

DEFAULT MANAGEMENT PROCEDURE

1. GENERAL PROVISIONS

- 1.1. This Default Management Procedure (the “Procedure”) of UAB Finance EU (the “Company”) establishes the procedures and measures that the Company must apply where a Project Owner breaches the terms of a Loan Agreement and/or improperly performs its obligations under a Loan Agreement.
- 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”), as well as other legislation applicable to the Company and governing its activities.
- 1.3. The head of the Company or a responsible person appointed by the head of the Company shall be responsible for implementing the Procedure.

2. DEFINITIONS

- 2.1. Unless the context requires otherwise, the capitalised terms used in this Procedure shall have the meanings set out below:
 - 2.1.1. **Company** – UAB Finance EU, legal entity code 306726092, registered office at Debesijos g. 8-38, Vilnius, Lithuania;
 - 2.1.2. **Investor** – a Client of the Company who 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 a Project Owner and an Investor under which the Investor finances a Project and provides crowdfunding funds to the Project Owner, and the Project Owner undertakes to repay the crowdfunding funds received, together with interest and other applicable fees, within the period specified in the agreement;
 - 2.1.4. **Platform** – the publicly accessible online information system administered and operated by the Company;
 - 2.1.5. **Project** – a project prepared for business, professional, scientific, research or other purposes, excluding 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 who initiates a Project that the Company publishes on the Platform administered by it;
 - 2.1.7. **Procedure** – this document.

3. DEFAULT BY PROJECT OWNERS

- 3.1. The Company shall consider a Project Owner to be in default under a Loan Agreement where either or both of the following events have occurred:
 - 3.1.1. the Company considers that the Project Owner is unlikely to pay the relevant amount in full or otherwise fulfil its credit obligations relating to the relevant Loan Agreement without recourse to actions such as the realisation of collateral. The Company shall have grounds to consider that the Project Owner is unlikely to properly perform its obligations under the Loan Agreement where:
 - 3.1.1.1. a distressed restructuring of the credit obligation relating to the loan has taken place where a diminished financial obligation was likely to result from a material forgiveness or postponement of principal, interest or, where relevant, fees;
 - 3.1.1.2. the Project Owner has applied for or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation relating to the relevant loan to Investors.
 - 3.1.2. the Project Owner is more than 90 days past due on any material credit obligation relating to the Loan Agreement, unless the Loan Agreement allows the Project Owner to change

the payment schedule or suspend or defer payments under certain conditions, in which case the number of days past due shall be calculated on the basis of the revised payment schedule once it has been amended. For the purposes of this Clause, the Company shall consider a credit obligation material where it exceeds the aggregate amount of at least one calendar month's instalments payable by the Project Owner under the Loan Agreement.

- 3.2. Where the Company identifies any of the circumstances referred to in Clauses 3.1.1–3.1.2 of this Procedure, the Company shall take the following measures and actions:

- 3.2.1. **first, it shall immediately inform the Investors of the relevant circumstances and provide information on the measures that the Company intends to take to manage the Project Owner's default;**
- 3.2.2. **second, it shall terminate the Loan Agreement with the Project Owner in accordance with the procedure set out in the Loan Agreement;**
- 3.2.3. **third, it shall initiate debt recovery procedures and actions against the Project Owner as set out in Section 9 of this Procedure.**

4. METHODOLOGY FOR CALCULATING THE DEFAULT RATE

- 4.1. The Company shall use non-overlapping 12-month observation windows to calculate the simple average of the observed one-year default rates over the entire historical observation period. When calculating the relevant rate, the Company shall ensure that all of the following conditions are met:
- 4.1.1. the denominator shall consist of the number of non-defaulted loans observed at the beginning of the 12-month observation window;
- 4.1.2. the numerator shall include all loans included in the denominator that had at least one default event during the 12-month observation window.
- 4.2. For the calculations referred to in Clause 4.1 of this Procedure, loans for which no payment is scheduled during the 12-month observation period shall not be included in the data set used to calculate the default rate for that period.
- 4.3. For the calculations referred to in Clause 4.1 of this Procedure, the Company shall ensure that the historical observation period used for at least one data source is at least 36 months. Where the observation period available for any source is longer, the longer period shall be used. Until the Company has completed 36 months of operations, it shall use data covering its actual period of operations.
- 4.4. All information relating to the methodology for calculating the default rate shall be clearly disclosed to Investors on the Company's website.

5. METHODOLOGY FOR CALCULATING ACTUAL LOAN DEFAULT RATES BY RISK CATEGORY

- 5.1. When disclosing the actual default rates for all loans, the Company shall use non-overlapping 12-month observation windows to calculate the simple averages of the observed one-year default rates by risk category over the entire historical observation period.
- 5.2. When calculating the one-year default rate by risk category, the Company shall ensure that all of the following conditions are met:
- 5.2.1. the denominator shall consist of the number of non-defaulted loans in the risk category for which the default rate is calculated that were observed at the beginning of the 12-month observation period;
- 5.2.2. the numerator shall include all loans included in the denominator that had at least one default event during the 12-month observation period.
- 5.3. For the purposes of Clause 5.2 of this Procedure, loans for which no payment is scheduled during the 12-month observation period shall not be included in the data set used to calculate the default rate for that period.
- 5.4. For the purposes of Clause 5.1 of this Procedure, the Company shall ensure that the historical observation period used for at least one data source is at least 36 months. Where the observation period available for any source is longer, the longer period shall be used. Until the Company has

completed 36 months of operations, it shall use data covering its actual period of operations.

- 5.5. All information relating to the methodology for calculating actual loan default rates by risk category shall be clearly disclosed to Investors on the Company's website.

6. METHODOLOGY FOR CALCULATING EXPECTED LOAN DEFAULT RATES BY RISK CATEGORY

- 6.1. When disclosing the expected default rates for all loans, the Company shall base its estimates of expected default rates by risk category on the actual loan default rates by risk category calculated in accordance with Section 5 of this Procedure.
- 6.2. For the purposes of Clause 6.1 of this Procedure, the Company shall ensure that the historical observation period used for at least one data source is at least 36 months. Where the observation period available for any source is longer, the longer period shall be used. Until the Company has completed 36 months of operations, it shall use data covering its actual period of operations.

7. ASSIGNMENT TO RISK CATEGORIES

- 7.1. In accordance with Sections 5 and 6 of this Procedure, the Company shall assign individual loans to the appropriate risk category established in the Company's internal documents, taking into account, among other matters, all relevant factors that may adversely affect loan performance.

8. PRE-LITIGATION DEBT RECOVERY PROCESS

- 8.1. The Company shall send the Project Owner an SMS reminder of the upcoming instalment due date. The Project Owner shall be informed that the 5th, 15th or 25th day of the month, as specified in the payment schedule of the relevant Loan Agreement, is the final date for paying the instalment.
- 8.2. The Company shall inform the Project Owner by email that default interest will be charged and that, if the Project Owner continues to delay the performance of its obligations, the Project Owner's personal data will be recorded in the systems of the credit bureau UAB Creditinfo Lietuva.
- 8.3. The Company shall send an SMS requesting the Project Owner to pay the instalment as soon as possible and avoid debt recovery action.
- 8.4. The Company shall send an email warning that the debt will be registered in the databases of UAB Creditinfo Lietuva and that the Company intends to refer administration of the debt to its internal Debt Recovery Department.
- 8.5. The Company shall make an automated call reminding the Project Owner of the unpaid instalment.
- 8.6. Where the Project Owner has failed to perform its obligations for 30 days, the Company shall refer the debt recovery process to its internal Debt Recovery Department. To prevent the Project Owner from assuming additional financial obligations, information concerning the debt shall be registered in the databases of UAB Creditinfo Lietuva.
- 8.7. The Company shall terminate Loan Agreements with insolvent Project Owners after three instalments under the loan repayment schedule have remained unpaid. Termination of the Loan Agreement may be deferred where an agreement is concluded with the Project Owner regarding payment of the outstanding debt in instalments.

9. JUDICIAL AND ENFORCEMENT DEBT RECOVERY PROCESS

- 9.1. Following termination of the Loan Agreement, the Company shall commence recovery of the debt from the Project Owner. The Company may engage an external lawyer or debt recovery specialist with appropriate competence and experience in debt recovery to carry out the recovery procedures.
- 9.2. Within two business days following termination of the Loan Agreement, the Company or a responsible person appointed by it shall contact the Project Owner and discuss the available options for settling the Project Owner's outstanding amounts.
- 9.3. If no mutual agreement on the settlement of the Project Owner's outstanding amounts is reached in the manner set out in Clause 9.2 of the Procedure, enforcement of the debt shall commence as follows:
 - 9.3.1. an application shall immediately be made to a notary for the issuance of an enforceable

instrument under the mortgage agreement entered into by the Project Owner;

- 9.3.2. upon receipt of the enforceable instrument from the notary, it shall be submitted to a bailiff, who shall commence enforcement against the Project Owner's assets pledged in favour of the Company.
- 9.4. If the value of the Project Owner's assets pledged in favour of the Company is insufficient to cover the Project Owner's outstanding amounts under the Loan Agreement, the Company shall be entitled to apply to the court for an award of the debt. When applying to the court, the Company shall also request interim protective measures and the attachment of assets owned by the Project Owner.
- 9.5. The Company shall also take any other procedural actions available and necessary to recover the Project Owner's outstanding amounts, including:
 - 9.5.1. applying to the court for an award of the debt under a surety agreement, where such an agreement exists;
 - 9.5.2. applying to a notary for an enforcement endorsement on a promissory note issued by the Project Owner, where such a promissory note has been issued;
 - 9.5.3. taking any other actions available under the security instruments granted by the Project Owner in favour of the Company.
- 9.6. Where bankruptcy or restructuring proceedings are opened in respect of the Project Owner, the Company shall prepare a creditor's claim and submit it to the Project Owner's insolvency administrator.
- 9.7. Where the Company engages an external service provider, such as a lawyer or debt recovery specialist, to recover the Project Owner's outstanding amounts, the Company shall ensure that all debt recovery actions performed by the external service provider are coordinated with the Company and provide the maximum possible protection of Investors' interests.
- 9.8. All actions for the recovery of a Project Owner's debt discussed in this Section of the Procedure shall be carried out having regard to the financial circumstances of each Project Owner and may therefore be amended and/or adjusted as appropriate.

10. DISCLOSURE OF INFORMATION

- 10.1. The Company shall disclose at least the following information on the Platform administered by it:
 - 10.1.1. annually, the default rates of the crowdfunding projects offered on the Platform over at least the preceding 36 months;
 - 10.1.2. within four months of the end of each financial year, an outcome statement setting out:
 - 10.1.2.1. the expected and actual default rates of all loans intermediated by the Company, by risk category and by reference to the risk categories set out in the risk management framework;
 - 10.1.2.2. a summary of the assumptions used in determining the expected default rates; and
 - 10.1.2.3. where a target rate was offered in relation to individual portfolio management of loans, the actual return achieved.
- 10.2. The information referred to in Clause 10.1 of this Procedure shall be disclosed in a prominent place on the Company's website.

11. FINAL PROVISIONS

- 11.1. This Procedure shall enter into force on the date of its approval, unless the decision of the head of the Company approving the Procedure specifies a different effective date.
- 11.2. Decisions on the approval, repeal, amendment and/or supplementation of the Procedure shall be adopted by the head of the Company.