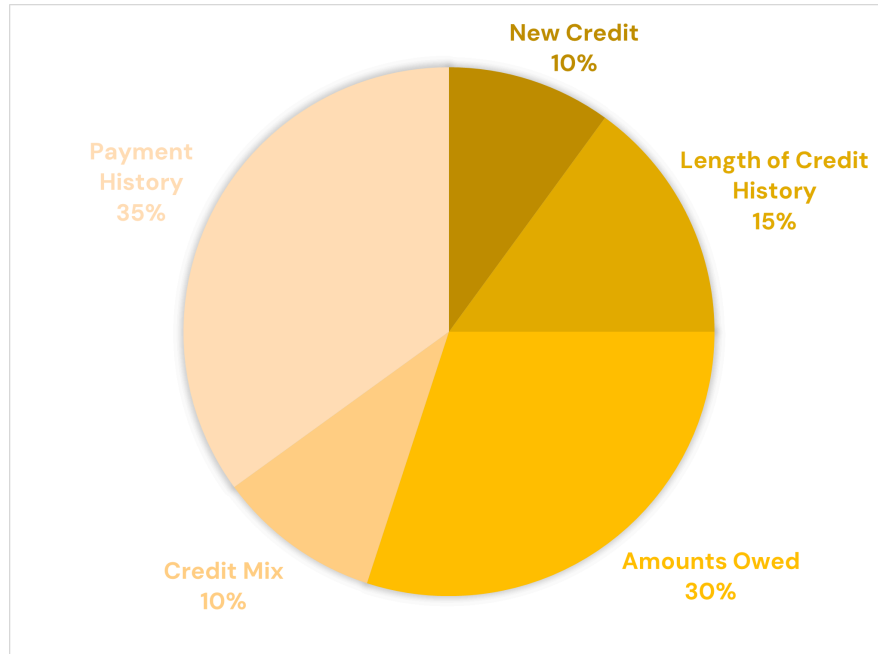


Credit Score Formation Guide

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Credit score is based on several factors, each detailed in the credit report, with each component having its weight in the overall assessment:



35% — Payment History



Includes information about the timeliness of payments on current and past loans. This is the most significant factor as it directly indicates the borrower's ability to meet their obligations. Regular and timely payments positively impact the score. Delays and non-payment can significantly lower it.

30% — Credit Utilization, or Amounts Owed



The ratio of used credit to the total available credit limit. The amount of used credit reflects the borrower's current financial situation and their reliance on credit resources. Using a small portion of available credit is considered a sign of responsible credit behavior and positively affects their score.

15% — Length of Credit History



Considers the age of the oldest credit account as well as the average age of all accounts. The length of the credit history shows the borrower's experience with credit products and the stability of their financial behavior over time. A longer existing credit history can help to improve their score.

10% — New Credit



Includes the number of recently opened accounts and the number of credit inquiries. Frequent opening of new accounts can be interpreted as an increased financial risk, which negatively affects their score.

10% – Credit Mix



Having various types of credit (mortgage, vehicle loan, credit cards) can positively impact credit score as it demonstrates the borrower's ability to manage different forms of credit. New credit accounts and a variety of credit accounts provide information about the borrower's recent financial decisions and their ability to handle different types of credit load.

The overall formula for determining a credit score:

$$\begin{aligned} \text{Credit Score} = & (\text{Payment History} \times \text{Weight}) + (\text{Credit Utilization} \times \text{Weight}) + \\ & + (\text{Length of Credit History} \times \text{Weight}) + (\text{New Credit} \times \text{Weight}) + \\ & + (\text{Credit Mix} \times \text{Weight}) \end{aligned}$$

Although the formula provides a general idea of how a credit score is calculated, **the actual algorithms are more complex and may include additional factors or adjustments to the weight of components over time.** Different credit bureaus may also use their own versions of scoring models, so the credit score calculated by one bureau may differ from that calculated by another.