



Brief vision



Azerbaijan - Baku

NEED FOR ALTERNATIVE CHANNELS FOR BORROWING AND INVESTING

- There is a need for online short term borrowing in many frontier and emerging markets, especially among consumers, small businesses and self employed persons;
- There is a need in developed markets for investing at attractive yields in easily understandable risks, especially in present low interest rate environment

KEY INVESTMENT CONSIDERATIONS

- Genuine need for proposed services
- Stable and growing market
- Team equipped with experience and resources
- Potential to expand internationally and grow into a large business
- Business model tested in developed markets
- Lucrative opportunity with high return and controlled risks

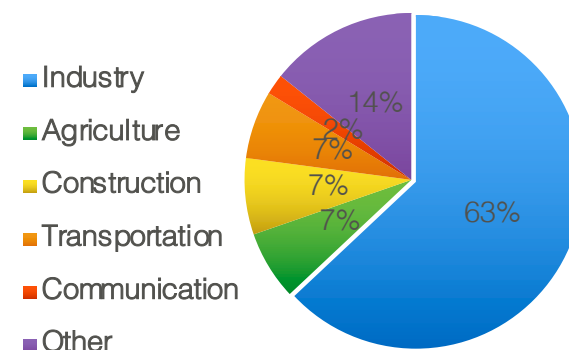
POTENTIAL FOR EXPANSION TO NEIGHBORING COUNTRIES

- There is a need for online borrowing at convenient terms in many frontier and emerging markets
- Key components of the platform: customer acquisition/retention model and credit scoring system are replicable to other countries
- Experience of setting up disbursement and collections operations could be tailored to many other regulatory/legal environments
- The founding partners have experience and resources for expanding the business to other suitable markets

COUNTRY KEY DATA

- ✓ **Population: 10 million people (annual growth - 1.1%)**
- ✓ **Territory: 86,600 sq. km – neighbors: Russia, Turkey, Iran, Georgia**
- ✓ **GDP growth in 2015 – 1.1%**
- ✓ **Rich natural resources (oil industry – 42% of GDP)**
- ✓ **Government debt – 7.3% of GDP (2018est)**
- ✓ **Surplus current account and stock of official reserve assets over USD 50 billion**
- ✓ **Strong banking regulatory framework with average bank CAR over 18%**
- ✓ **Minimum bank capital requirement from 1 January 2015 – AZN 50 million**

GDP breackdown by sector



MICRO LOANS marketplace surface

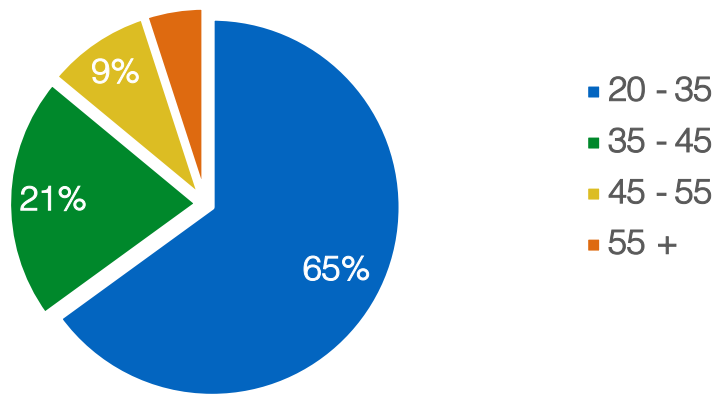
- Banks are conservative and slow to adopt new technologies;
- Bankers are traditional and skeptical about lending to low income people due to fixed notions related to “security” and credit risk, and may feel that poor people just need charity, not commercial financial services;
- Bankers prefer customers to come in and apply for loans, not to go outside and find them;
- “Culturally”, it is hard for our banks to delegate credit authority to decision making process based on technology.
- Banks may be missing an opportunity: they have heavy legacy in form of the branch network, accounting, audit and control systems. Thus Banks have the most potential to be a partner for companies like ours.

BUSINESS MODEL

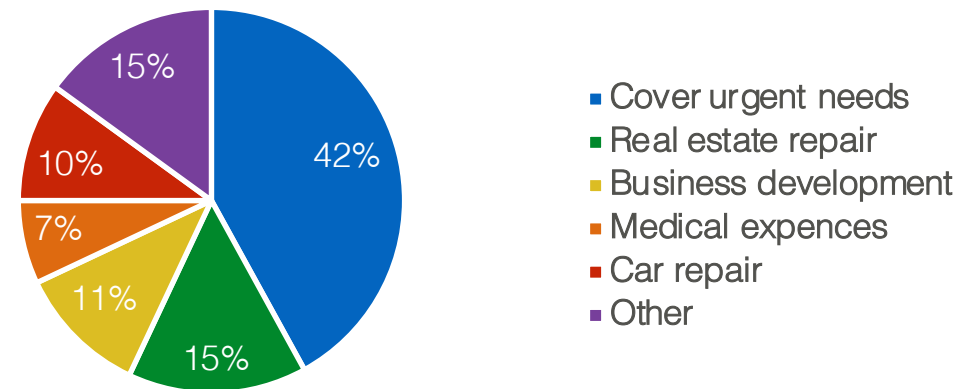
- **Need in Azerbaijan and other frontier markets to borrow online at low rates**
- **Need in developed markets to invest in easily understandable risks at high yields**
- **Establish Online lender to consumers and small businesses**
- **Setup efficient online/kiosk repayments and collection of payments**
- **Value proposition—cost reduction to borrowers and high yields on investments**

TARGET CUSTOMER

BY AGE



BY NEEDS



Our target audience are consumers, unbanked individuals and entrepreneurs who is falling out of the target audience of traditional banks.

Basically, these are consumers who want to borrow a small amount of money, but they may not have a credit history, an official income, or they do not meet the requirements of the banks.

Our potential target customer: educated city resident of middle age, who is active internet user with average income of AZN 1000 (USD588).

Our local survey showed that the majority of respondents (41.7%) take money for urgent needs.

Recreation and travel the most unpopular category - they were issued loans of only 1.5% of the respondents.

OUR VALUE DRIVERS

- Free niche for online lending in Azerbaijan
- High interest rates for urgent loans (20% +)
- Cost advantage through low operating cost and lower funding cost
- Advantage of fast reaction to market change comparing to big institutes
- Sound regulation by FIMSA
- Company with good corporate values

IMPORTANT CONSIDERATIONS

- Legal status - non-bank credit organization
- Start as credit underwriter and transform into a on-line lending platform
- Pursue and demonstrate allegiance to good corporate values/principles
- Focus on higher credit quality borrowers
- Credit screening through online applications and credit bureau data
- Use of electronic signatures and agreements
- Disbursement to cards, bank accounts and later to e-wallets
- Collections through bank branches and electronic payment kiosks
- Several partner banks for disbursement/collection related services
- Lending in local currency with a link to funding currency for lender protection
- Collections from defaulting borrowers: soft collection process in-house, hard and legal collection - outsourced

Development Phase 1 - Implementation Considerations

- **Set up of legal framework including for use of electronic agreements for efficient operations**
- **Development of integrated web site, scoring models and call center for loan sales**
- **Agreements with banks for fast card/account opening and disbursement services**
- **Agreements with banks, payment terminals and collection agencies for collections**
- **Initial value proposition for customer acquisition – low cost and novelty for tech savvy**
- **Focus on mid-age individuals, young professionals and small entrepreneurs**
- **Advertising: web-sites and social networks, use of opinion leaders**
- **Focus on customer retention and word of mouth (product should work seamlessly)**
- **Development of non-pricing advantages: speed and convenience (home/office use)**

Development Phase 2 – Expansion

- Development of more complex software and internet site for online lending
- Marketing (advertising in social media and internet, PR) to loan investors
- Expansion of lending related marketing and sales
- Customer retention (positive experience) remains key-repeated sales and word of mouth
- Setup of Team and selection of suitable jurisdictions (legally, commercially)
- Adjustment of scoring model and sales channels; setup of local operations infrastructure

RISKS

- Further fall in oil prices
- Deterioration of relations with neighbors
- Stagnation of economic reforms
- Overheating of lending to consumers and SMEs Competition from banks
- Difficulty of exiting

RISK MITIGATING FACTORS

- Official country reserves of \$50+ bln provide cushion in the unlikely further fall of oil prices
- Aspiring for stability Azerbaijan is an important energy supplier to the West
- Ongoing reforms and non-oil sector development are essential policy directions
- Debt burden is low while target segment is the best credit quality customers
- Agility, technological advance and access to low cost funding is advantageous
- over legacy branches system and high deposit cost banking models
- Multiple exit options would be available in the growing and relatively lightly regulated MFI sector

THANK YOU!