

Business plan of PDL business in China



July 2016



1. Investment summary

Chinese Money Lending Market is one of the most promising in Asia due to a number of factors:

- Huge population: over 1.37Bn with average monthly income of \$730 for the employed part, high figure when compared to other Asian markets
- Well-developed infrastructure for online business model: bank account penetration at 79%, smartphone penetration at 58%, remote contract signing possible, interest rate cap regulation is not tight
- Majority of formal FS players (banks, finance companies) focus on products for upper- and middle-class customer segments (usually with large ticket size and often secured), so a significant portion of population is not covered by formal financial services, especially in Tier 2-4 cities (with total population of 595 mln.)
- Regulatory environment allows us to operate in this market with relatively low capital requirements and via a variety of legal setup options
- There are several (5-10) competitors who use the same “pure online” business model, but only one company claims to provide loans within 1 hour (“CashBus”). Average Time-to-money (TTM) for other online moneylenders is 1-3 working days

We believe positive results can be achieved fast since:

- Pure online business model will allow to scale up operations quickly
- Risk mitigation via cooperation with several “Big Data” online risk services providers is available for efficient risk management
- Even though FB and Google are unavailable in China, there are several similar local marketing resources (WeChat, Baidu, etc.) which allow efficient on-line marketing

Chinese lending market is one of the most promising in Asia due to a large portion of population unpenetrated by formal financial services and undersupply of easily accessed funding

1. Investment summary



Investments, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Portfolio investments	4 114	7 160	3 941	36	0	15 252
OPEX and CAPEX investments	3 075	3 422	0	0	0	6 497
Total investments	7 190	10 582	3 941	36	0	21 749
Volume indicators	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Number of loans issued, thsd	71	371	714	1 096	1 195	3 447
Amount disbursed, thsd USD	11 613	53 022	97 001	145 070	152 229	458 935
Net portfolio (EoY), thsd USD	3 246	9 304	16 507	21 824	22 148	22 148
P&L, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	2 905	18 603	37 831	60 346	67 452	187 137
Provisions	-2 630	-11 254	-18 742	-25 387	-27 293	-85 307
Variable costs	-1 838	-7 762	-11 640	-16 304	-17 175	-54 719
Marketing acquisition costs	-641	-2 354	-3 627	-4 658	-4 526	-15 806
Salary (variable part)	-604	-2 568	-3 717	-5 090	-5 523	-17 502
Other variable costs	-426	-1 774	-2 128	-3 099	-3 260	-10 687
VAT	-166	-1 066	-2 168	-3 458	-3 865	-10 724
Fixed costs	-1 607	-3 203	-3 202	-3 307	-3 268	-14 586
Salary (fixed part)	-895	-2 036	-2 036	-2 036	-2 036	-9 039
Other G&A expenses	-712	-1 167	-1 166	-1 271	-1 232	-5 548
One-off expenses	-211	0	0	0	0	-211
Net profit before taxes	-3 381	-3 616	4 247	15 348	19 717	32 314
Terminal value						96 103
ROE (annualized)						59%
ROAA (yearly)	-208%	-58%	33%	63%	67%	29%

Break-even period – 24 months
 Self-capitalization period – 35 months
 Payback period – 61 months
 Total investments from – \$21,7M
 Unoptimized Yr5 corporate tax – \$4,9 M

2.1 General Market Information



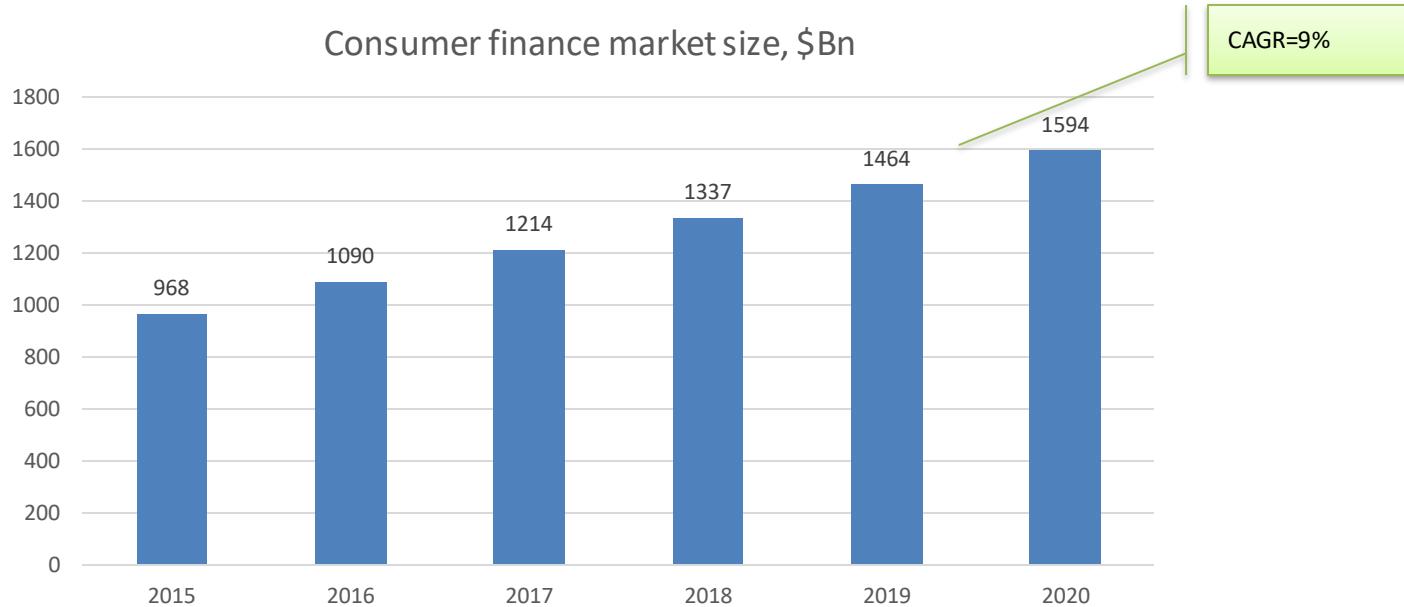
- Geography: 9,6 mln sq.km. territory, borders 14 countries
- Population – 1.37 Bn. Urban/Rural population – 55%/45%
- Official languages – Mandarin, Cantonese
- Average monthly income – 4,7K RMB (\$730) for employed part of the population
- GDP Per Capita (Nominal) – 56,7K RMB (\$8,8K)
- Employment: 58,3% of the population, including 29,5% in agriculture, 30% in industry, 40,6% in services sector
- Internet penetration* – 52.2%
- Mobile penetration – 92%
- Smartphone penetration – 58%
- Bank account penetration – 79%
- Online banking penetration – 65.7%
- Bank Card penetration – 79%
- Credit card penetration (2015) – 38%

People's Republic of China (PRC):
Administrative Divisions & Territorial Disputes



Because of high internet, smartphone and bank account penetration, Chinese market is perfectly fit for the “pure online” business model

2.2 Market Size Estimation



- Unsecured consumer finance market size is estimated to reach \$1,6 Tn by 2020
- PDL share of the market is estimated at 0,5-1% of the total market
- Current sales assumptions lead to 0,25-0,5% market share by 2020

	Year 1	Year 2	Year 3	Year 4	Year 5
Net credit portfolio, \$M	3,2	9,3	16,5	21,8	22,1
#loans sold, K	71	371	714	1,096	1,195

* <http://www.chinatimes.cc/article/51502.html>; <http://think.sifl.org/?p=6998>, Euromonitor, The Boston Consulting Group

6.4 Risk Management Tools Overview



4. Direct Debit:

- Direct Debit is allowed in China and the standard market practice for repayment, cost per success transaction is 0,3 USD
- To use this service we should sign a digital agreement with customer and use special provider (market practice – asking allowance for direct debit during the application process)
- This service will be used in repayment and collection process
- In April 2016 direct debit providers tightened requirements for partners: if partner use digital signature for contract signing certified digital signature provider is mandatory

5. Credit Bureau:

- There is only 1 credit bureau in China – PBOC Credit Bureau, it contains over 400 million records (~50% urbanized Chinese citizen)
- Only Banks, Insurance companies, Trust companies and Consumer Lending companies have legal access to PBOC credit bureau legally (MFI and p2p platforms have only shadowy access to credit bureau with next day response and non-stable access)
- PBOC credit bureau does not have data about p2p and MFI loans, but there is data about credit cards, mortgage and bank's loans
- Chinese citizen can request data from PBOC bureau by himself, authorization process takes 24 hours.
- We can use access to credit bureau if we will cooperate with trust company
- Therefore, we estimate quite low hit rate for PBOC credit bureau due to lack of information about p2p and MFI loans

6.5 Application Process (target process)



#	Stage	Procedure	Content, pilot stage, apr (fact)	Content, early stage, apr (forecast)	Content, mature stage, apr (forecast)	CPC-based traffic, apr (forecast)	\$
1	Autochecks from the Credit policy (Geo, Age, Social status, etc.)	Customer fills in his personal data, our system automatically decides to do “soft decline” because of stop factors or do requests to 3d party data suppliers	5%	20%	60%	90%	0
2	Cell Phone statistic check	Authorization in customer’s private cabinet via his personal password and SMS, downloading and analyzing cell phone statistic	80%	80%	80%	80%	0,68
3	Antifraud check	Our IT system automatically does request to Toungdung (and other anti-fraud systems in future), if customer rejected by antifraud rules, system shows him “soft decline” message and stops doing requests to other 3d party systems	10%	25%	50%	60%	0,15
4	ID falsify check	Customer makes his ID photo, our system provides this photo to 3d party provided	95%	95%	95%	95%	0,15
5	ID recognition	Customer makes selfie photo with his ID in front, we compare his face and photo from ID database	60%	60%	80%	80%	0,15
6	Verification	Interview with customer (and urgent contacts if necessary)	80%	80%	80%	80%	0
Total			0.18%	1.82%	14.59%	26%	

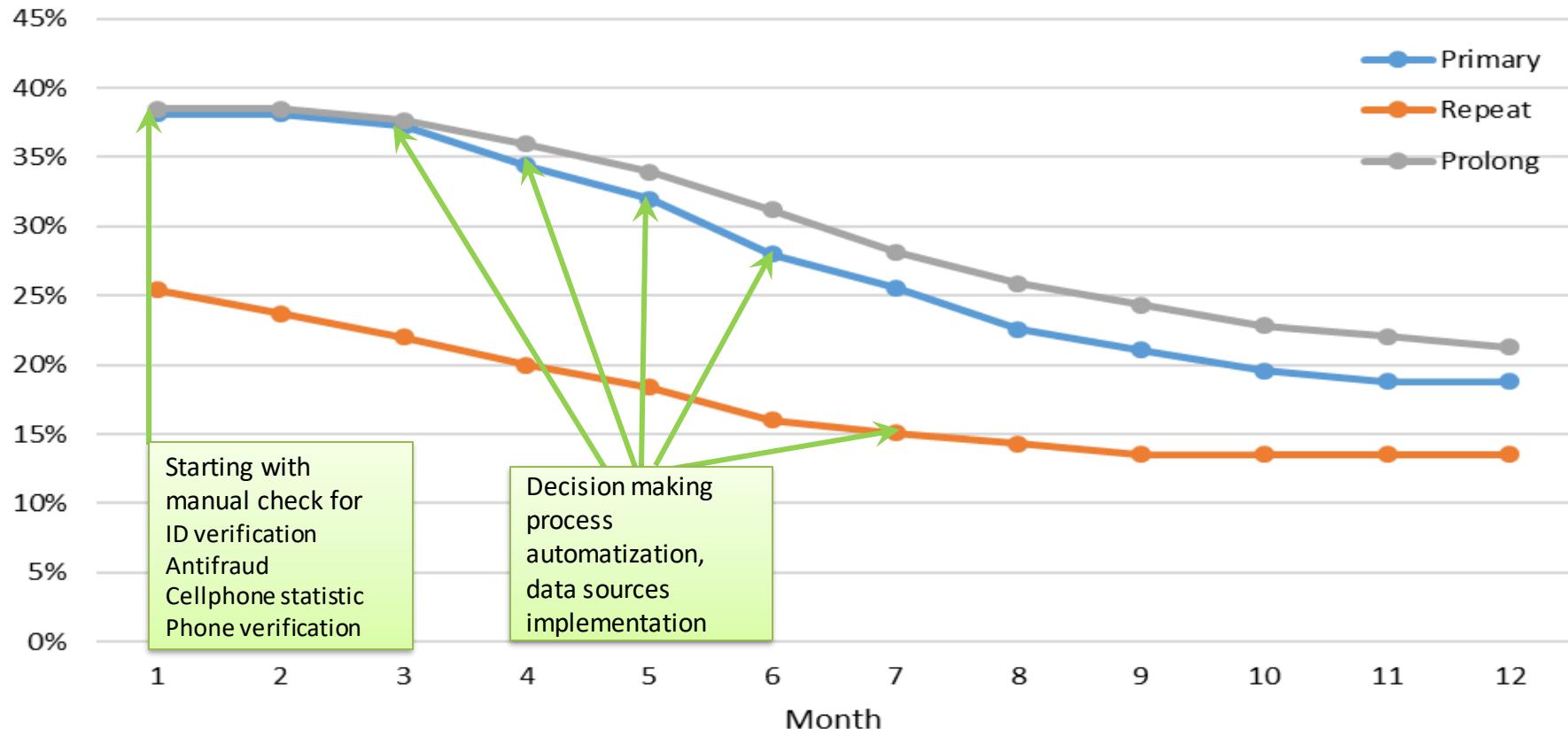
Planned AR will vary from 1,8% at early stage to 14,5% at mature stage. The cost of the third party services for credit decisioning will also vary from \$1,6 to \$0,6 appropriately.

AR for autochecks and antifraud rules will increase due to opening our service in new provinces and brand awareness improvement. ID data autorecognition functionality will increase CR.

6.7 Risk Costs Forecast



Final losses evaluation 1-12 months



We expect new loans losses to be at 30~40% at the onset, gradually decreasing to 20% at EOY1 and then to 19% at EOY2, while repeats starting at 25% and stabilizing at 14% within the same timeframe

Business Plan of PDL business in Myanmar



October 2016



Investment summary

MARKET ATTRACTIVENESS. Myanmar market may provide a lot of opportunities for new players.

We believe that it is necessary to enter to Myanmar consumer lending market because:

1. Large population (>51 mln people) with rising wages, high portion of young spenders.
2. Since 2011 the political situation in Myanmar has stabilized and began to improve rapidly: the military regime fell, borders were opened, international sanctions were cancelled. First elections won by National League for Democracy, allows us to say that Myanmar has overcome the troubled period of its history.
3. Favorable investment climate:
 - a) 5 billion USD investment brought into the country only for the first 2 months of 2016.
 - b) According to the forecast of McKinsey* “there is unique opportunities in Myanmar”. The level of investments in country's economy in the next 15 years will exceed \$500 billion.
4. Very low level of bank`s consumer credit services:
 - a) Unsecured consumer lending is totally absent. Banks focused on SME lending with collateral.
 - b) Gray lending market share is very high: unbanked people are currently covered by low-tech informal lenders and pawnshops.
4. One of the highest smartphones penetration in Asia (80% in the big cities)
5. Payment systems demonstrate a booming growth. Everybody who has smartphone can open e-wallet in 5min.

Key success factors in the market:

- Variety of legal setup is possible. Optimal way to enter the market is pawnshop. After entering the market we are going to pursue acquiring of Microfinance company license.
- Pure online is feasible. The market is ready for online lending despite low income: explosive smartphones penetration growth, mobile operators offer free access to Facebook
- Easy to deliver money: 1) Transfer by “domestic remittance” through any bank without account opening (KYC provided). 2) Transfer to customers` bank accounts **. 3) Transfer to e-wallets of payment systems.

Myanmar is a very attractive market because of its:

- low level consumer lending competition ; - possibility to apply pure online model.

* <http://www.mckinsey.com/global-themes/asia-pacific/myanmars-moment>

** according pilot website launch, we expect that penetration of bank accounts will be well above average in customer segment attracted through the online channel.

Investment summary



Investments, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Portfolio investments	1 007	1 946	438	64	0	3 455
OPEX and CAPEX investments	1 208	245	90	0	0	1 543
Total investments	2 215	2 191	529	64	0	4 998
Volume indicators	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Number of loans issued, thsd	30	173	351	520	620	1 694
Amount disbursed, thsd USD	2 484	14 095	28 198	41 569	49 284	135 630
Net portfolio (EoY), thsd USD	612	2 059	3 634	5 000	5 348	16 652
P&L, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	626	4 517	9 871	15 179	18 603	48 797
Provisions	-543	-2 703	-4 965	-6 636	-7 914	-22 762
Variable costs	-510	-1 272	-2 337	-3 400	-3 979	-11 498
Marketing acquisition costs	-369	-608	-1 112	-1 577	-1 775	-5 441
Salary (variable part)	-94	-340	-548	-781	-927	-2 690
Other variable costs	-40	-199	-359	-530	-631	-1 759
VAT	-7	-126	-318	-512	-645	-1 608
Fixed costs	-956	-1 069	-1 004	-1 127	-1 170	-5 327
Salary (fixed part)	-682	-701	-588	-713	-793	-3 476
Other G&A expenses	-275	-369	-416	-414	-377	-1 851
One-off expenses	-57	-17	-17	-17	-17	-126
Net profit before taxes	-1 441	-545	1 548	3 999	5 523	9 084
Terminal value						25 063
ROE (annualized)						61%
ROAA (yearly)	-235%	-41%	54%	71%	80%	51%

Break-even period – 21 months

Self-capitalization period – 29 months

Payback period – 58 months

Total investments – \$5,0M

Unoptimized Yr5 corporate tax – \$1,4M

Terminal Value – \$25,1M (Gordon growth model with discount factor 15% and growth rate 0%)

General market information



#	Parameter	Myanmar	Yangon city	
1	Population (mln.)	51,4	5,9	
2	Official language	Burmese		
3	GDP per capita*	\$1.4K	\$2,7K	
4	Labour force ratio	63%	70% +	
5	GDP nominal Annual Growth Rate (2015)***	7%		
6	Officially employed	30%	50%+	
7	Average monthly salary****	\$150	\$300	
7	Min. salary for official employed citizens by labor law	\$99		
8	Mobile phone penetration (including smartphones)**	33%	63.5%	
10	Smartphone penetration (out of mob. penetration)	58%	80%	
11	Bank branches per 100K population	2,5	10	
12	Bank cards penetration*****	5%	20%	
13	Facebook penetration	~18%	~ 52%	
14	e-wallet (service provided by payment systems)	~ 300.000	~ 150.000	



Yangon, and other 4 big cities are the most suitable for our lending model, because of:

- 1) Around 20% of population lives there.
- 2) Average salary at least 3 times higher than in overall country, 38% of country GDP is produced only in Yangon.
- 3) Smartphone penetration on 40% higher than in country average. Drastically increasing e-wallet penetration (March 2016 - Regulation on Mobile Financial Services was introduced and government start issuing the licenses for payment systems).

* <http://mmrdris.com/2015/09/03/investing-mandalay/> <https://en.wikipedia.org/wiki/Myanmar>

** The dynamics of mobile penetration increase was +87% in the last year. 3G is launched in Yangon and Mandalay

*** <http://www.tradingeconomics.com/myanmar/gdp-growth-annual/forecast>

**** estimations basing on local HR/JOB websites analysis.

***** <http://www.kpmg.com/mm/en/issuesandinsights/articlespublications/documents/banking-and-financial-services-sector-in-myanmar-kpmg-publication.pdf>

Consumer Finance Industry Landscape



- In the past, Myanmar (Burma) was a British colony. Myanmar became an independent nation in 1948, initially as a democratic nation and then, following the Civil war and a coup d'état in 1962, a military dictatorship. While the military dictatorship formally ended in 2011. Now the country fully turn into democracy.
- The Banking technology is not developed yet. Local banks have no any interbank clearing system and send money to each other by fax. Also there is no REPO. Foreign bank's branch expansion may exist only in the form of Joining Venture with local bank*. Foreign banks allowed to open only one branch and provide loans only to foreign enterprises. The main focus of banking industry is corporate customers. No any credit bureau presented in the country. The personal lending is mostly carried-out by NGOs, MFIs, cooperatives, pawnshops and unofficial money lenders.
- The main efforts of Myanmar Financial authorities are dedicated to reduce the poverty and to promote the socio-economic life of the grass-root people in rural areas. It reflects in requirements for financial institution licenses holders to provide at least 50% of financing in rural areas. Thus, the most of existing micro finance industry players are focused on group-lending.
- There are regulatory authorities which control the consumer finance market: Financial Regulatory Department of Myanmar Central Bank (MCB) – for all financial institutions, Rural Development and Poverty Reduction Committee in MCB – for MFIs. Agricultural, Livestock and Irrigation Ministry - for credit cooperatives. Yangon City Development Committee (under Prime Minister of Yangon region) – for pawnshops. (see appendix 2 - page 37)

1. Banks are focused on SME lending, long and heavy process to borrow money for individuals.
2. Consumer lending is mostly represented by NGOs, MFIs, cooperatives, pawnshops and unofficial money lenders which works fully offline.

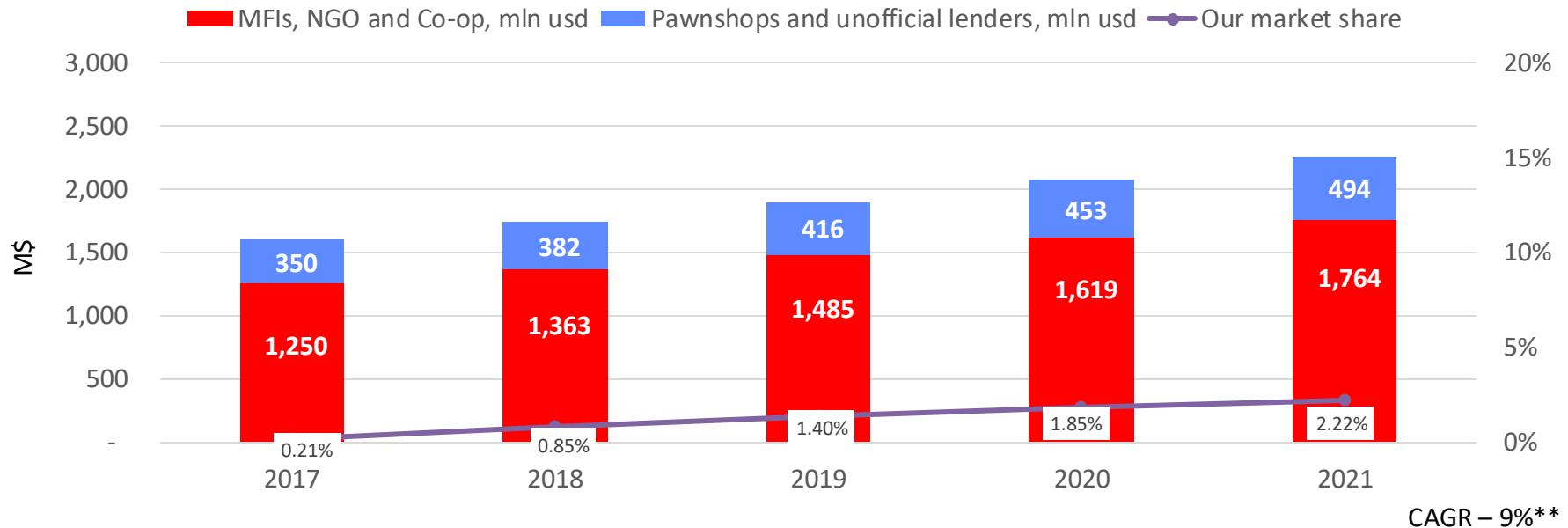
* <http://www.crossroadsmyanmar.com/focus/banking-myanmar-nine-foreign-banks-enter-myanmar>

* http://www.cbm.gov.mm/sites/default/files/regulate_launder/financial_institutions_law_updated_by_cbm_20160303website-1_0.pdf

Consumer finance market size estimation



Estimated Sales of Moneylenders* & Grey Market, Our Share



	2017	2018	2019	2020	2021
Our disbursement volumes, mln. USD	2,5	14,1	28,2	41,5	49,2
Our Number of loans (thousand) disbursed per year	30	173	351	520	620

- Our market share in 2020 is expected to be more than 2,2% of existing consumer finance market
- (MFI, Pawnshops and unofficial money lenders).

* <http://www.mms.e.gov.mm/eng/license> - loan portfolio of NGOs and MFIs

**<https://www.kpmg.com/SG/en/IssuesAndInsights/ArticlesPublications/Documents/Advisory-FS-The-Banking-Financial-Services-Sector-in-Myanmar.pdf>



Credit Bureaus

- Do not exist in the country as of now

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 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 go 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



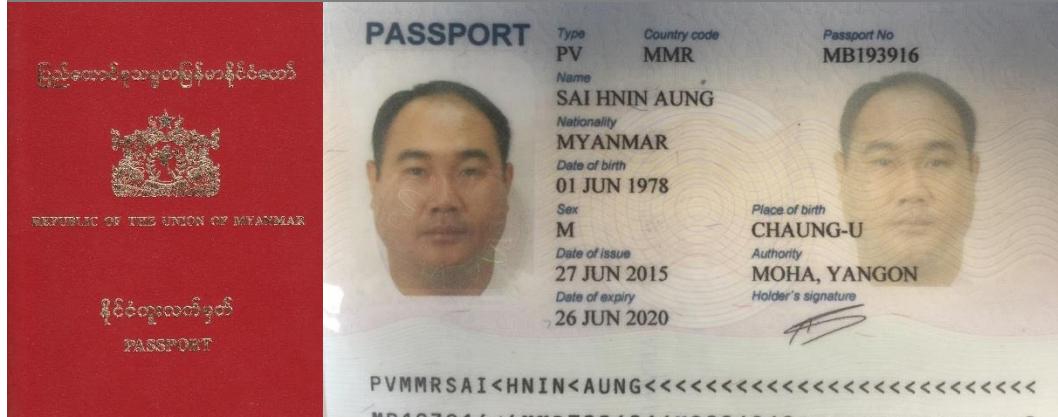
Customer identification/ banking KYC

- Loans to be disbursed via banks only. We believe that bank identification on account opening will fully replace internal KYC.
- Banks perform sophisticated check and require Passport or National Identity Card (NRC) to open an account.
- Every Passport or NRC to be validated by bank employee, who must follow validation procedure (check security features)
- Bank may confirm the validity of the official documentation provided through certification by an authorized person

Current NRC



Current passport



National Registration Identity Card (NRIC)

- Coverage - NRC covers 100% of citizens
- Availability – 100%, in possession with clients all the time

Security features on the NRC

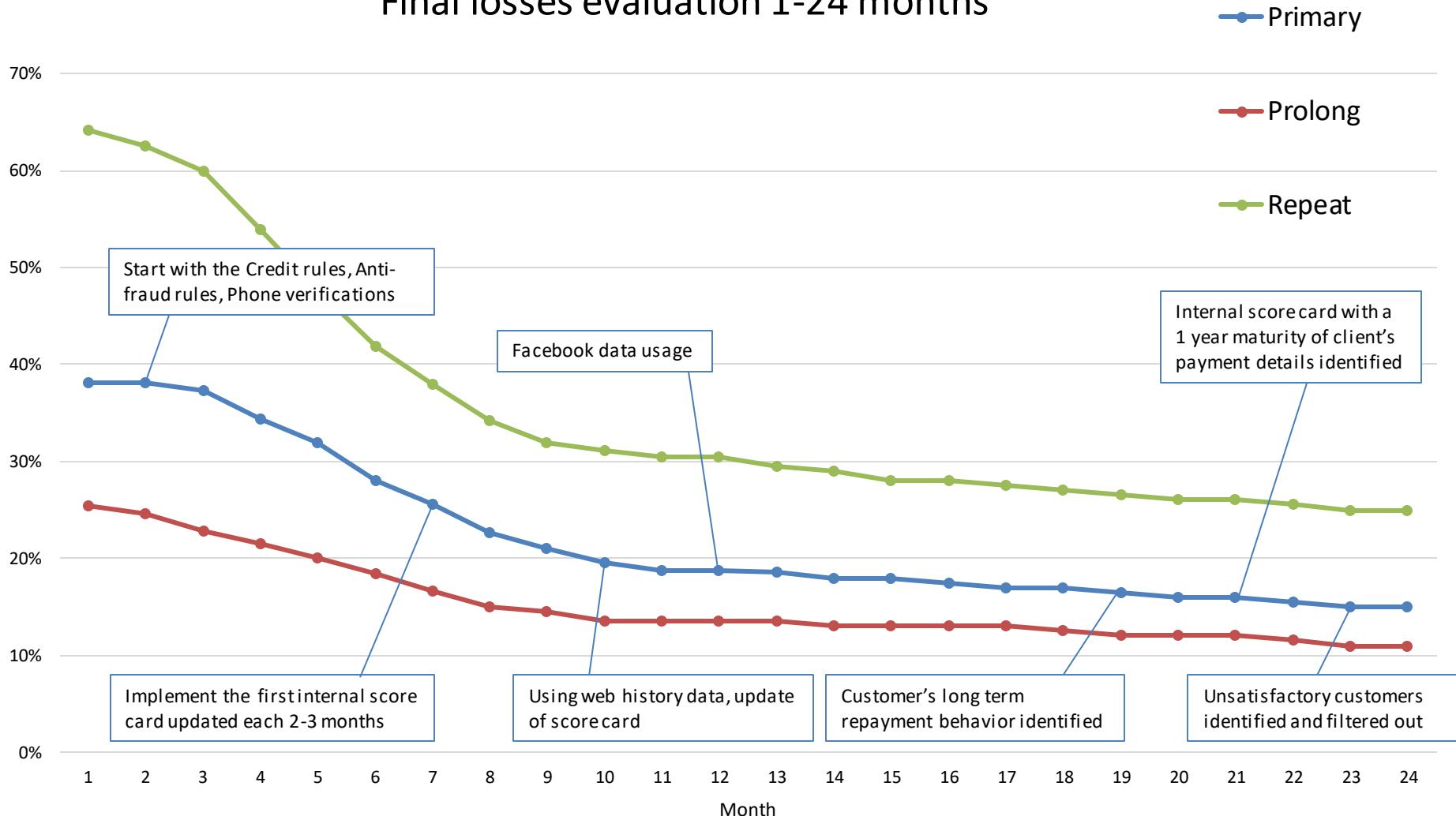
- The following items fluoresce under a UV light:
 - pink security fibers
 - water mark (national flag with five-pointed star)
- special paper as for banknotes with micro lettering
- embossed plastic surface
- Thumbprint

- The Bank is responsible for validation of personal data provided by Customer (legal opinion)
- **Whoever forges an ID document shall be punished with 10 years imprisonment**
- NRC is always available, cost of obtaining the fake is higher than target loan amount

Risk Loss curve



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 19% for New loans and 14-15% for Repeat at EOY2.

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

Business plan of Money lending business in Indonesia



11.12.2016

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. Indonesia is one of the biggest markets in A&P orbit:

- Total population is 253M.
- Our target segment will grow from 100M to 160M in 2012-2020¹.

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).

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.

Our key challenges are:

- Absence of conventional licensing options to meet our business model requirements.
- Credit risks due to lack of borrowers' checking capacities.

¹Solidiance marketing agency analysis

Investment Summary



Investment summary thsd USD	Timeline						Total
	Q4'2015	Year 1	Year 2	Year 3	Year 4	Year 5*	
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 – \$11,0M.

General market information



- Geographic area is 1.9M km².
- Total population is 253M; Java Island is 140M, Greater Jakarta is 30M.
- Official language is Bahasa.
- GDP per capita (Nominal) is \$3,6k¹ nationwide and >\$10k in Jakarta.
- Average monthly income is \$250³ nationwide (\$740⁴ in Jakarta).
- Mobile phone penetration is 108% nationwide (180% in Jakarta⁵).
- Smartphone penetration is 25%⁶ nationwide (55%⁹ in Jakarta).
- Internet penetration is 36% nationwide (65% in Jakarta⁶).
- Facebook penetration is 28%⁷ nationwide.
- Bank account penetration is 25%⁶ nationwide.
- Formal lending sources penetration is 23%⁶ nationwide.
- Online-banking penetration is 11%⁶ nationwide.
- Credit cards penetration is 6%⁶ nationwide.
- Debit cards penetration is 40%⁶ nationwide.
- Taxable population rate is 11%⁹ nationwide.



¹ World Bank

² <http://www.oecd.org/eco/surveys/Overview-Indonesia-2015.pdf>

³ <http://bisnis.liputan6.com/read/2171479/di-2014-orang-ri-kan-tongi-penghasilan-rp-418-jutatahun>

⁴ <http://data.jakarta.go.id/dataset/pendapatanperkapitajakartadannasional/resource/8043ea609c7d-4948-8d61-2cc2622b0ee0>

⁵ http://ugm.ac.id/id/berita/8776-menkominfo%3A_270.juta.pengguna.ponsel.di.indonesia

⁶ Solidiance marketing agency analysis

⁷ <http://blogs.wsj.com/digits/2014/06/27/facebook-users-in-indonesia-rise-to-69-million/>

⁸ <http://teknologi.liputan6.com/read/2197413/jumlah-pengguna-internet-indonesia-capai-881-juta>

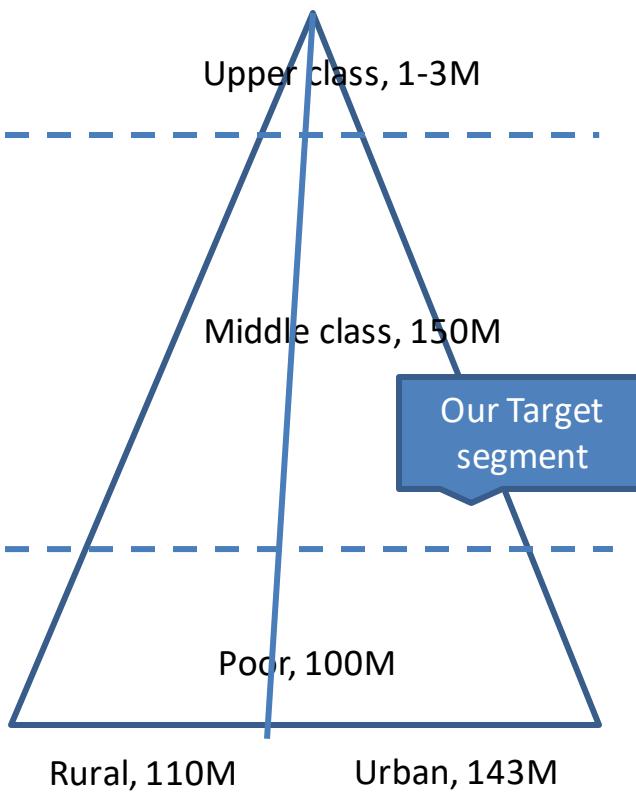
⁹ <http://economy.okezone.com/read/2015/04/29/20/1141734/jokowi-kaget-dari-250-juta-penduduk-hanya-10-juta-bayar-pajak>

General market specifics



- GDP is driven by following industries:
 - Services 41%.
 - Manufacturing 24%.
 - Agriculture 15%.
 - Mining 10%.
 - Construction 10%.
- Population's 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
- MSMEs numbers are estimated at 50-60M, comprising 57% of GDP¹
- 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.
 - Sariah banking accounts for less than 5% of the banking system.
- 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.

Customers Segmentation



Monthly income:

\$650 and higher

Up to \$650

Less than \$60

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

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

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 financials 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.

Main risk challenges of the market



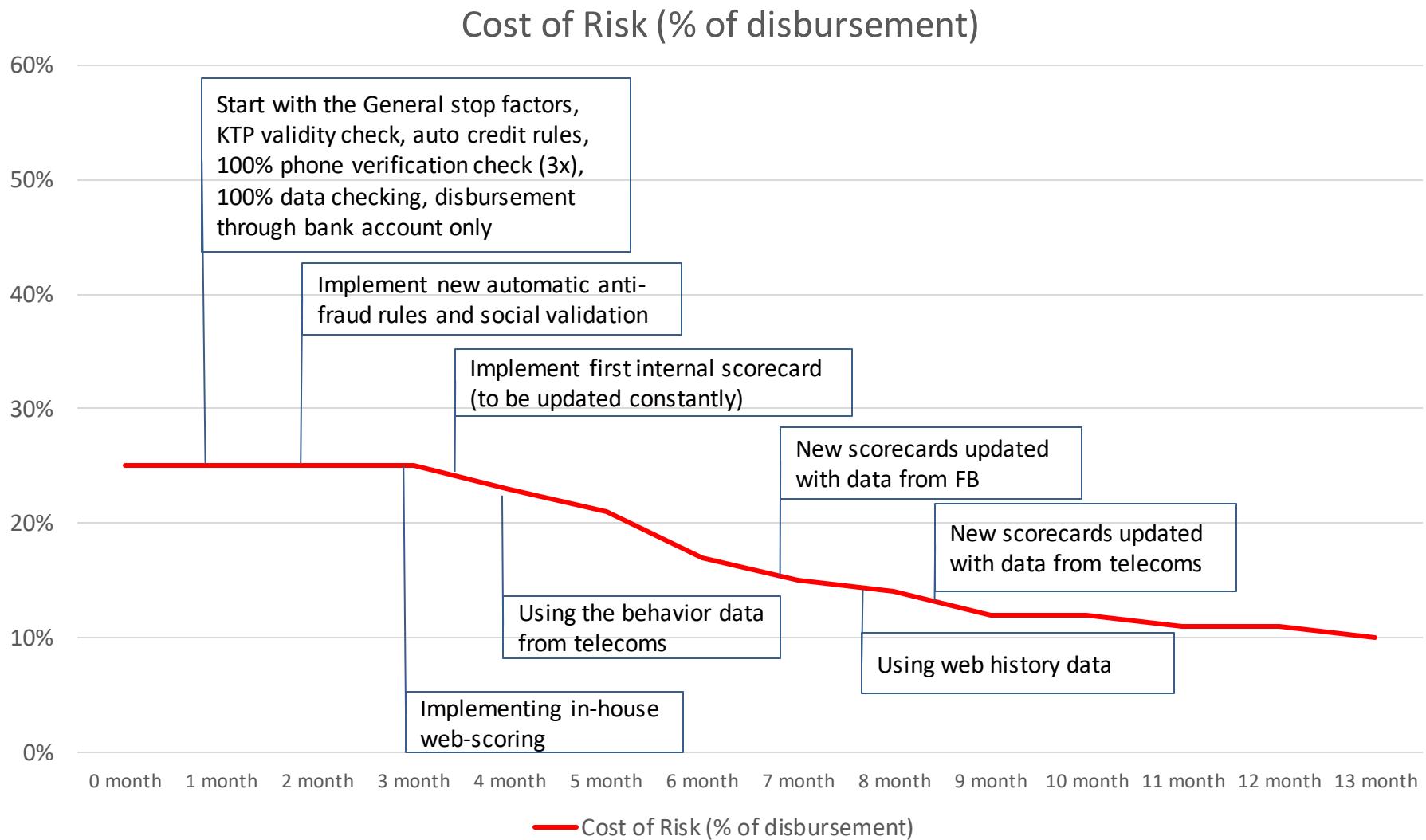
#	Challenge	Our actions
1	There are at least 6 different types of the official identification documents (IDs) in the country and it's relatively easy to buy a fake ID – that leads to considerable fraud risks.	<ol style="list-style-type: none"> 1. Using most popular "KTP" document as the main ID and will require all the customers to present it. 2. Connecting to the state database of KTPs to mandatorily verify validity of the KTP presented online. 3. Conducting Social network check to ensure applicant's reality of the personality. 4. Requesting customers attach photos at least 2 different IDs when applying for a loan and accepting only clear pictures (otherwise decline). 5. Conducting manual verification of the scans of the documents to ensure absence of obvious signs of falsification. 6. Conducting 100% "3 in 1" (work, spouse/relative, mobile) phone verification check to ensure actuality of the data stated in application. 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.
2	Salary slips are unreliable, market experts believe it is up to 80% fraud.	<ol style="list-style-type: none"> 1. Not relying on salary slips, instead we will imply calls to borrower's employer to validate the employment status and income. 2. We will assess claimed income via Social network validation.
3	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.
4	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



#	Doc	Description	Examples
1	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.	
2	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)	
3	KTP	Residents' official identity card issued by the government. Required for all Indonesian citizens aged >17 and all foreign workers.	
4	Tax ID	The mean of tax administration that is used to identify of the taxpayer. KTP is required to obtain Tax ID.	
5	Family Book	Family identity card containing info about the structure, relationships and the number of family members. Each family is required to have one.	
6	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	

Risks costs & Risk action plan



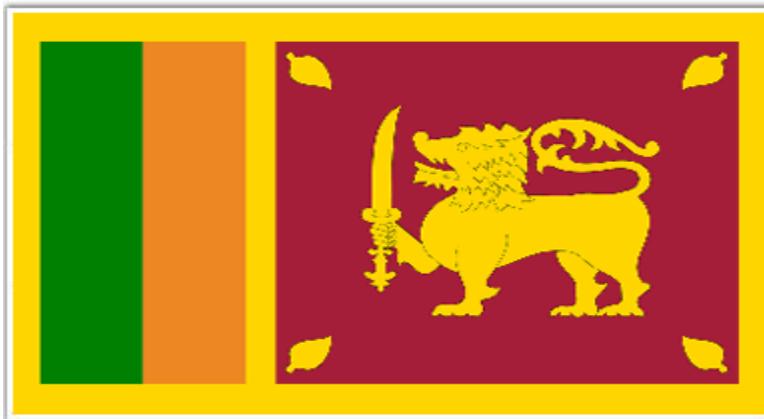
Decisioning procedure general description



#	Check	Procedure	Auto/Manual	System
1	Basicstop-factors	Checking data, entered in the fields of the online application from.	Auto	Website
2	SMS verification check	Verifies mobile phone number and its availability.	Auto	Website
3	Web robot check	Verify KTP, applicant's name, address.	Auto	Website
4	Social-demographic scoring	Checking age, employment, resident, income, etc.	Auto	Website
5	Social validation and initial documents verification	Through "Iamreal". Validates Facebook account of the applicant.	Auto	Website
6	Black List check	Checking if the applicant is in the uploaded list of bad customers.	Auto	CRM
7	Anti-fraud check	In-house check basing on different service data.	Auto	CRM
8	Credit bureau (selective) check	Through the partners with access to credit bureaus (Phase 2).	Auto	CRM
9	Credit rules	Assessment of the results of the checks done, defining loan amount.	Auto	CRM
10	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
11	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
12	Mobile phone verification	Checking information provided by potential customer, check for obvious signs of fraud.	Semi-Auto	CRM
13	Documents' scans verification	Checking information provided by potential customer, check for obvious signs of fraud.	Semi-Auto	CRM
14	Disbursement via bank account	We will disburse loans only to customer's account at bank to ensure obligatory KYC check done by the bank.	Outsourced	



Business Plan for Money Lending Business In Sri Lanka



14.10.2016

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

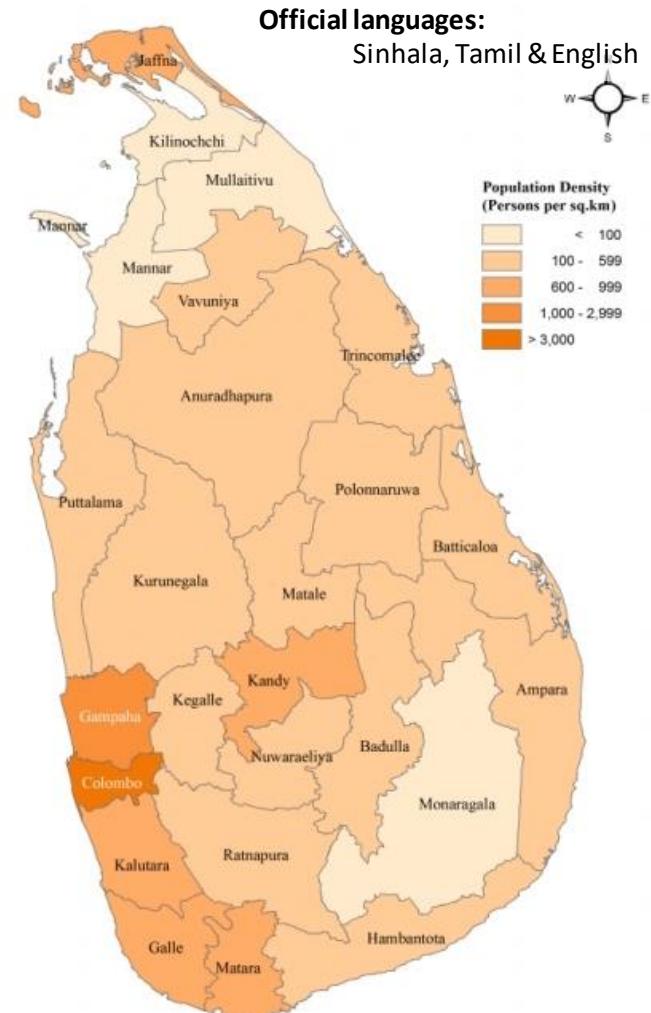
Unoptimized Yr5 corporate tax – \$1,3M

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

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. broadband) 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%



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

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

***** Facebook Audience Insights

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

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

***** Facebook Audience Insights

Consumer Finance Industry Landscape



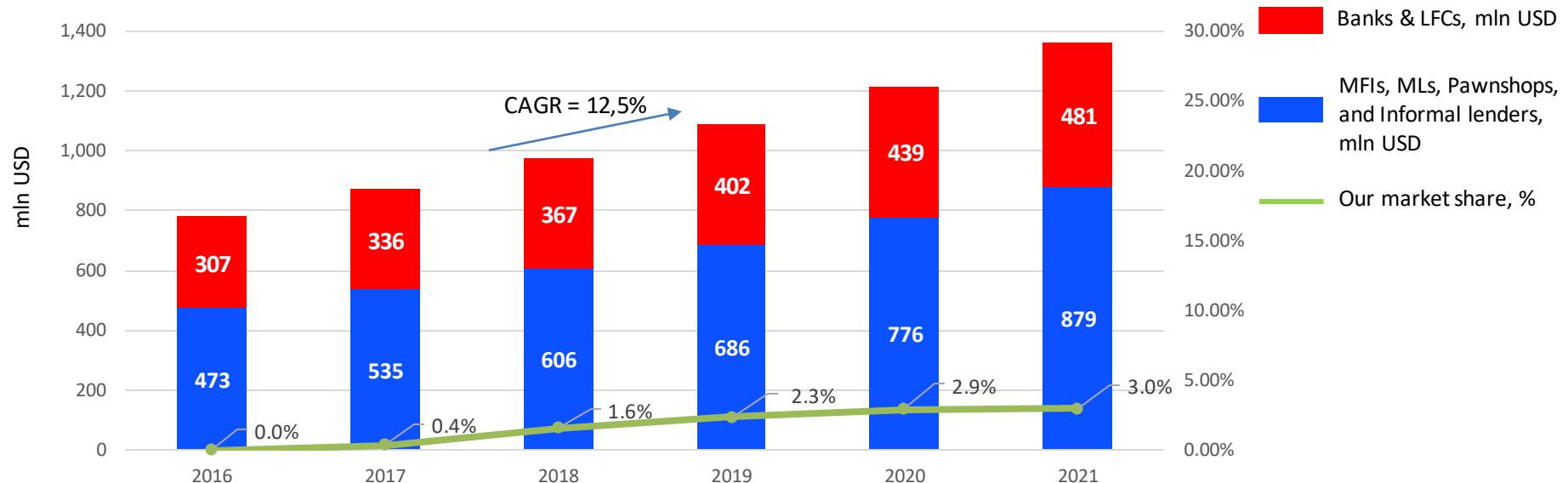
- First formal financial institutions were established in 1828 under the British rule in order to facilitate the needs of the plantation sector.
- Other sectors of economy were catered by informal lenders. Indian born money lenders emerged to finance the needs of local people in trade and consumption.
- 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 .



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

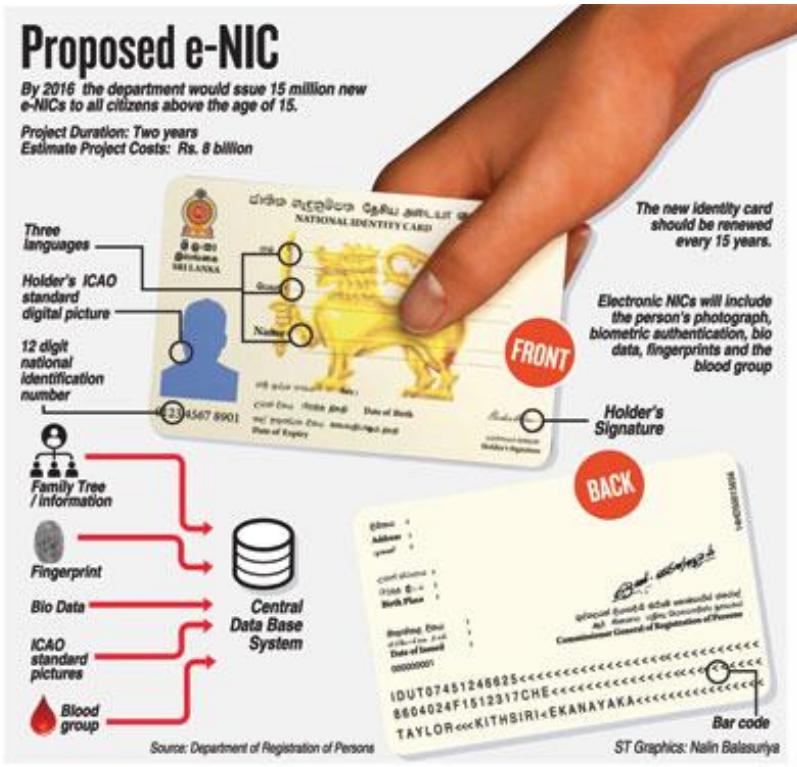
Social data

- 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

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

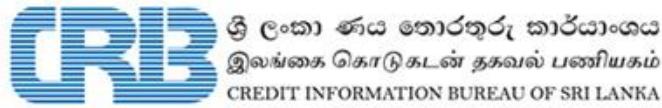
The following items fluoresce under a UV light:

- 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

Credit information bureau of Sri Lanka



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;

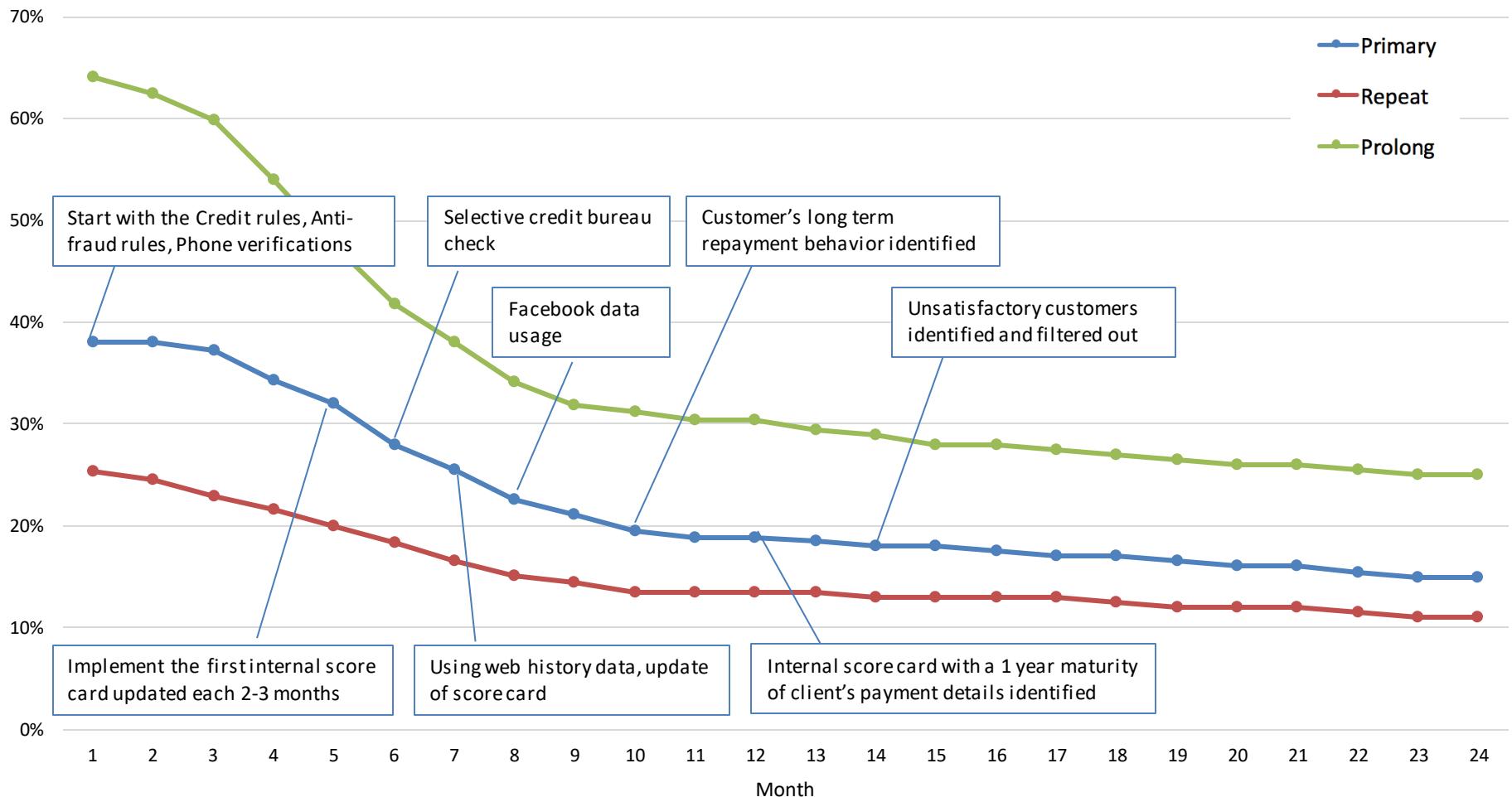
Unless we obtain a direct access to credit bureau we can get respective reports via partnership with lending institution

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.



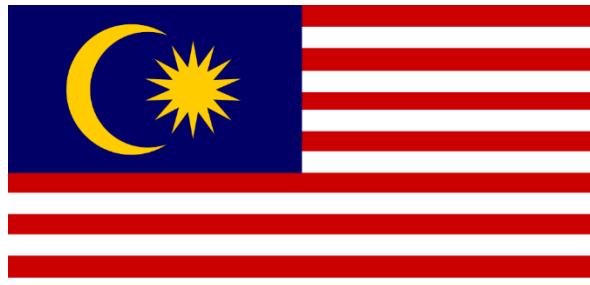
Final losses evaluation 1-24 months



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.

Business Plan For Money Lending Business In Malaysia



11.03.2016

Investment Summary



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

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

Key success factors in the market:

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

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

Investment summary



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

* - normalized year with no new clients growth

Break-even period – 18 months.

Payback period – 51 months.

Maximum investments from – \$8,6M.

General Market Information



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



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

** source of information - <https://malaysianfinancialservices.wordpress.com/category/online-banking/>

*** source of information - <https://www.techinasia.com/is-southeast-asia-ready-for-online-payments/>

Consumer Finance Industry Landscape



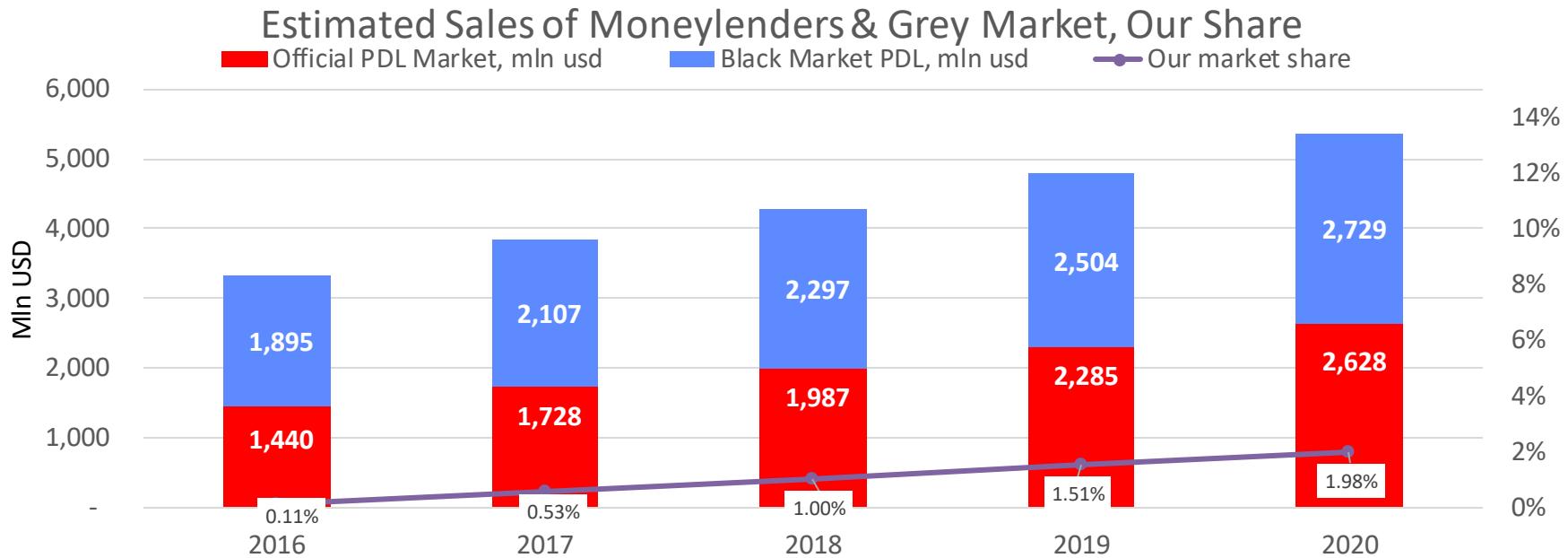
- One of the oldest credit institution in Malaysia is the business of moneylending. It began in the 19th Century where the Malay States were attractive place for the living of the immigrants from India and China. (Lal Harcharan Singh, 2003). During the British era, the Indian Community has played important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

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

* Data sources: <http://www.bloombergtv.my/spike-august-2015s-loan-growth-malaysian-banks-sustainable/>

** The term Chettiar or Chetty or "Shetty" is a title used by various mercantile castes in South India, especially in the states of Tamil Nadu and Kerala. In Tamil Nadu, 14% of the population is Chettiar

Market Size Estimation



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

Main assumptions:

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

Source*: <http://www.thestar.com.my/business/business-news/2015/11/11/loan-growth-may-shrink-further-in-2016/>

Risk Management & Collection Strategy



#	Parameters	Restrictions	Opportunities	Decision / Instruments
1	Identification	Face-to-Face for the first loan (AML/CFT)	<ul style="list-style-type: none"> Mobile Biometric Scanner let to identify the client Electronic Commerce Act 2006 	<ul style="list-style-type: none"> NRIC mandatory Courier with biometric scanner Courier signs with customer consent for repeat loans without signature in-written
2	Proof of Income	30% of population have unofficial income	<ul style="list-style-type: none"> Bank accounts penetration – 70% Employee Provident Fund statement (EPF) penetration – 66% 	Mandatory documents: <ul style="list-style-type: none"> bank statement or EPF
3	Address proof	Market practice for low-income clients: <ul style="list-style-type: none"> No registration at temporary address Subleasing of living place 	<ul style="list-style-type: none"> Registration address is in ID card (NRIC) White collars usually have Tenancy agreement or Utility bills for temporary 	Mandatory documents: <ul style="list-style-type: none"> 3 months latest Utility bills or Tenancy agreement with minimum 3 months validity
4	Credit History Check	<ul style="list-style-type: none"> 29% of population in working age records in CB ML not obliged to report delinquencies to CB 	<ul style="list-style-type: none"> 4 CB available in the market 1 of 4 CB have extended data: <ul style="list-style-type: none"> Utility bills delinquency Nominals of bankrupt companies 	<ul style="list-style-type: none"> Will be using CB CTOS as they report the most comprehensive data than compared to other CB (the largest number of records)
5	Social Scoring applicability	No restrictions	<ul style="list-style-type: none"> Internet penetration – 67% Social media penetration – 67% Ave time internet user spend per day – >5h 	We will verify customers profile in FB, Google and WhatsApp
6	Collection	<ul style="list-style-type: none"> ML Act 1951: harassment or intimidation is strictly prohibited. Punishment - Fine, imprisonment No clear determination 	<ul style="list-style-type: none"> Direct Debit is applicable Courts will take electronic contract and voices as evidence of contract signing 	<ul style="list-style-type: none"> We will sign Direct Debit form with Customer together with Loan agreement We will use audio and video record of Collection actions
7	Litigation / Execution	Markets practice is after 90 dpd	<ul style="list-style-type: none"> Court can issue warrant to fix the method of payment If customer doesn't pay according to warrant – premise or moveable property could be arrested or client could be jailed 	We will hire Legal council with the court cases practice. Min amount is not determined by Law. We will file by batches more than 2500\$

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



TOOLS: ID Card. Documents for Verification



National Registration Identity Card (NRIC*)

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

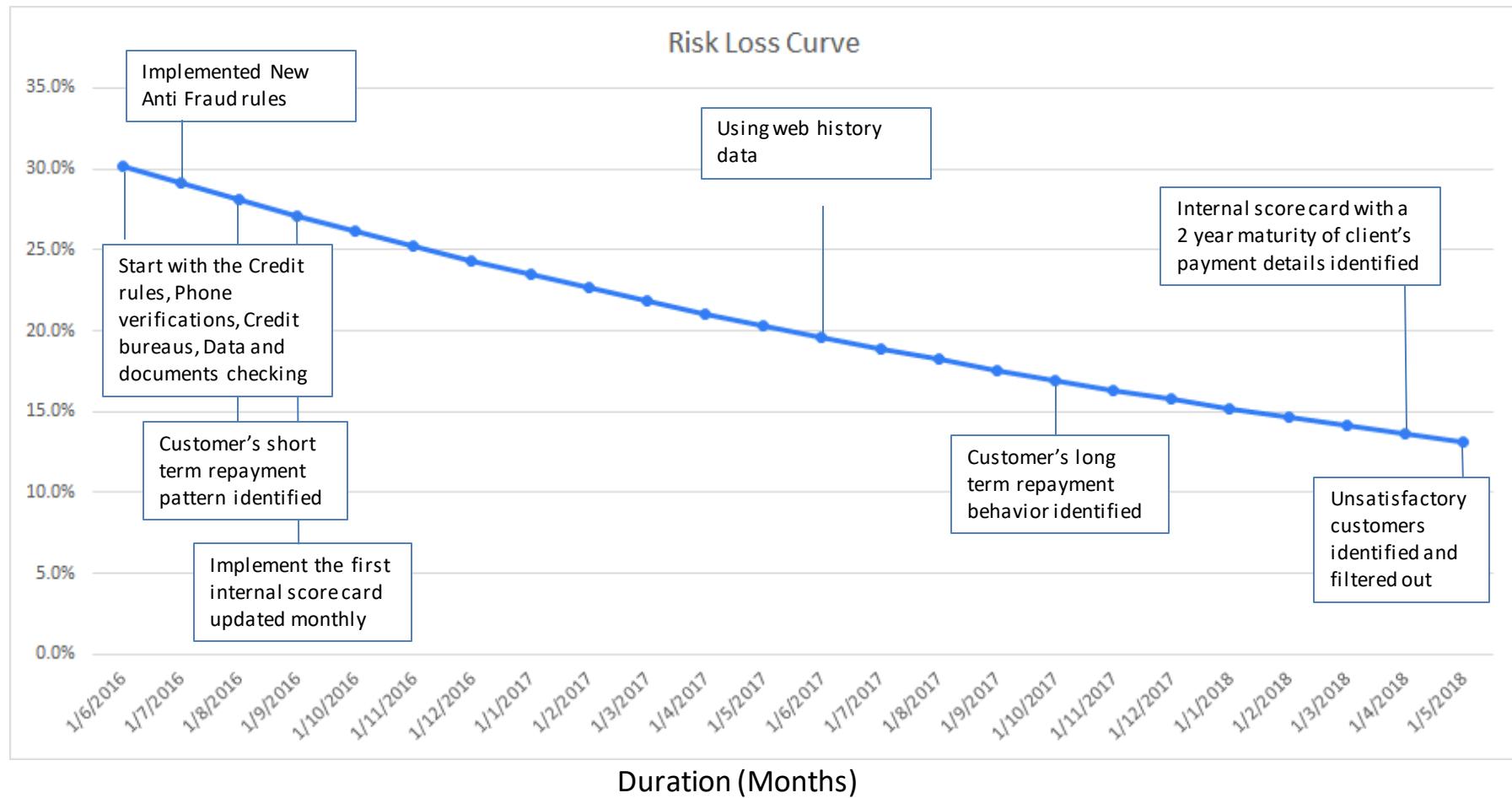
Always available, highly protected, cost of obtaining the fake is higher than target loan amount

INFORMATION ON ID CARD :

ID Number
[Birthdate (YYMMDD) – State – Unique ID Number]

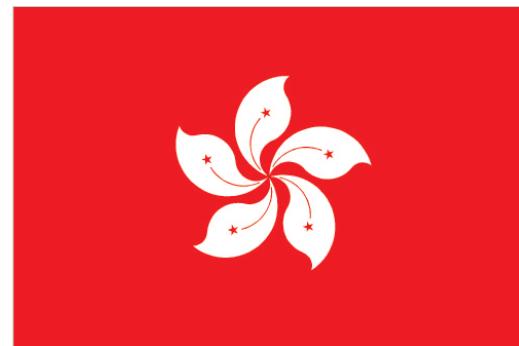


Risk Loss curve



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

Business case for Hong Kong



August 2016

Investment summary



- Money Lending (ML) market keeps increasing year-on-year: populous city-state with high income, high ticket size and significantly lower losses comparing to emerging markets
- One of the highest Smartphone penetration in the Region – 87% of population using smartphone
- Fully online model is possible:
 - Easy & safe disbursement and repayment due to high banking penetration
 - KYC provided by the bank
- The only opportunity for ML is Instalment loans
- ML License is acquired
- Good market to attract Investors (Financial center of APAC region). There are successful examples of fundraising for the purpose of Moneylending

Key success factors in the market:

- Product – Instalment loan is the stable income generating product
- Low competition – only one fully online player is currently presented on the market
- Risk infrastructure - one of the highest in the region Credit Bureau data penetration
- Fundraising – opportunity to finance loan portfolio by attracting funding from the market

There is a good opportunity to launch instalment loan product in Hong Kong, moreover, loan portfolio could be financed by attracting funding from the market

General Market Information



- Population – 7.31 mln (2015)
- Ethnic composition: 95% Chinese, 2% Filipino, 3% others
- Labor force – 3.91 mln (2015)
- Unemployment rate – 3.4%
- Urban population – 100%
- Official languages: Cantonese Chinese, English.
- Average monthly income – \$2.3K (2014)
- GDP Per Capita (Nominal) – \$39.8K (2014)
- Household debt-to-GDP ratio – 67% (01'2016)
- Smartphone penetration at 87% (2015)
- Bank accounts penetration – 90% (2015)
- Credit card penetration – 260% (2015)
- Online banking penetration – 93% (2015)
- Mobile banking penetration - 41% (2015)
- Credit bureau data penetration to working age population – 96% (2015)



Source of information

www.info.gov.hk

www.hkma.gov.hk

www.ofca.gov.hk

http://www.hkeconomy.gov.hk/en/pdf/household_debt.pdf

Industry Landscape



Lending

- Consumer lending in Hong Kong is performed by Banks, Licensed Moneylenders, Pawnshops
- Emerging non-bank money lenders create challenges to retail banks:
 - Moneylenders volume keeps increasing year-on-year, new players are entering the market, players continuously upgrade business processes and develop new products
 - moneylenders are less regulated and benefit from flexible loan-to-value ratios and interest rates
- Fully online model is applicable, but explored only by 1 player (WeLend)

Fundraising

“Crowd-funding” typically refers to the use of small amounts of money, obtained from a large number of individuals or organizations, to fund a project, a business or personal loan through an online web-based platform... The more common types of crowd-funding include equity crowd-funding, peer-to-peer lending, donation crowd-funding and reward/pre-sale crowd-funding.

- Only one legal way to raise the funds from the public – through SFC licensed Asset Management Companies (AMC)
- No P2P platform in the market (besides 1 illegal platform as mentioned by SFC official) to which private investors can directly invest into borrower's scheme
- Some options to attract Investors that explored in the market:
 - Issue investment funds through the partnership with AMC
 - Directly from personal network
- Advertising - anyone conducts a business of promoting interests in a CIS (Collective Investment Scheme) must obtain a SFC license. *“Collective investment scheme” is a term introduced under, and defined in Schedule 1 to, the Securities and Futures Ordinance (SFO) to apply to investment products of a collective nature*

Expanding consumer lending market provides opportunities for new players with modern cost-effective business model. Relatively low interest rate forced players move to installment products which are require more capital. We will attract professional investors (directly / through the partnership with AMC) to finance our portfolio growth.

Source of information

www.euromonitor.com

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=14PR51>

http://www.sfc.hk/web/EN/files/PCIP/FAQ-PDFS/FAQs%20on%20Offers%20of%20Investments%20under%20the%20Securities%20and%20Futures%20Ordinance_20160617.pdf

http://www.sfc.hk/web/doc/EN/faqs/products/Frequently%20Asked%20Questions_3.6.09.pdf

Fundraising alternatives in Hong Kong



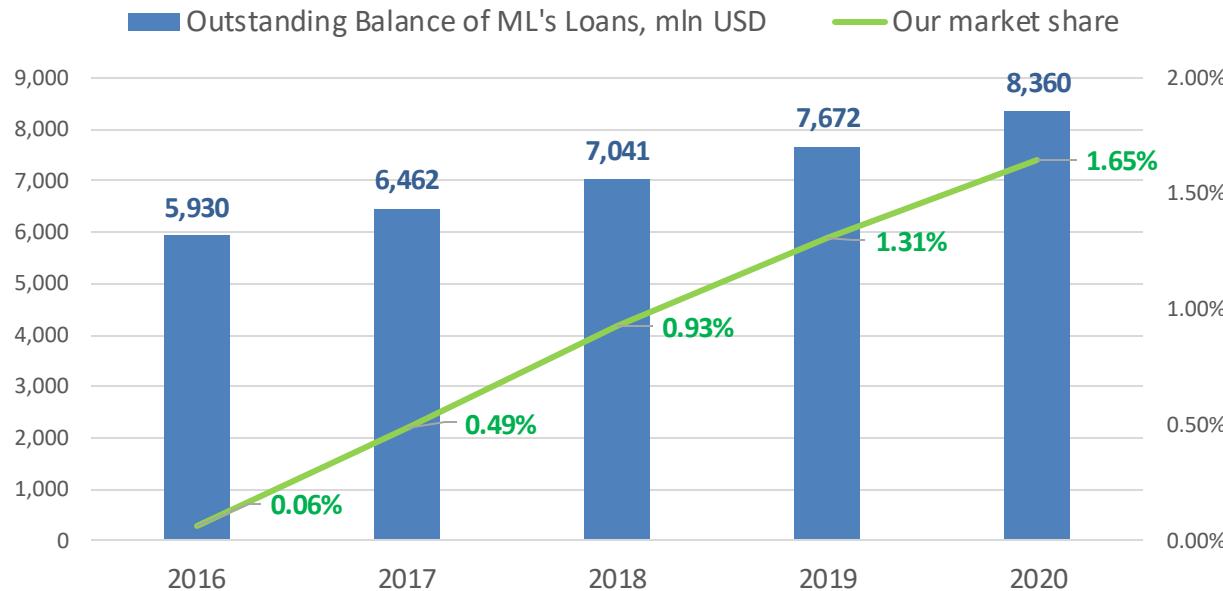
	Crowdfunding	Initial Public Offering	Funds	Debt Securities
Targeted investor	<ul style="list-style-type: none"> • Public Investors • Professional Investors 	<ul style="list-style-type: none"> • Public Investors • Professional Investors 	<ul style="list-style-type: none"> • Public Investors • Professional Investors 	<ul style="list-style-type: none"> • Public Investors • Professional Investors
1) Pre-requisites / requirements for company & 2) average time for administration processing / application assessment / application approval	<ul style="list-style-type: none"> • Partner with SFC licensed AMC (1 month) OR obtain SFC licenses, application approval time (6 months) 	<ul style="list-style-type: none"> • Positive cash flow from business of >\$2.58 million for 2 consecutive years • Capitalization > \$12.9 million • Appl appr time by hkex (4 months) 	<ul style="list-style-type: none"> • Partner with SFC licensed AMC (1 month) OR obtain SFC licenses, application approval time (6 months) 	<ul style="list-style-type: none"> • Company net assets > \$12.9 million • Audited account for latest 2 years • Application approval time (<1 month)
Platform	Equity Crowdfunding / P2P Lending	Hong Kong Stock Exchange	AMC	Hong Kong Stock Exchange / personal network**
Tool	Shares / Debts	Shares	Unit Trust	Debt Securities (e.g. debentures, bonds, notes)
Prospectus & avg. approval time (month)	Must be approved by SFC (2 months)	Must be approved by SFC (2 months)	Must be approved by SFC (2 months)	Must be approved by SFC (<1 month)
Advertisement materials & avg. approval time	Must be approved by SFC (1 month)	Must be approved by SFC (1 month)	Must be approved by SFC (1 month)	Must be approved by SFC (<1 month)
Total approval time	Min 4 months Max 9 months+	7 months+	Min 4 months Max 9 months+	<3 months

The optimal ways to attract Investments is directly from personal network / through the partnership with AMC

Market Size Estimation



Estimated Market Growth (MLs) & Our Share



	2016	2017	2018	2019	2020
Our disbursement volumes, mln. USD	\$3.871	\$36.41	\$70.874	\$102.849	\$134.348
Our Outstanding Balance, mln. USD	\$3.799	\$31.616	\$65.409	\$100.385	\$137.812
Our Number of loans disbursed per year	500	4 740	9 317	13 567	17 748

Main assumptions:

- Y-o-Y Market growth rate estimated at 9 % for 2016-2020

Source of information:

<http://www.censtatd.gov.hk/home/index.jsp>



Moneylending business in Thailand



General Market Information



No	Parameterer	Thailand
1	Population (million)	67.2
2	Labor force ratio	59.3%
3	Unemployment rate	1%
4	GDP per capita	\$5.7K
5	GDP growth (07.2016 to 07.2015)	3.6%
6	Household debt to GDP	71.3%
7	Average Monthly income	\$395
8	Mobile phone penetration (inc. smartphones)	146%
9	Smartphone penetration (out of total population)	59.7%
10	Internet users penetration (inc. mob. broad band) as of 2015	56%
11	Facebook accounts penetration (out of total population), as of 2016	52.2%
12	Bank accounts penetration (out of total population), as of 2015	72%
13	ATMs per 100 000 adults, as of 2015	112
14	Bank branches per 100 000 adults, as of 2015	12.7
15	Credit card penetration	5.5%
16	Online banking penetration	43%

Official languages: Thai



Most populous cities:

Bangkok – 8.4 mln

Nonthaburi – 0.27 mln

Nakhon Ratchasima – 0.17 mln

Chiang Mai – 0.17 mln

Consumer Finance Industry Landscape 1/2



- The first bank in Thailand (HSBC) was established in 1888. The first Thai Bank - Siam Commercial Bank (SCB) was established in 1906. Bank of Thailand (BOT) was established in 1942 during WW2. The first pawnshop in Thailand was established in 1866 by Thai – Chinese citizen. The first pawnshop regulation was issued in 1962, the latest - in 2008.
- Nowadays the formal lending sector in Thailand consists of:
 - 30 Banks (15 Thai banks, 4 Subsidiaries of Foreign banks ,11 Foreign bank branches), 8 Specialized Financial Institutions
 - 35 Personal Loan companies, 21 Nano Finance companies, 10 Credit card companies
 - 598 registered pawnshops
- Initially Personal loan (PL) companies were regulated by Commercial Act. In 2005 BOT started to regulate the PL business due to complains from many customers: PL companies were charging interest over 15% allowed by Commercial Act. The BOT targets were to control the interest cap and to minimize the loan sharks influence. Next parameters were launched:
 - The max Effective interest rate - 28% per year (15% Interest rate + 13% Fee)
 - Maximum loan amount - not more than 5 times of borrowers income, PL company has to verify the income

But low interest cap and official income prove allowed the PL companies to cover only medium plus income borrowers with official income. Large portion of demand from low income and unofficially employed & self employed customers were still covered by pawnshops and loan sharks.



Consumer Finance Industry Landscape 2/2

- In 2015 BOT decided to make next step against illegal lending - the Nano Finance (NF) regulation was issued. The target customers for NF - Individuals, e.g. new business owners, who may not have constant monthly income, monthly paycheck, or financial history but are capable of repaying loans. Next parameters were launched:

- The max Effective interest rate - 36% per year
- Maximum loan amount – USD 2830

There were expectations that within the initial two to three years of the NF scheme, NF's loans will amount 1 to 1,7 bln USD.

After 1st year (Feb 15- Jan 16) the total loan amount issued by NF companies is only 7.3 mln USD

- Ministry of Finance (MOF) is planning to launch Pico Finance (PF) to help the poor out of heavy debts from loan sharks. Under the MOF idea, it will employ 'Pico Finace' and 'Nano Finance' to handle loans at rural level. PF will handle smaller cases and with loans not exceeding USD 1415 whereas NF will handle larger loans up to USD 2830. In both loans, interest charge must not exceed 36% per year
- There are 3 types of Pawnshop in Thailand : 1. Pawnshop owned by Private company (**currently is difficult to get the new license from government**) 2. Pawnshop that is owned and operated by Department of Local Administration 3. Pawnshop own by Local Administration in each province (funding by local administration each province).
- The pawnshop is still favorite place for low income customers who need money. If lowthey have no pledge only one way to borrow money is from loan sharks lender **which are often rich or influential people in each area**

Licensing Options



Parameters	Thai Commercial Bank	Specialized Financial Institutions	Personal Loan Company	Nano-Finance Company	Pawnshop	P2P (No license yet)
Main purpose	Full range lending for corporate & personal lending	State-owned 1) promoting economic development 2) supporting investment	Medium to long term loan	Granting loan to grass root class	Secured loans with items of personal property used as collateral	Unsecured loan to SME
Minimum paid-up capitalization	N/A	N/A	USD 1.39 million	USD 1.39 million	USD 0.1 million	USD 0.15 million
Max foreign capital share	<50% List 3 Business	<50% List 3 Business	<50% List 3 Business	<50% List 3 Business	<50% List 3 Business	Thai incorporated company
Interest cap	N/A	N/A	Max EIR 28% include Coll fee	Max EIR 36% include Coll fee	Max 24% (LA < \$57) Max 15% (LA > \$57)	N/A
Regulator	Ministry of Finance The Bank of Thailand	Ministry of Finance The Bank of Thailand	Ministry of Finance The Bank of Thailand	Ministry of Finance The Bank of Thailand	Pawnshop Committee	Bank of Thailand Securities & Exchange Commission
Tenure for getting license	N/A	N/A	60 days to approve by regulators	60 days to approve by regulators	45 days to approve by regulator	SEC Office (Form 35-FP)
Number of active licenses	30	8	35	21	598	0

It is possible for foreign company to incorporate a subsidiary company in

Personal Loan Companies. Product parameters



	Parameter	AEON PL	KTC	EASY BUY
1	Acquisition Channel	<ul style="list-style-type: none"> • Branch / Direct sales • By Post • Online 	<ul style="list-style-type: none"> • Branch / Direct sales • By Post • Online 	<ul style="list-style-type: none"> • Branch / Direct sales • By Post • Online / Mobile App
3	Loan amount, USD	91 – 3,030	454 – 90,909	212 – 6,060
4	Avg Loan amount, USD	1,363	2,121	1,515
5	Tenure, month	12-60	12-60	Revolving cash card
6	Handling fee	13%	13%	13%
7	Interest rate, per annum	15%	15%	15%
8	Stamp duty fee	The actual cost incurred	KTC paid for customer	The actual cost incurred
	Time –To-Cash			
9	Late payment fee (Max USD12.9 req. by BOT)	3 USD./billing Cycle	3 USD./billing Cycle	3 USD./billing Cycle
10	Early loan repayment	Applicable	Applicable	Applicable
11	Early repayment penalty	No	No	No
12	Repayment Channels	<ul style="list-style-type: none"> • AEON branch, ATM • Bank: ATM, online, direct debit • Payment Partners 	<ul style="list-style-type: none"> • KTC Branch • Bank: ATM, online, direct debit • Payment Partners 	<ul style="list-style-type: none"> • Easy Branch, ATM • Bank: ATM, online, direct debit • Payment Partners
13	Website	http://www.aeon.co.th	http://www.ktc.co.th	<ul style="list-style-type: none"> • http://www.easybuy.co.th
14	# DSA	1,500-1,800	1,000 -1,200	800-900

Personal Loan Companies. Borrower requirements



	Items	AEON PL	KTC	EASY BUY
1	Target Segment	Age 20-65 Income >150 USD	Age 20-55 Income >450 USD	Age 20-55 Income >215 USD
2	Age	20 - 65	20-55	20-55
3	Citizenship	Thai only	Thai only	Thai only
	Min Income, USD	150	450	215
	Min tenure on last workplace	6 months	4 months (Past probation)	4 months (Past probation)
4	ID	Copy of ID Card	Copy of ID Card	ID card or Copy of ID (If apply by mail)
5	Residential Proof	Copy of Household Registration	Copy of Household Registration	Copy of Household Registration
6	Income prove	Latest Income slip	Latest Income slip	Latest Income slip within 2 months
7	Bank Statements	6 Months	3 Months	3 Months
8	Bank Account	Copy of book bank with account No	Copy of book bank with account No	Copy of book bank with account No
9	NCB fee	\$0.34 per hit / \$0.14 per no hit	No	No
10	Additional Requirement	Home & office Telephone	Home or office Telephone	Home or office Telephone

*Foreigner refers expat with working visa

National Credit Bureau (NCB)



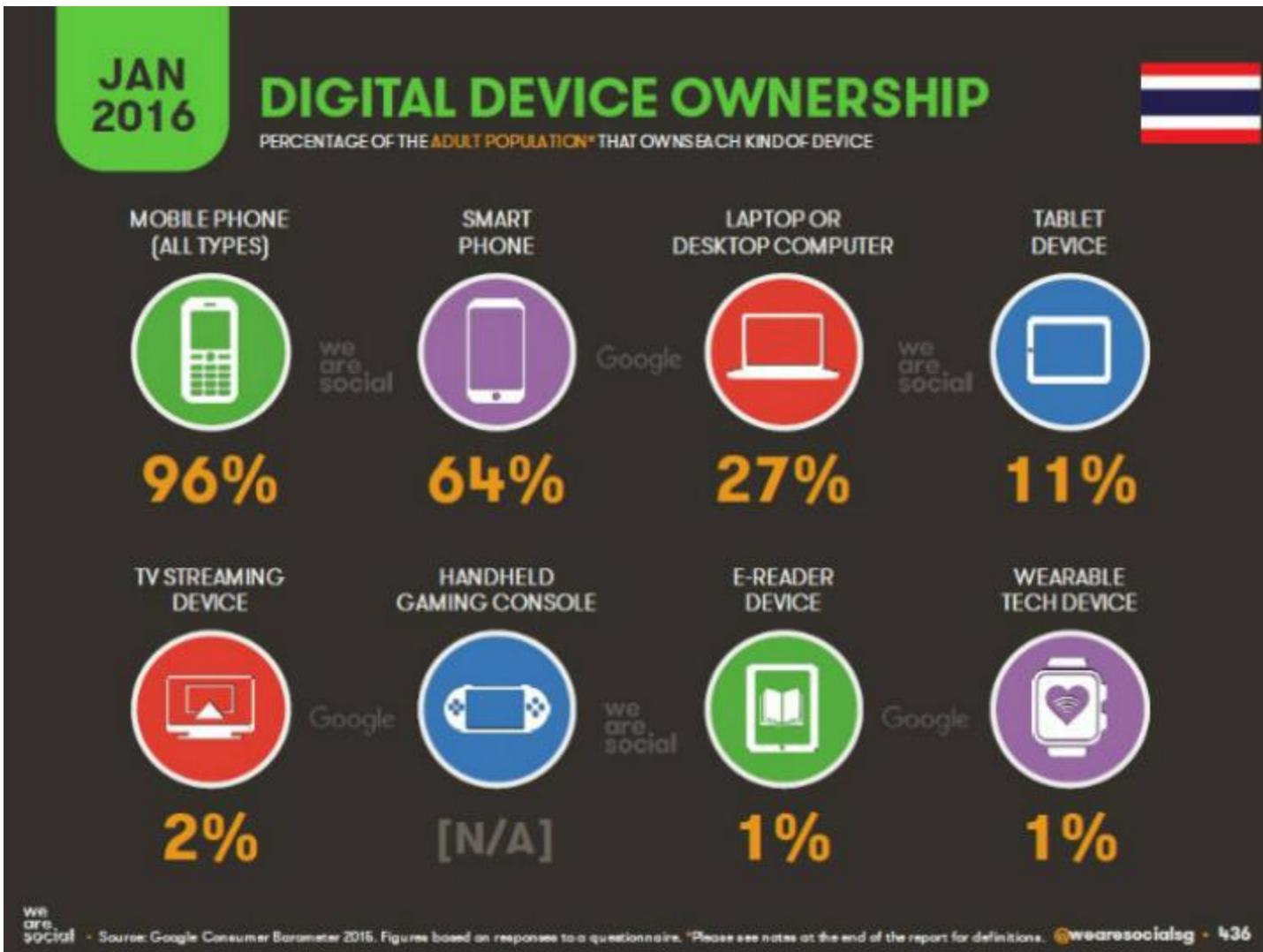
Parameters	Details
Launch	1998, after 1997 Asia Financial Crisis
Information	Only credit, no utility payments
Members	93 (Banks, Credit Card, Personal Loan, Nano Finance, Auto Hire-Purchase, Leasing, Insurance companies, Saving Cooperatives)
Consumer database	88.36 mln accounts 27 mln unique clients (age 22 – 65)
Service Fee, monthly	Standard \$1430 + \$0.34 per hit / \$0.14 per no hit Low Transaction \$715 + \$2 per hit / \$1 per no hit
Credit Report	General Info: Name, ID, Address, Birth Date Credit Info: Grantors, Limit, Outstanding, Amount Past Due, Payment History, Account status Enquiry Info: # of enquirer, date & time enquiry
Consumer Credit reporting system dev & support	TransUnion
Customer consent form	Currently all members collect customer's consent in written form. NCB ready to discuss online process

Digital statistics



Relatively high shares of active Internet and Social Media users. Same marketing approach as it is in other APAC countries will be applicable in Thailand.

Digital devices penetration



High and further growing smartphone penetration together with absence of advertising constraints make the market very attractive for digital marketing.

Facebook (FB) user details



(New Audience)

35m - 40m active users per month

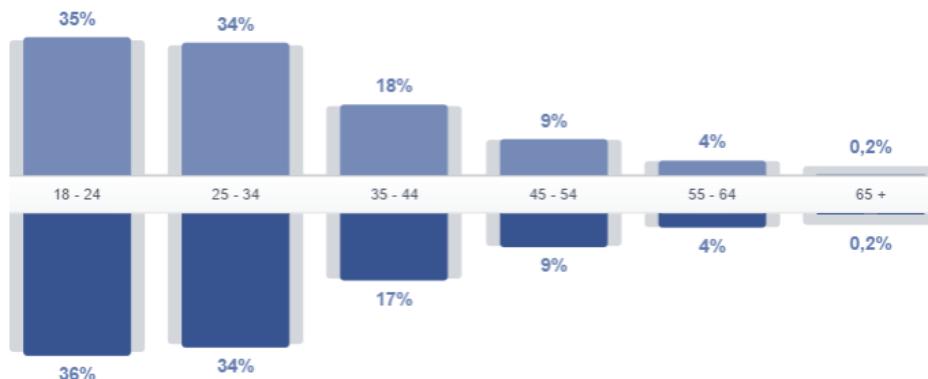
Users on Facebook

Country: Thailand [i](#)

Age and sex

Information provided by most users in their Facebook profiles. The information is only available to users who are at least 18.

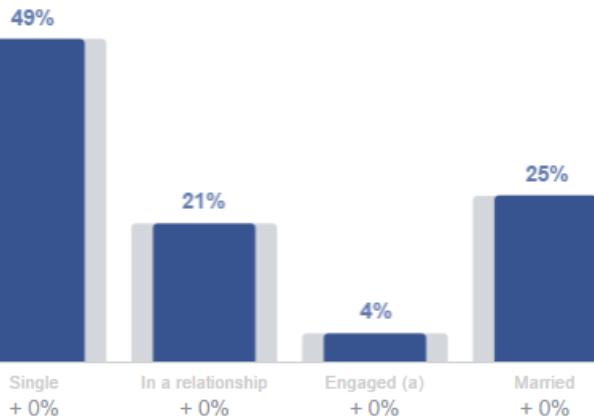
49% of Women
49% of all on Facebook



51% of men
51% of all on Facebook

Family status

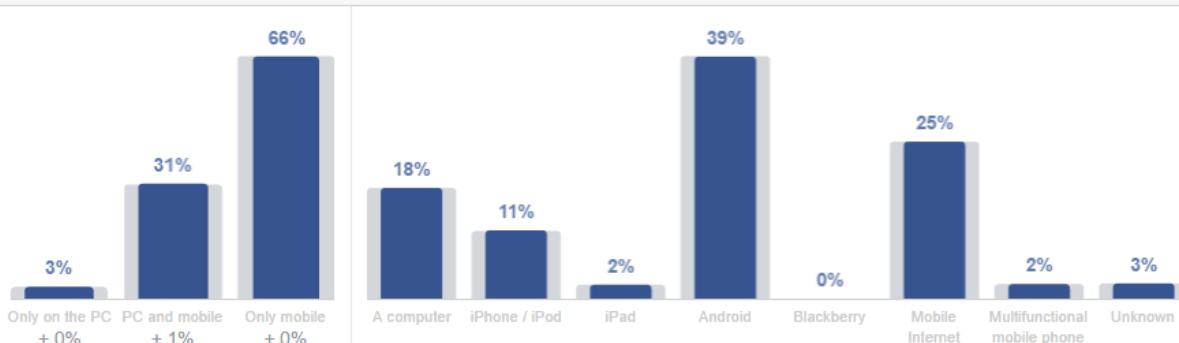
Data provided by most users that indicate marital status on Facebo...



Members device

All used devices [▼](#)

How to choose the audience included a Facebook over the past 30 days, based on user activity and environmental data.



The majority of Facebook users (equally men & women) are between the ages of 18 and 34 (70%), 75% are not married.

Predominantly (66%) people use mobile devices to access FB content. Android is commonly widespread, mobile web is also popular way of accessing social media in Thailand.

Annex 1: Markets comparison



Country statistics	VN	SG	PH	ID	MY	LK	TH
Population, mln	91	5,5	101,9	255	31	21	67
GDP per capita (nominal), thsd USD	2,3	56,3	3,2	3,5	12,2	3,9	5,7
GDP per person employed, thsd USD	9,3	140,5	17,1	21,9	55,7	26,0	10,3
Labor force ratio	62%	68%	63%	67%	66%	42%	58%
Average monthly salary, USD	200	3 800	208	250	961	500	395
Smartphone penetration	20%	97%	50%	25%	63%	41%	60%
Bank account penetration	21%	98%	27%	20%	66%	83%	72%

Volume indicators (year 5)	VN	SG	PH	ID	MY	LK	TH
Loans issued in year 5, thsd including prolongations	1 291	67	441	464	198	473	
Loans issued per day in year 5 including prolongations	3537	184	1208	1271	542	1576	

Investment parameters	VN	SG	PH	ID	MY	LK	TH
Investment, mln USD	15,7	9,2	8,8	11,0	8,6	2,8	
Break-even period, months	15	18	20	20	18	15	
Payback period, months	19	29	49	50	51	35	
Revenue, (Year 5), mln USD	71	28,5	42,2	53,9	37,3	24	
Profit before taxes, (Year 5), mln USD	19	9,5	15,5	16,8	15,3	6,2	

Financial Institutions. Number & Assets as of 2015



Table 1 Number and Asset Size of
Financial Institutions end of 2015

	Number	% of Total Assets of Financial Institutions
Deppository Corporations	2,037	70.4
Commercial Banks *	31	47.8
Specialized Financial Institutions *	6	15.6
Saving Cooperatives and Credit Unions	1,960	6.3
Money Market Mutual Funds	40	0.7
Non-Deppository Corporations	6,983	29.6
Mutual Funds	1,374	10.1
Insurance Companies	86	8.1
Leasing Companies	769	2.0
Credit Card and Personal Loan Companies (including Nano Finance) *	42	2.6
Provident Funds	412	2.4
Government Pension Fund	1	1.9
Asset Management Companies *	36	0.8
Securities Companies	52	0.8
Agricultural Cooperatives	3,613	0.6
Pawn Shops	598	0.2

Source: Bank of Thailand

* Businesses under the BOT's Supervision

Business plan of Money lending business in Singapore



27.07.2016

Investment summary



- The Singapore moneylending (ML) market is one of the most challenging ones we have seen so far due to a number of overlapping factors:
 - It is relatively small in terms of number of people, which is balanced out by high income per capita
 - It is very obsolete in terms of financial technologies utilized in ML market, which presents on one hand huge opportunity in case we are able to disrupt the market with new technologies, or, on the other, a big risk in case we are not allowed by the regulator to introduce such changes into the market
 - The role of regulator in the market is quite significant and, while our initiatives are fully in line with the regulator activities towards making the market more institutionalized, it is not clear at this point how long it will take for the regulator to accept new technological reality
- We believe the market can be significantly transformed by the use of modern financial technologies, and in such case is positioned to achieve financial results as outstanding as those of ML businesses launched by our group in some of the more developed European economies
- However, to achieve that we need to progressively work with the regulator on introducing new business processes to the market, moving closer and closer to the “ideal” online business model so suitable for otherwise modern Singaporean society:
 - Online client acquisition
 - Online contract signing
 - Cash-free loan disbursement

Investment summary



thsd USD	Timeline					Total
	Year 1	Year 2	Year 3	Year 4	Year 5*	
investments	3 131	5 980	115	0	0	9 226
Total investments	3 131	5 980	115	0	0	9 226
Number of loans issued (thsd)	1	27	51	62	67	208
Amount disbursed	1 684	37 647	70 956	86 158	93 142	289 586
Net portfolio (EoY)	759	6 363	9 097	10 702	11 019	11 019
Revenue	348	10 255	21 070	26 065	28 512	86 250
One-off expenses	-1 113	0	0	0	0	-1 113
Net profit after taxes	-1 141	205	4 617	6 876	8 050	18 607
ROE (yearly)	-65%	3%	48%	72%	84%	53%
ROAA (yearly)	-97%	4%	47%	57%	61%	39%

* - normalized year with no new clients growth

Break-even period – 18 months

Payback period – 29 months

Maximum investments from shareholder – 9,2 mln USD

General market information



- Population of Singapore – 5,5M (62% citizens, 11% permanent residents, 27% foreign nationals). Urban population is 100%.
- Ethnic composition: 75% Chinese, 15% Malay, 10% Indian
- Official languages: English, Mandarin Chinese, Malay and Tamil. English is the common language, and is the language of business, government, and the medium of instruction in schools
- GDP per capita (nominal) is 9th in the World and stands at USD 56K per year, average monthly salary is USD 3,8K (2014)
- The population is significantly indebted, with consumer loans per capita at USD 55K*, and consumer loans to GDP at 76%
- Mobile phone penetration rate is extremely high at 156%, Internet penetration is high at 73%
- Singapore reports the highest smartphone penetration in the world at 85% (up from 72% last year)
- 98% of the population have bank accounts, online banking penetration stands at 52%, credit card penetration is 37%



*Compare GDP with other Asian market – appendix 1

Typical risks



Main risks for our product we expect from clients with low income, and estimate it as 5% from disbursements (our competitors have risks from 4 to 6 % from disbursements for small loans)

Type of risk	Risk	Drivers to the risk/ comments	Tools for the risk reducing	Collection procedure comments
Fraud	-	<ul style="list-style-type: none"> Very strong laws – main driver of the absence of fraud Typical risk for black moneylenders only 	-	-
Defaults for loans less than 5000 \$	No money	Typical risk for workers from other countries and with monthly income less than 2000\$	<ol style="list-style-type: none"> 1) SingPass off-line Checking 2) Checking by cheap on-line Credit bureau and blacklist 	<ol style="list-style-type: none"> 1) SMS, Calls, e-mails 2) Most of debtors pay but with long delays
Defaults for loans more than 5000 \$	High debt-to-income, lots of loans, Pyramids	Mainly relevant for the banks	<ol style="list-style-type: none"> 1) Checking by Credit bureau 2) SingPass off-line Checking 	<ol style="list-style-type: none"> 1) SMS, Calls, e-mails 2) If not paid - Bankruptcy procedures

SingPass opportunities



Singapore Personal Access (or SingPass), launched in March 2003, is a gateway to hundreds of e-services offered by more than 60 government agencies, enabling users to only have and remember one password when connecting and transacting with the Government.

Some ML companies require customers to demonstrate their income for last 12 months in personal account SingPass. To do this, companies provide customers with a computer connected to the Internet.

#	Information	Short description
1	What information can be checked?	Proof of income, Any property client owns
2	Who can have Eligibility for SingPass?	Singapore Citizen and Permanent Resident Employment Pass and Personalized Employment Pass holders EntrePass holders, S-Pass holders Dependent Pass holders (of EP, PEP, EntrePass and S-Pass holders) Long-Term Visit Pass-Plus (LTV+) holders (Issued by ICA) Selected Work Permit holders
3	Who have access to SingPass base?	Only users can enter individually
4	How we can check customer's data	Client can show us information by safe computer.
5	Online options for check	No

SingPass allows us to verify the validity of income and property information provided by the customer. But it can't be automated

Credit bureaus



A variety of options for performing customer checks exists in the market, however, some of them are pretty expensive:

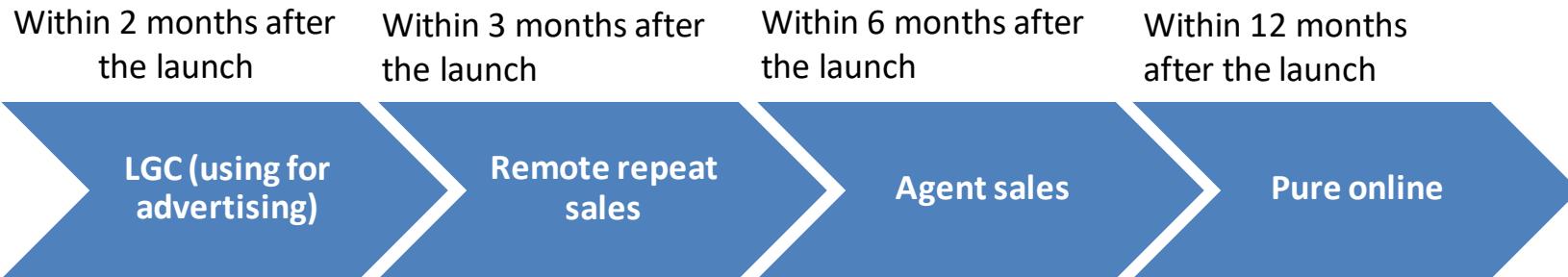
Credit bureau**	Report cost	Online reporting	Hit Rate	WEB
Credit Bureau of Singapore (CBS)	The price is \$6.50 per report	Temporarily blocked	100%*	http://www.creditbureau.com.sg
SML 999	\$0.03 per basic search \$1.50 per detailed search	Yes	75%	https://www.sml999.com
DnB Consumer report	\$3-4 per report, depending on package	Yes	100%*	http://www.dnb.com.sg
DP Credit Bureau	Price is unknown for now (02.07.2015)	Yes	65%	https://www.dpcreditbureau.sg
MLAS (black lists)	\$380 per year for unlimited search	Yes	Not available	https://moneylenders.sg

* - not only credit history, any data.

** - source of information – Daniel (founder AP Credit), manager DnB, manager CBS and manager DP Credit Bureau (meetings)



Strategy of the risk procedures developing



Decision making	<ul style="list-style-type: none"> • Work off-line with SingPass • Use automotive checking procedures • Use automotive checking by cheap on-line Credit bureau and blacklist 	<ul style="list-style-type: none"> • Work off-line with SingPass • Use automotive checking procedures • Use automotive checking by cheap on-line Credit bureau and blacklist 	<ul style="list-style-type: none"> • Work with SingPass by tablet of couriers or mobiles of clients • Use automotive checking procedures • Use automotive checking by cheap on-line Credit bureau and blacklist • Use mobile and work phone verifications • Implement the own scorecards 	<ul style="list-style-type: none"> • Try to work with SingPass on-line • Use automotive checking procedures • Use automotive checking by cheap on-line Credit bureau and blacklist • Use mobile and work phone verifications • Correct the own scorecards
Collection procedure	<ul style="list-style-type: none"> • SMS • Calls • E-mails 	<ul style="list-style-type: none"> • SMS • Calls • E-mails 	<ul style="list-style-type: none"> • SMS • Calls • E-mails • Sales 	<ul style="list-style-type: none"> • SMS • Calls • E-mails • Sales

Business plan of Money Lending in Philippines



January 2017

1. Investment summary



Philippines Money Lending Market is one of the most promising in Asia due to a number of factors:

- Large population with rising wages, with high portion of young spenders (53% of population under 25).
- High smartphone penetration and above-average for the region internet penetration levels.
- Majority of formal players (banks, financing companies) focus on products for upper- and middle-class customers, such that a significant portion of population is not penetrated by formal financial services.
- Unbanked are currently covered by low-tech and dispersed informal lenders ("loan sharks") and pawnshops.
- Money lending regulatory environment is very lenient if compared to the other markets in the region, with no interest caps and no specific advertising and other restrictions. This fact is proven by a set of online moneylending startups already recently launched in the market.

We can achieve outstanding results very fast because of next key success factors:

- New convenient product with fixed interest rate, which can replace Loan Sharks' and Pawnshops' products.
- Using innovative Pure online business model – which will allow customers easily apply for a loan via online and mobile application, receive almost immediate credit decision and get the money in minutes after approval through their bank account or at Payment partner's offline stores.
- New innovative advertising tools will allow us to reduce Marketing acquisition cost to as low as \$21.

Philippines lending market is one of the most promising in Asia due huge number of untapped population . Our main challenge, based on our market research, are lying in Risk area. We will manage this issue by using both innovative big-data scoring models (using external info and web-data), relatively tough verification process and wide usage of different indirect solutions like using secure disbursal channels with obligatory face-to-face identification.



1. Investment summary (cont)

Investments, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Portfolio investments	931	600	177	0	0	1 709
OPEX and CAPEX investments	753	182	0	0	0	935
Total investments	1 684	783	177	0	0	2 644
Volume indicators	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Number of loans issued, thsd	30	173	351	520	620	1 694
Amount disbursed, thsd USD	2 484	14 095	28 198	41 569	49 284	135 630
Net portfolio (EoY), thsd USD	680	2 287	4 038	5 555	5 942	18 503
P&L, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	970	6 573	14 074	21 442	26 094	69 152
Provisions	-604	-3 003	-5 517	-7 373	-8 793	-25 291
Variable costs	-358	-1 264	-2 319	-3 372	-3 947	-11 261
Marketing acquisition costs	-221	-608	-1 112	-1 577	-1 775	-5 293
Salary (variable part)	-93	-352	-571	-812	-963	-2 790
Other variable costs	-33	-155	-268	-393	-466	-1 316
VAT	-11	-149	-368	-591	-743	-1 862
Fixed costs	-830	-1 012	-1 070	-1 288	-1 383	-5 582
Salary (fixed part)	-545	-619	-617	-833	-970	-3 585
Other G&A expenses	-284	-393	-454	-454	-412	-1 998
One-off expenses	-16	-16	-16	-16	-16	-79
Net profit before taxes	-838	1 278	5 152	9 393	11 955	26 939
Terminal value						56 916
ROE (annualized)						134%
ROAA (yearly)	-123%	76%	122%	147%	156%	138%
Break-even period, months	12					
Self-capitalization period, months	18					
Payback period, months	38					

2. General Market Information



- Geography: 300 000 sq.km., more than 7000 islands
- Population – 102M (2015 est.)*. Urban/Rural population - 30/70%.
- Official languages – Filipino, English.
- Average monthly income – \$250 nationwide (2013)*, in Manila 750*.
- GDP Per Capita(Nominal) – \$3 000 (2014).
- Labors by Industry – 50% of the population work in service, 31% in agriculture, 16% in industry.
- Internet penetration – 41%.
- Mobile penetration – 103%. Smartphone penetration – 50%.
- Bank account penetration – 26.6%.
- Online banking penetration – ~4% (2014).
- Credit card penetration – 4%.
- Debit card penetration – 34%.
- Consumer lending reached the level of only 6.6% of GDP (\$17,9B).



Our target market size is only about 50M individuals, as almost 30% of the population is a poor people with income less than \$120 per month and almost 15% of the population is working overseas.

2. Consumer finance industry landscape



- Consumer lending last years showed considerable growth at the level of 10-15% every year. Banks are actively increasing their network - from 5.5K as of Mar 2014 to 6K as of Mar 2015 (Universal and Commercial Banks).
- Rural banks are expanding their businesses in consumer lending, many Filipinos continued to prefer these traditional players due to wide product line and attractive pricing and promotions.
- High requirements to the borrowers is a result of low asset quality and low credit bureaus' hit rate.
- Number of active licenses*:
 - 638 banks;
 - 598 financial companies;
 - 1637 lending companies.
- Major part of Financing and lending companies don't have wide branch network.
- POS-lending, Cash loans and Credit card market segments are at early stage of development.
- There are only few players (mostly established in recent 2 years) operating via Pure online business model.
- Most part of MFIs offer long-term loans as an alternative to banks' loans.

We see a niche in the market covered neither by banks (which are focused mostly on middle and above segments), nor by the Financing/Lending companies. We have opportunity to get this market niche with our innovative Pure online business model and “classic” PDL product meaning absence of significant modifications.

5. Risk management summary



- Main risks lay in fraud and lack of credit bureau data areas. We plan to mitigate them using the following:

#	Area	Factor
1	Fraud	<ul style="list-style-type: none">There is no ultimate official identification document in Philippines and its easy to buy almost any fake document with the price as low as \$10 per document.
2	Low ability to manage risk	<ul style="list-style-type: none">Currently there are 4 credit bureaus in Philippines but number of records are small (Central Credit Bureau will be launched in Q4 2015)
3	Market players practice	<ul style="list-style-type: none">Loan Sharks (mostly Indians) operate in residential areas and manage risk using small frequent payments (daily/weekly) and by direct contact with borrower's relatives at his place of living.Most part FLCs use high requirements for the borrowers - necessity to present 2 IDs, a Proof of employment, a Proof of bills.

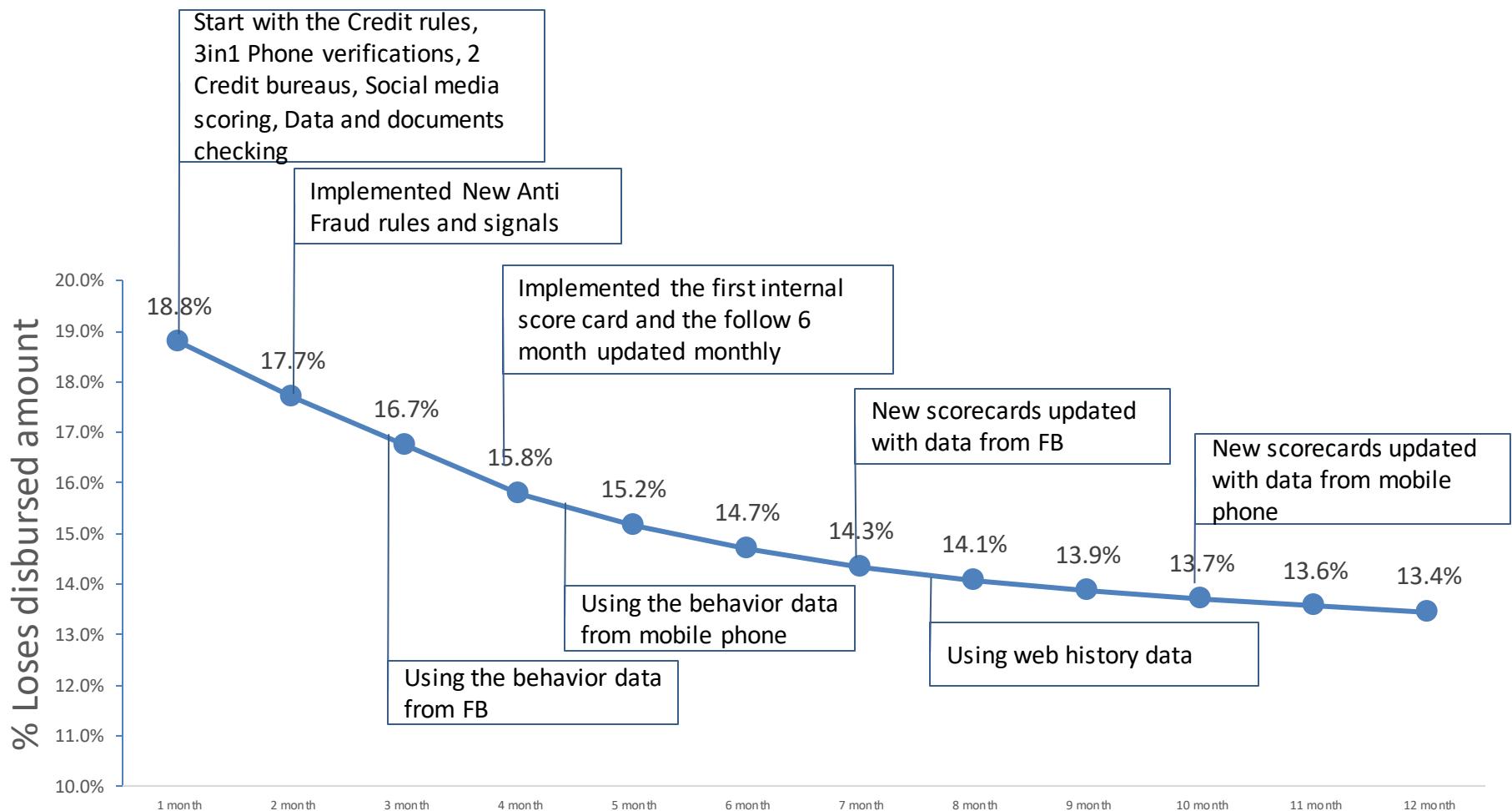
- Taking into consideration best local practices and our current experience in risk management will help us to get competitive advantage. We plan to obtain low default rate of less than 14% (after the first year) due to using the following risk mitigation tools:

#	Tool	
1	Identification	<ul style="list-style-type: none">Innovative identification procedures (Facebook, Web-data identification) combined with traditional procedures (phone verification)
2	Scoring	<ul style="list-style-type: none">Usage advanced scoring based on traditional data (CB, Application) and alternative data (FB, web).
3	Managing channel of disbursement	<ul style="list-style-type: none">Applying different disbursement channel depending on customers' risk profile.

We understand that the main specific risk lays in risk sphere and we plan to mitigate it using various tools such as ID verification, scoring, phone verification, managing disbursement channels, etc.



5. Risk Strategy



We will achieve the target % loses 13.4 % from disbursement volume at the end of the first year as a results of implementing new “big data” sources, developing scoring power and due to repeat clients.

5. Sources of Data for Risk management



Type	Credit bureau/ data sources	Report cost	Type Of Data	Number of Records	Hit Rate	Launching Period
Credit Bureau	CIBI	Free in case data exchange	Credit history, ID Score, contacts, address, Employer,	30M	50% or Banks, 10-20% for MFI	Fast
	TransUnion	\$2.3	Credit history, ID Score, Credit score, contacts, address, Employer, On-line fraud detection system	11M	10-20% for MFI, 95% Credit Cards	Fast
	Credit Information Corporation (CIC)	\$1.6	Central Credit Berua(Agregator), Launched several month ago	1M	5%	Fast
	BAP Credit Bureau, Inc. (BAPCBI)	\$1.6	Mostly Buseness Records(unstructured)	No Data	No Data	Fast
Alternative Sources	Telecom	NA	Call Info, GEO	90M	NA	Investigation
	Web Data	NA	Web site data	For all customers	NA	Fast
	I am Real	\$1	Network social score, ID Verification, data verification by documents and Facebook	For all customers	50% for All	Fast
Verification Data	Customer	Internal Procedure	Questionnaire	For all customers	100%	Fast
	Work		Questionnaire			
	Home/Relative		Questionnaire			

5. Initial decision making procedure



#	Stage	Tools for the risk reducing
1	Loan application check factors	<ul style="list-style-type: none"> Application form filling in verification SMS – code verification Asking customer to upload id with photo Internal black lists (phone, IP, ID)
2	Data auto-verification	<ul style="list-style-type: none"> Fraud prevention based on web-data verification (IP gps comparing with home/work address, Operating system, e-mail) Application fields stop-factors Facebook account verification (using I am real for 6 months before our service will be developed)
3	Pre-scoring	<ul style="list-style-type: none"> Using external black lists CIBI, BIP credit bureau (ID numbers, ID employer) Check credit history Check loans unmentioned in application
4	Verification	<ul style="list-style-type: none"> Client verification - check application data and additional questionaries' Client work verification - check work place existing and getting feedback on customer Client contact person verification (close relative) - check customer query questions
5	Verification stop factors	<ul style="list-style-type: none"> Noncoincidence in separate verifications with application Cross- verification Noncoincidence (customer work additional contact)
6	Scoring	<ul style="list-style-type: none"> Reject high risk customers due to scoring based on application, verification, CB, external source data (FB,WEB) and channel of disbursement
7	Loan limit estimation	<ul style="list-style-type: none"> Based of average salary for region and position
8	Choosing disbursement channel	<ul style="list-style-type: none"> Based on scoring results
9	Uploading additional documents	<ul style="list-style-type: none"> Asking customer to upload proof of billing, SSS payments based on score

Business Case

Cambodia



July 2016



Investment Summary

Main characteristics consumer finance market of Cambodia:

- 1) Stable economic growth - around 7% yearly in last 4 years , low unemployment rate – 0.4%
 - 2) Liberal consumer finance regulation :
 - a) No interest cap by banking law (liberalization interest rate law Prakas #B7-09-213 by Central Bank Cambodia)
 - b) **With local expertise in place, we should be able to start business in August.**
 - 3) 25% employee out of 8,6 million labor force have credit history in Credit Bureau of Cambodia. There is a government target to increase **number of employees** with credit history to 42% by 2020.
 - 4) One of the highest levels of telecom development: mobile penetration – 155%, smartphone penetration – 39% out of mobile penetration.
 - 5) 3 biggest cell operators in Cambodia have own payment systems. **Every mobile phone user has more than one mobile wallet.**
 - 6) Undeveloped consumer banking industry:
 - a) Bank account penetration is 13%
 - b) credit cards penetration is 3% (Customer have to make deposit - 150% of credit limit required)
- Key success factors in the market:
- 1) No interest cap
 - 2) 150% mobile wallet penetration
 - 3) Smartphone penetration **60% (growth of 15% per year)**

We believe that Cambodia market has a lot of opportunities in nearest 2-3 years. We can be one of the first players who will provide fast and easy loans.

Investment summary



Investment summary thsd USD	Timeline					Total
	Year 1	Year 2	Year 3	Year 4	Year 5*	
investments	205	1 184	662	268	0	2 318
Total investments	205	1 184	662	268	0	2 318
Number of loans issued (thsd)	5,6	36	72	144	288	546
Amount disbursed	540	3 423	7 684	13 871	19 182	44 700
Net portfolio (EoY)	135	663	1 424	2 425	3 078	3 078
Revenue	738	1 508	3 581	6 812	10 104	22 743
Net profit after taxes	-120	-696	609	1 553	2 990	10 739
ROE (yearly)	-7%	-16%	11%	25%	49%	50%
ROAA (yearly)	-13%	-28%	14%	23%	32%	37%

Break-even period – 18 months.

Payback period – 51 months.

Maximum investments from – \$2,3M.

General Market Information



parameters	2014	2016	Growing, %
Population Cambodia	15.4 mln	15.7 mln	1.6%
Population Phnom Penh	1.51 mln	1.59 mln	5.2%
Cambodia labor force	8.45 mln (2013)	8.62 mln (2014)	2%
Unemployment rate	0.4%	0.4%	0
GDP per capita	1096 usd *	1240 usd	13%
Salaries rate Cambodia	152 usd	190 usd	+ 25%
Salaries rate Phnom Penh	190 usd	250 usd	+ 31%
Urban population	21%	23%	+ 9 %
Mobile penetration** (including smartphones)	126%	155%	+ 29 %
Smartphone penetration** (out of mob. penetration)	29%	39,5%	+ 36 %
Facebook penetration Facebook accounts	16% 2,5 mln people	22% 3,4 mln people	+ 37,5 %
Bank account penetration	N/A	13%	
E-wallets penetration	<1 000 000	> 6 000 000	+ 600%



Capital of Cambodia – Phnom Penh,
Official languages – Khmer

Ethnic groups –

90% Khmers, 5% Vietnamese,
1% Chinese, 1% other

- 1) Average income in Cambodia close to Vietnam and keeps increasing
- 2) E-wallet penetration is one of the highest in Asia. since in 2016 mob operator SMART launched own payment system for 6 mln subscribers. Market share of SMART more than 60%.
- 3) Stable GDP growth (around 7% yearly). Unemployment rate is one of the lowest in Asia.

* source of information - <https://knoema.com/sijwevg/gdp-per-capita-ranking-2015-data-and-charts>

** source of information – <https://www.techinasia.com/talk/digital-southeast-asia-q4-2015>

Consumer Finance Industry Landscape



Consumer lending in Cambodia is performed by Banks, MFIs, NGOs Rural Credit Operators and Pawnshops . At the same time, there are still a lot of unlicensed money lenders.

Cambodian Banking system was established in 1979. **Government** allowed international investors involved 100% of their capital on the bank financial institution. Most of banks concentrate on SME segment. At this moment in country working 36 banks, include 8 international.

MFI can be two types: **deposit taken or credit** only. Now there are 6 deposit taken MFIs and 64 credit in Cambodia, with more than 2000 branches. Total MFIs loan portfolio is 3.4 bln. usd and 2 mln borrowers. Deposit portfolio is 1.45 bln. usd.

Historically this MFIs use as money laundering schemes. Cambodia is the third most at-risk country to money laundering (2014)*

In beginning of 2016 paid up capital for MFIs was seriously revised from 62 000 usd to up 1.5 mln.

MFI provide loans in Cambodia with collator or guarantors. Lending process still difficult for clients. Approval process: from 2 days to 2 weeks.

One more subject of consumer lending market is Rural Credit Operator working as NGO. Government wants to control this grey area of market and decide to push them to register as MFI. In end of 2015 National Bank of Cambodia received more than 400 applications for registration. Government cannot conduct so much comprehensive inspections, that's why NBC approved only 44. NGOs still providing loans, but impossible to create a new one.

Until 2009 there were no requirements for pawnshops to have a license. In 2009 government introduced licensing process for pawnshops. In last 5 years more than 300 pawnshops received the license, but more than 1000 still operating without license.

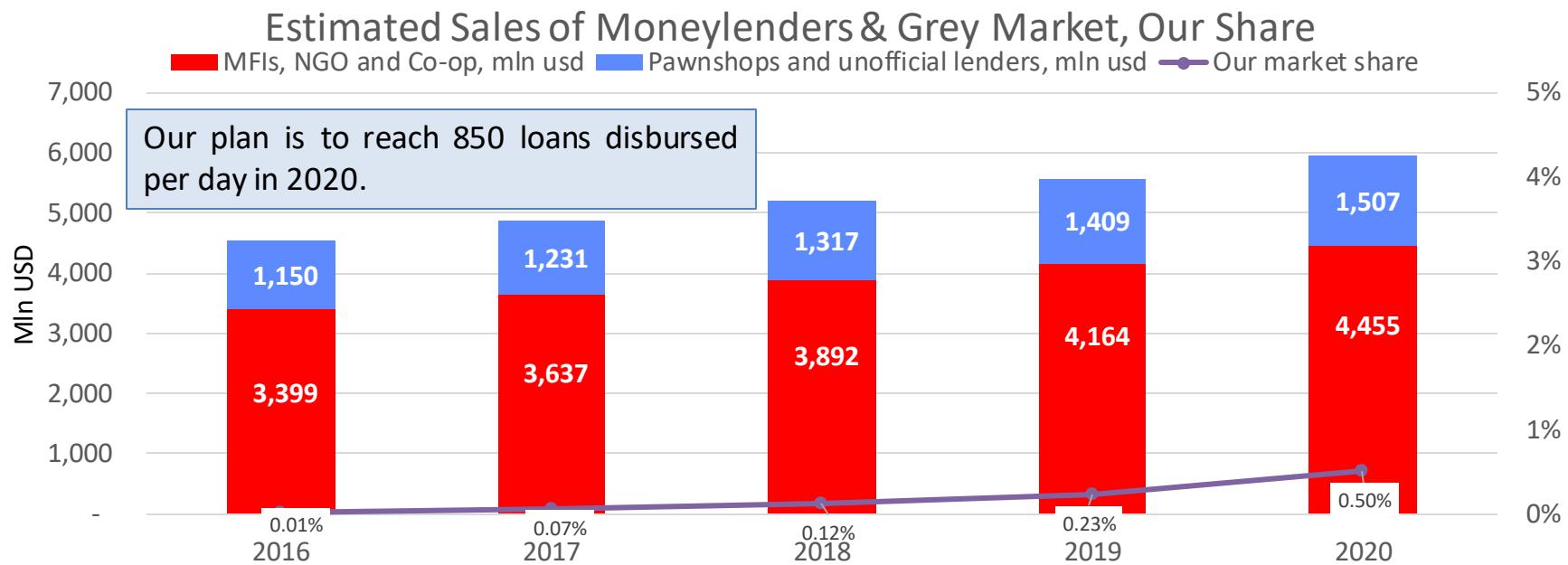
Consumer lending market regulated by National Bank of Cambodia and Ministry of Economic and Finance which regulate pawnshops activity. (annex: Governing bodies in Cambodia)

1. Banks are focused on SME lending, long and complicated process of borrowing money from the banks for individuals.
2. Consumer lending is represented by NGOs, MFIs, cooperatives, pawnshops and unofficial money lenders
3. We can realize our business model like pawnshop.

* <https://www.cambodiadaily.com/archives/cambodia-vulnerable-to-money-laundering-67363/>



Market Size Estimation



	2016	2017	2018	2019	2020
Our disbursement volumes, mln. USD	0,5	3,2	6,48	12,9	29,9
Our Number of loans (thousand) disbursed per year	5,6	36	72	144	288

Main assumptions:

- Yearly market size growth – 7%
- Our market share in 2020 is expected to be ~0,5% of MFI loans and Money Lenders.

Moneylending business in Vietnam



1.1 General market information*

- Territory: 332K sq.km.
- Population has reached 92M (2013).
- Official language Vietnamese.
- Average monthly wage is \$210 (2012).
- GDP average CAGR in 2013-2019 expected to be 6,1%.
- GDP Per Capita is \$2,3K (2015).
- Internet penetration is relatively high – about 41%.
- Mobile penetration is high – at the level of 140%.
- Bank account penetration is 21% (2014).
- Credit card penetration 2%.
- Debit card penetration 15%.
- Online banking penetration - 44% (2014).
- Only about 20% of citizens at least once used bank services.



1.2 Consumer finance industry overview

- Consumer finance industry had started active development in Vietnam only approx.5-6 years ago but already reached the level of 20% growth per year.
- Number of active licenses*:
 - 42 banks;
 - 48 foreign banks branches;
 - 16 finance companies (FC).
- Among the most active players in consumer finance are “Home Credit, “FE credit” (by “VPBank”), “Prudential” and others. Those companies are proposing Consumer durable loans, Instalment loans, Credit cards.
- Even though banks officially can propose the whole retail product line to individual customers, SBV currently is requires obtaining FC license for consumer finance business.
- Currently new bank and FC licenses issuance by SBV is stopped due to ongoing market restructuring.
- POS-lending, Cash loans and Credit card market segments are at middle stage of development.
- Due to unclear and partially out of date regulation non of the official credit institutions are using Pure online business model.

We see the niche in the online lending part of consumer finance market . We have excellent opportunity to get substantial share of the market with our innovative (for VN) Pure online business model.