EuroRating affirmed 'A-' long-term credit rating to senior secured fixed rate bonds programme of the company Propifi Bonds plc (UK)

Public / Private rating	**public**
Continued / One off rating	**continued (monitored rating)**
Category	**rating for a bonds programme**
Bonds issued by	**Propifi Bonds plc (United Kingdom)**
Type of the rated bonds	**series under senior secured fixed rate bonds programme**
Type of the credit rating	**long-term, international scale**
Date of rating verification	**9 April 2024**
Rating level	**A-**
Rating outlook	**stable**

Warsaw, 9 April 2024 – EuroRating credit rating agency has revised the credit rating for the senior secured fixed rate bonds programme of the company Propifi Bonds plc (UK). The rating has been affirmed at 'A-' with a stable outlook.

The presented credit rating is a rating for a bonds programme and relates to issues of fixed rate secured note series issued (or planned to be issued) by the company Propifi Bonds plc (the "Issuer") under the £5,000,000,000 secured notes programme.

The bonds' denomination is £100,000; the bonds' duration is 5-year; maturity dates depend on the date of issue of individual bond series; bonds' currencies are GBP, USD and EUR; notes have a call option.

The presented credit rating does not relate to the credit risk (or probability of default) of the Issuer. The rating concerns the risk of an ultimate loss of a part or all of the bonds' principal amount and the interest by the bondholders in the event of a default of the Issuer.

KEY RATING DRIVERS

Bonds' protection by solid assets: Every bond issued under the Propifi Bonds plc ("the Issuert") program is backed by a first charge over property assets from borrowers of Propifi Investments Ltd ("the Principal Borrower"), granting it priority in case of default. In addition to the borrower assets, all assets of Propifi Investments Ltd, including cash, are pledged as collateral for the bonds issued by Propifi Bonds plc.

Personal guarantees: An additional layer of security is provided by personal guarantees offered by borrowers. These guarantees offer recourse for bondholders beyond the value of the underlying collateral.

The bonds are legally protected in the case of Propifi's default or insolvency: The bonds' collateral is held by an independent trustee (Truva Services Ltd) on behalf of the bond holders. This ensures that if the Issuer defaulted or went into insolvency it would not affect the security being relied upon by the bond holders as this would be managed by the security trustee.

Loan-to-Value (LTV) ratio limit: Propifi maintains a conservative lending approach with a maximum LTV ratio of 70%. This limits exposure by ensuring loans do not exceed 70% of a property's appraised value, mitigating potential losses arising from property value fluctuations. An independent L&P administrator monitors this ratio and has the authority to take corrective actions, including asset liquidation, if the limit is breached.

Independent valuation of collateral: Propifi Bonds ensures collateral value through rigorous assessments. Clients must provide reports from reputable valuers (like Savills, Knight Frank and CRE) during loan applications. These valuers hold a minimum of £10 million in professional indemnity insurance, protecting Propifi if a significant valuation discrepancy arises. Additionally, a dedicated L&P administrator examines all documentation, conducts independent valuations and considers external assessments to create a comprehensive Net Asset Position statement for the entire portfolio.

All bond series issued in the program are secured against all loans made to borrowers: All bond series are to be secured against all loans made to borrowers (with properties securing such loans). This reduces the risk resulting from the improper valuation of individual properties, as well as diversifies the risk between types of commercial real estate properties (offices, retail, industrial, hotels, special purpose, etc.) in case if one industry will have problems (like the tourism industry during the Covid-19 pandemic).

Expected good assets portfolio diversification: Funds from the bonds are invested by the Principal Borrower in a diversified portfolio of short-term bridging loans on the property market.

Fairly developed real estate market in the UK: The funds are invested in property loans only on the British market, which is large, well developed and organised.

Loans have a maximum term of 12 months: In such a short period of time, a decline in the property value of more than 30% is very unlikely, which significantly reduces the risk of loans.

Propifi Group’s experienced management team: The Propifi Group has been established by a team of experienced managers with highly competent crisis management capabilities, which gives investors assurance eg. that their money will not be invested in real estate with an overestimated value. This should significantly reduce the risk of recovering money in the event of a debt collapse. The ownership of company’s shares by the management can also influence on running the company in a relatively safe way.

Short track record and weak financing: Both Propifi Bonds plc and Propifi Investments Ltd are still relatively new and small companies, with a short track record. The companies have also been relatively poorly equipped with equity, which after the bond issues translates on a high financial leverage. However, the adopted business model should allow the Principal Borrower to achieve high margins and to generate high positive free cashflow, which will constitute an additional collateral for bondholders.

The Issuer’s credit risk depends on financial situation of the Principal Borrower: Funds raised from bond subscriptions are entirely lent to the Principal Borrower, who then utilizes these funds to finance loans to third-party borrowers. Consequently, the Principal Borrower's ability to repay these loans is paramount to the Issuer's credit risk assessment.

Strong liquidity position: Due to the fact, that Propifi Bonds plc on one hand only has significant current assets and on the other it has very small current liabilities, the current liquidity ratio and quick ratio are at extremely high levels, and should stay on high levels in the future. In 2025, slightly over half of the existing bonds will have to be redeemed, with the rest due for redemption in January 2028. To ensure a smooth redemption process, the Principal Borrower will proactively adjust loan terms for borrowers. This should provide enough time to finalize ongoing transactions, sell defaulted properties and accumulate the necessary cash for loan repayment to Propifi Bonds plc, ultimately enabling bond redemption at maturity.

STABLE RATING OUTLOOK

The stable outlook assigned to the rating means, that according to current estimates of the EuroRating credit rating agency the rating should most probably remain unchanged in the horizon of the next 12 months.

MAIN FACTORS THAT COULD LEAD TO A RATING CHANGE

To the most important potential factors that (individually or collectively) could have a positive impact on the assigned credit rating, EuroRating includes: successful development of the operating activity and generating by the issuer and the Principal Borrower increasing revenues and high net results, which would turn into high positive free cashflows; building by the Principal Borrower a positive track record in granting loans (with no or very limited losses); strengthening of the capital position of the issuer and the Principal Borrower.

To the potential factors that could negatively influence the current level of the credit rating, EuroRating includes, among others: having by the Principal Borrower a large number of defaulted loans; incurring losses on the loans (as a result on sale of the collateral below defaulted loans' value); generating by the issuer or the Principal Borrower much weaker than currently forecasted income and net profits (in particular – generating losses); much slower than currently expected enlargement of the issuer's equity or the Principal Borrower's equity.

Company profile

Registration data

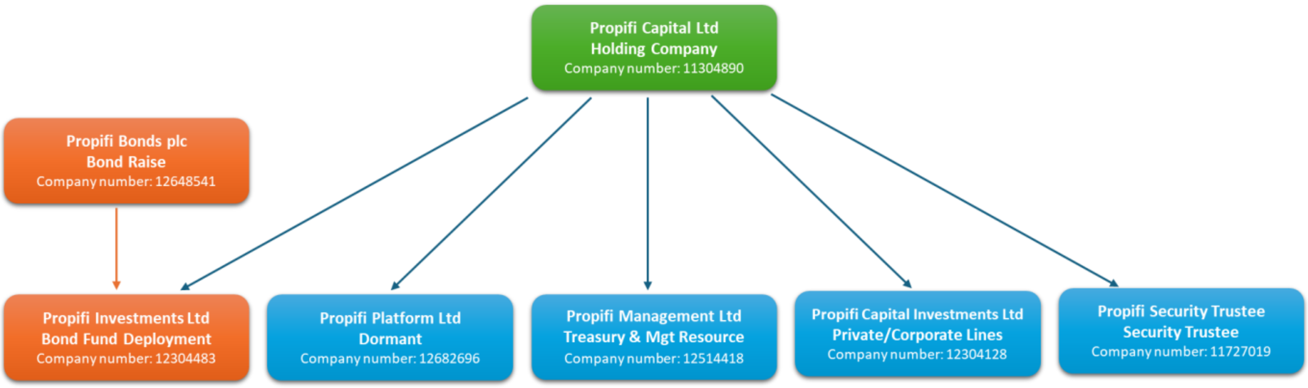
Company name: Propifi Bonds plc. **Registered office**: 7 Bell Yard, London, WC2A 2JR, United Kingdom. **Company registration number (UK)**: 12648541. **Legal Entity Identifier**: 98450046C4Z35AF35258.

Propifi Bonds plc (the 'Issuer') is a special purpose company established to raise funds for Propifi Investments Ltd (the 'Principal Borrower'). Propifi Investments Ltd was incorporated in England (registered number 12304483) on 8th of November 2019 as a private liability company under the Companies Act 2006. The registered office of the Principal Borrower is located at 5 The Quadrant, Coventry, CV1 2EL. The legislation under which the Principal Borrower operates is the Companies Act 2006.

Business activity

Propifi Bonds plc issues notes (bonds) in series and uses the proceeds, less certain costs and expenses, to advance a loan to Propifi Investments Ltd. Next the Principal Borrower uses the proceeds to advance loans to borrowers meeting eligibility criteria, pursuant to the terms of a loan agreement and acquire financial collateral including, without limitation, debt securities, in each case meeting eligibility criteria.

Chart 1. The Propifi Group ownership structure



Source: Propifi Bonds plc

Propifi Bonds plc and Propifi Investments Ltd, both subsidiaries of Propifi Capital Ltd Holding Company, were established to support the Group's core operations. The Group primarily focuses on raising funds through bond issuance and providing bridging loans to borrowers, addressing the limited credit availability for developers and offering access to high return growth opportunities for property investors. The Propifi Group operates as an intermediary between investors and borrowers, conducting due diligence on the properties and assessing the creditworthiness of the borrowers.

Management Board of the Issuer

The Board of Directors of Propifi Capital Ltd and of all its subsidiaries (including the Issuer – Propifi Bonds plc) consist of the following persons:

- **Craig Sheppard** (Chief Operating Officer) – is an experienced and qualified commercial banker having spent 18 years at Lloyds Bank in a variety of senior management roles specialising in lending, change, process, and project management. Craig Sheppard has run his own consultancy and property businesses for 10 years, building businesses through deal structuring, management teams and project finance.
- **Euan McAlpine** (Chairman) – spent much of his career at Alfred McAlpine Group in construction, house building and building materials. Since then, he has worked with start-ups and turnarounds in the finance and house building sectors. He has also served on the boards of PLCs, AIM companies and other SMEs.
- **Victoria Pell** (Company Director-Sales) - is an experienced sales director with over 20 years of sales management experience gained in the property, finance and leisure industries. In her previous role, she managed a global sales distribution network for a major UK-based property investment, design and property development company, with transactions exceeding

£1B. Victoria joined Propifi in 2019 and is responsible for the management of bond trades globally.

- **Chris Boughton** (Global Distribution Director) - has worked in the Financial Services arena for 15 years, initially based between Cardiff and the City of London as a Chartered Insurance Broker before making the move into the investment's arena. Chris's role is to recruit and manage the company's global network of offshore financial professionals and regulated intermediaries distributing the 8.1% Fixed Income Bond.
- **Julia Boanca** (International Sales Manager) is an experienced sales and marketing professional. Having over 15 years' expertise in SMEs development processes, property finance and leisure industry development in Spain. Julia is responsible for expansion, training and management of the company's network of Spanish speaking financial professionals.

A servicer agreement was signed between Propifi Bonds plc as the Issuer, Propifi Management Limited as servicer and Truva Trustees Limited as trustee. The issuer appoints the servicer to perform various duties with respect to the borrower loans, following the terms and conditions outlined in the servicer agreement. These duties include, but are not limited to, reviewing borrower loans for compliance with applicable eligibility criteria, arranging the entry into or purchase of the borrower loans by the Issuer, prior to any issue date collect from potential purchasers of notes the fees in respect of the costs necessarily incurred by the Issuer, make indicative pricing on an appropriate and perform such other activities as shall be agreed from time to time.

Company history

Propifi Bonds plc was incorporated in England on 5th of June 2020 as a public limited company under the Companies Act 2006. The authorised share capital of the Issuer is 50,000 ordinary shares of £1 each. Each ordinary share is partly paid up at 0.25p. Truva Share Trustee Limited holds the entire issued share capital of the Issuer in trust for charitable purposes. The Issuer, as a special purpose company, aims to raise funds for Propifi Holdings Limited (now Propifi Capital Limited). Propifi Bonds plc has established a secured medium term note programme for the issuance of notes.

Propifi Bonds plc is wholly owned by Propifi Holdings Limited (now Propifi Capital Limited). Propifi Holdings Limited was established in early 2018 by experienced entrepreneurs Craig Higgins, Scott Sullivan and Giles Vickers-Jones, who operate in the private jet hire/brokerage market, catering to high net worth individuals. They teamed up with an operational team with many years of experience in lending, property development, banking and company growth and management, namely Euan McAlpine, Rodney Black and Craig Sheppard (the Executive Team).

Business model

The business model of Propifi Holdings Limited (now Propifi Capital Limited) is concentrated on facilitating loans for property development and bridge finance. The Group focuses on raising funds through bond issuance and subsequently providing bridging loans to borrowers. This strategic approach effectively addresses the scarcity of credit available to developers, offering a viable solution, while simultaneously providing property investors with access to high-yielding growth prospects.

In the UK there is a unique lending model and Propifi, like many other lenders, offers bridging finance by leveraging property securities. Unlike conventional lending, where funds are typically provided directly to developers, a special purpose vehicle (SPV) is frequently established to hold the property asset. The lender then extends a loan to the SPV, securing it against the underlying property.

The Group aims to fill the gap left by the banks in the market, addressing the shortage of credit availability. This shortage is attributed to the withdrawal of certain banks from the property sector and the prolonged time it takes for credit approvals due to complexities in the banking process. Meanwhile, there is a growing availability of investment properties, attractively priced in the current market. Property investors often need bridging funding to take advantage of profitable opportunities in the market. However, traditional banks typically base their lending decisions solely on the purchase price of the property, rather than considering its actual valuation. This approach can create challenges for investors, especially when they acquire properties below their market value. In such cases, despite the property's potential for generating returns, investors may struggle to secure financing from banks due to this rigid lending criterion.

Propifi prioritizes the strength of the property offered as collateral over the developer's personal or credit history. This means a developer's credit rating has minimal impact on the lending decision. Instead, Propifi focuses on the value and potential of the underlying property itself. By securing the loan against the property held within the Special Purpose Vehicle (SPV), Propifi mitigates its risk exposure. Regardless of the developer's individual circumstances, Propifi remains confident in the investment's viability due to the fundamental value of the asset.

Additionally, it's important to highlight that Propifi Investments Limited is the primary lender, providing funds raised through Propifi Bonds to UK developers exclusively engaged in constructing social housing projects. These projects are either acquired or leased by the UK Government for extended periods, typically ranging from 50 to 60 years, based on contractual agreements. This long-term commitment from the government enables Propifi to forecast future income with a high level of certainty, thereby substantially mitigating investment risks.

Propifi prioritizes security, with the lending process designed to provide a robust level of protection through the implementation of a legal charge. This entails limiting loan amounts to 70% of the property's market value. This precaution ensures that, in the event of a loan default, there is sufficient equity available to recover loan funds by selling the property. Such an approach not only safeguards the interests of the lender but also helps mitigate potential losses in case of non-performance.

All interest and fees are deducted according to the terms outlined in the lending document, explicitly detailed in the loan note. This deduction process ensures that the borrower receives a net amount of around 50% of the loan value. The objective of this strategy is to mitigate the risk of default by ensuring that Propifi has already factored in all interest charges. Essentially, when Propifi extends a £700,000 loan, it is secured against assets valued at £1,000,000. However, after accounting for all interest and fees, the borrower or developer only receives an advance of approximately £500,000. This approach helps maintain a prudent level of risk management while providing funding to borrowers.

Furthermore, borrowers pledge security for the loan, which is held by an associated company serving as the Security Trustee. This arrangement grants the company a legal claim over the property serving as collateral, empowering Propifi to exercise its rights over the asset in case of any challenges. With absolute control over the property, Propifi enhances its confidence in successfully recovering the loaned funds. In the event of non-payment or default, the lender maintains the authority to initiate the liquidation process, thereby ensuring the retrieval of their investment.

Propifi has a well-defined strategy in place for situations where they need to take over collateral assets due to borrower default. This strategy offers the company two options, and the potential for additional returns.

In the first option the Propifi can choose to liquidate the asset, which due to property value appreciation, could be worth two to three times its original acquisition cost. This option is likely to be straightforward due to the high demand from developers constantly seeking these types of investment opportunities. Liquidation offers a clear path to recoup the loan amount and potentially generate significant profit from the property's value increase.

In the second option, Propifi can alternatively pursue a joint venture with a new developer. In this scenario, the developer would repay Propifi the original loan amount and any accrued interest. However, the key benefit for Propifi lies in acquiring equity in the ongoing development project at no additional cost. This allows Propifi to potentially share in the future profits generated by the completed development, offering an attractive return on their initial investment.

To enhance risk mitigation for bondholders, Propifi's management has also appointed a land and property administrator (L&P administrator). This independent third-party professional plays a pivotal role in asset liquidation, working collaboratively with creditors. Functioning similarly to an insolvency practitioner, the L&P administrator oversees and manages insolvency proceedings, including asset liquidation, ensuring compliance with all applicable legal regulations. This independent oversight safeguards the interests of all stakeholders involved.

The security of assets is managed by a trustee, who collaborates with an L&P administrator to verify and consolidate asset values through regular monthly evaluations. This information can then be incorporated into formal reports submitted to the stock market. This formalized collaboration enhances the overall reliability of the process. Moreover, the transparency and validation provided by this partnership further reinforce the credibility and trustworthiness of the system.

The L&P administrator operates independently and is regulated by the Financial Conduct Authority (FCA). Additionally, they must adhere to regulations established by their regulatory body. This dual regulatory oversight ensures that administrators comply with industry standards, maintain integrity, and fulfil their professional responsibilities in the land and property sector.

A mandate is established among Propifi, the L&P administrator and the security trustee, stipulating that the loan-to-value ratio must not exceed 70%. This mandate ensures that borrowing is limited to 70% of the asset's value. If this threshold is surpassed, the L&P administrator has the authority to intervene and liquidate the positions held.

Propifi Bonds plc releases notes in series, each potentially containing one or multiple tranches. The interest rate for the initial series was 8.1%. However, it is essential to note that subsequent tranches of notes have different terms and conditions compared to the initial series of bonds.

Propifi Bonds plc generates income from both interest on loans and admin payments received from Propifi Investments Ltd. Propifi Investments Ltd earns revenue through a combination of loan fees, exit fees and interest charges.

The Issuer and the Principal Borrower security structure

The Issuer security structure

Under a deed of charge dated 26 June 2020 between the Issuer and Truva Trustees Limited (the "Trustee"), the obligations of the Issuer under a series of notes are secured in favour of the Trustee (for the benefit of the noteholders and certain other secured creditors of the Issuer in respect of such series) by fixed and floating first priority security over the Issuer’s rights in respect of the secured assets and the transaction documents to the extent that they relate to such series and, where applicable, over any segregated bank accounts opened by the Issuer in respect of such series.

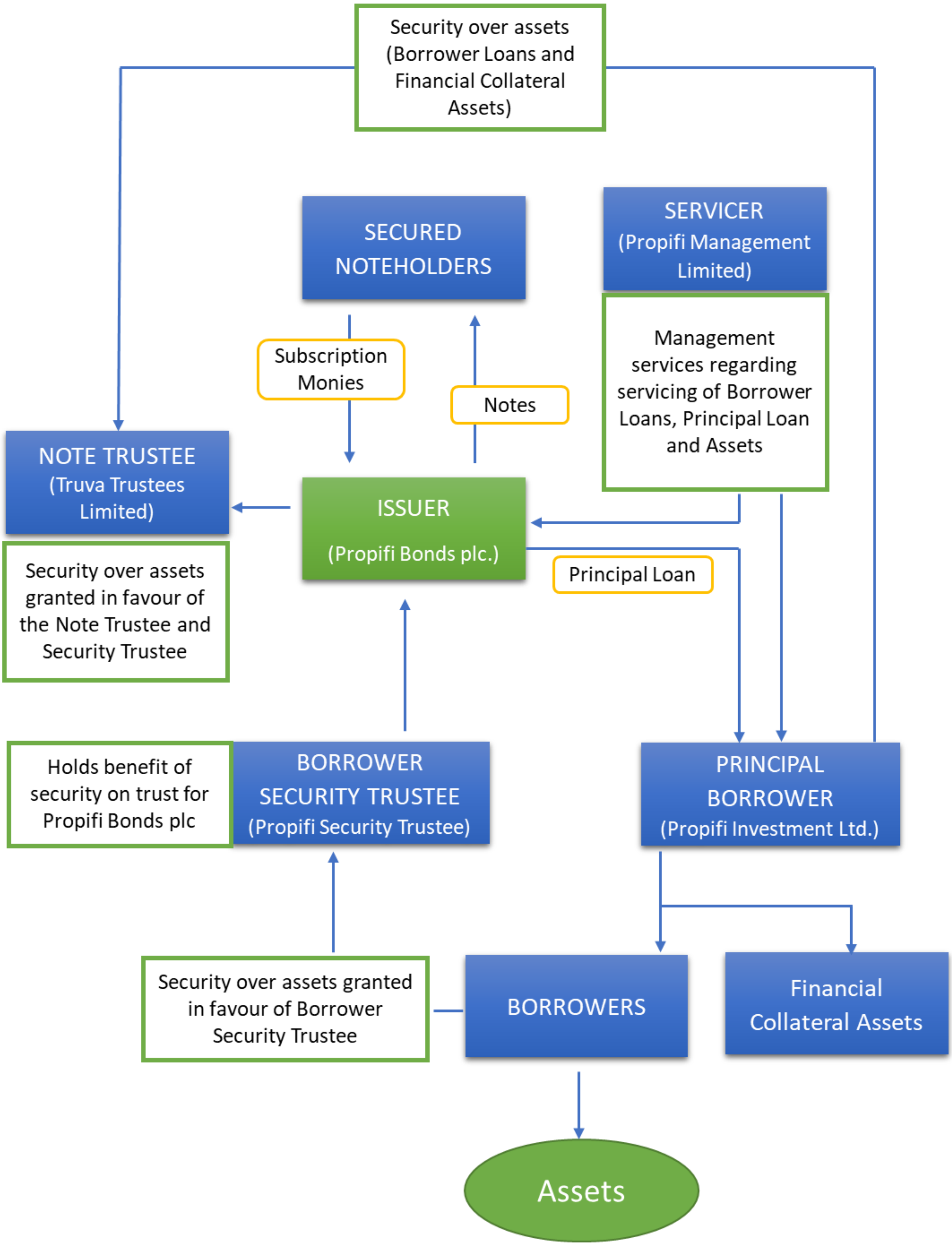
In respect of any series, by granting the Issuer security to the Trustee for the benefit of the Issuer secured creditors, the rights of the noteholders and the other Issuer secured creditors to the Issuer security in respect of such series rank first in priority to other creditors (including any affiliates of the Issuer) in the event of a default or an insolvency or insolvency related event of the Issuer. The rights of the noteholders and the other Issuer secured creditors are not affected by the insolvency or an insolvency related event of any other entity affiliated to the Issuer.

The Principal Borrower security structure

Under a deed of charge entered into between the Principal Borrower and the Trustee (the "Deed of Charge"), the obligations of the Principal Borrower in respect of the principal loan are secured in favour of the Trustee by fixed and floating charges over the property, undertaking and assets of the Principal Borrower.

The Principal Borrower Deed of Charge contains customary representations and warranties from the Principal Borrower to the Trustee, including, without limitation, representations and warranties as to the ownership by the Principal Borrower of its assets, that such assets are free from other security, that there are no adverse claims against such assets, that the Principal Borrower has complied with all relevant laws in respect of those assets and that the security being granted under the Borrower Deed of Charge is enforceable.

Chart 2. Structure of the bond programme

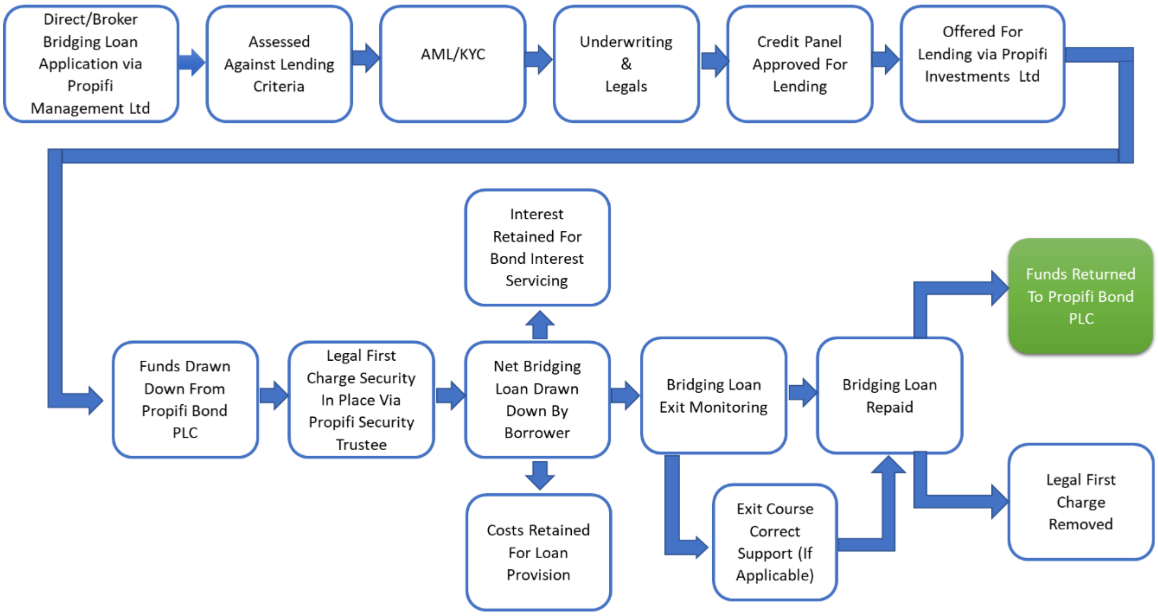


Source: Propifi Bonds plc

Lending and cashflow process

Due to the Directors' extensive commercial experience, the Propifi Group has well-developed and clearly defined business processes. These processes are illustrated on the graphic below:

Chart 2. Lending and cashflow process



Source: Propifi Bonds plc

The Principal Borrower undertakes a thorough underwriting process before granting approval for a potential borrower's loan. The final approval is authorized by the Chairman, CEO and COO. As part of this process, the proposed borrower loan is classified into a risk category, which directly impacts the interest rate charged to the borrower.

The loans are secured with a first charge on property/land and personal guarantees from borrowers, ensuring a minimum of a 70% loan-to-value ratio. This security is entrusted to an autonomous entity, Truva Trustees Limited (the 'Trustee'). Truva Trustees Limited is a private limited company incorporated under the laws of England and Wales, with registered number 12641510 and a registered office at 85 Great Portland Street, First Floor, London, W1W 7LT. Truva Trustees safeguards the interests of bondholders by ensuring that the security they rely on remains unaffected even in the event of Propifi defaulting or going into insolvency. This is because the security would be managed by the security trustee. Furthermore, all assets of Propifi Investments Ltd, including cash, serve as collateral for bonds issued by Propifi Bonds plc.

The Principal Borrower specializes in the development market, placing a specific emphasis on social housing projects. This aligns with the directors and managers' experience and knowledge, resulting in a steady stream of opportunities. Many of these opportunities are still open for funding.

The funds acquired through the bond issue are exclusively allocated for loans and are not utilized for day-to-day operational expenses. Any unallocated proceeds from the series notes are securely held in a UK bank account. The company has no plans to distribute dividends during the lifetime of the bonds.

Description of the loans portfolio

- **Maximum Loan-to-Value (LTV):** The maximum LTV ratio should not exceed 70%, based on the open market valuation of the property. All valuations will be current at the time of drawdown, and valuations will be undertaken by professional valuers accredited by RICS.
- **Maximum Gross Loan Exposure:** £5 million per entity at any one time.
- **Maximum Loan Period:** 12 months (average 6 months).
- **Total Number of Borrowers:** Between 70 and 80 with an average loan of approximately £700,000 (a portfolio of approximately £60 million annually).
- **Loan Eligibility:** The portfolio will focus on loans secured by land and property, excluding sports stadiums, working farms, equestrian centres, petrol stations, greenfield sites, and offshore wind farms.

Key attributes of bridge loans

The diverse range of providers in the UK market ensures that there is product differentiation available
to the discerning user of a bridging facility. While there are some variations in product offerings, certain key characteristics typically remain consistent, including:

1. **Single bullet repayment at maturity**: Borrowers typically repay the entire loan amount, including principal and accrued interest, at the end of the facility term;
2. **Interest structure**: Interest on bridging loans is either rolled up into the principal at maturity or deducted from the initial advance;
3. **Fast turnaround**: Providers typically offer a swift process for providing bridging loans, from initial application to final approval and funding;
4. **Short-term nature**: Bridging loans typically have a term of 3-12 months, catering to temporary financial needs;
5. **Penalties for extended terms:** Borrowers may face substantial penalties for exceeding the stated facility term, encouraging timely repayment.
6. **Simplified underwriting:** Bridging loans often have clear and non-subjective underwriting criteria, making it easier for borrowers to qualify.

7. **Maximum loan-to-value ratio (LTV):** Bridging loans generally adhere to an LTV limit of 70% or less, ensuring a reasonable loan amount in relation to the property value.

For valuation purposes, most lenders will engage the services of a qualified professional valuation agent registered with the Royal Institution of Chartered Surveyors (RICS). Usually, these valuation agents provide independent expertise and carry professional indemnity insurance coverage, which offers protection to lenders.

Some larger and more established lenders may have in-house valuation capabilities, but this is uncommon, as lenders prefer to rely on the independent expertise and professional indemnity insurance coverage provided by external valuation firms. While most lenders maintain a 70% loan-to-value (LTV) ratio as their maximum advance limit, market competition and innovation are driving the adoption of higher LTV figures. This means that lenders are willing to lend a larger portion of the property's value, which can be beneficial for borrowers who require more financing. The adoption of higher LTV figures in the commercial real estate market reflects the evolving dynamics of the lending landscape and the increasing competitiveness among lenders to attract borrowers.

Information on the bonds programme

Propifi Bonds plc issues notes under the programme in series. Each series may comprise one or more tranches of notes, the terms and conditions applicable to any particular tranche of notes can differ. Bonds' currencies are GBP, USD and EUR.

The bonds' denomination initial nominal amount of each initial bond is £100,000, and the maximum total nominal amount of the initial bonds is £5 billion. The bonds are offered to high net worth individuals and sophisticated investors.

The initial series of notes was £10 million. The aggregate amount of notes issued will be dependent on the amount of the borrower loans that the issuer can make.

The bonds raised are used to fund bridging loans in the commercial UK property market. Lending is underwritten by the experienced and FCA authorised Propifi Group panel. All loans have first charge security in place over UK property/land to a maximum of 70% loan to value ratio.

The proceeds of each series are used to fund multiple borrower loans. Each borrower loan is secured on a specific property. Hence, each series is secured on multiple borrower properties. The notes are limited recourse obligations and are only secured on the borrower loans and underlying security. All the borrower loans (with properties securing such loans) constitute one joint portfolio which secures the bondholders of all bond series. All loans have a first charge and debenture secured against the property and Propifi can legally call up its security within 48 hours. All loans to corporate entities also come with the additional security of a debenture encompassing all that companies assets and the personal guarantees of all the directors.

Also all the assets of Propifi Investments Ltd, including cash, are the collateral of bonds issued by Propifi Bonds plc.

Additional risk factors relating to the bonds

Nature of the Issuer: Propifi Bonds plc has a limited operational and financial track record. Apart from the loans extended to the Principal Borrower, it lacks substantial assets. The issuer's sole activities include executing transaction documents, issuing notes, acquiring and disposing of investments, reinvesting in secured assets and cash equivalents, managing note payments, overseeing issuer security and other related incidental activities. Its primary source of cash stems from income generated by secured assets.

Dependence on external financing: Propifi Bonds plc, along with Propifi Investments Ltd, are heavily reliant on external financing and a lack of interest in the planned bond issue could significantly limit access to funding.

Risk of property prices drop: Whether borrowing for buy-to-let purposes or property development, the loan is typically secured by the property. In the event of default by the borrower, the company can sell the property held as collateral. Two critical factors should be taken into account: the ease of selling the property and its actual value upon sale. If property prices decline, the proceeds from the property sale may be lower than anticipated. However, lending well below the property's value (Loan-to-Value ratio or LTV) should offer adequate coverage, assuming the asset was accurately valued initially and the market value does not sharply decline.

Risk of damage to the property: The property, being a tangible asset, is susceptible to various risks that could affect its value, such as natural disasters, fire, theft, or vandalism. When a loan is solely secured by a property, the borrower may lack the motivation to repay the debt and the property's value alone may not suffice to cover the debt.

Liquidity risk: If the borrower defaults on the loan, the lender is required to sell the property on the market. Property is typically illiquid, meaning it cannot be easily converted into cash. The lender must then find a buyer independently or engage a broker, incurring additional costs and potentially causing delays.

Credit risk: The ability of the Issuer to meet its payment obligations under the notes can be adversely affected by defaults in the underlying secured assets. The Issuer is inherently exposed to risks arising from changes in credit quality and the recoverability of secured assets. Increased numbers of defaults by borrowers or other obligors of secured assets may reduce the recoverability and value of the Issuer's assets.

If the secured assets do not generate sufficient funds for the Issuer to pay the notes in full on a maturity date for a series of notes, then the Issuer will not be obliged to pay the shortfall between the amount expected to be paid on the maturity date and the amount that can be repaid from the secured assets, and any claims in respect of such shortfall will be extinguished, so that noteholders may lose all or part of their investment.

To mitigate this risk the Principal Borower gives only loans with a maximum term of 12 months whilst its bond facility matures in 5 years. Propifi management will have the responsibility of monitoring the loans in its final year of the bond. This ensures that redemptions will take place on time or the company will have enough time to sell the property to meet the obligations on redeeming the loan.

Bondholders have no direct recourse to secured assets: No proprietary or other direct interest in the Issuer's rights under or in respect of any secured assets or any related partial financial guarantee in respect of the secured assets backing that series exists for the benefit of the noteholders. Subject to the terms of the trust deed, no noteholder has any entitlement to enforce any of the provisions of the corresponding secured assets or has direct recourse to the corresponding obligor of such secured assets except through action by the Trustee under the trust deed and the Issuer deed of charge.

The notes are not protected by the Financial Services Compensation Scheme: Unlike a bank deposit, the notes are not protected by the Financial Services Compensation Scheme (the "FSCS") or any other government savings or deposit protection scheme. As a result, the FSCS will not pay compensation to an investor in the notes upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, noteholders may lose all or part of their investment in the notes.

No regulation of the Issuer by any regulatory authority: The Issuer is not licensed or authorised under any current securities, commodities, insurance or banking laws of any jurisdiction and has not applied (and does not expect to apply) for any such licences or authorisations.

Risk of legal changes: The conditions of the notes are based on English law in effect as at the date of issue of the relevant notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant notes. Potential adverse legal changes may reduce the number of borrowers, increase competition on the market, negatively affect margins and may affect the repayment of interest from the bonds. It can also mean a significant difficulty in gaining market share for Propifi.

Rating scale applied by the EuroRating credit rating agency

Rating	Risk description
AAA	Negligible credit risk. Highest level of financial credibility. Rating assigned exclusively where an entity has extremely strong capacity to meet financial commitments.
AA+ AA AA-	Very low credit risk. Very high level of financial credibility. Very strong capacity to meet financial commitments. Low susceptibility to adverse economic conditions.
A+ A A-	Low credit risk. High financial credibility and capacity to meet financial commitments. Average resistance to long-term unfavourable economic financial conditions.
BBB+ BBB BBB-	Moderate credit risk. Good financial credibility and adequate capacity to meet financial commitments in the long term. Increased susceptibility to long-term adverse economic conditions.
BB+ BB BB-	Increased credit risk. Relatively lower financial credibility. Adequate capacity to meet financial commitments under average or favourable economic conditions. High or medium level of debt recovery in the event of default.
B+ B B-	High credit risk. Capability of meeting financial commitments largely conditioned on favourable external conditions. Medium or low level of debt recovery in case of a default.
CCC CC C	Very high credit risk. Very low capability to meet financial commitments even under favourable economic conditions. Low or very low level of debt recovery in case of a default.
D	Extremely high credit risk. Complete lack of capability to meet financial commitments. Without additional external suport the level of debt recovery is very low or close to zero.

Full details on the rating scale applied by the EuroRating credit rating agency are published on the agency's website at: https://www.eurorating.com/en/ratings/rating-scale

REGULATORY DISCLOSURES

Information on the EuroRating credit rating agency

EuroRating is a fully independent international rating agency operating since 2007, specializing in assessing the credit risk of enterprises and financial institutions.

EuroRating Sp. z o.o. is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.

EuroRating holds the ECAI (External Credit Assessment Institution) status in the European Union. pursuant to the Regulation of the European Parliament and of the Council No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR Directive). Public credit ratings (including unsolicited ratings) assigned by EuroRating are valid throughout the European Union and can be used for regulatory purposes under EU legislation by all financial institutions or any other entities and are entirely equal to credit ratings issued by other credit rating agencies registered by ESMA.

Methodology

The presented credit rating is a rating for the bonds programme, i.e. it takes into account both: a general credit risk of the bond Issuer (Propifi Bonds plc) and of the Principal Borrower (Propifi Investments Ltd), as well as any bond collateral and/or guarantees, as an additional protection for the bondholders.

The presented credit rating does not relate to the credit risk (or probability of default) of the bond Issuer. The rating concerns the risk of an ultimate loss of a part or all of the secured bonds' principal amount and the interest by the bondholders in the event of a default of the bond Issuer.

The presented credit rating has been assigned in accordance with the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council on credit rating agencies.

The methodology used for this rating is available on the EuroRating's website at:
https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology

The rating definitions and the rating scale used by EuroRating are published on the agency's website at: https://www.eurorating.com/en/ratings/rating-scale

Historical default rates of the EuroRating credit rating agency can be viewed in the rating performance report at: http://www.eurorating.com/en/ratings/statistics

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: http://www.eurorating.com/en/ratings/methodology/definition-of-default

Public status of the credit rating / terms of use

The presented credit rating for the bond programme of Propifi Bonds plc is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published on the EuroRating's website in the section "Credit ratings", in the relevant tab on the rated entity/security.

The terms of use for credit ratings issued by EuroRating are published on the agency's website at:
https://www.eurorating.com/en/ratings/about-credit-ratings/terms-of-use

Solicitation, key sources of information

The presented credit rating was solicited by the bond Issuer – Propifi Bonds plc. EuroRating received remuneration for the assigning and subsequent monitoring of the rating. The bond Issuer and/or its agents have participated in the rating process by providing the agency documents, information and explanations concerning the economic and financial situation of the bond Issuer, the Principal Borrower, as well as on the assessed bond issue programme.

The main sources of information used in the rating process were financial statements and forecasts of the rated company (Propifi Bonds plc) and of the Principal Borrower (Propifi Investments Ltd), the bond memorandum ("Listing particulars") and other data, information and explanations provided by the rated company and/or its agents. It should be noted, that the rated entity is still a new company and the assigned credit rating was based on a limited historical data and on the forecasts for the future, which by their very nature are uncertain.

Prior to the presented rating action the rated entity was given the opportunity to review the rating and/or outlook, as well as the rating report, and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

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Disclaimer

EuroRating considers the scope and quality of available information on the rated entity as sufficient to issue a credit rating. EuroRating takes all necessary measures to ensure that obtained information used in the rating process is of proper quality and is derived from sources deemed by the agency as reliable. Nevertheless, EuroRating does not have a possibility to verify or to confirm in each case the correctness and authenticity of obtained information used in the rating process and/or presented in this report. The forecasts presented in the rating report have been prepared by the rated entity (not by EuroRating).

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