EstateGuru Group Credit Risk Policy general principles

1. Goals and Scope of the Policy

Credit Risk policy sets the main principals for credit analysis, monitoring, reporting, decision making, collaterals and debt collection in EstateGuru Crowdfunding platform.

Credit Risk Policy provides the framework for sustainable credit risk strategy for investors, who are investing through EstateGuru platform.In general, EstateGuru doesn`t take the credit risk and acts as an intermediary for Borrowers and Investors. If EstateGuru (or it`s related parties) invests into projects in the platform, then the same credit risk policy rules will be used for risk analysis.

Our sustainable credit risk strategy follows the following principles: long term revenues from the loans succeed the costs, diversification of credit portfolio and taking only risks, which are measurable and mitigatable.

Credit Risk policy takes into account the Strategy, business plan and general risk principals of EstateGuru, crowdfunding and other laws (if applicable) and common practice with ethical standards.

Credit risk policy is executed on behalf of investors by EstateGuru risk and sales departments with Credit committees. Credit risk Policy is mandatory to be followed in all the countries, where EstateGuru provides it`s intermediary services.

2. Risk Appetite and potential Borrowers

Credit risk appetite framework is based on a holistic risk approach. The credit risk appetite statements are defined in terms of credit risk concentration (ie. Limits to a single borrower(s), long-term credit quality (expected capital loss), short-term credit quality (probability of default) and capital loss under the plausible risk stress test scenario.

Credit risk appetite is defined as keeping a medium level of credit risk for the investors. If the borrower`s and the loan risk cost is higher than usual, then mitigation solutions should be applied (ie. Higher interest rate and/or additional collaterals)

Potential Borrowers in EstateGuru platform, are typically small and medium size companies (SME-s) in markets, where there is a funding gap in the financial sector (banking and other financing is limited).

Positive financing decision for Borrower can take place only if EstateGuru has all the needed information about the Borrower (incl. business model, collateral information, financials of the Borrower etc) and the relationship is based on a mutual trust principal.

3. Loan Product

EstateGuru offers three type of loan products:

1) Bridge loan – A short-term loan used to meet current obligations, before securing permanent financing, enhancing value or selling the collateral;
2) Business loan – Loan is used to raise capital for daily business activities, business expansion, acquisition of equipment or goods, cover pending obligations etc;
3) Real estate development loan – Loan is used to finance property acquisition and/or planning activities and/or construction works;

The Product being offered, is based on risk appetite, potential borrowers profile and credit market situation.

4. Project owner reliability assessment rules

Positive financing decision of a borrower can take place only if EstateGuru has all the necessary information about the borrower (including business model, collateral etc) and the relationship is based on a mutual trust principal.

If the borrower has been with negative credit history in EstateGuru and investors have experienced a capital loss with that borrower, then new loan application should be declined immediately.

Credit managers are responsible for data and quality in all parts of the loan application. All the info and data which is used for credit decision is documented and saved into EstateGuru's system. Members of the credit committees and credit are involved in the credit process of a borrower as early as possible to increase efficiency.

EstateGuru's loan application (memo) consists of three main parts:
1. Borrower information including background, financial statements, business plan etc.
2. Collateral information including description, type, valuation report etc.
3. Loan terms proposed by the credit manager including repayment source.

Financial risk is analysed based on financial statements of the borrower (or if the borrower is part of a group, then consolidated financials also) including revenue and costs, balance sheet structure, liquidity and debt coverage.

Accepted risk criteria (ARC) based on the latest financial statements are used for assessing the borrower financial „health" and the capability to increase the level of liabilities. If the borrower doesn't meet the mentioned ARC, then this doesn't lead automatically to negative decision, but it should be noted and taken into account in final decision and risks should be mitigated.

Based on loan application the system will automatically check, if possible if the customer has previous loans through EstateGuru with payment history, any late repayments or debts to other credit institutions or tax debts (external databases including credit bureaus are used). In case of any current or former overdue, they have to be commented in the application and typically solved/ended by the time of loan disbursement.

Based on application EstateGuru's internal rating is calculated (minimum level of internal rating should be in general C).

Besides financial due diligence and rating calculation, legal due diligence is performed by internal and/or external legal counsels when credit transaction is complicated.

Based on criteria set in EstateGuru's AML policy borrowers must also fill in AML questionnaire and their background (including sanction lists) will be checked.

Credit manager and credit committee check regularly the financial and market information of a customer. Customer will provide EstateGuru with information about its financial performance upon request. In case of a considerable increase of the risk of customer failure, credit managers inform relevant credit committee about the risk increase.