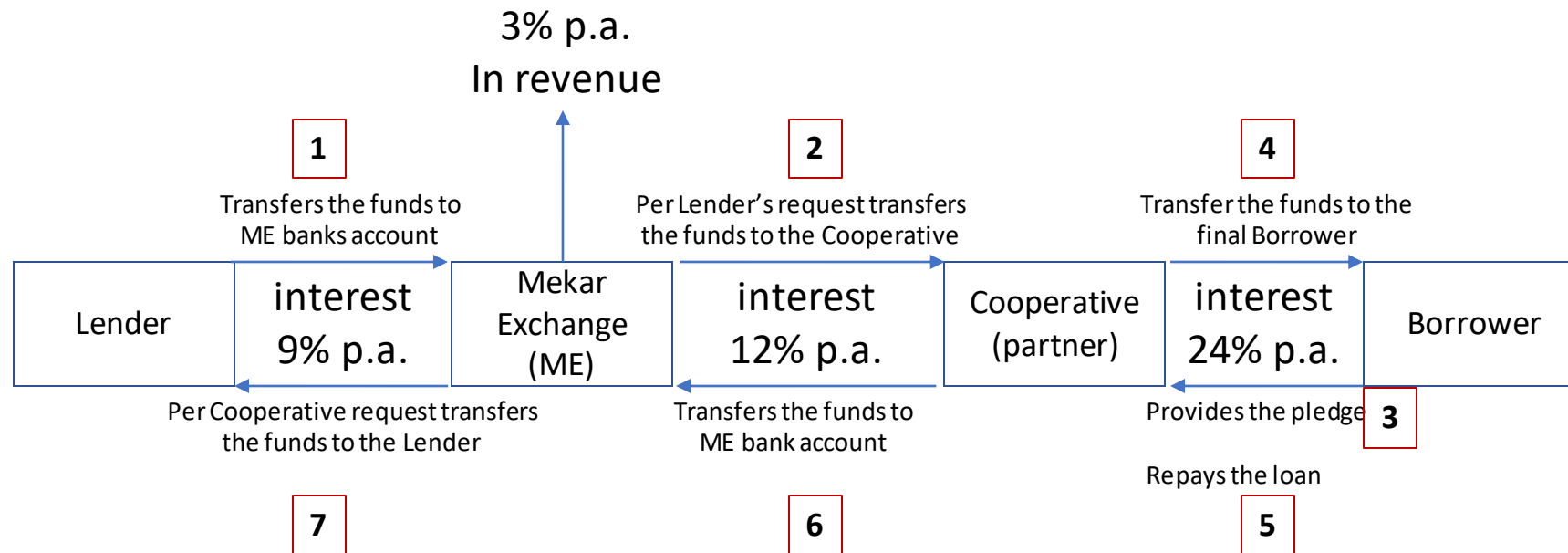
## Business Process



## Contractual Obligations



# Mekar Exchange Case Study (P2P) Cash Flow and Pricing (Cont)



- Due to the fact that Mekar exercised the funds transfer they felt they need OJK license
- OJK stated that it does not have formulated opinion about the business model
- OJK proposed the business to grow big first and then they would come to regulate it

# Our approach towards investor base

- We are taking retail deposits market as our benchmark.
- At Phase 2 we will gradually capture investors keeping in mind the regulatory landscape and market practice.

#	Specifics	Approach
1	All deposits below \$140K are guaranteed by Indonesia Deposit Insurance Corporation	Providing secured product is not a competitive advantage
2	All deposits below \$140K are subject to interest rate cap of 7,75% p.a. and 20% withholding tax	Majority of population can only get an effective yield which is comparable to BI key interest rate (currently 7,50%), offering higher yield is a competitive advantage
3	Personal presence is needed to open the deposit, yet after the first visit remote depositing is possible	Online product offering is a competitive advantage
4	Limited number of banks offer small ticket deposits (\$70), most of the banks start from \$500	Offering small ticket deposit product is a competitive advantage
5	Most of the banks offer flexible tenors (1-24 months)	Offering flexible tenors is not a competitive advantage

## Indonesia Deposits Insurance Corporation:

- Launched in 2005
- Independent from BI and OJK
- Main functions are:
  - Deposits insurance
  - Banks rescue
  - Banks liquidation



Our unique product offering is high-return but still secured, convenient ticket size on-line deposit