

auxmoney

Social Bond Update

As of February 15, 2022

Social Bond Update (as of February 15, 2022)

1. auxmoney's Social Bond Framework: Overview
2. Underserved segments of Fortuna ABS 2021 portfolio
3. Underserved segments of Fortuna ABS 2021 and total auxmoney portfolio

Appendix:

Further information on auxmoney's Social Bond Framework



Social Bond Update (1/3)

auxmoney's Social Bond Framework: Overview

auxmoney provides consumers that are underserved by traditional lenders with access to credit. Among others, auxmoney serves segments of borrowers that banks are unwilling or unable to underwrite (e.g. due to inadequate scoring models, high capital requirements and/or costly and cumbersome legacy-processes).

auxmoney has developed its Social Bond framework under which the issuer, Fortuna Consumer Loan ABS 2021 DAC, a special purpose vehicle, will be able to issue Social Bond transactions to finance its purchase of consumer loans.

Social Bonds issued under this framework will align with the four core components of the Social Bond Principles 2021 administered by International Capital Market Association (ICMA). auxmoney has appointed the independent second-party opinion (SPO) provider, ISS Corporate Solutions, Inc. ("ICS"), to review this framework and attest to its alignment with the ICMA Social Bond Principles 2021.

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Reporting on Eligible Social Assets

The proceeds of each Social Bond issued by auxmoney are used to exclusively finance loans (Eligible Social Assets) that seek to achieve positive social impacts for target populations consisting of underserved borrowers to alleviate the social issue of financial exclusion.

Loans in the portfolio must fulfill at least one of the following criteria to be considered eligible:

- (1) Customers underserved due to legacy underwriting models (e.g. models that put too much weight on traditional KPIs such as credit bureau scores) and
- (2) Customers falling into an inherently underserved group (e.g. occupation with irregular income)

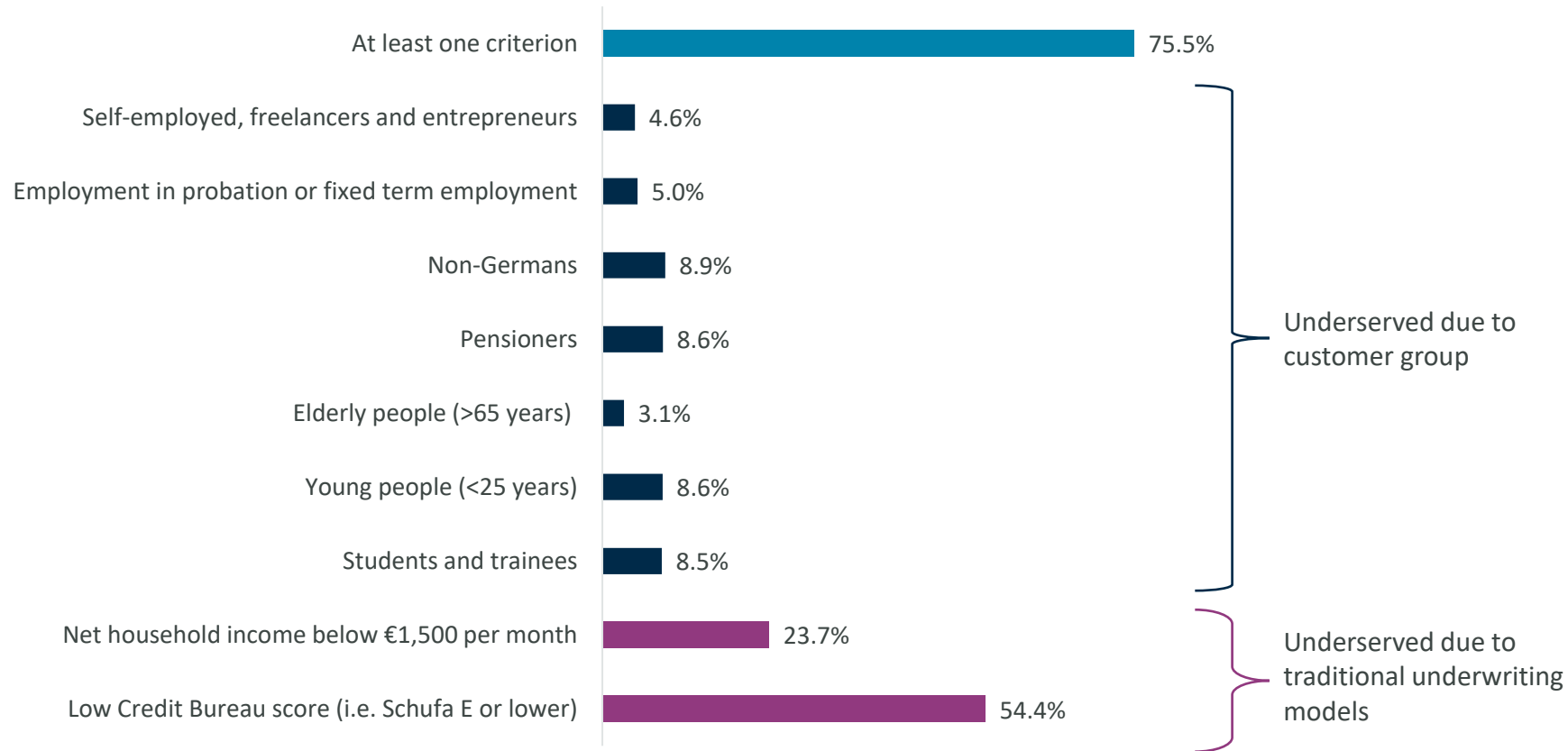
This update reports on the share of borrowers in the Fortuna ABS 2021 and total auxmoney portfolio that comply with these criteria.



Social Bond Update (2/3)

Underserved segments of Fortuna ABS 2021 portfolio

Share of borrowers complying with Social Bond criteria (as of December 31, 2021)



Note: Some borrowers fulfill more than one criteria.



Social Bond Update (3/3)

Underserved segments of Fortuna ABS 2021 and total auxmoney portfolio

Share of borrowers complying with Social Bond criteria

	Fortuna ABS 2021		auxmoney
	Time of issuance (09/21)	31/12/21	31/12/21
Total			
At least one criterion	75.6%	75.5%	80.2%
Underserved due to customer group			
Self-employed, freelancers and entrepreneurs	4.4%	4.6%	10.2%
Employment in probation or fixed term employment	5.2%	5.0%	5.7%
Non-Germans	8.7%	8.9%	9.3%
Pensioners	8.7%	8.6%	8.3%
Elderly people (>65 years)	3.1%	3.1%	3.2%
Young people (<25 years)	8.5%	8.6%	8.6%
Students and trainees	8.4%	8.5%	9.3%
Underserved due to traditional underwriting models			
Net household income below €1,500 per month	23.4%	23.7%	26.8%
Low Credit Bureau score (i.e. Schufa E or lower)	54.8%	54.4%	56.2%

Note: Some borrowers fulfill more than one criteria.





Appendix

auxmoney's Social Bond Framework

Social Bond Framework: Fostering financial inclusion

auxmoney provides consumers that are underserved by traditional lenders with access to credit. Among others, auxmoney serves segments of borrowers that banks are unwilling or unable to underwrite (e.g. due to inadequate scoring models, high capital requirements and/or costly and cumbersome legacy-processes).

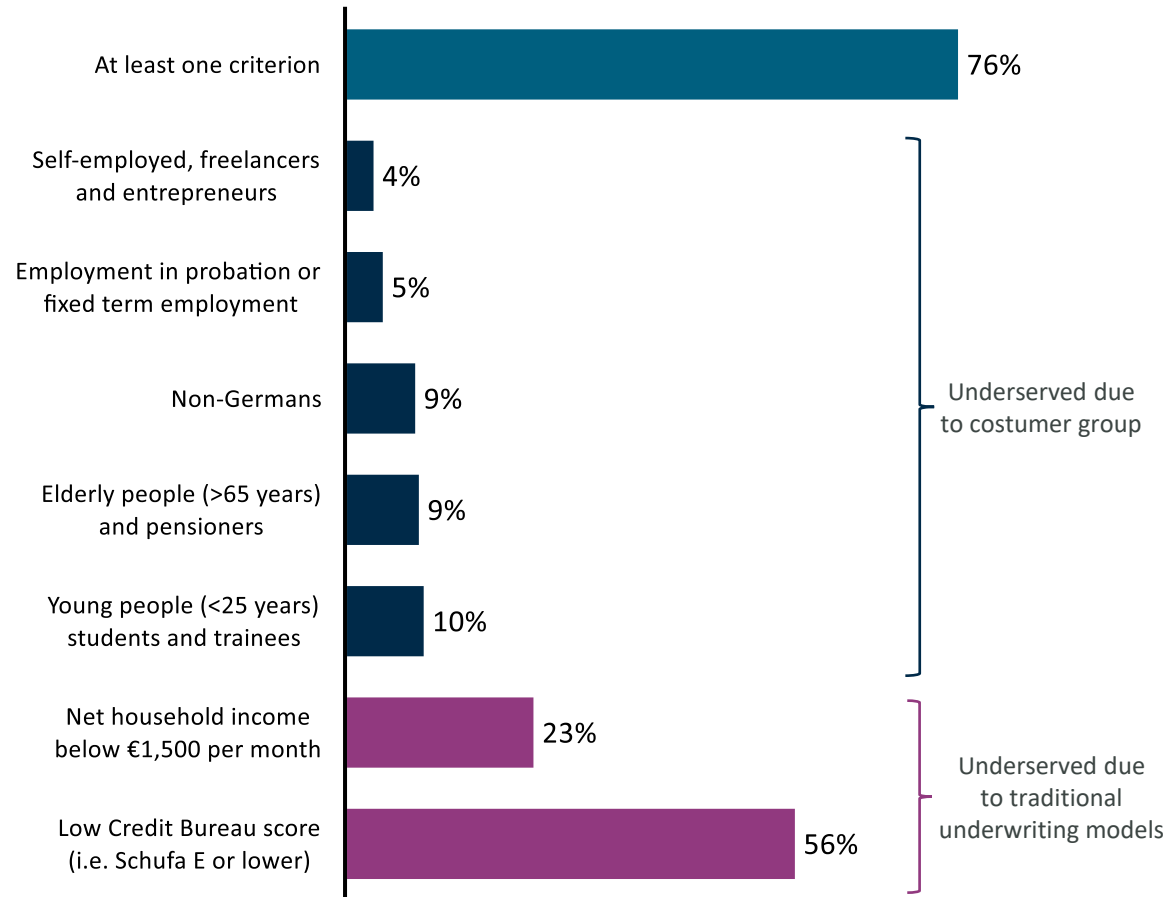
The lending activities constitute Eligible Social Projects and are aligned with the ICMA Social Bond Principles (2021 edition). They contribute to the achievement of the United Nations Sustainable Development Goals: #8 (“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”), #9 (“Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”) and #10 (“Reduce inequality within and among countries”).

auxmoney has appointed the independent second-party opinion (SPO) provider, ISS Corporate Solutions, Inc. (“ICS”), to review this framework and attest to its alignment with the ICMA Social Bond Principles 2021.



We provide underserved consumers access to credit

Underserved segments of Fortuna ABS 2021 portfolio



- Total demand for consumer lending in Germany which is not served is estimated at €90-100 billion (2020). Pursuant to auxmoney's scoring model, €30-35 billion out of this demand is requested by borrowers classified with "manageable" risks.¹ In fact, this demand equals 4.0-4.5 million individuals in Germany, who can potentially be served through auxmoney.
- The left chart shows a breakdown of our Fortuna Consumer Loan ABS 2021 portfolio into underserved borrower segments. For ~75% of the portfolio at least one segment criterion applies
 - (1) Customers underserved due to legacy underwriting models (e.g. models that put too much weight on traditional KPIs such as credit bureau scores) and
 - (2) Customers falling into an inherently underserved group (e.g. occupation with irregular income)

1. Study conducted by PwC (2020)

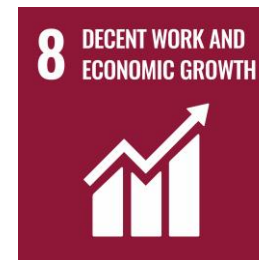


Our dedicated framework fosters UN SDG targets

Social Bond Framework – Use of Proceeds

- auxmoney has developed this Social Bond framework (framework) under which the issuer, a special purpose vehicle (SPV), will be able to issue Social Bond transactions to finance its purchase of consumer loans
- Social bonds issued under this framework will align with the four core components of the Social Bond Principles 2021 administered by International Capital Market Association (ICMA)
- The proceeds of each Social Bond issued by auxmoney will be used exclusively to finance and re-finance, in whole or in part, loans (Eligible Social Assets) that seek to achieve positive social impacts especially for target populations
- Eligible Social Assets are portfolios of consumer loans extended to underserved borrowers to alleviate the social issue of financial exclusion

Contribution to SDG targets of Eligible Social Assets



SGD 8 – Target 8.10

auxmoney grants access to loans for underserved groups of borrowers. This contributes to the SDG target 8.10 to “expand access to banking, insurance and financial services for all”.



SGD 9 – Target 9.3

auxmoney provides loans to self-employed and freelancers, including small-scale business owners, thereby supporting the goal of providing financial services and affordable credit to these groups (SDG target 9.3).



SGD 10 – Target 10.2 & 10.3

By applying discrimination-free scoring to grant access to credit for underserved groups of borrowers, auxmoney promotes the economic inclusion of all (SDG target 10.2) as well as equal opportunities (SDG target 10.3).



Our framework management ensures direct allocation of proceeds to Eligible Social Assets

Process for Project Evaluation and Selection

Evaluation & selection process at auxmoney guarantees that the proceeds of a Social Bond issued under a pre-defined framework will be used to finance consumer loans for underserved borrowers

- Objective of helping the underserved population in Germany to get access to financing and build up credit/re-payment history is ensured
- auxmoney continuously tracks features of its portfolio including internal scores/payment history
- A dedicated committee consisting of key representatives from Senior Management, Risk, Funding, Legal/Compliance and HR meets semi-annually

Management of Proceeds

auxmoney commits to track the allocation of net proceeds from Social Bonds and disclose those allocations in its Social Bond report

- Eligible Social Assets will be defined at the moment of inclusion in the portfolio backing the ABS to ensure the Note Classes labelled Social are fully backed by Eligible Social Assets
- Net proceeds of issuance will be allocated at closing to fund Eligible Social Assets.
- As proceeds of the ABS are used to finance eligible Social Assets which already exist, it is ruled out that there will be temporarily unallocated proceeds.

Reporting

Information related to the allocation and impact of net proceeds will be published at least annually or in case of material changes

- The Social Bond Report will contain at least the following sections:
 - Allocation reporting
 - Impact reporting
- The Social Bond Report may be updated more regularly as required for potential future transactions financing replenishing portfolios and will be made available on the investor portal
- There will be monthly investor reports published for all ABS transactions until the deal is fully repaid



Second Party Opinion has been provided by ISS-ESG confirming the alignment to the ICMA SBP 2021

SPO delivered by ISS-ESG

1	Social Bond link to issuer's sustainability strategy	Consistent with issuer's sustainability strategy
2	Alignment with SBPs	Positive Evaluation
3	Sustainability quality of the selection criteria	Positive Evaluation

Rationale for auxmoney to issue social bonds

- For auxmoney, Environment, Social, and Governance (ESG) considerations are a core part of its business, key drivers for its long-term success as well as for its identity as a responsible corporate citizen
- ESG standards have become increasingly important to stakeholders including employees and investors who commit to ESG investments and respective standards
- The issuance of Social Bonds under auxmoney's framework will contribute towards sustainable development by earmarking the proceeds to finance, or refinance, projects and expenditures connected to extending loans to underserved borrowers



ESG strategy: auxmoney has defined a set of corporate ESG objectives based on its ESG vision

Vision – What we aim for in the future

As one of the leading digital platforms for consumer lending in Europe and pioneer in financial product innovation, we accept responsibility for a sustainable financial ecosystem.

Mission – What we do to achieve our Vision

We aim to responsibly empower everyone in society to achieve their plans, goals and dreams. Thus, we strive for the following three goals:

- **Social:** Driving financial and personal well-being in our firm and within society
- **Environment:** Taking care of the environment we operate in
- **Governance:** Maintaining good corporate governance for us and our partners

ESG objectives of auxmoney



1. Carbon footprint reduction
2. Environmental friendliness



1. Financial inclusion
2. Responsible lending
3. Employee well-being
4. Community well-being
5. Diversity & inclusion



1. Ethical business conduct
2. Effective risk management
3. Best practice governance

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All descriptions, examples and calculations contained in this presentation are for illustrative purposes only.

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