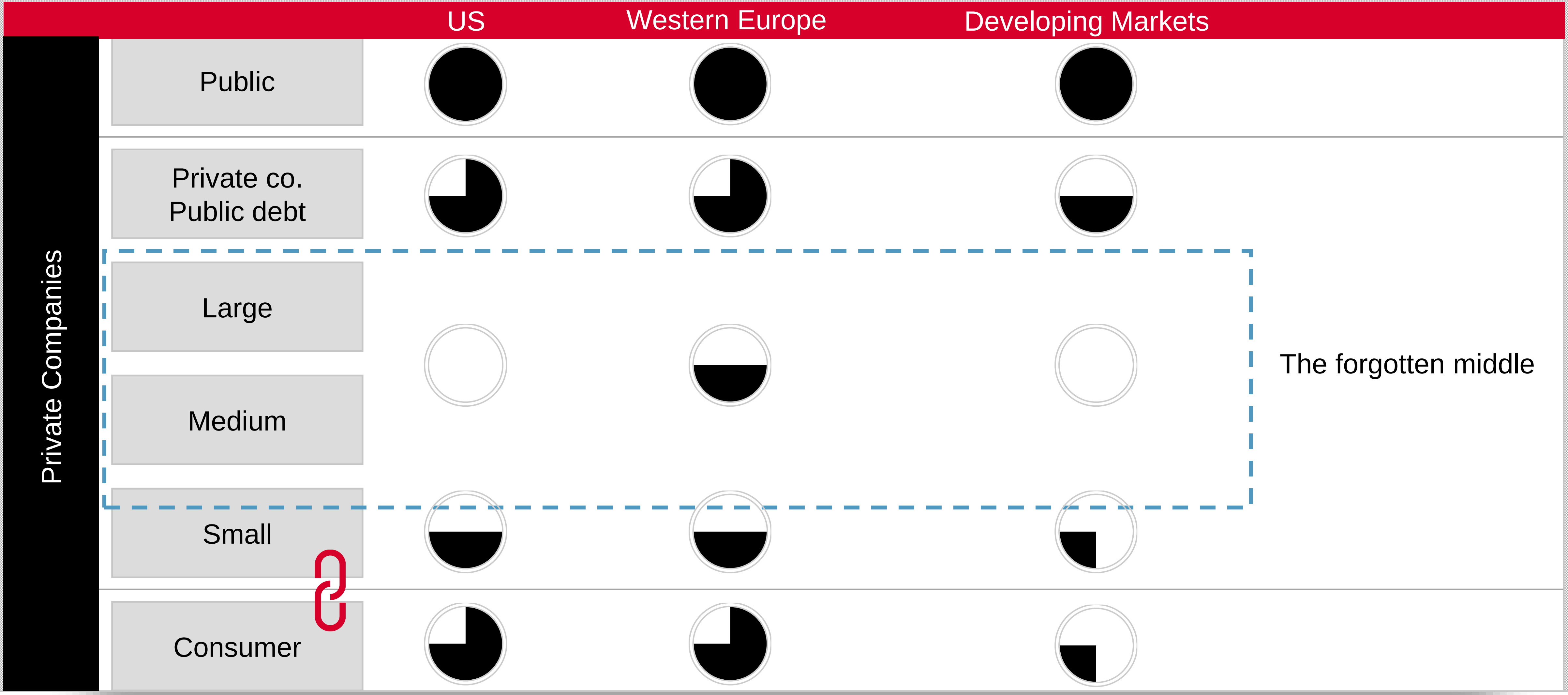
The Small and Medium Enterprises universe includes many different constituencies with varying degrees of transparency



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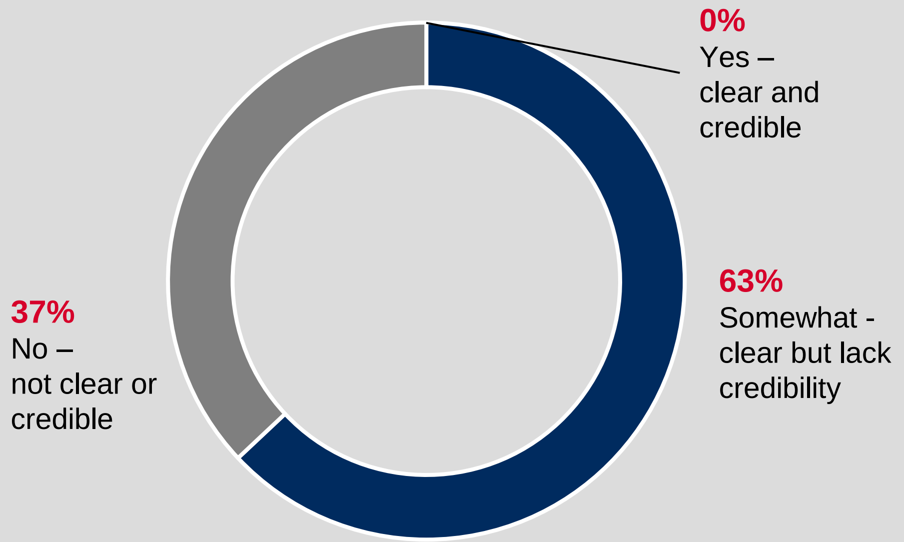
Different data and model approaches present benefits and challenges

	Traditional Data	Traditional Models		Alternative Data	Alternative Models
+	- Well understood - Global	- Well known - Accepted	+	- Promise better coverage - Improved timeliness - Scope	- Enhanced strength - Signal timeliness
−	- Low coverage - Fragmented - Stale - Lower quality	- Sub-optimal	−	- Limited history - Requires significant manipulation - Fragmented - Requires new modeling approaches - Privacy	- Regulatory scrutiny - Transparency - Customer acceptance - Models developed in benign economic period

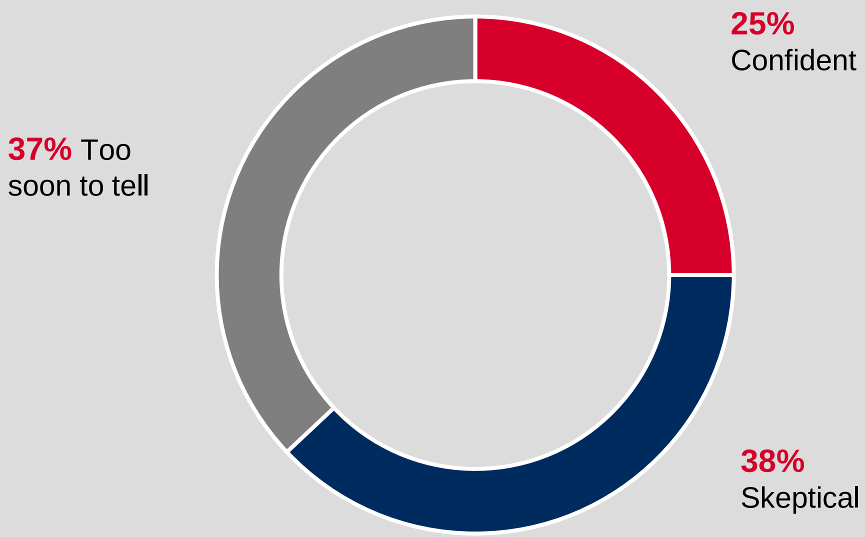
Current state of digital transformation

0% Investors believe banks have clear and credible digital transformation strategy

Do you feel that most banks have articulated clear and credible digital transformation agendas when it comes to costs, benefits, and timelines?



How confident are you that banks' digital transformation strategies will be effective?



Source: Oliver Wyman and Procensus investor survey, November 2019

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Formidable challenges exist for the banking sector

Top IT challenges faced by banks

Conflicting priorities

80% agree that day-to-day IT operations & maintenance take up too much of the IT department's time

IT complexity

36% say 'IT environment/systems complexity' is a top challenge facing their organization

New technologies

5% consider themselves early adopters on the leading edge

Budget constraints

57% agree that the IT department lacks the budget needed to properly innovate for the business

Source: 451 Research's Voice of the Enterprise: Digital Pulse, Organizational Dynamics, 2019

COVID-19 is accelerating digital transformation agendas

As of mid-March in the banking industry…

69%

Said coronavirus has had a negative impact on their organization

50%

Are currently experiencing loss/reduction of customer demand, or plan to within 3mo

73%

Are currently experiencing reduced access to clients/prospects, or plan to within 3mo

- **Digital infrastructure capabilities**
- **Smart branches**
- **Online customer operations**
- **Digital business transformation**
- **Leverage with AI and machine learning**
- **Robust hybrid cloud architecture**
- **Accelerate data optimization**

Source: 451 Research's Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey, March 2020

Source: 451 Research's Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey, March 2020

Digital Innovation can improve Financial Access for SMEs

SMEs are key contributors to economic activity… but have **limited access to finance**…

Why **banks avoid SME finance**

- AML/KYC deficiencies
- Less profitable more risk
- Lack of public data or solutions
- Insufficient technology to monitor risk

What **digital innovation can solve**

- Faster and better lending decisions
- Better insight and foresight into risk
- Scaled growth with better ROI
- Operational synergies through data optimization

Winds of Change

Technology

Lowers barriers to entry and promotes innovation

- Application thus far has been in automating the application process (automated income verification vs uploading documents)

Potential for greater adoption, if more firms shift toward algorithmic underwriting

Friend or Foe?

Traditional banking has not interfered much with growth of lending platforms

- Banks and nonbank lenders will be major sources of institutional capital for peer-to-peer lending platforms

Complementary business models

- If fintechs expand use of securitisation as source of funding, this could represent income stream for financial institutions

Competition and push for profitability will require further exploration of automation technologies, open banking, machine learning and alternative data to play greater roles

As well as industry consolidation

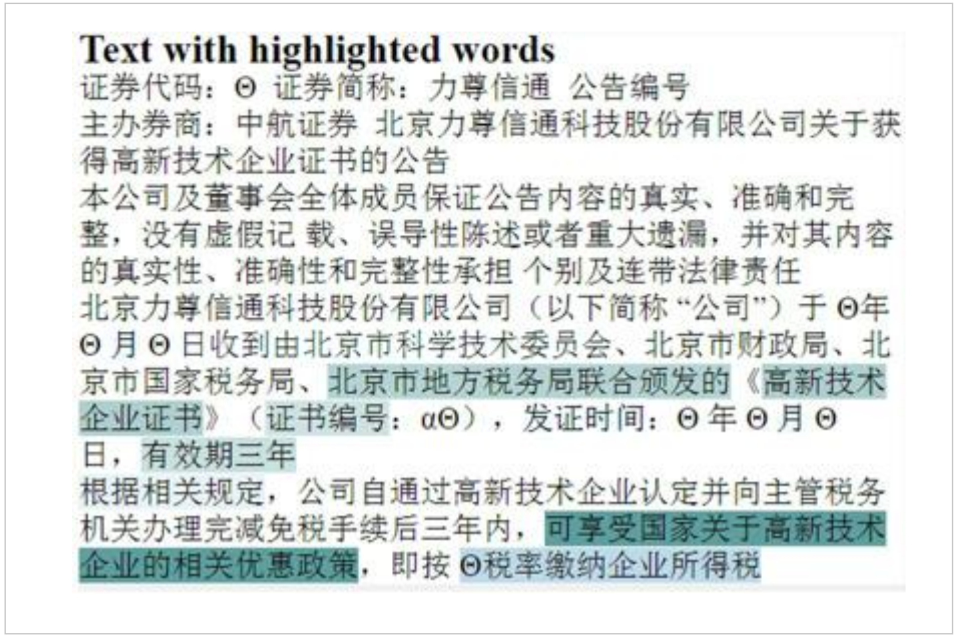
Summary

- New approaches are helpful but not the panacea
- The challenge is still mostly about the data
- There are specific areas of added value
- Users need to clearly define the business problem
- Evolution, not revolution … yet

Appendix

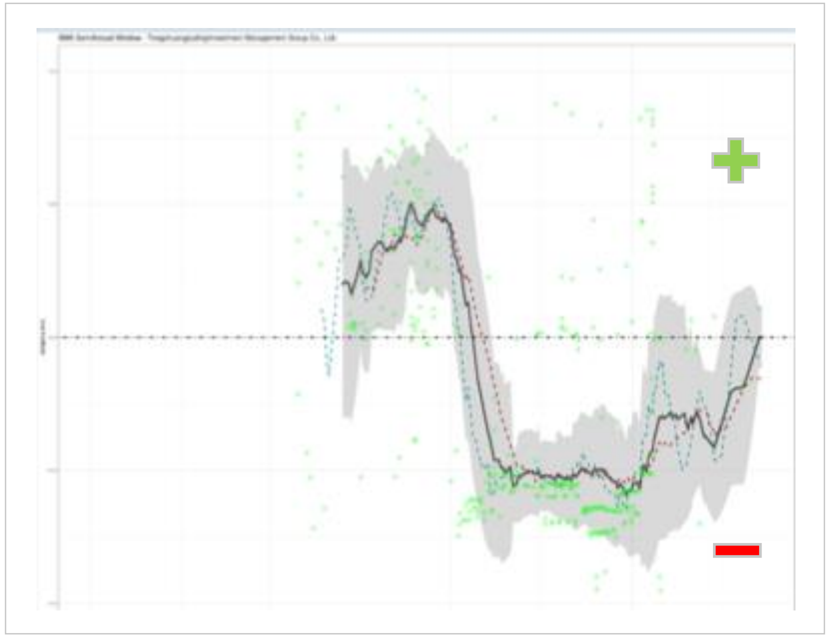
New technologies can help process unstructured documents and generate insights from text …

Step 1	Step 2	Step 3



Text with highlighted words

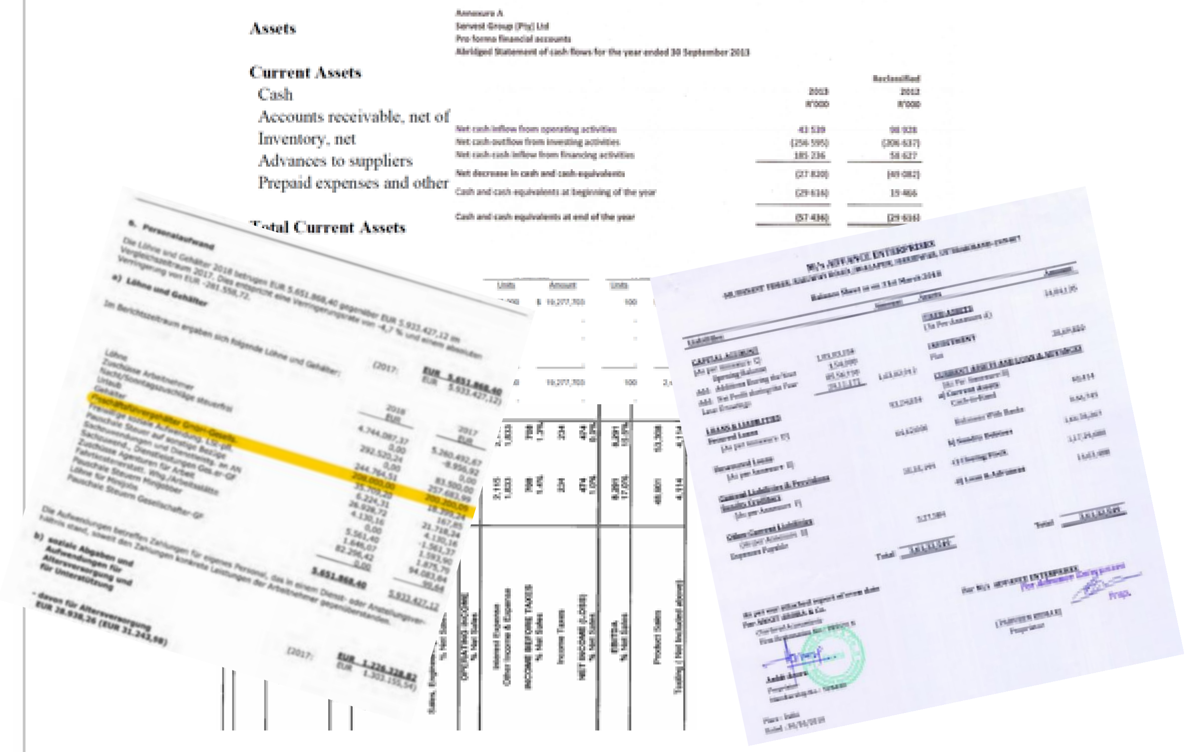
证券代码：Θ 证券简称：力尊信通 公告编号
主办券商：中航证券 北京力尊信通科技股份有限公司关于获得高新技术企业证书的公告
本公司及董事会全体成员保证公告内容的真实、准确和完整，没有虚假记 载、误导性陈述或者重大遗漏，并对其内容的真实性、准确性和完整性承担 个别及连带法律责任
北京力尊信通科技股份有限公司（以下简称 “公司”）于 Θ年 Θ 月 Θ 日收到由北京市科学技术委员会、北京市财政局、北京市国家税务局、北京市地方税务局联合颁发的《高新技术企业证书》（证书编号：αΘ），发证时间：Θ 年 Θ 月 Θ 日，有效期三年
根据相关规定，公司自通过高新技术企业认定并向主管税务机关办理完减免税手续后三年内，可享受国家关于高新技术企业的相关优惠政策，即按 Θ税率缴纳企业所得税



Source: S&P Global Market Intelligence

… or from tables to models …

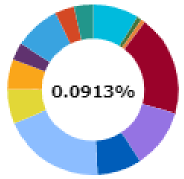
Start



End

Fundamental Probability of Default Score Company

Contribution Analysis



Prior Score	Change
0.0743%	▲

Term Structure

1 Year PD	0.0913%
2 Year PD	0.3094%
3 Year PD	0.3357%
4 Year PD	0.6030%
5 Year PD	0.9058%

View Full Term Structure

	Ratio Value	Median	Contribution Relative	Contribution Absolute	Sensitivity Value	Sensitivity Rank
Business Risk						
Corporate Industry Risk Score	high risk	high risk	0.0000%	8.6558%	0.0494	
Country Risk Score	aa+	aaa	2.4103%	0.9162%	0.0773	
CPI Growth	1.26%	1.55%	1.1314%	0.7742%	0.0024	
EBIT / Revenues	3.96%	3.73%	(0.8535%)	19.1435%	0.0239	
PPE / Total Assets	33.03%	28.43%	1.8277%	11.2480%	0.0195	
Sales Growth	(0.07%)	4.65%	2.8820%	8.4466%	0.0000	
Total Equity	18,108.4*	343.0*	(87.6233%)	19.4098%	0.0655	
Financial Risk						
Cash / Total Assets	4.33%	2.84%	(5.4724%)	6.5619%	0.0171	
Cash Interest Coverage	32.67x	9.37x	(18.6504%)	5.6669%	0.0135	
Current Liabilities / Net Worth	94.38%	118.57%	(1.2093%)	3.2831%	0.0060	
Debt / (Debt + Equity)	29.75%	32.82%	0.0000%	0.0000%	0.0000	
EBIT Interest Coverage	13.10x	4.94x	(17.9371%)	8.6404%	0.0266	
Retained Earnings / Total Assets	35.98%	28.20%	(4.3954%)	3.6592%	0.0300	
Return on Net Capital	3.81%	5.76%	1.6663%	3.5938%	0.0036	

Sovereign Capped 1 Year PD | FQ22019 (Jun-30-2019) | *Currency in EUR in mm

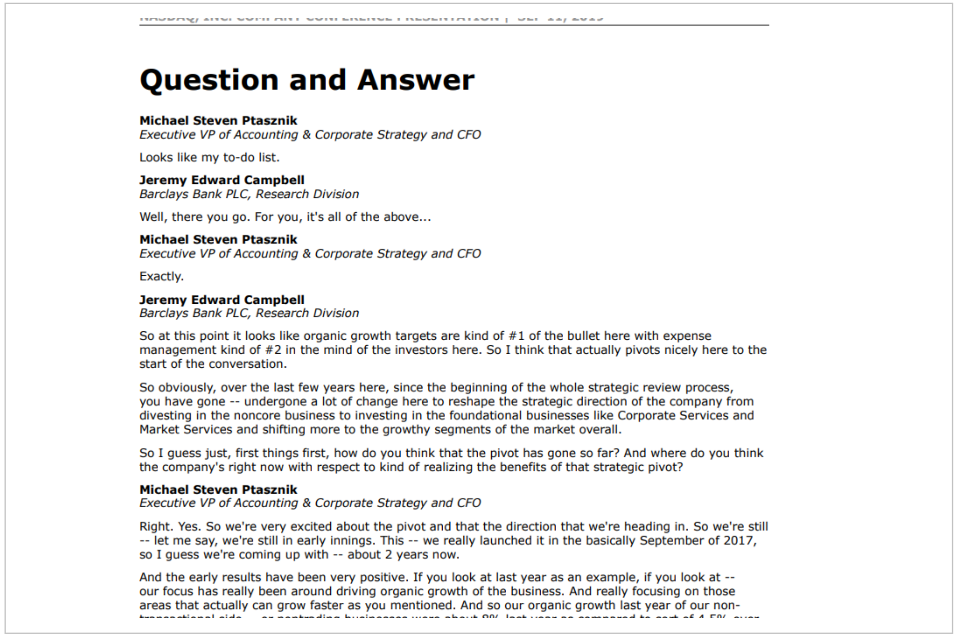
Source: S&P Global Market Intelligence

S&P Global
Market Intelligence

For illustrative purposes only

… Or from voice to sentiment

Step 1	Step 2	Step 3



Question and Answer

Michael Steven Ptasznik
Executive VP of Accounting & Corporate Strategy and CFO

Looks like my to-do list.

Jeremy Edward Campbell
Barclays Bank PLC, Research Division

Well, there you go. For you, it's all of the above...

Michael Steven Ptasznik
Executive VP of Accounting & Corporate Strategy and CFO

Exactly.

Jeremy Edward Campbell
Barclays Bank PLC, Research Division

So at this point it looks like organic growth targets are kind of #1 of the bullet here with expense management kind of #2 in the mind of the investors here. So I think that actually pivots nicely here to the start of the conversation.

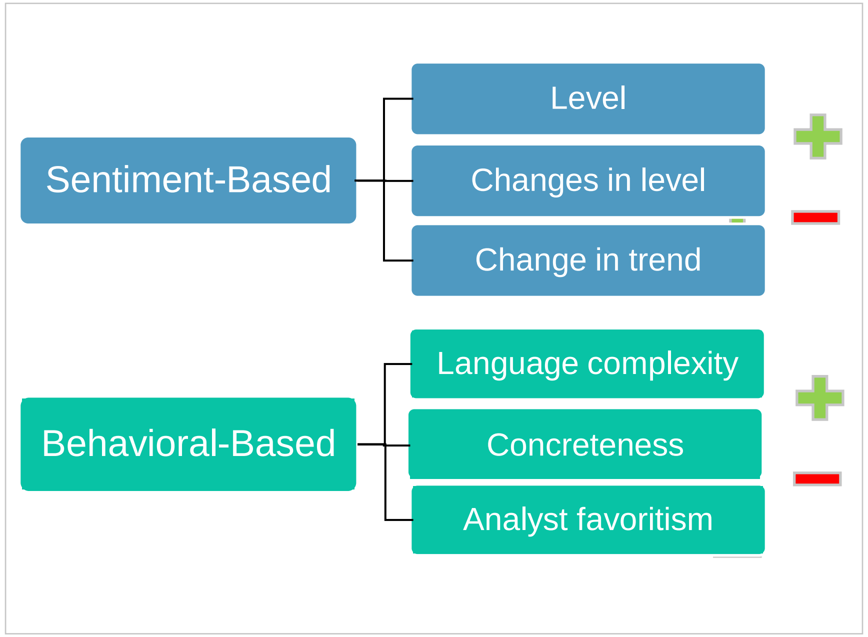
So obviously, over the last few years here, since the beginning of the whole strategic review process, you have gone -- undergone a lot of change here to reshape the strategic direction of the company from divesting in the noncore business to investing in the foundational businesses like Corporate Services and Market Services and shifting more to the growthy segments of the market overall.

So I guess just, first things first, how do you think that the pivot has gone so far? And where do you think the company's right now with respect to kind of realizing the benefits of that strategic pivot?

Michael Steven Ptasznik
Executive VP of Accounting & Corporate Strategy and CFO

Right. Yes. So we're very excited about the pivot and that the direction that we're heading in. So we're still -- let me say, we're still in early innings. This -- we really launched it in the basically September of 2017, so I guess we're coming up with -- about 2 years now.

And the early results have been very positive. If you look at last year as an example, if you look at -- our focus has really been around driving organic growth of the business. And really focusing on those areas that actually can grow faster as you mentioned. And so our organic growth last year of our non-



Source: S&P Global Market Intelligence

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