A Message from Our CEO

"The Best Alternative" after Banks Partnerships with Large Scale Domestic and Global Companies
More Innovative Fintech Products
World’s First Marketplace Lending Legislation
Expanding to New Markets

Upgrades to Our Technology

Restructuring Our Portfolio & Managing Risk

Strengthening Our Team of Experts

Global Media Exposure

Tackling Financial Inclusion
At the end of 2019, Korean household debt reached an astronomical size of 1.6 trillion USD. Individuals who are burdened by debt carry a huge weight on their shoulders, often ending up in a vicious cycle of debt bearing debt.

In the spring of 2015, PeopleFund was formed to solve the household debt issue that plagues Korea. By creating an innovative way to offer bank loans, PeopleFund has opened doors to a wider portion of the population previously not served by the banks.

Using technology and financial expertise, PeopleFund created its own credit model which incorporates financial data plus other variables to tell a more complete story about a borrower’s repayment capabilities. Through the years, PeopleFund has proved itself to be the best lending alternative for tier 2 borrowers.

In 2019, PeopleFund solving the household debt problem in Korea became a reality. In December 2019, more than 50,000 people checked loan rates on the PeopleFund platform for loan inquiry amount totalling about 1 billion USD. Of those potential borrowers, 73% sought to refinance existing loans with PeopleFund loans that offered better rates and more reasonable borrowing terms. For the full 2019 calendar year, total loan inquiry for refinancing amounted to 6.33 billion USD.

2018 was the most difficult year for PeopleFund since its founding. This stemmed from delinquencies in Construction Loans, Non-residential Mortgage Loans, Asset-based Loans, etc. which were introduced in 2017. As a result of our disappointing results, we lost many valuable customers who were early supporters of PeopleFund.

Our hearts were full of urgency at the start of 2019. First of all, we focused on managing and resolving delinquent notes and as a result, we successfully collected 8.7 million USD. In addition, we paid close attention to the market conditions in 2019 and made a decision to discontinue certain products including Non-residential Mortgage Loans and Asset-based Loans in 2019.

By the end of 2019, only about 7.1% of all other real estate and Construction Loan assets handled by PeopleFund remained delinquent. We are committed to resolving the 17 notes that remain in arrears and as the CEO of the company, this is my top priority.
Building the Foundation in 2019 to Leap Forward

Though we started 2019 with a heavy heart, PeopleFund grew more than $300 million USD and laid down the foundation for our business to leap forward. We were able to achieve this feat thanks to our 300,000 lenders and many partners who believed in PeopleFund.

In order to fulfill expectations of those that put faith in us, PeopleFund has continuously launched innovative consumer finance products that are both stable and attractive investment opportunities. We launched new products with a wider range of term durations (2 to 24 months) to meet the diverse risk appetite of our lenders. We have also been conscious of various investment size needs for micro-lenders who use our fintech platform, as well as larger financial institutions.

The stability of consumer finance products is linked to the rigor of our risk management. By the end of 2019, the estimated default loss ratio of PeopleFund Unsecured Personal Loans was 2.2%, slightly above the level of commercial banks, and the cumulative default loss rate of Mortgage Loans was 0%. As a result of these impressive stats, PeopleFund was able to provide a total of $17.8 million USD in revenue to consumer finance lenders in 2019.

Innovation to Fulfill Expectations

PeopleFund’s efforts in 2019 led to strengthened financial performance. Lender fee commissions hit a record high in the fourth quarter of 2019, with 90% of the revenue coming from consumer finance. Given the current monthly loan inquiry totalling approximately $1 billion USD and the rapid growth of lenders on our platform, we expect to continue providing better financial products to more customers and achieve even stronger results in 2020.

However, these achievements can never be reached by PeopleFund alone. Therefore, PeopleFund is fully committed to providing clearer benefits to borrowers and more stable profits to lenders. We are well aware that if we cannot meet the expectations of our borrowers and lenders, they will have no choice, but to turn away from PeopleFund and if that happens PeopleFund can no longer exist. The growth and advancement of PeopleFund is and will always be dependent on keeping our valuable borrowers and lenders content.

2019 was a year we realized once again that the core of the financial system, including PeopleFund, is its people. In our 5th year of operating our business, we dutifully take on the role we have to society, understand the markets a bit better, and also embrace the need for regulation to protect consumers. Thank you again to everyone who believes in PeopleFund and for giving us the opportunity to continue making leaps forward towards greater innovation. It is my hope that we can share more new innovations in 2020 that exceeds your expectations.
2019 Highlights
In 2019, PeopleFund Unsecured Personal Loans and Mortgage Loans experienced explosive growth through innovative technology and targeting unmet market needs. We are committed to maintaining this growth momentum in 2020 as well.

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**Soochan Lee**

Chief Strategy Officer

B.A., Yonsei University

Principal, Bain & Company

Consultant, Boston Consulting Group

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* as of 2019 year-end
Annual Loan Issuance by Product

- Unsecured Personal Loans
- Mortgage Loans
- Consumer Finance
- Construction Loans
- Factoring
- Others

<table>
<thead>
<tr>
<th>Year</th>
<th>Unsecured Personal Loans</th>
<th>Mortgage Loans</th>
<th>Consumer Finance</th>
<th>Construction Loans</th>
<th>Factoring</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>122.7M USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>196.3M USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>367.5M USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Annual Loan Balance

- Unsecured Personal Loans
- Mortgage Loans
- Consumer Finance
- Construction Loans
- Factoring
- Others

<table>
<thead>
<tr>
<th>Year</th>
<th>Unsecured Personal Loans</th>
<th>Mortgage Loans</th>
<th>Consumer Finance</th>
<th>Construction Loans</th>
<th>Factoring</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>63M USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>115M USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>215.7M USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
**Growth of Borrowers & Lenders**

**Monthly Loan Inquiries & Total Loan Inquiry Amount**

- **Units:** # of inquiries
  - Jan.: 850
  - Feb.: 950
  - Mar.: 1,050
  - Apr.: 750
  - May.: 650
  - Jun.: 550
  - Jul.: 450
  - Aug.: 350
  - Sep.: 250
  - Oct.: 150
  - Nov.: 150
  - Dec.: 150

**Units:** USD M
  - Jan.: 50,000
  - Feb.: 45,000
  - Mar.: 40,000
  - Apr.: 35,000
  - May.: 30,000
  - Jun.: 25,000
  - Jul.: 20,000
  - Aug.: 15,000
  - Sep.: 10,000
  - Oct.: 5000
  - Nov.: 30,000
  - Dec.: 272.4M

**Monthly Investments & Cumulative Number of Lender Accounts**

- **Units:** # of Lender Accounts
  - Jan.: 1,007.3M
  - Feb.: 45,927
  - Mar.: 14,906
  - Apr.: 30,9498
  - May.: 2019
  - Jun.: 38.2M
  - Jul.: 24.1M
  - Aug.: 140.339
  - Sep.: 24.1M
  - Oct.: 140.339
  - Nov.: 38.2M
  - Dec.: 2019

**Performance & Stats**

**Highlights & Stats**

- **Units:** USD M
  - Jan.: 38.2M
  - Feb.: 24.1M
  - Mar.: 140.339
  - Apr.: 24.1M
  - May.: 140.339
  - Jun.: 38.2M
  - Jul.: 24.1M
  - Aug.: 140.339
  - Sep.: 24.1M
  - Oct.: 140.339
  - Nov.: 38.2M
  - Dec.: 2019
Risk Management

Total Loan Issuance & Status of Notes

Delinquency Rate as of Year-End

Delinquency Rate Compared to Total Loan Issuance
“The Best Alternative” after Banks

Partnerships with Large Scale Local and Global Companies

More Innovative Fintech Products

World’s First Marketplace Lending Legislation

Expanding to New Markets
Unsecured Personal Loans

Competitive Edge: First & Only Bank Integrated Marketplace Lending Business Model

After extensive discussions with the Korean Financial Services Commission and Financial Supervisory Service, PeopleFund was able to launch Korea’s first and only bank integrated marketplace lending platform. As the only marketplace lender in Korea capable of giving bank loans (in partnership with JB Bank), the company inherently has a competitive edge.

PeopleFund Business Model Structure

2019 was one of the busiest years focused on providing financial freedom to more people. Backed by strong business results, PeopleFund’s Consumer Finance Group has solidified the company’s position as “The Best Alternative” after banks.

Opportunity for Borrowers to Improve Credit Scores

There was a real social need for marketplace lending in Korea because of extremely conservative banks in Korea that only lend to super prime borrowers. As a result, historically all other borrowers have been forced to borrow from tier 2 financial institutions or private lenders at incredibly high interest rates.

Through its bank integrated model, PeopleFund gives a wider segment of the population, previously not served by banks, access to loans with rates that are lower on average than rates charged by tier 2 lenders. Moreover, since loans issued by PeopleFund are recorded within the national financial system, borrowers have the opportunity to improve their credit scores upon repayment.

In 2019, approximately 290,000 users checked loan rates through the PeopleFund platform, many of whom were able to refinance their existing loans with PeopleFund loans at better rates and improved their credit scores along the way as well.

Improvement in Credit Scores

Cumulative Interest Savings: +5.73M USD

Proportion of Refinanced Loans: 68%

Percentage of Borrowers with Improved Credit Score: 69%
A Better Alternative for Non-Prime Borrowers

The screening process for PeopleFund Mortgage Loans prioritize the value of the apartment collateral when determining loan rates. Unlike banks, savings banks, and other lenders who charge non-prime borrowers high rates even though they own assets with high value, PeopleFund does not make credit decisions based solely on credit history and employment information.

Currently 70% of borrowers using PeopleFund Mortgage Loans are mid-range credit score borrowers (grades 4-6). Given the borrower has apartment collateral with value that meets a certain standard, the annual interest rate is around 8.5% regardless of whether the credit profile of the borrower is super prime (grades 1-3), mid-range (grades 4-6), or subprime (grades 7-9). As such, PeopleFund Mortgage Loans are a good alternative, especially for mid to low range credit score borrowers.

Jinwoo Kahng
Consumer Finance Group, Mortgage Loans Team Leader
B.A., Yonsei University
Consultant, Monitor Group
Consultant, SK Gas Consulting Division

The Best Alternative after Banks
Korea’s #1 Marketplace Lending Platform focused on Consumer Finance

Based on superior product competitiveness and outstanding performance of Unsecured Personal Loans and Mortgage Loans, PeopleFund has rapidly grown to solidify its position as the #1 marketplace lender in Korea focused on consumer finance in 2019. Monthly loan issuance of consumer finance has increased from about 10M USD to 40M USD levels.

PeopleFund’s Unsecured Personal Loans team has worked hard to provide innovative Tier 1 bank loans. Through unbridled efforts, we achieved outstanding results in 2019.

"The Best Alternative" after Banks

Jinhae Choi
Consumer Finance Group, Unsecured Personal Loans Team Leader
B.A., New York University (Stern School of Business)
Analyst, Goldman Sachs IBD
Analyst, Citigroup Global Markets IBD

As a result of the strong performance of consumer finance loans, PeopleFund’s entire loan portfolio successfully shifted to focus on consumer finance. At the end of 2019, consumer finance accounted for 87% of PeopleFund’s loan portfolio, up from 40% at the start of the year.
Partnership with CLSA

In 2019, Korea finally passed its law on marketplace lending, which will drive the growth of the industry. With law enactment in 2020, one of the biggest changes PeopleFund will face is greater participation from institutional investors. The inflow of institutional funds will lead to more stable lender acquisition, which will allow PeopleFund to serve alternative loans to more people and also advance its risk management system that must follow more stringent compliance standards. The Institutional Sales Group will strategically navigate the new changes in 2020 and also continue to share PeopleFund and its products with more financial institutions.

Scott Baek
Chief Investment Officer &
Institutional Sales Group Leader
B.A., Seoul National University
Director, Institutional Sales,
Barclays Capital
Deputy General Manager,
Institutional Sales, Deutsche
Securities Korea

The partnership between PeopleFund and CLSA that came into fruition in 2019 was selected as the #2 Deal of the Year (Asia) by Private Debt Investor, a leading publication for private equity investors worldwide. Being featured as a finalist for this award alongside other prestigious financial institutions has raised the profile of PeopleFund and given the company exposure to global financial managers and institutional investors.

Leading marketplace lenders in the U.S., U.K., and Australia have made advancements through partnerships with financial institutions, not only in quantitative terms such as loan issuance and sales, but also in terms of their product structure, risk management, and brand value. Through the collaboration with CLSA this past year, PeopleFund also joined leading global marketplace lenders in fine tuning its products and risk management capabilities to prove it can meet the standards required by large institutions. Based on the groundwork laid out in 2019, PeopleFund expects to create more partnerships with both domestic and global financial institutions and diversify its investment and loan offerings.

In addition, through the partnership with CLSA, PeopleFund gained a reliable partner and supporter to help navigate its ongoing new business development in Southeast Asia.
Partnerships with Large Scale Domestic and Global Companies

**Partnership with Kakao**

In 2019, PeopleFund made efforts to improve its technology to provide consumers with better financial services. In 2020, PeopleFund will continue leading the way towards a more flawless user experience.

PeopleFund became the first marketplace lender to partner with KakaoPay Corp. on November 20, 2018. The financial products made by PeopleFund became available nationwide through the popular Kakao platform, Korea’s equivalent to WhatsApp/WeChat. Though it has only been a year since launching our services on the Kakao platform, PeopleFund has already produced significant results. Moreover, the Korean fintech industry community recognizes the partnership as a success case which other fintech players should emulate.

**First Fintech Company to Partner with KakaoPay**

PeopleFund has continuously made efforts to offer more products that can meet the wide spectrum of lender preferences including risk tolerance. Our investment product range expanded to six types and we increased the range of interest rate and time horizon options to meet individual lender preferences. With the highest priority on lender protection, notes in arrears have been sold quickly (on average within two weeks) in order to give returns back to lenders without loss of principal.

Expanding Partnership from Investments to also offer Loans

Following a successful launch of PeopleFund investment products on the Kakao platform, PeopleFund also launched its loan products with KakaoPay Corp. in October 2019. After proving product competitiveness of our investment offerings, PeopleFund was the only marketplace lender chosen to participate in the loan comparison service. All other loan offers came from banks, savings banks, and capital firms. In just three months, PeopleFund recorded nearly 180,000 loan inquiries through the Kakao platform.

To date, PeopleFund is proudly the only marketplace lender to collaborate with KakaoPay Corp. in both the investments and lending space.

**Diversified Products & Risk Management**

**Expanded Partnership from Investments to also offer Loans**

So far, only 5 out of 1,099 investment products available on the Kakao platform have incurred delayed payments (0.45% delinquency rate). PeopleFund is committed to resolving the collections process within an average of two weeks so that lenders can invest with confidence. To date, there has been no cases of complete default where losses have not been able to be recuperated.

**Management of Stable Investment Products**

The partnership has been mutually beneficial to both PeopleFund and KakaoPay Corp. The perk of being able to invest with as little as 10,000 KRW (approximately 10 USD) on the Kakao platform has attracted those employed in their 20s and 30s that have an interest in personal finance. By leveraging Kakao’s existing userbase, PeopleFund has secured nationwide access and doubled its growth compared to the previous year (2018). Moreover, each lender using PeopleFund participated in 5.3 investments, on average. Those in their 20s and 30s have emerged as a core customer group, accounting for 56% of all investment transactions for PeopleFund.

**Secured Lender Base of Millennials**

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**Jiwon Park**

Head of Product Division & UX Group Leader

B.A., Seoul National University

CMO, Knocking-on
Structured Products Backed by Personal Loans

PeopleFund has been providing new, stable investment products through technological innovation and diversification. As a result, PeopleFund Structured Products achieved 4x growth in 2019 with much fanfare, all within one year.

Launched New Products & Built Product Portfolios to Meet Lender Needs

PeopleFund offers lenders a way to diversify investments across multiple notes customized according to individual preferences and needs. In 2019, we launched new products such as a short-term investment product called “Stepping Stone (Bridge) Loan” and a product that allows simultaneous investments in both Unsecured Personal Loans and Mortgage Loans called “100+ Diversified Note”. In addition, Structured Products which were previously only available with 6-month maturity dates were extended to be available for 6-month and 12-month terms as well.

PeopleFund has continuously launched new offerings to diversify the Structured Products portfolio. To further protect lenders and secure operations, PeopleFund worked with JB Bank to create a system launched in August 2019 that records the flow of principal and interest. Through these kinds of efforts, PeopleFund is leading technological innovation in the marketplace lending industry.

PeopleFund Portfolio of Structured Products

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Allocation for Risk Averse Types</th>
<th>Allocation for Profit Seekers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2~3 months</td>
<td>Stepping Stone (Bridge) Loans</td>
<td>-</td>
</tr>
<tr>
<td>6 months</td>
<td>Structured Product Backed by Personal Loans (Senior Lien)</td>
<td>Structured Product Backed by Personal Loans (Junior Lien)</td>
</tr>
<tr>
<td>12 months</td>
<td>Structured Product Backed by Personal Loans (Senior Lien)</td>
<td>Structured Product Backed by Personal Loans (Junior Lien)</td>
</tr>
<tr>
<td>24 months</td>
<td>100+ Diversified Notes</td>
<td>-</td>
</tr>
</tbody>
</table>

* New product launched in 2019

Hyocheol Shin
Structured Products Team Leader
B.A., Yonsei University
J.D., Sogang University Law School
Société Générale CIB
Director/Attorney, Accolade Inc.

Achieved 4x Growth within One Year through Advancement in Products & Operations

This year, 190,000 lenders invested 370,000 times in various PeopleFund Structured Products and 2.17M worth of repayments were made over the course of the year. PeopleFund has established a unique system powered by technology that enables stable product operations for loan issuance, lender acquisition, repayment of principal and interest, and more. In addition, we have automated most of these processes, bringing to market a truly tech-based financial solution.

Our signature Structured Products are notes made up of at least 40 to 100 different assets. The entire process beginning with loan allocation, lender acquisition, and risk management are all operated based on data analysis. As a result, we achieved 150M USD in cumulative loan issuance without any cases of delinquency or default.

In the third quarter of 2019, PeopleFund Structured Products became even more sophisticated by applying a product yield calculation model based on accumulated data that comprehensively considers the returns and risks of multiple underlying assets. As a result, the annual loan volume of Structured Products more than quadrupled from 25.1M USD in 2018 to 151.5M USD in 2019.

Breakdown of Structured Products Loan Volume by Quarter

Cumulated Amount Invested
215.4M USD

Delinquency & Default
Zero USD

Hyracheol Shin
Structured Products Team Leader
B.A., Yonsei University
J.D., Sogang University Law School
Société Générale CIB
Director/Attorney, Accolade Inc.
PeopleFund will always remember 2019 as the pivotal year when Korea finally legalized marketplace lending. PeopleFund is fully prepared to comply with new laws and protect financial consumers moving forward.

Korea Announced World’s First Law for Marketplace Lending

On October 31, 2019, the Korean National Assembly passed the world’s first law for marketplace lenders ("Act on Online Investment‒Linked Financing and User Protection"), to provide legal basis for marketplace lending and to finally recognize marketplace lending as an official sector of the financial industry. Though marketplace lending has matured relatively faster in countries such as the U.S. and U.K., the passing of the new law in Korea marked a pivotal moment for the country’s financial system since it was the first time in 17 years that a new sector in the financial industry emerged. 2002 was the last time when new legislation formed around credit business for private lenders called "Act on Registration of Credit Business, etc. and Protection of Finance Users" (Credit Business Act).

The regulatory developments mark an important step towards consumer protection and industry growth. Once implemented, the law is expected to clarify legal grey areas for the practice of lending money through online services that match lenders to borrowers. Some beneficial outcomes of the new legislation include a change of legal status of marketplace lending companies, the ability for institutions to legally invest in marketplace lending, the ability for marketplace lenders to invest up to 20% of their own book, the provision of consumer safeguards, and supervision with laws specified for marketplace lending by the Korean financial authorities.

As the company representing the President of the Korean Fintech Industry Association and Board Executive of the Korea P2P Finance Association, PeopleFund has worked judiciously to help draft marketplace legislation that would not only protect consumers, but also foster healthy growth of the industry.

PeopleFund led Legislation Efforts

After a concerted effort by marketplace lenders, government, and parliament, the new laws for marketplace lending will finally be put into effect in August 2020. PeopleFund will make every effort to be prepared for the new changes that will bring along many growth opportunities for the company.

Key Issues & Implications of Marketplace Lending Legislation in Korea

Soojeong Park
Legal Team Leader
B.A., Seoul National University
J.D., Sungkyunkwan University Law School
Attorney, Jipyong LLC
## Marketplace Lending Legislation

**Korea Announced World’s First Law for Marketplace Lending**

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### PeopleFund led Legislation Efforts

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<table>
<thead>
<tr>
<th>Category</th>
<th>Key issue</th>
<th>Pre-legislation</th>
<th>Post-legislation</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company’s Legal Status</td>
<td>Legal status of marketplace lenders</td>
<td>Considered as platform companies and private lenders</td>
<td>Marketplace lending platforms acquire status as official financial sector entity that can lend</td>
<td>New financial sector emerges for the first time in 17 years since laws for private lenders (legitimates the industry)</td>
</tr>
<tr>
<td>Create capital requirements</td>
<td>Requirements based on the Credit Business Act for private lenders (minimum capital of 0.3M USD)</td>
<td>Requirements based on loan balance (minimum of 0.5M USD, maximum of 3M USD)</td>
<td>Expect market reorganization with only companies that can meet capital requirements surviving</td>
<td></td>
</tr>
<tr>
<td>Acceptable scope of work</td>
<td>No explicit legal framework for scope of marketplace lending business</td>
<td>Legal framework to carry out other necessary functions for business including credit review, insurance agency, digital bank, loan facilitator, etc.</td>
<td>Obtain legal basis for platform company to perform wider scope of business functions</td>
<td></td>
</tr>
<tr>
<td>Definition of rights when investing</td>
<td>No formal laws around ‘principal collection rights’</td>
<td>Defined formal laws around ‘principal collection rights’</td>
<td>Clearly distinguish investor (lender) rights and relation to other laws</td>
<td></td>
</tr>
<tr>
<td>Investing</td>
<td>Domestic institutional investing into marketplace lending</td>
<td>No explicit legal approval</td>
<td>Legally approved (Investing is capped at 40% of individual loans or 20% for certain product categories)</td>
<td>Expect inflow of institutional funding from Institutions/Savings Banks/Capitals</td>
</tr>
<tr>
<td>Requirements for investing own capital</td>
<td>Not allowed</td>
<td>Allow investing 10% of own capital, capped at 20% (capped at 10% for loans invested in by institutions)</td>
<td>Expect speed of lender acquisition to also increase borrower side</td>
<td></td>
</tr>
<tr>
<td>Transfer of principal collection rights</td>
<td>No explicit legal approval</td>
<td>Legally approved</td>
<td>Expect increase of activity in revitalized secondary market</td>
<td></td>
</tr>
<tr>
<td>Consumer Financial Protection</td>
<td>Lender protection in case of platform bankruptcy</td>
<td>Limited lender protections outlined in guidelines only</td>
<td>By law, lender owned assets (deposits included) are protected (in case of platform bankruptcy, impossible to seize notes)</td>
<td>Increase investment merit by securing lender protection rights</td>
</tr>
<tr>
<td>Supervising authority</td>
<td>Indirect oversight by authorities under the Credit Business Act</td>
<td>Direct supervision and sanctions by financial authorities</td>
<td>Expect market reorganization of companies that meet the standards set by financial authorities</td>
<td></td>
</tr>
<tr>
<td>Information verification and disclosures</td>
<td>Requirements included as guidelines</td>
<td>Legal obligation to disclose specific required information for lenders, borrowers, etc.</td>
<td>More transparent and fair disclosure of information for consumers</td>
<td></td>
</tr>
</tbody>
</table>

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Soojeong Park
J.D.
School of Law
Seoul National University

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PeopleFund

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Business
Korea Announced World’s First Law for Marketplace Lending

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After a concerted effort by marketplace lenders, government, and parliament, the new laws for marketplace lending will finally be put into effect in August 2020. PeopleFund will make every effort to be prepared for the new changes that will bring along many growth opportunities for the company.
Indonesia Market Expansion

In 2019, PeopleFund found an opportunity to expand its business and address financial inclusion in Indonesia. In 2020, PeopleFund will move forward with its plans to implement financial innovation across Indonesia.

Indonesia has a population of over 270 million people and is one of the fastest growing economies in Southeast Asia. However, the country’s financial system lags in comparison to how far the rest of the country has come. More than half of the population is still unbanked.

Various fintech companies are working to develop Indonesia’s finance through innovative technology and new approaches. PeopleFund also seeks to take advantage of the market opportunity with its advanced technology and data analysis capabilities while also addressing financial inclusion in Indonesia.

In 2019, PeopleFund transformed Korea’s consumer banking industry through its strategic partnership with JB Bank. Leveraging our experience partnering with JB Bank and operating our business in Korea, we hope to be a strategic partner to banks in Indonesia. Collaborative initiatives with BPRs in Indonesia have already begun in order to eventually expand our bank integrated marketplace lending model to Indonesia. Key business highlights from 2019 include signed MOUs with BPR Perbarindo (an association of BPRs with more than 1,500 members) and BPR Universal (a BPR with a nationwide branch network).

Targeting Indonesia’s 270M Population with Data & Technology

PeopleFund has transformed Korea’s consumer banking industry through its strategic partnership with JB Bank. Leveraging our experience partnering with JB Bank and operating our business in Korea, we hope to be a strategic partner to banks in Indonesia. Collaborative initiatives with BPRs in Indonesia have already begun in order to eventually expand our bank integrated marketplace lending model to Indonesia. Key business highlights from 2019 include signed MOUs with BPR Perbarindo (an association of BPRs with more than 1,500 members) and BPR Universal (a BPR with a nationwide branch network).

Market Entry through Partnership with Rural Banks (BPRs)

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19x the size of Korea with over 6,000 Islands in need of Financial Innovation

Indonesia consists of about 6,000 islands that span across 1,906,000 km², which is about 19 times the size of Korea. However, most of the innovation efforts in Indonesia are concentrated in Jakarta, the capital of 10 million people. PeopleFund is planning to bring fintech innovation across Indonesia, not just Jakarta, by collaborating with BPRs, most of which operate outside Jakarta. In doing so, PeopleFund aims to tackle financial inclusion and provide nationwide financial services to the 270 million Indonesians.

- Total population
  270 million (World Bank, 2019)

- % of population with bank accounts
  49% (Banked 22%, Underbanked 27%, World Bank, 2018)

- % of population with credit cards
  4~5% (8~9 million, Reuters, 2016)

- Total # of BPRs
  1,554 (OJK, 2019)

- Signed MOU with PeopleFund
  - BPR Perbarindo members
    +1,500
  - BPR Universal
    Nationwide network in Indonesia

- Current large bank credit distribution
  - Jakarta
    49.4% (199 Billion USD, OJK, 2019)
  - Other regions
    50.6% (204 Billion USD, OJK, 2019)

- BPR credit distribution
  - Jakarta
    1.7% (132 Million USD, OJK, 2019)
  - Other regions
    98.3% (7,735 Million USD, OJK, 2019)
PeopleFund offers a service which aims to provide a more convenient financial experience to users who are already increasingly dependent on the internet to manage everyday chores and shopping as well. In order to provide our users with a seamless experience, PeopleFund is constantly removing unnecessary steps and creating an easier and more simple user interface.

To date, PeopleFund has established a stable system that has processed over 1 million investments and 20 million transactions without any single error. PeopleFund is creating the optimal loan and investment experience through a combination of winning technology and design capabilities.

PeopleFund offers a service which aims to provide a more convenient financial experience to users who are already increasingly dependent on the internet to manage everyday chores and shopping as well. In order to provide our users with a seamless experience, PeopleFund is constantly removing unnecessary steps and creating an easier and more simple user interface.

When using online services, there are often many unnecessary requests for information or multiple steps make the process complicated. PeopleFund is constantly seeking to improve the UX in order to make the loan application process faster and more convenient for users.

Potential borrowers want to be able to quickly check their interest rates and credit limits. PeopleFund simplified the loan application stage by skipping unnecessary information requests and limiting the required response entries per screen to two or less. In doing so, the overall time spent on loan applications was greatly reduced. As a result of the UX improvement, PeopleFund loan applicants are able to conveniently check their loan terms under one minute.

 Convenient Financial Solution

Seomgi Han

Chief Technology Officer

B.A., Sungkyunkwan University

Software Engineer, NHN

Upgrades to Our Technology

Tech & UX

Upgraded UX for Quick & Convenient Loan Application Process

Loan Inquiry under

Consumer Finance

1 min

Upgrades to Our Technology

Tech & UX

Upgraded UX for Quick & Convenient Loan Application Process

When using online services, there are often many unnecessary requests for information or multiple steps make the process complicated. PeopleFund is constantly seeking to improve the UX in order to make the loan application process faster and more convenient for users.

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Generally, borrowers must go through several cumbersome steps in the document submission and contract process for a loan agreement. PeopleFund uses technology to omit or simplify the process to provide a more convenient experience.

In the case of Mortgage Loans, we have automated the issuance of certified real estate register copy so that the information is immediately reflected in the loan screening results. As a result, borrowers interested in PeopleFund Mortgage Loans are able to check their loan terms and receive screening results faster and more accurately than ever before.

In the case of Unsecured Personal Loans, we have made the entire loan and contract process to be 100% online. Previously the process required a phone call with JB Bank. As a result, the loan process which took more than 20 minutes has been greatly reduced to just two minutes.

Although these detailed improvements may not be directly noticeable to users, they have significant implications to the overall loan experience and positively impacts customer service satisfaction and long-term brand attractiveness of PeopleFund.
In 2019, PeopleFund successfully completed preparations to become a service available nationwide. As the new marketplace lending regulations come into play in 2020, PeopleFund will build a more stable and credible system.

PeopleFund gained access to a nationwide customer base when it launched its services on Kakao and today it is safely managing tens of thousands of financial transactions on a daily basis. Underlying stability of operations to handle bulk transactions required a significant improvement in the speed of deposits and withdrawals. Efficiency improvements in the overall system for deposits, investments, repayments, settlements, and withdrawals were all necessary in order to meet the increased number of daily transactions and improve customer convenience.

Through this advanced system, PeopleFund securely handles large volumes of transactions in real time every day. Moreover, whenever a repayment occurs, we make sure our lender receives interest payment in a timely and safe manner.

PeopleFund is improving the quality and stability of services by automating the majority of our system. For example, in order to offer our borrowers and lenders the optimal user experience, we have built an automated test system that continuously runs real customer behavior scenarios in key areas of our system to test anomalies. In addition, we have automated the process to block and revalidate erroneous fund flows so that our lenders’ funds are more securely managed. We also manage investment stability through efforts such as automatically selecting higher risk borrowers for additional screening measures which includes extra document verification.

## Settlement Speed

<table>
<thead>
<tr>
<th></th>
<th>Previous</th>
<th>Improved</th>
</tr>
</thead>
<tbody>
<tr>
<td>240min</td>
<td>240min</td>
<td>7min</td>
</tr>
<tr>
<td>120min</td>
<td>120min</td>
<td>3min</td>
</tr>
<tr>
<td>60min</td>
<td>60min</td>
<td>1min</td>
</tr>
<tr>
<td>30min</td>
<td>30min</td>
<td>0.5min</td>
</tr>
<tr>
<td>0min</td>
<td>0min</td>
<td>0.1sec</td>
</tr>
</tbody>
</table>

## Deposit Speed (During peak times)

<table>
<thead>
<tr>
<th></th>
<th>Previous</th>
<th>Improved</th>
</tr>
</thead>
<tbody>
<tr>
<td>300sec</td>
<td>300sec</td>
<td>3sec</td>
</tr>
<tr>
<td>180sec</td>
<td>180sec</td>
<td>2sec</td>
</tr>
<tr>
<td>120sec</td>
<td>120sec</td>
<td>1sec</td>
</tr>
<tr>
<td>60sec</td>
<td>60sec</td>
<td>0.5sec</td>
</tr>
<tr>
<td>30sec</td>
<td>30sec</td>
<td>0.1sec</td>
</tr>
</tbody>
</table>

**Chris Yoo**  
Backbone Group Leader  
B.A., University of Virginia  
B.A., Korea University
PeopleFund has made it a company wide priority to improve and maintain stable risk management. Aligned with these priorities, the majority of the portfolio of PeopleFund notes have shifted to consumer finance which is considerably more stable. Furthermore, PeopleFund expects to maintain steady growth of the total loan balance for consumer finance.

### Outstanding Loan Volume Ratio per Product

<table>
<thead>
<tr>
<th>Year</th>
<th>Unsecured Personal Loans</th>
<th>Mortgage Loans</th>
<th>Structured Products</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>14%</td>
<td>12%</td>
<td>58%</td>
<td>16%</td>
</tr>
<tr>
<td>2018</td>
<td>15%</td>
<td>9%</td>
<td>15%</td>
<td>53%</td>
</tr>
<tr>
<td>2019</td>
<td>33%</td>
<td>24%</td>
<td>30%</td>
<td>12%</td>
</tr>
</tbody>
</table>

### Delinquency Rate for Consumer Finance by Product

- **Unsecured Personal Loans**: 1.09%
- **Mortgage Loans**: 0%
- **Structured Products**: 0%
In 2019, PeopleFund devoted resources into advancing its credit rating model by establishing a data science group within the organization. Through this new group, our credit model will continue to be upgraded to make better business decisions.

PeopleFund has developed a stable risk management system through advancements in its internal screening process for Unsecured Personal Loans and implementation of a more secure bank integrated procedure. Currently, PeopleFund’s underwriting process consists of four stages: qualification review, automated screening, 2nd internal screening (selective due diligence), and JB Bank review with fraud detection.

(1) Qualification review: Filtering of basic requirements (i.e. corporate CEOs, business owners, foreigners are rejected)
(2) Automated screening: Decision based on scoring calculated from proprietary CSS model and credit score matrix
(3) 2nd Internal audit: Further manual screening based on loan purpose, employer information, and other non-traditional factors
(4) JB Bank review: Final approval based on JB Bank review system and fraud filtering

Among these stages, the internal audit involves the automated risk management system based on PeopleFund’s proprietary CSS model which is continuously being upgraded. The CSS model, specialized for near prime and subprime borrowers, is a critical component for innovating the tier 2 loan space. Moreover, this stage ensures that the underlying assets for loan products offered to lenders are of higher quality and safe.

In addition, PeopleFund has various collection protocols in place to manage delinquency and default cases. The systems that have been put in place ensure a diligent collections process that can also efficiently bring delinquent borrowers back to current status whenever possible.

Collections Process in case of Delinquency or Default

- Real-time Risk Management
- Overdue payment
- ~90+ in arrears
- ~12 months in arrears
- ~36 months in arrears

Party

Actions

PeopleFund
- Special monitoring for 1st repayment of loans
- Monitoring on all loan performance
- Advanced notice for borrowers with upcoming repayment schedules (e.g. three days notice)

JB Bank
- Advanced notice for borrowers with upcoming repayment schedules (e.g. one/seven days notice)

PeopleFund
- After 5 business days of late payment, borrower information is registered in Korea Federation of Banks (KFB) database
- Borrowers are restricted from applying for additional credit as a result

JB Bank
- Late payments are recorded within the tier 1 bank national financial system
- Borrower information is also shared with other banks

PeopleFund
- Turn account over to external collections agency, closely monitor status, and take necessary legal actions

External Collections Agency (e.g., SGI, Koryo)
- Assessment on borrower assets
- Legal action or property seizures take place

In addition, PeopleFund has various collection protocols in place to manage delinquency and default cases. The systems that have been put in place ensure a diligent collections process that can also efficiently bring delinquent borrowers back to current status whenever possible.
CSS 3.0, Upgraded Credit Model using Machine Learning

PeopleFund’s first version of its credit rating system (CSS 1.0), which was developed internally, was initially largely based on data purchased from a Korean credit bureau. However, it has continuously been upgraded by incorporating financial data of over 100,000 borrowers over the past four years.

Since the launch of the second iteration of our credit model, CSS 2.0, we have been able to analyze accumulated customer big data more precisely and started developing a new credit rating system since the fourth quarter of 2019 to quickly respond to and reflect changing customer behavior.

The third generation of our credit rating model (CSS 3.0) uses machine learning to dramatically improve borrower screening and also uses the strategic operation system (R-Clips) provided by a leading Korean credit bureau, NICE Information Service Co., Ltd., which has been recognized by most financial institutions in Korea. The new model will be implemented beginning in the first quarter of 2020.

The implementation of CSS 3.0, which incorporates the analysis of accumulated financial data using machine learning techniques, will provide better products to lenders and also enhance the risk management capabilities of the company.

In addition, to overcome the limitations of data-based credit rating models, we are developing another credit rating model ("Triangle CSS 1.0") which is based on three models including a Customer Churn Prediction Model and Qualitative Credit Assessment (QCA) Model to reflect the assessment of underwriters. This model is planned to be completed by the third quarter of 2020.

Customer Churn Prediction Model + QCA Model

To achieve this plan, PeopleFund has created an internal data science team (Analytics & Insights Group) to strengthen its credit model development capabilities.

Model Structure

CSS 2.0
CSS 3.0
Triangle CSS 1.0 *

Key Features

- Limited use of non-identifiable data purchased from NICE Information Service Co., Ltd.
- Traditional Methodology: Scorecard
- PD (Probability of Default) Predictor: 90+DPD @ 12MOB*

- Incorporate data of PeopleFund loan applicants (Credit info, income, employment, residence, etc.)
- Brand New Methodology: Machine Learning
- Conservative Bad Predictor: 10+DPD @ 12MOB*

- Upgrade Machine Learning Model (CSS 3.1)
- Wholistic and organic credit evaluation based on three models
- PeopleFund Optimal Bad Predictor: 30+DPD @ 6MOB*

- Use of Customer Churn Prediction Model minimizes customer churn
- Use of Qualitative Credit Assessment (QCA) Model which standardizes the data to also reflect underwriters’ assessment

Operations

- Standard screening
  Only semi-flexible model modification and difficulty with instant application of rules

- New system implemented
  Easy to modify models and strategies through real-time monitoring

Customer Churn Prediction Model + QCA Model

To achieve this plan, PeopleFund has created an internal data science team (Analytics & Insights Group) to strengthen its credit model development capabilities.

Triangle CSS 1.0: Upgraded CSS 3.0 based on machine learning (CSS 3.1) +

Customer Churn Prediction Model + QCA Model

To achieve this plan, PeopleFund has created an internal data science team (Analytics & Insights Group) to strengthen its credit model development capabilities.
Unsecured Personal Loans

PeopleFund is providing more attractive products and services for ordinary people through innovative Tier 1 bank loans.

Even though loan volume of PeopleFund Unsecured Personal Loans has rapidly increased, we have been able to maintain a stable delinquency rate because of our automated risk management system. This is the result of our continuous efforts to minimize the risk of investment products related to Unsecured Personal Loans. Going forward, we are committed to providing superior investment products on our marketplace lending platform by further advancing our CSS model and vigilantly upgrading our entire underwriting process.

The delinquency rate and estimated default loss rate of PeopleFund Unsecured Personal Loans are distinctly lower than that of our local peers, which highlights the caliber with which PeopleFund handles Unsecured Personal Loans.

Leading Risk Management Results

PeopleFund 2019 Delinquency Rate for Unsecured Personal Loans

Delinquency & Default Rates of Local Peers*

* Based on public disclosures as of 2019 year-end

Jihoon Kim
Consumer Finance Group, Loan Underwriting Team Leader
B.A., Soongsil University
Business Strategy Division, Korea Federation of Savings Banks
Marketing Division, Daishin Savings Bank
Consumer Finance Division, Solomon Savings Bank
Sales Division, Citibank Korea
Mortgage Loans

Vigilant Risk Management using Technology & Strict Protocols

Of the 977 loans issued since the launch of PeopleFund Mortgage Loans, only four loans suffered delayed payments. However, those notes were sold within two weeks and lenders received principal and interest from the proceeds without problems. These remarkable results can be attributed to thorough risk management protocols implemented throughout the entire life cycle of each note including initial screening to loan issuance to repayment.

PeopleFund automatically calculates the risk rating of notes based on information collected during the initial loan applicant review stage including LTV, the borrower’s credit score, value of collateral, etc. After the loan is issued, the company sends automated messages to the borrower regarding loan repayment 7 days prior, 3 days prior, and morning of the due date. Moreover, the borrower’s history of loan repayment is taken into account when assessing Borrowers.

To date, the incidence rate has been 0.4% (only 4 out of 977 notes), and notes with issues have successfully been sold before being considered delinquent to maintain a 0% delinquency and default rate. As such, PeopleFund Mortgage Loans are widely seen as a stable investment product.

Notes in Arrears

PeopleFund currently holds a mid-range interest rate and medium risk portfolio of notes by focusing on consumer finance loans (Unsecured Personal Loans and Mortgage Loans). However, we still hold some notes in arrears from past Construction Loans, other real estate loans, and small business loans (e.g. home shopping, etc.) but we are constantly working to resolve them with minimal loss.

In order to resolve the notes in arrears, a dedicated team of in-house lawyers, construction loan managers, and other experts are handling each of the cases. If and when necessary, PeopleFund is responsible for selecting a law firm, hiring external collection agencies, and collaborating with credit bureaus.

Cumulative Delinquency & Default Amount

Zero USD
People: Strengthening Our Team of Experts
Strengthening Our Team of Experts

The core of PeopleFund is its people who are essential to providing precise and secure financial services. We strengthened our team of experts in 2019 and they are paving the way towards greater financial innovation.

As a leading company in the marketplace lending industry, which was newly recognized as an official sector of the Korean financial industry in 2019, PeopleFund has been committed to attracting and building a team of experts that can lead financial innovation in Korea. In 2019, the company was restructured to accelerate innovation and manage risk more effectively. A group reporting directly to the CEO and 13 divisions under Business Group / Management Group / Product Develop Group were newly established.

The newly established groups within the organization to drive key business areas include Consumer Finance Group - dedicated to providing better financial opportunities for a larger portion of the population, A & I (Analytics & Insights) Group - dedicated to data that is the source of future innovation, Growth Group - dedicated to accelerate company growth, and Global Business Development Group - dedicated to spreading financial innovation beyond Korea. Moreover, Legal and Operations groups have been separated from the business domain to further strengthen the risk management system.

We have recruited and deployed people with the best expertise in each field to all parts of the organization. Leaders from top global financial institutions such as Barclays, Morgan Stanley and Société Générale have joined PeopleFund to work with local and foreign institutions and investors. Internal risk management and compliance have been strengthened with the advice from veterans who have joined from the National Pension Service of Korea, NICE Credit Information, Jiyoung Lawfirm, Samsung Fire & Marine Insurance, and the National Bank of Savings Banks.

In addition, we have recruited talented individuals from top tier local and global companies such as NHN Corp., McKinsey & Company, Citibank, and Bain & Company.

Myeongkwan Kang
Chief Operating Officer
B.A., Seoul National University
M.A., Seoul National University
Future Strategy Division Leader,
ST UNITAS Consultant, Bain & Company

Building a Team to Lead Financial Innovation in Korea

Team of Talented Experts
During 2019, PeopleFund focused on recruiting experts in finance and technology to boost tech-based financial innovation efforts. As of the end of 2019, employees with finance background (20 employees) and developers (28 employees) make up 50% of our company.

For many consecutive years, PeopleFund has been promoting the culture of developers within tech organizations by holding a public seminar called ‘Startup Tech Challenge’ and sponsoring the Python Conference. As a result, PeopleFund has increased brand awareness and attracted a large number of talented developers to the company.

<table>
<thead>
<tr>
<th># of Employees</th>
<th>Legal</th>
<th>Accounting</th>
<th>Loan Officers (Underwriting)</th>
<th>Credit Rating Analysts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>2017</td>
<td>47</td>
<td>0</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>2018</td>
<td>83</td>
<td>2</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>2019</td>
<td>96</td>
<td>3</td>
<td>1</td>
<td>7</td>
</tr>
</tbody>
</table>

Following the guidelines of the Korean financial authorities, PeopleFund always discloses the current status of employees, loan officers, and professionals (e.g. lawyers, accountants, credit rating analysts) on its website.
Media & Awards
In 2019, PeopleFund was the first Korean marketplace lender to be featured on top global media stations. Going forward I hope to continue raising the profile of PeopleFund outside Korea and solidify its position as a leading global fintech company.

"2019 was an incredible year for PeopleFund in terms of global exposure. Through media appearances and news articles, PeopleFund raised its brand awareness globally and elevated its corporate reputation to solidify its position as Korea’s number one marketplace lender focused on consumer finance. PeopleFund was featured on top tier financial media including CNBC Squawk Box, Bloomberg Daybreak Asia, and Reuters Breakingviews. The live TV spots were televised globally and shared via the internet for further amplification."

Euna Cook
Global Business Development Group, Global PR Team Leader
B.A., University of Pennsylvania
M.A., New York University
Corporate Communications, Morgan Stanley
Senior Account Executive, Edelman
Account Executive, Burson-Marsteller

Bloomberg
CNBC
Reuters

Media Highlights

Grabbing International Headlines

Participation in Domestic & Overseas Fintech Events

Our CEO, Joey Kim, was also a speaker alongside global leaders of the financial/fintech community at key fintech-focused events in Asia including Money 20/20 Asia, Finovate Asia, and Hong Kong Fintech Week. These were great opportunities to highlight PeopleFund’s unique bank partnership model and advanced credit scoring system.

Global Media Exposure

Media & Awards
Awards & Recognition

Frost & Sullivan, a leading business consulting and research firm, recognized PeopleFund as 2020’s South Korean Peer-to-Peer Lending Industry Company of the Year.

Moreover, our CEO, who is also currently serving as the President of the Korea Fintech Industry Association, was awarded the Prime Minister’s Award (Financial Innovation division) for his contribution to the growth and advancement of the overall fintech industry, including the legislation of marketplace lending in Korea.
Tackling Financial Inclusion

Social Impact
Social Impact through Fintech Innovation

PeopleFund offers new financial opportunities for those who have not been served by banks and have been forced to use tier 2 loans with an average interest rate of 20%. In order to better serve a wider range of the Korean population, PeopleFund screens borrowers based on financial data plus other variables to create our own credit model which tells a more fuller story about a borrower’s repayment capabilities. Since PeopleFund Unsecured Personal Loans are considered bank loans, borrowers have the opportunity to improve their credit scores upon repayment and lower borrowing costs with better rates.

The cumulative interest saved by borrowers who refinanced their existing loans through PeopleFund reached 5.7M USD as of December 2019, and the benefits provided to borrowers are even greater given that their credit scores have improved.

Cumulative Interest Saved via PeopleFund Refinancing

Providing Affordable Loans to a Wider Segment of the Population

Citizens with a credit score of grade 5 or below make up 32% of the total population in Korea. Since conservative tier 1 banks in Korea refuse to serve them, they are forced to take out loans from tier 2 lenders who charge an average rate of 20% or more.

PeopleFund has screened these citizens who have been marginalized using more variables to assess their actual repayment capabilities and provide more affordable loan terms. As of December 2019, loans issued to borrowers with a credit score of grade 5 or below totalled 26.6M USD, of which 9.3M USD were issued to younger borrowers under the age of 34 who have not had the chance to build out their credit history.

Cumulative Interest Saved via PeopleFund Refinancing

Solving Financial Inclusion through Fintech Innovation

PeopleFund’s financial innovations are quickly replacing traditional financial services and are becoming more widespread. PeopleFund will continue its efforts to address the social needs of underserved borrowers and lenders.