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Social lending in Poland

Warsaw, June 2008

Research was conducted by the Warsaw Accenture office in cooperation with Gemius

Authors



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Special thanks to **Olga Gyria, Anna Bystrek** for support in desk research.

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With 178,000 people in 49 countries, the company generated net revenues of US\$19.70 billion for the fiscal year ended Aug. 31, 2007.

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Graduate of SGH, Quantitative Methods, has worked in market research for 5 years. In Gemius responsible for managing research projects and development of new methods like semantic association tests and price studies

Gemius SA is the largest online research agency in Central and Eastern Europe. The company has been dedicated to Internet market research since its founding in 1999. By focusing the business on maximizing credibility, quality and accuracy the company has been able to grow into the largest online market research agency in Central and Eastern Europe in less than 5 years.

Gemius SA provides a wide range of Internet research to brand name clients throughout Eastern Europe. Gemius provides data on Internet users' behavior (gemiusTraffic), Internet audience profiles (gemiusProfile), or online advertising campaign effectiveness (gemiusEffect). Gemius' gemiusAudience research is the online advertising currency across Eastern Europe, where by working with key joint-industry committees and other market players Gemius provides accurate, high-quality measurement of online audiences for media planners, buyers and sellers.

Polish Internet users favorably regard social lending concept, but high risk profile of potential borrowers will be a tough challenge for social lending sites

Summary

- In **peer-to-peer loans** (social lending) transactions are executed directly between investors and people in need of money, without intermediation of banks
- Currently **three social lending sites** are already active, which distinguishes Poland among other countries
- **25%** of Polish Internet users have heard about social lending concept, among which **24%** would consider social lending as a loan source, and **8.5%** would consider investing in social loans – taking into account short period in which the sites are active, the results are promising
- People interested in borrowing through social lending are distinguished by **significantly higher risk** – they more often had problems with payments on their liabilities in the past, and in particular share of people who had payments overdue by more than 90 days was two times higher compared to overall sample
- Main **reasons for interest** in social lending are related to more favorable interest rate compared to the banks, inability to obtain loan at the bank and cumbersome bank formalities
- Potential **investors expect** from social lending sites protection against fraud, convenient management of granted loans and effective collections
- **Allegro and Nasza Klasa** are sites which are especially actively used by potential borrowers and investors

Agenda

What is social lending?

Interest in social lending

Fears and hopes connected with social lending

Borrower profile

Investor profile

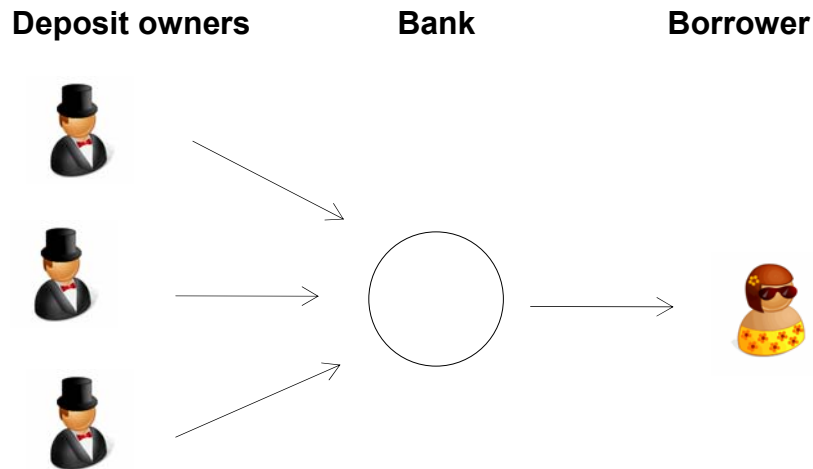
Expectations towards social lending sites

Attachments

Social lending model facilitates transactions between borrower and lender without bank intermediation

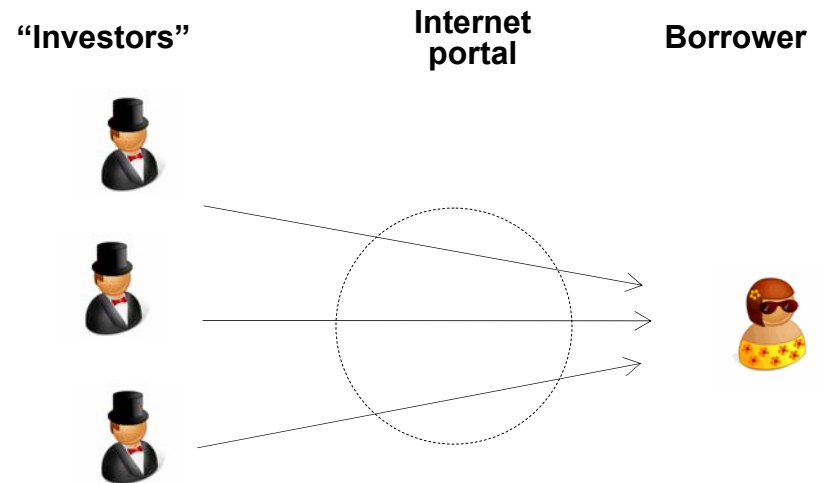
Comparison of banking and social lending models

Banking model



- Deposit holders provide funds to the bank
- Bank invests deposits in (among others) loans
- Bank transfers short-term deposits into long-term loans and many small-ticket deposits into large-ticket loans

















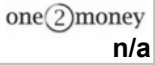






Social lending model



- Internet portal assists potential borrowers in finding investors willing to lend
- In order to minimize risk, loan can be split between many investors
- Portal may or may not intermediate in loan disbursement and repayment

Poland, where three lending services were recently launched, is distinguished against background of other countries

Overview of global social lending sites

Country	Services, launch date
World	USA  money 2001  KIVA 2005  LendingClub 2006  PROSPER 2006  Zopa 2008  globefunder 2008  Fynanz 2008  Loanio n/a
	Australia  iGrin 2007  peer mint n/a  LendingHub n/a
	Japan  PROSPER n/a  Zopa n/a
	China  ppdai 2007  齐放 Qifang n/a
EU*	Germany  smava 2007  one2money n/a
	France
	Great Britain  Zopa 2005
	Italy  BOOBER 2007  Zopa 2007
	Spain
	Poland  KOKOR 2008  Finansowo.pl 2008  monetto 2008




n/a service not officially opened
 * sorted by population

Source: desk research

Polish social lending sites vary significantly in terms of operating model and fees...

Polish social lending sites (1 of 2)

Basic features

			
1\$ = 2 PLN (approx.)			
Borrowers	Acquainted and strangers	Only acquainted ¹	Acquainted and strangers
Loan			
Minimal amount	\$250	\$25	\$25
Maximal amount	\$12,500	\$1,000	\$50,000
Price settlement	Auction	Auction	Auction
Repayment	Monthly installment	One time payment	Monthly installment
Maximum payment term	12 months	12 months	36 months
Fees	From borrower (0.5%)	No	From borrower and investor (approx. 0.5-1.5%)
Intermediation in disbursement/repayment ²	Yes	No	Yes

¹ Transactions are executed between users who had confirmed their acquaintance

² Money transfers are executed through intermediation of site's bank account

... as well as safety mechanisms for loans granted

Polish social lending sites (2 of 2)

Security



	KOKOS	Finansowo.pl	monetto
Borrower verification			
Verification transfer ¹	✓	✓	✓
Telephone verification	✓	✓	✓
Verification in BIK (credit bureau)	✓	-	✓
Verification in KRD (debtors' registry)	✓ (currently tested)	-	✓
Verification in Infomonitor (economic info. bureau)	✓	-	✓
Verification of ID	-	-	✓
Verification of income statement	-	-	✓
Responsibility for frauds²			
Agreement with collection company	✓	-	✓
Loan insurance (option)	✓ (currently tested)	-	✓
Anonymity			
Borrower with respect to investor	-	-	-
Investor with respect to borrower	-	-	-

¹ User executes bank transfer for a small amount, whose description contains personal data (as confirmed by the bank), which site can verify

² Cases in which e.g. loan was taken with stolen identity

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After approximately two months since launch of first sites, more that 25% of Polish Internet users declare familiarity with the idea

Awareness of social lending

Launch dates of social lending sites



February 2008



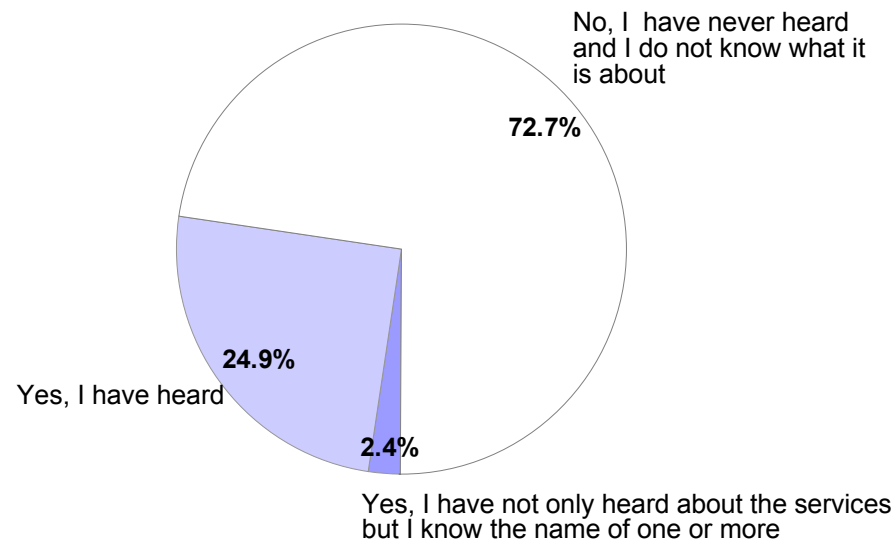
4th March 2008



20th March 2008

Have you heard about internet social networks, where members are lending money among themselves?

N=1075



Services indicated as familiar:

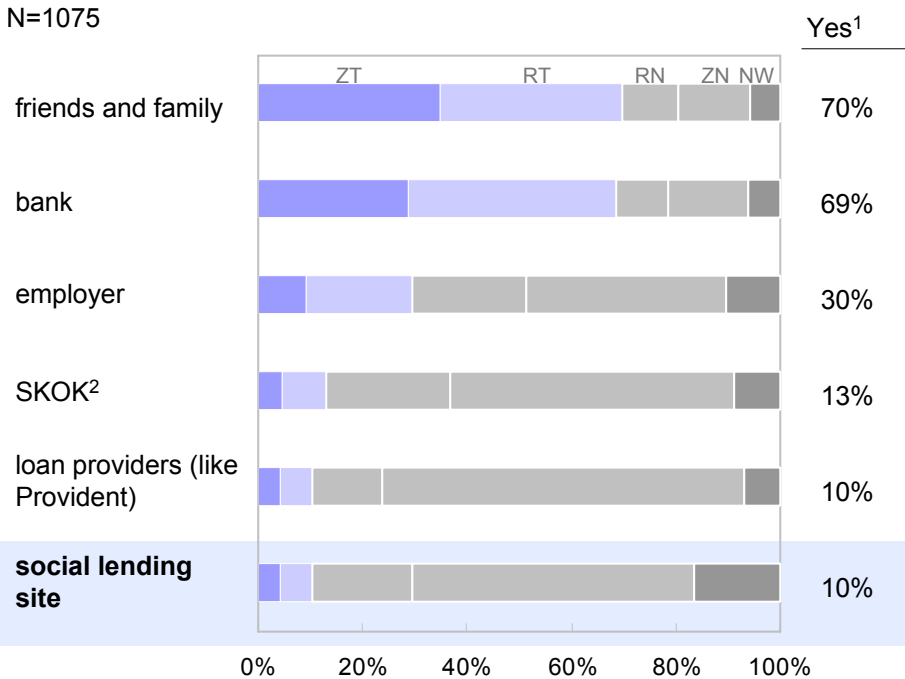
Finansowo	7 times
Monetto	6 times
Kokos	6 times
Others	3 times

Source: gemiusAdHoc, April 2008

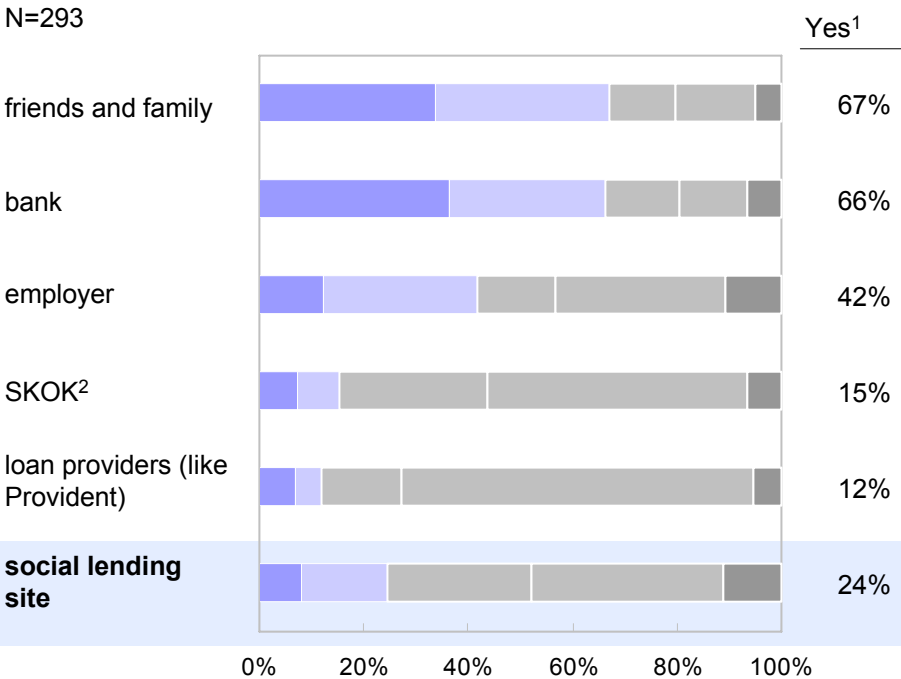
24% of Internet users familiar with the concept would consider a social lending loan...

If you needed a loan would you consider applying to...

All respondents



Respondents familiar with social lending



ZT definitely yes, RT rather yes, RN rather not, ZN definitely not, NW do not know

1 „Definitely yes” or „rather yes”

2 Credit unions (cooperatives)

Source: gemiusAdHoc, April 2008

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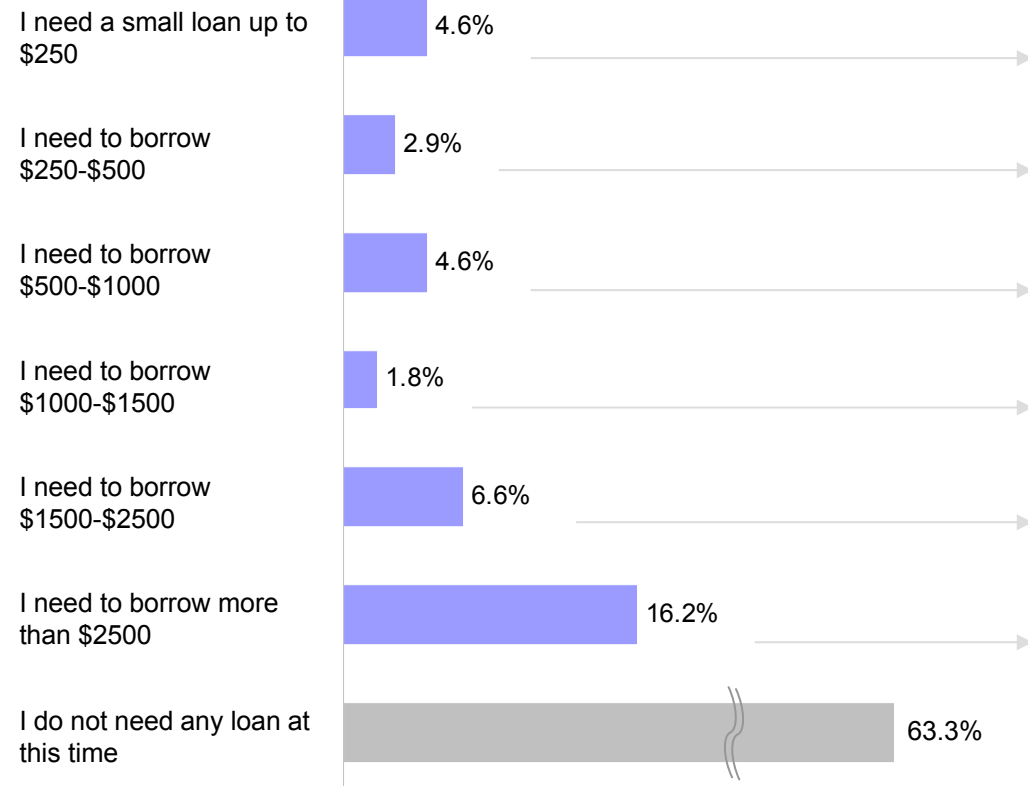
... but for significantly smaller number of respondents it would be a preferred source of loan

Who would be your preferred loan provider?

Borrowing needs (next 3 months)

among all respondents

N=1075



Preferred loan provider

among people declaring loan needs

N=395

Around **6%** of people declaring borrowing needs would prefer internet social lending at the moment of research

1\$ = 2 PLN (approx.)

Source: gemiusAdHoc, April 2008

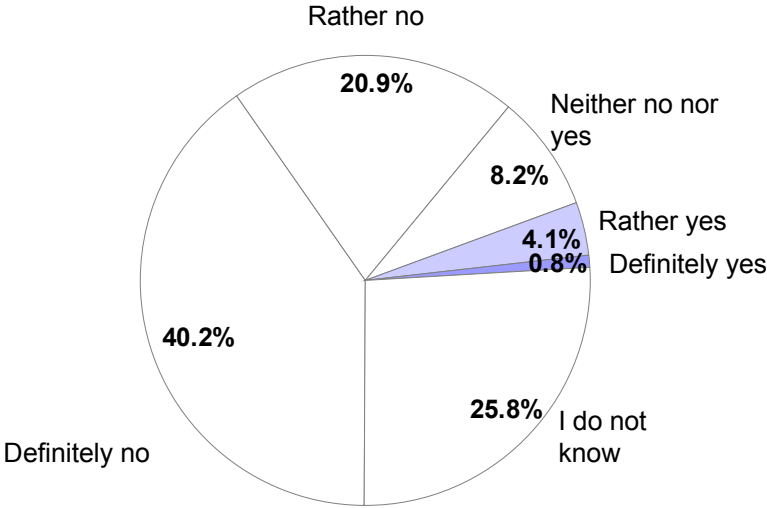
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Share of potential investors is lower than borrowers – around 8.5% among people familiar with social lending concept

If you had funds to invest, would you consider granting loan via internet social lending site?

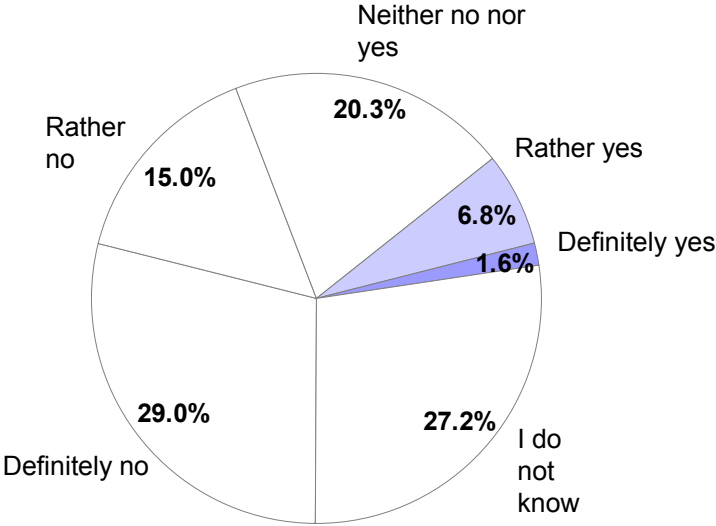
All respondents

N=1075



Respondents familiar with social lending

N=293



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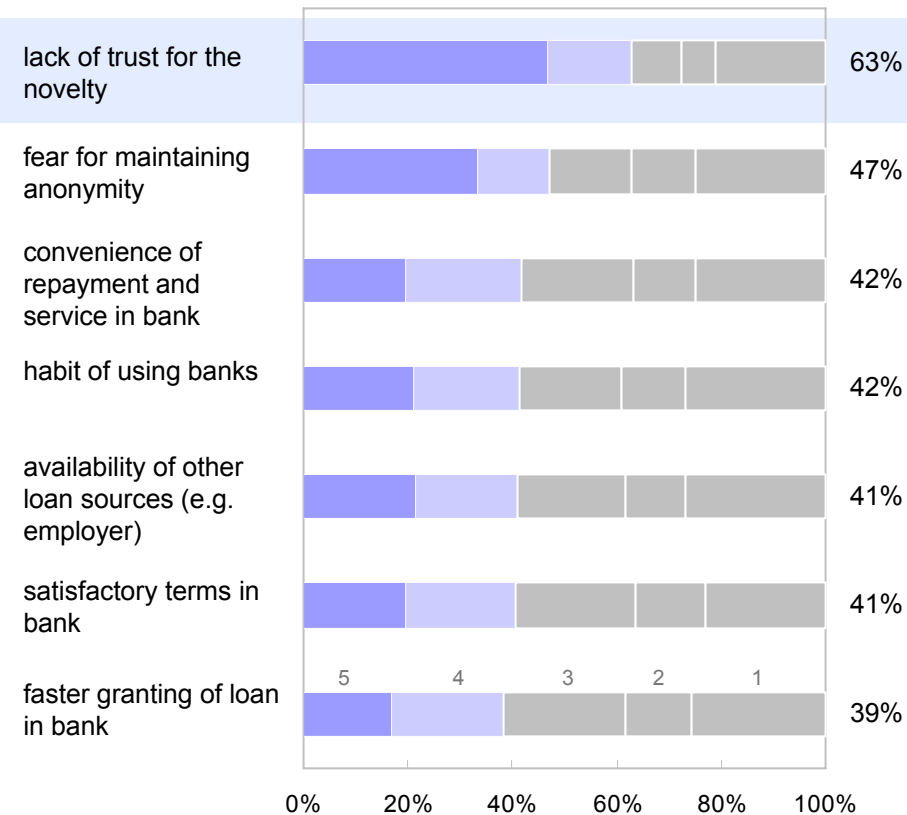
The major barrier for borrowers is lack of trust for novelty that social lending is...

Reasons for not taking loan via social lending site

All respondents

N=1075

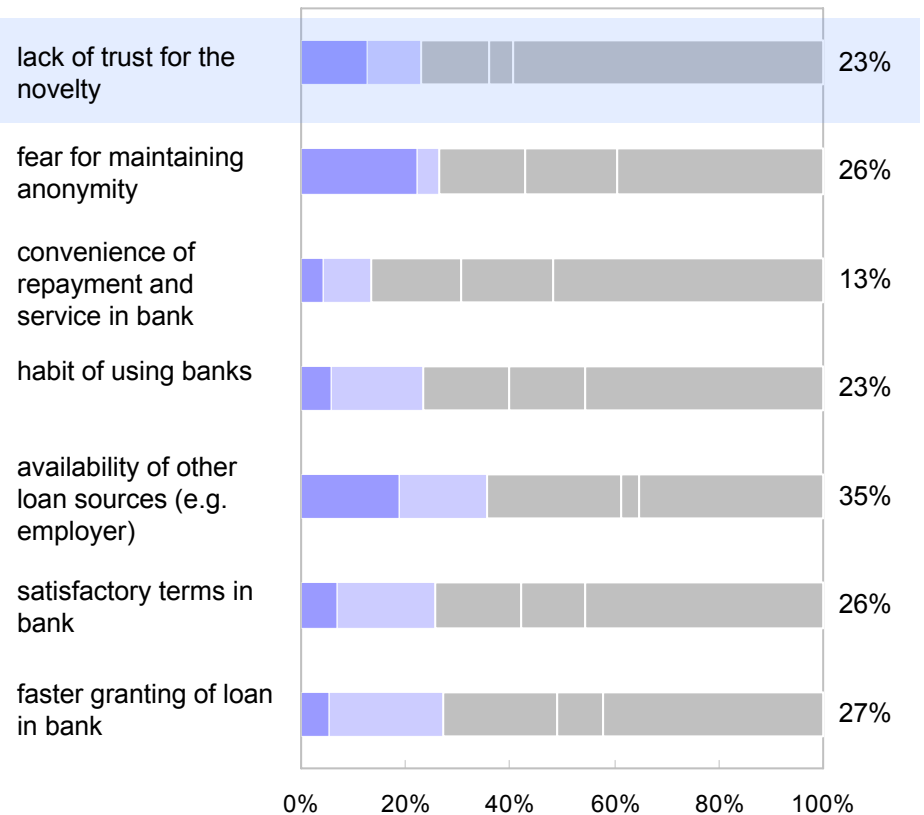
Important¹



Respondents interested in taking a social loan

N=110

Important¹



5 – highly important, 1 – not important at all

¹ Contribution of marks 5 and 4

Source: gemiusAdHoc, April 2008

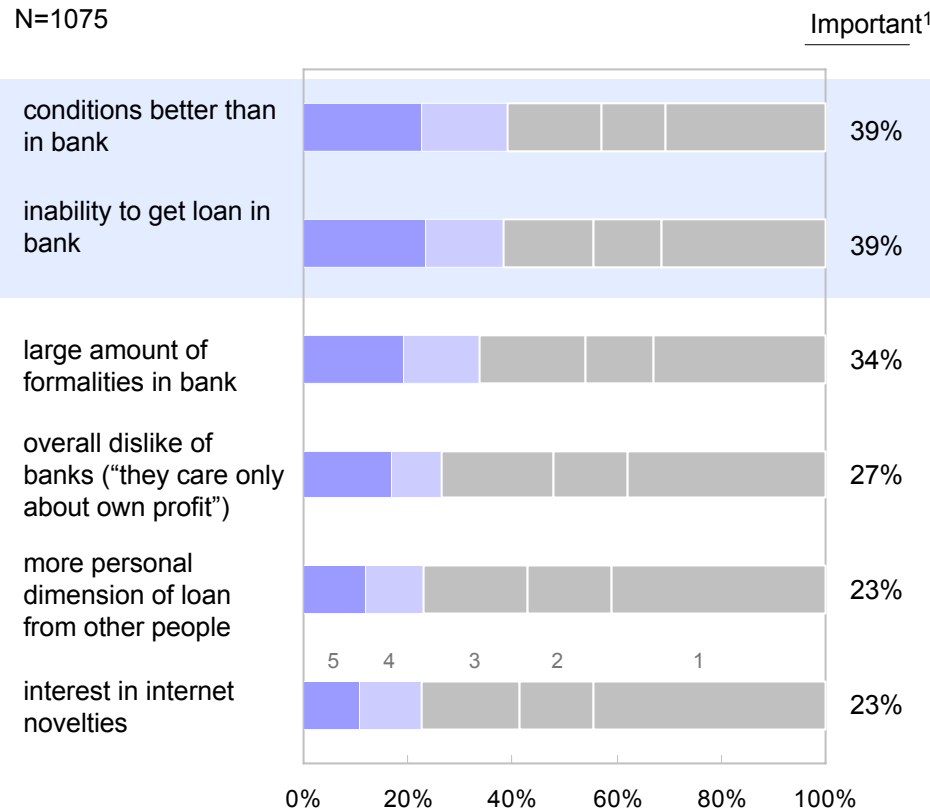
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... while most important attraction are better loan conditions – emotional grounds are less important

Reasons for taking loan via social lending site

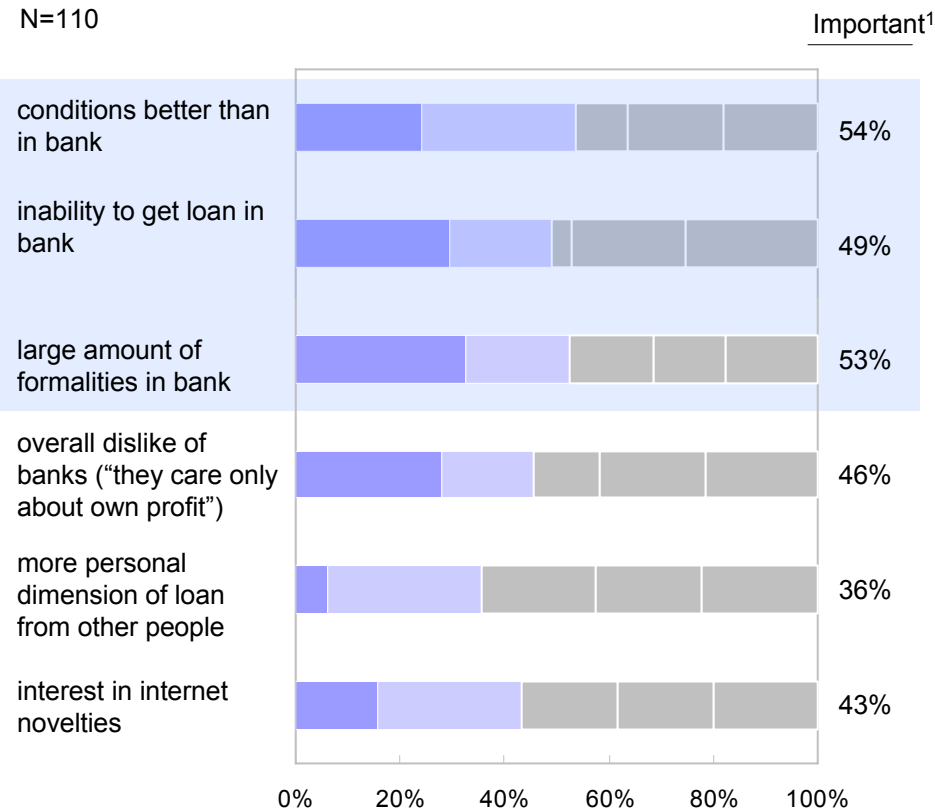
All respondents

N=1075



Respondents interested in taking a social loan

N=110



5 – highly important, 1 – not important at all

¹ Contribution of marks 5 and 4

Source: gemiusAdHoc, April 2008

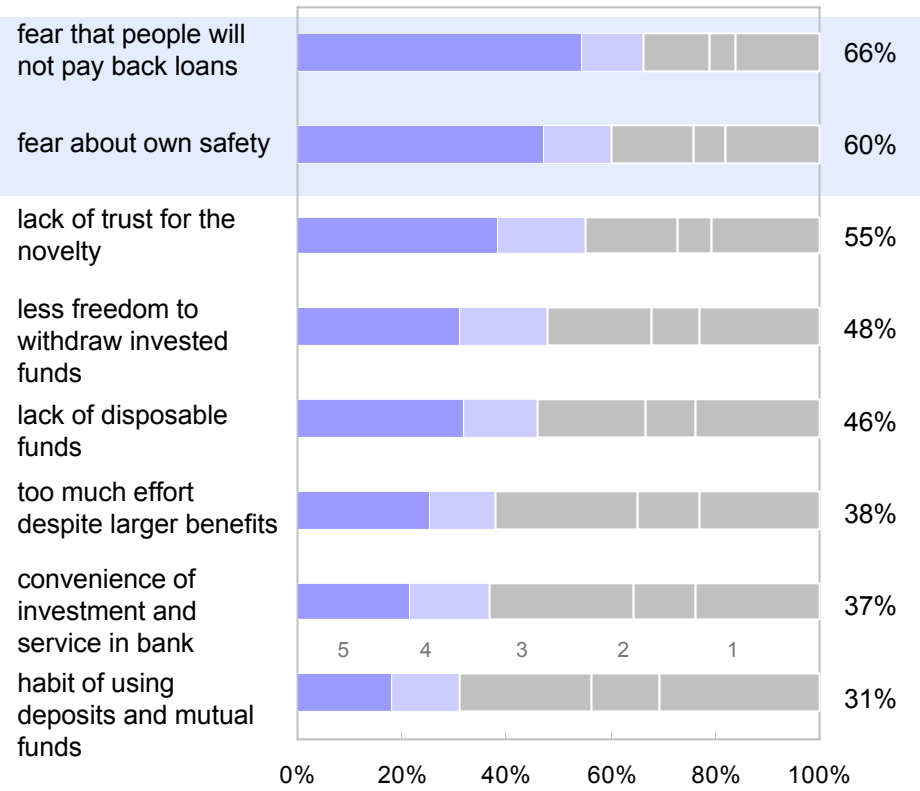
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Among potential investors, the most important fears are related to personal safety and safety of funds invested

Reasons for not investing in loans via social lending site

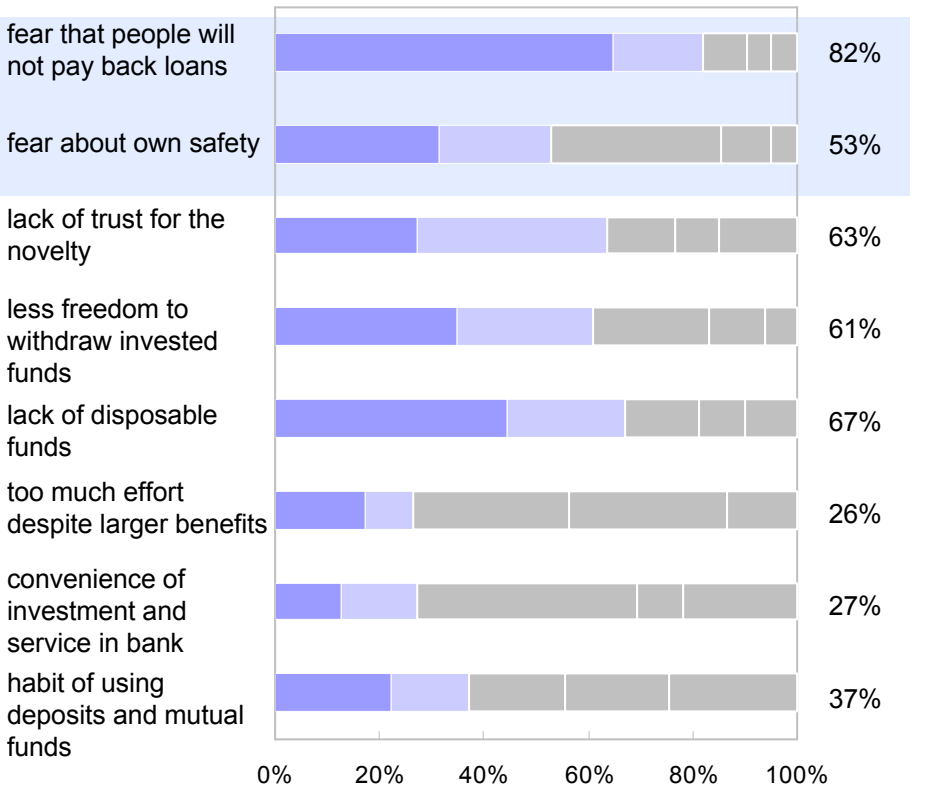
All respondents

N=1075



Respondents interested in investing through social lending

N=53



5 – highly important, 1 – not important at all

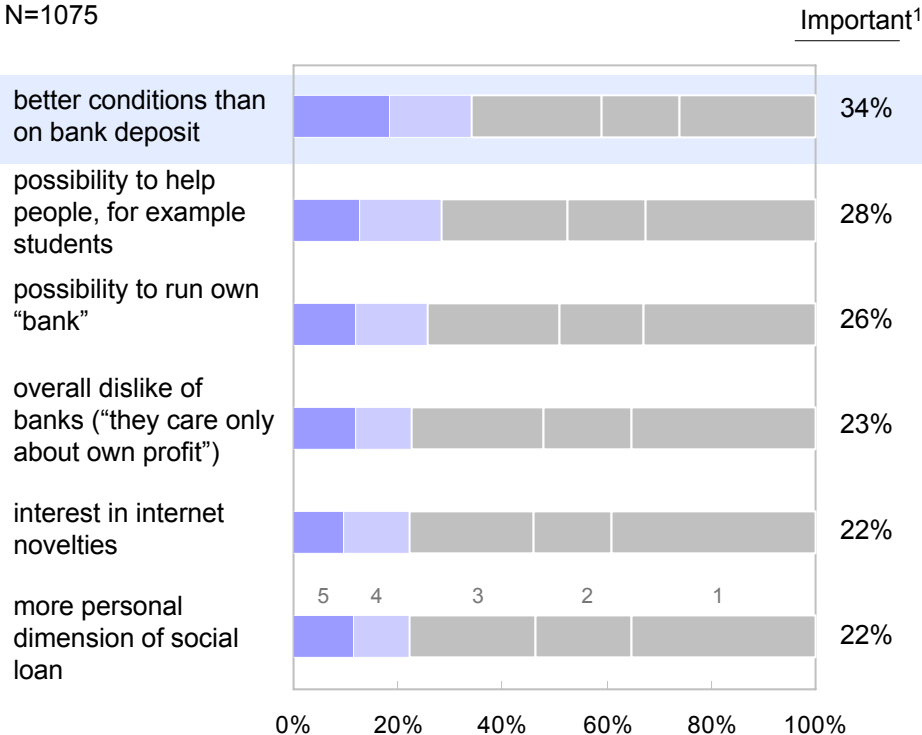
¹ Contribution of marks 5 and 4

Source: gemiusAdHoc, April 2008

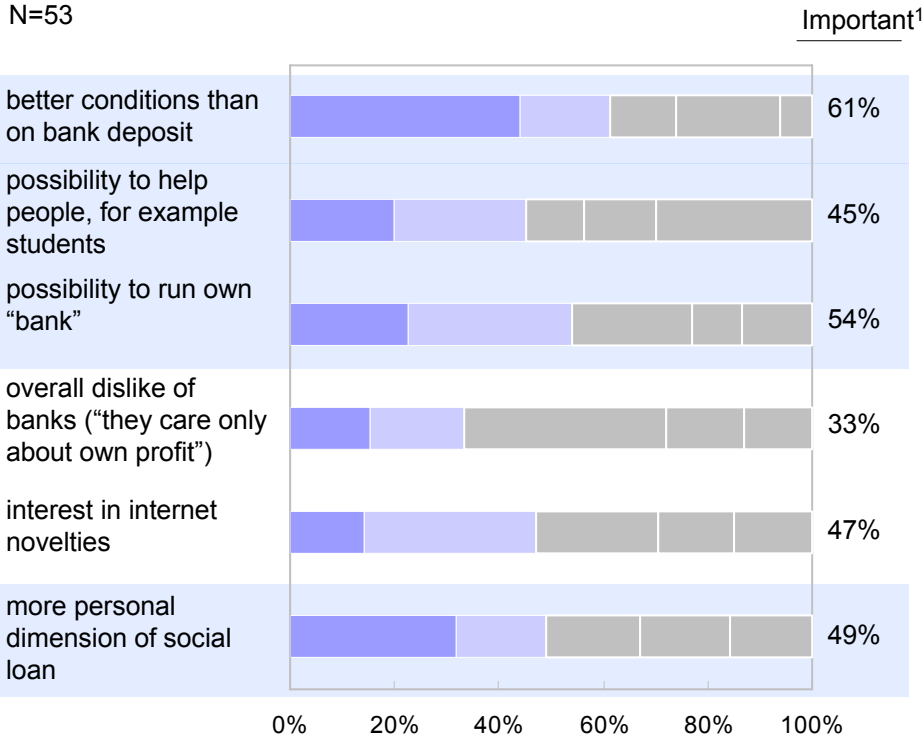
Pragmatic reasons for investment are most often mentioned, although, among the potential investors, emotional and altruistic grounds are also represented

Reasons for investing in loans via social lending site

All respondents



Respondents interested in investing through social lending



5 – highly important, 1 – not important at all

¹ Contribution of marks 5 and 4

Source: gemiusAdHoc, April 2008

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What is social lending?

Interest in social lending

Fears and hopes connected with social lending

Borrower profile

Investor profile

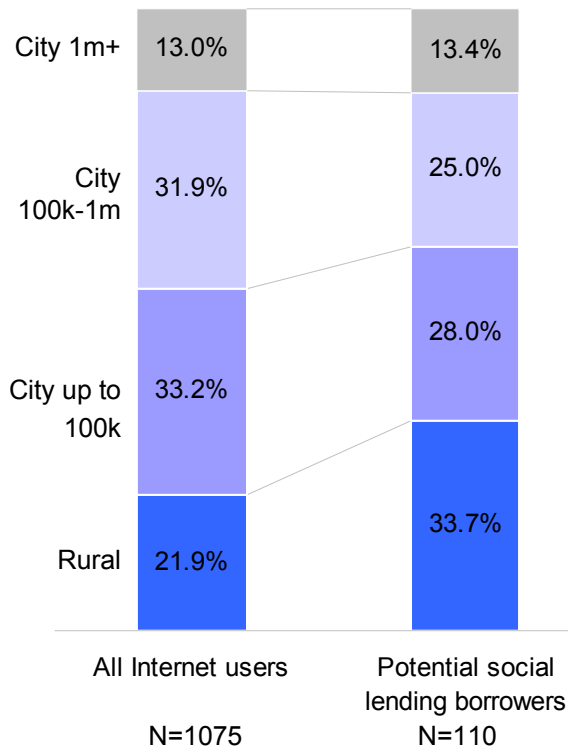
Expectations towards social lending sites

Attachments

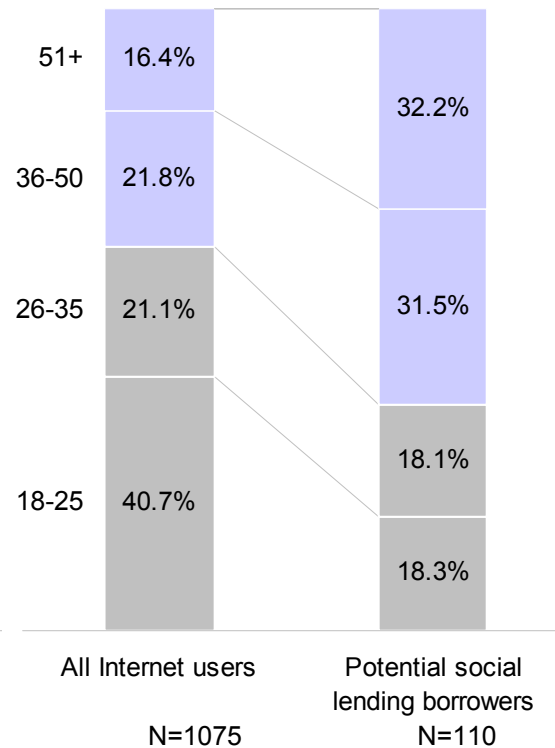
Among potential borrowers, rural residents and older people are over-represented

Demographic profile

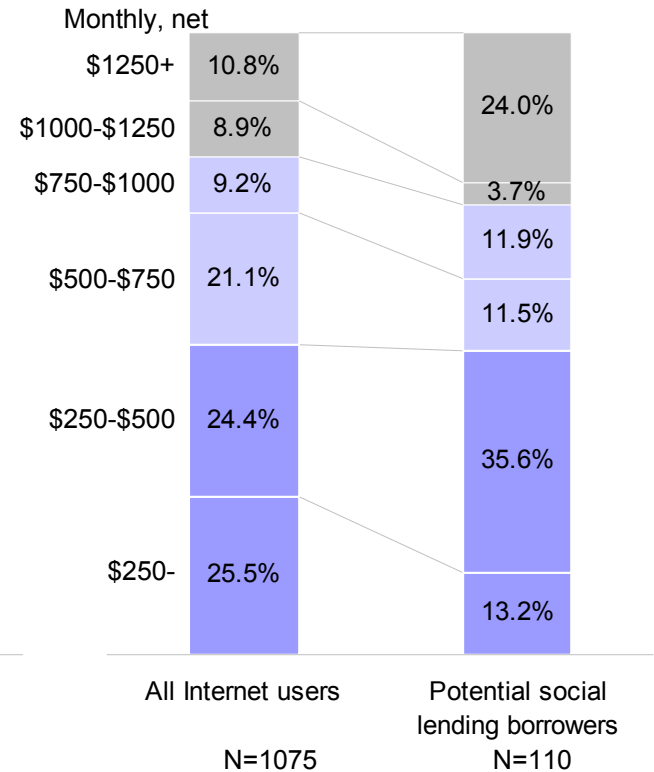
Residence



Age



Income per family member



- Relatively high interest among rural residents
- Consequently relatively higher representation of people with lower and medium education

- Among potential borrowers share of students is lower (15% in comparison to 24% among all Internet users), higher share of farmers, managers

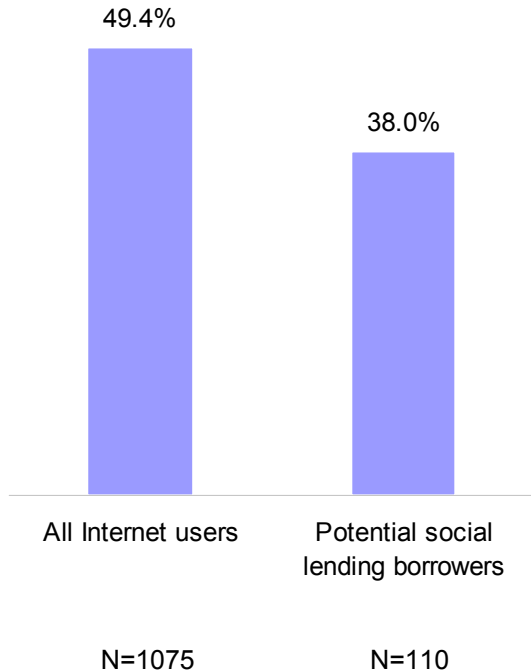
Source: gemiusAdHoc, April 2008 1\$ = 2 PLN (approx.)

Group of potential borrowers displays lower penetration of banking current account

Usage of banking services

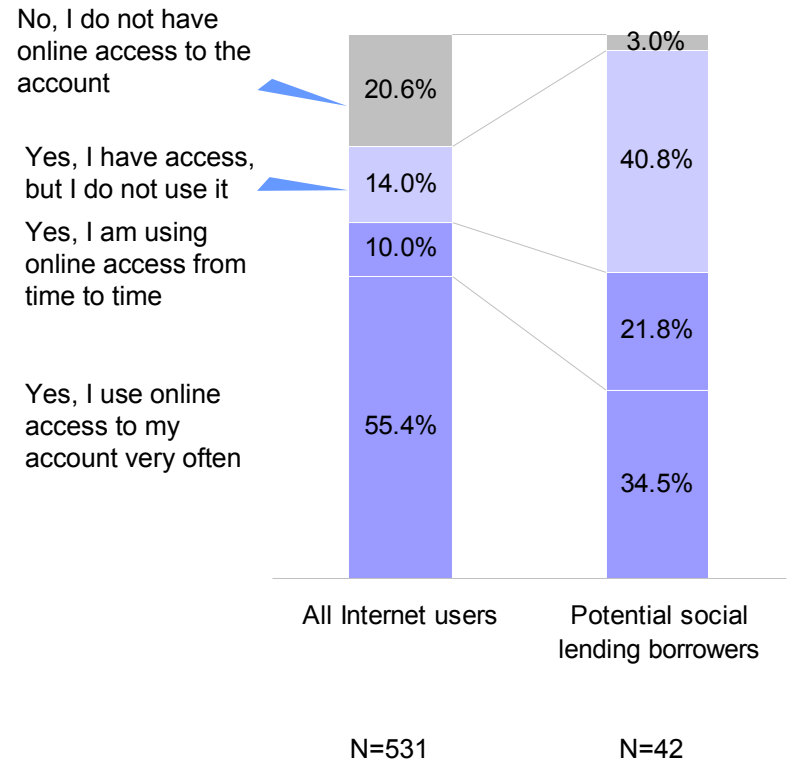
Current account

In a whole group



Online banking

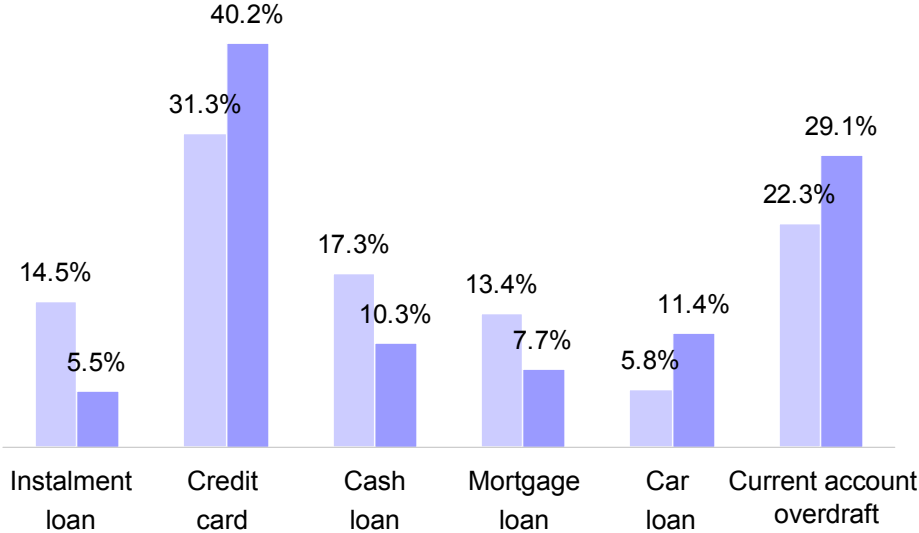
Among respondents who own current account



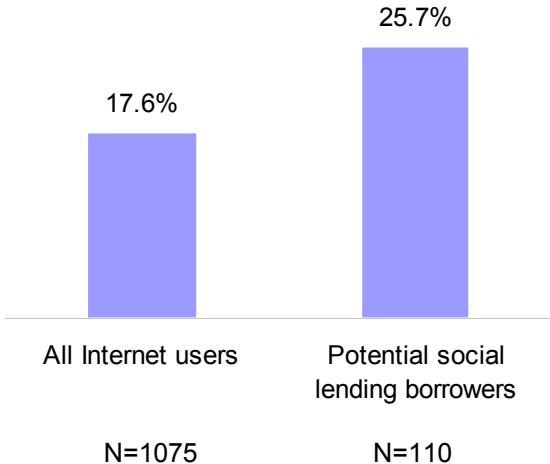
Potential social lending borrowers have more often used loans from friends and family in the past

Usage of loans

Bank loans



Loans from friends and family

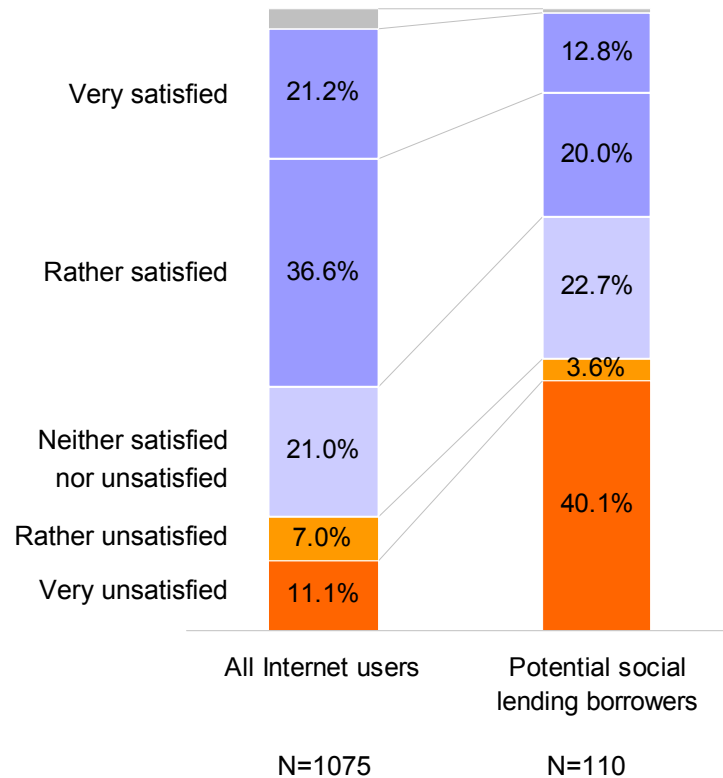


■ All Internet users, N=1075
■ Potential social lending borrowers, N=110

Potential borrowers are distinguished by higher level of dissatisfaction with costs of banking services...

Satisfaction with banks

Satisfaction with costs of banking services



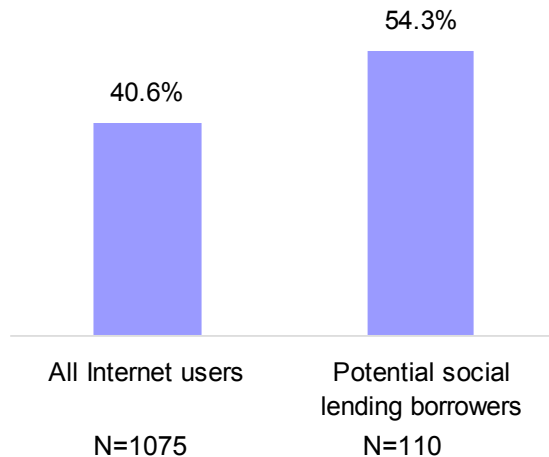
- Potential borrowers are more dissatisfied with costs of banking services than Internet users in general
- Customers of large, traditional banks are relatively more dissatisfied
- Customers of online banks are relatively satisfied

... as well as by higher share of borrowers with past payment defaults

Repayments problems

Arrears

Percentage of Internet users who declared that in the past they had problems with repayments on their liabilities

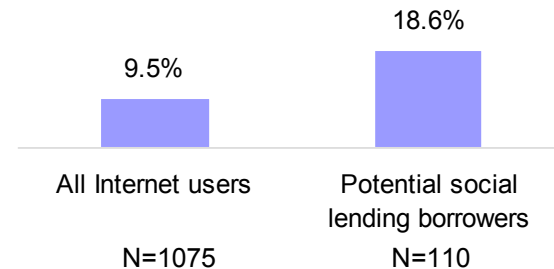


Most often mentioned liabilities:

- Fixed telephone, mobile telephone charges, internet charges (25% Internet users)
- Rent, water, electricity expenses (16%)
- Consumer loan instalment (11%)

Arrears over 90 days

Percentage of Internet users who declared that in the past they had problems with repayments on their liabilities and delay was longer than 90 days



Most often mentioned liabilities:

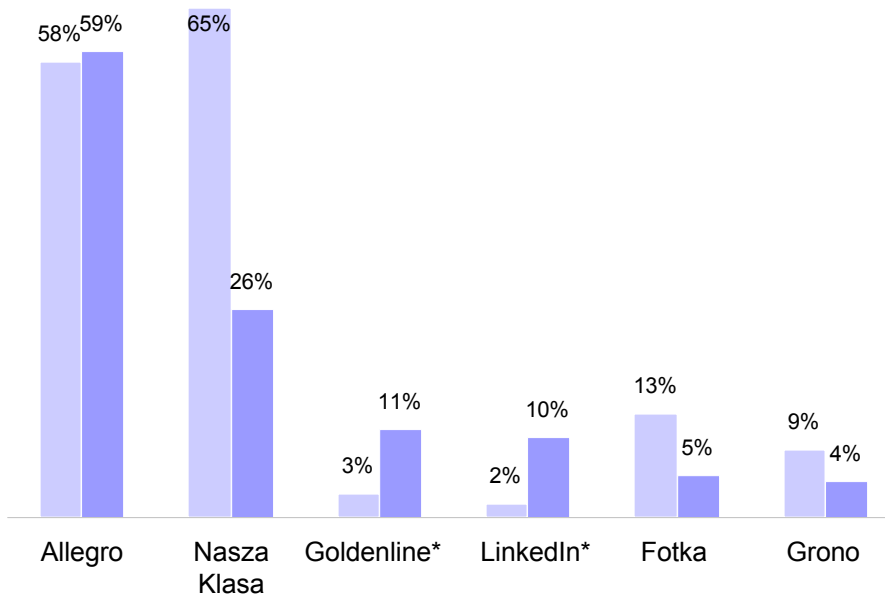
- Fixed telephone, mobile telephone charges, internet charges (5% Internet users)
- Rent, water, electricity expenses (4.5%)
- Consumer loan instalment (4.1%)
- Mortgage instalment (4.0%)

Allegro and Nasza Klasa have the highest share of active users among potential borrowers

Social networks and Allegro

Active users of other services

% of users visiting portals at least once a week in each of the groups



- Nasza Klasa has the highest share of active users among all Internet users
- However, relatively small percentage of them is interested in borrowing through social lending, therefore share of NK active users among potential borrowers is lower

* note – relatively small number of respondents

- All Internet users, N=1075
- Potential social lending borrowers, N=110

Source: gemiusAdHoc, April 2008

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Additional legend

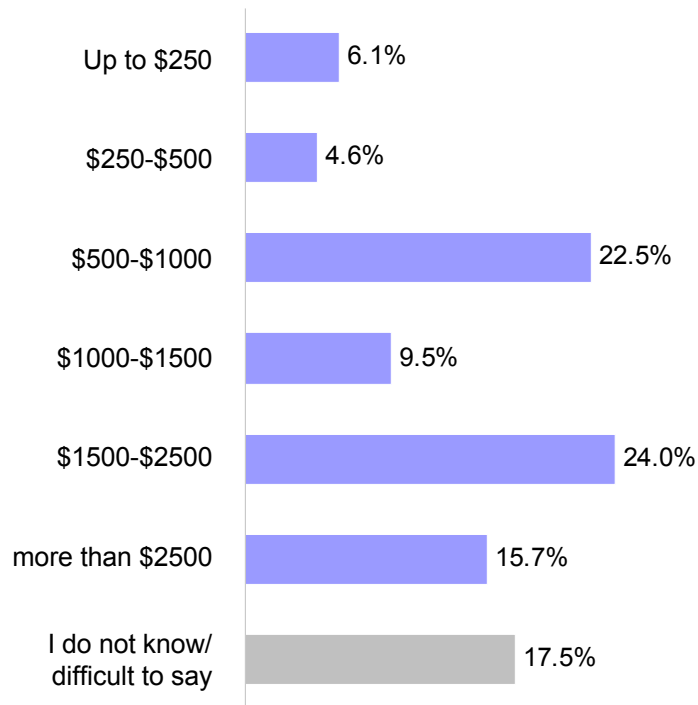
- Allegro – largest online auction site in Poland
- Nasza Klasa – “classmates”-type of social network
- Goldenline – LinkedIn-type social network, career oriented
- Fotka – personal photo sharing site
- Grono – social network, informal

Most potential borrowers is considering loan amount higher than \$500

Expectations for social loan

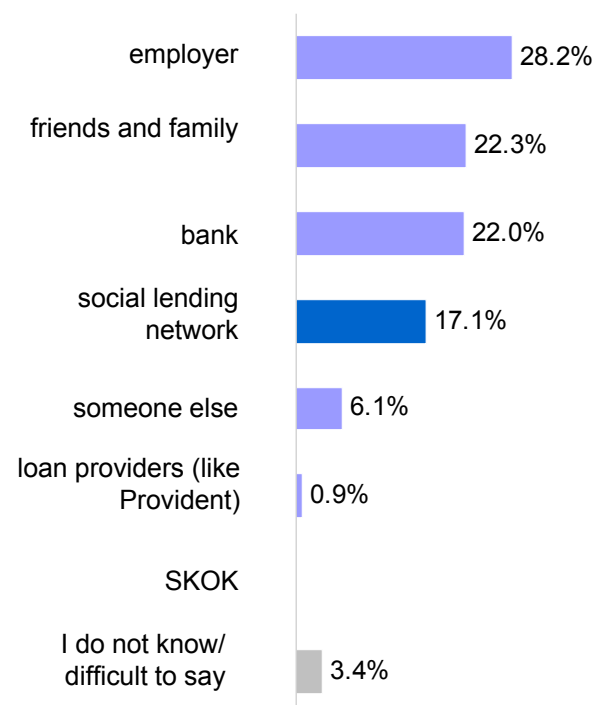
Expected amount of social loan

among people willing to consider social lending loan
N=110



Preferred lender

among people who are willing to consider social lending loan and have borrowing needs in next 3 months
N=53



1\$ = 2 PLN (approx.)

Source: gemiusAdHoc, April 2008

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Fears and hopes connected with social lending

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Investor profile

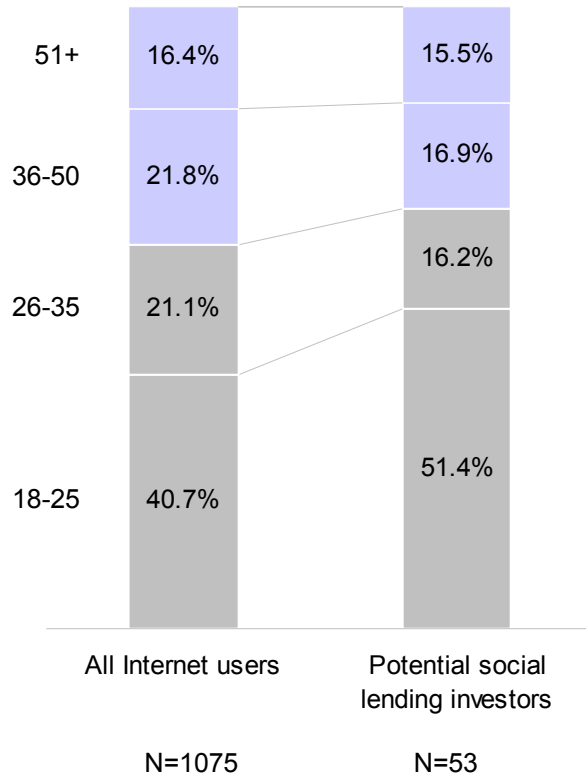
Expectations towards social lending sites

Attachments

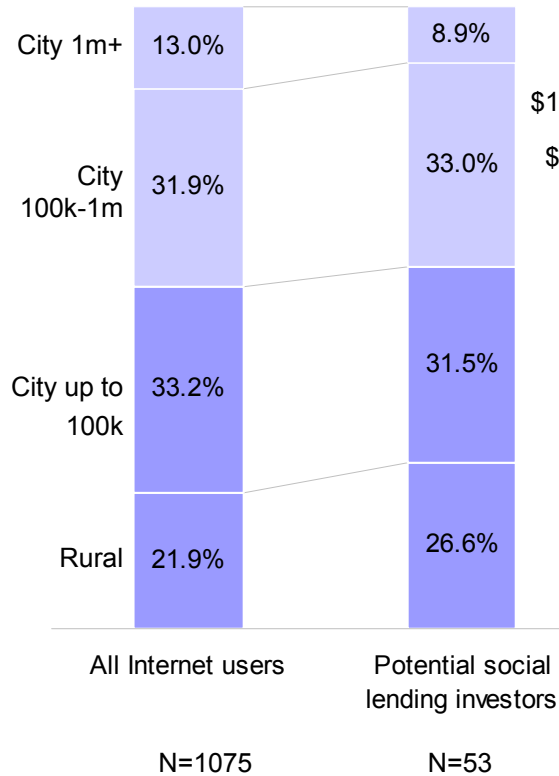
Against the background of all Internet users, potential investors show on average higher income per family member, despite the fact that there is a significant share of young people and rural residents among them

Demographic profile

Age

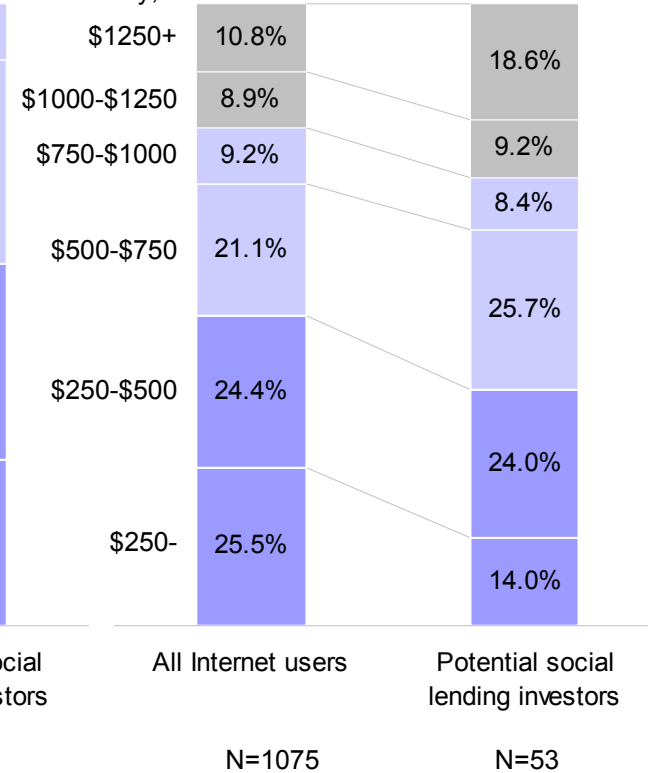


Residence



Income per family member

Monthly, net



1\$ = 2 PLN (approx.)

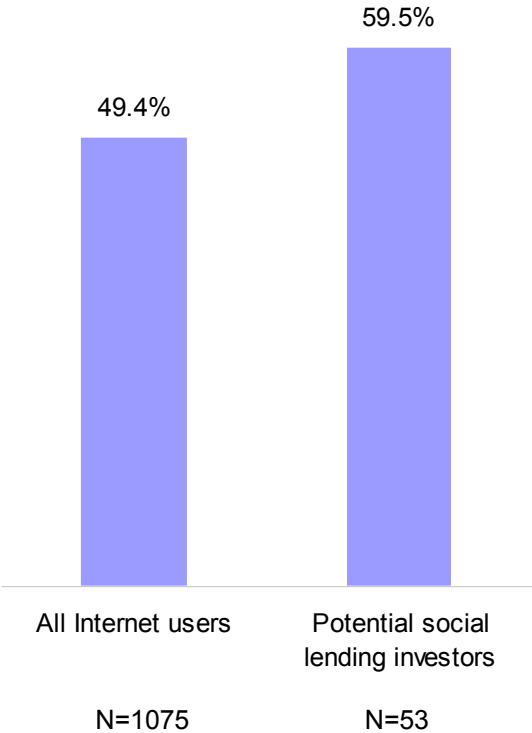
Source: gemiusAdHoc, April 2008

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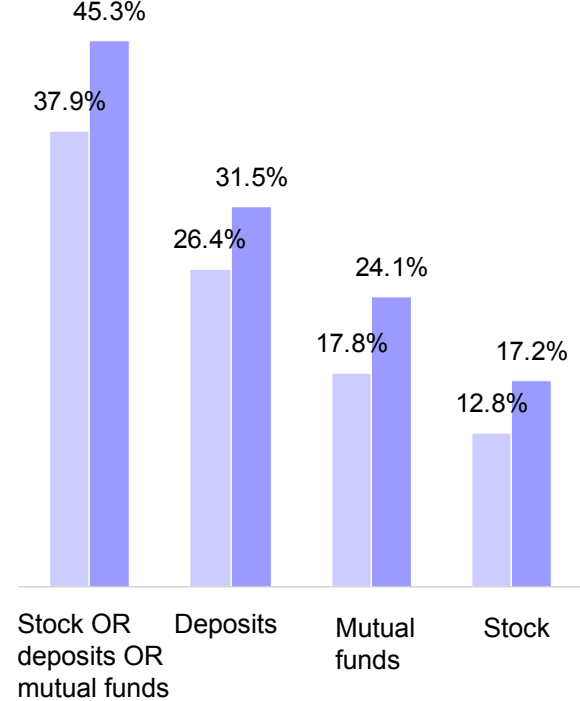
Potential investors show higher penetration of current accounts and savings products compared to all Internet users

Usage of bank services

Current account



Saving products



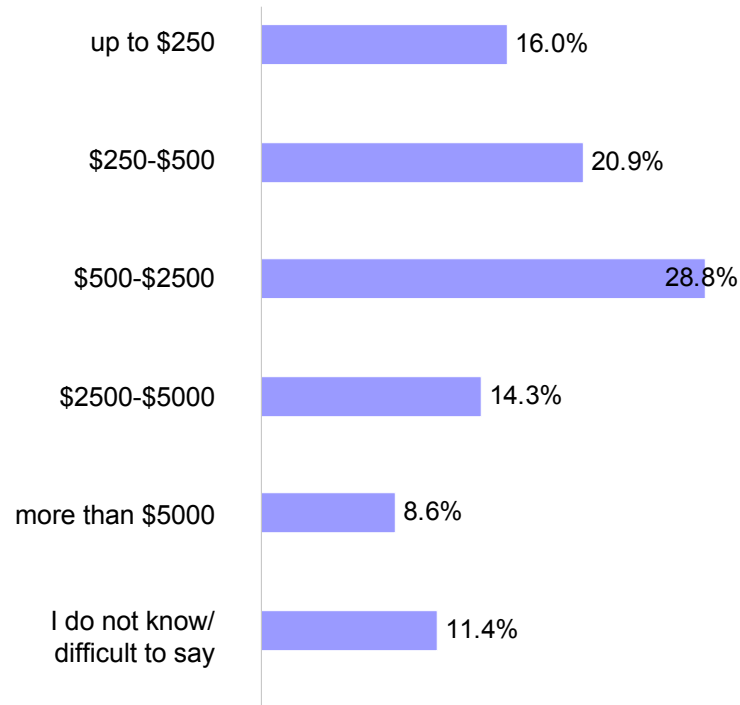
Legend:
Light blue: All Internet users, N=1075
Dark blue: Interested in investing through social lending, N=53

Most potential investors would lend up to \$2500, preferably to family and close friends, in second order to employed strangers

Investment preferences

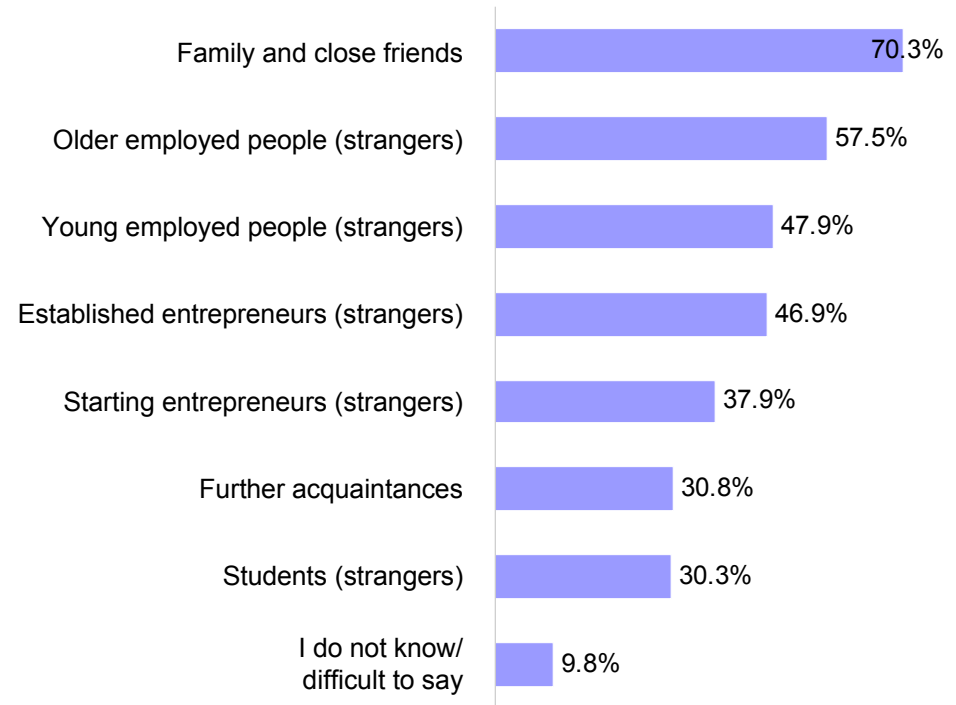
How much would you be willing to invest?

N=53



Whom would you lend money to?

N=53



1\$ = 2 PLN (approx.)

Source: gemiusAdHoc, April 2008

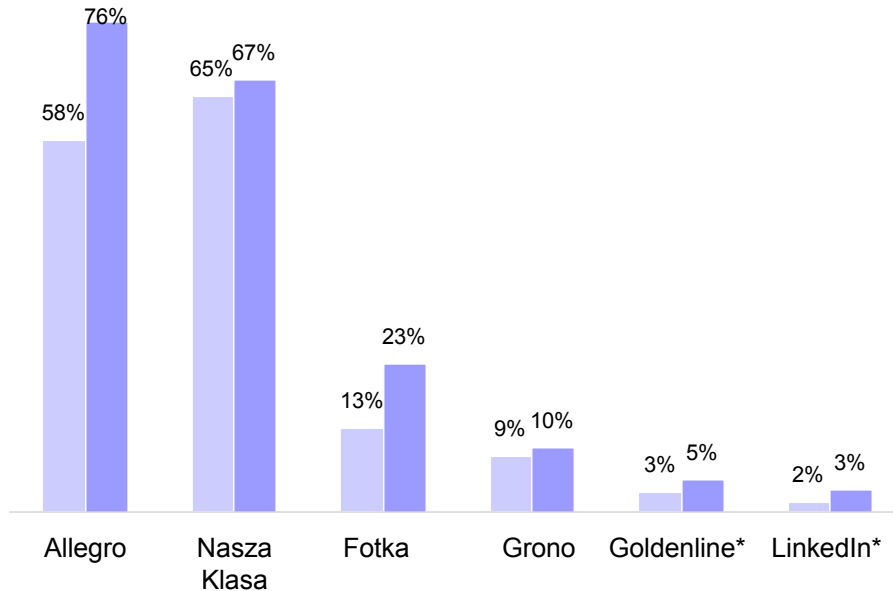
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Most of potential investors are actively using Allegro and Nasza Klasa

Social networks and Allegro

Active users of others services

% of users visiting portals at least once a week in each of the groups



- Allegro has higher share of users interesting in investing, therefore it is relatively more represented among potential investors
- Popularity of Nasza Klasa is much higher among potential investors than borrowers
- Users of fotka.pl have relatively high share among potential investors

* note – relatively small number of respondents

■ Among all Internet users, N=1075

■ Among interested in investing through social lending, N=53

Source: gemiusAdHoc, April 2008

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Expectations towards social lending sites

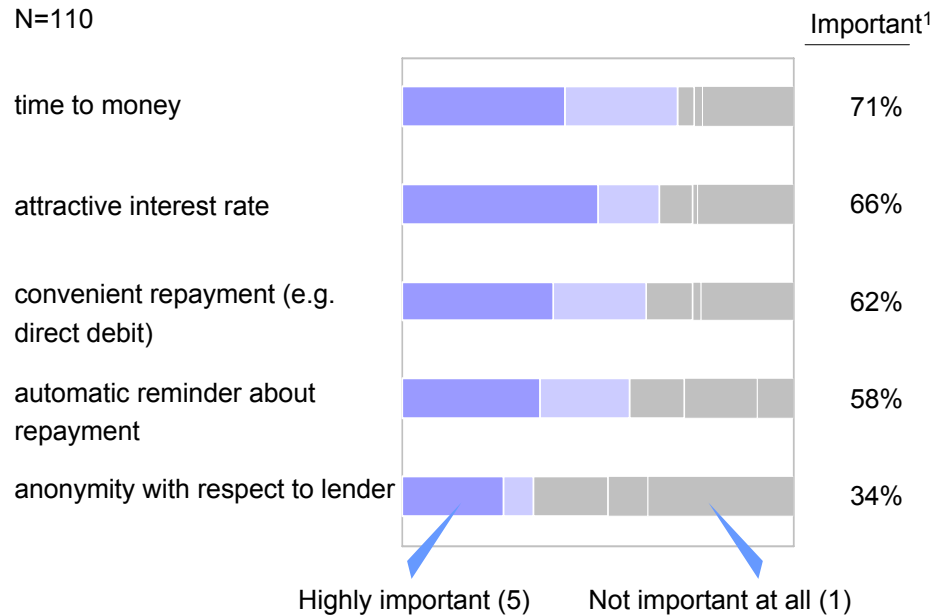
Attachments

Investors expect first of all fraud protection, while for borrowers time to money and attractive interest rate are the most important factors

Expectations regarding portal functionality

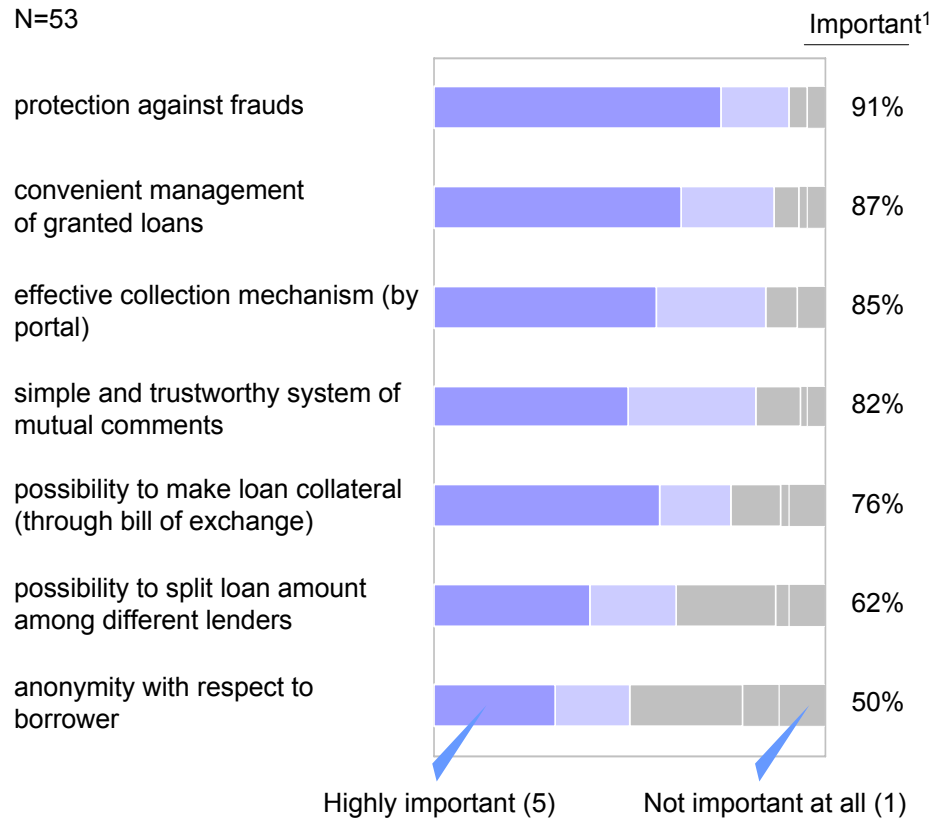
Borrowers

N=110



Investors

N=53



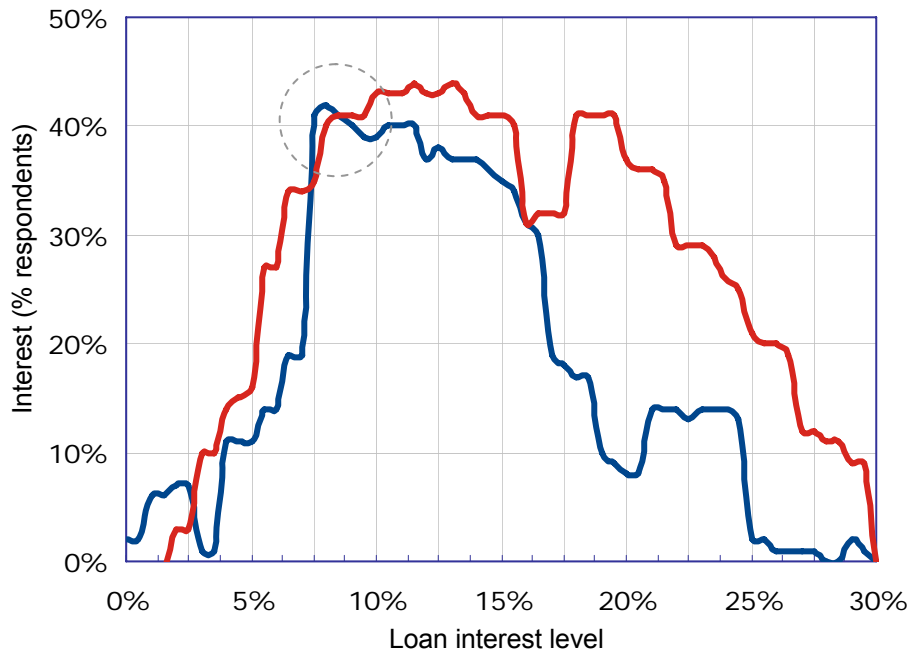
¹ Contribution of marks 5 and 4 („highly important” and „important”)

According to price sensitivity analysis of the respondents, optimal interest level is significantly below current average interest of social lending loans

Expectations related to interest rate

Price sensitivity analysis

Share of respondents who have not rejected given interest level as too low or too high



— Interested in borrowing, N=110
— Interested in investing, N=53

Remarks

- Potentials investors and borrowers defined their price preferences in four dimensions, for example, in case of borrowers:
 - So cheap that suspicious
 - Cheap but not suspiciously cheap
 - Expensive but worth considering
 - Too expensive to consider
- With interest level at about 10% share of investors and borrowers who would accept the price is maximized
- Current interest level on the Polish social lending sites is significantly higher (20-25%) – it confirms that high risk borrowers, who are willing to accept higher price, are among the first ones interested in social lending

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Methodology

Primary research

- Research was conducted through Internet surveys randomly published on sites which are using free version of stat24 system or free site-centric stat.pl/PBI audit
- Random emission took place between 15th and 22th April 2008
- In order to ensure that data is representative, responses in each wave were analyzed using analytical weight, constructed based on sex and age data, as well as Internet usage frequency data. In case of wave 7 of research, this data was derived from Omnibus PBS research (I-II 2008)

Desk research

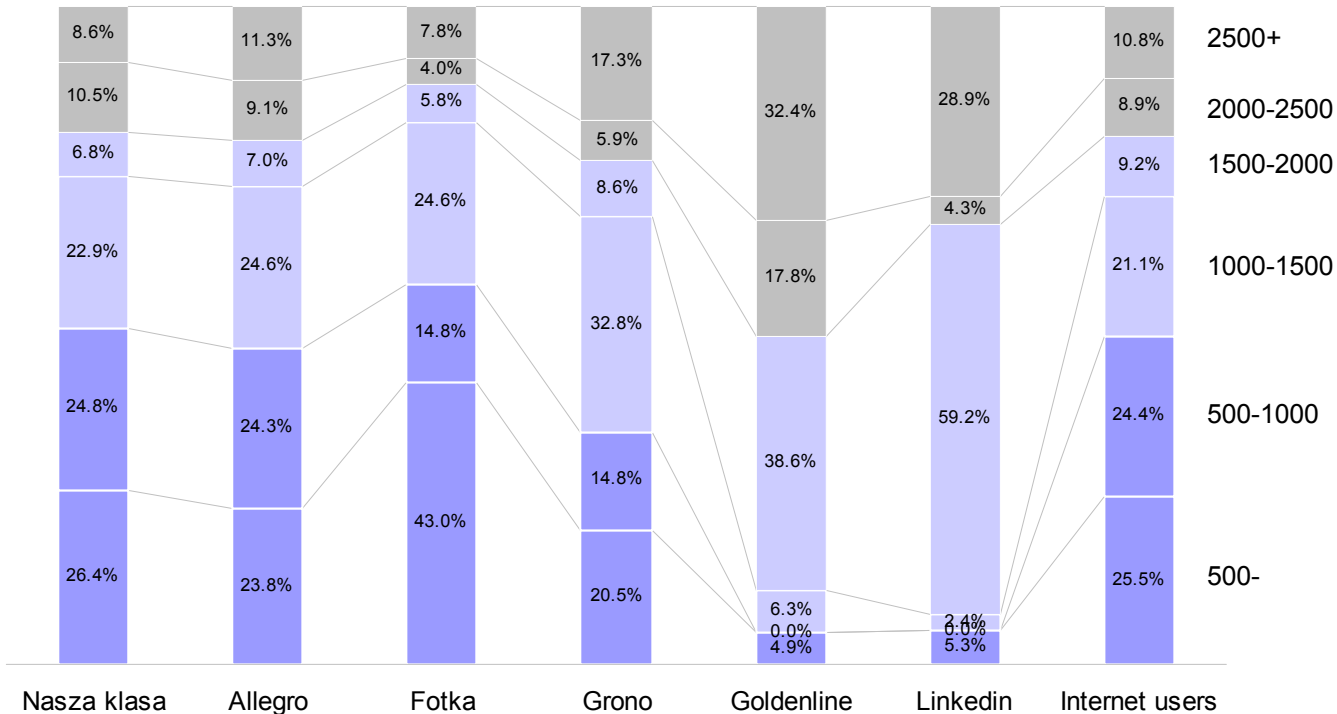
- Accenture acquired additional information for this report through secondary sources – publicly available reports and articles, as well as directly consulting social lending sites in Poland and abroad

Attachment

Other services

Structure of income per family member, in PLN

1\$ = 2 PLN (approx.)



Additional legend
 Allegro – largest online auction site in Poland
 Nasza Klasa – “classmates”-type of social network
 Goldenline – LinkedIn-type social network, career oriented
 Fotka – personal photo sharing site
 Grono – social network, informal

Note: user profiles are attached as additional information; their analysis must take into account that the survey was limited to pool of users at least 18 years old and that sample for some of the sites is limited. Therefore data cannot be considered as accurate user profiles of the sites (which were not the focus of the research)

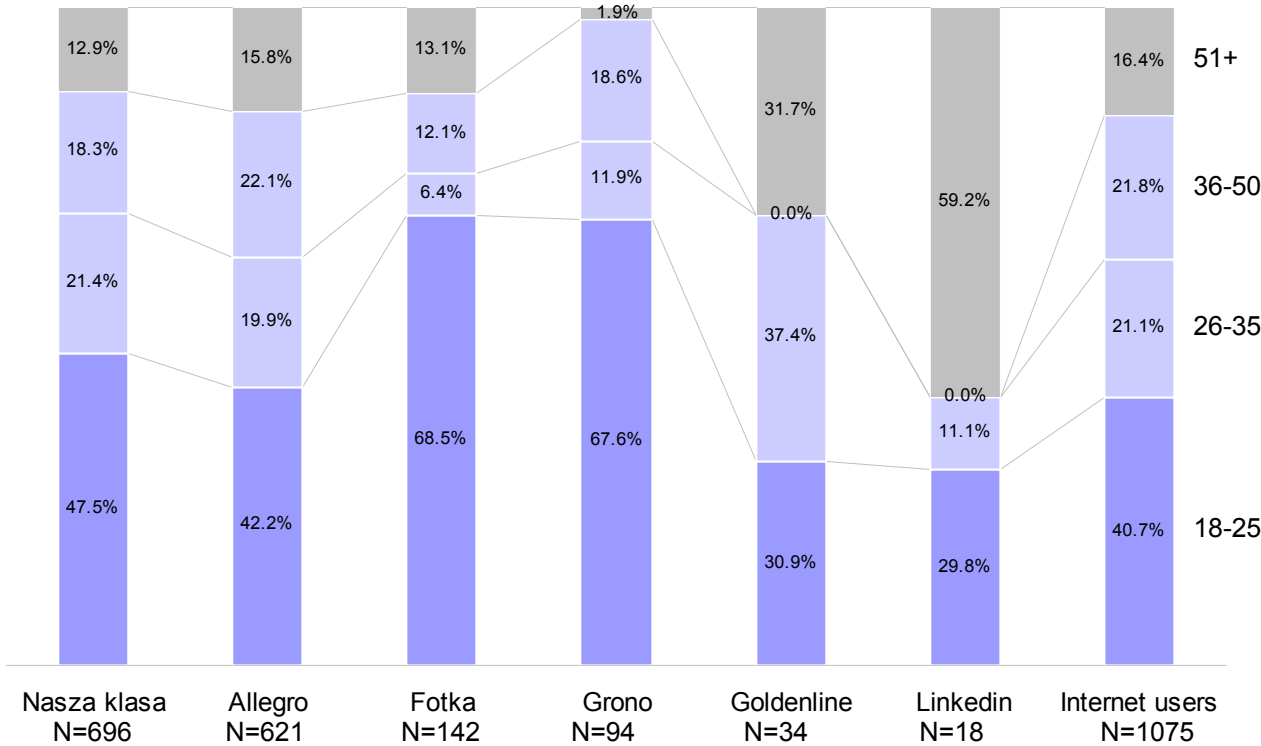
Źródło: gemiusAdHoc, kwiecień 2008

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Attachment

Other services

Age structure



Additional legend
 Allegro – largest online auction site in Poland
 Nasza Klasa – “classmates”-type of social network
 Goldenline – LinkedIn-type social network, career oriented
 Fotka – personal photo sharing site
 Grono – social network, informal

Note: user profiles are attached as additional information; their analysis must take into account that the survey was limited to pool of users at least 18 years old and that sample for some of the sites is limited. Therefore data cannot be considered as accurate user profiles of the sites (which were not the focus of the research)

Źródło: gemiusAdHoc, kwiecień 2008

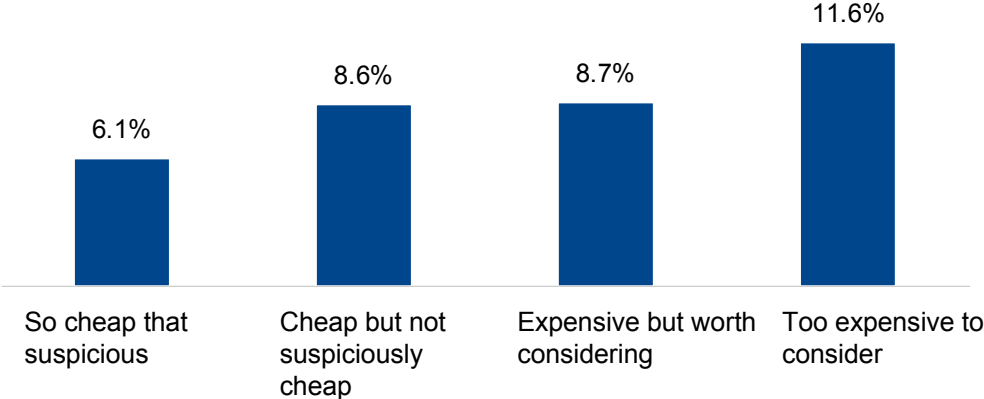
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Attachment

Price sensitivity

Potential borrowers

Loan interest level, comparison of averages, %

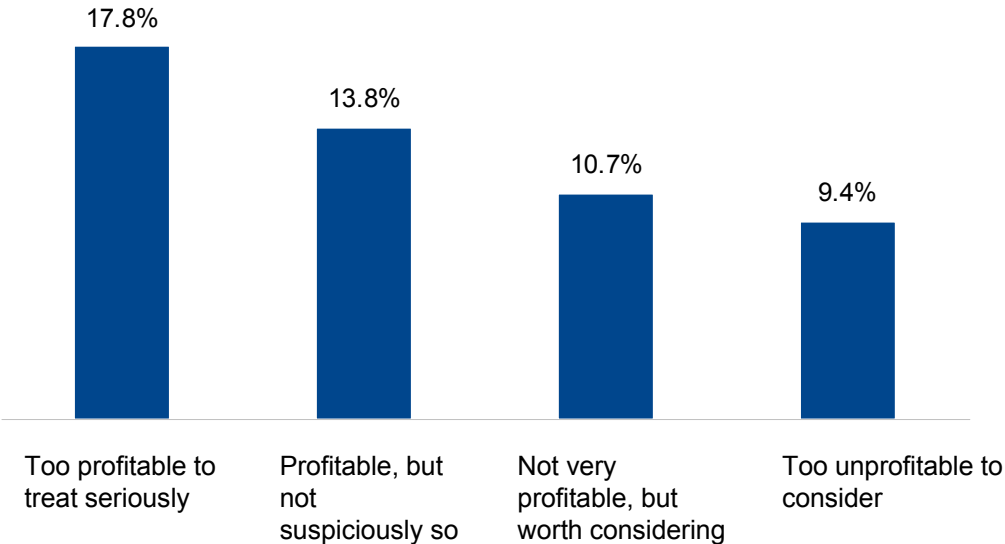


Attachment

Price sensitivity

Potential investors

Loan interest level, comparison of averages, %



Attachment

Contact information



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