Approved

by Order No. 2023-11-13 VĮ-2 of the

Manager of UAB Nordstreet of [2023-11-13]

# UAB NORDSTREET

# PROCEDURE FOR THE ASSESSMENT OF THE CREDIT RISK OF INDIVIDUAL LOAN PORTFOLIOS AND FOR THE PROVISION OF INFORMATION

## 1. GENERAL PROVISIONS

1.1. This credit risk assessment and provision of information procedure ("Procedure") of UAB Nordstreet (the "Company") establishes the processes and methodologies in accordance with which the Company assesses credit risk when providing the individual loan portfolio management service, and also sets out the procedures for the provision of information related to individual loan portfolio management.

1.2. The Procedure has been prepared in accordance with Regulation (EU) 2020/1503 of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937 (the "Regulation") and other legal acts applicable to the Company and regulating its activities.

1.3. The Company's Manager or a responsible person appointed by him is responsible for the implementation of the Procedure.

## 2. DEFINITIONS

2.1. Unless the context requires otherwise, the terms used in this Procedure in capitalised form shall have the meanings set out below:

2.1.1. **Company** – UAB Nordstreet, legal entity code: 304565690, address: Naugarduko g. 19, Vilnius, Republic of Lithuania;

2.1.2. **Investor** – a client of the Company which invests, through the Platform administered by the Company, in a Project published on the Platform;

2.1.3. **Loan Agreement** – an agreement concluded through the Platform between the Project Owner and the Investor, on the basis of which the Investor finances the Project and provides crowdfunding funds to the Project Owner, and the Project Owner assumes the obligation to repay the crowdfunding funds received, together with interest and other applicable fees, within the time limit established in the agreement;

2.1.4. **Platform** – the information system administered by the Company (https://www.nordstreet.com/), by means of which crowdfunding is carried out;

2.1.5. **Project** – a project prepared for business, professional, scientific, research and other needs, other than consumption, and published on the Company's Platform, for the implementation of which the Project Owner seeks to raise crowdfunding funds from Investors;

2.1.6. **Project Owner** – a person initiating a Project which the Company publishes on the Platform administered by it;

2.1.7. **Procedure** – this document.

## 3. CREDIT RISK ASSESSMENT

3.1. The Company, when providing individual loan portfolio management services, shall, relying on reliable and clearly defined criteria and taking into account all relevant factors which may have an adverse effect on the performance of the loans, assess:

3.1.1. the credit risk of the individual Projects selected for the Investor's portfolio;

3.1.2. the credit risk at the level of the Investor's portfolio; and

3.1.3. the credit risk of the Project Owners selected for the Investor's portfolio, by verifying the probability that the Project Owner will meet its obligations relating to the loan.

3.2. When assessing the credit risks provided for in clause 3.1 of the Procedure, the Company establishes 5 credit risk levels:

3.2.1. A (low credit risk);

3.2.2. B (below-average credit risk);

3.2.3. C (average credit risk);

3.2.4. D (high credit risk);

3.2.5. E (very high, unacceptable credit risk).

3.3. The specific descriptions of the credit risk assessment methods referred to in clauses 3.2.1–3.2.5 of the Procedure are provided in Chapters Error! Reference source not found.–Error! Reference source not found. of this Procedure.

## 4. ASSESSMENT OF THE CREDIT RISK OF INDIVIDUAL PROJECTS

4.1. When assessing the credit risk of the individual Projects selected for the Investor's portfolio, the Company takes into account the following elements:

4.1.1. the criteria and key financial indicators used in order to determine the feasibility and sustainability of the business plans of the individual Projects;

4.1.2. the analysis of the expected cash flows of the Projects and the assessment of the extent to which those expected cash flows can be secured over different periods;

4.1.3. the analysis of the characteristics of the business sector in which the Project Owners operate, including the degree of competition;

4.1.4. the assessment of the knowledge, experience, reputation and ability of the Project Owners to manage business activities in the specific sector of the Project;

4.1.5. the impact of the security instrument;

4.1.6. the type of the loan repayment schedule and the frequency of the instalments.

4.2. When assessing the criteria provided for in clause 4.1 of the Procedure, the Company collects data in accordance with the procedures and sources established in the Company's Rules for the Assessment of the Reliability of Project Owners.

4.3. When carrying out the credit risk assessment of the Projects selected for the Investor's portfolio, the Company assigns to each of the criteria provided for in clause 4.1 of the Procedure a certain risk class – A, B, C, D or E – in the manner established below:

### Business plan assessment

| A risk class | B risk class | C risk class | D risk class | E risk class |
|---|---|---|---|---|
| a detailed business plan has been submitted, based on clear calculations founded on reliable data and sources; a clear vision of the project, the implementation stages, a clearly structured course of project implementation, the time limits and other information | a clear business plan has been submitted, a clear project implementation plan, clear calculations | an incomplete business plan has been submitted, the business plan is not fully finalised, the calculations are forecast-based, not supported by clear | an incomplete business plan has been submitted, the business plan lacks detail, there are no clear project implementation conditions, stages or calculations | no business plan has been submitted and there is no explanation of how the project will be implemented and what the potential benefit (return) of |

| A risk class | B risk class | C risk class | D risk class | E risk class |
|---|---|---|---|---|
| related to the implementation and realisation of the project are provided | | assumptions and clear data and sources | | the project is |

### Analysis and assessment of the expected cash flows

| A risk class | B risk class | C risk class | D risk class | E risk class |
|---|---|---|---|---|
| the cash flows are forecast to be positive and to ensure sufficient liquidity, and there are no indications in the assumptions that the actual situation may deviate from the forecasts presented | the cash flows are forecast to be positive; however, their sufficiency gives grounds to believe that the project owner may occasionally face a shortage of liquidity | the cash flows are forecast to be positive; however, the assumptions used in forecasting them give grounds to believe that the project owner may occasionally face a shortage of liquidity | the cash flows are forecast to be positive; however, their forecasting gives rise to justified doubts as to whether the project owner will in all cases be able to cover its obligations and operating expenses on time | the cash flows are forecast to be negative and/or give rise to significant doubts as to whether the project owner will be able to cover its obligations and operating expenses on time |

### Business sector analysis

| A risk class | B risk class | C risk class | D risk class | E risk class |
|---|---|---|---|---|
| the sector grew by >10 per cent | the sector grew by <10 per cent | the sector contracted by <10 per cent | the sector contracted by >10 per cent | the sector contracted by >20 per cent |

### Assessment of the knowledge, experience, reputation and ability of the Project Owner to manage business activities in the specific sector of the Project

| A risk class | B risk class | C risk class | D risk class | E risk class |
|---|---|---|---|---|
| the project owner's knowledge of the sector is positive, the project owner has an excellent understanding of the needs, trends, business environment and competition of the sector, the project owner has developed analogous projects and developed them successfully, the projects were profitable and liquid | the project owner's knowledge of the sector is positive, the project owner has an excellent understanding of the needs, trends, business environment and competition of the sector, the project owner has developed analogous projects and developed them successfully, the projects were profitable and liquid, but there have also been unsuccessful projects | the project owner's knowledge of the sector is to be assessed as positive, the project owner has developed analogous projects in the past; however, not all of the relevant projects developed by the project owner were successful and profitable | the project owner's knowledge of the sector is to be assessed as positive; however, the project owner has not developed projects in the relevant sector in the past, as a result of which doubts arise as to whether the project owner will be able to successfully develop the planned project | the project owner has not previously developed projects in the relevant business sector, its knowledge of the sector is minimal |

### Impact of the security instrument

| A risk class | B risk class | C risk class | D risk class | E risk class |
|---|---|---|---|---|
| The security instrument has no impact | | | | |

### Type of the loan repayment schedule and frequency of the instalments

| A risk class | C risk class |
|---|---|
| the loan is repaid in equal periodic instalments (e.g. paid monthly) | the principal loan amount may be repaid at the end of the loan term |

4.4. Taking into account the specific risk class, a weighted score is assigned to each criterion in the manner set out below:

4.4.1. where risk class A was assigned to a specific criterion – 1 point is assigned;

4.4.2. where risk class B was assigned to a specific criterion – 0.8 points are assigned;

4.4.3. where risk class C was assigned to a specific criterion – 0.6 points are assigned;

4.4.4. where risk class D was assigned to a specific criterion – 0.4 points are assigned;

4.4.5. where risk class E was assigned to a specific criterion – 0 points are assigned.

4.5. Once the weighted score of each of the criteria provided for in clause 4.1 of the Procedure has been established, the final sum of points is calculated and the credit risk of the Project selected for the Investor's portfolio is determined, as provided for in the table below:

| Sum of points | Credit risk |
|---|---|
| More than 5.4 (inclusive) | A (low credit risk) |
| From 4.2 (inclusive) to 5.4 | B (below-average credit risk) |
| From 3 (inclusive) to 4.2 | C (average credit risk) |
| From 1.2 (inclusive) to 3 | D (high credit risk) |
| Less than 1.2 | E (very high, unacceptable credit risk) |

4.6. In the cases and in accordance with the procedure provided for in the Rules for the Assessment of the Reliability of Project Owners, the Company may carry out a repeated assessment of the Project Owner and/or of the loan granted to it. In such cases, the Company shall also update the credit risk assessment of the Project selected for the Investor's portfolio and shall provide the relevant information to the Investor.

4.7. In order to reflect possible adverse future market events and exceptional events related to the type and purpose of the loan, the Company carries out a sensitivity analysis at the level of a single loan and of a single project owner.

4.8. The sensitivity analysis is carried out in accordance with the following principle – whether market fluctuations or exceptional events could have an impact on the loan or on the project owner.

4.9. It is based on "what if" analysis, for example, how independent factors may affect a dependent factor, and it is used to forecast an outcome where the analysis is carried out under certain conditions. It is generally used by investors who take into account the conditions affecting their potential investments in order to test, anticipate and assess the outcomes.

4.10. When carrying out the sensitivity analysis, the Company assesses:

4.10.1. the impact of a possible market fluctuation or of the occurrence of exceptional events on the type of the loan (e.g. inflation related to a specific business sector, etc.);

4.10.2. the impact of a possible market fluctuation or of the occurrence of exceptional events on the purpose of the loan (the pursuit of working capital, the development of projects, etc.).

| Impact of a market fluctuation or of the occurrence of exceptional events | Weight of the possible impact | Sensitivity analysis score assigned in figures |
|---|---|---|
| Impact | | |
| Very low impact | <5% | 1 |
| Low impact | <35% | 2 |
| Medium impact | 35% | 3 |
| Significant impact | 65% | 4 |
| High impact | 95% | 5 |

## 5. ASSESSMENT OF CREDIT RISK AT THE LEVEL OF THE INVESTOR'S PORTFOLIO

5.1. When assessing credit risk at the level of the Investor's portfolio, the Company takes into account the following elements:

5.1.1. the distribution of the loans by their term in the Investor's portfolio;

5.1.2. the interest rate of each loan in the Investor's portfolio;

5.1.3. the share of the loans in the Investor's portfolio granted to the same Project Owner or to a group of connected Project Owners[1];

5.1.4. the share of the loans in the Investor's portfolio granted to Project Owners established or operating in the same jurisdiction or geographical area;

5.1.5. the share of the loans assigned to the same risk category.

5.2. When assessing each of the criteria specified in clause 5.1 of the Procedure, the Company assigns to the relevant criterion one of the credit risk levels specified in clause 3.2 of the Procedure, as indicated in the table below:

| Criterion | Assumptions | Credit risk level assigned |
|---|---|---|
| Distribution of the loans by their term in the Investor's portfolio | The Company relies on the assumption that the longer the loan repayment term, the greater the probability that, during the period of the Loan Agreement, the Project Owner may face financial difficulties (due to changing economic conditions and other relevant circumstances). When assessing the distribution of the loans by their term, the Company takes into account the average term of a loan granted through the Platform administered by the Company | Where less than 20 per cent of the loans in the Investor's portfolio have a repayment term longer than 25 months – risk level A is assigned.<br><br>Where the loans in the Investor's portfolio with a repayment term longer than 25 months account for more than 20 per cent but less than 50 per cent – risk level B is assigned.<br><br>Where the loans in the Investor's portfolio with a repayment term longer than 25 months account for more than 50 per cent but less than 65 per cent – risk level C is assigned.<br><br>Where the loans in the Investor's portfolio with a repayment term longer than 25 months account for more than 65 per cent but less than 80 per cent – risk level D is assigned.<br><br>Where the loans in the Investor's portfolio with a repayment term longer than 25 months account for more than 80 per cent – risk level E is assigned |
| Interest rate of each loan in the Investor's portfolio | The Company relies on the assumption that, where the loan interest rate is higher, the probability that, due to the more expensive servicing of the loan, the Project Owner will face financial difficulties in repaying the loan and making the interest payments increases proportionately. When assessing the distribution of the loans by interest rate, the | Where the loans in the Investor's portfolio with an interest rate higher than 13 per cent account for less than 20 per cent – risk level A |

[1] A group of connected Project Owners means any of the following entities: (i) two or more natural or legal persons who constitute a single risk because one of them directly or indirectly controls the other or the others; (ii) two or more natural or legal persons must be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, the other or all of the others would most likely also face financing or repayment difficulties.

| Criterion | Assumptions | Credit risk level assigned |
|---|---|---|
| | Company takes into account the average interest rate of the loans granted through the Platform administered by the Company | is assigned.<br><br>Where the loans in the Investor’s portfolio with an interest rate higher than 13 per cent account for more than 20 per cent but less than 50 per cent – risk level B is assigned.<br><br>Where the loans in the Investor’s portfolio with an interest rate higher than 13 per cent account for more than 50 per cent but less than 65 per cent – risk level C is assigned.<br><br>Where the loans in the Investor’s portfolio with an interest rate higher than 13 per cent account for more than 65 per cent but less than 80 per cent – risk level D is assigned.<br><br>Where the loans in the Investor’s portfolio with an interest rate higher than 13 per cent account for more than 80 per cent – risk level E is assigned |
| Share of the loans in the Investor’s portfolio granted to the same Project Owner or to a group of connected Project Owners | The Company relies on the assumption that the greater the concentration of loans granted to the same Project Owner or to a group of connected Project Owners, the greater the probability that, should the relevant Project Owner (or the group of connected Project Owners) face financial difficulties, the Investor may lose the majority of or all of the funds invested in all of the loans granted to the relevant Project Owner (or to the group of connected Project Owners) | Where the loans in the Investor’s portfolio granted to the same Project Owner (or to a group of connected Project Owners) account for less than 7 per cent of all of the loans in the Investor’s portfolio – risk level A is assigned.<br><br>Where the loans in the Investor’s portfolio granted to the same Project Owner (or to a group of connected Project Owners) account for more than 7 per cent but less than 12 per cent of all of the loans in the Investor’s portfolio – risk level B is assigned.<br><br>Where the loans in the Investor’s portfolio granted to the same Project Owner (or to a group of connected Project Owners) account for more than 12 per cent but less than 20 per cent of all of the loans in the Investor’s portfolio – risk level C is assigned. |

| Criterion | Assumptions | Credit risk level assigned |
|---|---|---|
| | | Where the loans in the Investor's portfolio granted to the same Project Owner (or to a group of connected Project Owners) account for more than 20 per cent but less than 35 per cent of all of the loans in the Investor's portfolio – risk level D is assigned.<br><br>Where the loans in the Investor's portfolio granted to the same Project Owner (or to a group of connected Project Owners) account for more than 35 per cent of all of the loans in the Investor's portfolio – risk level E is assigned |
| Share of the loans in the Investor's portfolio granted to Project Owners established or operating in the same jurisdiction or geographical area | The Company relies on the assumption that the greater the share of loans granted to Project Owners established or operating in the same jurisdiction / geographical area, the greater the probability that, due to locally existing economic circumstances, the relevant Project Owners may face financial difficulties at the same time, and that the risk of losses for the Investor increases accordingly | Where the share of the loans in the Investor's portfolio granted to Project Owners established or operating in the same jurisdiction or geographical area is less than 30 per cent – risk level A is assigned.<br><br>Where the share of the loans in the Investor's portfolio granted to Project Owners established or operating in the same jurisdiction or geographical area is more than 30 per cent but less than 60 per cent – risk level B is assigned.<br><br>Where the share of the loans in the Investor's portfolio granted to Project Owners established or operating in the same jurisdiction or geographical area is more than 60 per cent but less than 75 per cent – risk level C is assigned.<br><br>Where the share of the loans in the Investor's portfolio granted to Project Owners established or operating in the same jurisdiction or geographical area is more than 75 per cent but less than 85 per cent – risk level D is assigned.<br><br>Where the share of the loans in the Investor's portfolio granted to Project Owners established or operating in the same jurisdiction or geographical area is more than 85 per cent – risk level E is |

| Criterion | Assumptions | Credit risk level assigned |
|---|---|---|
| | | assigned |
| Share of the loans in the Investor's portfolio granted to project owners operating in the same business sector | The Company relies on the assumption that the greater the share of the loans in the Investor's portfolio granted to project owners operating in the same business sector, the greater the probability that, due to adverse economic circumstances in respect of the relevant sector, the Investor may incur significant losses | Where the share of the loans in the Investor's portfolio granted to project owners operating in the same business sector is less than 20 per cent of all of the loans in the portfolio – risk level A is assigned.<br><br>Where the share of the loans in the Investor's portfolio granted to project owners operating in the same business sector is more than 20 per cent but less than 35 per cent of all of the loans in the portfolio – risk level B is assigned.<br><br>Where the share of the loans in the Investor's portfolio granted to project owners operating in the same business sector is more than 35 per cent but less than 50 per cent of all of the loans in the portfolio – risk level C is assigned.<br><br>Where the share of the loans in the Investor's portfolio granted to project owners operating in the same business sector is more than 50 per cent but less than 65 per cent of all of the loans in the portfolio – risk level D is assigned.<br><br>Where the share of the loans in the Investor's portfolio granted to project owners operating in the same business sector is more than 65 per cent of all of the loans in the portfolio – risk level E is assigned |
| Share of the loans assigned to the same risk category | The Company relies on the assumption that loans assigned to category A or B have no significant effect on the Investor's portfolio, since they carry a low credit risk. However, the Company considers that, where loans assigned to risk category C or D account for a significant part of the portfolio, the probability that the Investor may incur significant losses increases | Where loans assigned to risk category C account for more than 30 per cent of the portfolio of loans granted by the Investor – risk level C is assigned.<br><br>Where loans assigned to risk category D account for more than 30 per cent of the portfolio of loans granted by the Investor – risk level D is assigned |

5.3. Having assessed the criteria indicated in the table above and having assigned the indicated risk levels to the relevant criteria, the Company calculates, for each criterion and according to the level assigned, a weighted score which is equal to:

5.3.1. in the case of risk level A – 1 point;

5.3.2. in the case of risk level B – 0.8 points;

5.3.3. in the case of risk level C – 0.6 points;

5.3.4. in the case of risk level D – 0.4 points;

5.3.5. in the case of risk level E – 0 points.

5.4. Having assigned weighted scores to each criterion in accordance with the procedure established in clause 5.3 of the Procedure, the Company calculates the final sum of points and, on the basis thereof, determines the overall credit risk at the level of the Investor's portfolio in the manner established below:

| Sum of points | Credit risk |
|---|---|
| More than 5.4 (inclusive) | A (low credit risk) |
| From 4.2 (inclusive) to 5.4 | B (below-average credit risk) |
| From 3 (inclusive) to 4.2 | C (average credit risk) |
| From 1.2 (inclusive) to 3 | D (high credit risk) |
| Less than 1.2 | E (very high, unacceptable credit risk) |

5.5. When assessing the risk levels, the Company also carries out stress testing. This testing is carried out in order to assess the resilience of the portfolio over the economic cycle and in accordance with various scenarios, procedures and information systems.

5.6. When carrying out stress testing at the portfolio level, the Company assesses:

5.6.1. the content of the portfolio (the type of the loans in the Investor's portfolio, i.e. the sector of the financed loans and its forecasts;

5.6.2. the security of the loans in the portfolio (whether (and to what extent) the loans in the Investor's portfolio are secured together with security instruments);

5.6.3. the economic situation of the jurisdictions or geographical areas of the loans in the portfolio.

5.7. When assessing the scenarios specified in clause 5.6 of the Procedure, the Company relies on official information sources (e.g. Creditinfo Lietuva, Statistics Lithuania, statistical data provided by the Bank of Lithuania, etc.).

5.8. The stress test is assessed on the basis of the level of probability of occurrence of the scenarios specified in clause 5.6 of the Procedure and of the aggregate probability of occurrence of the scenarios specified in clause 5.6 of the Procedure and the level of their impact:

**Probability of occurrence of the worst-case scenarios:**

| Probability of occurrence | Weight of the probability of occurrence |
|---|---|
| Probability | |
| May occur only in exceptional situations (e.g. force majeure) | <5% |
| May occur, but very rarely | <35% |
| May occur, but rarely | 35% |
| Likely to occur | 65% |
| High probability of occurring | 95% |

**Possible impact on the portfolio:**

| Impact | | | | | |
|---|---|---|---|---|---|
| Impact level | Very low | Low | Medium | High | Very high |
| Impact scale | <1% | 1% | 5% | 15% | 20% |
| | 1 | 2 | 3 | 4 | 5 |
| | Insignificant | Small | Medium | Considerable | Very considerable |

| Impact | | | | | |
|---|---|---|---|---|---|
| Very low probability | 3 | 6 | 9 | 12 | 15 |
| There is a high probability | 3.5 | 7 | 10.5 | 14 | 17.5 |
| There is a probability | 4 | 8 | 12 | 16 | 20 |
| Low probability | 4.5 | 9 | 13.5 | 18 | 22.5 |
| Likely to occur | 5 | 10 | 15 | 20 | 25 |

**Final calculation of the stress test:**

**Final test result = Probability x Impact**

| Points | Final test result |
|---|---|
| 1 – 5 | Very high portfolio resilience (the worst-case conditions should not have an effect on the Investor's portfolio) |
| 6 – 10 | High portfolio resilience (the worst-case conditions should not have a significant effect on the Investor's portfolio) |
| 11 – 15 | Medium portfolio resilience (the worst-case conditions may have a medium effect on the Investor's portfolio) |
| 16 – 20 | Low portfolio resilience (the worst-case conditions may have a major effect on the Investor's portfolio) |
| 21 – 25 | Very low portfolio resilience (the worst-case conditions may have a very major effect on the Investor's portfolio) |

## 6. ASSESSMENT OF THE CREDIT RISK OF PROJECT OWNERS

6.1. The assessment of the credit risk of Project Owners is carried out in accordance with the procedure provided for in the Company's Rules for the Assessment of the Reliability of Project Owners.

6.2. Accordingly, once the creditworthiness assessment of the Project Owner has been carried out in accordance with the procedure provided for in the Rules for the Assessment of the Reliability of Project Owners, a credit risk level is also assigned to the specific Project Owner.

## 7. PROVISION OF INFORMATION TO INVESTORS

7.1. The Company provides the following information about the Investor's portfolio on an ongoing basis and, at the separate request of the Investor, by electronic means:

7.1.1. a list of the individual loans of which the portfolio is composed;

7.1.2. the weighted average annual interest rate of the loans included in the portfolio;

7.1.3. the distribution of the loans by risk category, in percentages and in absolute numbers;

7.1.4. key information on each loan of which the portfolio is composed, including the interest rate, the maturity date, the risk category, the schedule for the repayment of the principal and the payment of interest, and the project owner's compliance with the schedule;

7.1.5. for each loan of which the portfolio is composed – the risk mitigation measures, including the providers of the security instrument or the guarantors, or other types of guarantees;

7.1.6. all cases of non-performance of the Project Owner's obligations under credit agreements over the past five years;

7.1.7. all fees paid in respect of the loan by the Investor, by the Company or by the Project Owner;

7.1.8. where a revaluation of the loan has been carried out:

7.1.8.1. the results of the most recent revaluation;

7.1.8.2. the date of the revaluation;

7.1.8.3. an explanation of why the revaluation was carried out;

7.1.8.4. a fair description of the expected actual return, taking into account the fees and the rates of non-performance of obligations.

**Calculation of the weighted average annual interest rate**

7.2. When calculating the weighted average annual interest rate, as provided for in clause 7.1.2 of the Procedure, the Company uses the following formula:

WAAIR = S / V, where

WAAIR – the weighted average annual interest rate;

S – the sum of the notional amounts of all of the loans included in the Investor's portfolio;

V – the amount obtained by multiplying the following amounts: (i) the notional amount of each loan, (ii) the annual interest rate of each loan included in the portfolio.

**Distribution of the loans by risk categories**

7.3. When calculating the distribution of the loans by risk categories in percentages and in absolute numbers, as provided for in clause 7.1.3 of the Procedure, the Company ensures that each individual loan is assigned to the relevant risk category on the basis of the criteria established by the Company, as provided for in this Procedure (see Chapter 4 of the Procedure).

7.4. When carrying out the calculation provided for in clause 7.3 of the Procedure, the Company considers that:

7.4.1. the distribution of the loans by risk category in absolute numbers means the sum of the notional amounts of all of the loans of the same risk category;

7.4.2. the distribution of the loans by risk categories in percentages means the ratio of the following amounts:

7.4.2.1. the sum of the notional amounts of all of the loans of the same risk category; and

7.4.2.2. the total notional amount of all of the loans in the portfolio.

**Key information on each loan in the portfolio**

7.5. The information provided for in clause 7.1.4 of the Procedure on each loan in the Investor's portfolio comprises the following elements:

7.5.1. the loan amount, including the latest outstanding balance;

7.5.2. the currency in which the loan was granted;

7.5.3. the entity responsible for the servicing of the loan, including its legal name, registration code and place of registration, registered office and contact details, as well as its loan servicing policy;

7.5.4. the identity of the Project Owner, including its legal name, country of establishment and registration code, the address of its registered office and the company's website;

7.5.5. the ownership structure of the Project Owner;

7.5.6. the purpose of the loan, together with a brief description of the Project;

7.5.7. the interest rate and the method of its calculation;

7.5.8. the loan repayment term;

7.5.9. the risk category to which the loan is assigned in accordance with the procedures applied by the Company and a description of those procedures;

7.5.10. the schedule for the repayment of the principal amount and the payment of the loan interest;

7.5.11. information on whether the Project Owner complies with the schedule of loan instalments, indicating any overdue payments or any cases of non-performance of obligations;

7.5.12. the percentage share of the amount of the Project which the Investor finances with the loan granted, expressed as the ratio of the following amounts:

7.5.12.1. the notional amount of the loan; and

7.5.12.2. the total amount of the Project.

7.5.13. information on whether the Project Owner is carrying out more than one crowdfunding project financed by any crowdfunding service provider, including the following information:

7.5.13.1. the type of the offer and the instrument used to finance the project;

7.5.13.2. the completion date (past or anticipated);

7.5.13.3. the notional amount borrowed by the Project Owner;

7.5.13.4. other relevant information, including all other financial and contingent liabilities.

7.6. The Company obtains the information specified in clause 7.5.13 of the Procedure from the Project Owner. Nevertheless, the Company must ensure that the relevant information is accurate, reliable and up to date. When collecting the relevant information and satisfying itself as to its reliability, the Company follows the information collection and verification procedures provided for in the Rules for the Assessment of the Reliability of Project Owners.

**Information on the security (risk mitigation) instruments**

7.7. Security instruments may be provided in order to secure the Projects financed on the Company's Platform and, accordingly, the successfully concluded loan agreements. Security instruments may be of two types:

7.7.1. direct credit protection – a pledge of movable and/or immovable property;

7.7.2. indirect credit protection – a promissory note, suretyship or guarantee provided by a third party.

7.8. In the case referred to in clause 7.7.1 of the Procedure, the Company provides Investors with the following information on the movable and/or immovable property being pledged:

7.8.1. the type of the property;

7.8.2. the most recent valuation of the property and its value, including the expected realisation value in the event of enforced recovery;

7.8.3. the valuation method;

7.8.4. the ratio between the property being pledged and the obligations (loan-to-value).

7.9. In the case referred to in clause 7.7.2 of the Procedure, the Company provides Investors with the following information:

7.9.1. the name, address and legal nature of the third party acting as the security provider or guarantor;

7.9.2. the ratio of the following amounts:

7.9.2.1. the notional amount of the loan covered by the third party; and

7.9.2.2. the total notional amount of the loan, expressed as a percentage.

7.10. All security instruments provided by the Project Owner and by third parties for its benefit are assessed in accordance with the procedure established in the Rules for the Assessment of the Reliability of Project Owners.

**Information on the Project Owner's non-performance of obligations under credit agreements**

7.11. For the purposes of clause 7.1.6 of the Procedure, the Company provides information on the non-performance of the credit agreements concluded by the Project Owner during the past five years. The information is provided to Investors in all of the following cases:

7.11.1. at the moment the loan is granted;

7.11.2. immediately after an event of non-performance of obligations;

7.11.3. prior to the end of the term of the credit agreement included in the portfolio.

7.12. The Company satisfies itself that the information provided by the Project Owner under clause 7.11 of the Procedure is accurate, reliable and up to date. For this purpose, the Company follows the information verification procedures and rules established in the Rules for the Assessment of the Reliability of Project Owners. The Company also informs investors of the manner in which the Company satisfied itself as to the reliability of the information provided by the Project Owner.

**Information on the fees paid in respect of the loan by the Investor, the Company or the Project Owner**

7.13. The Company publishes on its website all relevant information on the fees payable by the Investor and by the Project Owner, in so far as this relates to the financing of the Project and/or to the conclusion and administration of the loan agreement.

7.14. The Company ensures that the information published on the website on the relevant fees covers at least the following information:

7.14.1. the person to whom the specific fee is applicable;

7.14.2. the amount of the fee;

7.14.3. the person to whom the specific fee is paid;

7.14.4. all services remunerated by the fees (including subscription fees, management fees, fees for debt recovery processes and exit fees);

7.14.5. the method of calculation of the fees (including whether the amount of the fees corresponds to a percentage share of the loan amount or to any other variable, or is a fixed amount);

7.14.6. the schedule for the payment of the fees.

**Information on the valuation of the loan**

7.15. For the purposes of clause 7.1.8 of the Procedure, the valuation of each individual loan carried out by the Company must reflect the expected actual return of the relevant loan, which is defined as the discounted annual return on investment which the Investor expects on a given valuation date on the basis of the most recent information available.

7.16. When calculating the expected actual return, the Company relies on the following information:

7.16.1. the interest rate;

7.16.2. the yield at the end of the loan term;

7.16.3. the amount of all fees applicable in respect of the loan;

7.16.4. the expected rates of non-performance of obligations;

7.16.5. all other costs related to the loan and incurred by the Project Owner, the Investor or the Company.

7.17. The valuation of the loan shall include the valuation of the portfolio in which the loan is included, expressed as the ratio of the following amounts:

7.17.1. the numerator, which is obtained by adding together the products of the following amounts:

7.17.1.1. the notional amount of each loan in the portfolio; and

7.17.1.2. the corresponding expected actual return of each loan in the portfolio;

7.17.2. the denominator, which is obtained by adding together the notional amounts of all of the loans in the portfolio.

7.18. All information specified in this Chapter of the Procedure is provided to Investors on an ongoing basis (where this is possible) in their accounts which the Investors have created on the Platform. In addition, the information may also be provided at the separate request of the Investor, in accordance with the procedure, within the time limits and on the conditions provided for in the agreements concluded with the Investor.

## 8. FINAL PROVISIONS

8.1. This Procedure enters into force on the date of its approval, except in cases where the decision of the Company's Manager approving the Procedure provides for a different date of entry into force.

8.2. Decisions on the approval, repeal, amendment and/or supplementation of the Procedure shall be adopted by the Company's Manager.