

auxmoney

October
2023

Social Bond Report 2023

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1. Executive Summary & Overview of Social Bonds

auxmoney impacts positively the financial inclusion, financial wellbeing and financial health of its customers

auxmoney's impact on financial inclusion, financial health and financial wellbeing is validated through two impact measurement exercises: a Repeat Borrowers Study and a Customer Lending Survey. Key findings are summarized below.

Financial inclusion

Since its foundation, facilitating financial inclusion has been an essential part of auxmoney's mission, business strategy, processes, brand and culture. auxmoney has specialized in providing access to credit consumers and self-employed, that are underserved by traditional lenders as banks are unwilling or unable to underwrite loans with such customers.

- ~97% of borrowers, participating in the Customer Lending Survey, were able to meet their individual goals associated with the loan
- For many borrowers from the Customer Lending Survey, auxmoney facilitated vital access to credit, as they were either rejected by other providers or received unattractive offers
- auxmoney is able to accurately measure creditworthiness and improve financial inclusion by catering to underserved borrowers: this is highlighted by the fact that over time, the auxmoney score of repeat borrowers develops more positively than the SCHUFA score, and hence probability of access to loan at auxmoney increases. Traditional banks rely sometimes almost exclusively on SCHUFA score, whereas SCHUFA is only one component within auxmoney's scoring methodology
- Moreover, the auxmoney score enables borrowers with a lower SCHUFA score access to capital at fair conditions. Given the strong position of SCHUFA in terms of credit bureau / creditworthiness information services in Germany, this showcases auxmoney's strong contribution to financial inclusion and a sustainable financial ecosystem

Financial health

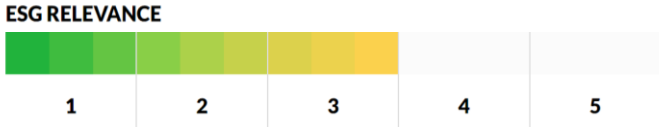
- More than half of repeat borrowers improve their auxmoney score. This signals both strong customer satisfaction and positive impact of lending on borrower's overall financial health, expressed through auxmoney score. Moreover, in cases with improvement in the auxmoney score class, an upgrade of on average 1.6 score classes is observed
- ~76% of borrowers, participating in the Customer Lending Survey, state improved ability to deal with unforeseen events thanks to auxmoney loan and ~37% observe improved abilities to save money
- On average auxmoney repeat borrowers more than double their loan amount. This signals improved financial health through eligibility for bigger loans
- Especially vulnerable customers (low SCHUFA score at first loan) improve their SCHUFA score in repeat loan, showcasing positive impact on overall financial health

Financial wellbeing

- ~74% of borrowers, participating in the Customer Lending Survey, state auxmoney loans helped improve their wellbeing and ~64% observe improved quality of life



Overview of Social Bonds (Fortuna 2021, 2022-1 and 2023-1)

	Fortuna 2021	Fortuna 2022-1	Fortuna 2023-1
Originator	<i>auxmoney Investments Limited</i>		
Asset Class	<i>Consumer loans</i>		
Transaction Type	<i>Public ABS</i>		
Jurisdiction	<i>Germany</i>		
Transaction Name	<i>Fortuna Consumer Loan ABS 2021 DAC</i>	<i>Fortuna Consumer Loan ABS 2022-1 DAC</i>	<i>Fortuna Consumer Loan ABS 2023-1 DAC</i>
Deal size	€250m	€225m	€350m
Date of issuance	7 th October 2021	25 th May 2022	2 nd March 2023
Final SVI-Verification Report	<u>Final Verification Report 2021</u>	<u>Final Verification Report 2022</u>	<u>Final Verification Report 2023</u>
Final Prospectus	<u>Final Prospectus 2021</u>	<u>Final Prospectus 2022</u>	<u>Final Prospectus 2023</u>
Fitch Rating (ESG Relevance)	 <p>ESG RELEVANCE</p> <p>1 2 3 4 5</p>		

Our awards

auxmoney's outstanding securitisations have been recognised by several awards so far:

- “Most Innovative Securitization Deal of the Year” for Fortuna 2021 by GlobalCapital
- “ESG Securitisation of the Year Award” for Fortuna 2022 by Structured Credit Investor





2. Social Bond Framework

Social Bond Framework (1/2): 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.



Social Bond Framework (2/2): Methodology

auxmoney has developed its 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

DEFINE

Use of proceeds

Net proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Projects that meet the defined criteria in the framework

- Those customers that are underserved due to legacy underwriting models (e.g., models that put too much weight on traditional KPIs such as the credit bureau score)
- Those customers that fall into an inherently underserved group (e.g., occupation with irregular income).

SELECT

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
- A dedicated committee consisting of key representatives from Senior Management, Risk, Funding, Legal/Compliance meets semi-annually

MONITOR

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

REPORT

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 will be updated at least annually or more regularly as required for potential future transactions financing replenishing portfolios and will be made available on the investor portal

VERIFY

External Review

Second Party Opinion on Social Bond Framework received from ISS Corporate Solutions, Inc. ("ICS")

Allocation of net proceeds will be subject to Audit Review by an external auditor

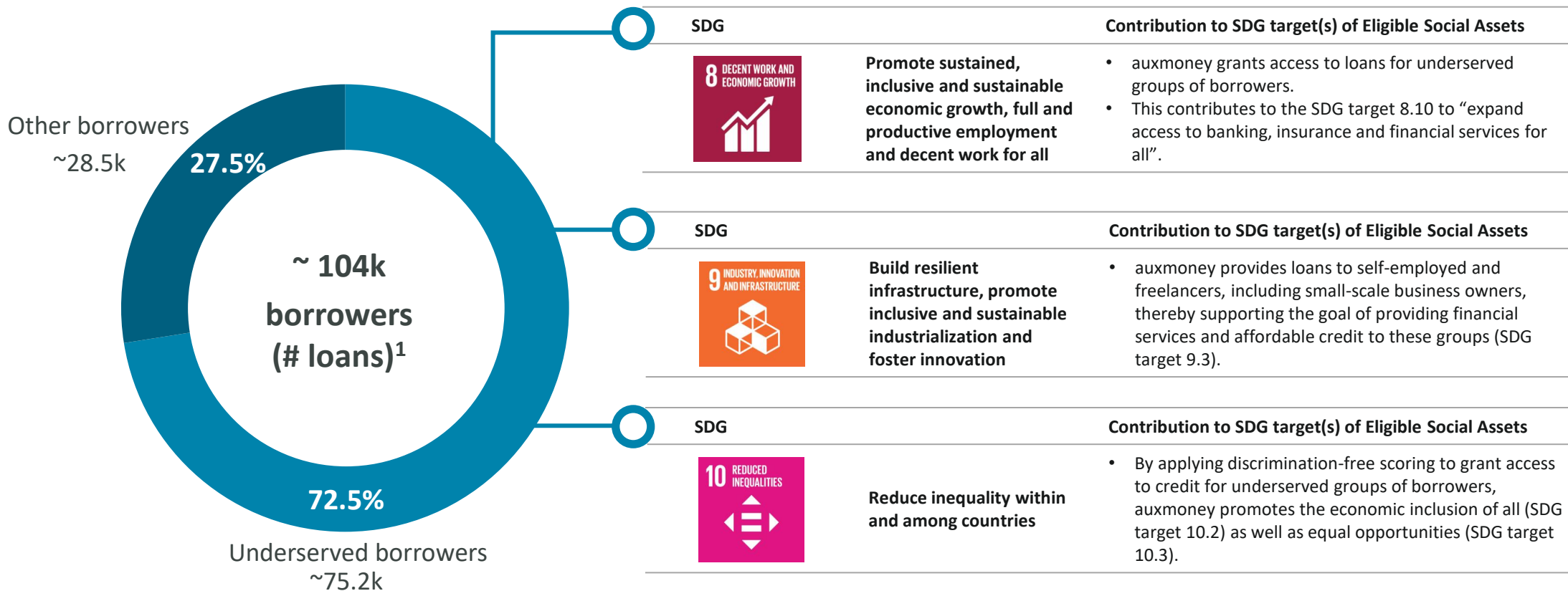




3. Allocation Report

Use of proceeds (Fortuna 2021, 2022-1 and 2023-1)

auxmoney has selected projects that meet Eligibility Criteria regarding certain Sustainable Development Goals (SDG 8, SDG 9, SDG 10), as identified in auxmoney's Social Bond Framework. Allocation of proceeds by SDG has been as follows:



ICMA SBP Category: Access to essential services

Eligible projects include consumer loans to underserved borrowers. Two different forms of underserved customers can be distinguished:

- Those customers that fall into an inherently underserved group (e.g., occupation with irregular income).
- Those customers that are underserved due to legacy underwriting models (e.g., models that put too much weight on traditional KPIs such as the credit bureau score)



Breakdowns of loans (Fortuna 2021, 2022-1 and 2023-1)

Underserved segments of Fortuna 2021, 2022-1, 2023-1 (as of June 30th and as of date of issuance)

Share of underserved borrowers complying with Social Bond criteria¹

	Fortuna 2021		Fortuna 2022-1		Fortuna 2023-1		Fortuna 2021, 2022-1 and 2023-1		Fortuna 2021, 2022-1 and 2023-1	
	As of 30 th June 2023		As of 30 th June 2023		As of 30 th June 2023		As of 30 th June 2023		As of date of issuance	
	<i>In %</i>	In # loans	<i>In %</i>	In # loans	<i>In %</i>	In # loans	<i>In %</i>	In # loans	<i>In %</i>	In # loans
Total										
At least one criterion	75.5%	7,545	76.5%	10,528	70.5%	34,552	72.3%	52,625	72.5%	75,225
Underserved due to customer group										
Self-employed, freelancers and entrepreneurs	5.8%	576	7.8%	1,078	8.0%	3,930	7.7%	5,584	6.5%	6,708
Employment in probation or fixed term employment	4.4%	438	6.2%	853	7.1%	3,483	6.6%	4,774	6.0%	6,202
Non-Germans	9.4%	942	9.5%	1,302	9.1%	4,434	9.2%	6,678	8.8%	9,153
Pensioners	9.3%	928	8.1%	1,116	6.5%	3,207	7.2%	5,251	7.4%	7,714
Elderly people (>65 years)	4.0%	395	3.0%	410	2.8%	1,360	3.0%	2,165	2.8%	2,891
Young people (<25 years)	7.7%	773	10.3%	1,413	9.3%	4,549	9.3%	6,735	9.3%	9,629
Students and trainees	5.5%	549	6.6%	914	5.1%	2,509	5.5%	3,972	5.7%	5,946
Underserved due to traditional underwriting models										
Net household income below €1,500 per month	27.2%	2,720	25.3%	3,477	18.1%	8,858	20.7%	15,055	20.6%	21,358
Low Credit Bureau score (i.e. SCHUFA E or lower)	50.4%	5,034	52.0%	7,159	48.0%	23,503	49.1%	35,696	50.5%	52,390





4. Impact Report

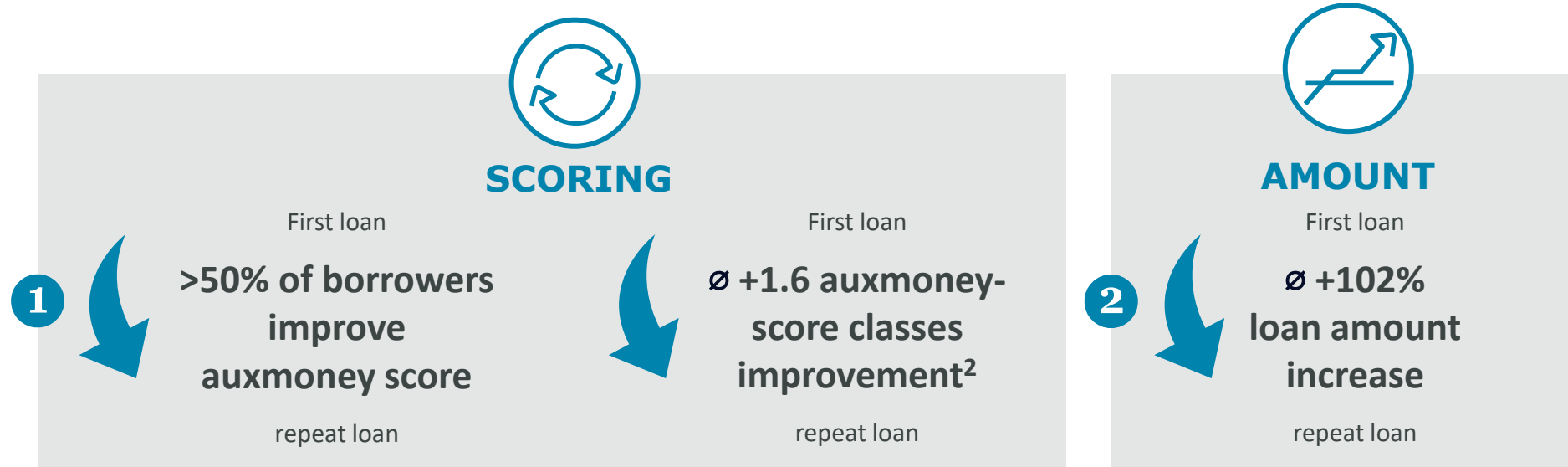


4a. Repeat Borrowers Study

Development of creditworthiness scores and loan amount

Over time, repeat borrowers improve substantially auxmoney score and double their loan amount

Comparison of scores and loan amount between first and repeat loan¹



auxmoney is committed to increasing access to credit in Germany by offering loans to borrowers who are wrongfully underserved by traditional banks, and thus strengthening financial inclusion. Lasting impact of auxmoney's loans can be observed through two key developments:

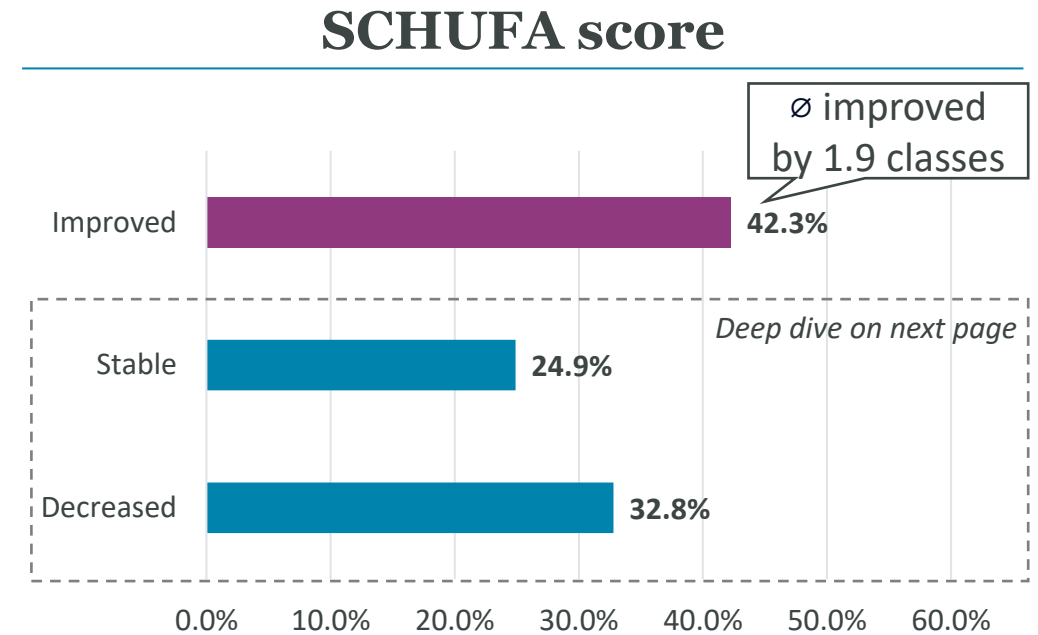
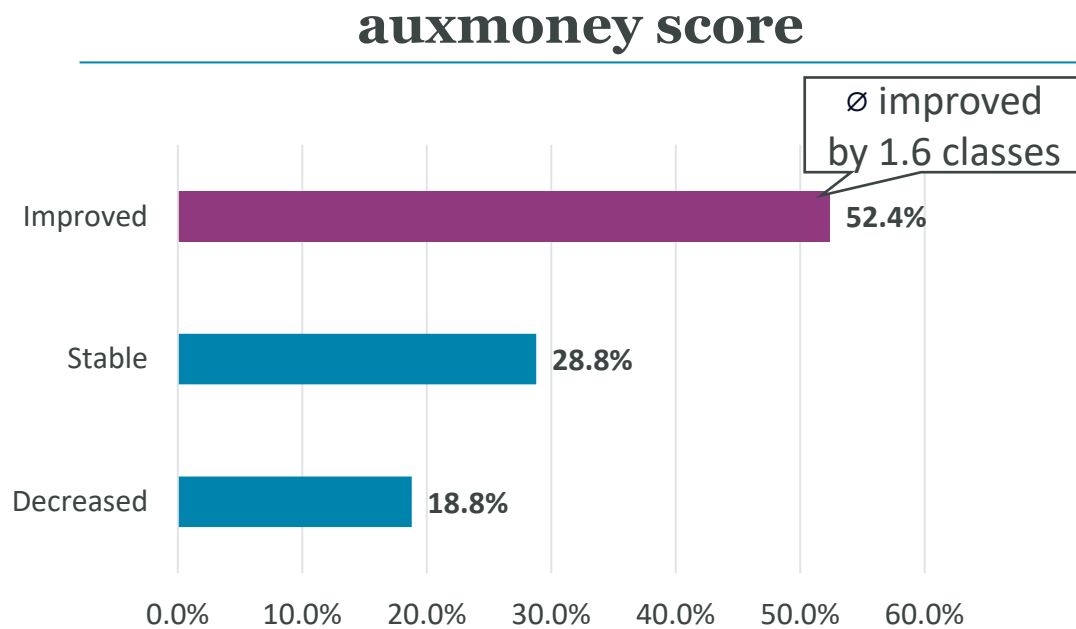
- 1** More than half of repeat borrowers improve their auxmoney score: **This signals both strong customer satisfaction and positive impact of lending on borrower's overall financial health**, expressed through auxmoney score. **Moreover, in cases with improvement in the auxmoney score class, an upgrade of on average 1.6 score classes is observed**
- 2** On average auxmoney repeat borrowers more than double their loan amount: **This signals improved financial health through eligibility for granting higher loan amount**



Improvements of auxmoney score and SCHUFA score

auxmoney score and SCHUFA score have developed positively for the majority of borrowers

Changes in the individual score of borrowers with a repeat loan compared to the first loan¹



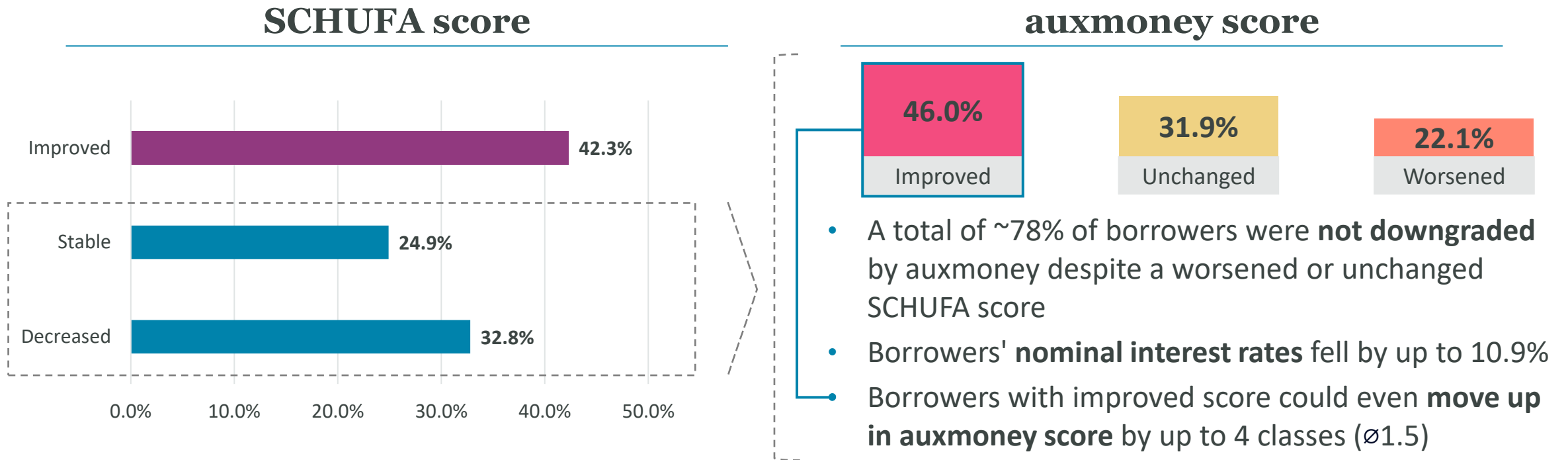
Both auxmoney score and SCHUFA score improve in repeat loan, signalling strengthened financial health. Furthermore, the auxmoney score develops positively more often than the SCHUFA score: This showcases auxmoney's ability to improve financial inclusion by catering to (potentially) underserved borrowers



Differences in scoring results between auxmoney & SCHUFA

The SCHUFA score develops more often to the disadvantage of borrowers compared to the auxmoney score

auxmoney conditions for borrowers with unchanged or worsened SCHUFA score¹



The auxmoney score enables borrowers with a low SCHUFA score access to capital at fair conditions. Given the position of SCHUFA in terms of credit bureau / creditworthiness information services in Germany, this showcases auxmoney's strong contribution to financial inclusion, facilitated by proprietary scoring mechanism

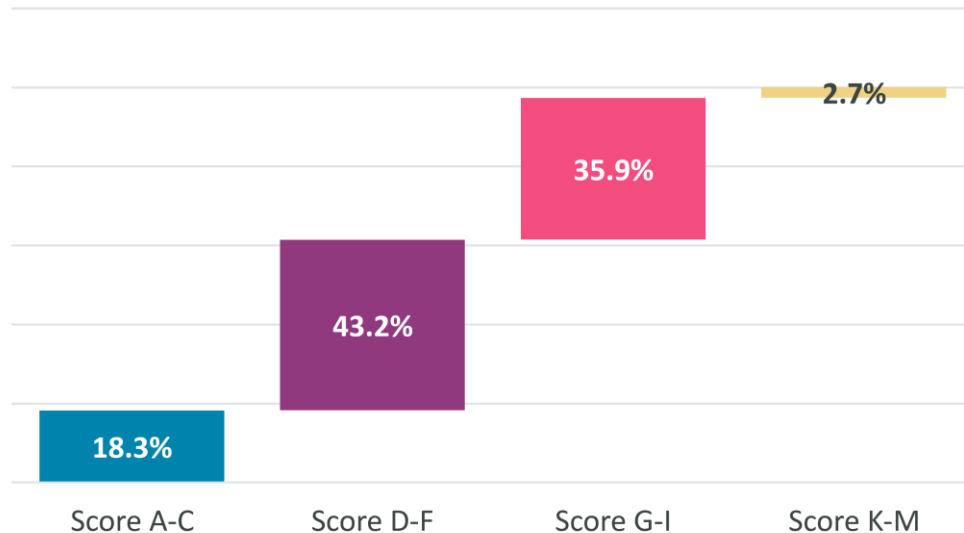


Impact on borrowers with poor SCHUFA history

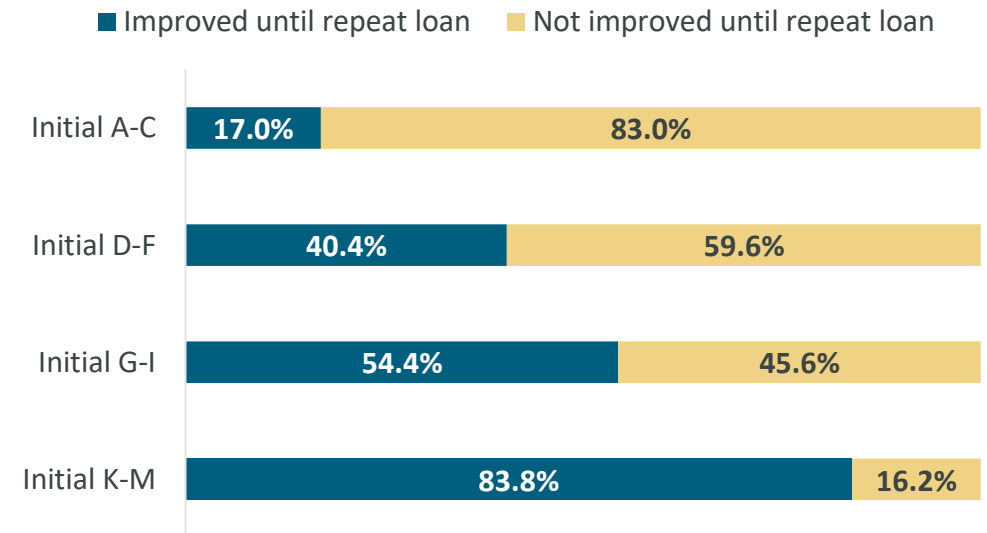
Borrowers with a poor credit history could improve their creditworthiness after receiving the first auxmoney loan

Comparison of SCHUFA scores before the first loan and before the repeat loan¹

SCHUFA score at first loan



Changes in the SCHUFA score²



Especially vulnerable customers with a low SCHUFA score are able to improve their score in the repeat loan, showcasing positive impact on overall financial health





4b. Customer Lending Survey

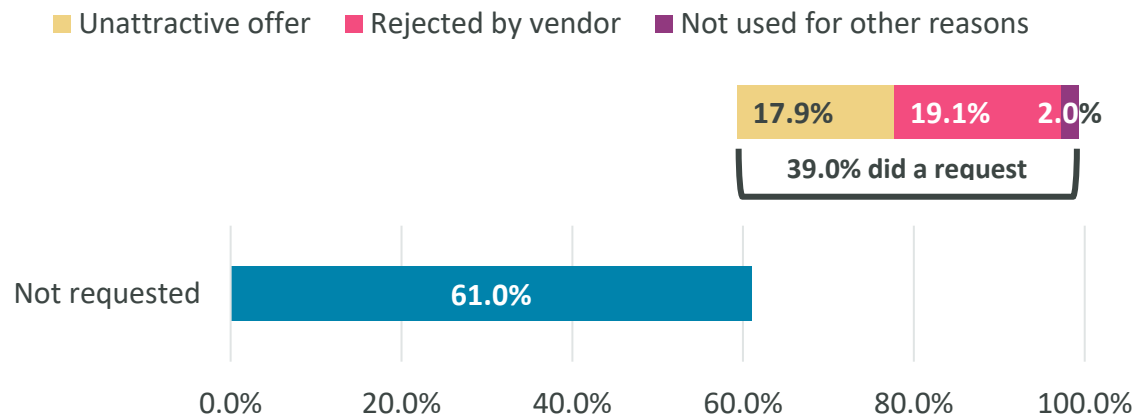
Personal value added for borrowers (1/3)



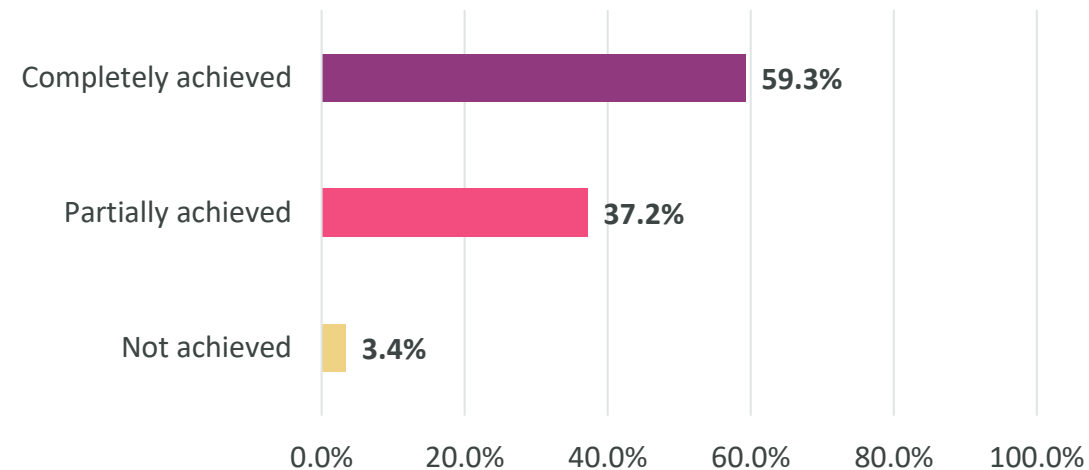
~ 97% of borrowers were able to meet their individual goals

Achievement of goals by means of loan¹

Was a loan requested from "classic" credit institutions in parallel?



Achievement of objectives with the loan

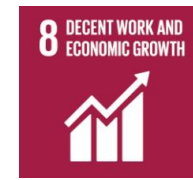


At least one in five borrowers would demonstrably not have been able to access capital without auxmoney. A further ~18% would only have been able to borrow under significantly worse conditions. Many more borrowers did not ask for alternative offers

~97% of borrowers were able to at least partially achieve their targets, thereof ~60% were able to completely achieve their targets



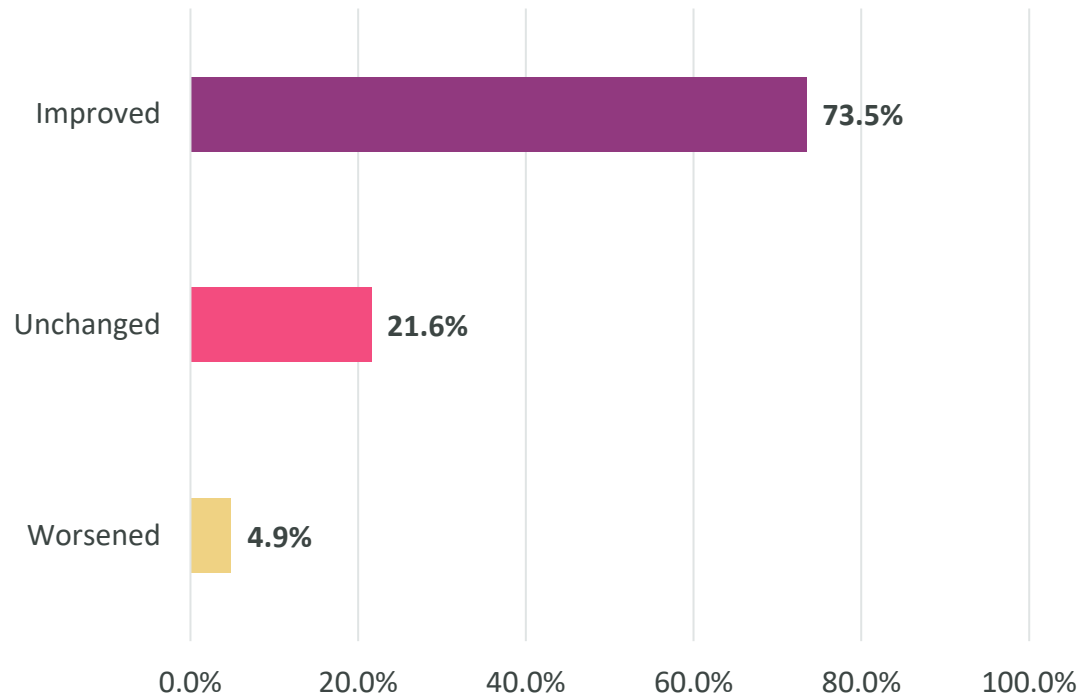
Personal value added for borrowers (2/3)



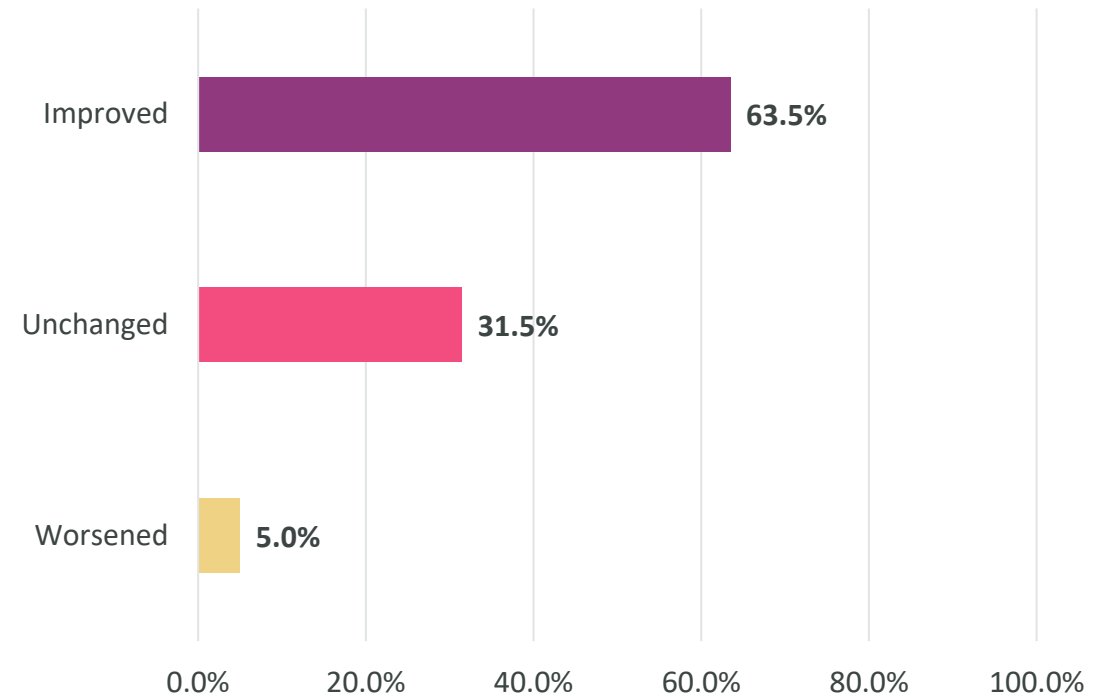
auxmoney loans help to improve the borrower's wellbeing and their quality of life in uncertain times

Influence on wellbeing & quality of life¹

Influence on wellbeing



Influence on quality of life



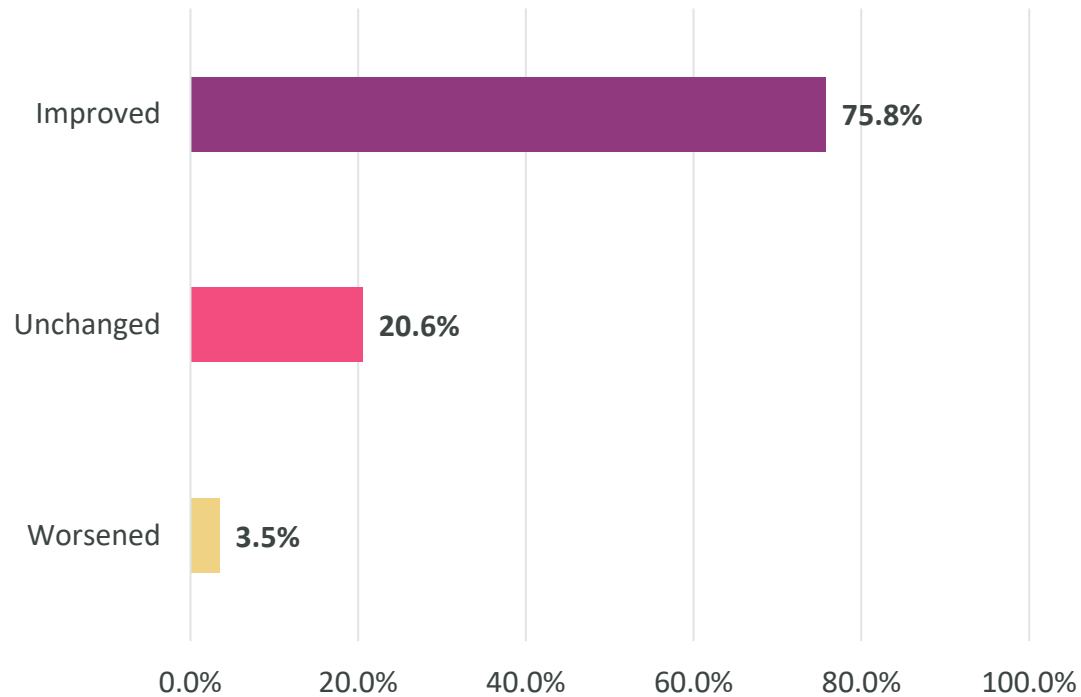
Personal value added for borrowers (3/3)



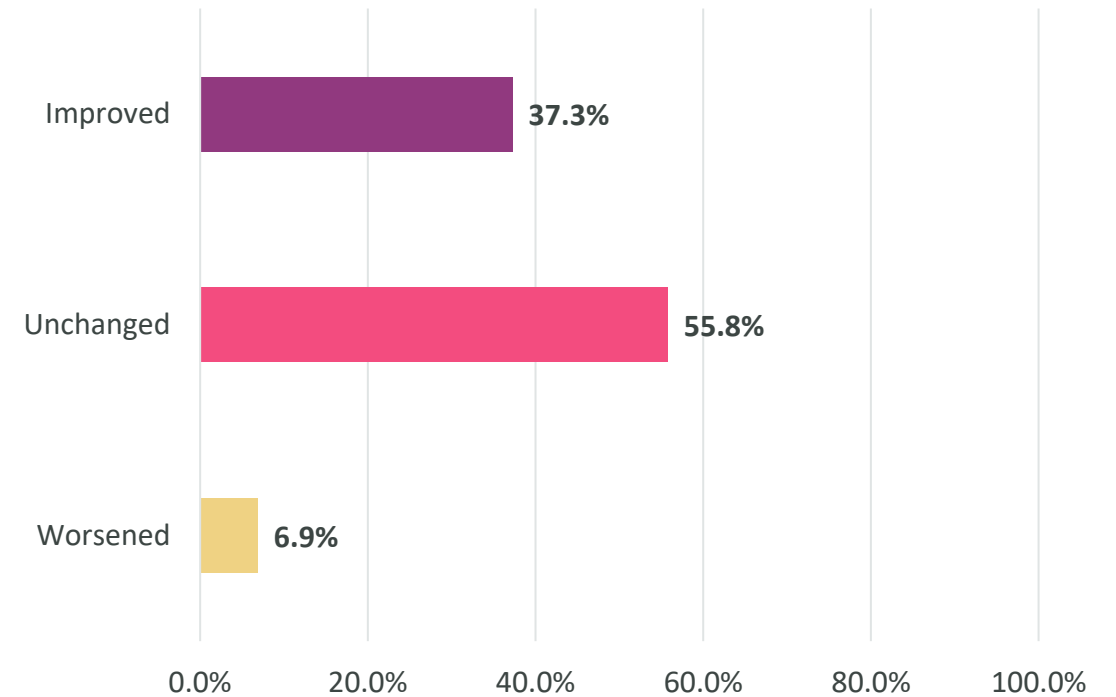
auxmoney loans create financial value – in uncertain times, the loans are an important support for the future

Money saving & unforeseen events¹

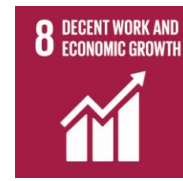
Ability to deal with unforeseen events



Possibility to save money



Support for self-employed



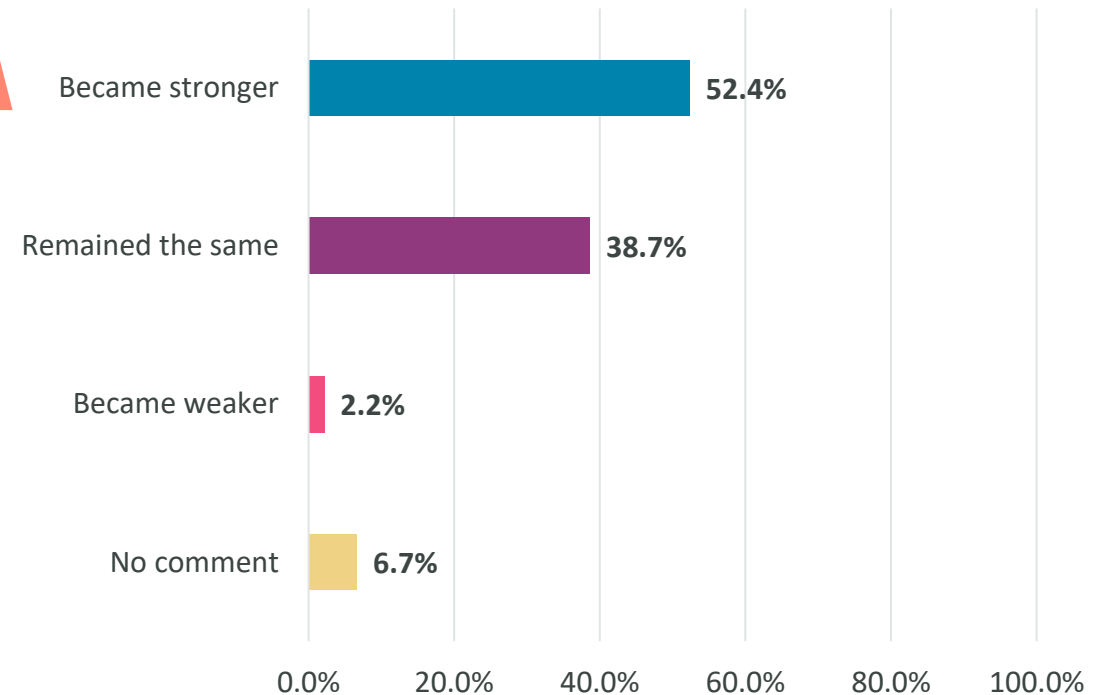
auxmoney supports entrepreneurs to become self-employed or to strengthen an existing business

auxmoney for self-employed and start-ups

Loans for businesses and start-ups

- Of the 2,205 participants in the Customer Lending Survey, **225 stated they are self-employed persons**
- Additionally, 48 further participants stated they used the loan to **start their own business** as previously non-self-employed persons

Influence on the business¹





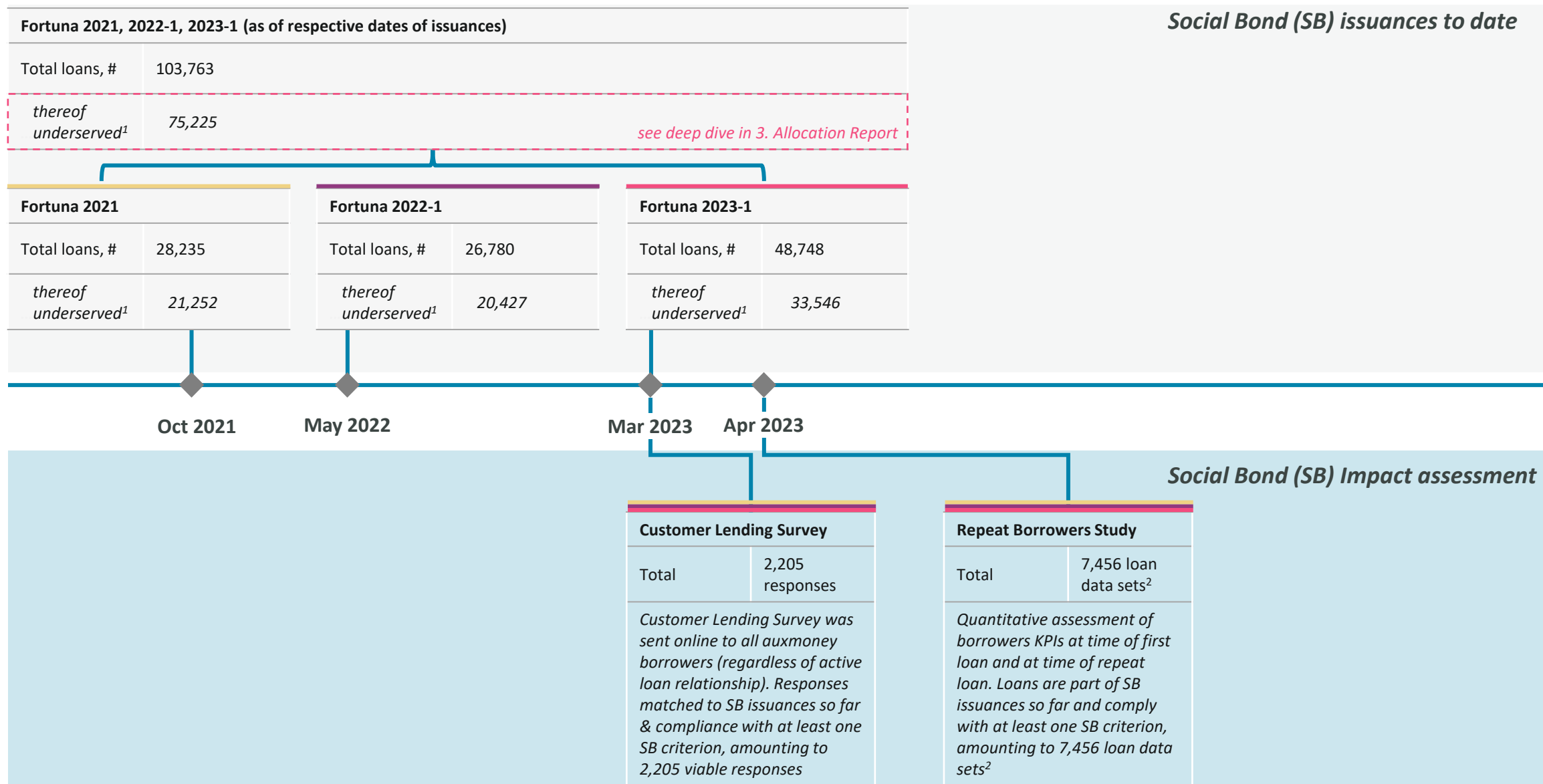
5. Appendix

Methodology & Survey Questionnaire



5a. Methodology

Data basis for Social Bond impact assessment



Repeat Borrowers Study: Methodology

Set-up	<ul style="list-style-type: none">• Assessment of long-term impact on several indicators for auxmoney repeat borrowers, whose first loan has been securitised within Fortuna 2021, 2022-1, 2023-1
Criteria for underlying assets	<ul style="list-style-type: none">• First loan within Fortuna 2021, 2022-1, 2023-1• Subsequent repeat loan paid out• Cut-off date for data basis 14th April 2023 <p>➔ Overall, 7,456 loan data sets (first loan within Fortuna 2021, 2022-1, 2023-1 and subsequent repeat loan)</p>
Hypothesis	<p>auxmoney repeat borrowers have substantial improvement on measured indicators for financial inclusion, financial wellbeing and financial health.</p>
Impact indicators	<ul style="list-style-type: none">• Financial inclusion• Financial wellbeing• Financial health
Variables assessed	<ul style="list-style-type: none">• auxmoney score• SCHUFA score• Loan amount



Customer Lending Survey: Methodology

Set-up	<ul style="list-style-type: none">• Qualitative and quantitative survey of existing customers using an online questionnaire. The survey covered the objectives of the loan, achievement of objectives, and perceived changes to the customer's own financial situation and wellbeing
Criteria for underlying assets	<ul style="list-style-type: none">• First loan within Fortuna 2021, 2022-1, 2023-1 as of date of issuance• Customers fulfil at least one Social Bond Criterion• Customers who were disbursed at least 6 months ago• Survey between 15th - 28th March 2023• Incomplete answers were excluded <p>➔ Overall, 2,205 unique responses</p>
Hypothesis	<p>auxmoney borrowers perceive noticeable improvements in their quality of life and financial situation following their loan.</p>
Impact indicators	<ul style="list-style-type: none">• Financial inclusion• Financial wellbeing• Financial health





5b. Customer Lending Survey: Questionnaire

Customer Lending Survey – Questionnaire Design (1/5)

Question 1 - Wellbeing



Question: What impact does/has this loan had on your wellbeing?



Methodology: Single select, fixed order



Response possibilities / scale

- It has grown a lot
- It has grown a little
- None, it has remained the same
- It has deteriorated a little
- It has deteriorated a lot

Question 2 – Loan purpose



Question: What did you need this loan for?



Methodology: Open ended



Response possibilities / scale

- Business startup
- Car / Motorcycle
- Education financing
- Electric vehicle
- Energetic renovation
- Debt rescheduling / Loan redemption
- Renovation / Modernization
- Other (specified in comment field; keyword is sufficient)



Customer Lending Survey – Questionnaire Design (2/5)

Question 3 – Loan applications



Question: Had you already applied for a loan for the above purpose elsewhere before you came to auxmoney?



Methodology: Single select, fixed order



Response possibilities / scale

- Yes, but I was rejected
- Yes, but I did not like the offer
- No
- Other (specified in comment field)

Question 4 – Loan achievements



Question: Did you achieve what you wanted with this loan?



Methodology: Single select, fixed order



Response possibilities / scale

- Yes, absolutely
- Yes, but only partially
- No

Customer Lending Survey – Questionnaire Design (3/5)

Question 5 – Self-Employment



Question: Are you self-employed and did you take out this loan for your business?



Methodology: Single select, fixed order



Response possibilities / scale

- Yes
- No
- If the answer is “No”, question No. 6 is being skipped

(Question 6 – Business effect)



Question: How did the loan affect your business?



Methodology: Single select, fixed order



Response possibilities / scale

- My company has become stronger
- Not at all - my company has remained the same
- My company has become weaker
- Other



Customer Lending Survey – Questionnaire Design (4/5)

Question 7 – Unforeseen problems



Question: How did the loan affect your ability to deal with unforeseen financial problems?



Methodology: Single select, fixed order



Response possibilities / scale

- It has improved a lot
- It has improved a little
- It has remained the same
- It has worsened a little
- It has worsened a lot

Question 8 – Ability to save money



Question: How has your ability to save changed since you received the loan?



Methodology: Single select, fixed order



Response possibilities / scale

- It has improved
- It has remained the same
- It has worsened

Customer Lending Survey – Questionnaire Design (5/5)

Question 9 – Quality of life



Question: What impact has this loan had on your quality of life?



Methodology: Single select, fixed order



Response possibilities / scale

- It has improved a lot
- It has improved a little
- It has remained the same
- It has worsened a little
- It has worsened a lot

Question 10 – Impact summary



Question: How has your ability to save changed since you received the loan?



Methodology: Open ended



Response possibilities / scale

- None: Free text input



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

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