

# Investor Presentation

# Executive Summary

- Bondora AS is a leading consumer lender in Europe with solid track record in the Finnish, Estonian and Spanish markets
- Bondora Capital OÜ, a wholly owned subsidiary of Bondora AS, operates a peer-to-peer lending marketplace that allows investors to acquire loans issued by Bondora AS (whole or fractional)
- Bondora Group companies use institutional quality service providers (Deloitte, PwC, BDO) that provide financial and internal auditing as well as compliance services
- The group companies have shown exceptional development and have established themselves as one of the main players in the fast-growing non-bank consumer lending as well as peer-to-peer lending industries
- Bondora.com marketplace investor base has historically been retail with over 15,500 investors from 40 countries
- In 2015 institutional offering was launched with currently one investment fund and family office acquiring issued loans
- There is strong track record dating back to 2009 with investor returns significantly higher than that of the peer group

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- 1** Investment Offer
- 2 Market Overview
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# Investment Offer

- Investment products are developed to meet varying needs and preferences of the investors
- Bondora offers investors alternatives to invest into loans through different channels (website, API or forward-flow purchase agreement)
- Investment policy can be tailored to purchase whole loans based on pre-defined criteria or invest into fractional loans across the market
- Expected return 8% - 20% depending on selected product and strategy

Investment offer

Direct investments to loans (Expected return 8% – 20%)



Buy whole loans based on a custom strategy

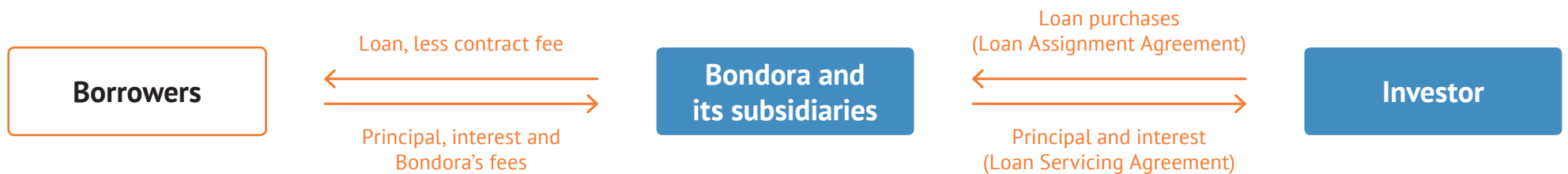


Passively buy into the entire market

Investment methods tailored to investor preferences

# Investment Structure

## Structure of investments to loans



- Investor's assets are segregated on a separate account in case whole loans are acquired
- The account is swept daily for the benefit of the Investor

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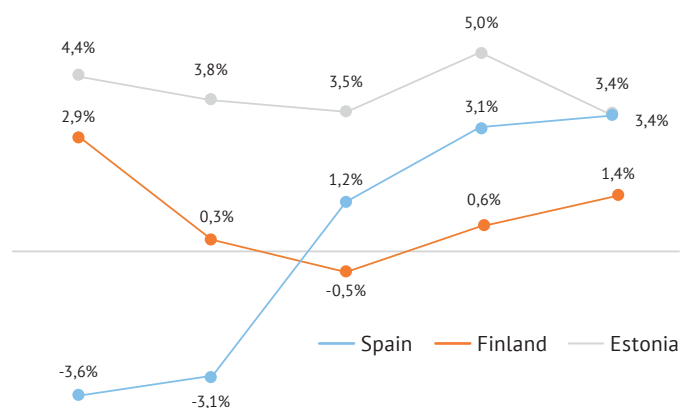
# Our Markets: Economic Perspective

- Bondora operates in Finland, Estonia and Spain with total population of over 53 million people
- Our markets are uncorrelated by economic performance and all the countries have investment grade sovereign ratings
- Finland went through recession in 2012 – 2014 and Spain in 2008 – 2014
- Bondora has been successful in these countries in recessionary environment
- Unemployment has been decreasing in Spain and Estonia and is projected to stabilise in Finland in 2016, improving loan servicing capability of the borrowers
- Accelerating economic growth and expanding private consumption are ensuring attractive environment for consumer lending

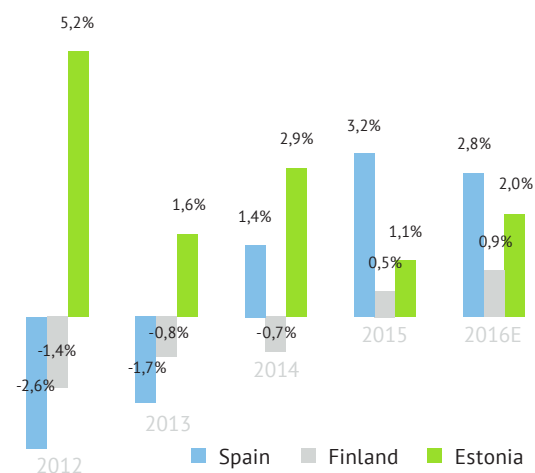
## Our markets: Snapshot

	Finland	Spain	Estonia
Population (million)	5,5	46,1	1,3
GDP (EUR bn)	207	1081	21
GDP per capita (EUR)	37878	23469	15769
Consumer credit market (EUR bn)	14,1	57,9	0,6
GDP growth 2016E	1,1%	2,8%	2,0%
Unemployment 2016E	9,3%	19,8%	6,0%
Sovereign rating (Moody's)	Aaa	A1	Baa2

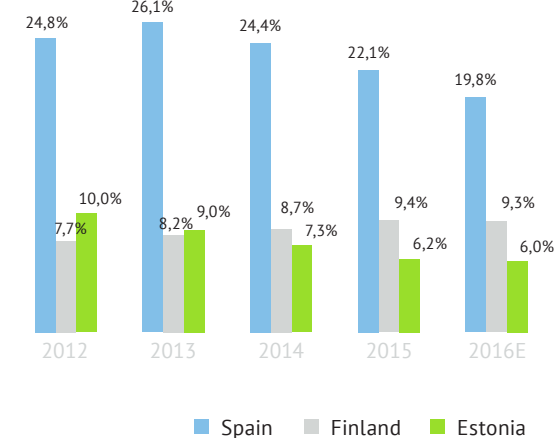
## Private consumption y-o-y %



## GDP growth y-o-y %



## Unemployment rate



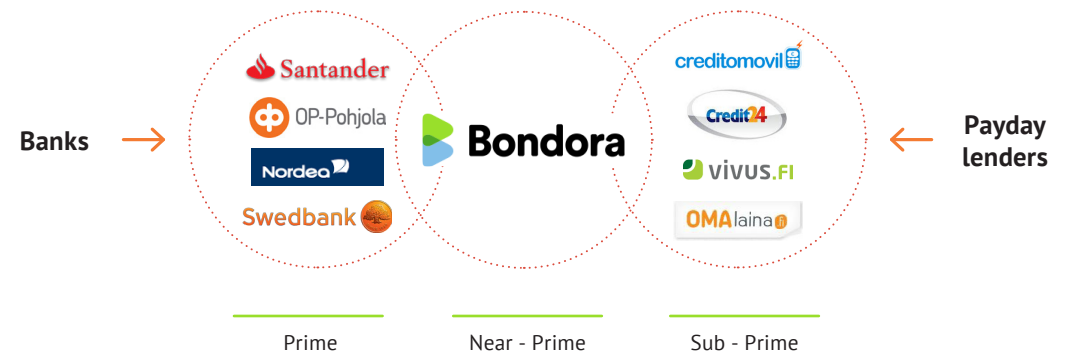
Sources: FocusEconomics, SEB, European Commission, ECRI

# Market Overview: Consumer loans

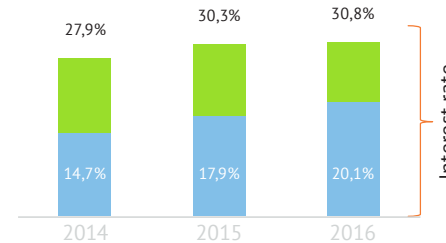
- The markets Bondora operates in are attractive for consumer lending due to limited availability of credit through the banks due to technological and regulatory barriers
- Consumer credit market has contracted considerably from their peak witnessed in 2008 in Spain and Estonia, but has grown in Finland
- Finland, Estonia and Spain are highly digitilised markets, with Spain offering most significant upside in digital convergence
- In line with advancements in technology, the markets have attracted alternative lenders offering consumer credit online
- Competitive advantage of Bondora stems from provision of loans with clear product utility, attractive interest rates and seamless customer experience
- Targeted near-prime segment enables to cover widest market and win over customers both from banks and payday lenders
- Risk-adjusted interest rates, controlled defaults and strong performance in recoveries ensure high returns

Bondora targets segments that banks have difficulties reaching due to technological and regulatory barriers

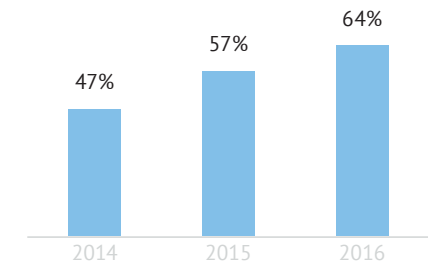
Advanced underwriting enables to offer better terms than the payday lenders



Interest rates and net returns



Cash flow restored (% of planned principal)



**Bondora focuses on near-prime segment overlooked by banks where it has a competitive edge**



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# Overview of Bondora

## Corporate profile

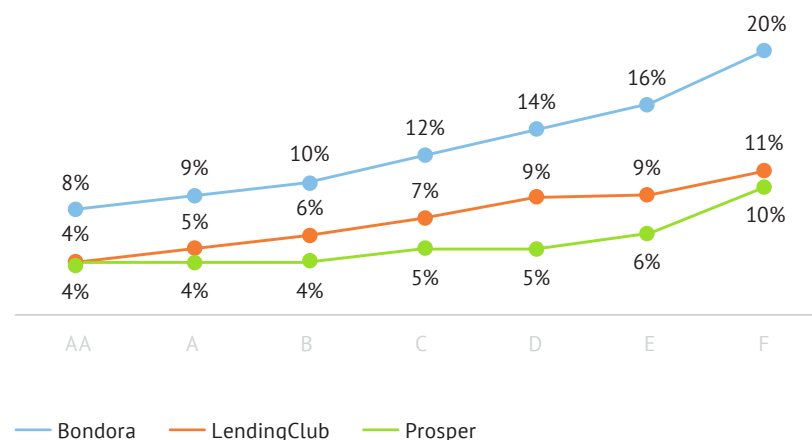
Established	2008
Number of employees	45
Auditor	Deloitte
Internal Auditor	PriceWaterhouseCoopers

## Loan profile

Markets	Finland, Spain, Estonia
Amount	EUR 500 - 11,000
Average loan size	EUR 2400
Interest	Depends on the borrower's risk rating
Amortisation	Monthly
Security	Unsecured
Maturity	3 - 60 months

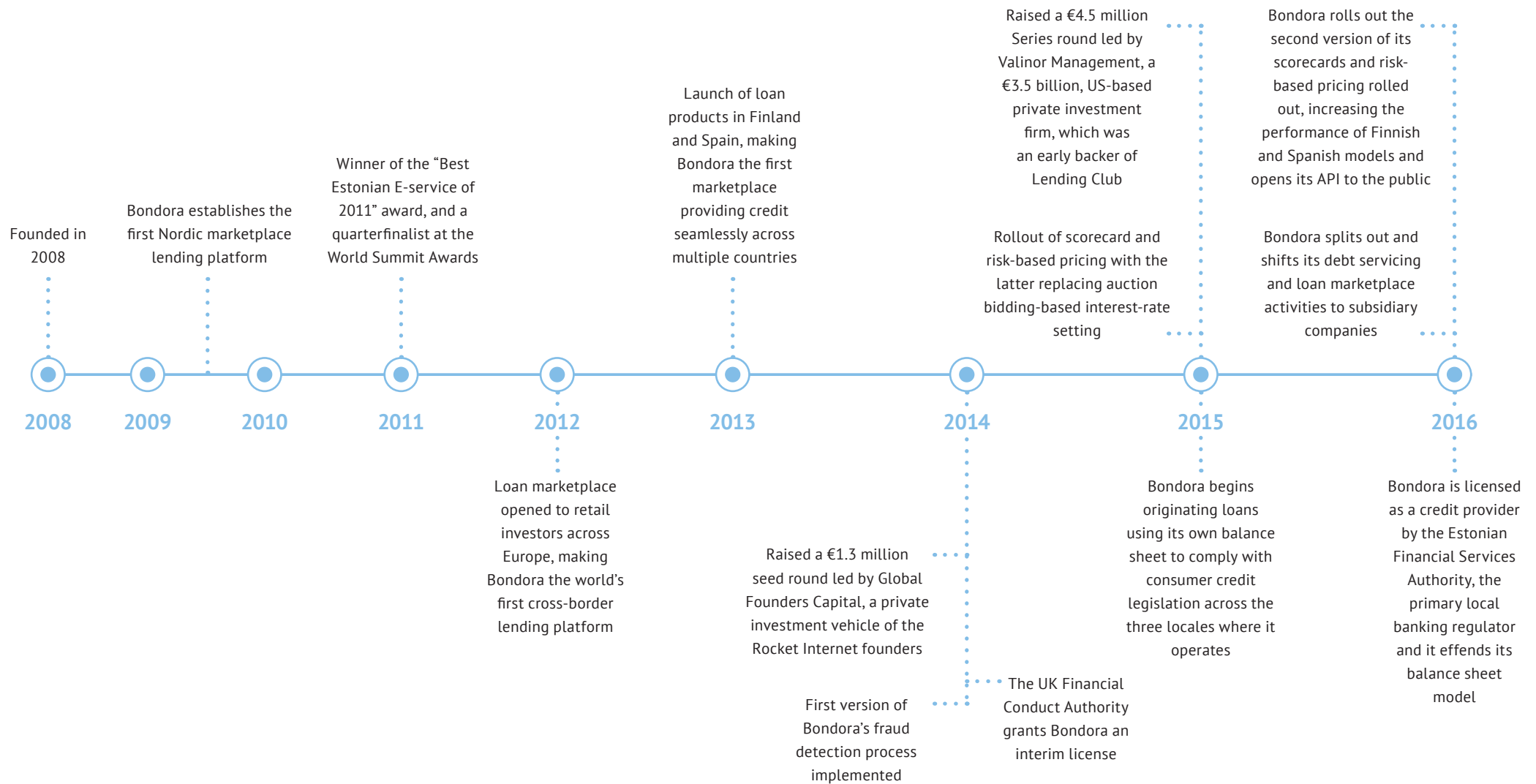
- Bondora focuses on unsecured consumer lending
- Bondora issues loans in Finland, Spain and Estonia
- Bondora has processed more than EUR 1.2 billion of loan applications and issued over EUR 62 million in loans
- Bondora has all the necessary licenses for the markets in which it operates; it adheres to the AML requirements and responsible lending principles required by the laws each respective country
- In comparison to its peers, Bondora has a solid track record in generating returns for investors
- **Investors can generate 400 to 1000 basis points of additional yield, depending on borrower credit score grades, without noticeably increasing risk**

## Expected return by risk grade: Bondora relative to its peer group



Sources: LendingClub, Prosper, Bondora

# History of Bondora



Bondora has been adapting its business so it can offer credit products in selected markets

# Competitive Advantages

## Experience in serving lower and middle income customers

- Bondora's focus on creating cost-effective ways to serve lower and middle-income customers and payday loan customers has enabled it to deliver strong risk-adjusted net returns on its loan portfolio while keeping customer acquisition costs under control

## Proprietary underwriting, collection and recovery processes

- Bondora conducts thorough background checks on prospective borrowers, including verifying their income and expenses
- Bondora's approach facilitates a faster and cheaper assessment of credit and fraud risks, enabling it to offer the most appropriate loan products to its customers
- Its servicing practices afford Bondora complete control over accounts and help ensure that loans are repaid in a timely manner

## International business architecture

- Bondora combines unique and best-in-class skills derived from its experience in and the resources available across multiple countries
- Bondora leverages Swedish banking infrastructure, German technology management, Estonian application development skills, cost-effective FinTech back-office operations and American marketing know-how

## Single platform for borrowers across Europe

- Bondora has developed a single technical platform that can be used in any number of jurisdictions, regardless of borrowers' residency, language and currency
- Bondora's proprietary technology allows it to provide it with extensive economies of scale; functional improvements as well as costs are shared across the markets it operates in

## Advantageous base of operations

- Bondora's legal entity is based in Estonia, which has a strong sovereign credit rating and a favorable tax environment
- Bondora has access to a qualified IT work force with experience working at leading technology companies (e.g. Skype, Grabcad and Transferwise)

**Bondora leverages its strengths and the assets it has developed over the past seven years to capitalize on a unique opportunity**

# Management and Shareholders

## Supervisory Board

### Joao Monteiro, Chairman of the Board

- Executive at Kuehne+Nagel
- Previously responsible for organizational development at LSG Sky Chefs and Roland Berger

### Mati Otsmaa, Board Member

- E-commerce and financial services executive
- Has engaged in assignments for American Express, Barclays, Citibank, Chase, Experian, HSBC, Hyundai and Providian

### Phil Austern, Board Member

- Founding member of Valinor Management
- Previously Vice President at Francisco Partners

## Management Board

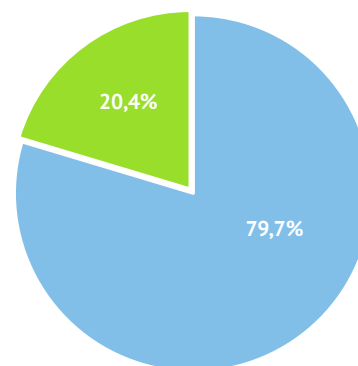
### Pärtel Tomberg, CEO

- Founder of Bondora
- Previously responsible for Baltic regional management at Quelle AG and Halens AB

### Rein Ojaverre, CFO

- Formerly Head of Corporate Banking at DNB in Estonia
- Has worked in asset management and investment banking at Limestone, Swedbank, Evli and Suprema

## Shareholders



- Majority of the shares are held by Founders and Private Investors
- The largest institutional investor is Valinor Management

■ Founders and private investors    ■ Institutional investors

## Executive team of Consumer Credit

### Kairo Kraaner, Head of Borrower Product

- Formerly Bondora's digital acquisition marketing expert
- Has worked as a digital marketing manager and project manager at several organizations

### Ago Samma, Head of Collection

- Formerly Bondora's head of loan underwriting and collection
- Has worked as Head of Retail Lending Department and Consumer Lending Department at Swedbank

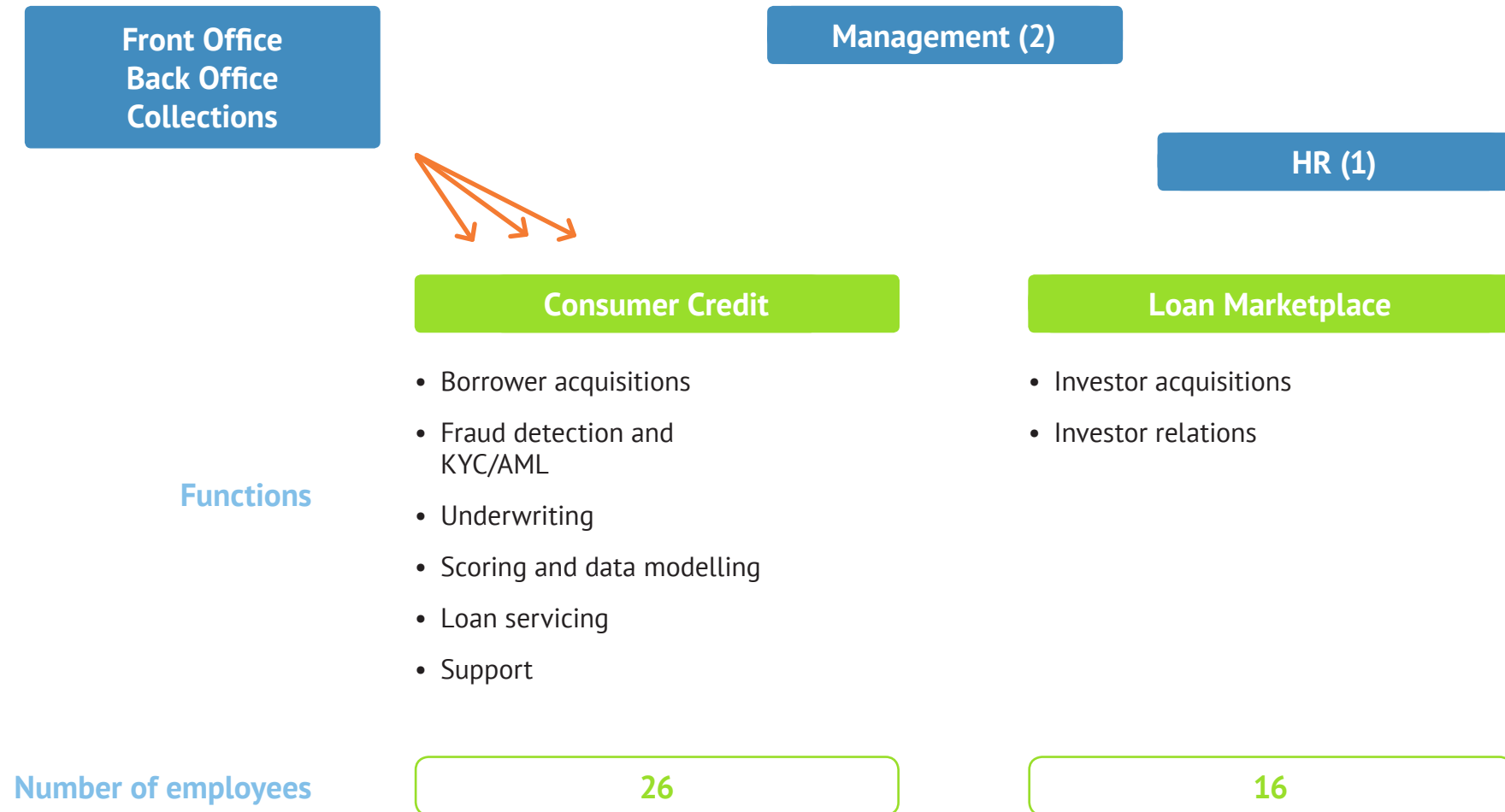
### Targo Tennisberg, CTO of Consumer Credit

- Software Architect at several leading IT companies
- Senior Development Lead at Microsoft

### Kristi Rohtsalu, Head of Credit Risk

- Responsible for credit modelling and credit risk at Bondora
- Previously an Independent risk modelling consultant and a risk capital and ICAAP modelling specialist at Swedbank

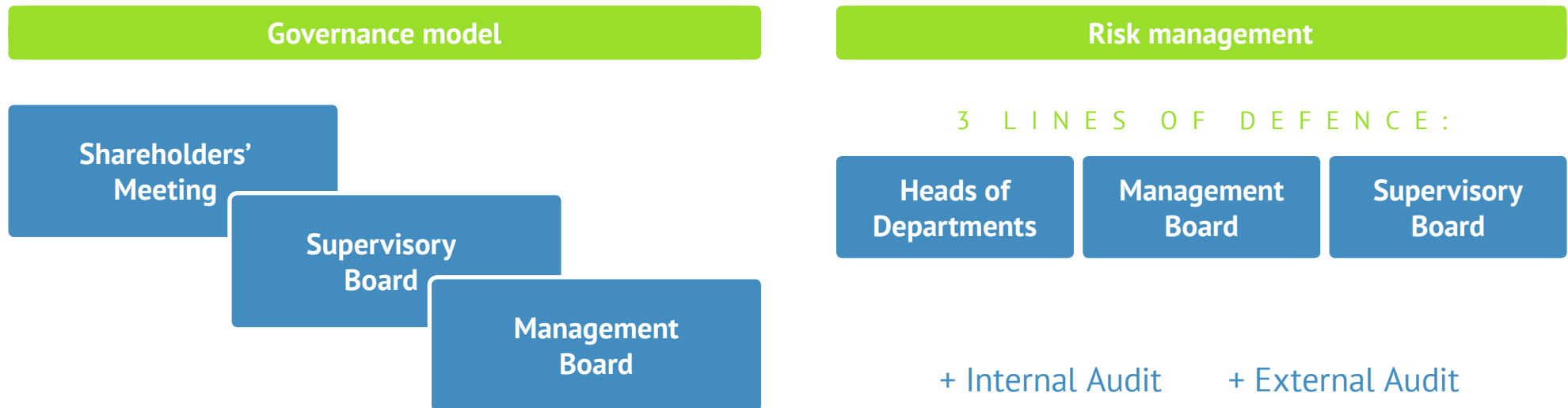
# Company Structure and Functions



All functional units and subsidiaries of Bondora Capital OÜ and Bondora Servicer OÜ are headed by seasoned professionals and supported by experienced development teams

# Governance and Risk Management

- Bondora's Management Board is overseen and appointed by the Supervisory Board, which has, in turn been appointed at a Shareholder Meeting
- The Management Board is responsible for day-to-day management
- Bondora's operational management team, which includes specialists in credit risk assessment, market risk, IT security, operational risk and compliance, is responsible for risk management
- Specific risk management responsibilities are delegated to the respective department heads, who report to the Management Board
- The Supervisory Board further reviews risk management on a quarterly basis
- The internal audit function, carried out by PwC, is directly overseen by the Supervisory Board
- An IT audit is an integral part of the financial audit conducted annually by Deloitte



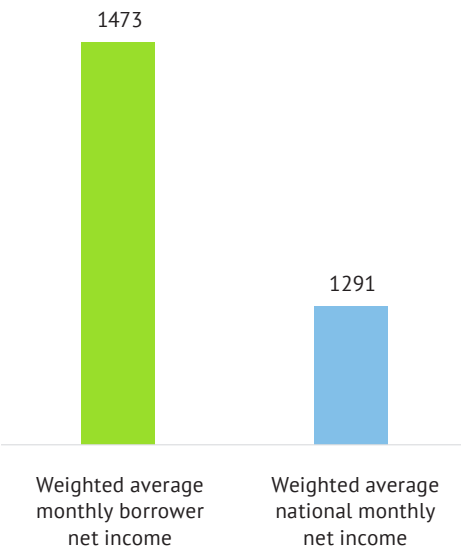
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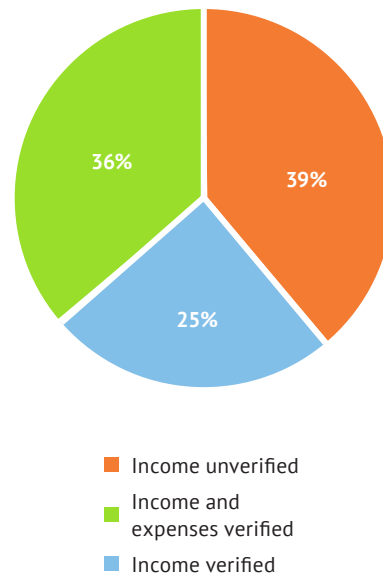
# Borrower Profile

- The following are the relevant statistics for loans issued by Bondora in all to borrowers in the 1H16 in all countries of operation
- We expect that these characteristics are representative to the loans issued by Bondora in the in the follwing periods
- Income verification in more than 60% of the cases
- Weighted average income of the borrowers across countries is above the national average

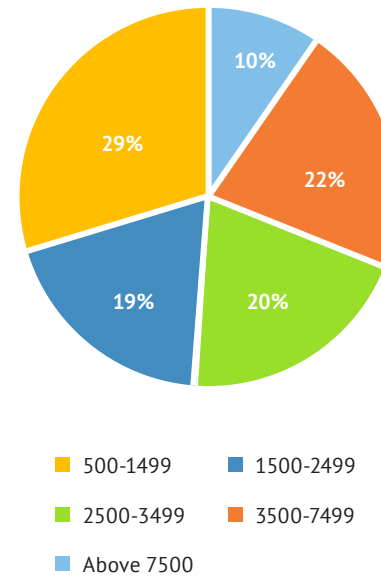
Income vs. national average



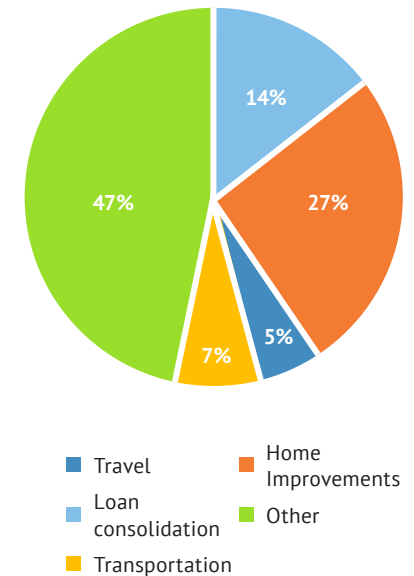
Income verification



Requested loan amount (EUR)



Use of loan



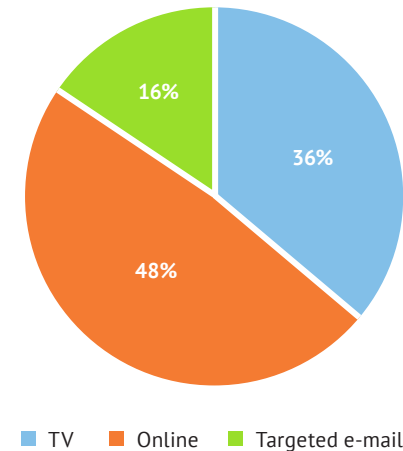
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# Sourcing and Volume Generation

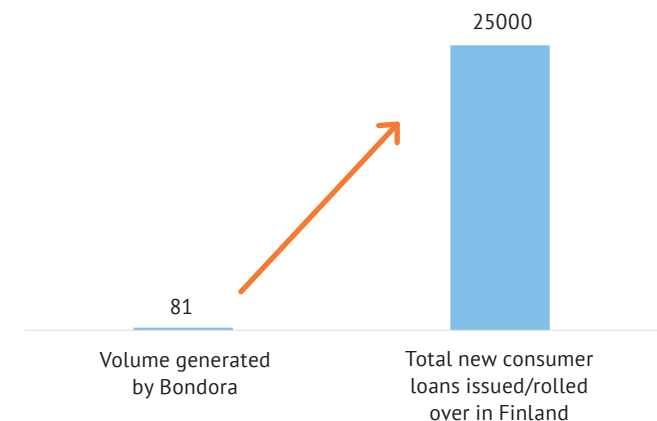
- Finland, Estonia and Spain are -sizable and highly digitalised markets well adapted to online lending
- Loans offered by Bondora have clear product utility in relation to competition, as longer durations enable customers to take bigger loans with lower monthly instalment
- Total market of consumer credit in Finland, Estonia and Spain is close to EUR 72 billion and annual estimated annual turnover of over EUR 25 billion with only a fraction of the market has been tapped by Bondora
- Bondora markets itself to borrowers using a combination of search engine marketing and television advertising
- Bondora initiates also email campaigns targeted at existing, previous and prospective customers
- Bondora has been operating in Estonia over 7 years on the Finnish and Spanish market for over 3 years and has developed an efficient customer targeting model
- In 2015 the volume of investable loans generated in Finland, Estonia, Spain reached EUR 80.6 m
- Bondora has on multiple times tested that the volume can be more than tripled without changing the risk profile with additional investments directed at TV and online advertising

**Bondora has developed efficient marketing model to address high volume of potential customers**

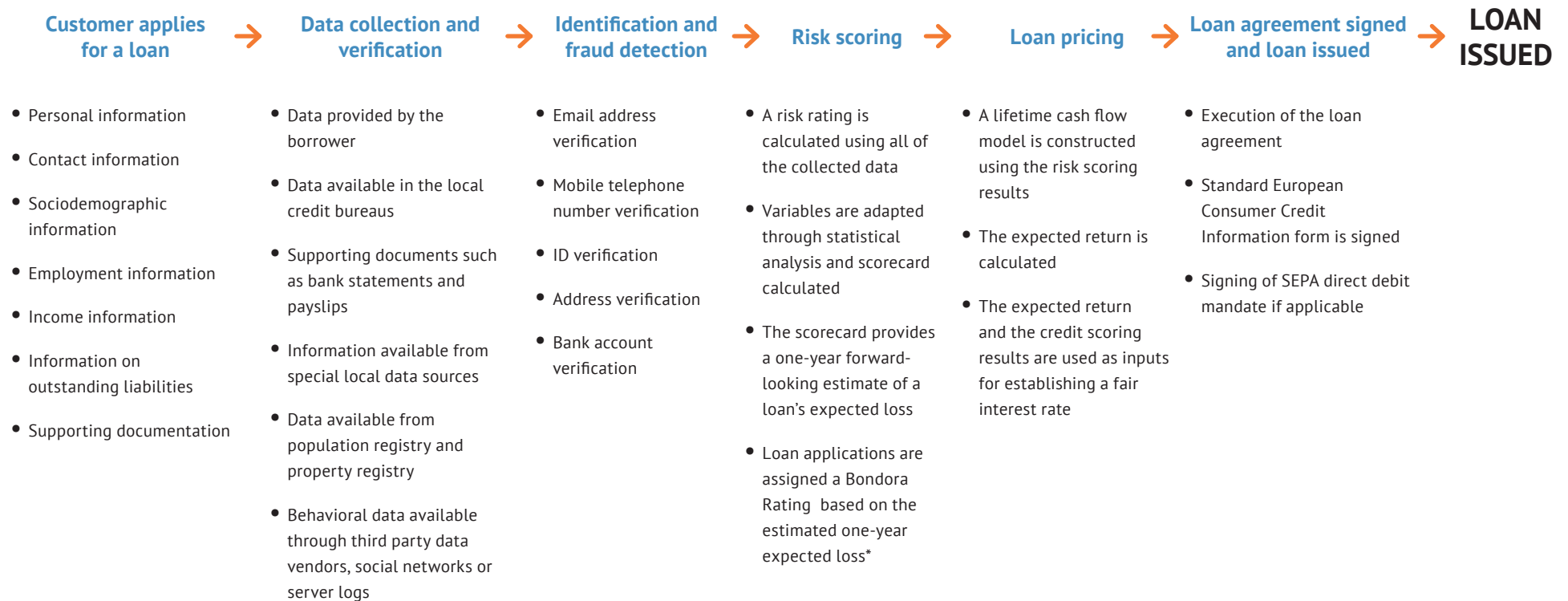
Split of marketing channels in 2015



Market potential of investable loans (EUR m)



# Underwriting Process



**Underwriting is managed by a team of highly experienced and skilled professionals**

- The Head of Credit Risk has extensive experience developing credit models and internal capital adequacy algorithms for banks, leasing providers and non-bank consumer lenders
- Credit risk-related activities are supported by six data engineers, including one who has a PhD (in economics), two who are PhD candidates (in machine learning/computer science) and three who are experienced software engineers

\* Bondora Ratings range from AA (the safest grade) to F (the riskiest "investment grade" rating). Additionally, Bondora assigns a grade of "HR" (high risk) to loan applications with an expected loss of 25% or higher.

# Risk Scoring

Data collection  
and analysis

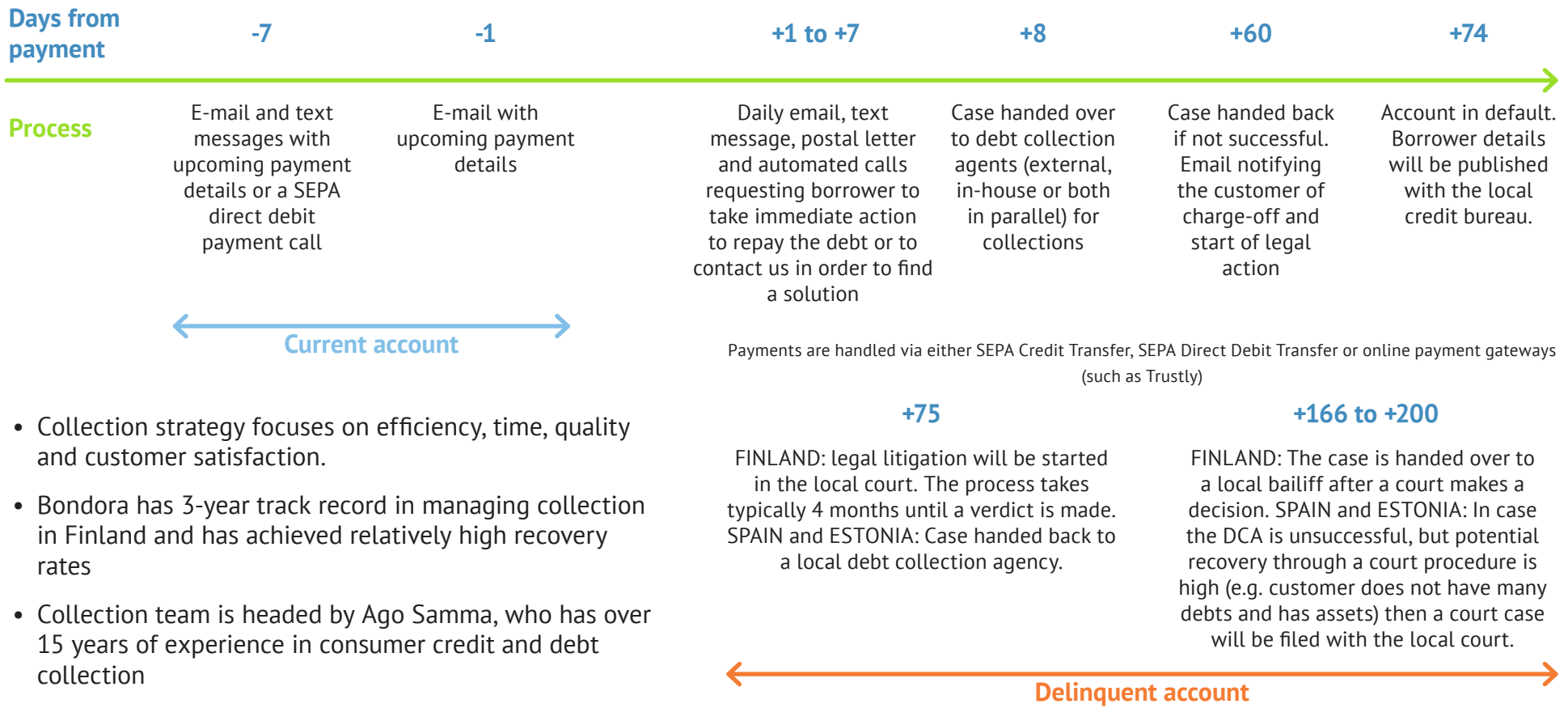


Proprietary  
scorecards

- Since launch of the operations, Bondora has analyzed loan applications with value of over EUR 1,2 billion of and has developed significant experience in credit scoring using the data it has amassed
- Bondora has developed high level of expertise in Finland, Estonia and Spain with its proprietary credit scoring database that provides insight into customer behavior
- Bondora uses an internally developed credit scoring model to calculate a prospective customer's risk rating
- The risk rating is calculated using all of the data collected
- The exact variables that affect customer's credit risk rating are established and adapted as needed through statistical analyses
- These variables may include income information, employment records and credit history as well as marketing and other non-traditional data
- Bondora scorecards are prepared by its consumer credit business unit scoring and price team and signed off by the business units Head of Credit Risk
- The scorecards are regularly evaluated and calibrated

**Bondora has developed high level of expertise in its markets with its proprietary credit scoring**

# Recovery Process



- Collection strategy focuses on efficiency, time, quality and customer satisfaction.
- Bondora has 3-year track record in managing collection in Finland and has achieved relatively high recovery rates
- Collection team is headed by Ago Samma, who has over 15 years of experience in consumer credit and debt collection

## Success factors

- Early initiation through reminding customers on payments in advance and fast start of collection process on delinquent accounts
- Good cooperation with local courts and debt collection agencies
- Fast and efficient execution of court cases filed through API or local partners

**Through efficient process Bondora has achieved relatively high recovery rates**

# Traceability and Credit Policy

## Identification and traceability of customers

- In Finland, Estonia and Spain customers can be traced based on their ID number
- All the borrowers are identified by their phone number, address and bank account data, whereby identity and ID number are linked to the application
- Strong traceability enables to identify potential fraud and ensures that debts can be collected



In Finland, Estonia and Spain traceability is very high due to the linkage between individual's national ID number and almost all the aspects of public life

Address change

Job change

Public support

Healthcare

Tax, police and legal system

Bank, insurance and payments

Subscription to services

USE OF NATIONAL ID NUMBER

## Loans are issued one the basis of stringent Policy Rules of Bondora

### Key terms of the Policy Rules

- The Borrower is a resident of the Finland, Estonia or Spain and is at least 18 years old
- Income of the borrower is at least €1,000 net per month in Finland, €300 in Estonia and €600 in Spain
- Loan is in the minimum amount of 500 Euros and the maximum amount of 11,000 Euros
- The aggregate outstanding amount of loans issued by Bondora to the same borrower may not exceed 11,000 Euros
- Loan has a term of not less than 3 months and not more than 60 months
- Loan has a Bondora's internal credit risk rating of AA, A, B, C, D, E, F or HR
- Annual percentage rate of the loan at the time of concluding the credit agreement was less than statutory limits in the specific country
- Loan is paid in monthly instalments
- The Borrower has no active delinquencies by local credit bureaus

Credit policy rules are supported with national ID infrastructure ensuring traceability of the borrowers

## Contact

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