

# loanpad<sup>TM</sup>

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## Outcomes Statement.

1 January 2020 to 31 December 2020



Capital at risk. Not protected by the FSCS. Past performance is not an indicator of future results.

To help you monitor the performance of the loan portfolio, we will publish an Outcomes Statement within four months of the end of each financial year, for us that's 31 December.

The Outcomes Statement is a regulatory requirement by the Financial Conduct Authority (FCA). It is designed to help you monitor and understand the performance of the loan portfolio by showing expected and actual default rates by reference to risk categories and the actual return achieved against any Target Rate offered.

*We try our best predict potential returns and defaults, but we can't guarantee anything. As with all investments, past performance should be used as a guide only. It is no guarantee of future returns.*

## 1. Target Rate and Actual Interest Rates

The Target Rate is defined by the Financial Conduct Authority (FCA) as the overall rate of return that we aim to achieve for our lenders in the respective lending accounts.

The Target Rate is not guaranteed, and it can go up or down. We monitor interest rates against the performance of the loans on our portfolio. If our rates do change, we let lenders know in advance and clearly explain the reason for the change.

We set out below the advertised target interest rate for the period 1 January 2020 to 31 December 2020 against the actual returns for the Classic and Premium accounts.

1 January 2020 to 31 December 2020				
Lending Account	Target Return Per Annum		Actual Return Per Annum	
<b>Classic</b>	1.1.20 to 3.5.20	4.00%	1.1.20 to 3.5.20	4.00%
	4.5.20 to 31.10.20	3.50%	4.5.20 to 31.10.20	3.50%
	1.11.20 to 30.11.20	3.25%	1.11.20 to 30.11.20	3.25%
	1.12.20 to 31.12.20	3.00%	1.12.20 to 31.12.20	3.00%
<b>Premium</b>	1.1.20 to 3.5.20	5.00%	1.1.20 to 3.5.20	5.00%
	4.5.20 to 31.10.20	4.50%	4.5.20 to 31.10.20	4.50%
	1.11.20 to 30.11.20	4.25%	1.11.20 to 30.11.20	4.25%
	1.12.20 to 31.12.20	4.00%	1.12.20 to 31.12.20	4.00%

We highlight that the actual returns above are stated before compounding interest which would have increased the actual returns generated.

Please refer to our website for the current Target Rate.

## 2. Default Rates - Overview

When you invest in loans, there is always a possibility that some of them won't be paid back on time. This is a common occurrence and can often be a result of logistical delays in securing re-finance, delays in development / refurbishment and / or the property sales process taking longer than expected.

We partner with established property lenders and spread your money evenly every day across a portfolio of secured property loans. We only take on carefully vetted lower-risk property loans.

In line with FCA regulations, we are required to define a loan in default where the borrower is past the contractual payment date by more than 180 days. At Loanpad, we also define a loan in default where the borrower has materially breached the terms of the loan and we are actively seeking full repayment.

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It is important to note that default does not necessarily mean that lenders will incur a capital loss. All loans are backed (secured) by property that we can sell to recover lenders' money if required. As at 31 December 2020, no capital losses have been incurred for any lenders.

We set out below how we work out our Expected and Actual Default rates.

Term	Definition	Explanation
<b>Actual Default Rate</b>	The proportion of loans in a particular risk category which went into default in the period according to the regulatory definition above and / or where the borrower materially breached the terms of the loan and we were actively seeking full repayment.	<p>We sum the value of loans that went into default during the period and divide the total by the average capital outstanding for all loans in each risk category.</p> <p>The average capital outstanding for each risk category is calculated by adding the outstanding loans at the start of the period to the outstanding loans at the end of the period and dividing by two.</p> <p>Loans already in default at the start of the period are excluded from these calculations.</p>
<b>Expected Default Rate</b>	The proportion of loans in a particular risk category which, at the period start date, were expected to go into default based on a combination of the risk category and a theoretical fall in the property value of 40%.	<p>We sum the value of loans expected to go into default in the future and divide by the total capital outstanding for all loans in each risk category.</p> <p>Loans already in default at the start of the period are excluded from these calculations.</p>

### 3. Default Rates - Expected vs Actual

The table below shows the Expected Default Rate against the Actual Default Rate by reference to their risk category for the period from 1 January 2020 to 31 December 2020.

Risk Category	Expected Default Rate	Actual Default Rate
Category 1: LTV using Open Market Value under 35% based on external valuation. First charge. Established Lending Partner. No known material adverse information on Borrower.	0.00% *	0.00% *
Category 2: LTV using Open Market Value between 35%-50% based on external	0.00%	0.00%

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valuation. First charge. Established Lending Partner. No known material adverse information on Borrower.		
Category 3: LTV using Open Market Value under 35% based on desktop valuation. First charge. Established Lending. No known material adverse information on Borrower.	0.00%	0.00%
Category 4: LTV using Open Market Value between 35%-50% based on desktop valuation. First charge. Established Lending Partner. No known material adverse information on Borrower.	0.00%	0.00%
Category 5: LTV using Gross Development Value under 50% based on external valuation. Development >75% complete. First charge. Established Lending Partner. No known material adverse information on Borrower.	0.00%	0.00%
Category 6: LTV using Gross Development Value under 50% based on desktop valuation. Development >75% complete. First charge. Established Lending Partner. No known material adverse information on Borrower.	0.00%	0.00%
Category 7: LTV using Gross Development Value under 40% based on external valuation. Development >50% complete. First charge. Established Lending Partner. No known material adverse information on Borrower.	0.00%	0.00%
Category 8: LTV using Gross Development Value under 40% based on desktop valuation. Development >50% complete. First charge. Established Lending Partner. No known material adverse information on Borrower.	0.00%	0.00%

\* This excludes loans already in default at the start of the period.

#### **4. Loans in Default**

At the start and end of the period, there was one loan of £150,000 in default with a Loan-To-Value of 32.61%. This loan accounted for 2.25% of the overall loanbook as at 1 January 2020 and 0.86% of the overall loanbook as at 31 December 2020. We anticipate a full recovery with no capital loss for lenders.