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# Cash advances, working capital loans, credit lines

MSME business loans with autorepayments based on real POS data cashflow

Business overview

# Redefining Lending and Financial Inclusion

## Need for Alternative Lending

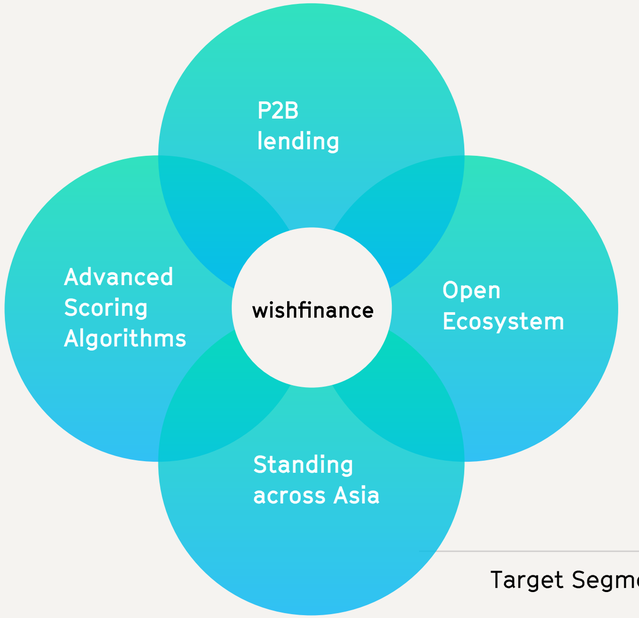
01. Traditional credit scoring focused primarily on Assets than on Cashflow

02. Time consuming evaluation and documentation processes

03. Absence of adequate and timely finance

04. Under served demand for unsecured lending

## WishFinance Solution




Target Segment: SME LANDING

## Traction

Partnering with
**POS-VENDOR, INSURER**

**SGD 300K**
Own capital invested

With the rise in internet penetration and increasing demand for more convenient access to financing, alternative lending platforms with disruptive technologies bring systemic changes in the way traditional lending works

## ON-BOOK LENDING

- Direct lending platforms with lending license, lend out of their books
- Credit Scoring - High in-house quality control of credit and disbursment
- Operational Metrics - higher spread and superior return metrics

zestcash, FUNDBOX, OnDeck, earnest, LendUp, loanDepot

## SINGLE LENDER LOAN ORIGINATION

- Tie-ups with a single lender for loan origination
- Credit Scoring - Dependent on approval fron single lender
- Default Risk - Lies with single lender and platform bears risk of losing the relationship (or source of loans)

Affirm, vouch, RENOVATE AMERICA, Kreditech, Kabbage, betterfinance, lenda

## PEER TO PEER LENDING

- Tie-ups with non-accredited lenders for loan originaDon
- Credit Scoring - Done in-house for lenders
- Default Risk - Lies with lenders

Rate%Setter, PROSPER, Funding Circle, auxmoney, LendingClub

## MULTIPLE LENDER MARKETPLACE

- Tie-ups with multiple lenders for loan origination
- Credit Scoring - Dependent on approval from various lenders
- Default Risk - Typically spread across multiple lenders

wishfinance, CommonBond, LendingHome, Biz2Credit, FUNDRISE, AVANT CREDIT, DRIVER UP, SoFi

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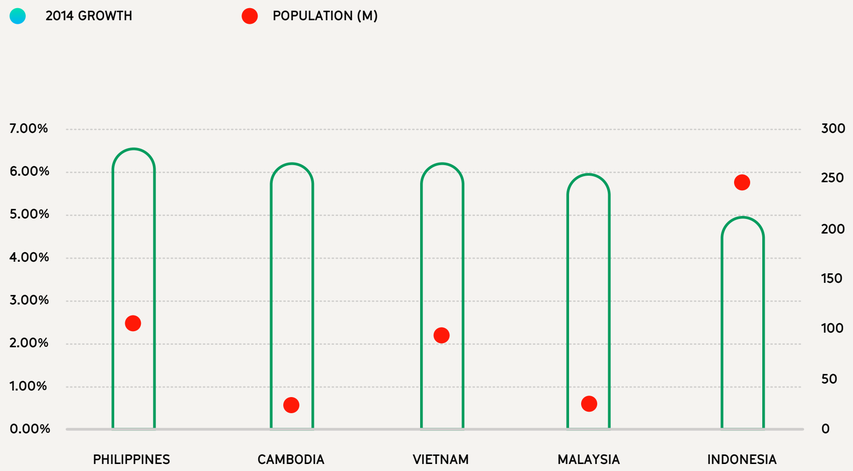
## And applies these innovations to emerging markets

South East Asia has unparalleled economic momentum and demographics




- **ASEAN integration will open legal frameworks**
- **Inbound capital flows** are an inevitable trend toward growth away from aging, over-indebted, and low-
- **Demographics for long term structural growth**
  - population average age is ~25 and the middle class emerging
- **High mobile penetration** and increasing popularity of eCommerce indicate the dawn of digital banking

...With traditional lenders being limited in their capabilities...

- **Banks in South East Asia are unable to serve SME's properly**
  - incumbents have high  xed cost bases, predominantly collateral-only lending & no-data driven processes
- **Shadow lenders charge high interest rates**
  - up to 20% monthly interest rates & primitive underwriting & collection practices
- **Foreign  nanciers are unable to penetrate**
  - without local distribution and operating experience market access is impossible

...LEADING TO A SITUATION WHERE SME  NANCING IS PARTICULARLY PROBLEMATIC

LACK OF SECTOR FOCUS

LACK OF DISTRIBUTION

LACK OF CREDIT RISK PRICING

Source: Goldman Sachs, 2015; IMF; World Bank; Bloomberg

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## And applies these innovations to emerging markets

- **Large SME credit demand** for high-turnover trading businesses, of which many try to move online
- Cost of short-term financing viewed by SME's as **part of marginal operating costs**
- Great opportunity to **capture more** of the financial value chain and grow through supply chains

- **Direct partnerships** with major eCommerce sites & marketplaces
- **Use of traditional channels** at low costs of acquisition due to limited competition
- **B2B 'account' model** supportive of high retention & referrals

- Conventional repayment mechanics, such as cheques, realise very low instance of missed payments
- Hands-on and scalable nudging of customers creates a strong customer relationship, positively inducing repayment behavior
- Active engagement promoting high retention rates andcustomer lifetime value

- Focus on cash flow, demographic data and use of funds **for decision making**
- Gathering of **wealth of data** on customer's digital presence and other variables –a huge competitive advantage and barrier to entry
- Efficient operations and consistent customer base means **1-day processing time**

# Operating cost is only a fraction of traditional lender's costs

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# Real customer

Meet Anthony Santos. Liquor store owner in Singapore

POS turnover for 2016 - S$58000+

Use cash advances for restocking from supplier with promo discounts

Average loan - S$5000

Average term - 3 months

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| Details for current offerings | SME Loans |
|---|---|
| LOAN SIZE | • Min - S$ 500<br>• Average - S$ 2000<br>• Max - S$ 10 000 |
| INTEREST RATE | • Range: 24-36%<br>• Averange: 30% |
| TENOR AND REPAYMENT | • Min - 1 months<br>• Average - 4 months<br>• Max - 12 months |
| SECURED/ UNSECURED | Unsecured |
| PROCESSING FEES | 1% fee deducted from disbursement |
| OTHER CHARGES | Late payment fee - 1% p.m. on EMI (till 3 months of default) Penalty - 3% p.m. on outstanding (after 3 months of default) Instrument bounce charges - S$100 per occurrence |

# Amortising credit facility

REAL TIME APPLICATION STATUS AND APPROVAL

- 100% Online Application
- 15 Min Application Time to Complete

HASSLE FREE PROCESS

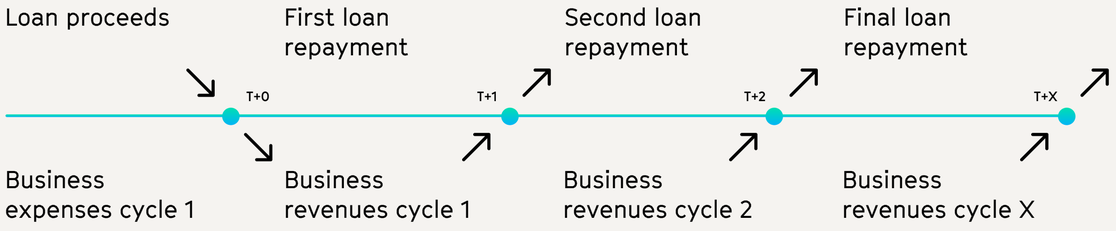
- Real time tracking of application status
- Instantaneous approval status (Same day approval)

HASSLE FREE PROCESS

- No Collaterals
- Direct credit to Customers (A/C)

RISK BASED PRICING AND TRANSPARENCY

- No Hidden Charges
- 24-36% p.a. risk based pricing



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## Leading to very attractive unit economics

### First Time Loans

| | Amortising (S*) | |
|---|---|---|
| LOAN SIZE | 6,000 | |
| LOAN DURATION | 70 DAYS | |
| GROSS INTEREST & PROCESSING FEE INCOME, % MOUNTHLY RETURN | 900 | 6.5% |
| COST OF DELINQUENCY, % MOUNTHLY COST | (540) | 3.9% |
| DISTRIBUTION FEES, % MOUNTHLY COST (% OF LOAN VALUE) | (125) | 0.9% (2.1%) |

Profit Contribution per first-time Loan:

**244**

100% renewal rate achieved to date

### Renewal Loans

| | | |
|---|---|---|
| LOAN SIZE | 11,000 | |
| LOAN DURATION | 85 DAYS | |
| GROSS INTEREST & PROCESSING FEE INCOME, % MOUNTHLY RETURN | 1.575 | 5.1% |
| COST OF DELINQUENCY, % MOUNTHLY COST | (200) | 0.7% |
| DISTRIBUTION FEES, % MOUNTHLY COST (% OF LOAN VALUE) | (300) | 1.0% (2.7%) |
| EXPECTED RENEWAL TIMES, IMPLIED % RENEWAL RATE | 4X | 75% |

Pro t Contribution per Renewal Loan:

**4,300**

### Total Profit Contribution

*US$/PHP of 46.5 assumed
**Expected rates, zero cost incurred to date

**4,544**

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## Leading to very attractive unit economics

| | | Description | Rejection | TAT** (MIN) | Nature of process |
|---|---|---|---|---|---|
| LEAD SANITIZATION | Basic lead Sanitizations | Check applicant's uniqueness and verify documents | 25.0% | 7 | ● |
| | Authentication by Ecosystem Veri cation | Information from various ecosystems is veri ed via data integration | 10.0% | Based on tie up | ● |
| | Veri cation and Augmentation | Unique identifiers provided by applicant are verified against authenticated databases | 10.0% | 5% | ● |
| | Tele-Veri cation | Tele-verification is done by the back-end user | 0.0% | 3 | ● |
| LEAD ORIGINATION | Bureau Check | Real-Time bureau verification | 20.0% | 5 | ● |
| | Fraud Analytics | Possibility of potential application fraud is identified | 10.0% | 5 | ● |
| | Field Veri cation | Field agents visit the premises of selected applicants – Seletively done based on scoring | 2.5% | T+2 | ● |
| | Bank Statement Analyzer | Cash  ows, expenses, investments are analysed and income mismatches identified | 10.0% | 8 | ● |
| | Credit Scoring | Proprietary scoring model using traditional and non traditional data (Financial) | 0.0% | 0 | ● |
| | Risk Based Pricing | Assessment using alternate sources of data (Ex- Social Media Analytics) | 0.0% | 0 | ● |
| | Alternative Date Credit Scoring* | Pricing of loan contracts based on proprietary scoring | 0.0% | 0 | ● |
| | | | **Acceptance Rate 28.4%** | **~35 min/T+2** | |

* Alternative Data Credit Scoring and Social Veri cation Engine
** Thematic Apperception Test

wishfinance | Best of both worlds

MARKETPLACE

## Scalability

100% online application with pan India target market

## TAT

Online credit checks enables faster Thematic Apperception Test

## Ease of Access

Providing customers flexibility to apply anywhere anytime

01.

02.

03.

04.

## Faster loan book ramp-up with enhanced credit quality

Online customer acquisition combined with robust risk model

## Enhanced customer stickiness

Continuous 24/7 end user interaction

## Faster TAT

Control over lending combined with cumng edge technology enables faster TAT

## Superior return metrics

Branchless model combined with on-book lending ensures higher ROEs

TRADITIONAL LENDERS

## Risk Control

Complete control over risk assessment and decision making

## Customer Stickness

Ability to control and cross sell offerings

## Positive Margins

Higher spread and opportunity to lever due to on-book lending

* Thematic Apperception Test

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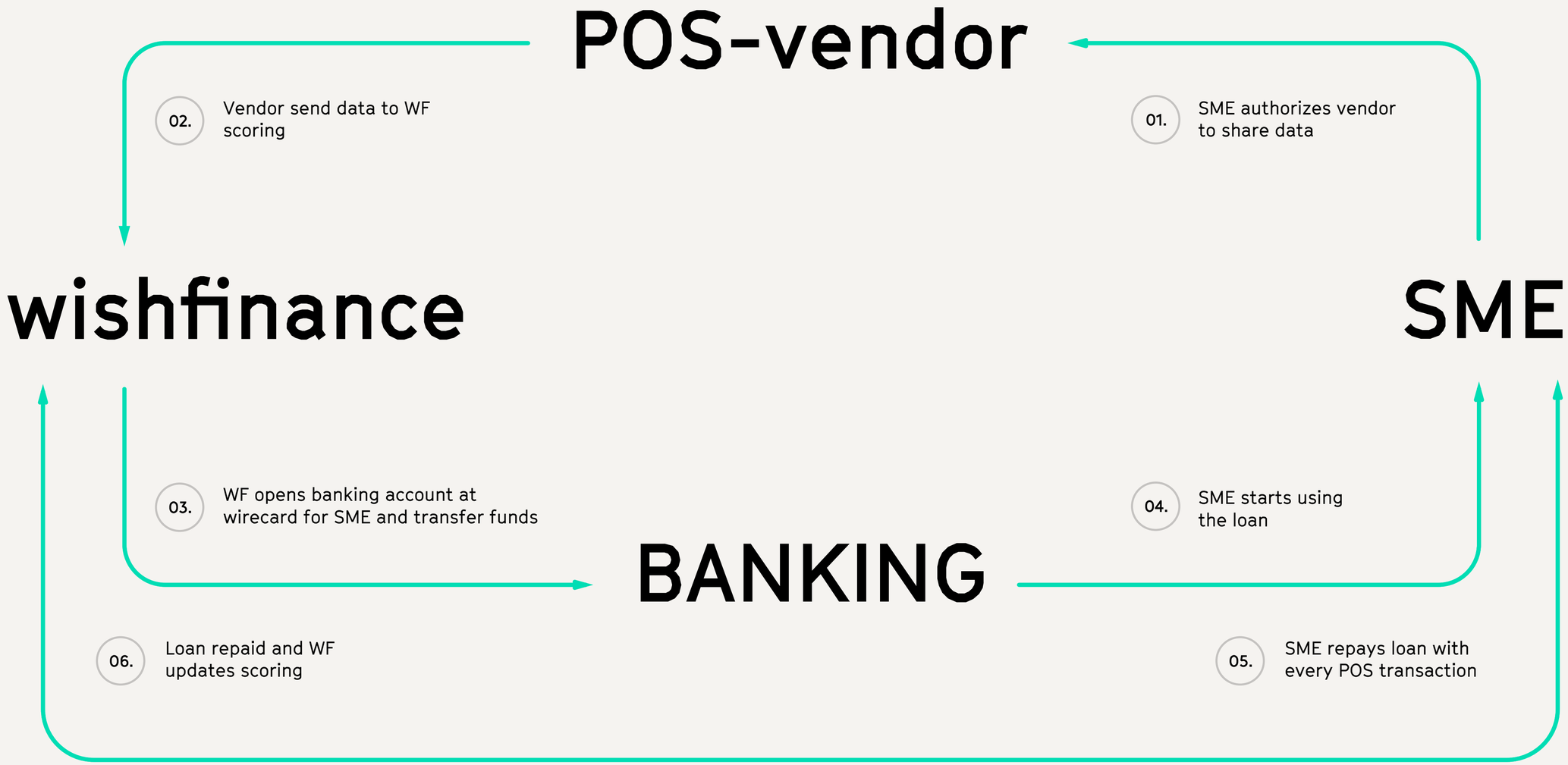

wishfinance | Wish Finance team

## Eugene Green

CHIEF EXECUTIVE OFFICER OF WISH FINANCE

- Software Engineer and Systems Analysis postdoc
- 15+ years as entrepreneur and angel investor
- 3 companies sold

## Michael Elgort

CHIEF COMPLIANCE OFFICER OF WISH FINANCE

- Corporate Lawyer and INSEAD MBA
- 10+ years in M&A and deal structuring
- Extensive experience in Israel and APAC

## Ruslan Gavinov

CHIEF TECH OFFICER OF WISH FINANCE

- Software Engineer and Architect
- 15+ years in Banking IT
- International financial IT systems builder

Total fintech experience:

**50+ years**

Total banking experience:

**100+ years**

# THANK YOU

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