

# Outcomes Statement

Year Ending August 2020

## REQUIREMENTS

In accordance with Financial Conduct Authority (FCA) Requirements, Ablrate must publish an Outcomes Statement which is designed to provide you with performance data to better understand our expected and actual default rates. This must be produced yearly within four months of our financial year end. For Ablrate that is 31st August, published by the end of December.

This statement is designed to clearly display how loans have actually performed compared to our expectations of default. We also set out the methodology used to calculate the forecasted default rate and the additional assumptions we have made to due COVID-19. This statement will be publicly available on the website for a minimum period of 10 years.

The outcomes statement shows the expected and actual default rate of all loans originated based on risk categories used by the firm.

## DEFAULT RATES

Whenever you invest in a debt product such as a loan there is a possibility that you may lose some or all of your money. Ablrate uses the FCA definition of 'default' that classifies a loan in default after 90 days unless the loan is secured on property which is 180 days past its due repayment date. There are also other events of default that may result in a loan becoming immediately classified as default.

All Ablrate loans are security backed and as such if a Borrower is unable to maintain monthly payments or repay the loan at the end of the loan term, Ablrate has the ability to recover losses by enforcing the security. As such, our default and actual loss figures are quite different. Further information relating to actual crystallised losses can be found on our statistics page at [www.ablrate.com/statistics](http://www.ablrate.com/statistics).

Ablrate offers only one type of Loan, 'Self-Select', within the period and all loans have been classified into a single risk category based on the loan product. Each loan is classified by sector for lender preference only.

The following table displays the actual default rate for all loans to the date of this document and the expected default rate.

Risk Category	Expected Default Rate	Actual Default Rate
Self-Select	4.00%	8.32%

## Actual Default Rate

The actual default rate is calculated by the total capital of all loans classified as defaulted and divided by the total average loanbook for the period. The average loan book for the period is calculated by adding the total loanbook at the start of the period and the total loan book at the end of the period divided by two.

The rate expresses the proportion of the value of all loans that defaulted to the year ending 31 August 2020.

## Expected Default Rate

Within our Credit Risk Management policy, one of the key risk indicators is the expected default loan rate. This was targeted at 3.00%, however we calculated an increased default rate uplift of 1.00% due to the COVID-19 pandemic. This will initially be for the Outcomes Statement for the year end, August 2020 and will be kept under review.

In order to determine expected future default rates, we have developed a basic forecasting model. The COVID-19 pandemic has resulted in unusual economic circumstances, and we continue to develop the forecast as data becomes available. However, due to the quantum of the open loan book and the relatively small number of loans that are available on Ablrate, it makes statistical analysis impractical.

The Directors therefore have considered the historical trends on Ablrate as much as possible, industry trends and future expectations to estimate an Expected Default Rate. This figure during the COVID-19 pandemic period has been increased by 33% i.e., 1% to represent the additional pressures that will affect borrowers, the SME marketplace as well as the UK as a whole during the forthcoming year.

This estimation may well vary from the ultimate value of the repercussions of the pandemic due to the continuing nature and unpredictable effect of COVID-19 on the UK. The Directors monitor this on a ongoing basis.