

## RISKS ASSOCIATED WITH INVESTMENTS ON DEBITUM

Every investment involves both potential returns and various risks. DN Operator (“Debitum”) is interested and required to inform and educate our clients about potential risks that may apply to financial instruments provided by Debitum.

The risks listed here, or any other unlisted risks may result in the client losing part or all the planned returns and / or principal amount. Before making an investment, the client should make an informed decision whether such investment is suitable considering possible outcomes of the investment, his/her knowledge and experience in the financial instrument market, financial state, and investment objectives and, if necessary, seek appropriate professional advice. The client should never invest more funds than he/she may lose.

In addition to this document, all offer documents on Debitum include description of risks associated with the specific financial instrument provided by Debitum.

**WARNING:** Debitum, its counterparties (i.e., Loan Originators, final borrowers, repayer of underlying assets), the Latvian regulator (FCMC), internal or external auditor of Debitum, officers and employees of Debitum, Debitum’s contractors and suppliers or any other private or legal party related to Debitum and/or provision of any services and information via Debitum’s platform is not responsible for any direct or indirect loss resulting from any of risks listed here, or any other unlisted risks, or from use of Debitum services – investment in financial instruments provided by Debitum.

### Risks related to the underlying assets

**Risk of default or delayed payments**  
Financial instruments provided by Debitum are based on individual loans or other outstanding claims. A client has a possibility to suffer losses since the final borrower (or payor of the outstanding claim) may be unable to pay according to the procedures established in the contract.

**Possible effect**  
Negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.

**Risk management**  
Debitum performs monitoring of underlying assets performance and has a mechanism for swapping non-performing underlying assets with other underlying assets within the financial instrument.

Certain financial instruments may have the Loan Originator as a guarantor with a buy-back obligation in case the underlying assets are not performing.

A client should get familiar with the Offer Document and Final Terms of the specific financial instrument to evaluate potential risk based on the descriptions and historic performance and other data of the underlying assets.

## Risks related to the counterparties, i.e., Loan Originators

<p><b>Regulatory and compliance risk</b> Debitum's counterparties, the Loan Originators, are subjects to laws and possible regulation in the geographies they operate in. There is a risk that any change in the regulations and compliance requirements may have a negative effect on Loan Originator's ability to conduct its business (i.e., collect payments on underlying assets, make cash transfers to Debitum, ensure debt collection, or operate in general).</p> <p><b>Risk of default or delayed payments</b> A possibility of Debitum's essential counterparty, a Loan Originator which has issued the underlying assets (loans) used for financial instruments, to default or fail operations (i.e., servicing of the loans, making payments according to the agreed terms).</p> <p><b>Legal risk</b> Client has a possibility to invest in financial instruments in different geographies with each country having its own legislation. There might be a risk that the local government makes changes to existing laws or regulations that can have adverse effect on financial instruments and their results.</p> <p><b>Possible effect</b> Negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.</p>	<p><b>Risk management</b> Debitum has created and follows Loan Origination Procedure that details the onboarding and due diligence process of any new Loan Originator with whom Debitum would start to collaborate. It ensures that all Debitum's partners meet certain minimal criteria. Within this procedure Debitum also requires and receives a legal opinion regarding legal framework and risks for countries Debitum's counterparties, Loan Originators, are establish in.</p> <p>Debitum performs monitoring of Loan Originator's, their overall financial, operational, and regulatory situation based on established covenants and has established securities mechanism to collect debt from Loan Originator in case of failure.</p> <p>Specific covenants and securities for each Loan Originator are available in the Loan Originator's overview page on Debitum.</p> <p>A client should get familiar with the Offer Document of the specific financial instrument to evaluate potential risk based on the descriptions and historic performance and other data of the Loan Originator.</p> <p>A client should decide if he/she feels confident to have an exposure in financial instruments tied to certain Loan Originator's or geographies.</p>
<p><b>Risk of early repayment</b> A possibility that the issuer settles the financial instrument earlier than established in the terms of the financial instrument.</p> <p><b>Possible effect:</b> lower absolute return of the financial instrument (with the same relative return).</p>	<p><b>Risk management</b> Loan Originators do not have a motivation to make early repayments of the underlying assets as they use raised funds for growth of their business.</p> <p>A client should check on the status of his/her investments and decide of use of funds (i.e., re-invest in a different financial instrument, wait, and analyze future investment possibilities, withdraw) if an early repayment occurs.</p>

## Risks related to Debitum

<p><b>Regulatory and compliance risk</b> Debitum is subject to the regulations in Latvia and the European Union. There is a risk that any change in the regulations and compliance requirements may have a negative effect on Debitum's ability to conduct its business (i.e., operate Debitum platform, perform actions with financial instruments, or operate in general).</p> <p><b>Possible effect</b> Negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.</p>	<p><b>Risk management</b> Debitum has appointed a Compliance Officer who is closely following all necessary requirements from regulatory and compliance standpoint, including continuous communication with the Latvian regulator, FCMC. Debitum has created and follows Compliance Policy that helps to identify, assess, and eliminate compliance risks.</p> <p>A client should monitor Latvian regulator's, FCMC, website to see if there is any adverse information regarding Debitum.</p>
<p><b>Information risk</b> The risk that a client will incur losses because, at the time of making an investment decision in a certain financial instrument, complete information on the issuer or underlying assets is incomplete or erroneous.</p> <p><b>Possible effect</b> Lower absolute return of the financial instrument (with the same relative return), negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.</p>	<p><b>Risk management</b> Debitum provides all documents to the best of its knowledge and capabilities. The content of the documentation / information provided to clients is based on Latvian / EU regulation and is pre-agreed with the Latvian regulator, FCMC, or FCMC will review it post factum.</p> <p>A client should get familiar with the Offer Document, Final Terms of the specific financial instrument, any additional information on Debitum's website.</p>
<p><b>Conflicts of interest risk</b> There might be misalignment between the best interests of the client, Debitum and Debitum's counterparty, the Loan Originator.</p> <p><b>Possible effect</b> Lower absolute return of the financial instrument (with the same relative return), negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.</p>	<p><b>Risk management</b> Debitum has created and follows Conflict of interest prevention policy, also available to clients on Debitum's website.</p> <p>More specific possible conflicts of interest are indicated in Offer Document for each financial instrument.</p> <p>A client should get familiar with the Offer Document, Final Terms of the specific financial instrument, any additional information on Debitum's website.</p>

<p><b>Information technology risk</b> A physical threat (resulting from physical access or damage to IT resources such as the servers), a technical failure (software bugs, a computer crash or the complete failure of a computer component) or an infrastructure failure (loss of network connection interrupting the business) of IT software and hardware used for provision, accounting and settling of financial instruments that may cause and adverse effect on client's financial position.</p> <p><b>Cyber security risk</b> A cyber threat or incident or a domain-based threat / cyber-attack on the underlying IT infrastructure that may cause and adverse effect on client's financial position.</p> <p><b>Possible effect</b> Negative effect on expected return of the financial instrument, delay of payments under the financial instrument, irreversibly loss of capital or financial instruments.</p>	<p><b>Risk management</b> Debitum has created and follows Information System Security Policy that helps to prevent, mitigate, and deal with various security issues from the methods, tools &amp; IT solutions point of view.</p> <p>Debitum employs experienced IT professionals to ensure precise and secure operations of its IT infrastructure (both software and hardware). Debitum has designed IT architecture in a way to further prevent cyber security risks. In addition, Debitum performs timely back-ups of all essential data to ensure ability to restore data if any data would be lost due to information technology or cyber security risks.</p>
<p><b>Operational risk</b> An error, an obstacle or situation of improper or failed internal Debitum processes, employees, systems, or external events related to a financial instrument that might have an adverse effect on a financial instrument.</p> <p><b>Possible effect</b> Negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.</p>	<p><b>Risk management</b> Debitum has created and follows Significant Operational Risk Management Policy that helps to prevent, mitigate, and deal with various operational risks.</p> <p>Debitum performs internal and external audits of Debitum operations. As well as the Latvian regulator, FCMC, performs online and onsite audits of Debitum operations.</p> <p>A client should monitor Latvian regulator's, FCMC, website to see if there is any adverse information regarding Debitum.</p>

## General risks related to investing in financial instruments

<p>Historic performance risk Past performance of any kind does not guarantee similar performance in the future.</p> <p>Possible effect Lower absolute return of the financial instrument (with the same relative return), negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.</p>	<p>Risk management Debitum constantly provides statistics about past and current performance of financial instruments provided by Debitum. However, past performance is for statistics purpose only and is not a guarantee of future performance or an investment advice.</p> <p>A clients should not base his/her investment decision only on a past performance. Any investment decision should be made as an informed decision consider many factors, including past performance, possible return and risks.</p>
<p>Market risk A possibility that the overall market elements will change in a way that would make a client suffer losses on their investment:</p> <ul style="list-style-type: none"> <li>• Interest rate risk – a possibility that overall interest rate changes can have a negative effect on the position of the underlying asset value or financial instrument.</li> <li>• Foreign currency exchange rate risk – a possibility that, when having an open foreign currency position in financial instruments, losses may occur due to certain foreign currency exchange rate or its fluctuations.</li> </ul> <p>Possible effect Negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.</p>	<p>Risk management Debitum requires clients to pass Knowledge and experience test to ensure a required minimal client’s understanding of financial instruments provided by Debitum.</p> <p>A client should follow general news and information about financial markets and make an informed decision about investment in specific financial instruments.</p>

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<p>Liquidity risk The risk that a client cannot sell a specific financial instrument at a certain point in time as there are specific term of the financial instrument forcing a client to hold the financial instrument until they mature, or issuer settles them.</p> <p>Possible effect Negative effect on expected return of the financial instrument, delay of payments under the financial instrument, loss of capital invested in the financial instrument.</p>	<p>Risk management Debitum provides clear information on expected repayments for a specific financial instrument.</p> <p>A client should get familiar with the Offer Document, Final Terms of the specific financial instrument, any additional information on Debitum's website and to make sure he/she understands the expected payment dates under a specific financial instrument. A client should only invest excess capital and in such financial instruments that fit the investment periods acceptable by the client.</p>
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