Investment Risks

Risks Description and Prevention Policy

(the **Policy**)

Governance	
Version	V1.0
Approved by	Marc-Anthony Hurr The Managing Director
Policy Owner	UAB "Iban Online" Company Code: 305638426 Registered Address: Didžioji g. 18, LT-01128 Vilnius, Lithuania (the **Company**)
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Like most other investment opportunities, crowdfunding investment is inextricably linked to various risks. The Company will make every effort to minimise the impact of the risks, which implies that it will constantly monitor the changing environment subject to the identified possible risks and apply the envisaged methods of control of such risks.

Our employees have significant credit risk assessment and management experience in various financial institutions and in various investment/finance sections. We continuously developed credit risk assessment techniques based on different risk criteria such as age, gender, salary, income type, employment history, education, number of dependents and the records of how borrowers meet their financial obligations. Therefore, we ask such data during the onboarding stage.

Main Investment Risks

Risk Identified	Risk Description	Risk Prevention/Mitigation
General macroeconomic investment risk	In the short term, the value of investments in loans may fluctuate depending on the general economic situation, prices of rent and sale of projects on the platform of the Company and variations in supply and demand.	It is recommended to invest in projects in the medium or long term as well as invest into different projects so that the investor could avoid the short-term price fluctuation risk.
Risk of change of local economic situation and tax-related requirements	Possible changes in the real property-related economic indicators, for example, depreciation of the real property, decrease in the income of the project owner, inflation, changes in the taxes imposed on specific sector (related to different projects), changes in the local banks' funding policy changes of the position of the Bank of Lithuania in the principles of the responsible borrowing, and other related business changes.	The specialists of the Company will constantly monitor and assess the economic indicators with a view to updating the operational plans of new projects according to the changing environment as soon as possible. The Company will also adjust the assessment procedures, risk assessment methodology and the investment risk level algorithm taking into account the market development.
Risk of non-performance or improper performance of the obligations of a project owner	Possible risk of non-performance of the obligations of the project owner (failure to pay the interest or improper settlement with the investors) due to unforeseen or more complex project-related works than planned, due to changes in cash flows, due to arising of new obligations or creditors' claims, etc.	Carrying out of assessments of the owners of the project and projects on the basis of a unique algorithm of the Company, meeting high requirements in the calculations of which a series of quantitative and qualitative variables is used. The assessments are carried out by specialists with extensive experience in the relevant business fields and finance area. In

		case of a failure to perform the obligations, default interest shall be charged. Projects assessed as of too-high risk are not financed.
Liquidity risk	Loss risk which may arise due to low liquidity of the real property which determines sale of the project object at a price lower than planned.	In order to reduce the liquidity risk, the specialists of the Company shall constantly monitor changes in the relevant market(s) and revise the assessment procedures, the risk assessment methodology and the investment risk level algorithm accordingly.
Decrease in/lower return on investment	Risk of decrease in, e.g., lease income paid to the owner of the real property project in case of supply of leased premises higher than foreseen and in case of decrease in the demand higher than planned. In such case, the return on the investor's lease and the value of stream premises may decrease.	Constant analysis and assessment of the economic and other indicators, affecting lease income, timely notification of the project owner and the investor of possible changes in relevant market. The Company constantly improves the risk mitigation procedures to minimize risks of low return on investment.
Risk of exceeded time and financial costs for the project	The term of the project developed may last longer than planned before the start of the project and the costs may be higher than planned; thus, this may result in overdue payments or non-performance of the obligations by the project owners.	The specialists of the Company will assess the projects of the project owners, taking into account the analysis of the cash flows of the project and/or the project owner, assessment of the project shall be carried out only by the selected property appraisal agencies, the ratio between the loan and the pledged property (the LTV ratio) shall not exceed 70 percent.
Risk of physical damage/loss of project object(s) due to a fire or other natural forces	Risk of physical damage to property or destruction of property due to natural calamities and disasters, intentional or accidental human/technical activities.	All risky object of the projects are strongly recommended to be insured
Market Risk	The risk to lose a part of the investments which arises in case of a sudden and unexpected decrease in the value of the project(s)/project object(s) due to massive sales of	All objects of the projects funded through the Company shall be funded on the basis of the adequate loan-to-value ratio (LTV ratio), which cannot exceed 70 percent.

	property in the market, or other circumstances lowering the value of the project to which the investors have invested.	
Interest rate risk	Type of risk where the risk of incurring losses or increased alternative costs arises due to sudden or unexpected change in the interest rate level in the market.	The respective specialists of the Company will constantly monitor the interest rate level in the market and take into account possible fluctuations in the interest rate when assessing new projects. Taking into account the interest rate risk and a series of other important variables, the specialists shall prepare a pessimistic scenario of cash flows of the project and, if necessary, notify the investor of possible interest rate risk fluctuations in the information on the risks described in relation to each project.

General Risks Disclaimer

Investment is related to the risk that you will not recover the funds you have invested. Therefore, you must understand that any investment decision the funder's own responsibility, consequently, the investor must choose to invest in a responsible manner. The risks related to investment remain despite of careful risk assessment and mitigation thereof, and an investor may lose all of the profit gained through the Company/Platform and all of the invested sum.

What is worth to mention about the onboarding process and responsibility of our each customer, after submission of applications, the stage of approval process takes place. This stage helps the customers not to make impulsive decisions, assess the risks, the conditions of the loan and the overall economic situation in relation to their investments.

Please be also informed that **crowdfunding is not covered by insurance protection established by the Law on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania.**

Therefore, the Company, as a FinTech intermediary, shall not assume liability for possible losses incurred by you. Before starting crowdfunding investment, you should assess your investment experience, knowledge, financial assistance and familiarise with possible risks, general economic and market situation. To this end, when you log in to the Platform, you will find the Investor's onboarding questionnaire, I which we recommend to fill-in all the questions and honestly evaluate your knowledge.

However, aiming to ensure that the project owners fulfil the obligations which they undertake, the project owners will be required to provide the assets/property that they acquire with the financing received through the Company/Platform, as collateral. A risk exists that the value of the acquired assets/property will change over the development of the project. Due to this there is a likelihood that the proceeds received from the sale of such assets may not be enough to cover all of the project owner's obligations.

The Investors are also able to transfer their rights of claim (right of recourse) in the secondary market through the Platform and thus solve their project-related risks. Investors may transfer their rights of claim only to other users of the platform, i.e. the Company does not allow to transfer rights of claim (rights of recourse) outside the Company/Platform. In the application for transfer of the right of claim (right of recourse) the Funder (Investor) specifies the price for the specific right of claim, which may be equal to the nominal value of the right of claim or differ, i.e. be higher or lower.

The Company bears no responsibility for any losses suffered by funders/investors when investing through the Company/Platform and does not guarantee that the project owners shall perform their obligations properly.

Should you have any questions concerning risks or preventive measures, do not hesitate to contact us by e-mail contact@ibanonline.lt.

Risks Management Principles

The Company recognises that it needs to accept some level of risk in order to execute their business plan and strategy. As a result, firms must consider their own risk appetite through risk analysis, including a register;

Definition of Risk Appetite:

- ISO 31000 / Guide 73: Amount and type of risk that an organisation is willing to pursue or retain;
- BS31100: Amount and type of risk that an organisation is prepared to seek, accept or tolerate.

Risk tolerance can be defined as the amount of uncertainty a person is prepared to accept in total or more narrowly within a certain business unit, a particular risk category or for a specific initiative.

This must be expressed in quantitative terms that can be monitored, risk tolerance often is communicated in terms of acceptable or unacceptable outcomes or as limited levels of risk. Risk tolerance statements identify the specific minimum and maximum levels beyond which the Company is unwilling to lose. The range of deviation within the expressed boundaries would be bearable. However, exceeding the Company's established risk tolerance level not only may imperil its overall strategy and objectives, in the aggregate doing so may threaten its very survival. This can be due to the consequences in terms of cost, disruption to objectives or in reputation impact.

Risk appetite as well as tolerance are generally set by the Board and/or executive management of the Company and are linked with the Company's strategy. They capture the Company' philosophy, desired by the Board for managing and taking risks, help frame and define the Company's expected risk culture and guide overall resource allocation. The risk register will be reviewed at a Board meeting at least once a month, ensuring all identified and mitigated risk are within the Company's acceptable risk appetite.

Risk culture consists of the norms and traditions of behaviour of individuals and of groups within the Company that determine the way in which they identify, understand, discuss and act on the risk the Company is exposed to and takes. Firms get into trouble when individuals, knowingly or unknowingly, act outside of the expected risk culture, or when the expected risk culture either is not well understood and/or enforced.

Risk identification is the process of identifying potential threats to the Company that may exist in both the short and long-term future through a systematic approach utilising several sources of information.

Definition of Risk

Risk is any current or potential threat to a person, which may exist in both the short and long term. A risk may arise at a function, entity level or group wide, e.g. cyber-attack. Risk can therefore be considered as a combination of impact (potential harm caused) and probability (likelihood of a particular event occurring).

The following sets out the key principles for the Company's management of risks:

- not all risks in the Appointed Representative firm can be eliminated;
- the key risks should be monitored and reported on regularly;
- risks that have been identified also have to be measured;
- wherever possible, the risks should be mitigated.

Below is a list of relevant policies and documents related to the Company's Risk Management Framework. No one document can encapsulate all relevant risks of the Company, as the risks exposed to the Company are varied. This is why they are split into multiple focused policies, which are easily accessible and understood by all relevant staff. Current risks are overseen by the board of the Company, however, the head of each department will also have oversight due to their respective expertise.

- AML & Sanctions Policy
- Anti-Bribery & Inducements Policy & Register
- Business Continuity Plan
- Credit Policies
- Conflicts of Interest Policy & Register
- Fraud Policy
- Financial Promotions Policy
- Risk Register
- Whistle Blowing
- IT security Policy
- Personal Account Dealing Policy
- Other important policies and procedures of the Company.

The above are reviewed periodically, including document reviews and discussion of policy changes at monthly Board meetings. The review, monitoring and implementation of the above documentation encapsulates the risk management framework.