



Frequently Asked Questions

308 Parnell Road, Auckland

www.Harmony.com



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GENERAL HARMONEY QUESTIONS

When did Harmony receive its P2P licence from the FMA?

July 2014

Who are Harmony's main shareholders?

Neil Roberts, Trade Me, Heartland NZ, HM Incentive Scheme Trustees (founding management)

Who is on the management team?

Below image represents the management team for NZ and Australia.

Please see Harmony Team for individual bio's.



BRAD HAGSTROM
Joint CEO



NEIL ROBERTS
Joint CEO



GREG ELISARA
Head of Product Design



SIMON WARD
CFO



ANDREW BATES
CTO



DUNCAN GROSS
Institutional Funding



MONICA MATHIS
GM Sales & Marketing



BEN TAYLOR
GM Australia



DAVID NESBITT
Chief Credit Officer



ANDREW CATHIE
Data Scientist



MIKE WILSON
CMO



DAN YORK
Product

Who are the directors?

Below are the Board Directors. *Please see Harmony Team for individual bio's.*

Tracey Jones Independent Director	Jonathan Klouwens Director	Rob Campbell Chairman	Christina Domecq Independent Director	David Flacks Independent Director
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How does Harmony make money?

Harmony charges investors a service fee of 1.25% of the principal and interest payments collected on each note, and borrowers a one off up-front platform fee. There are other fees for dishonours and late payment. For more information: [How it works; interest rates and fees](#)

How are loans funded?

From institutional investors, locally and overseas, and retail investors

Who are the primary institutional investors?

- Blue Elephant Capital Management (New York)
- Heartland Bank
- Peer to Peer Global Investments PLC (London)
- Others undisclosed

What percentage of loans were funded by Heartland and Blue Elephant?

Institutions fund c. 75% of loans

How many personal investors does Harmony have at present?

c. 10,000 Registered Investors

c. 3,000 Active investors

What is the typical retail investor profile?

38-Year old Male, Auckland region, with average of \$6,000 invested.

What is the average retail investor balance?

\$6,000

What is the typical borrower profile?

The average customer is a C1, which is a creditworthy customer to finance. Our typical C1 has an unblemished credit history, is 45-49 years old, usually an office worker, married with a mortgage and applying the funds to debt consolidation or something for the house, drawing down about \$16,000 at about 17% interest.

What is the typical borrower loan purpose?

75% debt consolidation of high interest personal loans and credit cards, and home improvements.

What is the average loan amount?

\$14,000 is the average loan amount for new loans originated.

On average, how many investors fund each loan?

The average loan is funded by 24 different investors

How many borrowers does Harmony have at present?

Over 7,000.

How quickly are loans fully funded in the marketplace?

90% are fully funded within 24 hours

Have you received your license for Australia?

Our Australian Credit License (ACL) was approved and granted August 2015

How are plans progressing for the Australian launch?

Plans are well advanced and we anticipate launching in Q4 of this calendar year.

FAQS FOR INVESTORS

(ABRIDGED FROM THE HARMONEY WEBSITE)

Who can invest with Harmony?

Any NZ resident > 18 years.

What is the minimum amount I can invest?

\$500 is the minimum investment that we advertise, however each note purchased is a minimum \$25 cost.

Can a company or trust invest through Harmony?

Yes, companies and trusts can invest through Harmony.

How do I open an investor account?

Opening an investor account is easy, all you have to do is set up a log in, transfer funds, select your investment method, and you're ready to go.

How does the investment process work?

Once you've transferred funds into your investment account, you are ready to start investing.

Our investment process enables you to access the marketplace to begin investing. You can filter through the loans available for funding according to specific criteria, including loan purpose, credit grade, etc. From here you'll be able to select which loans you wish to invest in, and how many \$25 "notes" you want to invest in that loan. We encourage investors to diversify their funds across numerous loans in order to minimise their exposure to risk.

Is security required on loans?

No. Loans on the Harmony platform are unsecured.

What's the minimum investment term?

Harmony allows borrowers to choose to take a personal loan for either a 36 or 60-month term, and investments are made for the duration of the loan. However, as borrowers are not penalised for early

repayments, it is likely that many loans will be repaid earlier than indicated by their term. You will receive monthly repayments from borrowers as they are made, for the term of the loan. The amount you receive per month will be proportionate to the percentage of the loan you are invested in. As funds are returned to your investor account each month, you may choose to withdraw or re-invest them.

What interest rate will I receive?

Harmony doesn't have a set interest rate for investors, as we don't have a set interest rate for borrowers. Every borrower's interest rate is individually set based on their risk, as such the interest rate you receive as an investor will vary dependent on the loans you choose to invest in.

How do notes work?

We fractionalise all loans into \$25 "notes". Fractionalisation ensures that investors do not have to carry the full risk of an individual loan by themselves, instead allowing investors to spread their risk over many individual loans.

Do I need to pay tax?

As an investor you have a responsibility to declare your earnings as taxable income. Harmony is obliged to deduct resident withholding tax at the rate applicable to you based on your investor settings. If you are exempt from RWT, Harmony will require evidence in the form of a qualifying tax exemption certificate. If you are a US resident for tax purposes, you must advise Harmony and supply your TIN number to ensure FATCA compliance.

How safe is my money?

Harmony takes the necessary steps to ensure that all borrowers are creditworthy and that loan grades are correctly allocated and therefore risks are known. Harmony continuously assesses the results of each borrower and where necessary we will always look to improve our systems. It is important that you seek independent financial advice prior to making any investment decisions. We also encourage investors to diversify their investment as much as possible by using our system to fractionalise their investments, minimising exposure risk.

Investor funds are not held on Harmony's balance sheet, so in the unlikely event that we go into liquidation or cease to hold our peer to peer lending licence, your money will be safe. All investor funds, when not on loan to borrowers, are held in the name of a trustee. Should Harmony go into liquidation, a third party back up servicer will oversee the completion of pre-existing loans in accordance with our Financial Markets Authority license obligations.

What are Harmony's fees?

Investors are charged a Service Fee of 1.25% of the principal and interest payments collected on each note. The service fee is deducted from repayments into the investor account. The fee is paid to Harmony for managing borrower repayments and administering the account on behalf of investors.

Is my investment insured?

No. There is no insurance or government protection to compensate the investor for loss in the event of a borrower default. However, the impact of borrower defaults on the overall performance of an investment can be mitigated by diversifying your investment across numerous fractionalised loans.

Will I know who the borrowers are?

No. You will be provided with demographic information about borrowers, such as their residential and employment status, but you will not have access to any identifying information about them.

How does Harmony assess the credit risk of borrowers?

All loan applications undergo a thorough assessment to discern the borrower's creditworthiness. While we cannot disclose the full detail of the assessment process, it includes factors such as an assessment of income and financial records to determine their ability to meet monthly payments; any previous failure to meet financial commitments; consistency between the information provided and that recovered from background checks; and checks for credit history issues including prior defaults or insolvencies. Harmony then uses the result of this assessment to determine whether the loan application will be successful, and if so, which credit grade and interest rate will apply.

What is fractionalisation?

We fractionalise all loans into \$25 units called "notes", allowing investors to select how many "notes" they wish to fund in a loan. Because investors need only fund loans at the note level and not the whole loan level, they do not have to carry the full risk of an individual loan by themselves. Loan defaults will still occur, but the loss from defaults should approach the average of the portfolio.

If, for example, \$10,000 were invested in one single loan, and that loan had a 3% probability of default, then there would be a 97% chance of the investor getting their principal plus interest back, but also a 3% chance of the investor losing the principal invested. Alternatively, if that same investment were fully diversified, it would be spread across 400 different loans. Say the probable loss of those loans is also 3%, meaning 12 of the 400 notes would probably default but the remaining 388 would be repaid in full. By utilising fractionalisation, investors can increase the likelihood of achieving their targeted return, net of defaults.

We strongly advise that investors take full advantage of our fractionalisation facility to diversify their investment across many distinct loans. It is the nature of consumer lending that there is a risk of default. By spreading your risk over many loans, you are much less exposed to defaults of individual loans.

What are the risks?

While Harmony has taken significant measures to minimise risks during the loan application and approval process, they do exist and should be considered. We recommend consulting a financial advisor before making any investment decisions. The primary risk inherent in peer to peer lending is that investors may not receive all of their monthly principal and interest payments due to loan defaults.

Read our [investment risks section](#) on Harmony.co.nz for comprehensive information.

What happens if a borrower makes a late repayment?

Harmony has a proactive collections management process that is strongly structured and regimented. Borrowers will receive a reminder in the days leading up to payment due dates, and be actively contacted if the payment is not made on time. Payments that are made late will incur default interest on the amount in arrears. This interest rate will be based on the remainder of the loan balance.

We take the requirement to collect payments on behalf of the investor very seriously, and endeavour to complete collections in an accurate and timely manner. While borrowers are occasionally unable to meet a due payment, Harmony monitors each loan closely and will take appropriate action promptly.

What happens if a borrower defaults on a loan?

If a borrower consistently fails to make repayments on their loan, their account will be referred to a debt collection agency and their records will be lodged as defaulted at credit bureaus.

Harmony may also choose to take legal action against defaulted borrowers to recover costs. Should Harmony take legal action against a defaulted borrower, 100% of the legal and associated third party costs may be recovered before remitting the balance of payments to the relevant investor accounts.

How do I withdraw funds from my account?

You can withdraw funds sitting in your investor account at any time, through your investor dashboard. You can withdraw up to the full amount of funds available in your account, however, funds that are currently invested and in funding cannot be withdrawn.

Can I sell my investments?

At this stage, Harmony does not have a secondary market that allows investors to sell loans. However, there are plans to develop one in time.

Does Harmony collect on my behalf or do I have to do my own collections?

Harmony has a proactive collections management process that is strongly structured and regimented. You do not have to manage collections personally.

What is manual invest?

Manual Invest provides investors with full control over how their money is invested. It allows you to filter through available loans with specific criteria, carefully selecting notes for funding. Manual invest is well suited to 'hands on' investors.

Do funds in Harmony's trust account earn interest?

There is no interest accrued in any of the Trust accounts. Investor accounts also do not accrue interest.

How many loans of each grade will be available on the marketplace?

We forecast that the risk grades in the marketplace will follow a general bell curve with respect to the number of loans available. On a dollar basis there will be greater volume available in risk grades A-C, as these grades have a larger average loan amount. While we grow this will fluctuate on a day-to-day basis.

FAQS FOR BORROWERS

(ABRIDGED FROM THE HARMONEY WEBSITE)

How do I apply for a loan?

Harmony's loan application process is quick and easy. It will only take 10-15 minutes, and you'll have a result immediately. We'll ask you to provide some personal details, to go through an identity verification process designed to protect you from identity theft, and provide some banking records so we can accurately assess the affordability of your loan. As soon as your details are verified, your loan will go live on the Harmony marketplace for funding.

What information do I need to apply for a loan?

To complete your quick and easy loan application, you'll need to provide your name, address and employment details, as well as a valid New Zealand driver licence or a valid New Zealand passport.

The application includes a step designed to protect you from identity theft by verifying your identity. It might sound intimidating, but it's a simple and secure process. All you'll need is a webcam, or a recent photo of yourself to upload, and either a passport or valid New Zealand driver's licence. We'll compare the photos on both to make sure it's really you.

We'll also need to have a look at your banking records in order to ensure your loan is affordable. You'll need to have access to online banking, or the ability to upload banking records to complete this section.

What is the eligibility criteria for a Harmony loan?

To be eligible to apply for a loan through Harmony:

- you must be a natural person (that is, not a company, partnership, incorporated society, trust, or other legal entity);
- you must be a New Zealand resident with a valid New Zealand driver licence or valid New Zealand passport;
- you must be 18 years of age or older when you register; and
- you must have an acceptable credit record, as determined by Harmony at its discretion.

Applicants with past insolvencies or bankruptcies will not be considered for loans.

What can I get a loan for?

You can get a loan for just about anything with Harmony, as long as it's a legal purpose.

Can I get a business loan through Harmony?

You can apply for a loan under your personal name for business purposes. You will need to check with your financial advisor if this can be considered for tax purposes.

I have a bad credit history, can I get a loan at Harmony?

If you have a bad credit history, you may be less likely to be approved for a loan through Harmony.

While having a bad credit history may decrease the chances of your loan being approved, it may not automatically disqualify you. Every loan application at Harmony is individually assessed on a broad range of factors that are not limited to credit history. Please note, however, that Harmony does not accept applications from individuals with past insolvencies or bankruptcies.

It is important to understand that Harmony sets loan interest rates according to an assessment of your statistical likelihood of defaulting on a loan. Applicants with bad credit histories are generally considered to be at greater risk of default than individuals with good credit histories. As such, successful applicants with bad credit histories are likely to be assigned to higher risk grades and therefore have higher interest rates.

If I don't live in New Zealand can I become a borrower?

No.

What is the minimum and maximum amount I can borrow?

The minimum loan amount is \$1,000, while the maximum is \$35,000 (the Platform Fee which Harmony charges is additional to this maximum). The particular amount that you can borrow will be dependent upon your credit history and the maximum monthly payment that our assessment determines you can afford.

What is the minimum and maximum term I can borrow for?

Harmony loans are available for a term of either three or five years. However, early repayments are

fee free.

How is my loan application assessed?

All loan applications undergo a thorough assessment to discern the applicant's creditworthiness. While we cannot disclose the full detail of the assessment process, it includes factors such as an assessment of income and financial records to determine your ability to meet monthly payments; any previous failure to meet financial commitments; consistency between the information provided and that recovered from background checks; and checks for credit history issues including prior defaults or insolvencies.

Harmony then uses the result of this assessment to determine whether your loan application will be successful, and if so, which credit grade and interest rate will apply.

How does the identity verification work?

Harmony takes privacy and financial security seriously. We don't think you'd like it if someone else were to apply for a loan under your name, so we have a regimented process to protect against identity theft.

As part of your loan application, we'll verify your identity by asking you to take a photo of yourself and a form of ID with a webcam (or to upload photos of each), and then use facial recognition technology to ensure that the two pictures are of the same person. It works in a similar way to passport scans at the airport. It might sound a little daunting, but it's a quick and easy process that has a very important role in your application. We highly recommend using the webcam function as it makes the process very quick and easy.

How does Harmony verify my information?

Harmony verifies your information by accessing, with your permission, the following:

- Your bank account records to verify income and expenses;
- Consumer credit bureaus to assess your previous credit history;
- NZTA (in respect of your drivers licence) or the Department of Internal Affairs (in respect of your passport) to validate identification.

Harmony will never use any third party services to validate information about you without your permission.

How does the credit grade work?

A credit grade is the result of a statistical assessment of your application. It compares your profile to those of all other borrowers, looking at the history of those who defaulted and those who did not. Based on data from thousands of loans, Harmony can tell how important various factors in your application

are, and work out the risk of you defaulting on your loan. This sets the basis for your interest rate, with riskier loans having a higher interest rate.

What happens if my loan listing does not get fully funded?

If your loan is not fully funded within 14 days, your loan listing will be removed from the marketplace. We will then contact you with your options, which may include withdrawing your listing completely, or relisting the loan for the same or a lesser amount.

Do the people investing in my loan know who I am?

No. Investors will only have access to demographic information about you and a summary of your credit history. Only Harmony and their associated service providers will have access to personally identifiable details about you.

Can a borrower pay off a loan early?

If a borrower wishes to pay off their loan early, they can do so by going into your dashboard and requesting a prepayment quote. We'll send you a quote via email, and if you accept that quote you can then make a manual payment into our bank account. Please ensure that you include your loan identification number as a reference whenever making payments directly. You can find your loan identification number by logging into your borrower dashboard.

What happens if I default on my loan?

If you consistently fail to make repayments on your loan, your account will be referred to a debt collection agency and your records will be lodged as defaulted at credit bureaus. If security was included on your loan, enforcement action may be undertaken to repossess the security and recover costs. Harmony may also choose to take legal action against defaulted borrowers to recover costs.