

Exhibit 5

Kabbage

June 11, 2020

ALVAREZ & MARSAL

Paycheck Protection Program Assessment



Report Limitations

General Limitations

The information contained herein has been prepared by Alvarez & Marsal Disputes and Investigations, LLC (A&M) and is based upon financial, regulatory, and other data provided by management and staff of the Company, including access to source systems, and other sources deemed reliable by A&M. A&M further relied upon the assurance of management of the Company that they were unaware of any facts that would make the information provided by them to A&M incomplete or misleading. A&M has not subjected the information contained herein to an audit in accordance with Generally Accepted Auditing or Attestation Standards or the Statement on Standards for Prospective Financial Information issued by the AICPA. Accordingly, A&M cannot express an opinion or any other form of assurance on, and assumes no responsibility for, the accuracy or correctness of the historical information, system data, or the completeness and achievability of the projected financial data, information, and assessments upon which the enclosed report (the "Report") is presented.

PPP Limitations

Due to the timing of this independent assessment in relation to the release of rules and guidance for the Paycheck Protection Program (PPP), A&M's assessment does not consider or incorporate risk relating to the loan forgiveness phase. While the loan forgiveness phase is an integral part of the program and likely includes unique inherent risks faced by Kabbage, the incomplete guidance at the time of the beginning of this assessment prevented A&M from both assessing the guidance as well as any Kabbage policies or procedures in relation to the guidance. As such, A&M does not offer in this report any observations or opinions relating to this phase of the PPP and recommends Kabbage perform additional testing on this phase once the SBA guidance and Kabbage policies and procedures are finalized.

Executive Summary

Pursuant to an engagement letter dated May 8th, 2020, between Kabbage, Inc. (Kabbage) and A&M Disputes and Investigations, A&M performed an independent risk assessment and targeted testing of Kabbage's Paycheck Protection Program (PPP). The covered period for this assessment was from initial product launch through May 20th, 2020.

The independent risk assessment and testing was performed through telephonic interviews of relevant Kabbage personnel, an assessment of relevant compliance and operational documentation, and a high-level review of certain controls in place with relation to the PPP. See Appendices A and B of this report for a list of documents assessed and personnel interviewed, respectively.

Overall, A&M observed a PPP compliance program that generally appears to be consistent with the SBA's PPP Interim Final Rules guidance and applicable BSA/AML and OFAC requirements and our understanding of regulatory expectations. We also observed that Kabbage is currently in the midst of enhancing controls and making key operational changes to comply with evolving SBA PPP guidance changes.

Through A&M's targeted independent assessment and testing, relevant risks and controls were identified. Kabbage should leverage the risk and control matrix provided to address high risk areas with control enhancements. In addition, as rule changes are issued, and other key risks are identified internally, Kabbage should update the risk and control matrix to account for such changes (e.g., loan forgiveness interim final rule guidance). The risk and control matrix should be a tool used by Kabbage that is constantly evolving.

In conclusion of the risk assessment and testing, A&M identified areas of improvement to strengthen compliance and operational processes and noted them in the recommendations sections of the Risk and Control Matrix and Independent Testing.

01

Scope

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Scope and A&M Approach

Scope

- A&M Shall provide the following services to the Company:
 - (1) Conduct an independent risk assessment on the Payment Protection Program (PPP) loans;
 - (2) Provide a risk assessment report, including recommendations to mitigate identified risks;
 - (3) Review of applicable policies and procedures;
 - (4) Review existing red flags, and recommend additional red flags as necessary that indicate potentially suspicious activity, specifically as they relate to fraud;
 - (5) Independent testing and report of the program/processes, including recommendations to address findings; and
 - (6) Such other services as may be agreed to by A&M and the Company.

A&M Approach

- A&M will accomplish the services listed in the scope section through the following:
 - (1) Document review (policies, procedures, previous assessments, previous exams, organizational charts, and other relevant information);
 - (2) Telephonic interviews;
 - (3) Observation and review of processes (customer onboarding, CDD/EDD, transaction monitoring, PEP & Sanctions screening, suspicious activity reporting, risk modeling, and investigations);
 - (4) Discussion with senior compliance staff.

02

Risk & Control Matrix Assessment

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Risk Assessment Methodology

Framework for Measuring Residual Risk

This risk assessment is designed to assist management in evaluating compliance and operational risks related to Paycheck Protection Program (PPP). A&M took existing policies, procedures and identified internal controls into consideration in the evaluation of residual risk for Kabbage. Residual risk is a function of two separate components: (i) the institution's inherent risk and (ii) the institution's Quality of Risk Management (QRM).

Inherent risk is a measure of the risk created by a particular institution-wide characteristic or products assuming that the institution has no controls in place to manage that risk. QRM is a measure of the controls in place at a particular institution to control its overall inherent risk. To appropriately understand residual risk, it is necessary to understand both inherent risk and QRM. For example, an institution with high inherent risk may nevertheless have low or moderate residual risk if the institution has strong QRM.

Inherent Risk & QRM

A&M prepared this assessment based on Interim Final Rule guidance from the Small Business Administration (SBA). A&M held discussions with members from Kabbage's compliance, risk and business teams on May 29th, 2020 and June 1st, 2020, telephonically to discuss the PPP product offering.

We identified inherent risk factors that drive Kabbage's PPP risk. Inherent risk is expressed as a risk consideration (Low, Moderate and High) and reflects the extent to which that particular inherent risk factor drives the overall inherent risk.

We also identified QRM categories that mitigate Kabbage's inherent risk. QRM is expressed as a risk consideration (Strong, Satisfactory and Needs Improvement) and reflects Kabbage's overall risk mitigation in relation to the PPP product.

A&M Risk Ratings and Kabbage Updates

A&M's risk ratings are based on A&M's independent observations of Kabbage's PPP compliance program and leverage policies, procedures, sample documentation, interviews, and other communication with key PPP personnel.

Kabbage should adjust any risk ratings provided in the Risk and Control Matrix to reflect changes in risk and thus treat the Matrix as a living document. Additionally, any incomplete sections of the Risk and Control matrix should be completed to finalize the initial draft of the matrix.

As such, Kabbage should update the risk and control matrix when one of the following events occur:

- Updates to SBA PPP regulatory guidance
- Identification of additional risk factors internally
- Updates to any operational/compliance processes

Risk Considerations – Residual Risk

Residual Risk Considerations

Low

A product or process where internal controls and risk management systems mitigate substantially all of the inherent risk. Management proactively identifies and controls regulatory and operational risks undertaken by the institution and responds promptly to changes in the institution's risk profile. Internal controls and risk management systems are commensurate with the magnitude and complexity of the product or process. Incidents and exceptions are not expected to occur and if they did occur would not be material or part of a pattern. No impact to Kabbage's earnings or capital is likely. Management reports and information systems are appropriate to keep management and the Board informed of Kabbage's risk profile.

Moderate

A product or process where internal controls and risk management systems manage most of the inherent risk, but a significant portion of risk is not controlled. Management identifies regulatory and operational risk and responds to changing conditions, but gaps are present. Internal controls and risk management systems are not fully commensurate with the magnitude and complexity of the product or process. Incidents and exceptions may occur from time to time and they could be material or part of a pattern. A material impact to Kabbage's earnings and capital could occur. Management reports and information systems are not adequate to keep management and the Board informed of Kabbage's risk profile.

High

A product or process where internal controls and risk management systems manage little or none of the inherent risk and large gaps exist. Management may identify regulatory and operational risk, but response to changing conditions is inadequate. Internal controls and risk management systems are not commensurate with the magnitude and complexity of the product or process. Incidents and exceptions do occur regularly and they are material or part of a pattern. A material impact to Kabbage's earnings and capital has occurred or is imminent. Management reports and information systems are not present or are not adequate to keep management and the Board informed of Kabbage's risk profile.

Risk Considerations – Inherent Risk

Inherent Risk Considerations*

Low

The volume, size, or nature of the product or process is such that in the absence of functional controls, losses or violations of law or regulation would have little negative impact on Kabbage's earnings and capital.

Moderate

The volume, size or nature of the product or process is such that in the absence of functional controls losses or violations of law and regulation would have a material effect on Kabbage's earnings and capital.

High

The volume, size, or nature of the product or process is such that in the absence of functional controls losses or violations of law and regulation would have a material impact on Kabbage's earnings and capital. A critical inherent risk also implies that absent functional controls losses or violations have occurred or are imminent.

* Inherent risk is often described as a pure state where no controls whatsoever exist. In practice this pure state never exists and the concept proves to be an impediment to fully appreciating risk management methodology. We use the term 'functional controls' here to acknowledge that some form of structure probably exists, but is not targeted to the specific risk; in other words does not functionally control the specific risk. Inherent risk establishes a practical starting point for application of controls and risk management systems, which will function to mitigate inherent risk to a level that is within Kabbage's risk appetite.

Risk Considerations – Quality of Risk Management

Quality of Risk Management Considerations

Strong

Kabbage's risk management systems fully identify and appropriately control all risks posed by the product or process. The risk management framework as applied to the product or process contains all required elements, including board and executive management participation, established risk appetite, risk assessment, policies and procedures, reporting, testing and monitoring, audit, appropriate risk management and reporting systems. Losses, exceptions, and violations of law or regulation are rare and not material to Kabbage's earnings and capital.

Satisfactory

The Kabbage's risk management systems identify and appropriately control most risks posed by the product or process, but some gaps may exist. The risk management framework as applied to the product or process contains most required elements, including board and executive management participation, established risk appetite, risk assessment, policies and procedures, reporting, testing and monitoring, audit, appropriate risk management and reporting systems. Some of the elements of the risk management framework may not be fully developed or gaps may exist. These may increase the residual risk level, but do not result in an unacceptable residual risk. Losses, exceptions, and violations of law or regulation may be expected on a regular basis, but they are not material to Kabbage's earnings and capital.

Needs Improvement

The Kabbage's risk management systems do not identify and appropriately control significant risks posed by the product or process; substantial gaps exist. The risk management framework as applied to the product or process may be lacking minimum required elements such as policies and procedures, testing and monitoring, or reporting and risk management systems. Board and executive management participation may be insufficient. There may be gaps or deficiencies in the framework and these may point to an overall deficiency in the framework itself. Risk management does not minimally control the risk of the product or process and residual risk is outside risk appetite. Losses, exceptions, and violations of law or regulation have occurred or are imminent and either have or predictably will result in material harm to Kabbage's earnings and capital.

Residual Risk Rating Mapping

Residual Risk Matrix		Control Effectiveness		
		Strong	Satisfactory	Needs Improvement
Inherent Risk	High	Moderate	High	High
	Moderate	Low	Moderate	Moderate
	Low	Low	Low	Low

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 1	Regulatory	Kabbage does not identify regulatory updates	High	Kabbage has personnel dedicated to monitoring SBA PPP updates and communicating questions and concerns as they arise. The following Kabbage personnel are listed as authorizing officials with the SBA for Kabbage: 1) Spencer Robinson (Head of Strategy) - official contact for E-trans 2) Azba Habib (BSA/AML Officer) - official contact for regulatory compliance In addition, Sam Taussig (Head of Policy) has direct access to the SBA's department head.	Strong	Moderate	1) Kabbage should consider updating its PPP program manual to include the roles and responsibilities of Kabbage personnel. The roles and responsibilities should include who is responsible for SBA communication and tracking regulatory updates. 2) Given the departure of Kabbage's BSA/AML Officer, Azba Habib, as of June 6, 2020, Kabbage should consider updating any contact information with the SBA to that of the interim or new BSA/AML Officer.
PPP 2	Regulatory	Management does not provide relevant information pertaining to PPP regulatory changes to the review team	High	Kabbage communicates regulatory updates relevant to the appropriate teams through the following methods: 1) An email listserv for department heads 2) Slack channels utilized by each PPP process team 3) Daily morning meetings with department heads which dive into granular issues 4) Daily afternoon meetings with a larger audience which discusses key themes and concerns which may need to be discussed with the SBA. The larger audience at times may include the following personnel: CEO, CCO, BSA/AML Officer, Department Heads, and other personnel as warranted.	Satisfactory	High	1) Kabbage should consider, when able, documenting in the PPP program manual regulatory and other key changes to the PPP requirements, processes, and procedures which are identified in meetings, emails, and slack channels.

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 3	Staffing	Kabbage does not maintain the appropriate staffing levels to support the high volume and time constraints related to PPP	High	Per conversation with Kabbage management, the Company appears to be staffed to handle the volume of applications and risk tickets that are being generated. The risk group has ~6 risk analysts and are able to close risk tickets between 1-10 days (including applicant response time). Per Spencer Robinson, if volumes for applications or risk tickets spike, they will engage consulting resources they leveraged in the past to address staffing needs. Additionally, Kabbage advised they are able to team resources with financial institution partners such as Cross River and Customers Banks.	Satisfactory	High	1) Kabbage should consider updating their PPP organizational chart to include application reviewers and risk analysts and their direct reporting lines.
PPP 4	Customer Identification Program (CIP)	Kabbage does not have an adequate BSA/AML program that includes a CIP in place to identify PPP applicants, resulting in potential fraudulent loans.	Moderate	Kabbage has a BSA/AML program in place that includes a Customer Identification Program (CIP). More specifically, Kabbage has a KYC framework that provides for risk-based customer identification, verification, and due diligence.	Satisfactory	Moderate	1) As of April 2020, Kabbage is still refining its customer risk segmentation process for PPP loans and expects this process will likely be different from the standard CRR. Once implemented, Kabbage may want to perform a risk-based review of applicant loans.
PPP 5	KYC/CDD	Kabbage does not have a process to adequately perform customer due diligence on applicants and beneficial owners.	High	Kabbage has BSA/AML and Fraud procedures for PPP loan applications. Included in the procedures are processes for Kabbage to run OFAC and KYB/KYC Checks. <u>OFAC</u> Leverages a tool called GIACT, which provides results based on a composite of sanctions lists. <u>KYC/KYB</u> Leverages LexisNexis & CLEAR to perform KYC/KYB verification for the business applicant, the authorized representative, and any owner with 20% or greater interest.	Strong	Moderate	N/A

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 6	Application Review	Kabbage does not have an adequate PPP customer application that captures all required borrower information in SBA Form 2483 and payroll documentation	Low	Kabbage has a dedicated PPP loan application landing page. The landing page prompts questions to the applicant that answer the SBA loan application requirements (i.e., payroll requirements, relevant documents, corporate groups, and certifications). Included in the landing page is a document upload prompt, whereby the applicant must upload the necessary documentation needed to fulfill the application review.	Strong	Low	N/A
PPP 7	Application Review	Kabbage submits applicants for PPP loan approval to the SBA who do not meet the eligible borrower requirements	Low	Kabbage has a process in place to decline applicants based on the following knock-out rules: 1) Authorized business representative and/or any of the owners with 20% or greater interest in the Applicant is a non-U.S. citizen 2) Applicants falls into an ineligible industry 3) Applicant has >500 employees 4) Applicant started operation after February 15, 2020 5) Applicant is self-employed (sole-proprietorship or Single LLCs) who started in 2020 6) Applicant has an Associate or an owner who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude 7) Applicant is currently involved in bankruptcy proceedings	Satisfactory	Low	1) Update procedures to reflect minimum timeframes and dates. (e.g., 5 years timeframe for felony) 2) Update procedures/manual to include language from: https://www.federalregister.gov/d/2020-08257/p-56 & https://www.federalregister.gov/d/2020-09098/p-26
PPP 8	Application Review	Kabbage submits multiple PPP loan applications to the SBA for single entities	Low	As part of Kabbage's online application it requires the borrower to confirm they are not receiving an additional PPP loan. The language states the following: "During the period beginning on February 15, 2020 and ending on December 31, 2020, the applicant has not and will not receive another loan under the Paycheck Protection Program". In addition, per conversation with Amit Kesarwani, Kabbage runs a query that compares the information from the new borrower application to existing customer information. The query will flag any applications with duplicate information.	Strong	Low	N/A

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 9	Application Review	Applicants submit inaccurate, insufficient, or fictitious documentation	Moderate	Kabbage has two types of application reviews (manual and automated). As part of the manual review process, Kabbage has procedures in place that detail step by step instructions on how to review PPP loan applications. Included in the "PPP Document Review Guide in Kore" procedures are sections that address: 1) Getting started with Kore 2) How to find documents and fill in the fields (i.e., W-3, W-2s, 940 tax form, verified government ID, etc.) 3) How to request a document in Kore 4) Where to see information about a customer's application? 5) Common errors and what they mean? 6) FAQ's In addition to the "PPP Document Review Guide in Kore", Kabbage has targeted procedures for specific customer types (i.e., General Partnerships, Seasonal Businesses, PEO's) Per conversations with Kabbage Management, ~75% of all PPP application reviews are fully automated and run through straight through processing leveraging OCR technology.	Strong	Low	N/A

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 10	Payroll	Kabbage calculates PPP applicant payroll inaccurately	High	Kabbage has an Overview of Protection Program Calculations and Verification Procedure document which outlines: 1) The overarching process Kabbage follows to determine and verify loan amounts 2) Details regarding the data and calculations used 3) The quality assurance/quality control (QA/QC) procedures that are in place As part of the QA/QC Kabbage performs both a manual and automated review. <u>Manual Review</u> QA/QC Procedures: When a Google Sheet has been completed, a Kabbage employee (auditor) re-performs the review procedures outlined above for 10% of the loan applications. If an error is discovered, the auditor corrects the Google Sheet and re-performs an additional judgmental sample size. Once the audit has been completed, the Google Sheet is marked as complete. If an auditor identifies a repetitive issue, they meet with the employee and explain exactly what is being missed. Additional work is further validated to ensure the training is successful. <u>Automated Review</u> Certain PPP loan applications can be processed in an automated flow using optical character recognition (OCR). Today the OCR capability is applicable to tax documents (940, 1099, W-3, etc.), which have very standardized, machine-readable formats. To perform verification, Kabbage performs several checks, which involve a document validation and an extracted values process. In addition, Kabbage maintains targeted procedures for documentation issues and specific customer types (i.e., PEO's, Seasonal Businesses, General Partnerships).	Strong	Moderate	1) Update language regarding the compensation of an individual employee in excess of \$100,000 per year. 2) Update Seasonal SMB section to reflect 2019 and 2020 and not 2019 and 2030, respectively.

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 11	Regulatory	Kabbage knew or should have known it was transmitting fraudulent information to the SBA	High	Kabbage performs fraud checks on applications through a process which utilizes the following tools: 1) Emailage 2) Sentilink 3) Threatmetrix The above tools produce a score for each application. If the score is high, an "SBA Failed Manual Verification" flag is created on the account and remains until processed by the Fraud Review Team. Funds for the application are not able to be disbursed until the flag is cleared by the Fraud Team.	Needs Improvement	High	1) Update "Overview of Paycheck Protection Program BSA/AML Procedures" to require Fraud Review Team to clear an application's suspected fraud flag(s) prior to submission to the SBA for loan approval. Current procedure appears to allow for application to proceed to the SBA prior to flag review.
PPP 12	Loan Disbursements	Kabbage does not disburse loan funds within ten calendar days of loan approval	Low	Prior to loan disbursement the customer is provided a DocuSign envelope for signature and asked 6 KBA questions. The customer must answer 4 of 6 KBA questions correct to move forward. If the answers are correct, the customer signs and loan funds are disbursed within 10 calendar days from when the loan was approved by the SBA (i.e., from when the guarantee number was issued by the SBA) . In addition, Kabbage has a KBA Failure procedure for instances where the borrower fails the KBA test. The applicant must call in to initiate the escalated review, and the frontline team will create a salesforce ticket attached to the application. The account review team will then review the ticket and relevant documentation to either clear the ticket or flag the applicant preventing them from loan disbursement and a SAR may be filed.	Satisfactory	Low	1) To ensure compliance with the disbursement of loan funds within ten calendar days of SBA loan approval, Kabbage should consider updating their KBA failure procedures to detail the timeframe a KBA failure must be remediated. 2) Update BSA/AML and Fraud procedures to require Fraud Review Team to clear a flag prior to SBA approval of funds. This will prevent previously unreviewed or unresolved flags from delaying Kabbage's ability to disburse loans.
PPP 13	Loan Disbursements	Kabbage does not submit SBA Form 1502 indicating that PPP loan funds have been disbursed in a timely manner	Moderate	Per conversation with the Kabbage team, the first SBA Form 1502 submission through E-trans was executed on 5/25/2020. The Kabbage team plans to upload a bulk SBA form 1502 on a weekly basis.	Satisfactory	Moderate	1) Kabbage should create procedures detailing the PPP loan disbursement reporting requirement, which include at a minimum: - Roles and responsibilities - SBA Form 1502 requirements

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 14	Suspicious Activity & Monitoring	Kabbage does not have a process in place to identify and report unusual activity.	Moderate	Kabbage identifies suspicious activity at the time of onboarding and monitors for the same throughout the lifecycle of the borrower. In the event suspicious activity is identified, Kabbage will refer (in the event a bank partner is the PPP lender) or report (in the event Kabbage is the PPP lender) such activity to its bank partner or the Financial Crimes Enforcement Network ("FinCEN"), respectively. In addition, Kabbage leverages the following tools to identify instances of fraud: 1) Sentilink (Daily Batch) - identifies instances of fabricated or manipulated identifies. 2) Emailage (Daily Batch) - identifies emails associated with fraud 3) Threatmetrix (Sign-in Disbursement) - Identifies if applicant device has been associated with multiple application or previously identified fraudulent customers 4) TLO (Manual) - manual review tool that provides business, personal, and social media records to validate 5) Inscribe (Manual) - identifies fraudulent documents 6) DocuSign KBA (Real-time) - Asks questions to authenticate identity of signer	Needs Improvement	Moderate	1) Kabbage should consider creating SAR procedures that include escalation of suspicious activity and how to complete a SAR. Kabbage may want to consider creating a SAR narrative template that incorporates FinCEN's SAR Narrative Guidance ("who, what, where, when, why")
PPP 15	Suspicious Activity & Monitoring	Suspicious activity is not tracked and monitored.	Moderate	Kabbage leverages an excel workbook named "Fraud_suspect_list" to track suspicious activity and instances of fraud. The workbook includes the userid and business name of the accounts with suspicious activity.	Needs Improvement	Moderate	1) Kabbage should consider creating a formalized suspicious activity tracking document that details at a minimum: • Identification dates • Reason for flagging • Notes related to the investigation of the potentially suspicious activity • If a SAR has been filed • SAR/No SAR decisioning

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 16	Data Retention	Data provided by the borrower related to loan application, approval, disbursement, or forgiveness is not retained by Kabbage for a minimum of 6 years.	High	Kabbage's enterprise-wide data retention policy is contained in "4 - Kabbage Information Security Policy v1 (approved 2019-12-31)" and outlines the following: 1) Data Classification by level of sensitivity includes (from least to most restrictive): Public Data, Confidential Data, and Restricted Data; 2) All data determined "critical to Company operations and/or team member job functions" must be backed up; 3) Network and data security processes; 4) Requirement of Restricted Data to be transferred via encrypted methods only; Additionally, Kabbage's "Enterprise BSA_AML and OFAC Policy (AH Draft 4.27.20)(v2)" outlines the record retention and record keeping policies relating to their BSA/AML requirements, which include: 1) Retention of information related to BSA/AML requirements for a period of at least five years from the date of last activity on any one Account; 2) A list of the related BSA/AML data types to be retained.	Satisfactory	High	1) Update Data Retention section (7.4) of Kabbage's Information Security Policy document to require Kabbage retain PPP data for a minimum of six years (as well as the BSA/AML data for a minimum of five years from the date of last activity on the account). 2) Ensure PPP data is retained onsite at Kabbage's principle place of business in Atlanta and able to be compiled and supplied to the SBA upon request within one business day. 3) A&M recommends clearly classifying the following PPP related data as either Restricted or Confidential Data in accordance with Kabbage policies: documentation received from borrowers, communications with borrowers, internal assumptions or decisions made by Kabbage relating to a loan calculation or forgiveness, and any other relevant data related to loan application, calculation, approval, disbursement, forgiveness, and/or repayment.

Risk & Control Matrix

Control Ref	Control Title	Risk	Inherent Risk Rating	Control(s)	QRM Rating	Residual Risk Rating	Recommendation
PPP 17	Internal Fraud	Kabbage personnel do not execute their responsibilities fully or with integrity	Moderate	Kabbage maintains Quality Assurance / Quality Control processes to combat the ability and effectiveness of internal fraud, including: 1) Application Review- Random selection by management of 3 tickets from each review team member's queue (weekly basis); 2) PPP payroll Calculation Review - Review of 10% of the manual loan applications in each Google Sheet, and an automated processing QA/QX which validates document types and extracted values.	Satisfactory	Moderate	N/A

03

Independent Testing

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Testing Methodology

Following completion of the Risk and Control Matrix, A&M utilized Kabbage's policy and procedure documentation to walk through a random sample of ten (10) applications previously approved by Kabbage and the SBA for a PPP loan. The purpose of the testing was to track and provide Kabbage with observations and recommendations which might assist in identifying areas of opportunity in the PPP loan program.

To begin testing, A&M utilized a random number generator to select ten (10) approved borrowers from a list of the 76,726 applicants Kabbage had approved by the beginning of this assessment. Once selected, A&M requested the following categories of documentation from Kabbage for each of the 10 borrowers (now samples):

1. KYC/KYB/OFAC Check documentation
2. Payroll/Loan Amount Verification documentation
3. Fraud Review documentation
4. Background Check documentation
5. KBA Check documentation
6. E-Tran approval date and number
7. Other relevant documentation that may relate to the loan application and approval process

Finally, the testing utilized A&M's knowledge of Kabbage's processes gained through generation of the Risk & Control Matrix as well as Kabbage's PPP policies and procedures to analyze borrower documentation provided to the lender as part of the loan approval process. A&M's analysis concluded with the generation of observations and recommendations intended to assist Kabbage in identifying areas of focus or opportunity for the PPP loan program. The results and observations from sample testing are contained in the following slides.

Independent Testing

KYC/KYB Testing Dashboard

Sample #	Test 1	Test 2
1	✓	✓
2	✓	✓
3	✓	✓
4	✓	✓
5	✓	✓
6	✓	✓
7	O1/R1	✓
8	✓	✓
9	✓	✓
10	✓	✓

Test Steps:

- 1) Verify the customer has passed the BVI test in LexisNexis (≥ 40).
- 2) Verify the customer was screened and not a match in GIACT.

Observations/Recommendations:

O1/R1) Customer failed BVI check. A&M noted BSA/AML procedures and/or the KYB/KYC Desktop Procedures should more clearly account for process for EDD when BVI score in CLEAR is below 40.

Tick mark Legend

✓	Test passed.
O	A&M observation noted.
R	A&M recommendation.

Independent Testing

Payroll/Loan Amount Verification Testing Dashboard

Sample #	Test 1
1	✓
2	O1
3	✓
4	✓
5	O2
6	O2
7	O3
8	✓
9	O4
10	✓

*A&M did not perform a recalculation of Kabbage's payroll calculation.

Tick mark Legend	
✓	Test passed.
O	A&M observation noted.

Test Steps:

- 1) Verify the customer has provided all required payroll documentation.

Observations:

O1) Missing the following documents: 2019 IRS Form 940; Payroll statement covering 2/15/2020.

O2) Missing 2019 IRS Form 940.

O3) A&M noted that the borrower did not provide IRS Form 940. However, the borrower provided a paystub evidencing the year to date federal and state withholding taxes.

O4) W-3 form was not provided. However, the borrower uploaded documentation evidencing total number of employees and detailed payroll schedules.

Independent Testing

Fraud Testing Dashboard

Sample #	Test 1	Test 2	Test 3
1	✓	✓	✓
2	✓	✓	✓
3	✓	✓	✓
4	✓	✓	✓
5	✓	✓	✓
6	✓	✓	✓
7	✓	✓	✓
8	✓	✓	✓
9	✓	✓	✓
10	✓	✓	✓

Tick mark Legend

✓	Test passed.
O	A&M observation noted.

Test Steps:

- 1) Verify the customer passed the Emailage fraud check.
- 2) Verify the customer passed the Sentilink fraud check.
- 3) Verify the customer passed the Threatmetrix fraud check.

Observations:

A&M made no new observations for this section of the independent testing.

Independent Testing

KBA/E-Tran/DocuSign Testing Dashboard

Sample #	Test 1	Test 2	Test 3	Test 4
1	O1/R1	✓	✓	✓
2	O1/R1	✓	✓	✓
3	O1/R1	✓	✓	✓
4	O1/R1	✓	✓	✓
5	O1/R1	✓	✓	✓
6	O1/R1	✓	✓	✓
7	O1/R1	✓	✓	✓
8	O1/R1	✓	✓	✓
9	O2	✓	✓	✓
10	O2	✓	✓	✓

Tick mark Legend

✓	Test passed.
O	A&M observation noted.
R	A&M recommendation.

Test Steps:

- 1) Verify Kabbage ran the customer against LexisNexis RiskScreen Background Check.
- 2) Verify the application was successfully submitted through E-Tran.
- 3) Verify the applicant passed the KBA requirements.
- 4) Verify the customer signed the DocuSign envelope.

Observations:

O1/R1) Sample(s) appear to have triggered a manual background review based on the "Note" in the Background Check CSV file provided to A&M. A&M noted Kabbage does not have a clear procedure for performing manual background checks when the applicant fails the automated process.

O2) Sample(s) provided to A&M do not appear to contain results of any performed background checks.

04 Appendices

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Appendix A: Documents Reviewed for Matrix

In generating the Risk & Control Matrix, A&M evaluated PPP lender risks against Kabbage's existing controls by reviewing the following Kabbage documentation:

1 - Document Request List (5.19.20).docx	2 - PPP Data Acquisition and Storage.docx	17 - PPP - Doc Uploader Scripts .docx
1(a) - Kabbage - Enterprise BSA_AML and OFAC Policy (AH Draft 4.27.20)(v2).docx	4 - KABBAGE INFORMATION SECURITY POLICY v1 (approved 2019-12-31) copy.docx	18 - PPP - App Review Audit Process (as of 5.22.20).docx
1(b) - Kabbage - BSA_AML and Fraud Procedures for PPP (AH Draft 4.30.20) copy.docx	6 - Listing of all applicants (1).csv	19 - General Partnerships Loan Calculation.docx
1(c) - Desktop Procedures - OFAC Screening (4_2020) copy.docx	7 - Listing of all approved applicants (1).csv	20 - Seasonal Training – Tis the season for seasonal.docx
1(d) - Desktop Procedures - KYB_KYC (4_2020) copy.docx	8 - Fraud_suspect_list.xlsx	21 - 4.25 Miscategorized PPP Apps.xlsx
1(e) - Desktop Procdures - Sentilink, Emailiage and Threatmetrix (4_2020) copy.docx	13 - Kabbage - 2017 BSA AML and OFAC Risk Assessment (FINAL)(March 2018).docx	22 - SUSPICIOUS PPP APPS (REVIEWERS).xlsx
1(g) - Desktop Procedures - KBA Failure copy.docx	13 - Kabbage - 2018 BSA AML and OFAC Risk Assessment (FINAL 7.19.19).docx	23 - 2018 Enterprise BSA_AML & OFAC RA Remediation Plan (as of 5.29.30).xlsx
1(h) - PPP Calculations and Verification.docx	14 - Kabbage - 2019 BSA-AML-OFAC Audit Report_FINAL_2019-11-04.pdf	PPP - Compliance Review Assignment.xlsx
1(i) - Payroll Verification Document Mapping.docx	15 - PPP - Document Review Guide + Kore - UX Update.docx	
1(j)(k).pptx	16 - PPP - Teach me how to PEO.docx	

Appendix B: Interviewed Personnel

In performing the independent risk assessment, A&M evaluated PPP lender risks against Kabbage's existing controls by interviewing the following Kabbage personnel:

Kabbage Personnel	PPP Related Role
Kristel Adler	PPP Business Owner
Nan Siler	PPP Application Manual Review Process Lead
Azba Habib	BSA/AML Compliance Lead for PPP
Spencer Robinson	PPP Overall Risk & Strategy
Nipun Goel	PPP Strategy Lead for Acceptable Documentation, Eligible Businesses, and Loan Calculations
Sam Taussig	PPP Government Relations & Policy

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