Proplend™

Proplend P2P Lending Summary – March 2024

RISK WARNING: Don't invest unless you're prepared to lose money. This is a high-risk investment. You may not be able to access your money easily and are unlikely to be protected if something goes wrong. Take 2 minutes to learn more.

Peer-to-peer (P2P) loans are an alternative investment providing opportunities for individuals to lend directly to other people or businesses without using a bank. P2P lending operates on a 'many to many' lending model through internet intermediaries, also called a lending platform, who arrange and manage the loans. *GOV.UK*

In the UK, P2P Lending platforms are regulated and authorised by the Financial Conduct Authority. New FCA regulations which came into force on 9 December 2019 were introduced to help ensure that only investors capable of understanding the risks and of bearing the consequences, invest in P2P agreements.

Summary of Peer-to-Peer Lending Risks More Information

- P2P loans are not covered by the Financial Services Compensation Scheme (FSCS)
- ALL capital invested in 'P2P agreements' is at risk.
- Risk mitigation is not a guarantee that investors will not suffer a loss in relation to capital invested.
- Lenders may suffer a financial loss if the Borrower is unable to continue to make the interest payments when they fall due or to repay the loan principal amount when it falls due.
- Entering into P2P agreements is not comparable to depositing money in a savings account (or Cash ISA).
- Liquidity of loans cannot be guaranteed even where the platform operates a secondary market.
- If a loan is in interest arrears or a default status or is within a month of the contracted maturity date, the loan will not be eligible to be listed on Proplend's secondary market (Proplend Loan Exchange).
- Actual returns may vary over time and differ from advertised rates in the event of loan default(s)
- In the event of platform insolvency and a Wind-Down plan being invoked, returns may not be as expected and All capital is at risk, even though a back-up service provider is in place.
- Proplend does not give or offer any advice.

How Proplend Lending Works More Information

- Lenders invest in P2P loans backed by commercial property(s) or land with planning permission.
- Proplend has three core products: Term Loans, Bridge Loans and VAT Loans
- Proplend facilitates loans of up to £3m and up to 75% loan to value (LTV), for between 6-36 months.
- Proplend provides the platform to facilitate direct contractual relationships between the Borrower and each participating Lender.
- Minimum platform investment is £1,000, with loans split into individual £1,000 loan parts.
- To accommodate for the differing Investor risk & return appetites, each Term & Bridge loan is 'tranched' in up to three loan-to-value (LTV) based, risk-priced investments – Tranche A (0-50% LTV), Tranche B (51-65% LTV) and Tranche C (66-75% LTV).)
- Tranche A is the lowest risk, offering the lowest interest rate. Tranche C is the highest risk with the highest return.
- In a default scenario, Tranche A is paid in priority to Tranche B and Tranche C, then Tranche B is paid in priority to Tranche C.
- Interest rates quoted are gross and net (less the Proplend Lender Fee) fixed rates, that are loan and tranche specific.
- Proplend collects and passes on 100% of the interest paid by the Borrower, before deducting a 10% Lender Fee.
- Lenders can sell and buy active loans which are in good standing (not any loan that is within 30 days of its maturity date or any loan that is in either Arrears or Default) via the Proplend Loan Exchange (PLE). PLE loan part sales are

at face value and require a willing buyer. There is no guarantee of liquidity on the PLE. The selling Lender pays a 0.5% fee on the face value of the loan part once it is sold.

How Proplend Mitigates Lender Risk [More Information]

- P2P property lending (debt) ranks ahead of the Borrower's equity position.
- Proplend Security Ltd (Security Trustee) holds a 1st legal charge on all securing property on behalf of the Lenders, which ranks platform Lenders ahead of any other permitted 3rd party security.
- LTV risk based tranching, gives Lenders a choice of risk adjusted investments, depending on their appetite for risk - Tranche A is the lowest risk, offering the lowest interest rate. Tranche C is the highest risk with the highest return.
- Comprehensive credit and due diligence checks are conducted on the Borrower, including AML and KYC.
- Robust underwriting due diligence is conducted on all securing property, leases and tenants within those properties.
- A minimum 3-months interest reserve is taken on all loans that are backed by income-producing property. Interest for the full term + 3 months is reserved from Borrowers for non-income producing properties i.e. Bridge loans.
- Proplend has a contractual relationship with a stand-by servicer, should a situation arise whereby it could no longer provide its current suite of services. A detailed Wind-Down plan is also in place as per FCA requirements.

Proplend's Automated Investing (AutoLend) [More Information]

- The AutoLend function can be found within the Lender Dashboard and offers two products, Always On and Self Select.
- Targets a minimum return rate of at least 5% p.a. after fees and bad debt but before tax.
- Can be activated in Classic, ISA accounts and Pension Accounts.
- AutoLend will invest up to the maximum amount you set, subject to loan and tranche availability.
- AutoLend operates on a token-based system to ensure as many Lenders as possible are able to invest in each loan.
- Always On can run at any time and Self Select runs on the day the loan is in funding.

Proplend's Innovative Finance ISA (IFISA) [More Information]

- Proplend's IFISA is flexible, meaning any funds withdrawn can be returned by the end of the same tax year.
- There are no extra fees or restrictions for ISA transfers either into or from Proplend.
- IFISA interest is earned (and paid) tax-free.

Points of Note

- It is important to note that "cash drag" which is a term used by investors to describe the negative effects on their returns of sitting on cash whilst waiting to fund an investment opportunity can occur frequently. This is because, there is often a timing gap between the point when a Lender deposits funds and the point at which a loan is originated and matched against those funds. Therefore, any predicted returns are solely based off funds that have actually been invested into a loan and not funds that have been deposited but not yet deployed.
- Proplend recommends that, investors should diversify their loan portfolio to help minimise the risk to their capital. By spreading loan investments across multiple Borrowers, geographic location, and asset type, this will help reduce the potential impact of a single Borrower failing to repay any of their interest or loan principal.
- Retail customer outcomes continue to be a central focus of Proplend's risk & control arrangements as it provides full disclosure and transparency to all its Lenders about the Platform itself and the loans it facilitates and how they are all tranched and priced via an LTV risk pricing matrix. As such, all Lenders have full discretion and control as to which loans and which LTV risk tranche they wish to invest in.
- Proplend is very conscious about reputational risk and continues to ensure that all its communications including all financial promotions are carefully reviewed to ensure that they are appropriate for the target audience and are presented in a clear, fair, and not misleading manner.
- Proplend Limited is authorised and regulated by the Financial Conduct Authority and is entered on the Financial Services Register under firm registration number 726646.