

INFORMATION ON THE METHOD USED BY ESTATEGURU TO CALCULATE CREDIT SCORES

For assigning each loan project an appropriate credit score, Estateguru uses a scoring model created by Moody's Analytics, one of the world's leading credit scoring agencies. Moody's Analytics has long been recognized for its expertise in assessing the credit quality and default risk of corporations, and other entities around the globe. Their scoring models serve as a fundamental tool in this assessment process, providing investors with valuable insights to make informed investment decisions.

As an investor, an understanding of the scoring model employed by Estateguru is helpful in evaluating the risk associated with the loans you can invest in via the Estateguru platform.

At the heart of Moody's Analytics scoring model is the aim to provide reliable and objective credit scores that reflect the underlying projects. The Moody's Analytics scoring model takes into account both quantitative and qualitative aspects, recognizing the importance of analyzing financial data alongside qualitative assessments. By integrating these multiple dimensions, Moody's Analytics is able to provide a holistic view of credit risk, capturing both the inherent financial strength of a project and potential vulnerabilities that may arise from external factors. This comprehensive approach ensures a thorough evaluation that goes beyond mere financial ratios and incorporates a nuanced understanding of various risk factors.

Estateguru applies appropriate governance arrangements for the use of credit scoring models. Specifically, the method used by Estateguru to calculate credit scores falls under the area of responsibility of Estateguru's risk and product departments. The Chief Credit Officer and Head of Product are required to ensure that the model is in use and the quality of its output is regularly assessed and monitored.

Below, you can delve into the key components of the Moody's Analytics' scoring model, exploring the factors considered and the overall framework used to assign credit scores.

Nature of the information used to feed the Moody's Analytics credit scoring model

All of the information for scoring a loan project is inserted into Estateguru's internal loan application system which sends the information via an API to Moody's Analytics. After the calculation of the score in the Moody's Analytics system the information is sent back to Estateguru's loan application system.

What criteria are considered by the model and how?

- **Profitability of the crowdfunding project**

The model takes into account the servicing of the loan project via net operating income of the project and debt amount.

- **Cash flow generated by the crowdfunding project**

The model takes into account the cash flow of the loan project via net operating income of the project.

- **Leverage, level of indebtedness and solvency of the project owner**

The model takes into account the loan balance of the project (total limit expected) and servicing of the loan. A project owner's solvency ratio is not considered by the model.

- **Credit history of the project owner**

The credit history of the project owner is not considered by the model. However, the credit history of the project owner is, insofar as this can be established, considered as part of applying Estateguru's risk assessment framework to decide whether or not to publish a project on the platform.

- **Availability of collateral and guarantees**

The existence of real estate collateral along with guarantees/sureties is taken into account by the model.

- **Macroeconomic conditions of the jurisdiction where the project will take place**

The country and city (or area) where the project will take place are considered by the model. If a country is not available in the model, then a comparable country is used for the assessment.

- **Degree of competition of the industry where the project will be developed**

The degree of competition in the industry where the project will be developed is not considered by the model.

- **The project owner's knowledge and experience of the specific sector of its business activity**

The project owner's knowledge and experience of the specific sector of its business activity are not considered by the model but assessed separately by Estateguru during the underwriting phase.

- **The project owner's reputation**

The project owner's reputation is is not considered by the model, but assessed separately by Estateguru during the underwriting phase.

Output of the Moody's Analytics credit scoring model

Risk category	Probability of default	Qualitative interpretation	Decision
Aaa	0,000%	Highest quality, minimal risk	ACCEPTED
Aa1	0,001%	High quality, very low credit risk	ACCEPTED
Aa2	0,001%		ACCEPTED
Aa3	0,003%		ACCEPTED
A1	0,006%	High to middle category, low credit risk	ACCEPTED
A2	0,011%		ACCEPTED
A3	0,039%		ACCEPTED
Baa1	0,090%	Middle category	ACCEPTED
Baa2	0,170%		ACCEPTED
Baa3	0,420%		ACCEPTED
Ba1	0,870%	Higher than average credit risk	ACCEPTED
Ba2	1,560%		ACCEPTED
Ba3	2,810%		ACCEPTED
B1	4,680%	High risk (probability	ACCEPTED

B2	7,160%	of default of up to 6,0% is accepted for new projects)	REJECTED
B3	11,620%		REJECTED
Caa1	17,382%	Very high risk	REJECTED
Caa2	26,000%		REJECTED
Caa3	50,990%		REJECTED
Ca	75,495%		REJECTED
C	100,000%		REJECTED
NA	NA	Very high risk, probability of default cannot be established, because projects was published before Moody's Analytics integration	-

Implications of the credit score for the loan amount and maturity

If the probability of default is not higher than the maximum allowed, then the loan amount and maturity which the loan manager has proposed will not be changed. If the probability of default is higher than the maximum allowed, then the loan amount needs to be decreased and/or the maturity to be shortened to lower the risk (and consequently the probability of default) before the loan project is published on the platform. If the latter is not done, then the project is rejected.

Frequency of updating the credit scores of crowdfunding projects

As Estateguru intermediates short-term loans, then scores are updated when a loan is refinanced on the platform.