

**Virtual Roundtable Series on COVID-19 Mitigation Efforts #9:
SME Finance Businesses Thriving amid Chaos
May 21, 2020**

Q&A summary

Question for Grab Financial Services:

- 1. What is Grab Financial Services' approach to financing SMEs and micro-entrepreneurs?*

Grab's Financial Services is divided primarily into its consumer lending segment and its work with SMEs through merchant lending. Grab began working with MSMEs about five years ago and now has about 9 million micro-entrepreneurs in its network. We acknowledge that we have a slight advantage over other lenders from a data perspective, as we can better analyze the relevant data including labor hours and income through Grab Wallet. This information allows us to better mitigate risk when lending to micro-entrepreneurs who may not be serviced by traditional banks. Our model has allowed Grab Financial Services to work towards achieving better financial inclusion by creating a new risk scoring model that includes these new data points while managing risk. We've also created new portals for SME lending and expanded to open market last year, expanding lending to those currently not using Grab services but working in relevant industries.

- 2. Due to COVID-19, are you seeing an integration of previously disconnected industries, such as healthcare, education, and financial services, into an all-inclusive services value proposition for clients?*

Yes, we are thinking of integrating services for SMEs at Grab. GrabMart is a solution for mom and pop shops that helps bring them online, ensuring their survival due to the pandemic. For example, the entire Malaysian Ramadan market is now online. This platform includes all the products we sell, including bookkeeping and accounting, transporting goods, and safekeeping money. These are all services we can offer in addition to personalized lending solutions, and integrated services will definitely be the future of Grab services, as they offer a well-rounded approach to meeting customer needs.

Questions for CashDirector:

- 1. How does CashDirector help SMEs forecast their financial circumstances during this uncertain period and adapt to the new normal?*

We believe that banks will now have to continuously deliver new features via digital banks and offer new products that go beyond traditional financial services. Many SMEs have several banks accounts, thus providing financial insight services can help banks win customer loyalty and attract new customers. CashDirector can help implement these services, including their work helping SMEs understand and apply for government loans and transfer their accounting and business administration needs to a digital platform.

Question for Topicus?

- 1. How is Topicus able to offer more insight into current circumstances, both to protect the financiers and support the SME clients as they move forward?*

Topicus equips its client banks with many necessary tools to better understand the crisis, including a forecasting tool that helps banks predict best and worst-case scenarios. It has been much easier to support client banks that are adaptable and have embraced digital structures, as these are now not only required for convenience but also for personal safety. While regulators in the Netherlands are encouraging simplifying the loan process, it is important for us to differentiate what is simplified versus what is risky behavior and how that may impact our clients in the long run.

Questions for all:

- 1. What do the speaker's current experiences with regulators look like, especially when bringing new solutions in a market tightly regulated by the banking/non-banking regulators? And how is the regulatory environment changing?*

Grab: The reality is different in different markets, as regulators in different markets have different perspectives on our services. For example, Singapore is more open, however in Vietnam wet signatures are still required for certain loan products. Given the size of our client base, we have largely been able to manage these regulatory hurdles. Additionally, before the outbreak of COVID-19, regulators have seemed much more willing to shift to digital platforms and engage more with digital banking. COVID-19 has accelerated many of these shifts, including speeding up eKYC implementation, and Grab has been communicating with regulators to ensure that we can offer liquidity to entrepreneurs when markets open and use services such as Grab Wallet to facilitate government support to clients.

F-road: In China the market is strictly regulated and COVID-19 has allowed us to encourage digitization in our partner banks. All of this is allowed by the regulators; however, it took COVID-19 to encourage many of our partner banks to utilize these digital resources. Despite the change in bank digitization, the regulators have not changed significantly.

Topicus: In some environments, the regulators have been actively encouraging financial institutions to relax their criteria, since they are currently backing SME loans. In the Netherlands, the government is pushing for banks to be less strict with acceptance policies, as they are backing SME loans up to 90%. However, in the case of defaults, we wonder whether the regulators will be less strict, in terms of covering losses based on government-backed loans.

- 2. How has the COVID-19 shifted efforts towards digitization in your work with SMEs?
 - a. From the chat: Our bank in Tanzania removed digital transaction fees due to COVID-19, yet over the past 8 weeks has not seen any impact on increasing digital transactions thus far. Any insights?**

Grab: More than price, we've found that ease of use is a key driver for encouraging digital services. COVID-19 is pushing SMEs to digitize or risk failure, and we've seen many examples of both in Singapore. Some businesses have seen an uptick in their daily customer volume because they have user-friendly websites that allow for traditional clients and new clients to access services.

- b. From the chat: How have partner banks have transformed their business models to respond to the new environment. You mentioned automation and digitalization of credit acquisition and KYC/account opening. Are there other processes they are transforming, and you helped them to do so?*

F-road: Every step of the credit cycle is now digitized, including data collection through the robot and financial analyses through AI. This data is also cross-checked with our own algorithm, AI, unique benchmark database we've developed and our remote analytical center of expertise. The current situation has helped us to convince our partner banks to apply for opportunities they hadn't used previously, including expanding online services. This has included growing use of third-party monitoring systems for client data to better understand portfolio risks and a digitalization of the credit cycle. Partner banks have also expanded digital client acquisitions, with QR codes issued so clients can easily connect with loan officers and begin the loan application process. This becomes a bit more complicated with SMEs as more business data is required to determine loan amounts, yet F-roads is still able to offer higher SME loan amounts than AliPay or other financial service providers due to our broad data analysis.

CashDirector: As part of our partnership with banks, we offer better access to and understanding of SME financial data, including specific accounting information. These services are especially relevant now, as industry wide statistics are less-relevant indicators of individual SME performance. Thus, COVID-19 has highlighted the importance of our data services. When we integrate CashDirector with online banking, the SMEs are able to use the platform for transaction services and business administration. Based on this data, the bank can determine not only past performance, but also future performance in a time when current data matters much more than past performance. During the current crisis, it has become extremely important for lenders to see current data to predict SME business and potential for growth moving forward.

Grab: Regarding insurance, there are even lower digitization rates in this sector than in banking and other financial services sectors. Grab has begun fractionalizing and digitizing the insurance process through partnering with Zhong An, a major digital insurer in China. Our partners often conduct the underwriting; however, the distribution happens through our platform, with everything from car insurance to travel insurance offered. We've focused on making these insurance processes digital so that clients can access them even during COVID-19 lockdown conditions.

3. What do you predict future opportunities might be for your organization coming out of COVID?

Topicus: Moving forward we will be focusing on the basics and what elements of our products really matter for the clients. We have learned in the past that it is extremely important to have good dialogue with the clients and meet their needs, and that has held true during this crisis. Thus, for now we will be focusing on immediate client needs.

F-road: We're focused on expansion in the long-term and expansion in the future will include expanding data collection and shifting our partners online. We don't want to embrace a risky income model, and thus moving forward we hope to be a data company that can sell benchmarking on SME data. In the immediate future, we are focused on using this data to offer insights into current circumstances and the near future.

CashDirector: We believe COVID-19 has fundamentally changed the way financial institutions will approach business and digital services will increasingly become the new normal. Our products help banks accelerate their digitization processes and provide easier access to finance with faster operations, thus making business cheaper, faster, and more accurate for these institutions in the long run.