

eurocent €[®]

Consumer lending company in Poland

December 2016

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Introduction

- Eurocent is a leading company situated in the Republic of Poland whose main goal is to achieve leading position on the Polish market in the area of non – bank, home serviced and short term loans.

Business:	home serviced micro lending
Establishment date:	2004
Geographic presence:	strong presence in the whole territory of Poland
Number of agents:	ca. 500
Active customers:	over 20,000
Status:	listed on the NewConnect in Warsaw



Key competitive advantages:

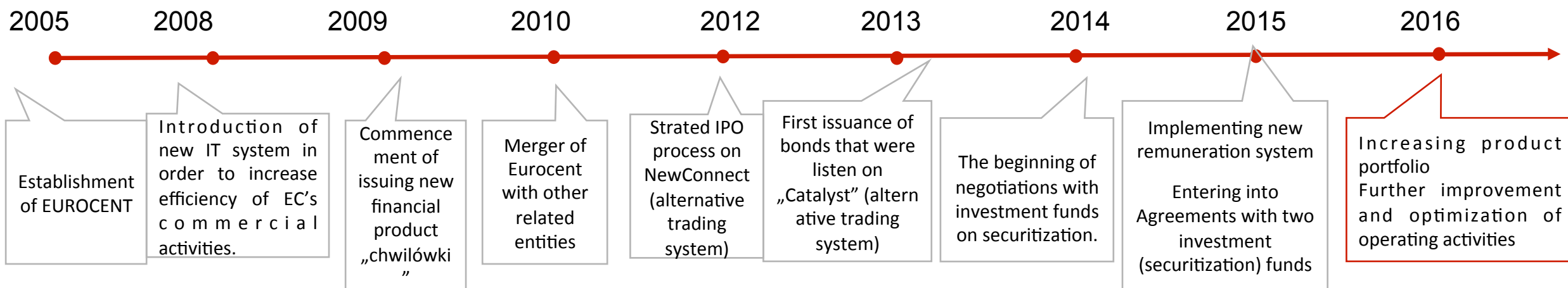
- Strong and easily scalable agent network
- Experienced and dynamic management
- Proprietary and scalable IT system
- Loan organization with low overheads
- Built-in quality lending policy

Main business characteristics:

- Small value loans / short and medium maturity / high interest rates
- Favorable risk/return profile with healthy margins
- High return on capital employed
- Close relationship with clients (weekly visits, home service)
- Scalable business model

Development

Eurocent has been continuously growing its operations, building up its market presence and the organization, despite of the funding shortage .



Strategy

Despite operating in a traditional area of the consumer finance Eurocent is an innovative organisation, which is capable of growing number of sales agents and customers without compromising the lending quality.

Key strategic focus areas and initiatives

Growth

Eurocent understands that a sustainable growth is based on combination of many factors incl. recruiting sales people, taking advantage of market opportunities and constant improvements in procedures and processes



- Entering new areas
- New motivational system and improved recruitment procedures
- Acquiring experienced agents from competitors
- Increasing average value of loans with improved risk parameters

Cost Effectiveness

Eurocent focuses on cost effectiveness by constant improvements of operational processes

Effectiveness means not only nominal values or margins but also an optimal mix of direct vs fixed costs



- New inspired remuneration system
- Improving lending procedures to reduce time spent by manager
- Shifting managers' time to higher value added activities allowing to increase number of agents per manager

Quality lending

Eurocent understands the quality lending as the proper balancing of the risk/return in their portfolio

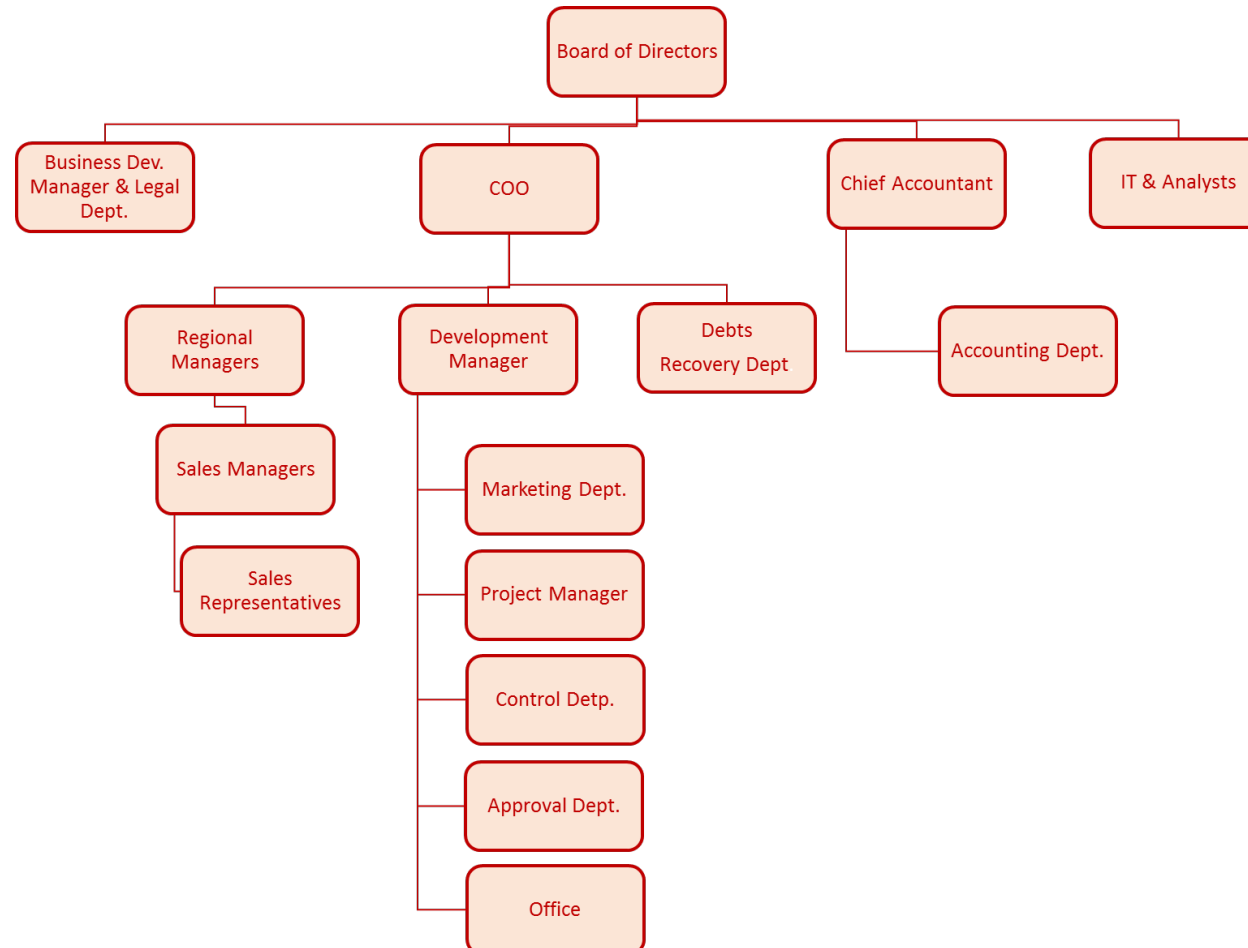
By pursuing "layers" strategy (lower tier/higher risk) it gains the best performing customers first (higher layer) while maximizing risk adjusted profit by cautiously allowing for penetration of lower layers



- Better alignment of interest with sales force
- Improving lending procedures reducing fraud risks
- Pro-active control of lending quality allowing for constant changes in central acceptance procedures

Organisational structure

Eurocent has a well developed organisational structure with app. 80 people employed or contracted and ca. 500 sales agents (sales representatives).



* Structure as of end of December 2016

Management team

Eurocent's management team consist of people with vast experience in the industry and long history with the Company supported by a hands on Chairman of the Supervisory Board.

Grzegorz Kolawa – CEO, Founder of Eurocent

- *in home service lending since 1999*
- *prior to Eurocent he was working in Provident Polska (last position - Regional Security Manager)*
- *main architect of IT system and operational procedures*
- *responsible for the Company's development strategy, financing as well as crucial organisational issues*

Paweł Przybyła – V-ce President of the Board, Sales Director

- *in home service lending since 2003*
- *prior to Eurocent he was working in Provident Polska*
- *managing daily activities of Operations Department (sales and collection functions) as well as marketing functions of the Company*
- *developing product portfolio and adjusting it to the market situation*

Marcin Tokarek – Chairman of the Supervisory Board

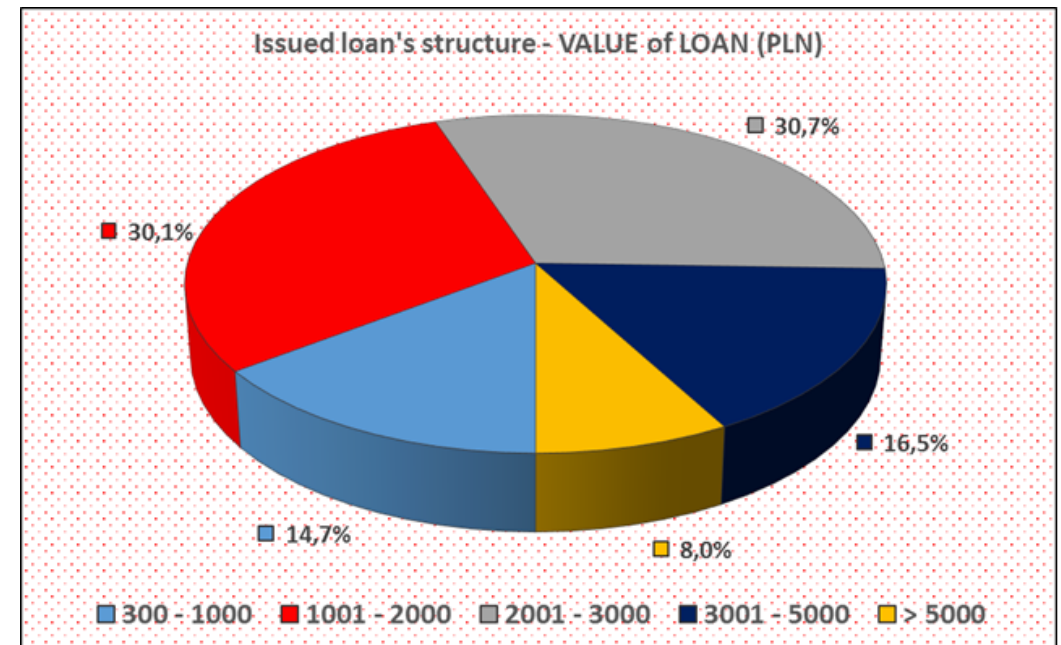
- *in financial services industry for 20 years*
- *worked in various managerial positions related to credit risk management, analysis and valuation, i.a. for Cetelem, Lukas Bank, Big Bank Gdański. Held management board positions in Ultimo (debt collection – Vice President) and SMS Kredyt (consumer loans - CEO)*
- *actively engaged in changes in the Company's business/financing model as well as in all issues related to credit risk*

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Product description

Below are presented the main characteristics that describe the current typical company's product:

- Average size of the loan – **1850 PLN (425 EUR)**
- The range of the amount for loans issued – **300-11200 PLN (75-2550 EUR)**
- The currency of the issued loans – **Polish Zloty (PLN)**
- Average duration of the loan – **71 weeks**



Plans regarding product development

Although the polish market is already very competitive, the Management of Eurocent sees opportunity to expand company's activities on the polish market by introducing new financial products and opening new channels of distribution of already offered products.

The Management also focuses on improving debt collection efficiency and assessment of new clients in order to ensure greater collectability, which should increase income and improve financial performance of the Company.

Company's goal is also to start activities on foreign markets, what would diversify sources of income and allow Company to gradually improve its position on the polish market.

Customers

Eurocent has over 20 thousands of active clients, while in its history it has given loans to as much as over 93 thousands clients, which proves its brand recognition among customers.



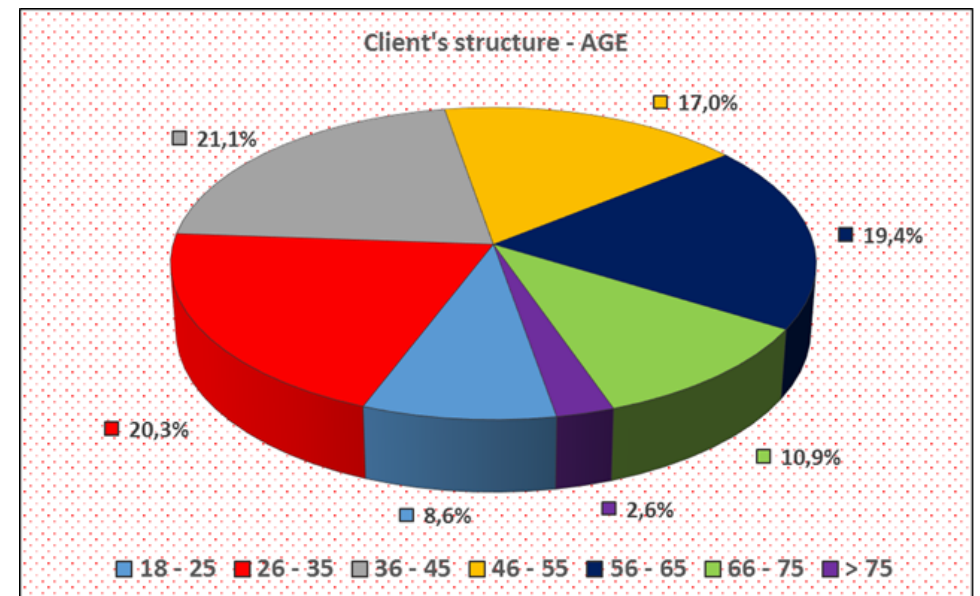
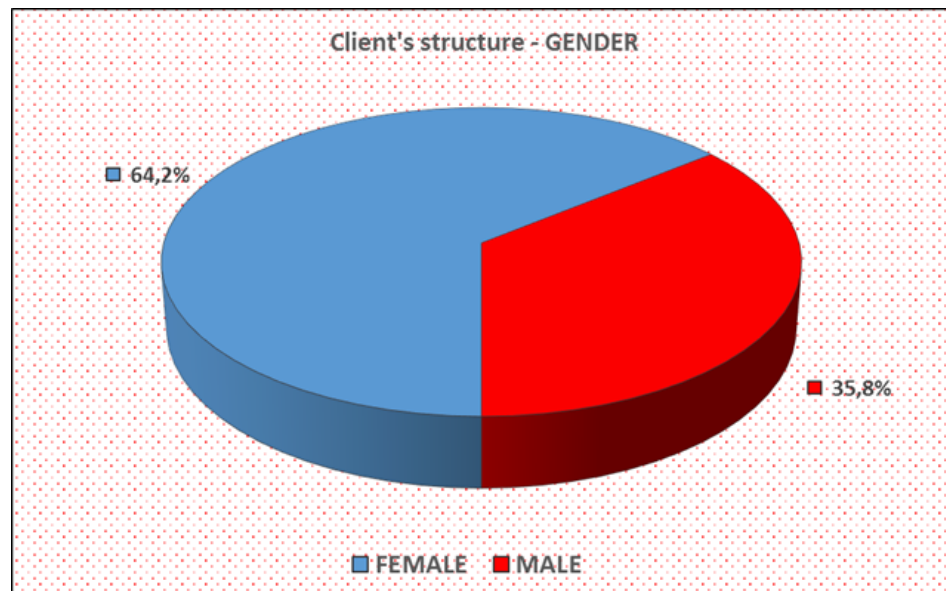
* Number of clients in active portfolio include only clients with loan that has not been moved to bad debt collection dep.

** Number of all clients in Eurocent history include all unique clients with at least one loan in the history of Eurocent

Customer description

Our typical borrower is :

- citizen of large or medium city with salary under national average
- woman
- middle – aged (30-55 years old);



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Lending policy

Eurocent has been set up from scratch with resource constraints and therefore its management has been always focused on credit and operational risk controls.

1

Eurocent's sales agents remuneration system is penalizing granting bad loans not only on the level of particular loan but whole agent's portfolio

2

Eurocent is checking customer status in BIG as well as any past history with Eurocent

3

Eurocent requires documented income for loans above 3000PLN (c.a. 750EUR) for new customers. Selected clients need to sign promisory notes as well

4

Each loan amount is being given by Sales Manager or post office employee after making sure that the person receiving money is the one signing the agreement

Loan underwriting/scoring process

After recording of the application for a loan in Eurocent's database, our company acts as follows (steps):

1. Verification whether the loan's proposal amount may be granted to the customer;
2. Verification of customer in the Polish central registry of debtors (BIG);
3. Checking whether at place of residence there are clients who are our debtors;
4. In case of typing a new address in the application for the loan - Eurocent's Approval Dept. checks if presented address is correct;
5. Checking in Polish public business databases (CEDIG, KRS) if specified in the customer's income statement company/employee operates;
6. Customer's phone number verification

Loan issuance process

After approving the loan proposal we proceed as follows:

1. Approved applications for loans are the basis for loans agreements which are signed at customer's place of residence.
2. Then Eurocent's financial sales representative sends an order of the loan's payment to 'Giro Payments' (service cash withdrawals at branches of 'Poczta Polska' /postal company/ in the whole Poland).
3. After the order's confirmation the loan can be paid in all branches of 'Poczta Polska' company within three days.
4. From this moment a repayment of loan takes place by week installments at customer's place of residence.

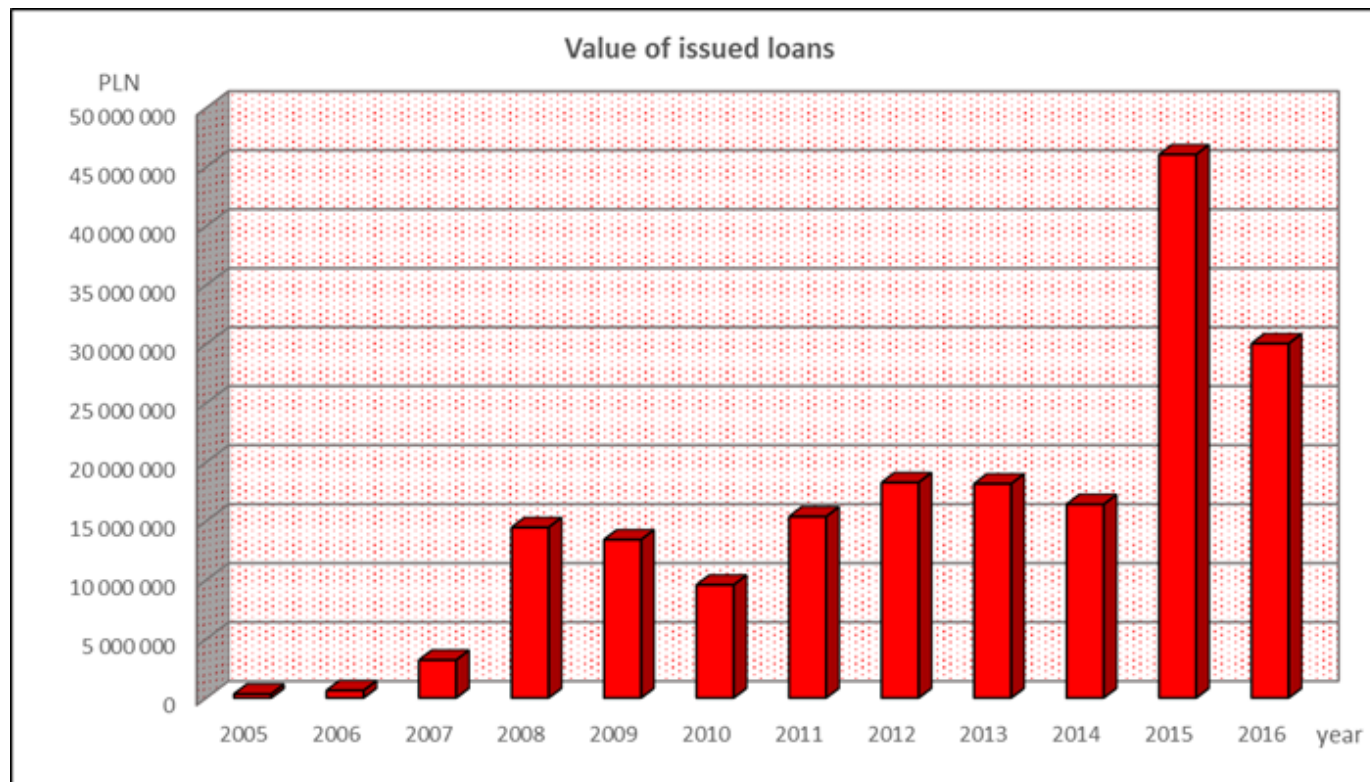
Debt collection process

Facing the problem of bad loans Eurocent uses the following debt-collection methods:

- **soft collection (done in-house):**
 - debt monitoring sent by mail;
 - Eurocent's Debts Recovery Dept. calls;
 - sales representatives cyclic visits
- **hard collection (outsourced/done in-house):**
 - transfer of debts to the specialized debt collection companies;
 - matters transfer to the court

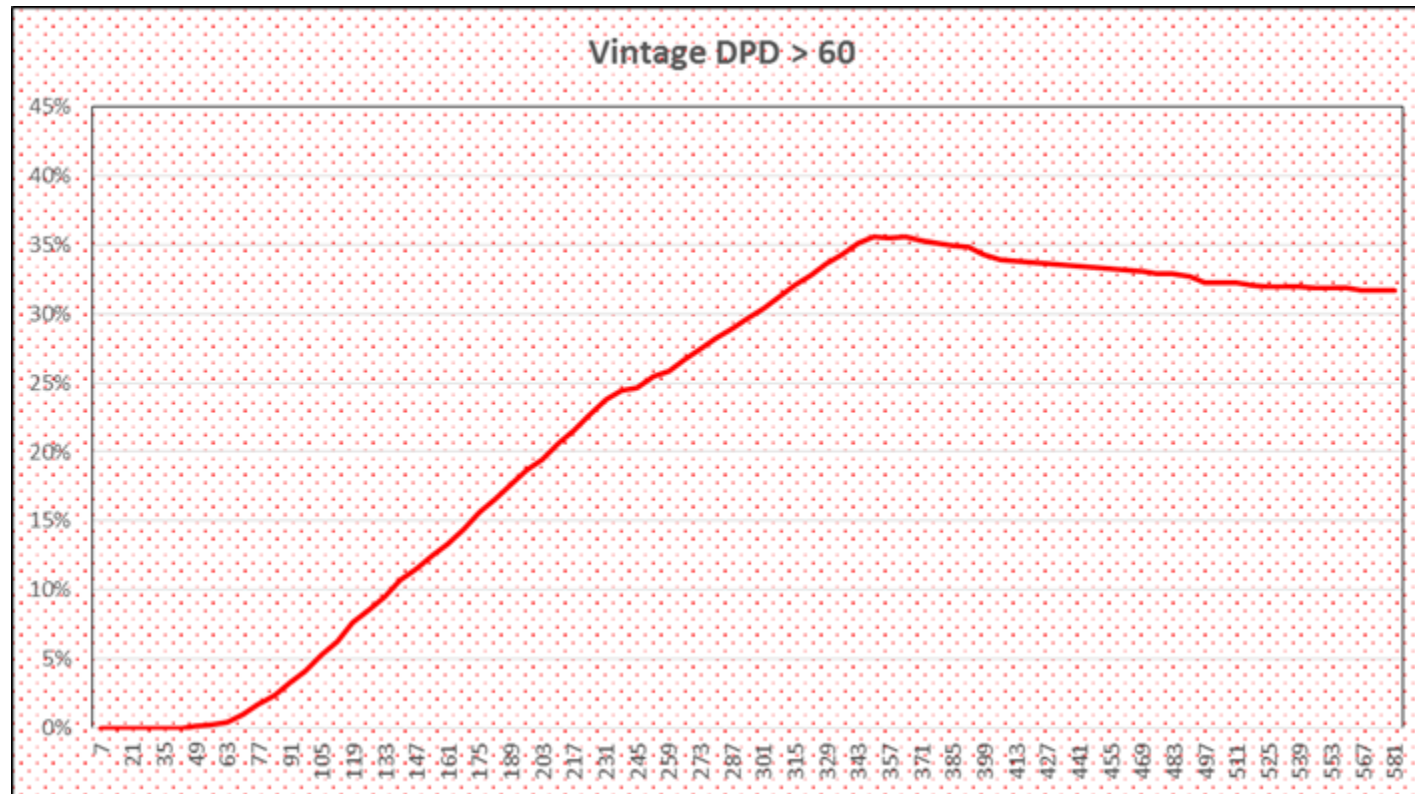
Sales increase ...

Because of the rapid sales growth Eurocent is focused on bad loans risk minimizing.



... with controlled risk parameters

Thanks to detailed process of scoring each customer Eurocent is able to maintain a stable level of controlled risk. The risk is displayed as an indicator (overdue loans more than 60 days / the value of all loans):



60 days vintage* (2Q 2015)

* Risk indicator – for typical weekly repaid loan from Eurocent’s portfolio, issued in 2Q2015 .

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Key Financial Data

Eurocent has been steadily improving its financial results until 2014, while in 2015 the change of the business model allowed it to make a rapid, significant progress in the scale of its operations.

In 2015-2016 Eurocent has substantially improved its financial standing, however the key of the new business model is that majority of new loans are securitized and no longer owned by the Company.

Key financial numbers are below *:

	2013 kEUR	2014 kEUR	2015 kEUR	1-3Q2016 kEUR
Total Assets	2 646	3 967	4 537	5 945
Equity	1 374	1 786	2 949	3 184
Revenue	2 720	2 907	14 531	11 637
Net profit	285	452	1 162	296

* Links to detailed financial data are presented on the following page of this presentation

Management and Financial Statements

Because we are the public company acting on the Warsaw NewConnect market (alternative trading system), we present below links to our last public reports:

Capital Group Eurocent S.A. - annual raport (2015, in Polish) – link: [2015 annual report](#)

Capital Group Eurocent S.A. - quarterly raport (3Q2016, in Polish) – link: [3Q2016 quarterly raport](#)

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