

MINTGRADE RATING POLICY

Effective 5 January 2019

Rating Approach

A borrower's ability to generate sufficient cash flow in the future to repay interest and principal as required under the terms and conditions of a Loan Request is assessed using a pre-determined set of parameters. The Minterest approach to rating a particular Loan Request is to use as much quantitative data as possible to avoid subjectivity. However, we do recognise that the manner in which promoters and their management team react to various scenarios also affect a borrower's ability to generate cash flow from its business. As such, a portion of the rating assessment is based on qualitative observations determined during our due diligence process.

Quantitative data is sourced from both borrowers themselves as well as various third party independent information providers (e.g. Dun & Bradstreet, Credit Bureau Singapore). Information for qualitative assessment is sourced from meetings with borrowers' promoters and management teams as well as from big data. A total of more than 200 data points are then processed through a Minterest proprietary model to determine the rating of each Loan Request.

Rating Methodology

The MintGrade ratings reflect both quantitative and qualitative factors that take into account the business and financial risks of each of the borrowers and their specific Loan Requests. Each of the drivers that determine the final MintGrade rating is accorded a weighting as set out below. Given the profile of the borrowers on the Minterest platform, a significant weighting has been accorded to the promoter and management team as well as forward-looking financials of the particular borrower.

Key Rating Factors	Weighting of Factors
Assessment of Promoters and Management Team	20% to 30%
Financials – Historical and Forward-Looking	30% to 50%
Deal Structuring, Collateral, Corporate Governance and Legal Matters	20% to 30%
Macro-economic Factors and Business Operating Environment	5% to 15%

Assessment of Promoters and Management Team

Minterest's assessment of a borrower's promoters and management team focuses on both quantitative and qualitative information. These would include management's years of experience in the industry, number of years operating as a business owner, guarantors' credit bureau reports as well as the management's ability to react to various scenarios beyond their control.

Financials

Historical financial profile is an important indicator of how well a borrower has performed in the past, and track record often provides a useful indication of how a borrower could perform in the future. This section of our assessment also includes a significant weighting given to the score calculated using the Altman Z’ Score (Emerging Market) model. We typically use at least two years’ of historical financial information in our analysis. Forward-looking financial profile provides an indication of the ability of the borrower to repay its debt obligations. Our model focuses on free cash flow, earnings, capital structure and leverage of the borrower.

Deal Structuring, Collateral, Corporate Governance and Legal Matters

Properly structured loans go a long way to ensure repayment risks are mitigated. The availability of legally perfected collateral offers an additional layer of security to the lenders. The existence or otherwise of litigation, and other adverse matters, may negatively or adversely affect a borrower’s ability to generate sufficient cash flows to meet its obligations. Corporate governance is also an important aspect in our analysis.

Macro-economic Factors and Business Operating Environment

Macro-economic factors may play a part in the success or failure of a business and affect a borrower’s ability to generate sufficient cash flow to service its debts. Quantitative data derived from governmental and third party independent sources is embedded purposes of our assessment. These include both historical and forward-looking information. Market positioning and industry outlook are also taken into account.

MintGrade Ratings Scale

Minterest uses the following rating scale for all Loan Requests received which are assessed and scored using our proprietary model. Only Loan Requests rated MintGrade AA to E are approved to be listed on the platform and offered to our investors for investment.

Where a Loan Request is supported by a specific insurance cover from insurance companies or guarantee from financial firms which are rated by a recognized rating agency, the MintGrade rating for that Loan Request determined using our model may be substituted by a higher rating.

MintGrade	Loan Request Key Characteristics
AA	Very strong credit quality. Generally assessed to be of highest quality, with minimal risk.
A	Strong credit quality. Generally assessed to have a low credit risk.
B	Very good credit quality. Generally assessed to have a low to low-medium credit risk.
C	Good credit quality. Generally assessed to have medium credit risk.
D	Acceptable credit quality. Generally assessed to have medium to upper-medium credit risk.
E	Average credit quality. Generally assessed to have upper-medium to high credit risk.

- F Poor credit quality. Generally assessed to have high credit risk.
- G Poorest credit quality. Generally assessed to have significant credit risk.
- NA Not applicable. Assigned to (i) convertible loans with redemption at option of borrower or automatic conversion to shares of the borrower, (ii) participating loans where interest rates are subject to certain parameters being achieved, and (iii) structured loans where the terms and conditions of the loan are bespoke to the specific transaction.

Indicative Interest Rate Pricing Range

MintGrade	Indicative Interest Rate Range (per annum)
AA	3.00% to 7.00%
A	5.00% to 10.00%
B	8.00% to 14.00%
C	11.00% to 17.00%
D	15.00% to 21.00%
E	18.00% to 24.00%
F	Loan Will Not Be Listed
G	Loan Will Not Be Listed
NA	Applicable to Convertible and Structured Loans

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