



# Funding Circle

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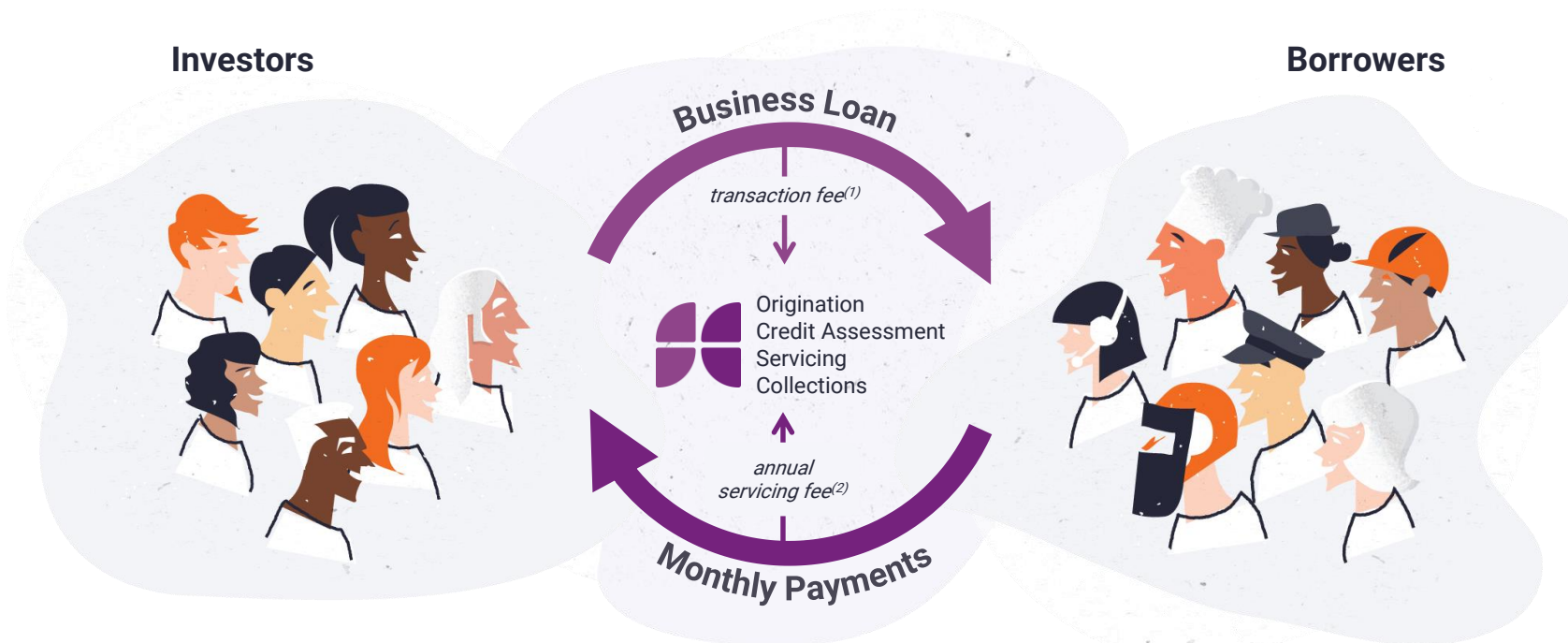
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# What does Funding Circle do?

Funding Circle is a leading global platform for direct lending to small businesses



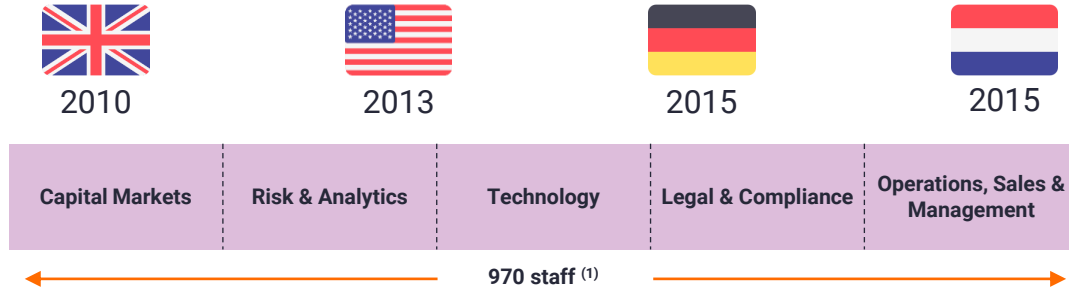
More than €7.5bn lent to over 62,000 small businesses globally



1. Upfront borrower transaction fee: 0.99%-6.99%, contingent on loan term, risk band and other factors, as at 23 November 2018  
2. Ongoing servicing fee: 1% per year calculated monthly on the outstanding balance of performing loans, in most instances.

# Business Overview

## Global, Well-Resourced Business



## Deep and Diverse Institutional Lending Base



## Global Management Team

  
**Samir Desai CBE**  
 CEO and Co-Founder

  
**Jerome Le Luel, CRO**  
 Former CRO Barclaycard

  
**David Yu, CPO**  
 Former CEO Betfair

  
**Sean Glithero, CFO**  
 Former CFO Autotrader

  
**Lucy Vernall, GC**  
 Former Managing Partner Kemp Little LLP

  
**Sachin Patel, CCO**  
 Previously Barclays Capital and J.P.Morgan

## c. €625m Corporate Capital Raised



Listed on the London Stock Exchange – “FCH”  
 €1.3bn Market Cap – FTSE 250<sup>(2)</sup>

## Strong and Experienced Board

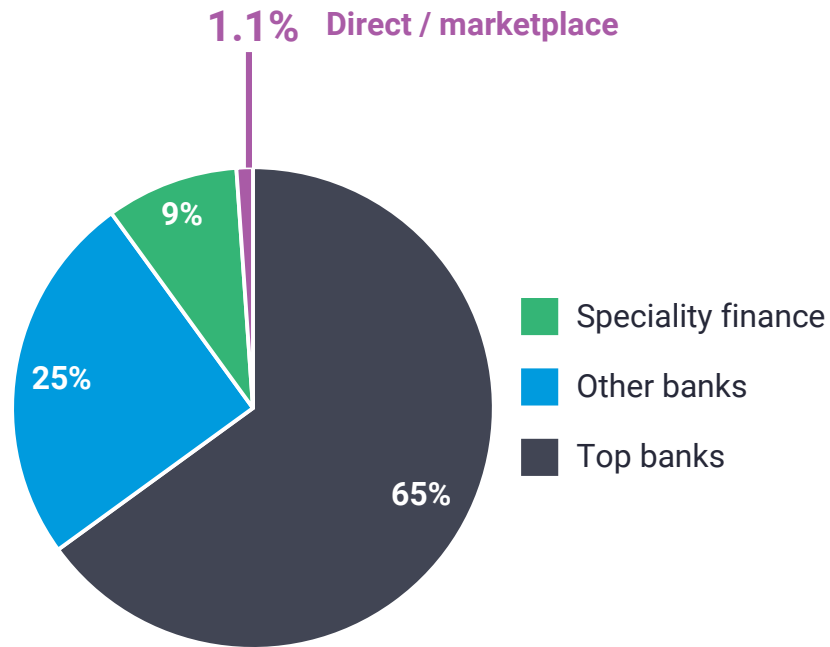


Note the Fund will not be investing in Credit Assets originated in the US.

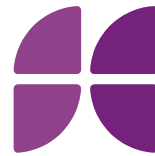
1. Total permanent Funding Circle employees as at 30-Dec-2018.  
 2. As at 17-Jan-2019.



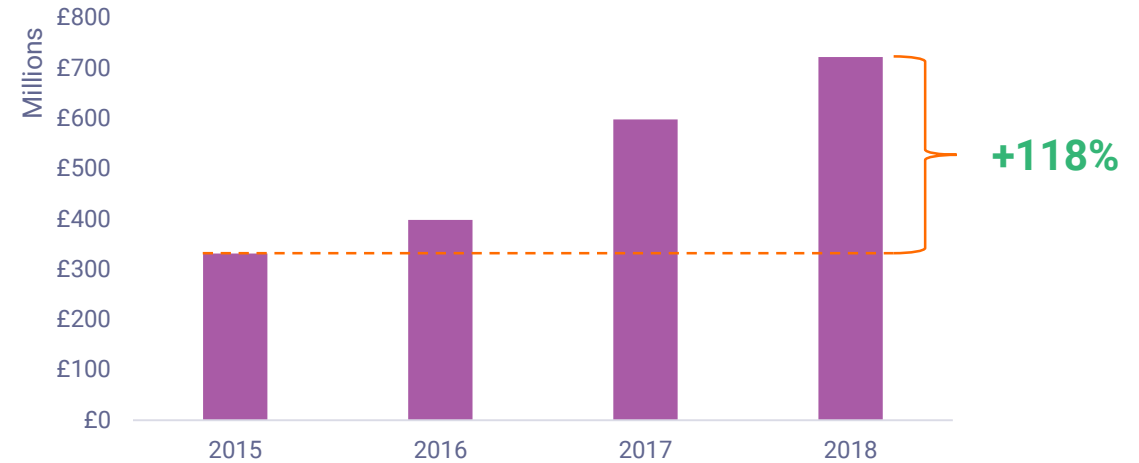
# SME lending is still dominated by banks (1/3)



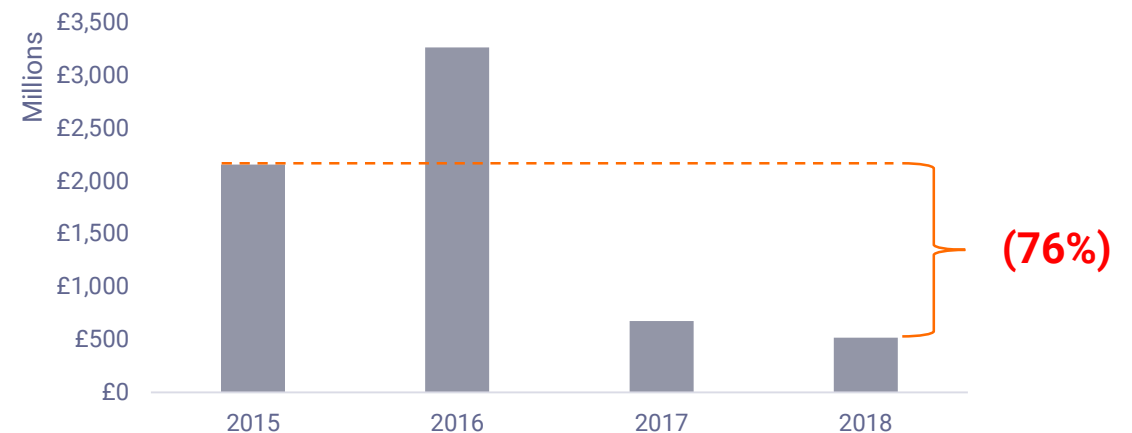
Total: £180bn



### Funding Circle Net Lending<sup>(1)</sup>



### UK High Street Banks Net Lending<sup>(2,3)</sup>



Source: OC&C analysis; BoE, UK Finance, Annual Reports

1. Source: Funding Circle .

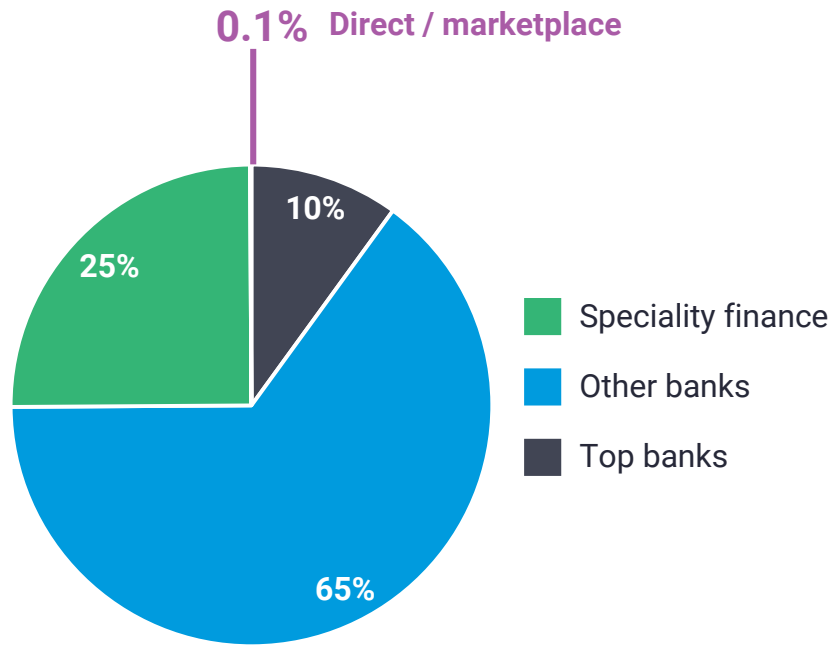
2. Source: Bank of England; Funding Circle .

3. Bank of England definition of an SME: SMEs are defined as private non-financial corporations with annual debit turnover of £25 million or less.

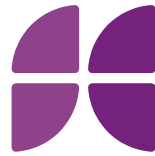




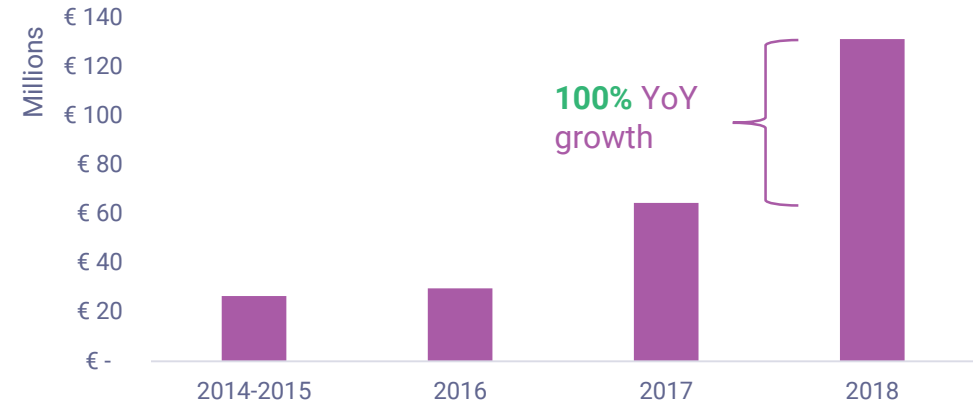
# SME lending is still dominated by banks (2/3)



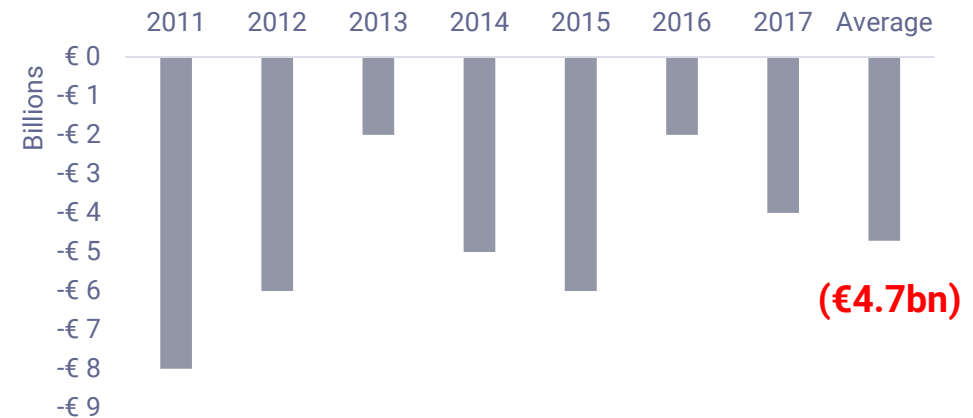
Total: €310bn



### Funding Circle Loans Under Management<sup>(1)</sup>



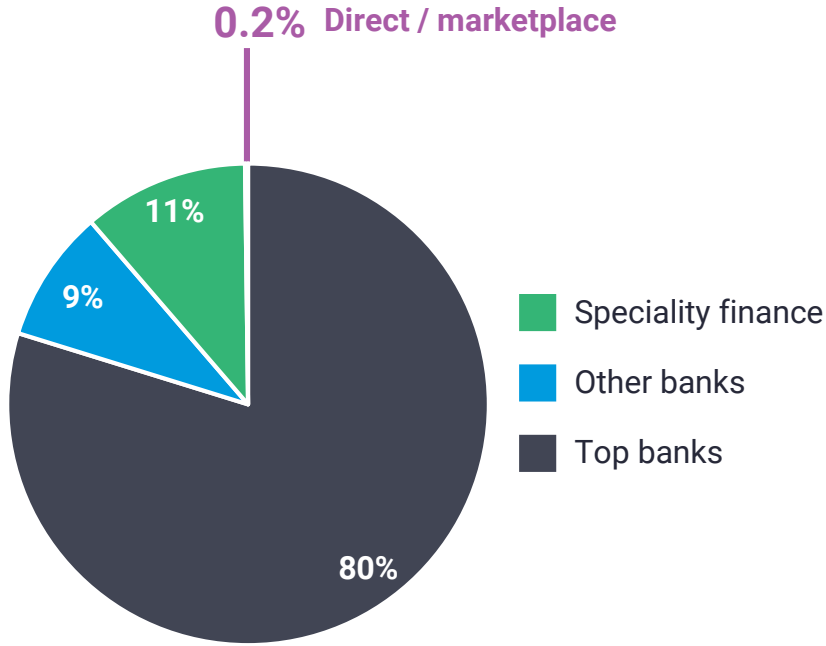
### SME Credit Supply Gap<sup>(2)</sup>



Source: OC&C analysis; Bundesbank.  
 1. Source: Funding Circle.  
 2. Source: KfW research.



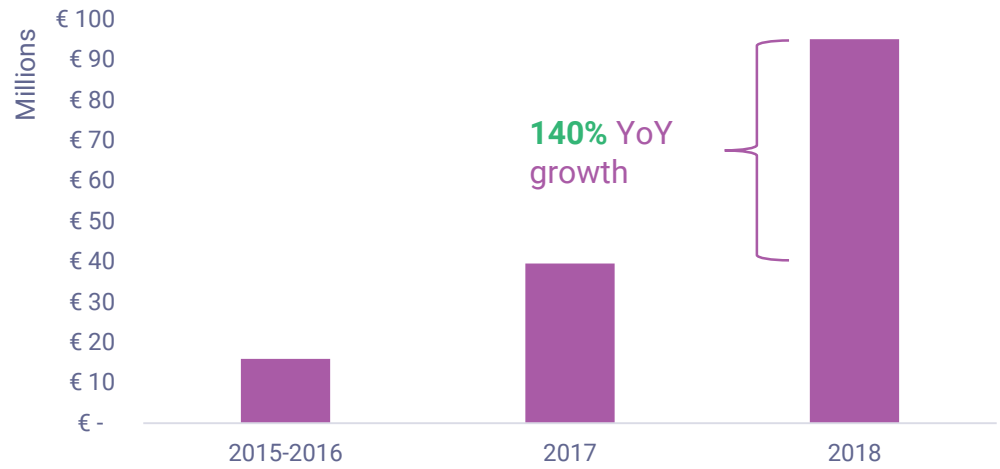
# SME lending is still dominated by banks (3/3)



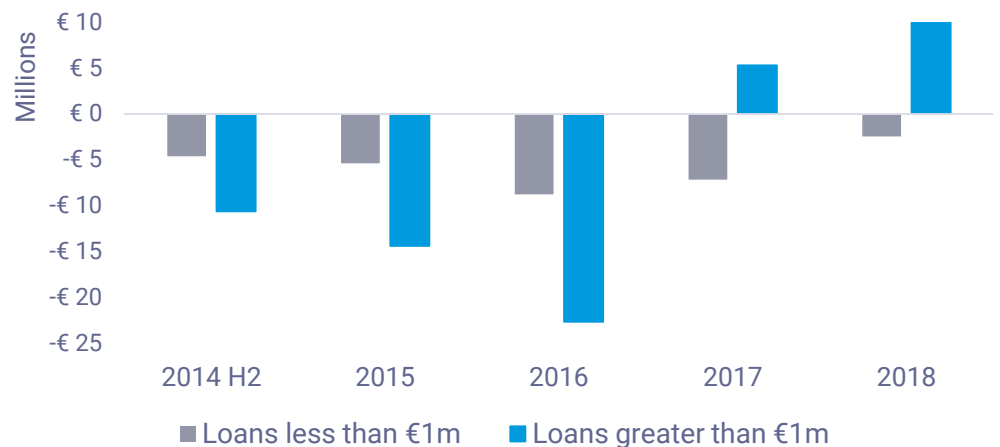
Total: €145bn



### Funding Circle Net Lending<sup>(1)</sup>



### Year-on-Year Lending Growth<sup>(2)</sup>



Source: OC&C analysis; DNB.  
1. Source: Funding Circle.  
2. Source: DNB research.

# Traditional banks are turning away from SMEs



- ❌ High regulatory capital requirements
- ❌ Lack of dedicated resources to cater to SMEs
- ❌ Heavy regulatory agenda absorbing internal resources
- ❌ Not equipped to handle small transactions efficiently



- ✅ Integrated technology platform designed for SMEs
- ✅ Relentless focus on speed and experience for SMEs
- ✅ Sophisticated analytical tools tailored to SMEs
- ✅ Simple product set with competitive fees





# Funding Circle global numbers

	 Global	 DE	 NL	 UK
<b>Amount originated</b>	€7.5bn	€210m	€140m	£4.6bn
<b>Loans under management</b>	€3.5bn	€130m	€95m	£2.2bn
<b>Number of loans</b>	86,000	2,700	3,200	66,000
<b>Number of businesses</b>	62,000	2,200	3,000	46,000
<b>Employees</b>	970	95	50	550



# Demonstrable evidence of positive economic impact<sup>(1)</sup>

Our economic impact	 Global	 DE	 NL	 UK
Jobs unlocked in 2017	75,000	1,700	900	45,000
Economic contribution (GVA) in 2017	£3.9bn	€103m	€65m	£2.4bn



## Top three reasons for choosing a Funding Circle loan<sup>(2)</sup>:

1. Simplicity

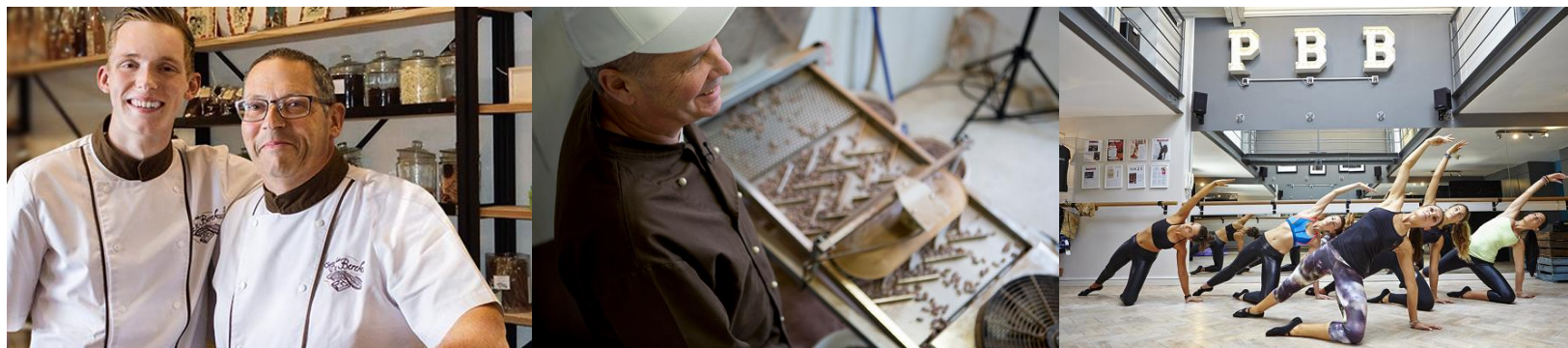
2. Speed

3. Competitive rates



1. Source: The Economic Impact of Lending Through Funding Circle, Oxford Economics, June 2018. Global figures include US.  
2. Based on a survey of 522 UK customers.

# Typical Funding Circle borrower profile



	Typical DE	Typical NL	Typical UK
<b>Average Loan Size</b>	c. €79k (min: €5k – max: €250k)	c. €42k (min: €5k – max: €250k)	c. £71k (min: £5k – max: £1m) <sup>(1)</sup>
<b>Average turnover</b>	c. €1,600k	c. €500k	c. £800k
<b>Average # years trading</b>	16 years (2 years minimum)	14 years (2 years minimum)	9 years (2 years minimum)
<b>Average # of employees</b>	14	4	5
<b>Weighted average interest rate<sup>(2)</sup></b>	9.40% (range: 1.69% – 19.9%)	11.30% (range: 3.79% – 19.9%)	9.70% (range: 1.9% – 21.9%)
<b>Weighted average maturity<sup>(2)</sup></b>	46 months (range: 6 – 60 months)	46 months (range: 6 – 60 months)	47 months (range: 6 – 60 months)
<b>Loan characteristics</b>	SME only, fixed rate, fixed term, fully amortising, no prepayment fees	SME only, fixed rate, fixed term, fully amortising, no prepayment fees	SME only, fixed rate, fixed term, fully amortising, no prepayment fees
<b>Security</b>	Unsecured with personal guarantee	Unsecured with personal guarantee	Unsecured/secured, with personal guarantee

Source: Funding Circle.

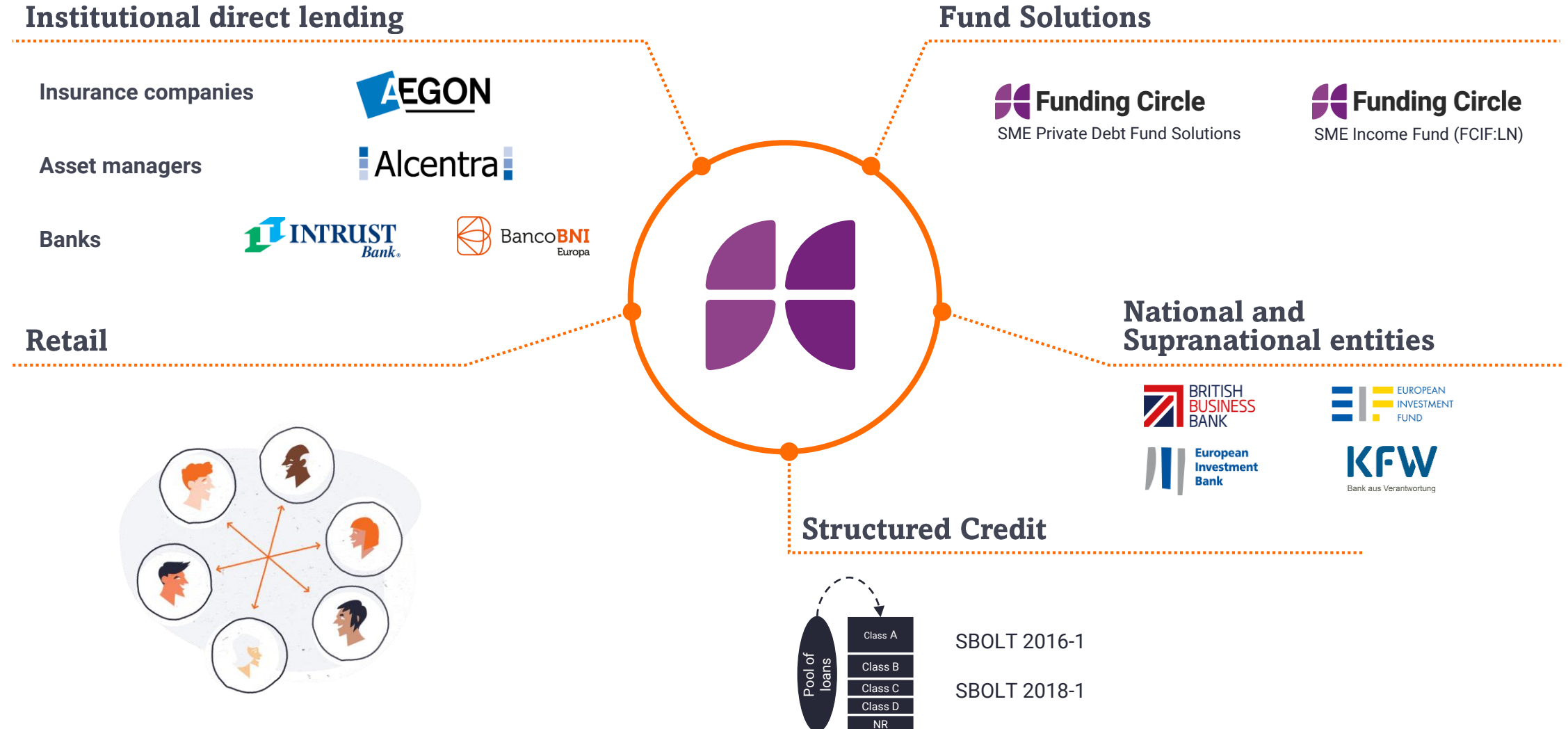
Note: Figures based on loans originated from 01-Jan-2012 to 31-Dec-2018 for all geographies.

1. Minimum size for non-limited businesses is £25,020.

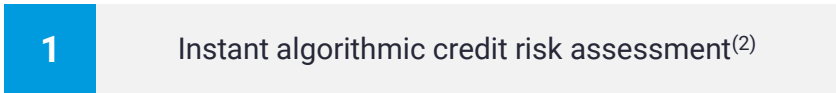
2. Weighted average by original principal amount.



# Funding Circle attracts a diverse and sustainable group of investors



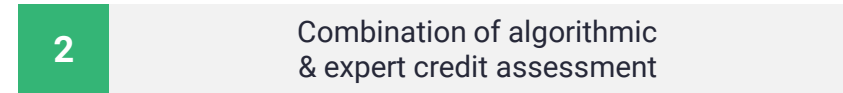
# Fast application process combines analytics and manual expertise to enhance precision and efficiency



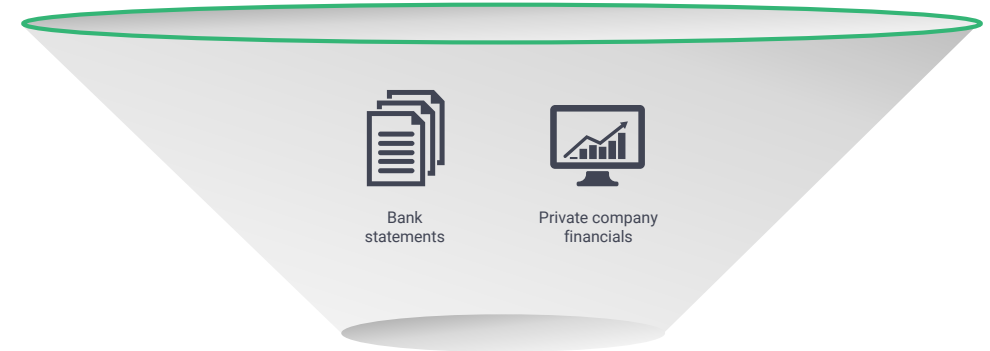
### Data used:



- Credit assessment methodology
- ✓ Risk model 1 - multi-dimensional statistical scoring enabling automatic declines<sup>(2)</sup>



### Additional data used:

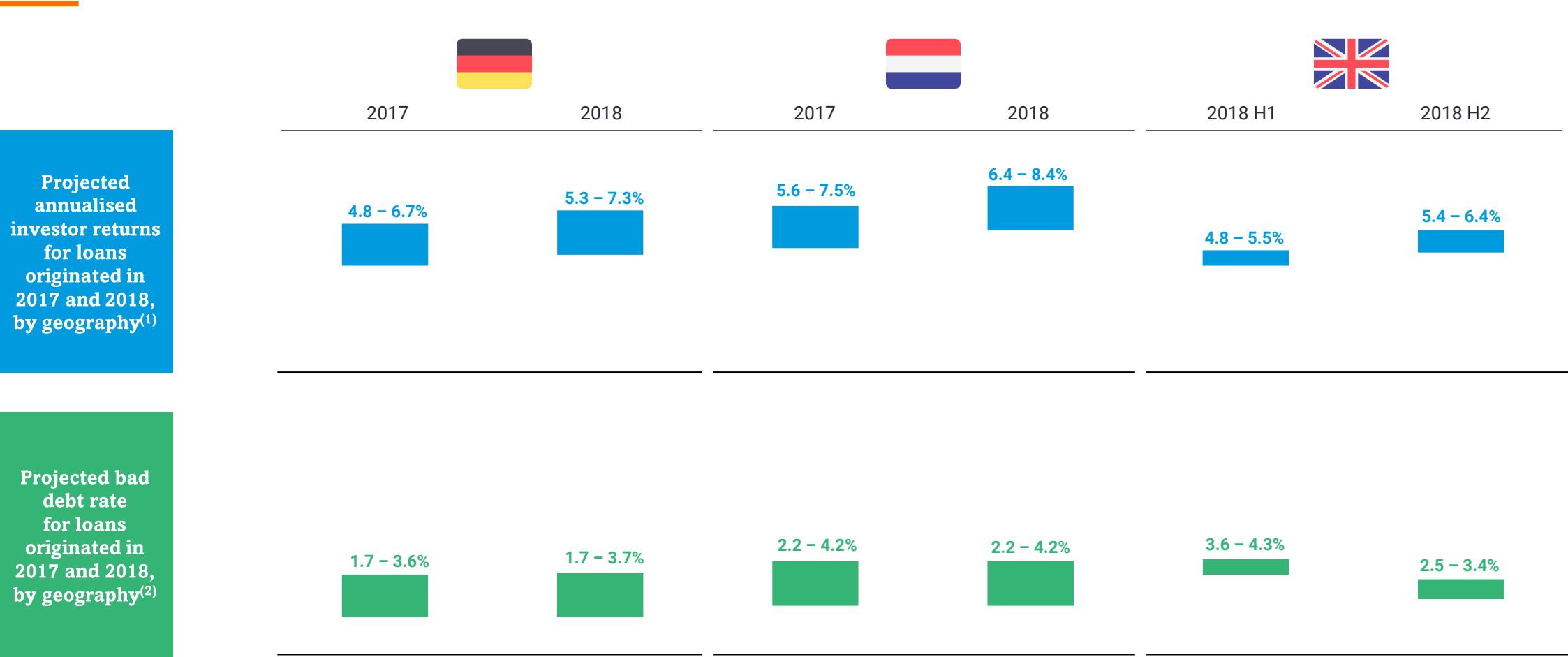


- Credit assessment methodology
- ✓ Risk model 2
  - ✓ Pricing model
  - ✓ Scientifically optimised track logic
  - ✓ Tiered intervention of expert credit assessors

1. ~75% of applications in UK in H1 2018 received a decision within 24 hours.  
2. Subject to differences across geographies.



# Projected annualised returns and bad debt rates for Funding Circle-originated loans



Projected annualised investor returns for loans originated in 2017 and 2018, by geography<sup>(1)</sup>

Projected bad debt rate for loans originated in 2017 and 2018, by geography<sup>(2)</sup>

Projected annualised returns and bad debt rates for all loans originated by Funding Circle platforms in 2017 and 2018, as at 31-Dec-2018. UK includes Property loans.

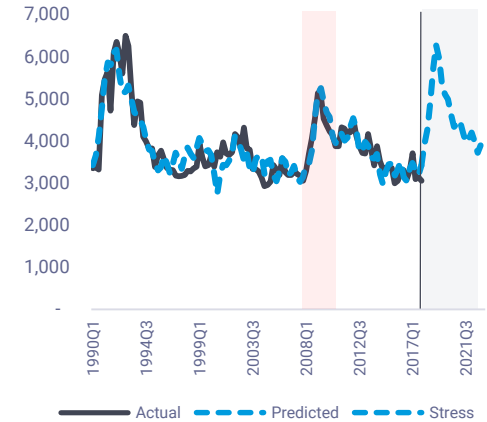
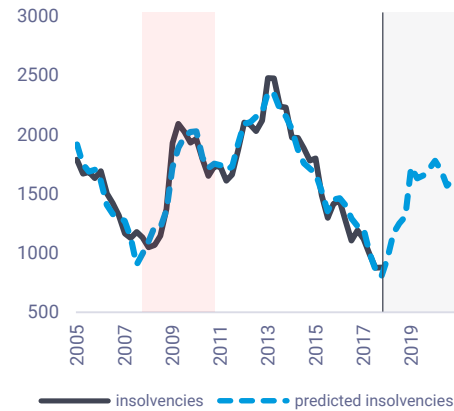
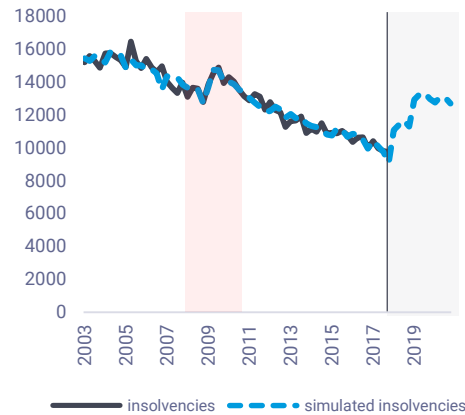
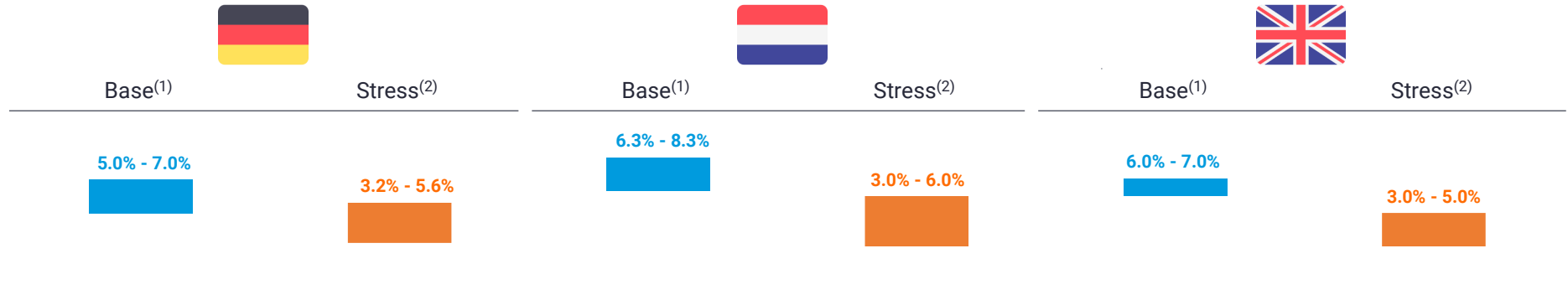
- Past performance is not a guide to future returns, and your capital is at risk when lending to businesses. As you are lending to your own individual portfolio of loans, actual returns may be higher or lower than estimated.
- The graph shows how loans are estimated to perform. Loans are shown by the year they were taken out, and are after fees and bad debt. Returns equal gross yield minus net losses minus servicing fee and is estimated, using an internally-managed model, by cohort of origination incorporating actual returns received for each cohort and adding future expected returns which are determined using the same aforementioned model. Net yield is compounded to recognise re-investment. These expectations may be revised, for example if macroeconomic conditions change, and the projected return, projected gross yield and the projected bad debt rate may be adjusted to reflect this.
- The graph shows the projected annualised percentage of loans, by loan amount, that will not be repaid. Loans are shown by the year they were taken out and include recoveries. It can take up to five years for loans to be fully repaid, so the projected return, projected gross yield and projected bad debt rate take into account how each year of loans are performing and how Funding Circle expects them to perform in future. These expectations may be revised, for example if macroeconomic conditions change, and the projected return, projected gross yield and the projected bad debt rate may be adjusted to reflect this.



# Stress-test simulation shows resilience through the cycle

Simulated net yield impact

Stressed insolvencies simulation<sup>(3)</sup>



European Banking Authority's (EBA) 2018 Stress Scenario

<b>GDP</b>	Falls by -2.7%
<b>Unemployment</b>	Rises to 9.7%
<b>CPI</b>	Rises by 1.7%

European Banking Authority's (EBA) 2018 Stress Scenario

<b>GDP</b>	Falls by -2.7%
<b>Unemployment</b>	Rises to 9.7%
<b>CPI</b>	Rises by 1.7%

Bank of England 2018 Annual Cyclical Scenario (ACS)

<b>GDP</b>	Falls to -4.7%
<b>Unemployment</b>	Rises to 9.5%
<b>CPI</b>	Rises to 5.1%

Source: Funding Circle stress tests. Note: Past performance is not a reliable guide to future performance, forecasts are not a reliable indicator of future results.

1. Lifetime expected returns for December 2018 Funding Circle UK, DE and NL loan cohorts.
2. Lifetime expected returns for relevant geographic Funding Circle loan cohort simulated applying stress test scenario. Assumes recoveries also reduce by 40% in recession.
3. Actual number of insolvencies shown for UK, DE and NL.



# Active surveillance and rapid mitigation support on-going recession readiness

## Monitor

Credit environment indicators  
Portfolio performance by segment  
Feedback from Collections



## Evaluate

Re-assess expected lifetime loss rates  
Simulate returns by cohorts  
Stress test expected economics

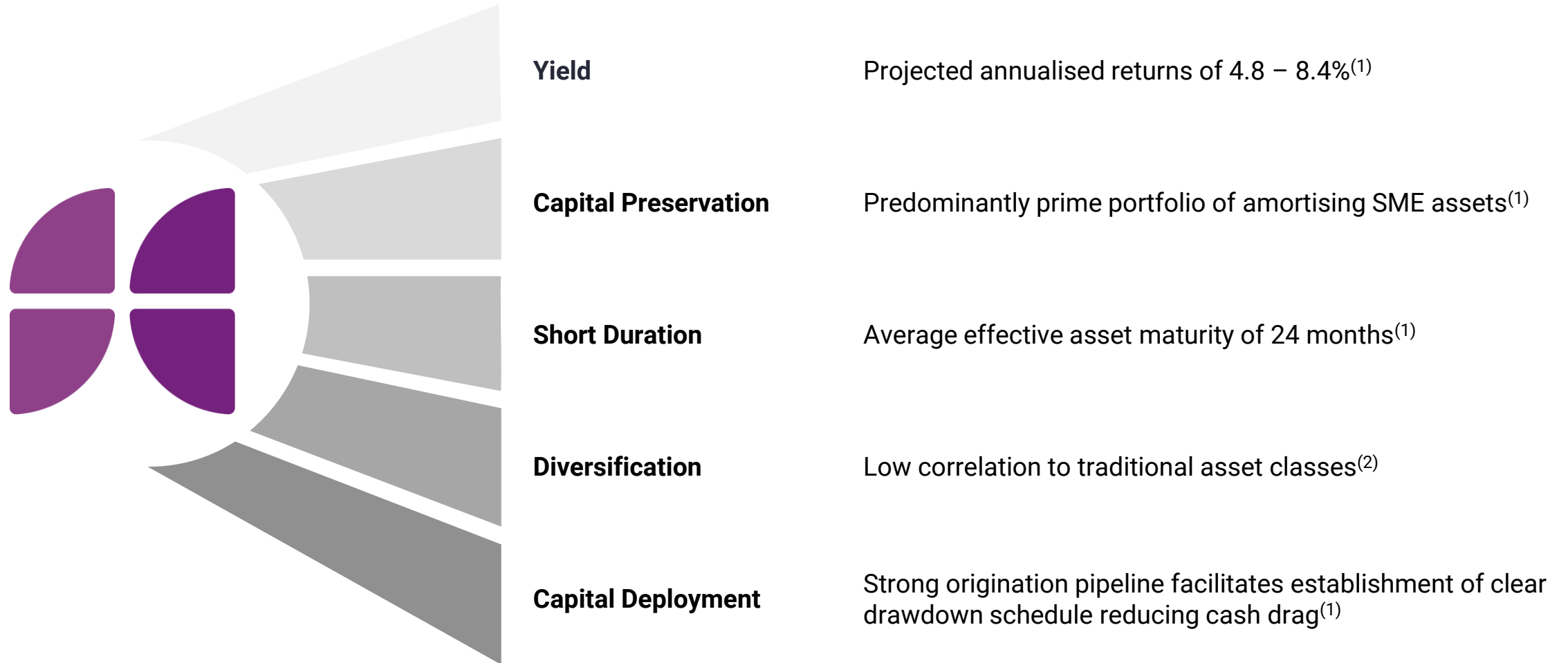
## Respond

Design changes to credit parameters  
Make adjustments if needed to e.g., model, policies, pricing  
Fast track CRMC approval and rapid change deployment





# Funding Circle provides diverse, granular SME loan portfolios with stable returns



1. Source: Funding Circle statistics (<https://www.fundingcircle.com/uk/statistics/>; <https://www.fundingcircle.com/us/statistics/>; <https://www.fundingcircle.com/de/statistiken/>; <https://www.fundingcircle.com/nl/statistieken/>) and Funding Circle analysis.  
2. Source: Bloomberg raw beta analysis.



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