Digital Lending Association

2024 ANNUAL REPORT

Prologue to the DLA Annual Report

The Digital Lending Association represent the interests of Non-Bank Fintech Lenders as well as investors and service providers who want to support our mission.

The industry is considered to be the entirety of companies whose activities are directly or indirectly related to the investment of debt capital via Digital Lenders. This includes in particular, but not exclusively, loans, bonded loans (Schuldscheine), assignments of receivables, bonds and securities based on the previously mentioned debt instruments.

The DLA has the task of promoting and protecting the interests of its members and safeguarding their interests. We realize these objectives by, among other things:

- Representation of interests vis-à-vis the political sphere: Advising political decision-makers and authorities as well as participation in legislative and administrative procedures at national, European and international level;
- Representation vis-à-vis regulatory and supervisory authorities: Representation and advocacy of industry companies vis-à-vis competent authorities or public bodies and institutions at national, European and international level;
- Networking: Maintaining relations among members and establishing and maintaining relations with other associations, business organizations and consumer protection bodies at national, European and international level;
- Public relations, such as press relations, publications and the publication of information relevant to the industry;
- Events such as conferences, seminars and lectures dedicated to the industry or its interests, or the association itself participates in such events;
- Information, support and advice to members;
- Conception, content support as well as follow-up of uniform industry standards;
- Advocating fair competition;
- Promote market transparency as well as debtor and investor protection;
- Advocating high quality and expertise.

This report meets the requirements of Art. 7 Sec. 2 Cl. a. of the Articles of Association about the obligation of the Executive Board to provide an annual report. The report was provided when members received a copy of it.

DLA
The Power of Fintech Lending

A. ADDRESSES FROM THE EXECUTIVE BOARD

The Executive Board looks back on a successful 6th financial year.

Since the foundation on June 4, 2019, we had been busy building up the association. The adoption of a data protection concept at the end of 2024 marked the accomplishment of the last follow-up project. We are now at cruising altitude and want to reach our final destination of being *the* association for all Digital Lenders as well as all investors and service providers associated with the ecosystem. In order to achieve this, we need to steadily increase the number of members from all over Europe and continue to strategically position ourselves on important future topics. We have already been successful in this regard in the areas of Open Finance and the EU Commission's market investigation on Non-Bank Financial Intermediation for example. In recent years, DLA has surprisingly been the only association in Europe in the Fintech Lending space to develop and successfully advocate its positions on these two issues (please have a read of section D/III in this report).

There are indicators that an important strategic decision made in the past is beginning to pay off for DLA. This refers to the decision made by all members at the 8th General Meeting to align the association with the business model (investor - Fintech - debtor) rather than with a specific regulation or region. Numerous crowdfunding associations for example took even both narrow foci with the result that they have been plunged into the crisis affecting an increasing number of their members throughout Europe, caused by the interest rate change fuelling into falling market shares in combination with high regulatory costs for getting into the White Capital Market. Another example is the debt investment platforms regulated by MiFID, which are organized in a larger number of national and European associations and, as a result, weaken the segment because they don't speak with one voice. Our members decided early enough to better stand on several legs with a clear focus on one business model – that's the reason why these developments don't affect DLA's positioning so heavily today.

However, the DLA must always be willing to change as well. Serving its members must be the top priority - every day! DLA must not be some kind of self-serving entity. If it were to become one, it would fail like so many others before! We, the members of the Executive Board, therefore deem as our ongoing task to check whether the association is cruising into the right direction. This also includes the important topic of membership fees. With the completion of the set-up phase, the contributions should also attain their final levels. We therefore consulted with the members at the end of 2024 the idea of reducing the fees for Ordinary Members again partially. This step is economically not without risk for the DLA, because again significant fee income will be lost. However, we assume the reduction will not endanger the existence of the trade body in the long run, because it offers an appealing range of services at a reasonable price/performance ratio. There is enough interest in a DLA membership in the European market. Now it depends on a successful conversion.

We would like to thank all members! Thanks to their commitment and support in 2024, we can look back together on a successful year.

We would also like to thank the volunteers who have contributed to DLA's cause in committees, at events, and in many other areas - very often outside of their regular working hours. Your service is highly appreciated!

We wish our association, members, friends and business partners of the DLA a healthy, peaceful and prosperous year 2025.

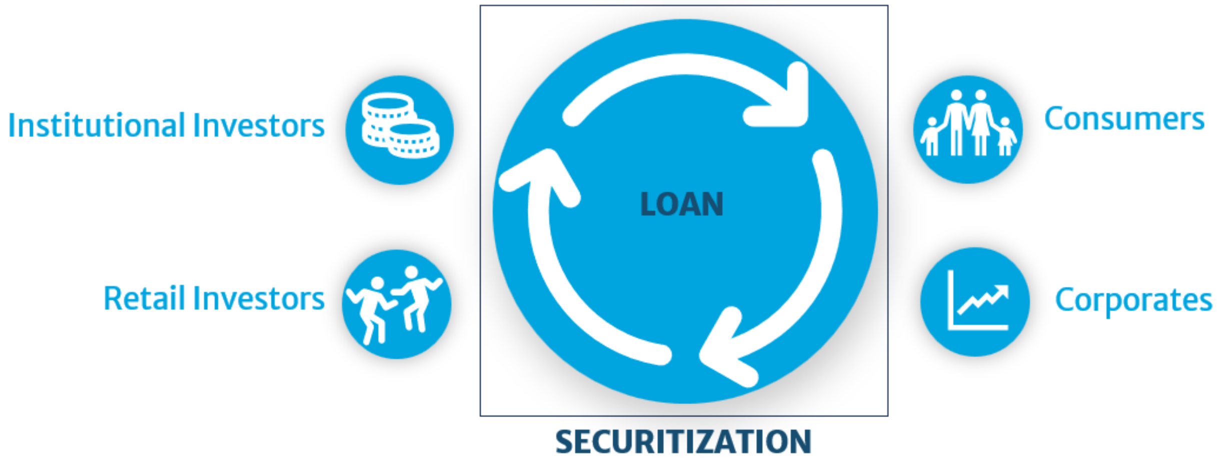
Berlin, June 27, 2025

Marco Hinz, Philipp Kriependorf, Patrick Stäuble

B. 2024 MARKET REPORT

Private debt is any form of financing in which investors are exposed to a loan, along with all its relevant parameters (term, risk of default, interest rate and securities, incl. mortgages, pledges and guarantees). Effectively, the asset class allows for a form of disintermediation, in which investors assume the role that has been traditionally filled by banks. Loans or, broadly speaking, receivables can be based on sectors such as consumer lending, corporate lending, real estate financing, trade receivables, and factoring. As all risks are transferred to the private and institutional investor, the risk assessment is key for a Digital Lender's long-term success, as poor credit quality quickly leads to the withdrawal of monies.

Private debt covers many areas. The distinction between categories is sometimes vague. But with respect to 'Non-Bank Fintech Lending' we see much clearer now since the Financial Stability Board has defined this activity in its 2024 Global Monitoring Report on Non-Bank Financial Intermediation as '*lending via electronic platforms not operated by commercial banks*'. And this includes expressly, for example, direct/balance sheet lending, marketplace lending (such as 'Schuldschein' note loans), peer-to-peer lending, and crowdlending. Because investors are on the one side of Digital Lending, deposit business is typically not included. In contrast, securitization plays an increasingly important role as a refinancing channel to the international capital markets.



The interest in private debt remains strong. Institutional investors, after having allocated an ever-increasing percentage of their asset allocation to private equity, are now also exploring the field of private debt. Whereas private investors are often the first lenders with Digital Lenders, institutional investors tend to replace private investors as they grow. This has the advantage of having ample liquidity available during the growth phase and to not be dependent on hard-to-predict funding from private investors. As institutional investors - and below them increasingly banks - enter the field, Digital Lenders are sometimes able to skip the first stage of private-investor-funded loans. As an aside: Some banks actively position themselves as sponsors.

Digital Consumer Lending: Remains a Growth Segment in 2024

In 2024, the market for digital consumer lending once again proved resilient despite ongoing economic uncertainty. Members of the DLA active in consumer finance reported continued growth in new business, albeit at a more moderate pace compared to the previous year. A key success factor remained the seamless and user-friendly digital customer experience, which continues to resonate strongly with consumers.

Interest rates have stabilized at a higher level in 2024. Financing costs remained elevated, which continued to impact lending rates. However, growing market transparency and increasing competition have led to a stronger focus on efficient pricing and customer-centric product offerings.

On the risk side, 2024 was characterized by a relatively stable environment. The feared tightening of consumer spending only partially materialized. Many households demonstrated adaptability, supported by ongoing government relief measures and a robust labour market. Nevertheless, companies continued to exercise caution and relied on increasingly data-driven approaches to credit scoring and risk assessment.

Notably, the use of AI-powered processes in application handling and risk evaluation gained further importance in 2024. These technologies enabled even more personalized customer engagement and contributed to greater efficiency in Digital Lending operations.

On the investor side, interest in the digital consumer loan asset class remained stable to increasing. Despite elevated refinancing costs, capital access remained strong - bolstered by the further integration of Fintech Lenders into institutional capital markets. The asset class is increasingly seen as a reliable component of modern investment portfolios.

In summary, Digital Lending has firmly established itself in the consumer credit market. The ability to adapt flexibly to changing conditions while maintaining efficiency and customer focus remains the foundation for continued success.

Corporate Lending: Following a Declining Loan Demand in H1 Tight Credit Standards Favor Alternative Lenders in H2

In the first half of 2024, loan demand from small and medium-sized enterprises (SMEs) in the Eurozone continued to decline. In the first quarter, Eurozone banks reported a decline of -28% in net demand for loans. This deceleration was primarily driven by elevated interest rates and reduced fixed investment activity, reflecting a renewed downturn in demand for long-term financing.

Digital Lending, while distinct from traditional financial institutions in their operating models, was affected by these macroeconomic pressures. The contraction in loan demand negatively impacted the top-line growth of many Fintech Lenders throughout the first half of 2024. By the second quarter, the pace of decline had moderated, yet the overall trend remained negative, underscoring the challenging environment for both traditional and Digital Lenders.

By the third quarter of 2024, the Eurozone economy exhibited tentative signs of recovery. As the year progressed, lending activity improved, with bank credit to businesses expanding by 1.5% in December - marking the highest growth rate in 18 months and surpassing the 1.0% recorded in November. This uptick in lending suggested that the effects of rapid interest rate cuts had begun to permeate the broader economy.

Despite increasing loan demand, credit conditions remained tight throughout the second half of the year. The European Central Bank's (ECB) January 2025 Bank Lending Survey reported a renewed net tightening of credit standards for SME loans in the fourth quarter of 2024. This tightening was largely driven by heightened concerns over global economic risks and a further decline in banks' risk tolerance. As a result, loan rejection rates by traditional banks in the Eurozone rose to one of the highest levels recorded since the global financial crisis.

While Digital Lenders also implemented stricter credit standards, they maintained a more flexible and data-driven approach across industries than their traditional counterparts. This adaptability positioned Fintech Lending to disproportionately benefit from the growing loan demand in the second half of the year. In contrast, brokerage platforms reliant on bank partnerships for funding were constrained by the same restrictive credit policies affecting traditional lenders, limiting their ability to capitalize on the improving loan demand.

Securitization: Structured Funding Gains Traction

In 2024, the European securitization market recorded significant growth, with issuance volumes reaching €244.9 billion - an increase of 14.8% compared to the previous year. Notably, placed issuance rose to 58.8% of the total, up from 44.4% in 2023. This rising share of placed transactions reflects growing investor confidence and a renewed willingness to take on credit risk - a development that is particularly relevant for Digital Lenders seeking to access capital markets beyond private investor funding.

Securitization formats continued to evolve in 2024, reflecting the growing diversity of investor requirements. Traditional ABS structures, with rated tranches and standardized payment waterfalls, gained renewed traction among regulated institutional investors such as banks and insurance companies.

For many Fintech Lenders, particularly those originating loans through peer-to-peer or crowdlending models, non-ABS structures - such as pass-through vehicles and fund-based formats - have served as a more suitable entry point to institutional capital. These formats are typically better aligned with the needs of flexible or opportunistic investors due to their lower complexity and faster execution.

As Digital Lenders grow in scale and demonstrate consistent performance, a small number have begun exploring more formalized ABS transactions. While still rare, these structures can offer greater transparency, scalability, and access to a broader institutional investor base - especially for those able to meet the technical and operational demands of rated securitizations.

For digital loan originators this development presents both an opportunity and a challenge. Securitization offers an attractive pathway to make loan portfolios accessible to institutional investors, but its implementation requires robust structuring capabilities, high data quality, and regulatory compliance.

As structured finance continues to digitalize, attention is also turning to how technology can further improve efficiency, transparency, and investor access. In this context, tokenization is increasingly seen as a digital extension of securitization - combining the structural advantages of traditional formats with the added benefits of blockchain-based issuance. By enabling fractional ownership, faster settlement, and programmable investor access, tokenized loan structures have the potential to significantly expand the reach and flexibility of private debt markets. For digitally native lenders, they offer a particularly attractive model for scalable and investor-friendly refinancing and are expected to play a growing role in the evolution of structured funding.

Outlook for the Year 2025

The market consolidation below Non-Bank Digital Lenders that already began in 2023 continues. Following the drastic development in the areas of municipal financing and bonded loans, EU-regulated crowdlending is now increasingly coming under pressure to consolidate. The need to enhance efficiency and reduce costs is high due to regulatory requirements and ongoing stagnation in financing volumes in the wake of the pandemic and the changing interest rate environment of recent years. The number of company closures, mergers, and acquisitions has risen. There are now also the first cases of companies leaving the White Capital Market to continue their business activities at significantly lower costs in the Grey Capital Market.

This is an alarm signal especially for the European crowdfunding industry, as it means that the risks for investors are growing again due to greater lack of transparency, quality and professionalism. The good news, however, is that courts have begun to investigate the past, particularly in Germany. They are examining in detail - already at the courts of appeal - the platforms' obligations to conduct checks and provide information - and the judges are increasingly ruling against them! However, from the DLA's point of view, it would be best if certain models of the Grey Capital Market were no longer accessible to private investors at all. These include the highly problematic 'qualified subordinated loan', which has caused already so much pain and losses. We have always advocated for this, most recently in October 2024. And yet: Attempts were made to persuade DLA to enter into agreements that would have violated antitrust law (see Chapter IV/1 at the end).

Institutional investors will continue to play an important role in Non-Bank Digital Lending in 2025. They are crucial for scaling Fintech models because they can contribute the necessary investment volumes. Across the market as a whole, a partial or complete shift towards institutional capital can therefore be observed. Even with MiFID and ECSPR regulated entities, which was originally aimed at private investors, there is a trend towards greater flexibility. With the Digital Lending Summit, where we connect Fintech Lenders with institutional investors, we will continue to provide the perfect and still unique forum in 2025.

C. WHO WE ARE

I. Executive Board

Members of the Executive Board as of December 31, 2024 were:

1. Marco Hinz, CEO @ CrossLend;
2. Philipp Kriependorf, Co-Founder and Managing Director @ auxmoney;
3. Patrick Stäuble, Founder and CEO @ Teylor.

On September 25, 2024, Dr. Tim Thabe, DLA Co-Founder and CEO @ creditshelf, resigned from the Executive Board.

The Board assembled for 9 meetings in the past financial year (49th to 57th session).

II. Committees

The association ran two Committees in 2024.

1. Committee on Legal & European Affairs

Permanent members were:

1. Dr. Esther Hackl, General Counsel @ auxmoney (Committee Chairwoman);
2. Andreas Knopf, General Counsel @ INVESDOR INV;
3. Alexander Plenk, Head of Finance & Capital Markets @ creditshelf;
4. David Eckner, Counsel on Structuring & Products @ Chartered Investment;
5. Tobias Weik, Head of Legal @ DEBTVISION.

From the Committee's area of responsibility, whose core tasks included monitoring and evaluating legal developments, it can be reported that its members prepared a total of 4 policy statements in 2024. The Committee's work also covered the entire range of current legal issues that were relevant to its members. As in previous years, the chair invited external legal experts to the meetings on special topics again in order to ensure the quality of the discussions.

Work on the draft industry standards on AML/TF and Conflicts of Interest was concluded. At the same time the committee drafted a new standard on Good Conduct that was intended to replace the standard on Anti-Discrimination. All three draft industry standards were adopted at the General Meeting on September 25, 2024. In addition, the revision of the industry standards on Compliance and Complaints Management was initiated. And work began on a 10th standard on Business Continuity Management.

The members met for a total of four sessions in 2024 (17th to 20th meeting).

2. Committee on Risk & Compliance Management

Permanent members were:

1. Zorana Bejtovic, Head of Risk @ creditshelf (Committee Chairwoman);
2. Philipp Kriependorf, Co-Founder & Managing Director @ auxmoney;
3. Christoph Steinbrich, Managing Director @ DEBTVISION;
4. Ate Weber, Director Sales & Structuring @ Chartered Investment;
5. Marco Hinz, CEO @ CrossLend.

From the remit of the Risk & Compliance Management Committee it can be reported that the members dealt with the implementation of the industry standards already adopted by the General Meeting. To this end, they continued gap analyses, the aim of which is to identify weaknesses in their own organization, but also in the wording of the standards. Beyond that DORA played an important role as an increasing number of members gets regulated in the White Capital Market in the meantime and, thus, falls into scope.

In addition, work on the draft industry standards on Enterprise Risk Management was concluded. The text was adopted at the General Meeting on September 25, 2024.

Members gathered for a total of one working session in 2024 (10th meeting).

The Board thanks the members of both committees for the work they have done and the two chairs for steering the committees.

3. Merger of Committees

In December 2024, the Executive Board decided to merge the Committee on Risk & Compliance Management into the Committee on Legal & European Affairs with effect as of January 1, 2025. The new name is Committee on Legal, Risk & Compliance. At the same time Zorana Bejtovic, Head of Risk @ Teylor, was elected chairwoman of the new committee.

The reorganization is aimed at better meeting the needs of our members. Almost all of them are small companies with no more than 50 full-time employees. Regularly sending staff to committee meetings is therefore a considerable burden on their day-to-day business. Focusing on one main committee is better aligned with these structures. At the same time, the merger meets the demands of a modern trade body to organize itself efficiently and pool expertise.

In the future, greater use will be made of the option laid down in the Articles of Association of setting up working groups for specific topics that do not affect all members. This also allows the Committee on Legal, Risk & Compliance to focus on the central topics that are of equal concern.

III. Members & General Meeting

On December 31, 2024, the association had 32 members, including 8 Ordinary Members and 24 Associate Members (previous year: 8 and 22).

The Executive Board welcomed five new Associate Members: **ANNERTON, GvW Graf von Westphalen, A&O Shearman, Lemonway** and **finAPI**.

The two Associate Members **CRX Markets** and **Hypofact** left the association at the end of the fiscal year.

The 9th Annual General Meeting took place on September 25, 2024, on the premises of A&O Shearman in Brussels, Belgium. The members unanimously elected a new Executive Board. Philipp Kriependorf, Co-Founder and Managing Director at auxmoney, and Marco Hinz, Managing Director at CrossLend, both companies from Germany, were unanimously confirmed in their positions as Executive Board members. Patrick Stäuble, Founder and CEO at Teylor, based in Zurich, Switzerland, was newly elected to the Executive Board. He replaces Dr. Tim Thabe, Co-Founder of DLA and CEO at creditshelf AG, who did not run for re-election after his second term of office. The Executive Board members express their deepest gratitude for his tireless efforts.

In addition, the auditor, the elected specialist tax lawyer Joachim Ollig, Cologne, presented the audit report by proxy through his colleague, the specialist tax lawyer Andrea Haustein (result for the 2024 financial year: no findings). Finally, the Executive Board hosted a reception.

The next General Meeting will take place on September 30, 2025, in Frankfurt, Germany.

IV. Antitrust Law & Lobbying Transparency

The DLA is committed to an economic system based on free and fair business competition as well as corruption-free representation of interests. A core component of the association's work is compliance with all legal requirements - in particular the standards of European antitrust law and lobbying transparency.

1. Antitrust Law

In 2020, the General Meeting adopted binding rules for the trade body's work – the so-called 'Guidelines on Antitrust Law Compliant Conduct in Association Activities' - to prevent any violations of the relevant provisions. The core task is to provide all employees of member companies attending the association's committees and all employees of the association with assistance in complying with antitrust law. The Guidelines are intended to ensure that the association itself neither acts in violation of antitrust law nor participates in conduct by third parties that violate antitrust law or directly or indirectly promote such conduct by creating opportunities to violate the law.

Antitrust authorities throughout Europe require associations to actively ensure compliance with antitrust law and not to provide a forum for conduct by member companies that violate antitrust law. To this end, our Guidelines are brought to the attention of the management of every new member company, every new member of the association's Executive Board, every new Committee and Working Group member and every new Secretariat employee. In addition, all agendas contain information on antitrust law and, at least once a year, oral instructions are given by the Managing Director to all committees. It must be confirmed verbally that the content of the briefing has been understood and that there are no questions regarding the content. All committee meetings are minuted and archived in the DLA's cloud. Changes can be tracked by the system at any time.

The Guidelines were amended and supplemented by resolution on September 25, 2024. They came into force in their new version immediately upon adoption by the General Meeting and can be downloaded from the DLA's transparency website.

On March 4, 2024, the DLA secretariat received a message for the first time in the history of the association indicating a willingness to enter into an agreement that would have violated antitrust law. The subject of the message was the increasing number of lawsuits in connection with ‘qualified subordinated loans’ in Germany. On the same day, this interest was rejected. Since DLA has never tolerated these business models among its members in the first place, no members are affected.

2. Lobbying Transparency

The association places transparency, professionalism, and integrity at the centre of its work as an interest group. Corruption and conflicts of interest have no place at the DLA.

Initiative Transparente Zivilgesellschaft

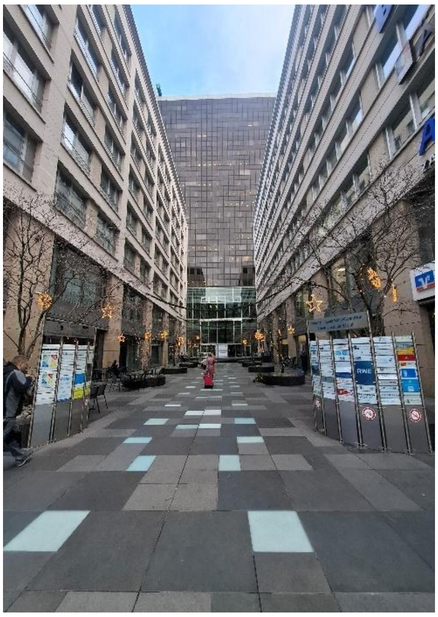
By resolution of the Executive Board on March 31, 2022, DLA joined the Transparent Civil Society Initiative of Transparency International (TI). All required transparency information can be found on the website.

In addition, the DLA is registered in the lobby transparency registers of the German Bundestag and the European Parliament.

There were no breaches of updating obligations in 2024.

V. Secretariat

The Secretariat was moved and is now located at Friedrichstraße 95 in 10117 Berlin, Germany.



In 2023, the association employed one full-time employee as Managing Director and in-house lawyer. He performed tasks that partly fall within the scope of the German Law on Lobbying Transparency. The Executive Board would like to expressly thank him for his work.

The DLA has ongoing significant contractual relationships with the following service providers:

1. TRIANON Wirtschaftsprüfungsgesellschaft (personnel accounting, tax advice, auditing);
2. Cloudpilots (Google Cloud);
3. Podmark (Podcast hosting);
4. Hiscox (Liability insurance for events and the Executive Board members);
5. Newsletter2go (Quarterly Briefing mailing);
6. Telefonica (telecommunication services);
7. Zeilenhöhe (Website maintenance);
8. Ionos (Website hosting).

VI. Finances

The association's financial situation is in order.

The surplus in 2024 amounted to EUR 32,236,87 (previous year: EUR 37,875.57). This amount corresponds to the balance of the giro and savings accounts at Berliner Volksbank as of December 31, 2024. There was again no petty cash in the past financial year.

In 2024, membership fees due in the amount of EUR 135,000 (previous year: EUR 147,000) were collected in the area of non-commercial business operations. There were no other sources of income.

In 2024, the association spent EUR 142,353,30 (previous year: EUR 146,887.72). The largest item was again personnel expenses amounting to EUR 113,138.55 (previous year: EUR 112,926.65). The switch from a big Bavarian law firm to a small local auditing and tax consulting company contributed significantly to the cost reduction compared to the previous years.

The members of the Executive Board, the members of the Committees and other supporting persons from among the members work on a voluntary basis and do not receive any remuneration or reimbursement of expenses from the association.

There were no liabilities but one outstanding receivable as of December 31, 2024, in the amount of EUR 6,000 against the ordinary member creditshelf. Since insolvency proceedings had been initiated, the claim was duly registered at the insolvency court. As of December 31, 2024, it is unclear whether the insolvency assets will be sufficient to satisfy the association's claim. The Executive Board members deem it realistic that the receivables will have to be written off finally in line with the Voting & Fee Rules of the association.

For the first time, the DLA generated income in the area of **asset management** by way of a savings account at the Berliner Volksbank. Monies were parked and earned interest in the amount of EUR 688,03 before tax. In addition, a fee of EUR 1,000 was paid for the first time due to the use of the association's 'FINTICS' mark.

There was no business transaction in the area of **special-purpose business operations**.

No events took place in the area of **commercial business operations**, but the association did receive VAT refunds amounting to EUR 3,952,09 stemming from previous fiscal years. Advance VAT payments had yet been made before in the amount of EUR 436.77 but were refunded accordingly by the tax authority.

The **inventory** shows 18 items of property, plant and equipment with a value of over EUR 50 each (previous year: 17). In total, one purchase in 2024 amounted to EUR 1,064,34 (previous year: EUR 849.09). The association also has 8 intangible assets (previous year: 8). In addition to the FINTICS word and word/image marks, these include the two DLA word/image marks as well as permanent licenses to newspaper articles and photos.

Digital Lending Association	Budget 2024	Non-Commercial Business Operations	Asset Management	Special Purpose Business Operations	Commercial Business Operations	Result 12/31/2024
Receipts						
Annual Membership Fees	130.000,00	135.000,00				
Outstanding Claim From Membership Fee		*6.000,00*				
Events (with consideration)					0,00	
VAT Refund					3.952,09	
Petty Cash			*not used*			
Giro Account (12/31/2024)			4.568,29			
Saving Account (12/31/2024)			30.506,56			
Property Rights			1.000,00			
Total	130.000,00	135.000,00	36.074,85		3.952,09	
Spending						
Personal Costs (gross)	114.000,00	113.138,55				
Secretariat Operations	10.000,00	6.484,67				
Events (without consideration)	7.000,00	5.631,46				
Rent	0,00	0,00				
Travel & Accommodation Expenses	10.000,00	8.918,54				
Legal & Tax Advice	7.500,00	3.308,04				
Payroll Accounting	3.500,00	3.239,65				
Fees & Dues	1.000,00	276,67				
Insurances	1.500,00	1.355,72				
Events (with consideration)					0,00	
Advance Tax Payments					0,00	
Advance VAT Payments					436,77	
Total	154.500,00	142.353,30	36.074,85	0,00	436,77	
Balance	-24.500,00	-7.353,30	36.074,85		3.515,32	32.236,87

The **costs for representing interests vis-à-vis the German Bundestag and the Federal Government within the meaning of the German Law on Lobbying Transparency** amounted to EUR 1,114,21 in 2024 (previous year: EUR 3,131.59). The reasons for the low amount lie in the fact that the 4th FINTICS didn't take place in Berlin in the past financial year and representatives of the German government didn't attend. In addition, there weren't any significant lobbying campaigns carried out due to the lack of relevant topics at national level. The chargeable personnel costs amounted to EUR 702,76 (previous year: EUR 2,866.50) or 0.0062% of a full-time equivalent. The decline in expenses reflects DLA's evolution from a national association to a European one.

An important reason for abstaining from organizing events in 2023 was the audit of our **tax declarations for the two fiscal years 2020 and 2021**. For the first time, the Berlin tax office was looking into the way in which the DLA funded and organized its events. We lodged an appeal against the authority's first two decisions in spring 2023. A number of contentious individual issues needed to be clarified with the support of our former tax lawyers at Sonntag & Partner, Augsburg, Germany. These proceedings with respect to 2020 and 2021 were eventually concluded at the beginning of 2024.

The result does not make it easy for DLA to organize events on its own, because losses suffered by an association have other consequences than those suffered by companies. Unlike these, trade bodies are not allowed to finish with losses in commercial business operations for more than two consecutive financial years. Otherwise, the privileged treatment of membership fees could be lost. So far, these have been exempted from VAT. For DLA's event formats such as FINTICS and the Digital Lending Summit, which first have to be promoted before they reach the break-even point, this is a real challenge to their economic viability. In view of this, the Executive Board has decided to stop organizing events until further notice. Instead, third parties are to take over this organization on their own account. This ensures that the events, which are important for the industry, can take place in any case. However, DLA will no longer have anything to do with them economically.

VII. External Audit

On February 14, 2023, the Annual General Meeting elected Joachim Ollig, Cologne, Germany, lawyer and specialist lawyer for tax law, as auditor for the 2023 financial year. The audit was carried out in January 2024 by him and Andrea Haustein, Cologne, Germany, lawyer and tax law specialist. According to the written audit report dated January 31, 2024, this did not result in any findings.

VIII. Memberships of the Association

The association had no memberships in 2023.

D. WHAT WE DO

I. Public Relations

Fintech Lending continues to require a great deal of explanation. We are increasingly focusing our PR efforts around the legal and economic context. However, the views expressed by politicians, regulators and journalists continue to indicate that the DLA has not yet solved this task. In 2024, the focus of our PR work was therefore on press activities, our podcasts, the Quarterly Briefing, two unique events, almost weekly posts on social media, our YouTube channel, and the 2023 Annual Report.

1. Press Activities

In 2023, 2 press releases were sent out (previous year: 3) which were followed by coverage in print and online formats in the business press. We gave keynote speeches and took part in several panel discussions - for example at the Specialist Lender Finance in London, at Chartered Investment's annual capital markets conference in Düsseldorf, or the Symposium on alternative finance of Dresden University.

A special event took place in May. Upon invitation by the Berlin Chamber of Commerce, members of the East German Banking Association and DLA presented their financing solutions for SMEs. The two Ordinary Members Teylor and Puls Project (Montold Asset Management) took part on our side. There was a great interest in traditional and digital solutions assembled on one stage.

2. Quarterly Briefing

The Quarterly Briefing is an important information channel for members and non-members, which can be subscribed free of charge. Even in 2024, only around 1/5th of subscribers were members. It is encouraging to see that a growing number of journalists from the international media have registered. The performance data for the 18 issues published to date remains well above the industry average: 48.08 open rate (previous year: 49.06%); 24.77 click-through rate (previous year: 25.46%).

Following a quality survey in 2023, today the aim of our newsletter is to report only on the most important issues and future events on a quarterly basis. It also offers our members the opportunity to publish specialist articles and, thus, to benefit from DLA's growing outreach in the European Digital Lending ecosystem.

3. Social Media

The association uses the market-leading, international network LinkedIn for its social media activities. Reports on the association's activities are posted almost weekly. The number of followers had grown to 2,476 as of December 31, 2024 (previous year: 2,277). In addition to announcements about new members and consultations, for example, we post anniversaries, press releases, and Q&As with members.

4. Podcasts

The DLA produces two podcasts to disseminate key messages transparently. They form a core part of our public relations work. A total of 5 episodes were published in the past financial year. While 'FINTICS' brings together politicians and digital lenders to discuss a current regulatory topic, the industry keeps to itself at 'WHAT'S UP DIGITAL LENDING?'. The focus here is on current trends and business models along the Digital Lending value chain.

In addition to Spotify, Apple, Amazon and Podigee, we started to publish our shows also on our YouTube channel in 2024. For our association, this has the advantage that users can not only access the podcasts but also watch all of our event clips and reals.

DLA
The Power of Fintech Lending

II. Networking

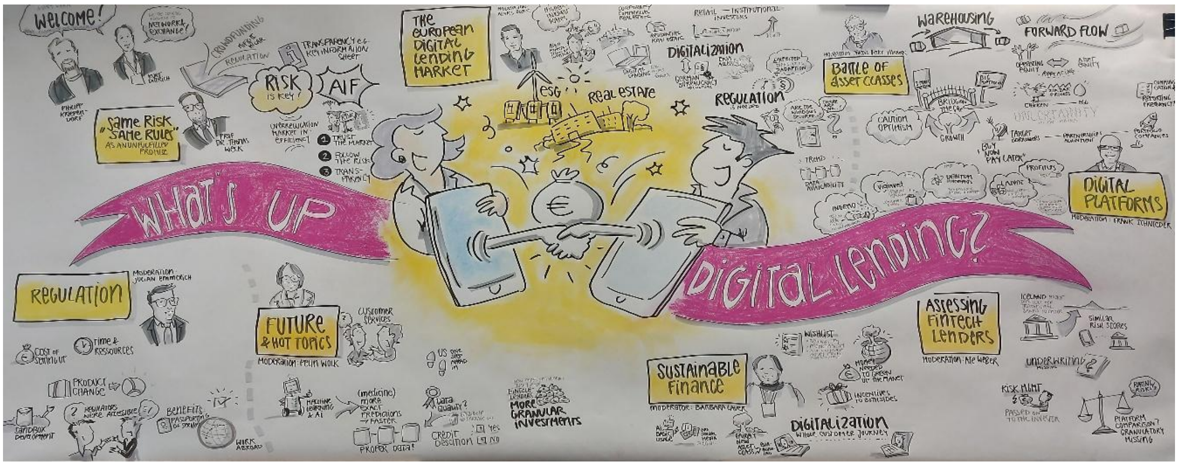
Enabling networking is one of the association's essential services. To this end, DLA has paved the way to some top-class events.

1. Digital Lending Summit

On May 21, 2024, the 2nd Digital Lending Summit took place in Frankfurt, Germany. The event, which was organized by Finfellas and supported by DLA and Linklaters Germany, proved to be a success. It offered excellent opportunities for members and non-members free of charge to engage in technical discussions and intensive networking. Since Lendit moved back to the US in 2020 and AltFi Lending went insolvent in 2023 the Digital Lending Summit is currently the only event connecting institutional investors with Fintech lenders at European scale.

The conference brought together more than 100 debt investors, Digital Lenders, and industry professionals from 16 different countries to explore the latest trends and challenges in an open and collaborative atmosphere. Beginning at 9am meant plenty of time for networking and exchanging views. All ended with a relaxed after-party around midnight in Frankfurt's oldest wine bar "Zum Gemalten Haus".

So far, the asset class has been accessible only to highly specialized investors. The aim of the 2nd Summit was to raise awareness of this market segment among institutional investors and to bring together the relevant stakeholders. Digital Lending has become an attractive asset class and is set to play a more significant role in investors' portfolios in the future.



2. CrowdCon & FINTICS Joined Conference

On September 26th and 27th, 2024, the 'CrowdCon & FINTICS Joined Conference' took place in Brussels, Belgium. The event, which was organized by the European Crowdfunding Network (ECN) and supported by DLA, provided an unprecedented platform for discussing the most important political trends in the area of Fintech Lending free of charge. With well over 100 participants from more than 15 European countries, as well as representatives from three Directorates-General of the European Commission, the

European Parliament, the European Trade Mark Office and nine national supervisory authorities, the event was a remarkable success.

Across some 20 panels, fireside chats, keynotes and breakout sessions, numerous experts discussed over one and a half days the latest innovations in Fintech Lending and their impact on the industry. Topics included open finance, securitization and tokenization, onboarding, non-performing loans, sustainability, impact lending, and the latest developments in regulation.

The event is a strong impetus for the further development of the European ecosystem. Evidently, things are moving towards each other, as evidenced by the ever-increasing cooperation between key industry players along the value chain.

3. DLA Academy

The Association's Executive Board decided to shut down the Academy at the end of its fourth year of existence. As a result, DLA will no longer be offering advanced training in this context. The reason is a lack of interest. Although the online courses had been offered free of charge throughout the last two years, no more than 20 participants have ever registered. This is simply not enough for the high-calibre speakers. In addition, the preparatory work for the secretariat is considerable. However, the training will not be dropped entirely. High-level experts will continue to be invited to speak on special topics in the association's committees. This is a form of advanced training, albeit in a slimmed-down form.

III. Public Affairs

Our association maintains an intensive dialogue with decision-makers in politics and public administration. To this end, we issue statements on consultations, participate in hearings and expert discussions. In addition, we use the FINTICS and the podcast of the same name for a transparent exchange of views. In 2024, we were particularly engaged with two topics: Open Finance and Non-Bank Financial Intermediation.

1. Open Finance

Open Finance continues to be one of the association's top issues and has been on the agenda since 2020 (see most recently the 2022 Annual Report, page 17). The European Commission's proposal for a Financial Data Information Access Regulation in June 28, 2023, has intensified the work. In 2024 we dealt with the positions of the European Parliament and the Council of the EU.

In principle, we are broadly in line with the Commission's proposal. It has the potential to leverage the hidden treasure of a European data economy and thereby promote competition and innovation in the financial market. This applies particularly with regard to the wide range of customer data mentioned in Article 2 (1), which shall fall within the scope of application. For example, the requirements in Article 2 (1) (f) could improve access to finance for SMEs in the future because it allowed them to carry out an even more differentiated and refined creditworthiness check than is already possible for Fintech Lenders today.

Despite our basic support, however, there are still a number of points where we see the need for improvement. We consider, for example, the implementation deadlines not only to be very ambitious in general, but also to be transposable only with difficulties for companies active in Digital Lending. In most cases, these are small entities with no more than 50 FTEs, which are already busy with a higher number of other implementation processes, since they started on their way into the White Capital Market. Just to mention the proper transposition of money laundering requirements and DORA. The alternative positions of the Council and EU Parliament are not really helpful at this point. We therefore suggest an extension of up to 4 years.

At the 'CrowdCon & FINTICS Joined Conference' in September 2024, we had the opportunity to discuss our ideas transparently in front of a large audience. On a panel with the title 'Open Finance - The Key to Eliminate the Funding Gap of European SMEs?', our Executive Board member Patrick Stäuble presented the central aspects, to which Gundars Ostrovskis, team leader on Open Finance at DG FISMA, responded.

DLA
The Power of Fintech Lending

In a statement in December 2024, we opposed the compromise found in the Council of the EU on the draft FIDA Regulation. Contrary to the Commission's proposal and the final position of the European Parliament, a slim majority of Member States wants to see a regulation adopted that would effectively exclude Fintech Lenders authorized under the ECSP Regulation from the scope of application. This would ultimately undermine the regulatory objective of a harmonized White Capital Market. It would also damage the efficiency of access to finance and thus run counter to the goals of FIDA and the Capital Markets Union as a whole. Furthermore, it would establish a patchwork of regulation in the sector of regulated Digital Lenders.

2. Non-Bank Financial Intermediation

The future regulation of the non-bank financial intermediation sector is also one of the long-running topics of DLA (most recently in the 2023 annual report, page 12). In May, the European Commission invited us to a 'Technical Workshop on Macroprudential Policies for Non-Bank Financial Intermediaries' (NBFI) in Brussels together with around 100 other key stakeholders. More than 700 participants didn't make it and had to attend online only. The event was the launch of a consultation with the same title.

In our statement we pointed out the need to develop a coherent approach for the non-banking sector, which is derived from the differences to banks. Non-banks do not engage in deposit business; instead, they have investors as their source of capital. This is linked to the fact that many companies that used to be assigned to the Grey Capital Market have now decided to comply with the (partially new) regulations of the White Capital Market. For example, an increasing number of Fintech lenders are subject to the AIFMD, MiFID and ECSPR today. In our view, it would therefore make more sense if the European Commission addressed the high number of unregulated market participants in the Grey and Black Capital Markets, whose victims are all too often private investors who are not subject to strict regulation protecting them from risks. By the way, most recently, in October 2024, we called on the German government in a policy statement to block the access of retail investors to 'qualified subordinated loans' due to the ample scope for misleading investors through a lack of transparency.

We recommend being cautious in any deliberations on additional macroprudential instruments, such as those that exist in the banking sector. A scandal like the one that occurred at Silicon Valley Bank, for example, is only imaginable with a bank because of its deposit taking. It should also be noted that the business of NBFIs is largely shaped by institutional investors. This also applies increasingly to Digital Lending. However, this group of investors is already subject to strict regulation. Many of them are banks regulated according to CRR/CRD. They have to follow strict risk requirements when investing. This high level of regulation has a tremendous knock-on effect on the NBFI sector.

Finally, we believe that the Commission should ensure a common understanding of the term NBFI. Originally coined by the Financial Stability Board (FSB) to delineate the two worlds of banking and non-banking, it is now apparent that there are very different ideas at the administrative and market levels about how an NBFI should be defined. Crowdfunders, for example, believe they are not NBFIs. The European Banking Authority also believes this for certain fund structures.

At least with respect to Fintech Lending, the FSB has taken a step forward again in its 2024 'Global Monitoring Report on Non-Bank Financial Intermediation' and defined it as '*lending via electronic platforms not operated by commercial banks*'. And this includes, for example, balance sheet lending, marketplace lending and crowdfunding. DLA welcomes this definition because it reflects exactly our position and our claim to be the central representative body for all Digital Lenders in Europe since we have all these different types of digital lenders below our members.

E. INDUSTRY STANDARDS

When DLA was founded in 2019, the association dedicated itself to two overarching goals: To give Digital Lending a professional voice and to strengthen trust in the industry. The latter is closely linked to the creation of common standards in order to transparently define the young industry's requirements for responsible management and the legitimate expectations of its customers and business partners for all market participants. To this end, four key areas were identified in which the association members want to underpin their own aspirations with specific industry standards:

- Quality,
- Transparency,
- Professionalism, and
- Integrity.

In 2020, DLA's Executive Board assigned the development of industry standards according to generally applicable and measurable criteria to the technical committees. In the meantime, the General Assembly has adopted nine standards:

- ✓ Good Conduct
- ✓ Compliance Management
- ✓ Complaint Management
- ✓ Outsourcing Management
- ✓ Enterprise Risk Management
- ✓ Receivables Management
- ✓ AML & TF
- ✓ Conflicts of Interest
- ✓ Public Disclosure of Information

In 2024, work on the last standard for the time being was started: Business Continuity Management, whereas the work on the two standards on IT Infrastructure & Cybersecurity as well as Uniform Data Formats was abandoned. As laid down in all standards, the first rounds of revisions to the texts adopted in 2021 and 2023 have begun.

The degree to which the final standards should be binding is still a subject of intense debate. Moreover, it is a moot point how the standards should be developed in the future.

The idea behind the standards of the four founders - auxmoney, creditshelf, INVESDOR and Funding Circle - was to provide a minimum orientation in the core areas of Fintech Lending to the p2p platforms of the Grey Capital Market, which in 2019 were still almost 100% unregulated. However, the ecosystem has developed considerably in the last 6 years. More and more companies are seeking admission according to the demanding rules of the white Capital Market, in particular the AIFMD, MiFID or ECSPR. It has never been the aim of the DLA standards to be better than regulators. Nor has it ever been the aim to impose twice the obligations on Fintech lenders - once according to the standards and a second time according to the law. In light of this, the members are discussing whether developing and maintaining standards still makes sense at all, and if so, how these standards could be adapted to an ever-evolving ecosystem. Investors regularly make it clear that there is a need for guidance. The standards help them to find their way in Digital Lending.

***

Published by:

Digital Lending Association e.V. (DLA)
Friedrichstraße 95
10117 Berlin
+49(0)30/94.85.46.60
info@digitallenders.eu
www.digitallenders.eu
www.fintics.de

Responsible for the Content:
Marco Hinz, Philipp Kriependorf, Patrick Stäuble

Photo Credits
All photos and graphics were taken by DLA, unless otherwise indicated.