Funding Circle

BUILDING A BETTER FINANCIAL WORLD

FUNDING CIRCLE HOLDINGS LIMITED | REGISTRATION DOCUMENT | SEPTEMBER 2018

This document comprises a registration document (the "Registration Document") relating to Funding Circle Holdings Limited (the "Company") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "FCA") made under section 73A of the Financial Services and Markets Act 2000 (the "FSMA"). A copy of this Registration Document has been filed with, and approved by, the FCA and has been made available to the public in accordance with the Prospectus Rules.

The directors of the Company, whose names appear on page 32 of this Registration Document (the "Directors"), and the Company accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Registration Document is in accordance with the facts and contains no omission likely to affect the import of such information.

This Registration Document should be read in its entirety. See Part 1 (Risk Factors) for a discussion of certain risks relating to the Company and its Group.

Funding Circle Holdings Limited

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 07123934)

No representation or warranty, express or implied, is made and no responsibility or liability is accepted by any person other than the Company and its Directors, as to the accuracy, completeness, verification or sufficiency of the information contained herein, and nothing in this Registration Document may be relied upon as a promise or representation in this respect, as to the past or future. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. Without limitation, the contents of the website of the Group do not form part of this Registration Document and information contained therein should not be relied upon by any person. The delivery of this Registration Document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Registration Document or that the information contained herein is correct as of any time subsequent to its date.

This Registration Document may be combined with a securities note and summary to form a prospectus in accordance with the Prospectus Rules. A prospectus is required before an issuer can offer transferable securities to the public or request the admission of transferable securities to trading on a regulated market. However, this Registration Document, where not combined with the securities note and summary to form a prospectus, does not constitute an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise.

Any securities referred to in this Registration Document have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "US Securities Act") or with any securities regulatory authority of any state of the United States, and may not be offered or sold in the United States absent registration under the Securities Act except to qualified institutional buyers ("QIBs") as defined in Rule 144A under the Securities Act ("Rule 144A") or another exemption from, or in transactions not subject to, the registration requirements of the US Securities Act. Any securities referred to in this Registration Document have not been and will not be registered under the applicable securities law of Canada, Australia or Japan and, subject to certain exceptions, may not be offered or sold within Canada, Australia or Japan or to any national, resident or citizen of Canada, Australia or Japan.

This Registration Document speaks as of the date hereof.

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The distribution of this Registration Document in certain jurisdictions may be restricted by law. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Registration Document in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. In the United States, you may not distribute this Registration Document or make copies of it without the Company's prior written consent other than to people you have retained to advise you in connection with this Registration Document, or persons reasonably believed by the Company to be QIBs. Accordingly, neither this Registration Document nor any advertisement nor any offering material may be distributed or published in any jurisdiction, other than in the United Kingdom, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Registration Document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

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PART 1
Risk Factors

The risk factors described below are not an exhaustive list or explanation of all risks relating to the Group and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations and/or financial condition.

RISKS RELATING TO THE GROUP'S BUSINESS, INDUSTRY AND MARKETS

Risks relating to the Group's business

If the Group is unable to maintain or increase loan originations through its platform or if existing Borrowers or Investors do not continue to participate on its platform, its business, results of operations, financial condition or prospects will be adversely affected.

The Group has experienced rapid growth in loans originated through its platform in recent periods, with originations increasing by 48 per cent. and 63 per cent. in 2016 and 2017, respectively, and totalling £1,738 million in 2017 and £1,043 million in the six months ended 30 June 2018 ("H1 2018"). This has led to significant revenue growth during this time. To continue to grow its business, the Group must continue to increase loan originations through its platform by attracting and retaining new and existing Borrowers who meet its lending standards in the different geographies where the Group operates, as well as new and existing Investors interested in investing in these loans. Loan originations could decrease, or increase at a slower rate than historical growth rates, if the number or rate of new Borrowers or Investors declines, the number or rate of repeat Borrowers and Investors decreases, or the average size of new or repeat loans decreases.

The Group's ability to attract new Borrowers to its platform and facilitate new loans to existing Borrowers depends on, among other things, its ability to continue to provide attractive loan products and prices, Borrower satisfaction levels, an effective marketing strategy, and the Group's reputation and ability to maintain the security of its platform and the confidentiality of information provided by Borrowers. Borrower demand also depends on factors that are beyond the Group's control, including general macroeconomic conditions, the competitive and regulatory environment and technological developments, among other factors.

The Group's operations are also reliant on sufficient Investor funding. The Group's ability to attract Investors to its platform and secure sufficient funding from existing or new Investors depends on, among other things, its ability to continue to provide attractive Investor returns, compliance with the terms and conditions of funding agreements with Investors, effective maintenance and scaling of financial, risk management and compliance controls and procedures, the Group's reputation and its ability to maintain the security of its platform and the confidentiality of information provided by Investors. Investor participation on the Group's platform also depends on factors that are beyond the Group's control, including demand for SME loans, general macroeconomic conditions and the competitive and regulatory environment, among other factors. To ensure Investor funding availability throughout economic and business cycles, the Group seeks to establish and facilitate diverse forms of funding, including, but not limited to, substantial volumes of forward commitments, securitisation, investment funds and retail Investor funding channels. These Investor funding plans are subject to risks and uncertainties, many of which are beyond the Group's control.

In addition, a considerable portion of Investor commitments to fund loans originated through the Group's platform have in the past and are likely in the future to come from bespoke capital markets arrangements that the Group enters into with the aim of securing short- and long-term funding for the Group's platform. These transactions, which may include the formation of bespoke capital markets vehicles that invest in loans originated through the Group's platform, are often time consuming to establish, and involve significant operational resources and costs, whether or not such transactions proceed to completion. Failure by the Group to attract and help establish similar bespoke capital markets arrangements and vehicles in the future could adversely affect its ability to grow Investor commitments. Further, if credit losses for any such bespoke capital markets vehicles increase significantly and challenges arise in attracting investor demand to invest in these vehicles, or if reductions occur in the market capacity for SME loans, credit funds, or the types of asset-backed securities issued by certain of the Group's Investors, there could be an increased risk to these funding plans. Should this occur, and in the event the Group is unable to match Borrower demand with alternative funding sources, the Group may be required to reduce the amount of loans it originates through its platform.

The Group may also face risks arising from the relationship between Borrower and Investor demand. If the Group cannot match demand across its Borrowers and Investors over time, the Group would be required to reduce the amount of loans originated, which would have an adverse effect on its business and results of operations. In particular, if there are insufficient Investor commitments, Borrowers may be unable to obtain investment capital for their loans at competitive rates or at all, and may stop using the Group's platform for their borrowing needs. Similarly, Investor demand may decline if the Group is incapable of sourcing a steady supply of high-quality Borrowers.

Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

If the credit approval and scoring models and processes the Group uses contain errors or are otherwise ineffective, or if Borrower data is incorrect or becomes unavailable, the Group's business may suffer.

The Group's ability to attract Borrowers and Investors to, and build trust in, its platform is significantly dependent on its ability to effectively evaluate Borrowers' credit profiles and likelihood of default. The Group employs a comprehensive credit approval process to evaluate loan applications, which involves automated processes as well as human input, assessment and analysis. This process is designed with multiple controls to avoid error, such as independent model validation, model user acceptance tests, model monitoring, data quality checks, independent review of manual credit decisions, portfolio performance monitoring and defaulted loans analysis, among other controls. Despite these controls, the credit approval process may be ineffective and may not accurately assess actual creditworthiness of Borrowers for various reasons, including as a result of:

- errors (whether human or otherwise) in constructing, interpreting or using the models and techniques used in the evaluation process;
- the use of inaccurate data (including as a result of human error in data input, inaccurate data received from external data vendors (e.g., credit bureaux and public registries) and fraudulent data input by Borrowers, employees or third-party service providers). While the Group seeks to cross-reference some of the information it receives from Borrowers against publicly available information (e.g., from credit bureaux and public registries), it does not undertake a comprehensive verification of information, and any such verification may be inaccurate or incomplete. Additionally, it is possible that, following the date of any credit information received, a Borrower may default on a pre-existing debt obligation, take on additional debt or sustain other adverse financial or life events, which, if known, might have resulted in the assignment of a different credit rating or a decision not to lend;
- the creation and use of models based on incorrect assumptions or inadequate data. Although the Group takes significant care to source data from a variety of sources, there can be no assurance that it will always be able to procure sufficient data, particularly when entering new geographies, or that such data will not become more difficult or expensive to access (including as a result any of changes in privacy and data protection laws and regulations adversely affecting the Group's or its external data vendors' ability to collect, use and transfer personal data), in order to adequately evaluate potential Borrowers;
- incorrect judgment and decisions by the Group's employees or third-party service providers, which could impact credit performance and result in a breach to the Group's representations, warranties and covenants under its funding agreements with non-retail Investors (see "*The Group's funding and servicing agreements with non-retail Investors generally include contractual representations and warranties, the breach of which could harm the Group's business*" in this Part 1 (Risk Factors)); and
- errors in the IT systems supporting the Group's risk models.

In addition, although these models and techniques attempt to take into account the external environment that might impact Borrowers' ability to service their debts, such as macroeconomic, interest rate and political environments (see also "*The Group's business and operating results are exposed to macroeconomic conditions*" in this Part 1 (Risk Factors)), they may not accurately predict the actual credit risk for various reasons, including as a result of inaccurate assumptions or failure to update such assumptions appropriately or in a timely manner.

If any of these credit scoring models and other analytical techniques are ineffective or contain errors, or if the data provided by Borrowers or third parties is incorrect or out of date, or becomes more difficult to obtain or otherwise unavailable, the Group's loan pricing and approval process could be negatively affected, resulting in mispriced or misclassified loans, incorrect approvals or denials of loans, loss of Investor confidence, regulatory intervention and damage to the Group's reputation, among other things.

Any of these events could result in increased losses and lower returns on loans, and have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Currently, a relatively small number of non-retail Investors account for a large amount of investment in loans originated through the Group's platform in the United States, Germany and the Netherlands.

The Group generally benefits from a highly diversified, global Investor base lending through its platform, including retail Investors, banks, asset management companies, insurance companies, government-backed entities and funds. In the United States, Germany and the Netherlands, however, there is a relatively lower level of Investor diversification, with certain non-retail Investors accounting for a relatively large proportion of the aggregate investment in loans originated through the Group's platform in these countries. Although the Group believes that its relationships with these Investors are stable, its ability to renew existing agreements with them, or to enter into new contractual relationships, either on commercially attractive terms or at all, depends on a range of commercial and operational factors and events, including the performance history of loans, the financial condition of such Investors, existing contractual protections across this asset class and incentives for renewals and the commercial decisions by such counterparties, any of which may be beyond the Group's control. Although the Group provides a quick, easy and flexible process to the SME lending market, there can be no assurance that a competitor will not, in the future, offer a more attractive investment proposition, or that the SME loan asset class accessed through these investments will continue to be attractive to existing Investors. Furthermore, the Group's funding agreements with these non-retail Investors may not provide for a forward commitment to fund a specified amount or such commitment may be for a limited period of time, or (in a limited number of cases) provide the Investor with the right, based upon the performance of Borrower loans or a material change in circumstances in respect of the Investor, to withdraw future commitments or terminate the agreement in respect of future commitments following a contractual notice period. These agreements are also typically terminable for cause (see "*The Group's funding and servicing agreements with non-retail Investors generally include contractual representations and warranties, the breach of which could harm the Group's business*" in this Part 1 (Risk Factors)). If a significant proportion of these Investors were to suspend, limit or terminate their relationships with the Group or withdraw part or all of their investments, the Group's business, results of operations, financial condition and prospects would be materially adversely affected.

The Group's funding and servicing agreements with non-retail Investors generally include contractual representations and warranties, the breach of which could harm the Group's business.

The Group's funding agreements with non-retail Investors, which, in 2017 and H1 2018, accounted for approximately 74 per cent. and 69 per cent., respectively, of total Investor funding, generally include contractual representations and warranties that the Group must comply with, in particular in respect of the origination and servicing of loans. For example, these agreements generally require that the Group comply with, among other things, lending policies, laws and regulations (including, but not limited to, anti-money laundering, and anti-bribery and corruption laws and regulations) and loan eligibility criteria, and in certain cases with pre-determined portfolio concentration limits. If the Group breaches any of these representations and warranties, the Group could be required to purchase the non-compliant loan or loans or indemnify the relevant counterparties, among other remedies that may be available to the Investors. A breach of certain representations and warranties could also result in the termination of these agreements and in turn result in loss of future funding.

Furthermore, the Group's servicing agreements with non-retail Investors generally contain contractual representations, warranties, covenants and indemnities by the Group, including compliance with laws and regulations, servicing and collection policies of the Group and standard of care. If the Group breaches any of these representations, warranties or covenants, the Group could be required to purchase any loans impaired by the Group as servicer of the loan (for example, if a loan is modified in a way that is not permitted), or to indemnify the relevant counterparties, among other remedies that may be available to Investors. In addition, pursuant to its servicing agreements with non-retail Investors, the Group is generally required to provide such Investors with daily and/or monthly reports, setting out various information on the respective loan portfolio(s), including on the type of loan(s), credit band, amount, term, interest rate, defaulted principal, defaulted interest and other relevant information. Any errors in these reports, whether as a result of human error or otherwise, could result in loss of Investor confidence, termination of servicing agreements, regulatory intervention and damage to the Group's reputation, and could subject the Group to damages.

In addition, from time to time, the Company is required to provide a parent company guarantee and/or indemnify counterparties or other third parties (including providers of revolving credit facilities and underwriters or placement agents) in connection with the funding agreements entered into with the operating companies (or related securitisation transactions), which would require the Group to purchase certain loans or reimburse losses suffered by such counterparties or third parties as a result of a breach or non-compliance by its operating entities or other third parties (including third parties entering into warehouse financing transactions and those acting as co-sponsor in a securitisation transaction) with their obligations.

If, as a result of any breach of such representations, warranties and covenants, the Group is required to purchase a substantial volume of loans in a relatively short period of time or to reimburse significant losses, the Group's business and cash flows could be materially adversely affected. Furthermore, while the Group seeks to re-distribute on the platform any non-defaulting loans that the Group is required to purchase pursuant to any breach or non-compliance with such representations, warranties or covenants, there can be no assurance that such loans can be successfully reallocated to Investors in a timely manner or at all.

Although the Group maintains a comprehensive compliance program and controls designed to ensure that these representations, warranties and covenants are complied with, there can be no assurance that the Group will at all times be able to comply with those requirements, including as a result of events beyond the Group's control, such as fraud or where the Company is required to provide a guarantee in respect of the breach or non-compliance of a third party. See also "*Misconduct and errors by employees and third parties could harm the Group's business and reputation"* in this Part 1 (Risk Factors).

The Group is also subject to the risk of legal claims and proceedings in connection with these funding and servicing agreements, and the Group cannot guarantee that the results of future claims and proceedings will not materially harm its business, nor can the Group guarantee that it will not incur losses in connection with future claims and proceedings that exceed any available insurance coverage.

Any of these risks could materially adversely affect the Group's reputation, business, results of operations, financial condition or prospects.

Negative publicity could adversely affect the Group's brand, business, results of operations, financial condition or prospects.

The strength of the Group's brand and reputation, as well as the status of the platform lending industry generally, may impact the Group's competitive position. Negative publicity about the platform lending industry or the Group could adversely affect the Group's reputation, which could reduce the attractiveness of the Group's platform to Borrowers, Investors or both. Even if inaccurate, negative publicity could arise in relation to the platform lending industry generally (whether due to regulatory intervention, heightened scrutiny, or otherwise); the quality and reliability of the Group's platform; effectiveness of the credit scoring models and risk management framework used in its platform; its pricing practices; changes to its platform; the experience of Borrowers and Investors with its platform or services; the Group's ability to effectively manage and resolve Borrower and Investor complaints; privacy and security practices (see also "*Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions*" in this Part 1 (Risk Factors)); litigation, regulatory activity and the quality and reputation of its Borrowers, Investors, referral partners, brokers and corporate partners providing ancillary services to SMEs (collectively "third-party origination partners"). The Group's reputation could also be damaged as a result of employee misconduct or error, or misconduct or error by the Group's partners, outsourced service providers or other counterparties (see also "*Misconduct and errors by employees and third parties could harm the Group's business and reputation*" in this Part 1 (Risk Factors)). Furthermore, given that the Group's lending base comprises a considerable number of retail Investors, the Group could potentially be subject to additional scrutiny by the media, regulators and others, due to the generally heightened attention associated with retail Investors.

Given the nature of the platform lending industry and the potentially differing interests of the various stakeholders, including Investors, Borrowers, third-party service providers, as well as the Group, actual or perceived conflicts of interest may arise. Conflicts can arise, for example, when there are competing interests between the Group on the one hand, and Investors or Borrowers on the other, as well as between Investors investing in loans or loan parts through the Group's platform via different channels with differing contractual terms and conditions. While the Group has put in place a conflicts of interest policy aimed at ensuring that Investors and Borrowers are always treated fairly, there are inherent limitations in such policies, including the possibility that certain risks have not been identified or that such policies are not adhered to. Actual or perceived conflicts of interest involving the Group, Investors, Borrowers or third-party service providers could harm the Group's reputation.

The Group also manages the ongoing loan monitoring and servicing for loans originated through the platform. While the Group seeks to amicably address and resolve with Borrowers any payment defaults or delays, the Group may nonetheless decide to initiate legal proceedings and court enforcement actions if its resolution attempts are not successful. Negative publicity about the Group by aggrieved Borrowers could harm the Group's reputation.

In addition, the Group does not guarantee liquidity to its retail or non-retail Investors. In the United Kingdom, retail Investors are able to buy and sell their loan parts with each other via the "secondary marketplace". The ability of retail Investors participating on the Group's platform in the United Kingdom to liquidate investments in loan parts prior to the maturity and settlement of the corresponding loan(s) is dependent on those loans being sold to another retail Investor on the "secondary marketplace". If a significant number of retail Investors decide to withdraw their funds within a limited period of time, such Investors' ability to re-sell those loan parts could be limited by a lack of corresponding demand. Any widespread inability to liquidate investments in loan parts could damage the Group's reputation and subject it to additional scrutiny by the media, regulators and others.

The Group's success and future growth depend significantly on its successful marketing efforts, increasing its brand awareness, and its ability to attract new Borrowers through direct and indirect channels.

The Group attracts the substantial majority of its Borrowers via direct channels (which, in 2017 and H1 2018, accounted for approximately 70 per cent. and 72 per cent., respectively, of the total amount of loans originated through the Group's platform, excluding property loans). The Group's success and future growth therefore depend significantly on its marketing efforts and its ability to attract new Borrowers to the platform as well as facilitating new loans to existing Borrowers. The Group has in the past dedicated and intends to continue to dedicate significant resources to its marketing efforts, particularly as it continues to grow and expand into new geographies. The Group's ability to attract Borrowers depends in large part on the success of these marketing efforts and the success of the marketing channels the Group uses to promote its platform. The Group scores significantly lower than traditional lenders on brand awareness and Borrowers' consideration of the Group's platform. As a result, increasing these metrics is one of the Group's key strategies. The Group's marketing channels include the press, paid search, social media, display, online advertising, search engine optimisation, search engine marketing, offline partnerships, radio and television advertising, targeted emails and traditional direct mail.

The Group also uses, to a lesser extent, indirect or intermediary channels for loan origination, which, in 2017 and H1 2018, accounted for approximately 30 per cent. and 28 per cent., respectively, of the total amount of loans originated through the Group's platform, excluding property loans. If the Group is unable to maintain these relationships or enter into new relationships with certain partners that the Group may consider to be important for the business, the Group's business, results of operations, financial condition and prospects could be adversely affected.

In recent years, the proportion of loans originated through direct channels has been steadily growing, in line with the Group's overall strategy to reduce reliance on indirect channels and ensure sufficient borrowing volumes and requests independently of third-party origination partners. There can be no assurance, however, that the Group will be successful in maintaining or increasing the proportion of loans originated through direct channels. Given that the Group generally pays commissions to the indirect or intermediary channels for introducing customers who borrow through the Group's platform (including, under some circumstances, in respect of new loans to existing Borrowers initially introduced via the indirect or intermediary channel), such loans are generally less profitable than loans originated via direct channels. As such, if the Group is not able to maintain or increase the proportion of loans originated through direct channels, the Group's results of operations could be materially adversely affected.

If any of the Group's current or future direct and indirect channels are ineffective or if the Group is unable to continue to efficiently and effectively use any of these channels, it may be unable to attract new Borrowers in a cost-effective manner, which could materially adversely affect its business, results of operations and financial condition or prospects.

Borrowers may prepay a loan at any time without penalty, which may drive Investors to stop investing in loans and reduce the Group's servicing fees.

A Borrower may decide to prepay all or, where permissible under the terms and conditions of the relevant loan, such as in Germany and the Netherlands, a portion of the remaining principal amount on a loan at any time without penalty. In the event of a prepayment of the entire remaining unpaid principal amount of a loan originated through the Group's platform, the Group will not receive a servicing fee on the anticipated future loan payments and Investors will not receive related payments. If a Borrower prepays a portion of the remaining unpaid principal balance, interest will cease to accrue on the prepaid portion, and the Group will not receive a servicing fee on the prepaid portion. If a significant volume of prepayments occurs, including as a result of favourable refinancing opportunities or a decrease in interest rates, Investors may stop investing in loans and the amount of the Group's servicing fees would decline, either of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group has been incurring net losses and may not achieve or maintain profitability in the future.

Since its inception, the Group has incurred net losses. In 2017 and H1 2018, the Group reported net losses of £35.3 million and £27.0 million, respectively. These losses have resulted from the Group's investments in, and expenditures relating to, the development of its technology and platform and the expansion of its business, and have been funded primarily by successive equity investments. As at 30 June 2018, the Group had cash (and cash equivalent) balances of £65.2 million which, together with the Group's cash flows from operations, will, in the opinion of the Company, be sufficient to fund the Group's expected expenses and budgeted investments in the short to medium term. If the Group fails to achieve profitability in the longer term, however, the Group may be required to raise debt or equity funding at the time of any then-extant shortfall between the Group's revenue and expenses. There can be no assurance that such financing will be available on commercially acceptable terms, or at all, and any inability to raise financing in the longer term would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's ability to protect the confidential information of its Borrowers and Investors may be adversely affected by cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions or faults with its systems.

The Group's platform processes certain non-public information (including personal data) from Borrowers and Investors. Due to the sensitive nature of this information, it is imperative that the Group complies with applicable laws and regulations governing the security of non-public information and employs best practices in dealing with such information. While the Group has implemented internal controls, policies and procedures intended to maintain any non-public personal information it collects from Borrowers (and their primary business owner(s)) and Investors securely, the Group's platform may still be vulnerable to operational, information security and related risks resulting from failures of, or security breaches to, the Group's cybersecurity measures.

A failure of or breach to the Group's cybersecurity measures, whether as a result of deliberate cyber-attacks or unintentional events, may cause the Group to lose proprietary information or Borrowers' and Investors' personal data, and suffer data loss and/or corruption. Any of these events could result in financial losses, impediments to trading, violations of applicable data protection and privacy (see "*Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions*" in this Part 1 (Risk Factors)) and other laws, civil claims, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

Cyber incidents could also cause disruption and impact business operations, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

Furthermore, the perception that the Group has failed to protect confidential information, including as a result of unfounded allegations, could harm the Group's reputation and/or result in a loss of Borrowers, Investors and third-party origination partners.

While the Group has established business continuity plans and strategies, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified or that new cybersecurity threats emerge. Although many business continuity processes have been considered, not all potential scenarios have been tested or have undergone business impact analysis, which may result in unforeseen damage. Furthermore, the Group cannot have full ability to control the business continuity plans or strategies put in place by service providers. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in the Group's software are exposed and exploited, its relationships with Borrowers and Investors could be severely damaged, and the Group could incur significant liability. Because techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, the Group and its third-party service providers may be unable to anticipate these techniques or implement adequate preventative measures.

If the Group is unable or is perceived to be unable to protect confidential information of its Borrowers and/or Investors, it could suffer reputational damage and experience a loss of Borrowers, Investors and third-party origination partners, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Any failure of the Group's current or future platforms, software and technology infrastructure, including the global money and loan management platform currently being developed by the Group, could materially adversely affect its business, results of operations, financial condition or prospects.

The Group has developed and continues to develop its own bespoke platform, software and technology infrastructure, and also utilises third-party products and service providers in connection with the provision, operation and maintenance of the Group's platform, software and technology infrastructure, which are critical to the Group's operations, customer service and reputation.

The Group is currently developing a new single unified money and loan management platform that it intends to implement across all its markets. The Group expects that the new platform will be implemented in the United States first, and be subsequently rolled out in the other geographies in which it operates. The development and implementation of a new platform involves significant risks and operational challenges, including difficulties in data migration, inability to timely or successfully complete the transition, challenges using or applying new technologies, cost overrun, dependence on key personnel, and reliance on technologies and products provided by third parties, among other risks. In addition, the Group may be unable to realise any operational efficiencies anticipated from any such new platform.

The Group currently relies on multiple third-party hosting providers for its technical infrastructure. These third parties provide varying levels of service, disaster recovery, security, and scalability. Consequently, the Group is migrating its hosting infrastructure from these third-party providers to Amazon Web Services ("AWS") in order to have a consistent infrastructure platform across geographies. The migration to AWS involves significant risks and operational challenges, including difficulties in data migration, inability to timely or successfully complete the transition, challenges using or applying new technologies, dependence on key personnel, and reliance on technologies and products provided by third parties among other risks. The Group cannot guarantee the quality of AWS' operations, including performance, reliability, data security, immunity to cyber-attacks, or continued business operation. This risk may be particularly acute given the reliance on AWS as sole hosting infrastructure provider following the transition.

The Group's business is also dependent on a limited group of third-party suppliers and service providers for technology-related products and services that are essential to its business. For example, the Group depends on a limited number of key service providers for payment processing, portfolio management services and customer relationship management systems. If the Group encounters a cessation, interruption or delay in the supply of products or services purchased from these third-party suppliers and service providers, or if such products or services are not of sufficient quality, the Group may be unable to obtain such products or services through other sources on commercially acceptable terms or within a reasonable amount of time.

The Group's current or future platforms, software and technology infrastructure may be subject to certain defects, failures or interruptions, including those caused by computer "worms", viruses, power failures, third-party error, the Group's error, natural disasters or security breaches, whether accidental or wilful. Any failure in the systems and technology developed, maintained or used by the Group could result in a negative experience for Borrowers and Investors, adversely impact the Group's operational effectiveness, delay introductions of new features or enhancements, result in errors, compromise the Group's intellectual property and/or expose the Group to cybersecurity risks, among other things. In addition, certain operations interface with, or depend on, systems and technology operated by third parties which are outside the control of the Group, and the Group may not be in a position to verify the risks or reliability of such third-party systems.

The implementation of upgrades and changes to the Group's platform, product features, software and technology requires significant investments. The Group's results of operations may be affected by the timing, effectiveness and costs associated with the successful implementation of any upgrades or changes to these systems and infrastructure.

Furthermore, while the Group continually monitors the performance of these systems and technology and has defined processes in place to respond to disruptions, there can be no guarantee that issues will not arise or that the Group's processes will timely or effectively address any such disruption. In addition, the Group's disaster recovery plan has not been tested under actual disaster conditions, and the Group may not have sufficient capacity to recover all data and services in the event of an outage.

Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Failure by the Group to properly plan, execute and manage any geographical expansion could harm its business.

The Group was founded in the United Kingdom in 2010 and in 2013 began to expand its operations globally. The Group now operates in the United Kingdom, the United States, Germany and the Netherlands, and may in the future seek to expand into additional geographies. Managing any geographical expansion requires additional resources and controls, and subjects the Group's business to risks associated with international operations, including:

- the need to support and integrate with local third-party service providers;
- competition with service providers that have greater experience in the local markets than the Group does, or have pre-existing relationships with potential Borrowers and Investors in those markets;
- increased demands on management and difficulties in managing foreign operations in an environment of diverse laws, market dynamics and customer preferences;
- increased travel, infrastructure and legal and compliance costs associated with international operations;
- difficulties in attracting and retaining skilled employees;
- difficulties in obtaining the appropriate regulatory and governmental approvals and licenses;
- compliance with multiple, potentially conflicting and changing governmental laws and regulations, including financial services, employment, privacy and data protection laws and regulations;
- compliance with potentially conflicting and changing tax laws, the complexity and adverse consequences of such tax laws and potentially adverse tax consequences due to changes in such tax laws;
- diversion of management's attention from the management of daily operations; and
- regional economic and political conditions.

Prior to expanding into new geographies, the Group prepares detailed investment plans aimed at forecasting investment returns. These models rely on certain market information and assumptions, such as macroeconomic assumptions about the market, economic growth forecasts, pricing and competition in determining a given investment's timing, cost and expected profitability for the Group. If actual conditions deviate from the assumptions underlying these models, whether as a result of difficulties in establishing familiarity with local markets, inaccurate assumptions, errors or otherwise, the Group may be unable to replicate the historic growth rates it has achieved in its existing geographies, its anticipated investment returns may not be achieved and it could suffer additional losses. This risk may be particularly acute because of the evolving regulatory and legislative environment surrounding the platform lending industry.

Furthermore, when entering into a new geography, the Group may provide credit or yield enhancement, in the form of cashback or other forms of recourse for certain Investors as an incentive to provide significant long-term initial funding in the new geography. In the United Kingdom, in the early years of the business, the Group provided credit or yield enhancement in the form of cashback to retail Investors as an incentive to participate on the platform. Similar arrangements providing recourse to non-retail Investors were also put in place in the United States and the Developing Markets as the Group was seeking to establish a footprint.

Moreover, the accuracy and effectiveness of scoring models are heavily reliant on the availability of adequate data, including historical performance data. A rich data set also generally results in higher conversion rates of prospective Borrowers to active Borrowers, as it enables effective targeting and accurate pricing. As such, the success of any future international expansion efforts that the Group may undertake will depend in part on its ability to accumulate rich proprietary data sets, which generally requires two to three years of operation.

Further, the Group believes that a critical component of its success is its corporate culture. The Group's core values are focused on encouraging employee engagement, ambition, teamwork, creativity, passion and openness, with a view to delivering its mission of building a better financial world and igniting opportunities for SMEs. As the Group continues to expand geographically, it may find it difficult to maintain these valuable aspects of its corporate culture, in particular if it expands through inorganic growth. Any failure to preserve this culture could adversely affect the Group's ability to attract and retain talent, encourage creativity, teamwork, passion and transparency, and effectively focus on and pursue the Group's mission.

As a result of these risks, any potential future international expansion efforts that the Group may undertake may not be successful, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may not be able to successfully integrate businesses that it acquires and may not be able to realise the anticipated cost savings, revenue enhancements or other synergies from any such acquisitions.

Since its inception, the Group has completed two acquisitions; the acquisition of Endurance Lending Network (now Funding Circle US) in 2013 and the acquisition of the Zencap Group (now Funding Circle Continental Europe) in 2015. Looking forward, the Group may consider acquisition opportunities as part of its disciplined, phased and strategic geographical expansion plan. Any acquisition that the Group undertakes could subject it to integration and other risks and difficulties, including:

- the need to support and integrate with local third-party service providers;
- difficulties in conforming the acquired company's accounting, books and internal controls to the Group's;
- difficulties in integrating the acquired company's information technology systems and platforms;
- difficulties in retaining employees who may be vital to the integration of the acquired business or to the future prospects of the combined businesses;
- inability to eliminate duplicative overhead and overlapping and redundant marketing, finance and general and administrative functions;
- increases in other expenses unrelated to the acquisitions, which may offset the cost savings and other synergies from the acquisitions; and
- unanticipated costs and expenses associated with any undisclosed or potential liabilities.

As a result of these risks, there can be no assurance that the Group will be able to realise anticipated cost savings, synergies or revenue enhancements from any such acquisitions. Any of these risks could result in goodwill impairment and have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Misconduct and errors by employees and third parties could harm the Group's business and reputation.

The Group's business depends on its employees and third-party service providers to process a large number of increasingly complex transactions, including payment processing transactions that involve significant amounts and loan transactions that involve the processing, use, disclosure and evaluation of personal and business information and data, among other things (see also "*If the credit approval and scoring models and processes the Group uses contain errors or are otherwise ineffective, or if Borrower data is incorrect or becomes unavailable, the Group's business may suffer*" in this Part 1 (Risk Factors).

The Group is subject to the risk of errors and fraudulent activity associated with its platform, employees, contractors, third-party origination partners, Borrowers, Investors and third-party service providers that handle Borrower and Investor information. While the Group maintains and regularly reviews internal controls over financial reporting, risk elevation and corporate compliance, these internal controls have inherent limitations. In particular, certain of the Group's internal controls over financial reporting, risk elevation and corporate compliance involve manual input and human diligence and compliance, which increases the potential for misconduct or errors, and could in turn negatively impact the Group's ability to assess and manage risk.

The Group could be materially adversely affected if it was subject to fraudulent Borrower applications, Borrowers were not appropriately identified, payments were redirected or misappropriated (or transactions were otherwise improperly executed), personal and business information was disclosed to unintended recipients or otherwise used for illegal activities, or an operational breakdown or failure in the processing of other transactions occurred, whether as a result of human error, a purposeful sabotage or fraudulent manipulation of the Group's operations or systems, or otherwise. In addition, the manner in which the Group stores and uses certain personal information and interacts with Borrowers and Investors is governed by various laws and regulations in all of the countries in which the Group operates.

If employees, third-party service providers or other third parties take, convert or misuse funds, documents, data or intellectual property (including source code, credit models, historical credit data and employee records or other valuable intellectual property), or if the Group's employees or third-party service providers fail to follow protocol when interacting with Borrowers and Investors, the Group could be liable for damages and subject to regulatory actions and penalties. See also "*The Group's ability to protect the confidential information of its Borrowers and Investors may be adversely affected by cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions or faults with its systems"* and *"Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions"* in this Part 1 (Risk Factors). The Group could also be perceived to have facilitated or participated in illegal misappropriation of funds, documents or data, or the failure to follow protocol, and therefore be subject to civil or criminal liability. It is not always possible to identify and deter misconduct or errors by prospective Borrowers or Investors, employees or third-party service providers, and the precautions the Group takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. Any of these occurrences could result in the Group's diminished ability to operate its business, potential liability to existing Borrowers and Investors, inability to attract future Borrowers and Investors, reputational damage, regulatory intervention and financial harm, any of which could materially adversely affect the Group's business, results of operations, financial condition or prospects.

Any failure to protect the Group's intellectual property rights, or any actual or alleged infringement by the Group of third parties' intellectual property rights, could harm the Group's business and reputation.

The Group's success and ability to compete depend in part on protecting its intellectual property. The Group relies on a combination of copyright, trade secret, trademark and other rights, as well as contractual provisions to protect its proprietary technology, processes and other intellectual property. However, the steps that the Group takes to protect its intellectual property rights may be inadequate or may be unsuccessful in obtaining the desired registrations or protections. Third parties may seek to challenge, invalidate or circumvent the Group's copyright, trade secret, trademark and other rights or applications for any of the foregoing. In order to protect its intellectual property rights, the Group may be required to spend significant resources. Litigation brought to protect and enforce the Group's intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of the Group's intellectual property.

In addition, the Group may be sued by third parties for alleged infringement of their proprietary rights. Although the Group is not aware of any claims to its proprietary intellectual property, it may be that the Group's competitors, as well as a number of other entities and individuals, may claim to own intellectual property relating to the Group's industry. From time to time, third parties may claim that the Group is infringing on their intellectual property rights, and the Group may be found to be infringing on such rights. In the future, others may claim that the Group's applications and underlying technology infringe or violate their intellectual property rights. The Group may, however, be unaware of the intellectual property rights that others may claim cover some or all of its technology or services. Any claims or litigation could cause the Group to incur significant expenses and, if successfully asserted against the Group, could require that the Group pay substantial damages or ongoing royalty payments, prevent it from operating its platform or require that the Group comply with other unfavourable terms. Even if the Group were to prevail in such a dispute, any litigation regarding its intellectual property could be costly and time-consuming and divert the attention of the Group's management from its business operations.

Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

If the Group fails to retain its highly skilled employees and key personnel, and to continue attracting highly skilled employees in the future, it may not be able to achieve its anticipated level of growth and its business could suffer.

The Group believes that its success depends on the efforts and talents of its employees, including software and data engineers, data analysts, financial personnel, marketing professionals and legal and compliance professionals. The Group's future success depends on its continued ability to attract, develop, motivate and retain highly qualified and skilled employees. Competition for highly skilled technical and financial personnel is extremely intense.

The Group may not be able to hire and retain these personnel at compensation levels consistent with its existing compensation and salary structure, or at all. Many of the companies with which the Group competes for experienced employees have greater resources than the Group has and may be able to offer more attractive terms of employment. The Group may also face challenges recruiting or retaining highly skilled employees for reasons unrelated to compensation, including its reputation.

In addition to attracting and retaining highly skilled employees in general, the Group's future performance depends on its ability to attract and retain key personnel, including its executive officers and senior management team, all of whom would be difficult to replace. The loss of the services of executive officers or other key personnel, and the process to replace any of them, would involve significant time and expense and may significantly delay or prevent the achievement of the Group's business objectives.

Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is subject to complex taxation in multiple jurisdictions, which often requires subjective interpretation and determinations. As a result, the Group could be subject to additional tax risks attributable to previous assessment periods.

The Group is subject to many different forms of taxation, including but not limited to corporation tax, withholding tax, value added tax, property tax and social security and other payroll related taxes. Tax law and administration is complex and often requires subjective interpretation and determinations.

The Group has obligations to file tax returns and pay tax across several different jurisdictions. Although the Group considers that it complies with all relevant obligations, there is a risk that it may inadvertently fail to comply with applicable laws and regulations in any jurisdiction in which it does business and/or the tax authorities may not agree with the determinations that are made by the Group with respect to the application of tax law, leading to potentially lengthy and costly disputes and potentially resulting in the payment of substantial amounts for tax, interest and penalties.

Further, the Group has granted options over Ordinary Shares and other share awards to employees as part of its overall plans to incentivise them to help grow the Group's business. In doing so the Group performs periodic valuations of the Ordinary Shares. As these valuations can be subjective, they are subject to scrutiny and potential challenge by tax authorities from time to time. The risk of such a challenge arising can be higher whenever there is a material arm's length transaction in the Ordinary Shares, particularly if the value assigned to the Ordinary Shares by that transaction is significantly different to a valuation prepared by the Group at an earlier but relatively proximate date. There is therefore a risk that additional amounts will be required to be accounted for by the Group in respect of employment taxes and social security in respect of the grant or exercise of options and other share awards in the event of successful challenge of the valuations adopted.

Any of these risks could subject the Group to additional or increased tax payments and in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

Changes in tax law or the interpretation of tax law, or the expansion of the Group's business into jurisdictions with less favourable tax regimes, could increase the Group's effective tax rate and in turn adversely affect its business, results of operations, financial condition and prospects.

Changes in tax laws or the interpretation of those laws, including changes which restrict the utilisation or timing of utilisation of tax losses to shelter future taxable profits (such as those recently introduced in the United Kingdom), could adversely affect the Group's effective tax rate and reduce the value of any tax assets recorded on its balance sheet, which in turn could reduce the Group's net cash flow and have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's growth strategy may see acquisitions or organic growth in new geographies and the source of profits across different jurisdictions may change over time towards jurisdictions with higher or lower tax rates, or with more or less favourable tax regimes for calculating the tax base. This in turn could increase or decrease the Group's effective tax rate. Changes in the tax rate or tax base in any of the jurisdictions in which the Group operates could further amplify the effect of the change in profit mix in terms of its effective tax rate.

Furthermore, owing to and following the continuing implementation at a national and international level of the actions comprising the OECD Base Erosion and Profit Shifting Action Plan ("OECD BEPS"), tax authorities are likely to be more focused on areas such as transfer pricing and, as a result of the increasing exchange of information between tax authorities, more challenges may arise. Most jurisdictions in which the Group operates have transfer pricing regulations that require tax liabilities to be computed on the basis that transactions involving associated companies are made on arm's length terms. If the tax authorities in any relevant jurisdiction do not regard such arrangements as being made on an arm's length basis or consider there to be insufficient documentation to support the Group's transfer pricing methodology and successfully challenge those arrangements, the amount of tax payable, in respect of both current and previous years, may increase materially and penalties or interest may be payable. Any challenge to the Group's transfer pricing arrangements or changes in transfer pricing regulations or methodology could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Uncertainties in the interpretation or application of, or changes in, tax laws could adversely affect the tax treatment of Borrowers or Investors participating on the Group's platform and accordingly reduce Borrower or Investor participation on the platform.

Changes to the taxation of debt funding in the United Kingdom, the United States or elsewhere (including the ability to treat interest expenses as deductible for tax purposes) may reduce the tax incentive for borrowers to use debt funding and cause them to seek alternative sources of funding, leading to reduced participation on the Group's platform and a consequent reduction in loans originated through the platform.

Tax rules may limit the extent to which deductions are available for interest and other funding costs and, in accordance with the recommendations in the OECD BEPS Action 4 Report, the United Kingdom and the United States (in line with the majority of developed economies) have recently introduced new rules restricting interest deductions above a certain threshold for larger businesses. The focus of OECD BEPS has been on multinationals and cross-border investment generally, and the Group is not aware of any proposals to introduce new rules or further changes in relation to interest deductibility in the United Kingdom, the United States or elsewhere which would impact smaller businesses. However, the possibility that any such rules will be introduced or that existing rules will be extended in a way which results in their applying more widely in the future cannot be ruled out.

If debt funding becomes relatively less attractive to businesses than under current tax rules as a consequence of adverse changes to the taxation of debt funding, this may adversely affect Borrower appetite for the Group's platform and have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Investors' post-tax returns in respect of their participation on the Group's platform may also be adversely affected by changes in tax laws or by an unfavourable interpretation or application by a tax authority of existing tax laws, including in relation to withholding taxes (which may also involve reporting obligations for the Group), or if Investors' returns were not treated as net of certain fees for tax purposes.

Uncertainties in the interpretation or application of, or changes in, tax laws could therefore adversely affect the tax treatment of Borrowers or Investors that participate on the Group's platform and accordingly reduce Borrower or Investor participation on the platform, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks relating to the Group's industry and markets

The SME lending market is competitive and evolving.

The Group competes with lenders and lending platforms, as well as financial products, that attract borrowers, investors or both. With respect to Borrowers, the Group primarily competes with traditional financial institutions, such as banks, specialist lenders, online platforms and captive networks. With respect to Investors, the Group primarily competes with other investment vehicles and asset classes, such as short-term fixed income securities, bonds and equities.

The Group may face increasing competition for potential Borrowers as the platform lending industry continues to evolve and, potentially, from other sources of alternative or traditional lending, including for example UK "challenger" banks, global direct lending funds and online lending platforms. Other institutional sources of capital may enter the market in the United Kingdom, the United States or elsewhere. Furthermore, in recent years traditional banks have increasingly been focusing on digitisation with a view to enhancing efficiency and customer experience, potentially mitigating the competitive advantage that lending platforms have traditionally enjoyed in this respect.

These lending competitors may have higher risk tolerances, be willing to accept smaller return on capital, or have other economic arrangements, which may place them at an advantage over the Group. In addition, other lending platforms may provide more favourable terms to potential borrowers, or employ more effective marketing, which may reduce the number of loan requests received by the Group through the platform. The Group relies on direct and indirect loan origination channels, the success of which in generating loan applications cannot be guaranteed (see also "*The Group's success and future growth depend significantly on its successful marketing efforts, increasing its brand awareness, and its ability to attract new Borrowers through direct and indirect channels*" in this Part 1 (Risk Factors)). Accordingly there can be no assurance that: (i) sufficient applications for loans will be received by the Group that satisfy its credit processes; or (ii) the Group will be able to compete effectively for the origination of loans with other lenders.

With respect to Investors, the Group competes with a wide variety of investment vehicles and asset classes offered by a large number of financial and other institutions. These competitors may offer more attractive risk-adjusted rates of return, better liquidity, or a wider potential pool of borrowers (as a result of regulatory requirements or otherwise) or otherwise have more favourable terms and conditions, which may reduce the amount of Investor funding available to the Group to satisfy qualified borrowing requests. In addition, the Group relies on direct and indirect funding through its platform, and assists in the formation of bespoke capital markets arrangements to provide short- and long-term funding for the Group's platform (see "*The Group's success and future growth depend significantly on its successful marketing efforts, increasing its brand awareness, and its ability to attract new Borrowers through direct and indirect channels.*" in this Part 1 (Risk Factors)), the success of which cannot be guaranteed. Accordingly there can be no assurance that: (i) sufficient Investor funding commitments will be received by the Group to fund its qualified borrowing requests; or (ii) that the Group will be able to compete for prospective Investors.

Many of the Group's competitors operate with different business models, have different cost structures or participate selectively in different market segments. They may ultimately prove more successful or more adaptable to new regulatory, technological and other developments. Additionally, some of the Group's current or potential competitors have or may in the future have significantly more financial, technical, marketing and other resources, and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. Lastly, the Group may be unable to continue to design, develop, acquire, implement or utilise, in a cost-effective manner, information systems and products that provide the capabilities necessary for the Group to compete effectively.

The Group's current or potential competitors may also have longer operating histories, more extensive customer bases, greater brand recognition and brand loyalty and broader customer and partner relationships than the Group has. Additionally, a current or potential competitor may acquire one or more of the Group's existing competitors or form a strategic alliance with one or more of these competitors. The Group's competitors may be better at developing new products, responding quickly to regulatory change and new technologies, and undertaking more extensive marketing campaigns. If the Group is unable to compete with such companies and meet the need for innovation in its industry, the demand for the Group's platform could stagnate or substantially decline, the Group could experience reduced revenue or its platform could fail to achieve or maintain more widespread market acceptance, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's business and operating results are exposed to macroeconomic conditions.

General economic factors and conditions in the United Kingdom, the United States, Germany, the Netherlands or worldwide, including the general interest rate environment (see "*The Group faces risks associated with interest rate levels and volatility*" in this Part 1 (Risk Factors)), unemployment rates and inflation, may affect Borrower demand for loans and Investor ability and propensity to invest in loans. This risk may be particularly acute for the Group because Borrowers participating on the Group's platform consist of SMEs, which may be more susceptible to default during periods of heightened market volatility and adverse changes in trading conditions compared to businesses which are larger or which have more significant internal sources of funding.

In addition, the effects of the United Kingdom exiting the European Union (commonly referred to as "Brexit") will depend on any agreements the United Kingdom makes to retain access to EU markets. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, and could also adversely affect economic or market conditions in the United Kingdom, Europe or globally. These changes could negatively impact the broader economic environment in which SMEs operate, or create more specific obstacles to their historic operating models, either of which could lead to a decline in their operating results and ability to service loans. Adverse economic conditions could also reduce the number of Investors seeking to invest in loans originated through the Group's platform, encourage Investors to withdraw their existing investments, reduce the number of qualified Borrowers seeking loans through the Group's platform and result in increased Borrower default rates.

The general economic environment throughout the Group's operating history in each of the geographies in which the Group operates has been characterised by relatively stable conditions, and the Group has not experienced severe economic downturns. Nonetheless, the Group continuously considers the potential impact of adverse economic conditions on its loan portfolio, via a variety of stress testing analysis and models using a mix of key economic indicators and assumptions, including inflation, unemployment and interest rates. While these models indicate that the loan portfolio originated through the Group's platform is not likely to suffer an aggregate loss as a result of prolonged periods of economic recession (although investment returns would be adversely effected), there can be no assurance that these models accurately predict the actual consequences of any such recession on the loan portfolio, including as a result of inaccurate assumptions or errors (whether human or otherwise) in constructing, interpreting or using the models.

Any economic downturn or other changes in macroeconomic conditions affecting the Group's industry could result in a decline in the Group's revenue and transactions on its platform, which could in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group faces risks associated with interest rate levels and volatility.

Changes or volatility in the interest rate environment may discourage Investors and Borrowers from participating on the Group's platform and may reduce the Group's loan originations. Potential Borrowers could seek to defer borrowing activity as they wait for interest rates to settle. If interest rates decrease after a loan is made to a Borrower, the Borrower may prepay its loan(s) to take advantage of the lower rates (see also "*Borrowers may prepay a loan at any time without penalty, which may drive Investors to stop investing in loans and reduce the Group's servicing fees*" in this Part 1 (Risk Factors)). Similarly, Investors could delay or reduce future loan investments.

In addition, the interest rate environment throughout the Group's operating history has been characterised by notably low interest rates by historical standards, which has encouraged investors to consider alternative investment strategies (including lending platforms). If interest rates normalise, there is a risk that investors will return to more conventional savings and other investment vehicles. Furthermore, any such increase in interest rates could adversely affect the Group's margins if not fully passed on to Borrowers and/or result in an increase to the rates charged on loans originated through the Group's platform, potentially discouraging Borrowers from participating on the platform.

Any changes or volatility in the interest rate environment could result in a decline in the Group's revenue and transactions on its platform, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks Related to Compliance and Regulation

Risks related to compliance and regulation generally

The regulatory and legislative environment surrounding the platform lending industry is relatively new and susceptible to change.

The regulatory and legislative environment surrounding the platform lending industry is relatively new and susceptible to change and may in certain respects require clarification or interpretive guidance in respect of existing laws and regulations. The body of law and regulation in respect of the platform lending industry is continuously evolving and, as a result, the application and interpretation of such laws and regulatory requirements are uncertain. In the geographies in which it operates, the Group is subject to laws and regulations enacted by supranational, national, state and local governments (as applicable) and members of the Group are, or may be in future, affected by such technical requirements in existing laws and regulations.

Any change in the law and regulation affecting a member of the Group may have a material adverse effect on the ability of that member to carry on its business. In particular, regulatory change could lead to increased compliance costs, the prohibition of certain types of trading, restrictions on the types of products and services which the members of the Group may provide in the future or on the way in which such products and services are marketed, changes to the eligible customers of members of the Group and changes to the authorisations and licences currently held. In addition, the interpretation of existing legislation or regulation may change or may prove different than anticipated when applied to the Group's business model.

Compliance with such requirements could involve additional costs for the relevant members of the Group, and could result in civil or criminal violations of laws and regulations in respect of appropriate regulatory permissions, permitted conduct, or in other areas of the business, which could have a material adverse impact on the Group and result in reputational damage, and which could adversely affect or constrain the Group's ability to provide its services in the geographies in which it operates.

Commercial banks and other regulated financial institutions may seek to influence lawmakers as well as financial services regulators to impose new or more burdensome laws or regulations that could adversely affect the Group.

An example of legislative change is that the European Commission published in March 2018 a proposal to regulate crowdfunding and peer-to-peer lending in Europe. The overall aim of the initiative is to enable crowdfunding activity to grow by making better use of the "EU Single Market" potential. The European

Commission's Capital Markets Union Action Plan places great emphasis on strengthening the different sources of alternative finance, including crowdfunding. The European Commission proposal sets out a standalone opt-in EU framework, which seeks to enable crowdfunding platforms to provide their services across the "EU Single Market". Instead of having to comply with different regulatory regimes in relation to their core activities, platforms will be able to elect to comply with only one set of rules, both when operating in their home market and in other member states of the European Economic Area ("Member States").

At this stage, it is unclear what the final rules will look like and whether these will significantly affect how the Group will be regulated in Member States. It is possible that the new rules may require the Group to incur costs and spend time and resources on compliance, including in Member States which currently have their own regulatory regime. However, on the basis of the proposed legislation (as presently drafted), the Directors do not consider that the impact of the European Commission's proposals will have a significant impact on the Group, unless it chooses to opt in to the regime.

Changes to the regulatory and legislative environment surrounding the platform lending industry could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions.

The Group is subject to a number of laws relating to privacy and data protection, including General Data Protection Regulation (Regulation (EU) 2016/679) ("GDPR"), the United Kingdom's Data Protection Act 2018, the Gramm-Leach-Bliley Act and applicable state privacy laws and certain other relevant non-EEA data protection and privacy laws. Such laws govern the Group's ability to collect, use and transfer personal data including relating to actual and potential Borrowers and Investors, including the use of that information to assess loan applications and for marketing purposes, as well as any such data relating to its employees and others. The Group relies on third-party service providers and its own employees to collect and process personal data and to maintain its databases. Therefore, the Group is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of privacy or data protection laws. See also "*The Group's ability to protect the confidential information of its Borrowers and Investors may be adversely affected by cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions or faults with its systems*" in this Part 1 (Risk Factors).

While the Group strives to comply with all applicable laws and regulations relating to privacy and data protection, it is possible that such requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or the Group's practices. That concern is particularly relevant for the GDPR given that it only recently came into force and that different Member State regulators may differ as to its interpretation and their approach to enforcement. Any perceived or actual failure by the Group to protect confidential data or any material non-compliance with privacy or data protection laws may harm its reputation and credibility, adversely affect revenue, reduce its ability to attract and retain customers, result in litigation or other actions being brought against the Group and the imposition of significant fines and, as a result, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

If the Group enters into new areas of business, which are subject to local law and regulation, the Group will need to comply with applicable regulatory requirements.

If the Group expands its business in different geographies or starts to provide new products and services, it is possible that the regulatory framework to which its members are subject will change. Depending on the business and products and services which are proposed to be carried out, a member of the Group might need to become authorised to carry out the new business. Applying for authorisation can be an extensive process, and can require significant time, resources and costs. Depending on the business carried out, the applicable regulatory regime may be one with which the Group is less familiar and which increases the relevant entity's (and in some cases, the Group's) capital requirements. Failure to comply with applicable legislation could result in civil or criminal violations of existing laws and regulations in respect of appropriate regulatory permissions, permitted conduct, or in other areas of the business, which could have a significant adverse impact on the Group and result in reputational damage.

The Group may not adequately discharge its obligations under anti-money laundering, anti-bribery and corruption, market abuse and financial sanctions laws and regulations.

The Group, along with other market participants, is subject to increasing scrutiny by regulators in relation to its compliance with global anti-money laundering and financial sanctions laws and regulations, as well as laws relating to anti-bribery and corruption and the prevention of market abuse. In order to discharge its obligations under the anti-money laundering and counter-terrorist financing laws and regulations of the United Kingdom and the United States, the Group is required to perform adequate due diligence prior to accepting each new client, whether a Borrower or Investor, and ensure that it has proper systems and safeguards in place to prevent and detect money laundering and market abuse and comply with international financial sanctions, including maintaining mechanisms to report suspicious activity to the relevant authorities including the National Crime Agency in the United Kingdom and the Financial Crimes Enforcement Network (*FinCEN*), which is a bureau of the US Treasury Department, as required pursuant to the US Bank Secrecy Act. In addition, the Group is required to engage with third parties in the United Kingdom, the United States and other geographies in a manner compliant with the anti-bribery and corruption laws, guided as a rule by the UK Bribery Act, the FCPA and similar laws. While the Group devotes significant time and resources to ensure compliance with all relevant anti-money laundering, anti-bribery and corruption and financial sanctions laws and regulations, and the Directors are not aware of any violations of such laws or regulations having occurred by or within the Group, there can be no assurance that its systems and procedures will be deemed compliant with relevant laws or standards in the geographies where it operates, that they will be effective under all circumstances, or that notwithstanding their effectiveness individuals will not circumvent the Group's systems and procedures to engage in money laundering, market abuse, bribery and corruption or other prohibited activities.

If the Group is found to have violated applicable anti-money laundering, financial sanctions, market abuse or anti-bribery and corruption laws and regulations, the Group and its directors and officers may be subject to financial penalties and criminal sanctions, or be required to suspend or cease part or all of its operations. Furthermore, any actual or perceived violation of these laws and regulations could materially damage the Group's reputation and brand, and in turn result in a loss of Borrowers, Investors and third-party origination partners.

Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks related to compliance and regulation in the United Kingdom

The UK regulatory regime is under review and subject to change.

Funding Circle Ltd ("Funding Circle UK") is authorised and supervised by the FCA. The regulated activities which Funding Circle UK is currently authorised to carry out are operating an electronic system in relation to lending, debt administration, debt collection, credit broking and agreeing to carry on any of these regulated activities.

On 1 April 2014, the regulation of the consumer credit market transferred from the Office of Fair Trading to the FCA, including responsibility for regulating loan-based crowdfunding platforms, and more detailed rules on the conduct of such firms came into force on 1 October 2014. The FCA committed to carry out a full post-implementation review of the crowdfunding market and regulatory framework, in particular in relation to investor protection, in 2016 to identify whether further changes are required. The FCA published a call for input (the "Call for Input") seeking evidence as part of its review in July 2016 and published its proposed changes to the regulatory framework in a consultation paper released on 27 July 2018. Responses to the consultation are requested by 27 October 2018 and the FCA has proposed that the new rules should come into force six months from publication of the final rules and policy statement.

Based on its proposals, the FCA believes it is necessary to strengthen the investor protections provided by its rules, while continuing to ensure it promotes competition in the sector. The FCA has invited responses to the following specific proposals:

- *Risk management framework*. The FCA has proposed prescriptive rules for a risk management framework that requires, as a minimum, that a platform gathers enough information to competently assess the creditworthiness of its borrowers, to categorise borrowers according to its credit risk, and to price loan agreements fairly and appropriately given the credit risk profile of a borrower.
- *Governance.* Building on the existing requirement to have in place robust governance arrangements, the FCA proposes to additionally require peer-to-peer ("P2P") platforms to establish, implement and maintain

adequate risk management policies and procedures, including effective procedures for risk assessment, which identify, manage and monitor risks relating to their activities, processes and systems.

- *Marketing restrictions.* The FCA has proposed certain marketing restrictions in line with those currently required for equity-based platform operators.
- *Wind-down planning*. Under the FCA's current rules, firms should have arrangements in place such that, in the event of their failure, existing loans continue to be administered. The FCA proposes to strengthen the rules to ensure that the agreements facilitated by a P2P platform are capable of being managed and administered, in accordance with the contract terms, if the platform ceases to carry out those functions itself and to require platforms to have a 'P2P resolution manual'.
- *Disclosures to potential investors*. The FCA has concerns about the quality of communications with potential investors, particularly financial promotions, and is concerned that standards of disclosure do not meet its expectations. The FCA proposes more prescriptive requirements on the content, quality and timing of disclosures to customers both before and during the lifecycle of the underlying P2P agreements.

Further legislation and changes to existing rules could have a material adverse effect on Funding Circle UK's business. Accordingly, Funding Circle UK might seek to pass on increased regulatory compliance costs to its customers. Although Funding Circle UK intends to fully comply with any new rules, or new application or interpretation of existing rules, it may be required to incur significant costs and spend significant time and resources in order to comply with any such new or existing rules. It may be the case that Funding Circle UK will need to revise the services it currently provides or reconsider any new services or products, or the way in which new or existing products or services are marketing to retail investors, in light of new requirements. However, the Directors do not believe that any rules resulting from the proposed changes would materially affect the way which Funding Circle UK currently carries on its business.

Changes to the UK regulatory regime could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The UK legislative regime with respect to finance for SMEs is under review and subject to change.

One of the UK's parliamentary select committees, the Treasury Committee, has opened an inquiry into the state of the SME finance market. The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration and policy of HM Treasury, HM Revenue & Customs, and associated public bodies, including the Bank of England and the FCA. The inquiry is considering, among other things, the case for bringing lending to SMEs within the regulatory perimeter. Given the Group's focus on the SME loan market, further legislation and changes to existing legislation could, among other things, require Funding Circle UK to incur significant time, resources and costs in complying with a new regime and increase the capital requirements to which Funding Circle UK would be subject, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The increased significance of the sector could lead to greater scrutiny, changes in existing guidance and the interpretation of existing law, and consequently the risk of regulatory sanctions in the event of breach of regulatory requirements.

The FCA continues to assess its position in relation to the crowdfunding and peer-to-peer lending sector, including by publishing guidance to the sector (for example, publication of a "Dear CEO" letter in February 2017 on its expectations of firms that operate a loan-based crowdfunding platform which facilitates loans to lending businesses). As noted above (see also "*The UK regulatory regime is under review and subject to change*" in this Part 1 (Risk Factors)), the FCA is currently carrying out a review of the peer-to-peer lending sector. The process of the review and the increasing scrutiny of the peer-to-peer lending sector given its significance in the United Kingdom could have a material adverse effect on Funding Circle UK's business, particularly where the FCA spends significant time focussing on the current arrangements of the major platform providers. The definitions of the relevant regulated activities and exclusions to them are difficult to interpret and have not been subject to significant judicial consideration or specific regulatory guidance in respect of their application to existing business models within the industry. As a result, Funding Circle UK may not always have been or be in strict technical compliance in all respects with the FCA's authorisation regime and applicable rules. Non-compliance with the applicable rules can lead to enforcement action, which would take up significant time and resources of Funding Circle UK, as well as the FCA potentially imposing sanctions, such as fines, public censure, or, in significant cases, varying, suspending or cancelling Funding Circle UK's authorisation. There would also be a risk of consumer redress and compensation.

There is a risk that guidance published by the FCA or future findings may lead to Funding Circle UK being in breach of applicable rules or regulatory requirements which may result in civil or criminal sanction or may require changes to Funding Circle UK's business model in relation to regulated lending and related servicing, which may potentially adversely affect or constrain Funding Circle UK's ability to operate in the United Kingdom, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The FCA may have an alternative interpretation of applicable law and regulation which apply to Funding Circle UK, which may lead to financial detriment for Funding Circle UK, enforcement action and reputational risk.

The body of law and regulation in respect of the platform lending industry in the United Kingdom is continuously evolving and it is possible that the FCA may come to alternative views on interpretation of law and regulation to that of Funding Circle UK. Funding Circle UK endeavours to comply with applicable law and regulation and take account of applicable guidance, but it is possible that Funding Circle UK could be the subject of enforcement action by the FCA (and reputational damage arising from such enforcement action) if the FCA does take an alternative interpretation. The consequences of enforcement action include taking up significant time and resources of Funding Circle UK, as well as the FCA potentially imposing sanctions, such as fines, public censure, or, in significant cases, varying, suspending or cancelling Funding Circle UK's authorisation. There would also be a risk of consumer redress and compensation, as well as, depending on the applicable law, the risk of Funding Circle or another person committing a criminal offence. Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

There is a risk that Funding Circle UK may need to become authorised to carry out different business.

The FCA stated in its Interim Feedback Statement that "some business models we have seen from crowdfunding applicants include aspects that are the same or similar to those in the investment management and banking sectors. We are therefore concerned about the significant risk of arbitrage in parts of the industry and expect crowdfunding firms applying for authorisation to ensure their activities fall within the scope of the permissions for which they have applied." The FCA highlighted two trends that may create a risk of regulatory arbitrage with other financial services sectors:

- the FCA noted that there appeared to be increased pooling of credit risk for investors, which had the potential to create a blurred line between loan-based crowdfunding and asset management. In the FCA's view, this creates a risk of regulatory arbitrage where firms conduct what is essentially asset management business, but under a regulatory regime not designed for this. In particular, some of the respondents to the Call for Input noted the possibility of arbitrage with investment management business because of firms operating provision funds (effectively, a contingency fund that fully or partially covers investors against the risk of bad debt), offering autobid options, channelling investment through special purpose vehicles or offering fixed rate products; and
- the FCA noted that maturity mismatch products were beginning to be offered on platforms. These investment products have similarities with banking business, where banks lend money on longer terms than savings account notice periods. Respondents to the Call for Input also noted that even if maturity transformation did not technically occur, there were a number of similarities with banking business. For example, investors are exposed to unknown borrowers and are reliant on the platform's due diligence in a manner not fundamentally different from bank depositors.

If it appears that consumer detriment is likely, the FCA has stated that it will also consider introducing additional rules to reduce or remove the potential for arbitrage.

The Group believes that this risk of recategorisation (both to banking business and in relation to investment management) is unlikely in the short to medium term. The UK government has a policy to implement a specific peer-to-peer lending authorisation and supervisory regime which applies to businesses such as Funding Circle UK and the Group is not aware of any proposed legislation to address this point. The Directors consider it to be particularly unlikely that Funding Circle UK's business would be recategorised as banking business, including because, unlike banks, Funding Circle UK is not the first lender of record and does not offer products with a maturity mismatch. In addition it does not, nor does it intend in the future to, offer a bad debt provision fund.

If the FCA were to implement new rules or provide further guidance on existing rules, such that Funding Circle UK's business were to be recategorised as an asset management or banking business, Funding Circle UK would need to either (i) change its business model such that it provided only the business which it was authorised to do, which would potentially adversely affect or constrain Funding Circle UK's ability to operate or to offer new products and services in the United Kingdom, or (ii) become authorised as an asset manager or bank (or obtain such other authorisation as appropriate under the relevant FCA guidance). Becoming authorised as another type of regulated entity would be an extensive process, taking up significant time, resources and costs. In addition to different regulatory requirements which would apply to Funding Circle UK, being authorised as a different type of firm could significantly increase the capital requirements to which Funding Circle UK would be subject. Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks related to compliance and regulation in the United States

The application of certain US federal and state laws and regulations to the Group's business is not entirely tested yet, given the recent evolution of the platform lending industry generally and the growth of the Group's business activities.

Certain companies within the Group—Funding Circle USA, Inc. and its US subsidiaries and affiliates (collectively, "Funding Circle US")—engage in online lending to SMEs, as well as related capital raising activities, in the United States. In the United States, the Group does not make loans to consumers and therefore believes that it is not subject to various licensing and other requirements applicable to businesses involved in those activities that are, in many cases, more burdensome than those applicable to lending solely to SMEs. The Group is, however, regulated state-by-state as a non-bank commercial lender.

Unlike certain other lending platforms operating in the United States, the Group does not conduct its activities based upon a contractual relationship with a regulated bank or other similarly regulated financial institution. Instead, the Group conducts its platform lending activities in the United States on the basis that (a) the Group complies with all applicable US federal laws, (b) where state laws require a licence to conduct those activities, the Group acts under the authority of such licence and (c) where state laws make it clear those activities may be conducted within parameters specific to activities exempted from or not requiring licensing, the Group conducts those activities within such parameters.

The application of certain US federal and state laws and regulations to the Group's business is not entirely tested yet, given the recent evolution of the platform lending industry generally, and the growth of the Group's business activities. Categories of US federal and state laws (and related regulations) to which the Group activities may be subject include, but are not limited to: (1) state licensing and usury laws and other substantive state regulations that impose requirements related to loan disclosures and terms, credit discrimination, credit reporting, debt collection and unfair, deceptive or abusive acts or practices; (2) federal and state securities laws (e.g., the US Securities Act, the US Securities Exchange Act, the Investment Company Act, the Investment Advisers Act, and various state "blue sky" laws); (3) the Equal Credit Opportunity Act ("ECOA"); (4) the Fair Credit Reporting Act; (5) anti-money laundering requirements (e.g., the Bank Secrecy Act, as amended by the Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001); (6) privacy and data regulations (e.g., the Gramm-Leach-Bliley Act); (7) electronic transactions legislation (e.g., the Electronic Signatures in Global and National Commerce Act and the Uniform Electronic Transactions Act); (8) the Servicemembers Civil Relief Act; (9) the Telephone Consumer Protection Act of 1991; (10) Section 5 of the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices in or affecting commerce and (11) the Dodd-Frank Wall Street Reform and Consumer Protection Act. For more detail, see *"The United States—Summary of applicable laws and regulations"* in Part 5 (Regulatory Overview).

Although the Group maintains a comprehensive compliance program and database that it believes ensures that activities are conducted, in states where licences have been obtained, in accordance with the terms of those licences and, in states where no licence has been obtained, in accordance with parameters specific to activities exempted from or not requiring licensing, such compliance program and database may not correctly reflect actual legal limitations applicable to the conduct of the Group's business. As a result, there can be no assurance that the Group has always been, or will always be, in compliance with laws and regulations applicable to the conduct of the Group's business activities.

Compliance with these laws and regulations is costly, time-consuming and may limit the Group's operational flexibility. Compliance costs and litigation exposure could increase materially if regulators enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance, or interpret existing regulations in a manner different or stricter than have been previously interpreted.

Failure by the Group to comply with laws and regulatory requirements applicable to the Group's business activities in the United States may, among other things, limit the collectability or other enforceability of all or a portion of the principal of or interest on loans or other extensions of credit that the Group makes. Such limitations may also impair the Group's ability to collect fees or other compensation payable in connection with the origination of loans. In addition, non-compliance could subject the Group to damages, revocation of required licences, class action lawsuits, administrative enforcement actions, rescission rights held by investors in securities offerings and civil and criminal liability. In particular, if the Group were found to have violated a state's licensing or usury laws, the Group may have to alter how it conducts business in a manner that may be adverse to its financial results. In addition, the occurrence of any of the foregoing may limit the Group's ability to engage in capital raising activities in the United States.

Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

If loans originated by the Group were found to violate a state's licensing or usury laws, the Group may have to alter its business model and its business may be harmed.

The Group maintains a comprehensive compliance program and database to seek to ensure that activities are conducted, in states where licences have been obtained, in accordance with the terms of those licences and, in states where no licence has been obtained, in accordance with parameters specific to activities exempted from or not requiring licensing. The Group offers SME loans in all but one of the 50 states (Nevada) and also in the District of Columbia, and the Group has obtained licences to lend in California, Florida, North Dakota, South Dakota and Vermont.

Although most states do not impose interest rate limits on commercial loans (or do not impose such limits if a lender is properly licensed), certain states have enacted usury laws that limit the interest, fees or other charges that a lender may charge for such loans. The Group takes a multi-tiered approach to compliance with these usury laws that the Group believes adequately manages its exposure to usury limitations. First, the Group makes all loans in the United States under California law in accordance with the California choice of law in its loan documentation (with the exception of loans to SMEs located in South Dakota, where the obtaining of a lending licence requires that the lending relationship be subject to local law). As a licensed California lender, Funding Circle US is not required under California law to limit the rate of interest that it charges. In addition, the Group evaluates any local usury statutes which, if applied, might restrict the range of products Funding Circle US is able to offer. The Group believes that all loans offered by Funding Circle US in all but four states (Arkansas, Florida, Tennessee and Texas) comply with both California law (the chosen law) and the law of the jurisdiction in which the Borrower is located. In those four states, the Group has obtained legal advice (based on, among other things, applicable conflicts of laws principles) that the courts in such state will give effect to the parties' choice of California law (including as it relates to the issue of usury).

Funding Circle US believes that it is in compliance with all state laws. The Group maintains a comprehensive compliance program and database that it believes ensures that, with respect to most states, the loans originated by the Group in those states do not fall within usury limitations applicable in those states. There is, however, an element of uncertainty as regards each of the four states in which the Group has assumed that local conflicts of laws principles will result in the application of California law. There is a possibility that the legal advice upon which such assumption is based may be incorrect or may rely on assumptions that are inapposite to the particular factual circumstances.

If loans originated by the Group were found to violate a state's licensing or usury laws, the Group may have to alter its business model and its business, results of operations, financial condition and prospects could be materially adversely affected.

The Group is engaged with US federal and state regulators on issues that cross a broad spectrum. Such interaction is ongoing and may be subject to unexpected developments.

Over the last few years, US federal and state regulatory and other policymaking entities have taken an increased interest in platform lending and financial technology, including the activities of Funding Circle US. The Group is actively engaged and has collaborated with regulators on issues that cross a broad spectrum. Examples of circumstances involving such engagement are:

- In May 2016, the US Department of Treasury (the "Treasury Department") released a white paper on *Opportunities and Challenges in Online Marketplace Lending*. The white paper followed a request for information which the Treasury Department issued in July 2015 to study the various business models and products offered by online platform lenders, the potential for such lenders to expand access to credit for historically underserved borrowers and how the financial regulatory framework should evolve to support the safe growth of the industry. Funding Circle US was among the respondents. The white paper included several recommendations to the federal government and private sector participants to encourage the safe growth of platform lending and better access to credit for SMEs and consumers. The Treasury Department has indicated that it intends to publish another white paper on a various topics related to financial technology. Funding Circle US has engaged in discussions with the Treasury Department and the National Economic Council regarding the content of this white paper. The Group cannot predict whether any legislation or rulemaking will actually be introduced as a consequence of existing or forthcoming recommendations of the Treasury Department.

- In December 2015, the California Department of Business Oversight (the "DBO") sent its *Marketplace Lending Survey* to 14 platform lenders, including Funding Circle US, requesting information about the Group's business model, online platform, loan performance and investor funding process, including information regarding referral programs. Funding Circle US responded to the survey in March 2016 and to the DBO's requests for additional information from survey participants in June 2016 and October 2016. The DBO has not requested further information.
- In October 2016, the Officer of the Comptroller of Currency (the "OCC"), which is the principal supervisor of national banks in the United States and part of the Treasury Department, released a whitepaper on *Responsible Innovation* in financial technology and has subsequently taken steps to create a special purpose, limited charter (a "Fintech Charter") whose scope may encompass certain online lending activities and facilitate the provision of core banking activities through financial technology but currently remains of uncertain scope. Funding Circle US has engaged in discussions with the OCC regarding the impact that a Fintech Charter could have on the platform lending industry.
- In May 2016, the New York Department of Financial Services (the "DFS") sent a request for information to 28 online lenders, including Funding Circle US, requesting information on the financial products and services offered by the Group in New York and any arrangements the Group may have with banks, financial institutions and other third parties in connection with offering those financial products and services. Funding Circle US submitted its response to the DFS in June 2016 and has not received further requests from the DFS. Separately, the New York General Assembly passed a law requiring the DFS to issue a report on online lending by July 2018, including, among other things, a survey of the existing US federal and state laws and regulations that apply to the online lending industry and their impact on consumers and access to credit through online lenders. Funding Circle US submitted a response to the survey in April 2018.
- In July 2017, the Conference of State Bank Supervisors, a national organisation of state financial regulators, launched a series of initiatives called Vision 2020 aimed collectively at driving efficiency, standardisation, and a convergence of supervisory expectations in state-based oversight of non-banks. Among these initiatives was formation of a Fintech Industry Advisory Panel, which includes Funding Circle US. The Group cannot predict whether any changes to the state regulatory regime for non-bank lenders will actually be introduced as a consequence of Vision 2020.
- In contrast to its broad authority over consumer lending, the Consumer Financial Protection Bureau ("CFPB"), created by the Dodd-Frank Act, has much more limited jurisdiction over lending to SMEs. The primary area of such jurisdiction is enforcement of the ECOA. Section 1071 of the Dodd-Frank Act ("Section 1071") amended Regulation B of the Board of Governors of the Federal Reserve System, the implementing regulation of ECOA, to require the CFPB to enact rules to collect data on minority- and women-owned and small businesses from all financial institutions. In May 2017, the CFPB issued a request for information on the SME lending market as part of its Section 1071 rulemaking process. The next step in this process would entail panel review under the Small Business Regulatory Enforcement Fairness Act. The Group cannot predict whether or when Section 1071 will be implemented and, if implemented, what impact any resulting rules may have on the Group's operations and/or compliance program.

In many cases, these engagements or initiatives were presented as information gathering projects to assist US federal and state governments in better understanding, among other things, the business models, activities, and impact of online and platform lending on credit markets. These engagements or initiatives either have resulted, or are expected to result, in policy recommendations that could impact the Group's business practices and operations to the extent the recommendations drive new laws or regulations, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Future legal or regulatory developments, including those relating to the retention of credit risk as mandated by Section 15G of the US Exchange Act, credit rating downgrades, market volatility, market disruptions or other factors, could impede the Group's ability to form or assist in the formation of bespoke capital markets vehicles on a timely basis or upon advantageous terms. These developments may also increase the risk of litigation.

The Group has entered into, and intends to continue to enter into, arrangements with Investors that include the formation of bespoke capital markets vehicles with the aim of securing short- and long-term funding for the Group's platform. These arrangements may include Funding Circle US supporting investors that purchase loans on its platform engaging in securitisation transactions. In the United States, rules newly promulgated under Section 15G of the US Exchange Act (as amended by the Dodd-Frank Act), require that the "sponsor" of a "securitization transaction" acquire not less than 5 per cent. of the credit risk of the securitised assets. Application of these risk retention rules to a securitisation transaction involving Funding Circle US may result in a Group member being deemed to be subject to risk retention requirements even though it does not hold the loans on its balance sheet. Such application may impose financial limitations on the Group's ability to originate additional loans and expose the Group to ongoing credit risk associated with the transferred loans. In addition, these newly adopted rules further prohibit the "sponsor" from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that it is required to retain during the period specified under the rules. The application of these rules is novel and, while precedent transactions exist, to some extent remain uncertain, particularly in the context of platform lending, and the imposition of certain required disclosures concerning retained risk retention interests may lead to liability for false or misleading statements, or in respect of any enforcement action.

More generally, the issuance of debt securities in the capital markets, particularly in the United States, can involve a relatively high risk of litigation, including class action lawsuits and administrative enforcement actions, especially following periods of market volatility. Any litigation brought or threatened against the Group could subject it to substantial costs, divert resources and the attention of management from the business and materially adversely affect the Group's business, results of operations, financial condition or prospects, including by reason of the fact that the Group may be unable to transfer loans to capital markets vehicles. In addition, while the Group intends to continue to operate the 'platform' model in the United States and elsewhere (e.g., where loans originated through the Group's platform in the different geographies are allocated to third-party Investors via the platform in such geographies, without the Group holding loans on its balance sheet), the Group may nonetheless be required to invest in and hold on its balance sheet, either directly or indirectly, a portion of any securities issued in connection with a securitisation transaction involving loans originated through its platform. The Group may also be required to provide credit or yield enhancement in the form of cash reserves, subordination, guarantees or other forms of recourse for Investors in connection with capital markets transactions related to the Group's entry into new markets.

When selling loans and other extensions of credit to capital markets vehicles or Investors, the selling or intermediating member of the Group will typically be required to make representations as to the status of the loans or other extensions of credit that are being transferred or intermediated. Although the recourse of Investors in obligations or securities issued by capital markets vehicles is typically limited to those vehicles, (a) a material breach of any of those representations may result in the selling or intermediating member of the Group (and any credit support provider within the Group for that selling or intermediating member) incurring repurchase obligations or economic damages and (b) the Group may have an incentive to take steps to support the financial condition of a capital markets vehicle in order to maintain its market reputation.

Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

There is a risk that one or more Investors purchasing loans originated by Funding Circle US may be deemed the "true lender", which may impair their ability to acquire loans without obtaining necessary licences and may result in other adverse consequences.

As discussed above, the Group does not conduct its activities based upon a contractual relationship with a regulated bank or other similarly regulated financial institution. In embracing a different business model from other online lenders that rely on originating banks, Funding Circle US is the true lender in respect of its lending activities. However, if Funding Circle US were treated as an agent of a securitisation, other capital markets vehicle or other Investor that purchases loans from Funding Circle US, such Investor may be deemed the true lender for regulatory (including tax) purposes.

There has been litigation challenging the identity of the true lender in lending arrangements where an originating lender sells and assigns a loan to a third party, particularly where a loan is sold from a bank to a non-bank entity that assists in the origination and servicing of the loan. The facts of these disputes are not directly applicable to the Group's business, as they generally involve the post-sale applicability of state usury laws to loans originated in a context where such laws had been pre-empted or otherwise did not apply. However, the case law addressing whether an originating lender, on the one hand, or a third-party purchaser, on the other hand, is the "true lender" of a loan is still developing and courts have come to different conclusions and applied different analyses. Any characterisation of an Investor, rather than Funding Circle US, as the true lender could impair the relevant Investor's ability to acquire loans without obtaining the appropriate licenses. This could make it significantly more difficult for the Group to raise debt financing for its loans, and in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may have to further constrain certain of its business activities or forego certain business development opportunities to avoid being deemed an investment company under the Investment Company Act.

The Group conducts, and intends to continue to conduct, business in a manner that does not result in the Company, any of the Group's subsidiaries in the United States, or any capital markets vehicles facilitated by the Group to provide funding for loans originated by the Group, being characterised as an investment company for purposes of the US Investment Company Act of 1940, as amended (the "Investment Company Act").

A company that holds itself out as being engaged primarily, or that proposes to engage primarily, in the business of investing, reinvesting or trading in securities will, subject to certain exemptions, be deemed to be an investment company. Any company that meets such definition (or that qualifies as an investment company under an alternative quantitative test relating to a company's holdings of investment securities) but cannot rely on an applicable exception or an exemption must register as an "investment company" under the Investment Company Act. In the case of a foreign issuer, the characterisation as an investment company would only occur if it offered securities to residents of the United States.

A company that is required to register as an investment company must comply with a variety of substantive requirements under the Investment Company Act imposing, among other things, limitations on capital structure, restrictions on specified investments, prohibitions on transactions with affiliates, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations and, potentially, compliance with daily valuation requirements. Application of these requirements to the Group would likely materially adversely affect the Group's business, financial condition and results of operations.

In this regard, where any member of the Group or any capital markets vehicle facilitated by the Group to provide funding for loans originated by the Group currently engages in securities-related activities in reliance on an exemption from the Investment Company Act or an assessment that the Investment Company Act does not otherwise apply, the Group closely monitors those activities to ensure that they do not result in the relevant company being characterised as an investment company. Nevertheless, to avoid being deemed an investment company, the Group may be forced to forego certain attractive business development opportunities or have to apply for formal exemptive relief from the SEC, to provide additional clarity on the Group's status under the Investment Company Act. This process is lengthy and uncertain.

Securitisation and other capital markets vehicles that purchase loans and other extensions of credit from the Group may also be subject to the registration requirements under the Investment Company Act absent the availability of an applicable exception or exemption.

As a result of the foregoing, the Group may have to further constrain certain of its business activities or forego certain business development opportunities to avoid being deemed an investment company under the Investment Company Act, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may have to constrain its business activities to avoid being deemed an investment adviser under the Investment Advisers Act.

The Group's subsidiaries and affiliates conduct, and intend to continue to conduct, business in a manner that the Group believes does not result in any Group company being characterised as an investment adviser for purposes of the US Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"). A person or company falls within the definition of "investment adviser" under the Investment Advisers Act if that person or company (i) for compensation (ii) is engaged in the business of (iii) providing advice to others or issuing reports or analyses regarding securities. A company would have to satisfy all three elements to fall within the definition of "investment adviser". A company that is required to register as an investment adviser must comply with a variety of substantive requirements under the Investment Advisers Act, including (i) fiduciary duties to advisory clients; (ii) certain substantive prohibitions and requirements; (iii) requirements defining permissible terms in investment advisory contracts; (iv) recordkeeping requirements; and (v) administrative oversight by the SEC, primarily by inspection. One of the Group companies, FC Partners, LLC, is registered in California as an investment adviser and is an "exempt reporting adviser" under the Investment Advisers Act. As such, it is required to file a portion of the report that investment advisers generally are required to file.

Application of these requirements to the Group could materially adversely affect the Group's business, financial condition and results of operations. To minimise the risk of being characterised as investment advisers, companies within the Group intend not to give (directly or indirectly) advice about securities, market trends relating to securities, the selection and retention of investment advisors or asset allocation decisions involving securities (other than in an isolated and infrequent circumstance) and intend not to seek to receive compensation that represents a clearly definable charge for providing investment advice.

As a result of the foregoing, Group may have to constrain its business activities to avoid being deemed an investment adviser under the Investment Advisers Act, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks related to compliance and regulation in Germany

Changes in the regulatory environment in Germany could harm the Group's business.

The Group's German operating entity, Funding Circle Deutschland GmbH ("Funding Circle Germany"), is authorised and supervised by the local trade supervisory authority (*Gewerbeamt Kreuzberg Friedrichshain*). The regulated activities which Funding Circle Germany is authorised to carry on are credit brokering and financial investment brokering which are set out under the German Industrial Code (*Gewerbeordnung*). Funding Circle Germany is not regulated by the German Federal Financial Supervisory Authority ("BaFin") as a financial services institution (*Finanzdienstleistungsinstitut*) or a credit institution and the services which it provides do not fall under the German Banking Act (*Kreditwesengesetz*).

There is no statutory bespoke crowdlending regime under German law.

In general, business carried on in the context of crowdlending falls within the scope of existing rules such as the German Banking Act, the German Industrial Code, the Regulation on the Intermediation of Financial Investments (*Verordnung über die Finanzanlagenvermittlung*) or the Investment Product Act (*Vermögensanlagengesetz*).

The German Federal Financial Supervisory Authority has issued a circular which describes what is meant by "crowdlending" (broadly, crowdlending refers to the brokering of a loan over an internet services platform between a customer (the borrower) and a credit institution (the lender), as well as of loan receivables between the credit institution or an intermediary and investors), the different business models which constitute crowdlending, and the regulatory issues that arise.

Although the Group is not aware of any proposals to change the German legal framework on crowdlending and implement a bespoke German crowdlending regime, it is possible that the existing rules will be subject to change, particularly in light of the European Commission's announcement to regulate peer-to-peer lending (see "*The regulatory and legislative environment surrounding the platform lending industry is relatively new and susceptible to change*" in this Part 1 (Risk Factors)) the implementation of the Directive 2014/65/EU (Second Markets in Financial Instruments Directive, MiFID II) or new domestic legislative initiatives.

To the extent that Funding Circle Germany publicly offers loan receivables (such as to retail Investors), it must comply with the provisions of the Investment Products Act which sets out, among other things, conduct requirements and the sort of information that must be provided to investors for investment products (*Vermögensanlagen*). In the course of the transposition of MiFID II into German law, there have also been discussions by the German Parliament as to whether the Regulation on the Intermediation of Financial Investments should be revised (for example, updating the requirements that apply to recording of electronic or telephone communications, or the provisions relating to the receipt of inducements). There is currently no legislative proposal to revise the law relating to these matters in a way that would affect Funding Circle Germany, but it is possible that new requirements will enter into force which could require Funding Circle to adapt its processes and operations in Germany.

The coalition agreement of the German Government published on 7 February 2018 indicates that there may be changes to the supervision of entities carrying out the brokering of financial investments. At this stage, it is not clear whether the changes indicate that the German Federal Financial Supervisory Authority will become the competent supervisory authority for financial investments brokering, or whether this business will be subject to the requirements under the German Banking Act. If the latter, this would have a significant impact on Funding Circle, as it would likely need to obtain a financial services licence under the German Banking Act and have to comply with a number of additional legal requirements. Obtaining a new authorisation would be an extensive process, taking up significant time, resources and costs, and different regulatory requirements would apply to Funding Circle Germany.

Although Funding Circle Germany intends to fully comply with any new rules, a change of the regulatory regime and materialisation of any of the risks described above may put a substantial burden on Funding Circle Germany and, in turn, have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Operational errors could result in a breach to exemptions under the Investment Products Act.

Under German law, loan receivables are regarded as investment products (*Vermögensanlagen*) under the definition set forth in section 1 para. 2 no. 7 Investment Products Act (*Vermögensanlagengesetz*). The act obliges the offeror of the investment product, which are publicly offered, to provide a prospectus and/or a product information sheet (*Vermögensanlagen-Informationsblatt*), unless one of the relevant exemptions apply pursuant to section 2 and section 2a Investment Products Act (which provides an exemption from prospectus requirements for crowdfunding platforms, but not product information sheet requirements). Funding Circle Connect GmbH relies on the exemption pursuant to section 2 para. 1 no. 3b Investment Products Act when offering loan receivables to retail Investors. Given that the amount of each loan receivable that Funding Circle Connect GmbH assigns does not exceed the threshold of EUR 100,000, Funding Circle Connect GmbH is not required to provide a prospectus and/or product information sheet (offers to specific institutional Investors are out of scope of the Investment Products Act since they are not publicly offered). Concerning institutional Investors, Funding Circle Connect GmbH could also rely on the exemption pursuant to section 2 para. 1 no. 3a (*offerings of investment products are limited to 20 shares)* or to section 2 para. 1 no. 4 Investment Products Act *(offerings which are made to persons who acquire/sell investment products commercially in relation to institutional investors)*). However, if the thresholds set out under the exemptions of the Investment Products Act were exceeded, e.g., due to an operational error, the provisions of the Investment Products Act would apply in case of public offers. Such errors in individual cases cannot be ruled out entirely although the Group endeavours, and has processes in place to comply with all applicable laws and regulations and the Directors are not aware of any such breaches in the past. If Funding Circle Connect GmbH was no longer able to rely on the relevant exemption pursuant to section 2 para. 1 no. 3b Investment Products Act with respect to retail Investors, it would need to adapt its business towards retail Investors to make use of the exemption pursuant to section 2a Investment Products Act (which provides an exemption from prospectus requirements for crowdfunding platforms, an approach used by several other crowdlending platforms in Germany). In general, the provision will also apply if an exemption for institutional Investors falls away (to the extent that the loan receivables are publicly offered). However, in this event, Funding Circle Connect GmbH would have to prepare a product information sheet to be provided to the Investors. Complying with this requirement would take significant time, resources and costs, and would put a substantial burden on the business operations. The failure to comply with these requirements could lead to buy back obligations towards retail Investors and potentially to financial penalties or other regulatory sanctions imposed by the German Federal Financial Supervisory Authority if it were found to be breaching applicable rules in this regard, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks related to compliance and regulation in the Netherlands

Changes in the AFM exemption conditions in the Netherlands could harm the Group's business.

The Group's Dutch operating entity, Funding Circle Nederland B.V. ("Funding Circle NL"), operates under an exemption issued by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten—AFM*) from the prohibition to broker callable funds (Section 4:3 paragraph (1) and (4) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht—Wft*)).

While there is currently no specific regulatory regime applicable to SME crowdlending in the Netherlands, the AFM monitors the industry closely. In this context, the AFM has introduced certain conditions and requirements for platforms operating under the exemption from the prohibition to broker callable funds, such as Funding Circle NL. Examples of such conditions are a EUR 80,000 investment cap for retail investors per platform and the recently introduced rule that a proposal for a new loan, including all required information in relation thereto, must be published at least 48 hours before investors can place funding offers.

There is a risk that the AFM issues new conditions to the exemption that may be onerous for the Group's business in the Netherlands. The inability of the Group to comply with any such requirements imposed by the AFM may adversely affect its ability to operate in the Netherlands, which in turn could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Changes in the regulatory environment in the Netherlands could harm the Group's business.

On 12 October 2017, the Dutch Ministry of Finance published for consultation a questionnaire asking market participants to present their views on a suitable and desirable framework for a crowdlending regime to be introduced under Dutch law in due course. The content of any new crowdlending regime that may result from the aforementioned consultation process and the expected timing of the implementation thereof are yet unclear. The introduction of such regime and any related rules, requirements and guidelines could have an adverse impact on the manner in which the Group operates in the Netherlands.

Furthermore, with the implementation in the Netherlands of the Second Payment Services Directive (*Directive 2015/2366/ EU—PSD2*) still outstanding, there remains some uncertainty as to whether Stichting Derdengelden Funding Circle—the foundation that handles cash flows between Investors and Borrowers for the Dutch platform—will in the future require a licence as a provider of payment services. In the event that, following the implementation of PSD2 or any relevant new legislation in the Netherlands, the Group were required to either apply for such a licence or use external providers of payment services to handle cash flows between Investors and Borrowers for the Dutch platform, this could have a material adverse effect on the Group's business in the Netherlands and result in increased compliance costs. In such a scenario, the Group expects that a significant transitional period would apply as the introduction of any such requirement would affect the entire industry. However, the Directors believe that the implementation of PSD2 is unlikely to lead to such requirements.

Any change in the law and regulation affecting the Group's business and operations in the Netherlands may have a material adverse effect on the Group's ability to carry on its Dutch business. In particular, regulatory change could lead to increased compliance costs, the prohibition of certain types of trading, as well as restrictions on the type of services which the Group may provide in the Netherlands in the future. In addition, the interpretation of existing legislation or regulation may change when applied to the Group's business model in the Netherlands. Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

PART 2
Presentation of Financial and Other Information

General

No representation or warranty, express or implied, is made and no responsibility or liability is accepted by any person other than the Company and its Directors, as to the accuracy, completeness, verification or sufficiency of the information contained herein, and nothing in this Registration Document may be relied upon as a promise or representation in this respect, as to the past or future. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. The delivery of this Registration Document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Registration Document or that the information contained herein is correct as of any time subsequent to its date.

A copy of this Registration Document has been filed with, and approved by, the FCA and has been made available to the public in accordance with the Prospectus Rules. This Registration Document may be combined with a securities note and summary to form a prospectus in accordance with the Prospectus Rules. A prospectus is required before an issuer can offer transferable securities to the public or request the admission of transferable securities to trading on a regulated market. However, this Registration Document, where not combined with the securities note and summary to form a prospectus, does not constitute an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise.

The contents of this Registration Document are not to be construed as legal, business or tax advice.

This Registration Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, any of the Company's advisers or any of their affiliates or representatives regarding the securities of the Company.

Presentation of financial information

The financial information in this Registration Document has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The significant IFRS accounting policies of the Company have been applied consistently in the audited consolidated financial information in this Registration Document.

The Group's consolidated historical financial information included in Part 10 (Historical Financial Information) of this Registration Document has been prepared in accordance with the requirements of the Prospectus Directive and in accordance with IFRS. The basis of preparation and significant accounting policies are set out within Note 1 of the Group's consolidated historical financial information in Part 10 (Historical Financial Information).

Financial information

The Company's financial year runs from 1 January to 31 December. The financial information for the Group included in Section B of Part 10 (Historical Financial Information) is covered by the accountants' report included in Section A of Part 10 (Historical Financial Information), which was prepared in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

None of the financial information used in this Registration Document has been audited in accordance with auditing standards generally accepted in the United States of America ("US GAAS") or auditing standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB.

Non-IFRS financial information

This Registration Document contains certain financial measures that are not defined or recognised under IFRS, including Adjusted EBITDA, Adjusted EBITDA Margin, Segment Adjusted EBITDA, Segment Adjusted EBITDA Margin, Free Cash Flow and Free Cash Flow Margin. Definitions of these measures, along with reconciliations of the measures, as applicable, to the Group's historical financial information appears in Part 8 (Selected Financial Information).

The Directors consider these metrics to be the non-IFRS financial measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Directors believe that these non-IFRS performance measures, in addition to IFRS measures, provide an enhanced understanding of the Group's results and related trends, therefore increasing transparency and clarity into the core results of the business. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or loss or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. Further explanation of the relevance of each of the non-IFRS measures, a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out in Part 8 (Selected Financial Information). The Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. The non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

Key performance indicators

To assist recipients of this Registration Document in comparing the Group's historical financial performance from period to period, certain key performance indicators and other operating measures have been presented in this Registration Document. Save where indicated, these measures have been extracted from the Group's management reporting systems but have not been audited or reviewed by external auditors, consultants, independent experts or other third parties. Set out below is a description of the key performance indicators used by the Group, other than the non-IFRS measures set out in "Non-IFRS financial information" of this Part 2 (Presentation of Financial and Other Information).

- *Loans under Management*. Represents the total value of outstanding principal and interest to Borrowers and includes amounts that are overdue but not loans that have defaulted. The Directors view Loans under Management as a useful measure because it is a key driver of servicing fee revenue, and denotes the level of investment on the platform at a point in time.
- *Originations*. Represents the monetary value of loans originated through the Group's platform in any particular period. The Directors view originations as a useful measure because it is a key driver of transaction fee revenue and Loans under Management.
- *Number of loans originated*. Represents the number of loans originated from both existing and new Borrowers in any particular period. The Directors view the number of loans originated as a useful measure because it indicates the level of activity taking place on the platform in terms of Borrower and Investor interaction and is a useful measure of the level of operational activity that is being conducted by the Group.
- *Transaction yield*. Represents the total revenue the Group derives from Borrowers for originating loans on the platform, divided by the value of the loans originated. The Directors view transaction yield as a useful measure because it demonstrates the economic return the Group earns from one of its core activities, namely connecting Investors and Borrowers.
- *Servicing yield*. Represents the total revenue the Group derives from servicing loans outstanding on its platform, divided by the average value of Loans under Management in that particular period. The Directors view servicing yield as a useful measure because it demonstrates the economic return the Group earns for the activity it undertakes in collecting, distributing and processing receipts and payments on its platform.
- *Marketing spend as a percentage of revenue*. Represents the total cost of third-party marketing expenditure in any particular period divided by the revenue earned in that period. The Directors consider marketing spend as a percentage of revenue to be a useful measure because it demonstrates the proportion of revenue that is required to be spent attracting Borrowers and Investors to the Group's platform.

Currency presentation

Unless otherwise indicated, all references in this Registration Document to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the United Kingdom. All references to "EUR", "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "US dollar", "USD" or "$" are to the lawful currency of the United States.

Certain industry-related information included in this Registration Document is shown translated from US dollars and euros into pounds sterling at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the US dollar and euro amounts actually represent such pound sterling amounts or could have been or could be converted into pounds sterling at the specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate used in preparing the Group's financial statements and other financial information that appears elsewhere in this Registration Document. The exchange rate used for purposes of the convenience translations is, in most instances: USD/GBP: 0.72 and EUR/GBP 0.89.

Exchange rate information

The average exchange rates of US dollars and euros are shown relative to pounds sterling below. The rates below may differ from the actual rates used in the preparation of the financial statements and other financial information that appears elsewhere in this Registration Document. The inclusion of these exchange rates is for illustrative purposes only and does not mean that the sterling amounts actually represent such US dollar or euro amounts or that such sterling amounts could have been converted into US dollar or euro at any particular rate, if at all.

Average rate against pounds sterling

	US dollars per £1.00			
Year	Period End	Average	High	Low
2013	1.6566	1.5648	1.6566	1.4858
2014	1.5581	1.6474	1.7165	1.5515
2015	1.4734	1.5283	1.5872	1.4654
2016	1.2345	1.3554	1.4810	1.2158
2017	1.3524	1.2886	1.3582	1.2068
June 2018	1.3194	1.3288	1.3413	1.3095
July 2018	1.3127	1.3162	1.3264	1.2990
August 2018 (through 30 August 2018)	1.3118	1.2700	1.2872	1.3009
2018 (through 30 August 2018)	1.4325	1.2700	1.3572	1.3009

	Euros per £1.00			
Year	Period End	Average	High	Low
2013	1.2014	1.1779	1.2328	1.1431
2014	1.2874	1.2409	1.2874	1.1912
2015	1.3559	1.3775	1.4399	1.2726
2016	1.1705	1.2243	1.3645	1.0983
2017	1.1250	1.1416	1.1968	1.0758
June 2018	1.1299	1.1380	1.1447	1.1299
July 2018	1.1215	1.1266	1.1334	1.1191
August 2018 (through 30 August 2018)	1.1243	1.0999	1.1149	1.1160
2018 (through 30 August 2018)	1.1568	1.0999	1.1326	1.1160

Source: Bloomberg

Roundings

Certain data in this Registration Document, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Registration Document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Market, economic and industry data

Unless the source is otherwise stated, the market, economic and industry data in this Registration Document constitute the Directors' estimates, using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this Registration Document from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including publications and data compiled by OC&C, Oxford Economics, P2PFA, the 2017 Small Business Credit Survey, Eurostat, Alternative Credit Council, Preqin, NFIB, FFIEC, FDIC, DBA, FAAN, Bundesbank, DFC, BDL, Department for Business, Innovation and Skills, De Nederlandsche Bank, AltFi, Cambridge Centre for Alternative Finance, Crowfundingmarkt.nl, UK Investment Association, UK Finance, OECD, the Bank of England, ECB, EIB, Lloyds Banking Group, RBS, Santander UK, Nationwide, Barclays, HSBC, Shawbrook, CYBG, Aldermore, OneSavings Bank, The Co-operative Bank and Infosys.

The Company confirms that all third-party data contained in this Registration Document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Registration Document, the source of such information has been identified. While the Directors believe the third-party information included herein to be reliable, the Company has not independently verified such third-party information.

No incorporation of website information

The contents of the Company's websites do not form part of this Registration Document.

Definitions and glossary

Certain terms used in this Registration Document, including all capitalised terms and certain technical and other items, are defined and explained in Part 12 (Definitions and Glossary).

Information not contained in this Registration Document

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. The delivery of this Registration Document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Registration Document or that the information contained herein is correct as of any time subsequent to its date.

Information regarding forward-looking statements

This Registration Document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Registration Document and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "Risk Factors", "Business Description" and "Operating and Financial Review" regarding the Company's strategy, targets and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Registration Document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Registration Document speak only as of the date of this Registration Document. The Company, the Directors and the Company's advisers expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, rules and regulations.

PART 3
Directors, Secretary, Registered and Head Office and Advisers

Directors	Andrew Digby Learoyd *(Chairman of the Board)*
	Samir Desai CBE *(Co-founder, Chief Executive Officer)*
	Sean Robert Glithero *(Chief Financial Officer)*
	Catherine Jane Keers *(Non-Executive Director)*
	Edward James Wray *(Non-Executive Director)*
	Hendrik Willem Nelis *(Non-Executive Director)*
	John Eric Daniels *(Non-Executive Director)*
	Neil Alexander Rimer *(Non-Executive Director)*
	Robert King Steel *(Non-Executive Director)*
Company Secretary and Global General Counsel . .	Lucy Vernall
Registered and head office of the Company	71 Queen Victoria Street London EC4V 4AY United Kingdom
English and US legal advisers to the Company	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
Reporting Accountants and Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

PART 4
Industry Overview

The following information relating to the Group's industry has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. This Part 4 should be read in conjunction with the more detailed information contained in this Registration Document, including Part 1 (Risk Factors) and Part 9 (Operating and Financial Review).

Key trends in SME lending

SMEs play a vital role in global economy but are often underserved

SMEs are important drivers of economic growth, employment and innovation globally. SMEs are typically a major source of employment in a country—in the OECD area, they account for, on average, approximately 70 per cent. of all jobs—and are a major contributor to the economy, generating between 50 and 60 per cent. of annual economic value creation (source: OECD, 2016).

Despite this important societal and economic role that they play, SMEs have historically been underserved across industries. Few businesses have focused on delivering products and services needed to support small businesses, with the primary focus being on the highly commoditised mass market consumer base and larger corporates. However, as a result of recent developments and technological advances, a number of businesses have emerged across a variety of sectors, including financing, that are focused on enabling SMEs.

The global financial crisis and its aftermath had a significant negative impact on the supply of lending to SMEs

The global financial crisis impacted the supply of lending in a number of ways, particularly from banks, who are the largest providers of credit to the economy. Structural issues, such as changes in the regulatory environment and increased capital requirements under Basel III, have caused banks to de-lever and de-risk balance sheets, encouraging them to focus on larger clients better suited for their business models and operating infrastructures. In addition, investments required to address the SME lending market, such as new IT infrastructure and analytics systems, have not been a strategic priority.

As a result, lending to SMEs has declined substantially since the financial crisis in 2008 and 2009. In the United Kingdom, total outstanding borrowing facilities from traditional banks to SMEs have declined by 13 per cent., from £189 billion in December 2011 to £165 billion in December 2017, according to the Bank of England. In the United States, small-business loans[1] outstanding declined by 10 per cent., from $781 billion in June 2008 to $699 billion in December 2017 (source: FDIC). Moreover, the share of small-business loans in the banks' total stock of commercial and industrial lending has decreased from 30 per cent. in 2010 to 20 per cent. in 2017 (source: Oxford Economics).

SMEs' financing needs continue to be underserved by traditional players

SME lending is a small part of banks' overall balance sheets. As at 31 December 2017, SME lending in the United Kingdom represented approximately 6 per cent. only of the total pooled retail and corporate lending exposure for certain major incumbent and challenger UK banks[2]. The majority of banks' balance sheets are focused on historical areas of priority such as mortgages, consumer lending and large-scale commercial lending.

Executing a successful SME lending strategy is challenging. Data is generally harder to obtain and less detailed than in corporate and consumer lending, making automation more difficult; loan sizes and other non-lending revenue opportunities tend to be smaller for SMEs than for larger corporates, departing from banks' scale-reliant business models. As a result, while the majority of SME lending across the United States, the United Kingdom, Germany and the Netherlands still comes from banks, it has had limited long-term focus and often falls between their retail and commercial divisions.

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1 Defined as loans of less than $1 million. Including farm loans.

2 Based on publicly available data from Lloyds Banking Group, RBS, Santander UK, Nationwide, Barclays, HSBC, Shawbrook, CYBG, Aldermore, OneSavings Bank and The Co-operative Bank.

Legacy IT systems have also acted as a barrier. A significant part of banks' IT budgets are spent on maintaining, rather than improving, current systems which often prevents banks from investing in, and utilising, technological advances to offer a better customer experience and more competitively-priced loans to SMEs. According to Infosys, SME borrowers spend over 25 hours on their bank loan request paperwork, resulting in an unnecessary burden for SMEs and distracting them from running their day-to-day businesses.

According to a 2017 global survey by Oxford Economics, 53 per cent. of SMEs reported that it is difficult to get sufficient access to capital for expansion. In the United States, according to the 2017 Small Business Credit Survey, only 46 per cent. of SMEs that applied for funding received all the financing they sought. OC&C estimate that there is an approximately 15 per cent. SME lending gap in the United Kingdom and that a comparable gap likely exists in the United States and the Netherlands.

Online lending platforms have emerged, supported by technological advances, regulatory changes and governmental policies

Online lending platforms started to emerge as a result of the contraction in traditional credit sources following the financial crisis in 2008 and 2009, increasing internet penetration, advances in technology and the digitalisation of information. These platforms, which generally match borrowers and investors directly without the use of an intermediary (such as a bank), have grown rapidly and are increasingly becoming an important source of funding, including for SMEs, in the United Kingdom, the United States and other markets.

Initial online lending platforms in the United States and the United Kingdom primarily focused on consumer lending because it is generally simpler than SME lending. In consumer lending, credit data is abundant, allowing for commoditised products and largely automated processes. In contrast, the lack of easily-accessible and applicable initial credit data on SMEs makes it harder to collect data in a comprehensive format from public or third-party sources, but provides a powerful competitive advantage for those that do accumulate strong data sources over time. The next generation of lending platforms, such as Funding Circle, followed to address the more complex SME lending market.

Successful SME lending platforms are often able to offer an improved value proposition to both borrowers and investors, in particular as compared to traditional lending sources. For borrowers, these entail a much simpler application process, increased convenience through online access, faster response times compared to traditional lenders, and competitively-priced rates. For investors, benefits include exposure to the previously largely unavailable SME-credit asset class, and attractive risk-adjusted returns.

Regulators and policymakers have expressed support for funding sources that help diversify lending and reduce the economy's dependency on large banks, through regulatory and policy measures, as well as public statements. Mark Carney, the Governor of the Bank of England, noted in this context that "…an effective financial system needs intermediation outside the traditional banking sector. When conducted appropriately, it can be a valuable alternative to, and provide competition for, banks in funding the real economy."

The post-global financial crisis era has witnessed a number of policy initiatives designed to assist alternative SME lending. Examples are the regulatory sandbox that allows innovators to conduct live experiments in a controlled environment under the supervision of United Kingdom's FCA, and the referral programme that, if a small business is rejected for finance by the big banks, the bank is obliged to offer the business a referral to a designated, online finance platform. One additional recent example is the Capability and Innovation Fund set up by the United Kingdom government in 2018 to encourage the development and improvement of financial products and services that are available to SMEs.

Furthermore, European governments, including the United Kingdom, have also used these platforms to channel public funds to SMEs to stimulate economic growth. Examples include the United Kingdom's government-backed British Business Bank and the European Investment Bank ("EIB"), both of which invest in SME loans through Funding Circle's platform, either directly or indirectly.

In general, Funding Circle believes that governments are likely to remain supportive of new forms of lending as it aligns with the financial inclusion objective, where all members of society should have adequate access to financial services.

SME lending market size and key trends by geography

The SME lending market is vast and underserved. According to OC&C, the aggregate market for SME debt financing in the four countries in which Funding Circle operates (the United Kingdom, the United States, Germany and the Netherlands) is estimated at £1.2 trillion loans outstanding as at 31 December 2017. According to OC&C, and taking into account Funding Circle's current participation and strategy, the total addressable market[3] is estimated at £470 billion and total annual addressable originations are estimated to be £185 billion, as at 31 December 2017. The table below sets out the estimated size for Funding Circle's total addressable originations, total addressable market, originations and Loans under Management for 2017, in each of the jurisdictions in which Funding Circle currently operates.

	Total Addressable Originations(1)(3)	Total Addressable Market(1)(3)	Funding Circle Originations(2)	Funding Circle Loans under Management(3)
United Kingdom	£35 billion	£85 billion	£1.26 billion	£1.58 billion
United States	$125 billion	$305 billion	$514 million	$577 million
Germany	€55 billion	€160 billion	€55 million	€64 million
The Netherlands	€10 billion	€25 billion	€34 million	€40 million

Notes:

(1) Source: OC&C estimates.

(2) In the year ended 31 December 2017.

(3) As at 31 December 2017.

United Kingdom

The total market size for SME debt financing in the United Kingdom as at 31 December 2017 is estimated by OC&C at £180 billion, with the total addressable market estimated at £85 billion. This compares to Funding Circle's £1.58 billion Loans under Management in the United Kingdom as at 31 December 2017, a 1.9 per cent. share of the addressable market. Annual SME loan originations in the United Kingdom in 2017 are estimated by OC&C at £70 billion, of which £35 billion are thought to be addressable. For comparison, Funding Circle had £1.26 billion of originations in the United Kingdom in 2017.

Despite a steady increase in the number of SMEs in the United Kingdom between 2012 and 2017, which grew by a CAGR of 3.7 per cent. over that period (source: OC&C), bank lending to SMEs has contracted significantly, with loans outstanding declining from £189 billion in 2011 to £165 billion in 2017, according to the Bank of England. At the same time, the number of SMEs getting financed has halved, while average loan size has doubled as banks have concentrated their exposure on higher-value loans (source: OC&C). Banks' net lending to SMEs was negative following the financial crisis and only recovered in 2014, with total net lending supplemented by increasing market share of lending platforms, according to the P2PFA. In 2017, UK-resident banks' net lending[4] to SMEs was £677 million, according to Oxford Economics, while Investors participating on Funding Circle's UK platform alone lent £598 million, on a net basis. Indeed, net lending to SMEs through Funding Circle's platform in the third and fourth quarters of 2017 exceeded that of the entire UK banking system. Increasingly, banks have also funded larger loans for medium-sized businesses—while the number of approved bank loans has gradually declined for both small and medium sized businesses since 2012, the average bank loan value has doubled for medium-sized businesses (source: OC&C).

United States

The total market size for SME debt financing in the United States as at 31 December 2017 is estimated by OC&C at $880 billion, of which the total addressable market is estimated to be $305 billion. This compares to Funding Circle's $577 million of Loans under Management in the United States as at 31 December 2017, a 0.2 per cent. share of the total addressable market. Annual originations of SME loans in 2017 are estimated by OC&C at $300 billion, of which $125 billion are thought to be addressable. For comparison, Funding Circle had $514 million of originations in the United States in 2017.

In the United States, optimism and investment expectations among SMEs are high, with the SME business confidence index in 2017 at highest levels after the financial crisis of 2008 (see Fig. 1). Also SMEs' appetite to invest is high, with 29 per cent. of SMEs planning capital expenditure during the first three to six months of 2018, according to OC&C analysis. Hence, SME loan originations are growing but, as at 31 December 2017, were still more than 50 per cent. below peak in terms of volume and nearly 30 per cent. in terms of originations, following the sharp decline post the financial crisis of 2008 (see Fig. 2).

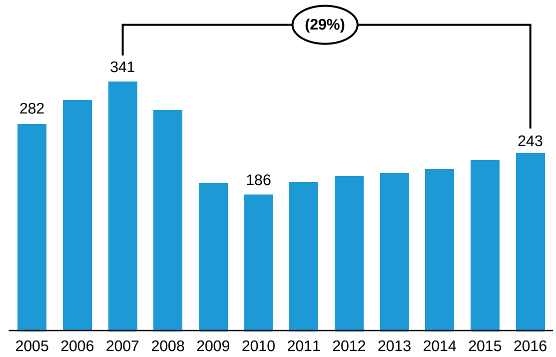
3 For the purposes of estimating Funding Circle's target addressable market, a number of segments are excluded from the total SME debt finance market, including without limitation commercial mortgages and loans of more than £500,000, as well as loans having an interest rate of more than 25 per cent.

4 Defined as gross new lending less repayments.

Fig. 1: SME monthly business confidence in the United States

Source: OC&C, NFIB Small Business Economic Trends June 2018.

Fig. 2: Value of new small business loans, <$1m per year in the United States



Source: OC&C, FFIEC—CRA National Aggregate Reports.

Germany

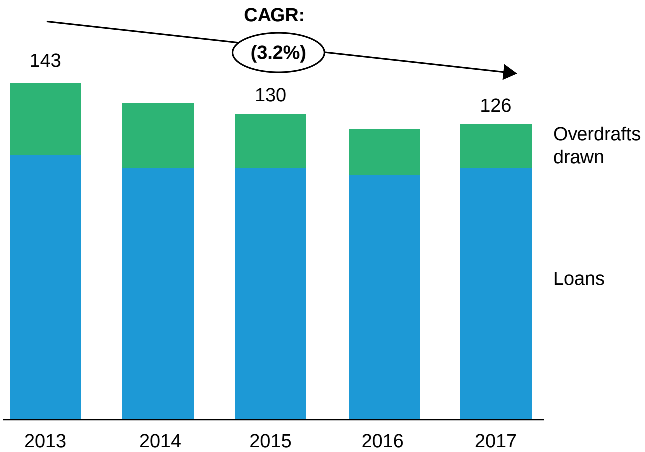
The total market size for SME debt financing in Germany as at 31 December 2017 is estimated by OC&C at €310 billion, with the total addressable market estimated to be €160 billion. This compares to Funding Circle's €64 million of Loans under Management in Germany as 31 December 2017, a 0.04 per cent. share of the total addressable market. Annual originations in 2017 are estimated by OC&C at €105 billion in the SME debt financing market, of which €55 billion are thought to be addressable. For comparison, Funding Circle had €55 million of originations in Germany in 2017.

The Netherlands

The total market size for SME debt financing in the Netherlands as at 31 December 2017 is estimated by OC&C at €140 billion, with the total addressable market estimated to be €25 billion. This compares to Funding Circle's €40 million of Loans under Management in the Netherlands as 31 December 2017, a 0.2 per cent. share of the total addressable market. Annual originations in 2017 are estimated by OC&C at €20 billion in the SME debt financing market, of which €10 billion are thought to be addressable. For comparison, Funding Circle had €34 million of originations in the Netherlands in 2017.

Bank SME loan stock has been declining since 2013 by 4.2 per cent. annually. The Netherlands has one of the highest online banking penetration in Europe (89 per cent. in 2017, according to Eurostat), indicating high willingness to engage with online providers.

Fig. 3: Top 3 bank loan stock and overdrafts to SMEs



Source: De Nederlandsche Bank, data annually in Q4.

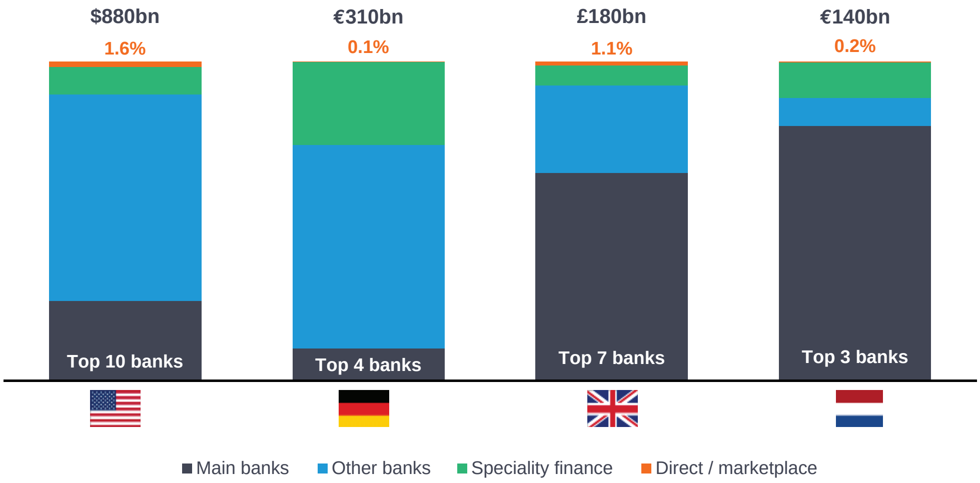
Market participants in SME lending and competitive overview

The market participants in SME lending can be broadly classified into four categories. Banks hold the majority of market share in the SME lending market but there are three additional groups of players: online lending platforms, specialist lenders and captive networks.

Banks

Despite the significant transformation in the funding landscape for SMEs since the global financial crisis, banks continue to be the dominant players in terms of the overall SME lending volume in each of Funding Circle's markets (see Fig. 4). The markets have different concentration characteristics—with high levels of concentration in the United Kingdom and the Netherlands and high fragmentation in the United States and Germany—but the outcome for SMEs has been the same. Innovation for SME lending has been limited, resulting in a situation where SME lending markets remain underserved.

Fig. 4: Total SME debt finance balances by competitor type



Source: OC&C analysis; FDIC, FFIEC, FED, BoE, UK Finance, Annual Reports, DNB, DBA, FAAN, Bundesbank, DFC, BDL.

In the United Kingdom, SME lending has been historically concentrated within a limited number of large banks. The Bank of England Q1 2018 Credit Conditions review indicates that the major United Kingdom lenders—Banco Santander, Barclays, HSBC, Lloyds Banking Group, Nationwide and Royal Bank of Scotland—accounted for approximately 65 per cent. of the stock of lending to businesses in the United Kingdom.

In the United States, banks are the main source of credit for SMEs, particularly community banks. Extensive consolidation has resulted in a significant decline in the number of community banks from 14,000 in 1984 to 7,000 more recently, according to a 2017 report by Infosys, but there still remains a very high number of, often sub-scale, banks.

Personal credit lines from credit card companies have now become an alternative source of credit for SMEs. By contrast, larger companies are able to rely on capital markets for debt and equity financing as an alternative to bank financing.

In Germany, companies have also traditionally relied on bank loans. The banking landscape features a three-tiered system of private commercial banks, public-sector institutions (such as savings banks and state banks) and co-operative banks. Private commercial banks are dominated by the "big three": Deutsche Bank, Commerzbank and HypoVereinsbank (HVB, part of UniCredit). Germany has a tradition of small local credit co-operatives and public-sector savings banks (owned by local authorities) geared towards servicing SMEs. These small local savings and co-operative banks account for the majority of credit institutions (source: Department for Business, Innovation and Skills). Consolidation of these institutions remains behind other European markets and is believed to be an essential reason why they are less innovative than in other European markets.

In the Netherlands, the banking sector is highly concentrated and dominated by a small number of large national banks. According to the ECB, the leading five Dutch-based banks account for around 85 per cent. of total banking assets.

While banks dominate the market share of outstanding loans across different geographies, enjoy high levels of awareness and can offer competitive rates, they are generally constrained by legacy IT systems and expensive branch networks, distracted by other strategic issues and focused on serving larger clients. This lack of focus on SMEs provides a major opportunity for online lending platforms.

Online lending platforms

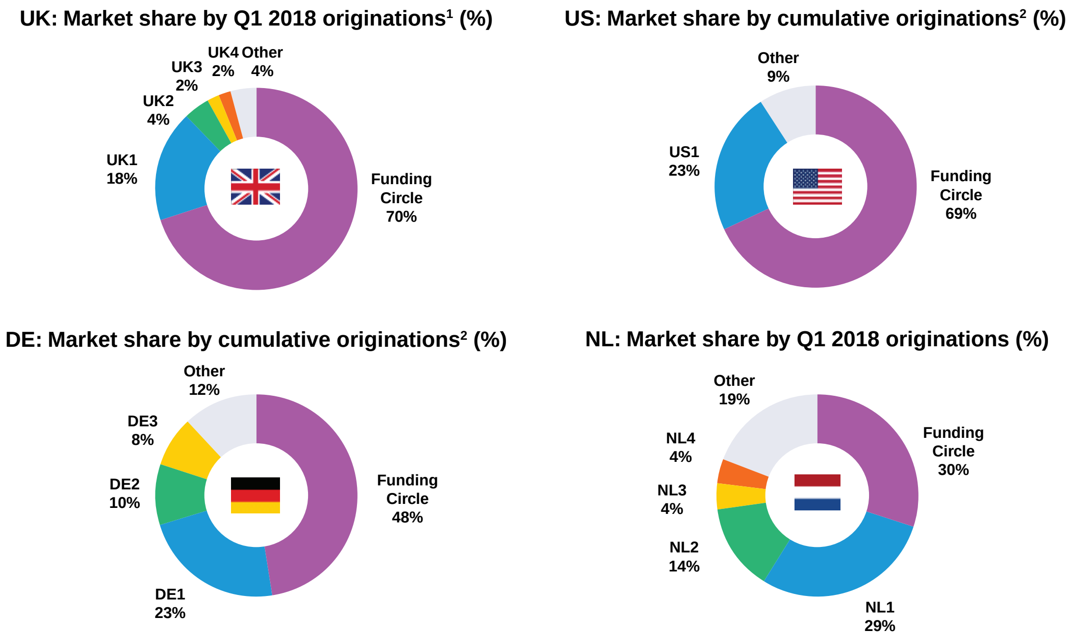
Online lending platforms provide an alternative source of funding for SMEs compared to traditional banks, and aim to offer fast and flexible financing at competitive prices through a simple online application. This can culminate in a better customer experience for potential borrowers. For investors, online lending platforms can provide an attractive source of risk-adjusted returns. The combination of borrower demand and investor supply enables online lending platforms to compete with banks in SME lending and unlock addressable loans that are economically unattractive to banks due to the costs associated with underwriting these segments for the banks.

While lending platforms generally place the full economic risk of the loans with the investors and do not assume the credit or funding risk relating to the loans they originate, their approach to credit risk must be robust in order to deliver attractive risk-adjusted returns for investors and retain their funding and confidence in the platform.

Key players

Online lending platforms have emerged around the globe, most prominently in the United States, the United Kingdom and China, and are expected to continue to emerge globally. Today, a wide variety of online lending platforms (see Fig. 5) offer a range of financing products, including term unsecured and secured loans, short term working capital loans, asset backed loans and property development loans.

Fig. 5: Relative market shares of SME lending platforms across markets



Source: OC&C analysis; AltFi, Cambridge Centre for Alternative Finance, Crowfundingmarkt.nl, company websites.

(1) OC&C analysis excludes invoice financing businesses as it is not directly comparable.

(2) OC&C estimate.

Specialist lenders

There are a number of different types of specialist lenders focused either on specific segments by product, such as asset finance or invoice finance; or specific segments by SME groups, such as short term financing at higher interest rates (e.g., more than 40 per cent. annual interest rate). These lenders serve a smaller portion of the overall market and differentiate themselves by offering very short-term loans at short notice, often to resolve liquidity shortages, and by offering same-day decision and funding. Loans in this segment often carry a higher risk and therefore higher interest rates. These specialist lenders typically have lower awareness levels than banks but have a broader risk appetite.

Captive networks

In recent years, e-commerce platforms, payment processors and telecommunication companies have provided lending products to their captive customer bases. These networks tend to serve specific industry segments of smaller SMEs with short-term loans in the lower spectrum of loan sizes. For example, SMEs are able to access working capital loans on platforms such as Amazon, PayPal or Square. The repayments are typically deducted from sales made on the platform.

The key advantage for these lenders is the ongoing visibility they have on a substantial portion of their borrowers' financial, with focus on transactional, activities. In addition, the servicing process is already facilitated as the borrowing merchants are connected to their systems and the contractual relationship is already in place. However, the business model is currently largely focused on offering lending products to SMEs who use their services. Hence, they currently serve a relatively small portion of the overall SME population.

Investor overview

Funding Circle classifies the Investors participating on its platform into four categories: institutional Investors, retail Investors, listed credit funds or investment trusts (e.g., FCIF), and supranationals and public bodies. These Investor groups are indicative of investors in other online lending platforms.

The capital currently committed by these investors to online lending platforms represents a very small proportion of the total pool of capital invested in the global fixed income market.

Institutional investors

Institutional investors encompass asset managers, banks, pension funds, endowment funds and insurance companies who allocate capital with the goal of earning suitable risk-adjusted returns. Institutional investors have increasingly shifted their investments towards alternative fixed income investments. Hence, the private credit industry is now lending to businesses at record levels and, having witnessed a CAGR of nearly 20 per cent. since 2000, is now expected to grow to $1 trillion by 2020, according to recent research by the Alternative Credit Council. As the platform lending industry has grown, it has increasingly been perceived by asset managers as a fixed-income investment that offers attractive risk-adjusted returns, and the ability to directly gain exposure to the SME credit asset-class. According to Preqin, the unutilised capital available of direct lending funds stood at $236 billion as of December 2017.

Retail investors

Retail investors can generally invest in loans through lending platforms in a variety of ways, including, in some cases, in a way that allows for preferential tax treatment. In the United Kingdom, direct investment can be made through an "Innovative Finance ISA", which allows retail investors to lend to borrowers in return for income within a tax-free wrapper. Innovative Finance ISAs are expected to significantly increase in popularity in the coming years as the range of investments available increases, and investor knowledge regarding the attractive returns from alternative asset classes such as lending platforms becomes widespread. In the United Kingdom, there were approximately £282 billion of UK ISA deposits as of May 2018 (source: Bank of England data provided by Building Societies Association (not seasonally adjusted)).

Listed credit funds or investment trusts

Permanent capital vehicles include publicly listed funds which invest directly in loans originated through platforms. There are currently two types of investment trusts: cross-platform funds (e.g., P2PGI) and single-platform funds (e.g., FCIF). Investment trusts have proven popular with both retail and institutional investors and are viewed as fixed-income investments. Many of these investment trusts are available in the United Kingdom for purchase through stocks and shares ISAs for retail investors to receive tax-free interest and capital gains. For institutional investors, investment trusts provide a liquid investment. Lending platform investment trusts have grown in popularity. In the United Kingdom, there were eight SME credit investment trusts listed on the London Stock Exchange as at 30 June 2018, and approximately £243 billion of fixed income funds under management for unit trusts and open-ended investment companies as at 31 December 2017 (source: UK Investment Association).

Supranationals and public bodies

Supranationals and public bodies seek to channel public funds to stimulate economic growth. Given the significant impact that SMEs have on job creation and economic growth, government-backed entities have provided and continue to provide various forms of funding to SMEs. More recently, they have directed funds towards SMEs using lending platforms as policy tools that support a country's economic agenda. This is part of a broader theme of governments stepping up efforts to foster a diversified financial offer for SMEs. In 2017 alone, the British Business Bank and the European Investment Fund provided nearly £27 billion in funding to small businesses (source: EIB).

PART 5
Regulatory Overview

The Group is subject to numerous laws and regulations in the various jurisdictions in which it operates. Set out below is a regulatory overview by jurisdiction.

The United Kingdom

Regulatory status

Funding Circle UK is authorised and supervised by the FCA. On 1 April 2014, the FCA assumed responsibility for regulating loan-based crowdfunding platforms. Funding Circle UK held interim permissions for credit brokerage and P2P lending platform activities until it became fully authorised on 24 May 2017. The regulated activities which Funding Circle UK is authorised to carry on are operating an electronic system in relation to lending, credit broking, debt administration, debt-collecting and agreeing to carry on any of these regulated activities. As a result, Funding Circle UK is subject to certain of the FCA's rules as set-out in its Handbook of Rules and Guidance (the "FCA Handbook").

In summary, the FCA Handbook specifically applies to Funding Circle UK in relation to the following activities:

(a) in respect of its platform, because it operates an electronic system in relation to lending;

(b) in respect of individual[5] (non-institutional) investors who use the platform to lend money to borrowers;

(c) in respect of sole traders and small partnerships (three or fewer non-corporate partners, and all of whom borrow in excess of £25,000) in terms of debt collection, debt administration and credit broking to the extent that such agreements are not P2P agreements ("P2P Agreements" or, as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), "article 36H agreements"); and

(d) in respect of any referrals to third parties of sole traders and small partnerships.

Central to the regulatory regime applicable to Funding Circle UK, and relevant to the identification of certain regulated and non-regulated activity, is the nature of a P2P Agreement.

Applicable law

Funding Circle UK is subject to regulatory rules with respect to prudential requirements, client money protection, financial promotion, conduct of business and anti-money laundering ("AML"). Further detail on some of the key rules that relate to Funding Circle UK is set out below.

(a) *Wind-down planning*. Firms are required to have resolution plans in place so that, if they are unable to continue their loan servicing responsibilities, loan repayments will continue to be administered. Funding Circle UK's wind-down plan sets out the transfer of responsibility for servicing loans to one or more backup service providers, and the subsequent return of client money to investors and cancellation of regulatory permissions.

(b) *Prudential requirements*. Firms are currently subject to a minimum prudential requirement of the higher of £50,000 or, as in Funding Circle UK's case, a volume-based amount calculated as the sum of certain proportions of loaned funds outstanding. This is intended to ensure continuity of operations in the case of future financial shocks.

(c) *Financial promotions and client communications*. The FCA requires firms to provide clients with a general description of the nature and risks of designated investments, and requires that all communications and financial promotions from firms to clients be fair, clear and not misleading. The FCA has produced specific guidance for firms offering Innovative Finance ISAs on the requirement to provide clients with a general description of the nature and risks of designated investments (see "*Innovative Finance Individual Savings Account*" in this Part 5 (Regulatory Overview)).

(d) *Client money.* Money received from an individual (non-institutional) investor to lend to borrowers and repayments from borrowers to be paid back to such investors is, while the firm is holding it, 'client money' held by the firm for or on behalf of the client in relation to investment business. Funding Circle UK holds client money as it operates a P2P platform that generates investment business and is therefore

[5] "individual" means (a) a natural person, (b) a partnership consisting of two or three persons not all of whom are bodies corporate; or (c) an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership.

subject to the client money rules contained in Chapter 7 of the FCA's Client Assets Sourcebook ("CASS") to that extent. While these client money arrangements therefore apply where there are P2P Agreements, Funding Circle UK has made arrangements to elect to treat money held for other investor types also as 'client money'.

(e) *Consumer credit and regulated debt collection*. Entering into a "regulated credit agreement" as a lender is a regulated activity if done so by way of business. A regulated credit agreement is, broadly, an agreement under which a lender (lending in the course of business) extends credit to individuals, sole traders, small partnerships or unincorporated bodies of persons. Funding Circle UK permits a person to participate on the platform as a borrower only if it is acting in the course of its business. The question of whether a loan made through the platform is a regulated credit agreement arises, therefore, only where the borrower is a sole trader or a small partnership. A credit agreement will not be a regulated credit agreement if it is an "exempt credit agreement". A credit agreement will be an exempt credit agreement if the credit exceeds £25,000 and if the agreement is entered into wholly or predominantly for the purposes of a business carried on by the borrower. On Funding Circle UK's platform, the minimum amount which sole traders and small partnerships can borrow is £25,020 and this must be wholly for business purposes. When lending in excess of £25,000 to sole traders and small partnerships for purposes wholly or predominantly for the purposes of their business, lenders, even where lending in the course of their business, do not need to be authorised and would not be subject to the applicable regulatory rules in the FCA's Consumer Credit Sourcebook ("CONC").

Funding Circle UK is authorised to carry on the regulated activities of debt collection and debt administration, in order to facilitate the collection of debt from sole traders and small partnerships where there is no P2P Agreement. When Funding Circle UK carries on these activities, it is subject to certain requirements in CONC, for instance rules on treatment of customers in default or arrears.

(f) *AML*. The majority of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("MLRs")[6] apply to "relevant persons", pursuant to Regulation 8(1) of the MLRs. A category of relevant person is "financial institutions". Funding Circle UK considers itself to be a financial institution for the purposes of the MLRs and consequently seeks to comply with the provisions of the MLRs, which include rules on risk assessment and controls, customer due diligence and record-keeping.

Further, under the FCA's Senior Management Arrangements, Systems and Controls handbook ("SYSC"), firms such as Funding Circle UK are required to establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the firm, including its managers, employees and appointed representatives (or where applicable, tied agents), with its obligations under the regulatory system and for countering the risk that the firm might be used to further financial crime. The firm's policies and procedures must include systems and controls that: (1) enable the firm to identify, assess, monitor and manage money laundering risk; and (2) are comprehensive and proportionate to the nature, scale and complexity of its activities.

Funding Circle UK is not, and does not need to be, registered under the MLRs as the FCA already supervises its anti-money laundering systems and controls. Funding Circle UK has a person approved as a CF11 (Money Laundering Reporting).

(g) *Innovative Finance Individual Savings Account.* In June 2017, Funding Circle UK became approved as an Individual Savings Account manager by HMRC. Funding Circle offers the Innovative Finance Individual Savings Account ("IFISA"), which allows individuals to use their annual ISA investment allowance to lend funds through the P2P lending market, while protecting the returns from both income tax and capital gains tax. Existing disclosure-related rules within the FCA's Conduct of Business Sourcebook apply to firms offering IFISAs. The FCA has also provided guidance on the information it expects firms to disclose to consumers about the relevant risks that a firm should give a retail client in relation to an IFISA.

Other UK entities in the Group

Funding Circle Global Partners Limited ("FCGP") currently carries out limited capital markets activities (other than in the United States), primarily involving marketing to institutional Investors. FCGP is an appointed representative of a third party directly authorised by the FCA and so is an exempt person for the purposes of section 39 of FSMA and does not need to be authorised.

[6] With the exception of part 7 (Transfer of Funds (Information on the Payer) Regulations).

The legal title of a loan in default is assigned to Funding Circle Trustee Limited ("FCTL"). The Investors retain beneficial title, and Funding Circle UK carries out the enforcement of the loan. Funding Circle UK is authorised by the FCA to carry on the regulated activity of debt collection, which is a consumer credit permission required where Funding Circle UK enforces loans against sole traders and small partnerships when not collecting pursuant to a P2P Agreement. These arrangements do not affect the prudential requirements of FCTL or Funding Circle UK. FCTL is not itself authorised.

Key potential changes in the regulatory and legislative framework

Set out below are the key potential changes in the regulatory and legislative framework that could affect Funding Circle UK.

FCA consultation paper on new rules

As noted above, the FCA assumed responsibility for the crowdfunding market in 2014. The FCA committed to carry out a full post-implementation review of this market and the applicable regulatory framework, in particular in relation to investor protection, in 2016, to identify whether further changes were required to the regulatory framework that applies to equity-based and loan-based P2P platform operators. The FCA published the Call for Input, seeking evidence as part of its review in July 2016 and published its proposed changes to the regulatory framework in a consultation paper released on 27 July 2018. Responses to the consultation are requested by 27 October 2018 and the FCA has proposed that the new rules should come into force six months from publication of the final rules and policy statement.

Based on its proposals, the FCA believes it is necessary to strengthen the investor protections provided by its rules, while continuing to ensure it promotes competition in the sector. The FCA has invited responses to the following specific proposals:

(a) *Risk management framework*. The FCA has proposed prescriptive rules for a risk management framework that requires, as a minimum, that a platform gathers enough information to competently assess the creditworthiness of its borrowers, to categorise borrowers according to its credit risk, and to price loan agreements fairly and appropriately given the credit risk profile of a borrower.

(b) *Governance.* Building on the existing requirement to have in place robust governance arrangements, the FCA proposes to additionally require P2P platforms to establish, implement and maintain adequate risk management policies and procedures, including effective procedures for risk assessment, which identify, manage and monitor risks relating to their activities, processes and systems.

(c) *Marketing restrictions.* The FCA has proposed certain marketing restrictions in line with those currently required for equity-based platform operators.

(d) *Wind-down planning*. Under the FCA's current rules, firms should have arrangements in place such that, in the event of their failure, existing loans continue to be administered. The FCA proposes to strengthen the rules to ensure that the agreements facilitated by a P2P platform are capable of being managed and administered, in accordance with the contract terms, if the platform ceases to carry out those functions itself and to require platforms to have a 'P2P resolution manual'.

(e) *Disclosures to potential investors*. The FCA has concerns about the quality of communications with potential investors, particularly financial promotions, and is concerned that standards of disclosure do not meet its expectations. The FCA proposes more prescriptive requirements on the content, quality and timing of disclosures to customers both before and during the lifecycle of the underlying P2P agreements.

The Directors do not believe that any rules resulting from the proposed changes would materially affect the way which Funding Circle UK currently carries on its business.

Treasury Committee inquiry

On 19 February 2018, the Treasury Committee of the House of Commons opened an inquiry into the state of the SME finance market. The inquiry will consider:

(a) the level of protection currently afforded to SMEs when they borrow money;

(b) the case for bringing lending to SMEs within the regulatory perimeter, including (i) the likely impact on the supply of, and demand for, credit; and (ii) lessons learned from past misconduct; and

(c) other non-regulatory or quasi-regulatory options for policing SME lending, such as the establishment of industry codes and standards.

As at the date of this Registration Document, the Treasury Committee has not published any documents concluding this inquiry or provided guidance on any potential legislative or regulatory change.

European Commission proposal

On 8 March 2018, the European Commission put forward a proposal to regulate crowdfunding and P2P business lending in the European Union. The overall aim of the initiative is to enable growth in EU-wide crowdfunding activity in order to develop the sector's potential and to better enable access to funding by small businesses throughout the European Union. The European Commission's Capital Markets Union Action Plan places great emphasis on strengthening the different sources of alternative finance, including crowdfunding, and is also a key component of the European Commission's FinTech Action plan.

The European Commission's proposal introduces an optional EU regime which seeks to enable crowdfunding platforms to provide their services across the "EU Single Market". Instead of having to comply with different regulatory regimes in relation to their core activities, platforms can elect to comply with only one set of rules, both when operating in their home market and in other Member States. The proposal is, as at the date of this Registration Document, in the legislative process so amendments are possible.

The United States

Authorisation and licensing

Certain companies within Funding Circle US engage in online lending to SMEs, as well as related capital raising activities, in the United States. Lending platforms, such as Funding Circle USA, Inc., operate in an extensive and complex regulatory environment, one which is not regulated at the federal or state level by one unified regulator. As a result, Funding Circle USA, Inc. is subject to various federal and state laws common to the financial services industry and intended to protect Borrowers and Investors.

Lending

In the United States, the Group does not make loans to consumers and therefore believes that it is not subject to various licensing and other requirements applicable to businesses involved in those activities that are, in many cases, more burdensome than those applicable to lending solely to SMEs. The Group is, however, regulated state-by-state as a non-bank commercial lender.

Unlike certain other lending platforms operating in the United States, the Group does not conduct its activities based upon a contractual relationship with a regulated bank or other similarly regulated financial institution. Instead, the Group conducts its platform lending activities in the United States on the basis that (a) the Group complies with all applicable US federal laws, (b) where state laws require a license to conduct those activities, the Group acts under the authority of such a license, and (c) where state laws make it clear those activities may be conducted within parameters specific to activities exempted from or not requiring licensing, the Group conducts those activities within such parameters.

The Group offers loans to SMEs in all but one of the 50 states (Nevada) and also in the District of Columbia, and the Group has obtained licenses to lend in California, Florida, North Dakota, South Dakota and Vermont.

Although most states do not impose interest rate limits on commercial loans (or do not impose such limits if a lender is properly licensed), certain states have enacted usury laws that limit the interest, fees or other charges that a lender may charge for such loans.

Capital raising

Funding Circle US operates an online investment platform through which eligible Investors can directly or indirectly invest in SME loans originated by the Group. Certain of these investment programs are subject to federal and state laws relating to the offering and issuance of securities and impose liabilities for, among other things, false or misleading disclosure in connection with such offerings and issuances. Currently, eligible Investors in loans originated through the Group's US platform only include institutional investors and accredited investors, as defined in Rule 501(a) of Regulation D promulgated under the US Securities Act.

Summary of applicable laws and regulations

Capital

Unlike banks or similarly regulated financial institutions in the United States, Funding Circle USA, Inc. is not subject to capital adequacy or other similar guidelines applicable to banks pursuant to the Basel III framework.

Specific federal and state laws

Categories of US federal and state laws and related regulations to which the Group's activities may be subject include, but are not limited, to: (1) state licensing and usury laws and other substantive state regulations that impose requirements related to loan disclosures and terms, credit discrimination, credit reporting, debt collection and unfair, deceptive or abusive acts or practices (as described in more detail in *"—Lending*" above); (2) federal and state securities laws (e.g., the US Securities Act, the US Securities Exchange Act, the Investment Company Act, the Investment Advisers Act, and various state "blue sky" laws), which shape the form and manner in which the Group raises capital in the United States to fund loans originated by the Group; (3) the ECOA, which makes it unlawful to discriminate against any credit applicant on the basis of race, color, sex, age, religion, national origin, marital status and other criteria; (4) the Fair Credit Reporting Act, which promotes the accuracy, fairness, and privacy of consumer information in the files of credit reporting agencies and regulates the collection, dissemination and use of such information; (5) anti-money laundering requirements (e.g., the Bank Secrecy Act, as amended by the Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001), which impose certain customer identification, verification and screening procedures with regard to the onboarding of new Borrowers and Investors by the Group; (6) privacy and data regulations (e.g., the Gramm-Leach-Bliley Act), which safeguard personal customer information through limitations on the sharing and disclosure by financial institutions of nonpublic personal information about a consumer to affiliated and nonaffiliated third parties; (7) electronic transactions legislation (e.g., the Electronic Signatures in Global and National Commerce Act and the Uniform Electronic Transactions Act), which authorise the creation of legally binding and enforceable agreements utilising electronic records and signatures; (8) the Servicemembers Civil Relief Act, which requires the Group to adjust the interest rate for obligors who are military members and request, under this legislation, to suspend or postpone certain civil obligations to devote themselves to military duties; (9) the Telephone Consumer Protection Act of 1991, which includes limitations on telemarketing, auto-dialed and pre-recorded calls, text messages and unsolicited faxes; (10) Section 5 of the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices in or affecting commerce and (11) the Dodd-Frank Act, particularly in relation to the rules newly promulgated under Section 15G of the US Exchange Act, as amended by the Dodd-Frank Act, in relation to risk retention, as described in more detail elsewhere in this Registration Document. The Group believes that, as at the date of this Registration Document, it is in compliance with the foregoing legislation and the rules and regulations enacted under it.

Regulatory developments in the platform lending sector, with particular regard to credit risk retention

Currently, members of the Group assist in the formation of capital markets vehicles that issue debt securities backed by (or whose payments are based on payments made on) pools of commercial loans (or fractional interests therein) originated by the Group. In order to avoid potential adverse legal and tax consequences of having these capital market vehicles being deemed to be the originators of these credit assets, the Group will typically hold the credit assets for a limited period of time prior to transfer, and the Group will therefore bear the credit risk of such credit assets during such limited period.

The Group intends to continue to operate the 'platform' model in the United States and elsewhere (e.g., where loans originated through the Group's platform in the different geographies are allocated to third-party Investors via the platform in such geography). In the United States, however, the Group may nonetheless be required to invest in and hold on its balance sheet, either directly or indirectly, a portion of any securities issued in connection with a securitisation transaction involving loans facilitated through its platform. Rules newly promulgated under Section 15G of the US Exchange Act (as amended by the Dodd-Frank Act) require that the "sponsor" of a "securitization transaction" acquire not less than 5 per cent. of the credit risk of the securitised assets. These newly adopted rules further prohibit the "sponsor" from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that it is required to retain during the period specified under the rules. See "*Future legal or regulatory developments, including those relating to the retention of credit risk as mandated by Section 15G of the US Exchange Act, credit rating downgrades, market volatility, market disruptions or other factors, could impede the Group's ability to form or assist in the formation of bespoke capital markets vehicles on a timely basis or upon advantageous terms. These developments may also increase the risk of litigation*" in Part 1 (Risk Factors).

Germany

Authorisation

Funding Circle Deutschland GmbH (Funding Circle Germany) is licensed to carry out financial investments brokering (*Finanzanlagenvermittlung*) and credit brokering (*Kreditvermittlung*) pursuant to Sec. 34f para. 1

sentence 1 and Sec. 34c para. 1 sentence 1 no. 2 of the German Industrial Code (*Gewerbeordnung,* or "GewO"). It is therefore subject to the supervision of the local trade supervisory authority (*Gewerbeaufsicht*).

Funding Circle Germany does not originate loans itself and does not hold client funds. It cooperates with a partner bank, Wirecard Bank AG, a German credit institution, which grants the loans to Borrowers (only entrepreneurs in the meaning of Sec. 14 of the German Civil Code (*Bürgerliches Gesetzbuch*), i.e. a natural or legal person or a partnership with legal personality who or which, when entering into a legal transaction, acts in exercise of his or its trade, business or profession). Wirecard Bank AG then sells its repayment claim and assigns the loan receivables to an intermediary entity, Funding Circle Connect GmbH, which in turn, sells and assigns these loan receivables to Investors (including retail Investors). Funding Circle Germany is furthermore exempted from the application of the German Banking Act (*Kreditwesengesetz, or* "KWG") pursuant to Sec. 2 para. 6 no. 8 lit. e. KWG since it only renders investment brokerage services between Investors and a domestic credit institution. Funding Circle Germany is not, and does not currently need to be, supervised by BaFin.

Before the Group's acquisition of Zencap Deutschland GmbH, which was renamed "Funding Circle Deutschland GmbH", BaFin confirmed in May 2015 that the crowdlending business model of Zencap Deutschland GmbH did not require a banking or financial services license under the KWG (and hence does not fall under its supervision).

Funding Circle Connect GmbH is not registered as a factoring company and therefore is not authorised by BaFin. Apart from its confirmation of May 2015, BaFin has stated in a circular on crowdlending business models that an intermediary, such as Funding Circle Connect GmbH, does not carry on factoring business provided that certain conditions apply. The Group believes that it fulfils these conditions since there is no framework agreement between Wirecard Bank AG and Funding Circle Connect GmbH and the assignments do not serve a financing purpose.

Summary of applicable rules

Due to its authorisation as financial investments broker and credit broker, Funding Circle Germany is subject to the provisions under the GewO. In general, the regime provides that the local trade supervisory authority has sanctioning rights, particularly if there are doubts regarding the reliability and suitability of the licensed entity, including its representatives to carry out the business.

In addition, the business model of Funding Circle Germany is subject to the "Regulation on the Intermediation of Financial Investments" (*Verordnung über die Finanzanlagenvermittlung,* or "FinVermV"). The FinVermV provides for conduct duties, organisation and suitability requirements. In particular, when an entity such as Funding Circle Germany is providing financial investment brokering, that entity must provide certain information to Investors, such as information on remuneration and inducements received, and costs and risks regarding the financial investment products.

Further, in principle, the Investment Product Act (*Vermögensanlagegesetz*, or "VermAnlG") applies to investment products (*Vermögensanlagen*), which includes the loan receivables which are assigned to investors pursuant to Sec. 1 para. 2 no. 7 VermAnlG. The entity offering the investment product to the public must generally issue a prospectus and/or product information sheet (*Vermögensanlagen-Informationsblatt*) which is subject to the rules under the VermAnlG if they are offered to the public (pursuant to Sec. 1 para. 1 VermAnlG). In principle, the lending platform itself is not considered as promoting the investment product, however, the credit institution or the intermediary entity assigning the loan receivables (in the case of the Group, Funding Circle Connect GmbH) are regarded as being the addressees of such rules. The VermAnlG stipulates certain *de minimis* provisions which exempt the addressees from most of the provisions under the VermAnlG including the obligation to issue a prospectus or a product information sheet.

Amongst others, this applies to the offering of "shares" in an investment product if the shares do not exceed EUR 100,000 within 12 months pursuant to Sec. 2 para. 1 no. 3b) VermAnlG. Since aggregate loan receivables in respect of any Borrower, assigned to retail Investors on the Funding Circle Germany "partial loan" marketplace, are limited to EUR 100,000, the VermAnlG is not applicable in the present case. Before an investment product is offered on the "partial loan" marketplace, Funding Circle Germany seeks to ensure that there will be no new shares of that investment product offered within 12 months. To this end, Funding Circle Germany has processes in place to perform backward and forward looking checks. If retail Investors do not accumulate sufficient funds for a project, it will either be issued on a reduced amount or cancelled. Institutional Investors (i.e. "entrepreneurs") are able to lend up to EUR 250,000 on the Funding Circle Germany platform. In this regard, the Group considers that the offers do not fall within the scope of the VermAnlG because they are not made to the public. Apart from that, either the exemption under Sec. 2 para. 1 no. 4 VermAnlG (offerings which are made to persons who acquire/sell investment products commercially) or pursuant to Sec. 2

para. 1 no. 3a) VermAnlG (offerings of investment products are limited to 20 shares) applies with regard to institutional Investors. As, in principle, one of the exemptions under Sec. 2 VermAnlG is applicable, there is currently no need to make use of section 2a VermAnlG which exempts offerors from preparing a prospectus.

There is no other statutory bespoke crowdlending regime in Germany. BaFin has issued a circular providing guidance on crowdlending, including a description of different types of business models and the potential regulatory implications which might apply to the specific business models.

Key potential changes in the regulatory and legislative framework

The coalition agreement of the future German Government published on 7 February 2018 indicates a possible change in the supervision of financial investments brokering. However, as at the date of this Registration Document, it is not yet clear how extensive any such changes will be.

The Netherlands

Dutch regulatory framework

In the Netherlands, the Group operates a direct crowdlending model, where loan agreements are entered into directly between Borrowers and one or more (retail and/or commercial) Investors.

As such, there is currently no bespoke domestic regulatory regime applicable to crowdlending platforms facilitating loans to SMEs in the Netherlands. In order to be able to operate in the Netherlands, however, such platforms are required to obtain an exemption (*ontheffing*) from the AFM from the prohibition to act as intermediary in relation to attracting repayable funds (in accordance with Section 4:3 paragraphs (1) and (4) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, or "DFSA")).

After obtaining such exemption, platforms are required to comply on an ongoing basis with certain requirements and conduct of business rules as issued by the AFM and pursuant to the Dutch Decree on Conduct of Business Supervision (*Besluit Gedragstoezicht financiële ondernemingen Wft*, or "Bgfo"). The AFM monitors and supervises the industry and its compliance with these requirements.

Authorisation of Funding Circle NL

Funding Circle NL currently operates under an exemption issued by the AFM as referred to above (the "AFM Exemption").

The AFM Exemption was first issued to Funding Circle NL by the AFM on 24 December 2014 and last amended on 19 September 2017. Funding Circle NL is required to comply with the requirements set out in the AFM Exemption including a EUR 80,000 investment cap for retail Investors and the obligation for Funding Circle NL to publish proposals for new loans (together with all required information) at least 48 hours before Investors can place funding offers. In addition, Funding Circle NL is required to comply with the following requirements stemming from the Bgfo:

(a) the trustworthiness of the policymakers of Funding Circle NL must at all times be beyond doubt;

(b) the policymakers of Funding Circle NL must possess suitable skills and expertise for the performance of their tasks and duties;

(c) Funding Circle NL must have an adequate policy safeguarding controlled and sound business operations;

(d) Funding Circle NL may not be affiliated with persons in a formal or factual control structure that is opaque and as such prevents or may prevent adequate supervision by the AFM; and

(e) Funding Circle NL must ensure adequate customer complaint handling.

Key potential changes in the regulatory and legislative framework

Set out below are the key potential changes in the regulatory and legislative framework that could affect Funding Circle NL.

Public consultation on crowdlending regime

On 12 October 2017, the Dutch Ministry of Finance issued a questionnaire for public consultation asking market participants to present their views on a suitable and desirable framework for a crowdlending regime to be introduced under Dutch law in due course. The consultation period has in the meantime lapsed and it is expected that the Dutch legislator will publish a draft legislative proposal in due course. At this stage, the contents and impact of any such proposal for a new crowdlending regime and the expected timing of its implementation remain unclear.

PSD2

Stichting Derdengelden Funding Circle currently handles cash flows between Investors and Borrowers connected by Funding Circle NL. Funding Circle NL does not consider Stichting Derdengelden Funding Circle to require a license as a payment services provider under proposed Dutch legislation implementing the Directive 2015/2366/EU (*PSD2*), although, as at the date of this Registration Document, it has not had formal written confirmation.

PART 6
Business Description

This Part 6 (Business Description) should be read in conjunction with the more detailed information contained in this Registration Document including the financial and other information appearing in Part 9 (Operating and Financial Review). Where stated, financial information in this section has been extracted from Part 10 (Historical Financial Information).

Overview

SMEs have historically been underserved by businesses and service providers across a range of industries. While innovation in technology and software over the last decade has helped SMEs across various industries to reach new geographies, increase their productivity and streamline processes, when it comes to securing financing, traditional lending channels have not kept pace in terms of both access and experience, with bank lending to SMEs significantly contracting over the past several years, given the increasing focus on corporate and consumer lending. Traditionally, SME lending has often been neglected by banks as it does not naturally sit within the commoditised retail lending space nor the larger ticket corporate lending segment of banks' operations—in many banks it moves between the two divisions.

With a mission of building a better financial world and igniting opportunities for SMEs, Funding Circle has developed a highly efficient and effective platform that enables SMEs to borrow money directly from Investors, creating opportunities for both. Funding Circle's aim is to help SMEs grow by providing them with streamlined access to capital. Its lending platform is centred on serving and building long-term relationships with Borrowers, which translates into high repeat rates as Borrowers seek more financing as they continue to grow. This enables Funding Circle to grow with its Borrowers. For Investors, Funding Circle aims to provide an alternative asset class to the investor community who have suffered from a decade-long trend of poor yields since the global financial crisis.

Funding Circle uses its cutting-edge technology, proprietary credit models and sophisticated data analytics to create an attractive and convenient proposition for Borrowers and Investors, providing SME Borrowers with fast and flexible financing at competitive prices through a simple online application, and Investors with attractive risk-adjusted returns[7]. Through its platform, Funding Circle is contributing to the growth of the SME lending market and expanding access to financing at competitive and transparent pricing. Funding Circle has become a leading global SME loans platform, having facilitated more than £5 billion in loans to over 50,000 SMEs, with more than £2.5 billion under management as at 30 June 2018. In 2017 alone, loans facilitated through Funding Circle's platform contributed to £3.9 billion of gross value added to GDP and enabled more than 75,000 jobs[8]. Founded in the United Kingdom in 2010, Funding Circle now operates in the United Kingdom, the United States, Germany and the Netherlands.

The efficiency and effectiveness of Funding Circle's platform, as well as its singular SME focus and credit and risk management expertise, have allowed it to achieve consistently high Borrower satisfaction rates, with a Net Promoter Score of 89 in each of the United Kingdom and the United States in the second quarter of 2018 (a "world class" rating), resulting in rising repeat rates and driving increased revenue and margins. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform were made to repeat Borrowers, and the Directors believe that, as Funding Circle continues to grow and facilitate the development of more SMEs, these repeat rates will continue to increase. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future.

Funding Circle also benefits from a diverse pool of Investors lending through its platform, including retail Investors, banks, asset management companies, insurance companies, government-backed entities and funds, providing it with diverse and stable funding from a range of Investors, with 45 per cent. of funding since the beginning of 2016 coming from global Investors (i.e. Investors who invest in more than one of Funding Circle's geographies). The 2017 cohort of loans is projected to deliver returns ranging from 4.6 per cent. to 7.6 per cent. per annum[9] across the different geographies. 85 per cent. of Funding Circle's platform funding in 2017 and H1 2018 came from repeat Investors, demonstrating Investors' satisfaction with Funding Circle's proposition and model.

7 Based on historical performance and return rates.

8 According to Oxford Economics.

9 Based on Funding Circle's models as at 30 June 2018.

Funding Circle invests heavily in technology, data and analytics to drive customer experience and efficiency. Funding Circle follows a modern approach towards technology and is not burdened by the challenges and maintenance costs related to legacy systems, in contrast to many bank competitors. Funding Circle's technology infrastructure is purpose-built from the ground up, with the ability to harness third party computing resources as it scales.

Funding Circle approaches risk management by blending practices from the financial services industry with innovation in technology and data and analytics. Even though Funding Circle does not assume the credit or funding risks relating to investments in loans facilitated through its platform[10], its approach is focused on blending the robustness of leading financial institutions with a data driven approach using proprietary scoring models and data analytics techniques to enhance the precision and efficiency in predicting credit risk and performance. This enables Funding Circle to ultimately construct loan portfolios that achieve attractive risk-adjusted returns for Investors.

The Directors believe that Funding Circle's scale and self-reinforcing business model will drive continual improvement and increased competitive advantage, creating a virtuous circle that will continue to enhance its competitive position and drive market share across its current and future geographies.

From a cultural standpoint, Funding Circle has developed a strong and engaged culture in each of its offices, as well as a set of five core values that represent who Funding Circle is and how the team behaves; they are 'Made to do More':

- *Think Smart*: Challenge assumptions, seek insights and make informed decisions. Everyone has a voice, so be ambitious.
- *Make It Happen:* Be courageous and take ownership. Take small steps fast and commit to seeing it through.
- *Be Open*: Treat everybody with respect and be honest with each other. Transparency and integrity build trust.
- *Stand Together*: Listen, understand and support each other. Win or lose as one.
- *Live the Adventure*: Bring your passion with you every morning, and have fun.

In the United Kingdom, Funding Circle has frequently been featured in *The Sunday Times'* "Best Company to Work For" list. Most recently, Funding Circle UK was named as the 16th Best Company to Work For in *The Sunday Times'* 2018 annual survey.

This entrepreneurial and creative culture of Funding Circle and its leadership team have allowed it to grow rapidly, while delivering an improving financial profile. Cumulative originations in new geographies have grown at comparable or faster rates than the United Kingdom.

The following table sets out certain key financial and operating metrics of Funding Circle, for the periods indicated.

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
		(unaudited, unless otherwise indicated) (£ million, unless otherwise indicated)			
Loans under Management	860	1,362	2,107	1,705	2,584
Originations	721	1,065	1,738	797	1,043
Number of loans originated	9,568	13,724	23,350	10,734	14,783
Transaction yield	3.6%	3.7%	4.4%	4.1%	4.8%
Servicing yield	1.0%	1.0%	1.0%	1.0%	1.0%
Marketing spend as a percentage of revenue	64%	49%	41%	38%	39%
Revenue(1)	32.0	50.9	94.5	40.9	63.0
Segment Adjusted EBITDA(1)	(22.1)	(26.5)	(3.9)	(3.0)	0.9
Segment Adjusted EBITDA Margin	(69)%	(52)%	(4)%	(7)%	1%
Adjusted EBITDA(1)	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Adjusted EBITDA Margin	(111)%	(80)%	(27)%	(32)%	(26)%
Free Cash Flow	(45.5)	(46.1)	(35.3)	(21.1)	(24.2)

Notes:

(1) Audited for the three years ended 31 December 2015, 2016 and 2017 and H1 2018.

(2) For more information on the definition and calculation of these metrics, including a reconciliation to Funding Circle's reported historical financial information prepared on an IFRS basis, where relevant, please see "Non-IFRS financial information" and "Key performance indicators", each in Part 2 (Presentation of Financial and Other Information).

10 Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

Funding Circle's History

Along with other parts of the economy, SMEs were severely impacted and underserved following the global financial crisis. With a mission to build a better financial world and, in doing so, ignite opportunities for SMEs, Samir Desai CBE, James Meekings and Andrew Mullinger founded Funding Circle in 2010. It was among the first pure platforms globally to focus on SME lending.

In August 2011, Funding Circle, together with two other founding members, formed a self-regulated body for platform lending in the United Kingdom, the Peer-to-Peer Finance Association.

Funding Circle began expanding beyond the United Kingdom and into international markets in 2013. In October 2013, Funding Circle expanded its operations into the United States, through its acquisition of Endurance Lending Network (now Funding Circle US), a lending platform focused on SME loans. Since then, Funding Circle has grown the US platform from annual originations of less than £2.0 million in 2013, to more than £395 million in 2017, with a total of 8,283 loans originated over the period. In October 2015, Funding Circle acquired the Zencap Group (now Funding Circle Continental Europe), a lending platform with operations in Germany, the Netherlands and Spain, to gain exposure to continental European markets. Funding Circle has now become the leading online SME loan provider in both the German and Dutch markets[11]. In January 2017, following market testing and a recognition of the different dynamics of the Spanish market, Funding Circle took the formal decision to withdraw from Spain (with originations ceasing as from the third quarter of 2016). Spanish Loans under Management represented less than 0.1 per cent. of Funding Circle's total Loans under Management at the time it decided to exit the Spanish market.

In April 2016, Funding Circle US, together with two other founding members, formed the Marketplace Lending Association, a trade association focused on promoting responsible business practices and sound public policy.

In May 2017, the FCA granted full authorisation to Funding Circle UK, subsequently enabling it to apply for authorisation from HMRC as an ISA Manager and launch the "Innovative Finance ISA" in November 2017. This means that retail Investors can lend to Borrowers in return for income within a tax-free wrapper.

Since its inception, Funding Circle has positioned itself to continue growing as a global leader in the platform lending industry. It has regularly been praised by various policymakers and governments, who have increasingly shown support for its contribution to SMEs and the economy more generally, having facilitated more than £5 billion in loans to SMEs and supported over 50,000 businesses in total.

Funding Circle has also attracted more than 80,000 Investors in total to its platform across the various geographies in which it operates, comprising a wide range of retail Investors, leading financial services institutions as well as supranationals and public bodies. For example, in March 2013, the British Business Bank began investing in loans originated through Funding Circle's platform and has now lent more than £133 million to SMEs through Funding Circle's retail platform. In November 2015, Funding Circle facilitated the creation of the first single-platform publicly listed vehicle in the world, FCIF, whose shares are listed on the London Stock Exchange and, as at 30 June 2018, had £476 million in gross assets under management. In June 2016, the EIB agreed to invest £100 million in loans originated through Funding Circle's platform, which represented the first deployment of EIB funding through a lending platform. In August 2017, Funding Circle and Dutch financial services group, Aegon, agreed a partnership whereby Aegon committed to lend to SMEs through Funding Circle's platform over four years, with more than £160 million to be invested over the first 12 months.

Through six rounds of equity capital raises between March 2011 and May 2017, Funding Circle has raised approximately £250 million and has attracted blue-chip shareholders including Accel, Baillie Gifford, a fund managed by BlackRock, DST Global, Index Ventures, Ribbit Capital, Sands Capital, a Temasek investment vehicle and Union Square Ventures.

Competitive Strengths

The Directors believe that Funding Circle's competitive strengths are as follows:

Leading global platform in a large, underserved SME lending market

Funding Circle is a leading global SME loans platform, having facilitated more than £5 billion in loans to SMEs since its founding. In 2017 alone, £1.7 billion in loans were originated through Funding Circle's platform, with cumulative originations in new geographies growing at comparable or faster rates than the United Kingdom. Loans under Management amounted to £2.1 billion as at 31 December 2017. Funding Circle's origination levels continued to grow in H1 2018, with more than £1.0 billion in loans originated during

[11] By Q1 2018 originations for the Netherlands and cumulative originations for Germany, according to OC&C analysis and estimates.

that period, and more than £2.5 billion in Loans under Management as at 30 June 2018, making Funding Circle the leading online SME loan provider across the United Kingdom, the United States, Germany and the Netherlands[12]. This volume and pace of originations reflects Funding Circle's global scale, its established brand and cutting-edge technology, and the benefits of integrated functions and infrastructure across its geographies.

The target addressable SME lending opportunity in Funding Circle's markets is estimated to comprise £470 billion of loans outstanding[13]. Significant opportunities exist to further penetrate the current addressable market and also for further growth by expanding Funding Circle's addressable market through product or geographic expansion, as the total SME debt lending market in these geographic markets is estimated to be £1.2 trillion[14], with a much larger global addressable SME lending opportunity as Funding Circle currently operates in geographies that account for approximately 34 per cent. of global GDP (as of 2016). Although Funding Circle has grown rapidly, it still accounts for only a fraction of the market, with a 1.9 per cent. share of the addressable market in the United Kingdom and less than 0.5 per cent. share across all four geographies taken together, as at 31 December 2017.

Despite the attractiveness of the large addressable SME lending market, SMEs continue to be underserved by businesses and service providers across a range of industries. In 2017, UK-resident banks' net lending[15] to SMEs was £677 million according to Oxford Economics, while Investors participating on Funding Circle's UK platform alone lent £598 million, on a net basis. Chancellor Philip Hammond has praised Funding Circle as a "real success story for British Fintech" that is "changing the financial landscape for small businesses and investors globally, ensuring a better deal for everyone and helping to create a more sustainable and fairer economy".

Through its value proposition, Funding Circle is ensuring access to financing for SMEs in a relatively stagnant lending market. While innovation in technology and software over the last decade has helped SMEs across various industries to reach new markets, increase their productivity and streamline their processes, when it comes to securing financing, traditional lending channels have not kept pace in terms of access as well as experience. For instance, according to Infosys, SME borrowers spend over 25 hours on their loan request paperwork and typically have to approach numerous banks with their application. While small businesses can now flexibly launch a front-end website or swiftly receive cloud computing from companies such as Amazon or Shopify, successful loan applicants typically have to wait for weeks or even months to get fully approved by the bank. In terms of access, bank lending to SMEs has significantly contracted since the financial crisis, with traditional banks increasingly focusing on corporate and consumer lending. Through its platform, Funding Circle offers a quick, easy and flexible process at competitive prices. Applications are typically completed within ten minutes, and credit decisions are generally made within 24 hours in the United Kingdom and the United States and within one to three days in Germany and the Netherlands.

Virtuous network effects driven by scale and an attractive underlying business model

The Directors believe that Funding Circle's scale and self-reinforcing business model create a virtuous circle that will continue to enhance its competitive position and market share across geographies.

The attractiveness of a loan offering to SME borrowers is driven by price, speed, access and convenience. Over the past eight years, Funding Circle has accumulated proprietary data sets across its various geographies, which it has continuously used to enhance its credit scoring models and improve the Borrower experience. As Funding Circle accumulates more data through applications and loan performance, it is able to improve the precision of its risk models, which leads to higher acceptance rates and lower pricing for Borrowers. This, in turn, results in higher conversion rates of Borrower applications to loans and enables Funding Circle to serve a broader population of SMEs and reduce marketing and processing costs per loan, further reducing costs to Borrowers and therefore attracting more SMEs to the platform, reinforcing the positive data accumulation cycle. By attracting more Investors to the platform, Funding Circle is able to increase the speed of providing funding to SMEs, which is a core value driver for Borrowers.

The attractiveness of an investment opportunity to investors is driven by return levels, volatility, liquidity, as well as the expediency and ease of deploying their desired level of investment. Thanks to its position as the

[12] By Q1 2018 originations for the United Kingdom and the Netherlands, and cumulative originations for the United States and Germany, according to OC&C analysis and estimates.

[13] According to OC&C, as at 31 December 2017.

[14] Based on the amount of loans outstanding as at 31 December 2017.

[15] Defined as gross new lending less repayments.

leading online SME loan provider in each of the geographies in which it operates[16], Funding Circle offers Investors an opportunity to quickly invest in a highly diversified loan portfolio and, for larger Investors, the ability to deploy significant sums of capital. It also offers a strong track record of delivering returns to Investors. Furthermore, in the United Kingdom, retail Investors are able to buy and sell their loan parts with each other via the "secondary marketplace" often within a matter of minutes, enabling them to build up a diversified portfolio quickly and to withdraw invested funds prior to the maturity and settlement of the corresponding loan(s) (provided that these loan parts are sold to other Investors). This means that every additional retail Investor that joins the platform renders it more valuable for existing and prospective Investors. These trends also support the overall business model, as continued growth in the number of Investors and the volume of Investor funding on the platform enhances Borrowers' abilities to find loans in a quick and efficient manner.

The Directors believe that these effects will continue to strengthen as data accumulation continues and will increase Funding Circle's ability to attract both Borrowers and Investors to the platform.

A differentiated and resilient model focused exclusively on SMEs

SME lending is difficult and complex, but can be highly attractive. Funding Circle's singular SME focus over the past eight years has allowed it to develop a deep understanding of SME lending and customer needs that, combined with its cutting-edge technology and proprietary credit models and data sets, provides it with distinctive advantages.

- *Data quality and availability.* SME credit-related data is not as widely and readily available as information relating to consumers. With respect to consumer lending, consumer credit data is generally widely available through credit bureaus and other providers, and its standardised nature allows for commoditised lending products. In contrast, SME lending is characterised by a lower level of publicly available data, and requires in-depth credit assessment expertise to analyse the data shared by prospective borrowers. Supported by the scale of its operations, Funding Circle has built proprietary SME data sets over eight years, which combine publicly available data with performance data, and continuously uses these sets for improving its credit scoring models and credit assessment efficiency and effectiveness.
- *Competitive environment.* Given the challenges which relate to credit data quality and availability, there are typically fewer SME lenders than consumer lenders. Banks have traditionally been the primary lender to SMEs in developed economies. The complexity of obtaining credit from banks and the reduction in the availability of credit from banks, combined with the trend of digitisation of services to SMEs, have created three further participants in SME lending: online platform lenders, specialist lenders and captive networks (see "*Market participants in SME lending and competitive overview"* in Part 4 (Industry Overview) and *"Competition*" in this Part 6 (Business Description). These alternative lending platforms—which are relatively unaffected by the capital requirements of traditional banks, typically have a more flexible cost structure, and often face less restrictive regulatory regimes—succeeded in attracting both borrowers (often without access to adequate capital) and lenders (seeking attractive returns in a low interest rate environment).
- *Repeat dynamic.* Relative to consumers, SMEs generally have a more natural propensity to seek repeat financing throughout their lifetimes, to maintain their balance sheet debt gearing ratio and optimise returns, as businesses can generally deduct interest payments from taxable profits. Unlike with consumer lending, which is often transactional, Funding Circle's lending platform is centred on serving and building long-term relationships with the Borrowers, which translates into high repeat rates as Borrowers seek more financing as they continue to grow. This relationship aspect is evidenced by Funding Circle's high volume of repeat Borrowers. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform were made to repeat Borrowers. The repeat nature of Funding Circle's business drives attractive cohort dynamics, providing Funding Circle with visibility on recurring revenues from its Borrower base.

The Directors believe that Funding Circle's business model benefits from inherent resilience. Its platform enables Investors to lend directly to SMEs, without Funding Circle holding loans on its balance sheet[17]. Funding Circle therefore does not assume the credit or funding risks relating to investments in loans facilitated through its platform. While macroeconomic conditions do affect the level of Investor and Borrower activity on its platform, Funding Circle believes that its highly diversified Investor and Borrower base across geographies

[16] By Q1 2018 originations for the United Kingdom and the Netherlands, and cumulative originations for the United States and Germany, according to OC&C analysis and estimates.

[17] Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

and industries will help mitigate the adverse effects of an economic downturn. In addition, based on historical evidence of bank retrenchment from the SME market during a downturn, the Directors believe that Funding Circle is relatively well positioned to absorb resulting demand for financing.

Superior value proposition for both Borrowers and Investors, driving high satisfaction and repeat rates

Value proposition to Borrowers

The attractiveness of a loan product to SME borrowers is driven by price, speed, access and convenience. Funding Circle provides its Borrowers with a differentiated value proposition including:

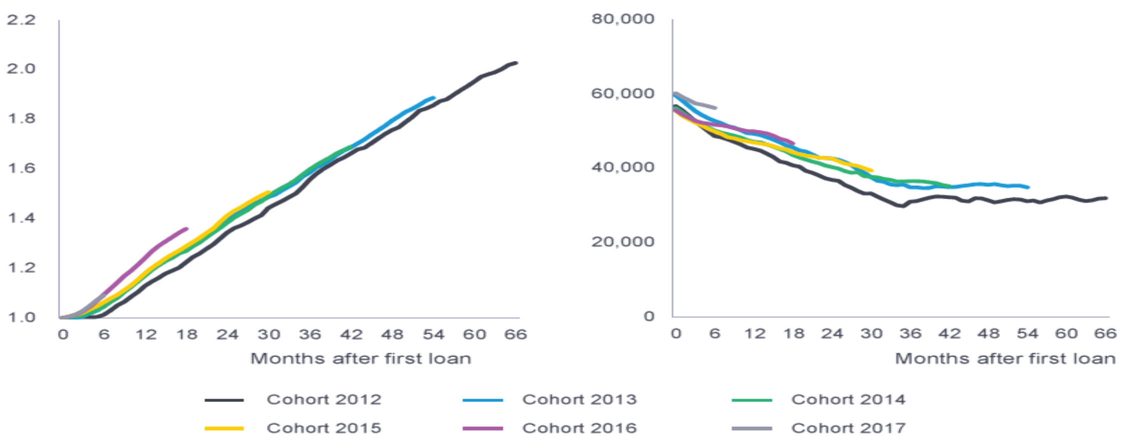
- *Speed and simplicity:* Funding Circle's simple, online application is significantly faster and simpler than traditional lending channels, enabling SMEs to access the capital they need in days rather than months. Across all of Funding Circle's markets, Borrowers complete a simple online application, typically in about ten minutes, and provide a small number of additional documents, such as bank statements. Funding Circle does not require businesses to prepare and provide business plans, cash flow forecasts, and other data that are often highly complex and time consuming. Credit decisions are generally made within 24 hours in the United Kingdom and the United States and within one to three days in the Netherlands and Germany.
- *Competitive market-driven pricing:* Funding Circle's platform lending model provides competitive and transparent pricing for Borrowers (starting at 1.9 per cent. per annum for an A+ rated, six-month loan in the United Kingdom).
- *Outstanding customer experience and ease of use:* Funding Circle is continually focused on delivering an excellent customer-centric service and product, with a view to maximising user experience and application process efficiency. Funding Circle's Borrowers can access the platform 24 hours a day, seven days a week, and Borrower applications are generally supported with personal account managers. In the first half of 2018, 74 per cent. of all loan applications in the United Kingdom received a decision within 24 hours.

This fast, flexible and competitively priced product is underpinned by cutting-edge technology, risk and analytics. The attractive value proposition Funding Circle offers to Borrowers is evidenced by Funding Circle's Borrower satisfaction rates (with a Net Promoter Score of 89 in each of the United Kingdom and the United States in the second quarter of 2018, a "world class" rating). These high levels of satisfaction encourage Borrowers to come back to Funding Circle's platform the next time they require financing. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future. As a result, Funding Circle's repeat rates have continuously increased, while existing Borrower balances have become stable and a consistent part of Borrowers' capital structure. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform were made to repeat Borrowers.

The following figures highlight the strong repeat nature of Funding Circle's business in the United Kingdom by showing the average cumulative number of loans, as well as existing Borrowers' outstanding balances, per SME, by months after first loan.

UK: Average number of loans taken per SME vs. months after first loan by cohort[(1)]

UK: Existing Borrower balance per SME vs. months after first loan by cohort[(1)]



Note:

(1) Excluding property loans. Cohort refers to the year in which the Borrower first entered into a loan agreement. Only includes data points with a full cohort.

Value proposition to Investors

Funding Circle has opened up a new asset class to a range of Investors and enabled them to receive attractive risk-adjusted returns.

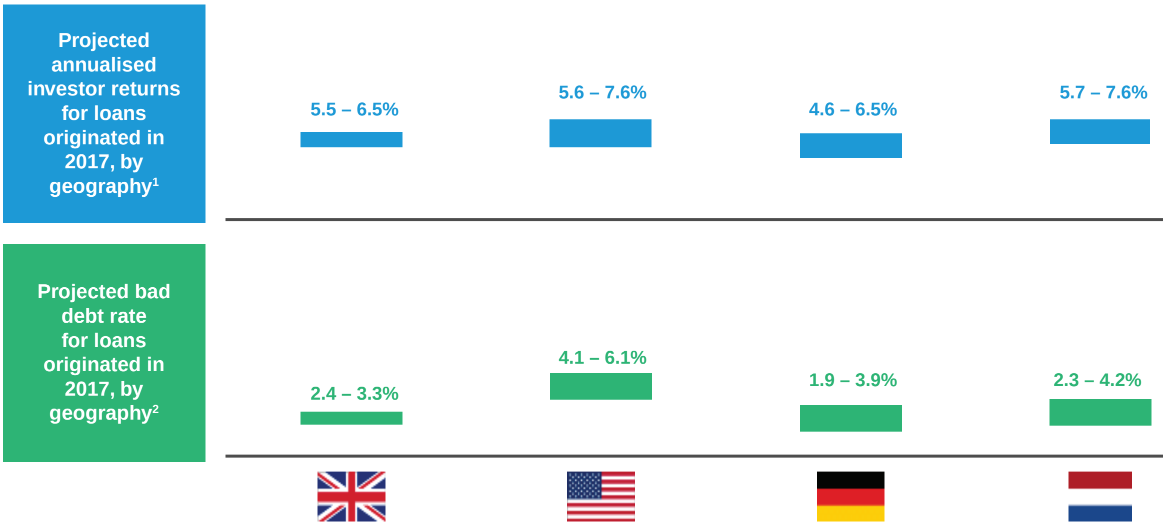
Through Funding Circle's platform, a wide range of Investors are now able to invest in SME loans, which, traditionally, have only been held on bank balance sheets. Its Investor base now includes a deep and broad variety of Investors, providing it with diverse and stable funding from a range of Investors, as well as long-term funding commitments across the various geographies in which it operates (for more detail, see "*Products—Investors*" in this Part 6 (Business Description)). Since the beginning of 2016, 45 per cent. of funding has on average come from global Investors (i.e. Investors who invest in more than one of Funding Circle's geographies), reinforcing Funding Circle's global scale.

In addition to high diversity in terms of Investor type, Funding Circle also benefits from high diversity within its institutional, retail and supranational Investor bases. For example, Investors participating on Funding Circle's platform comprise banks, asset management companies, insurance companies, government-backed entities and funds, such as the British Business Bank, FCIF and the European Investment Bank. In 2017, Funding Circle entered into a partnership with Aegon, one of nine systemically important insurers in the world, pursuant to which Aegon committed to lend to SMEs through Funding Circle's platform over four years, with more than £160 million to be invested over the first 12 months.

Funding Circle's ability to attract this deep and diverse Investor base is in part due to its Investor returns track record. Following an initial investment period of two to three years in any new market, Funding Circle has demonstrated an ability to deliver attractive returns to Investors.

The following figures set out the projected annualised Investor returns and bad debt rates for loans originated in 2017, by geography.

Projected annualised Investor returns and bad debt rates for loans originated in 2017, by geography



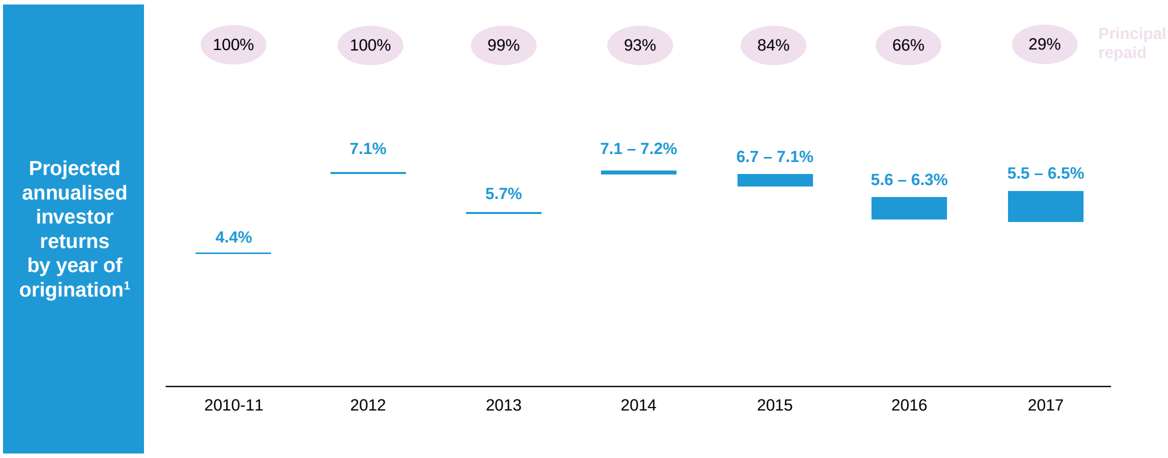
Notes: Based on Funding Circle's models as at 30 June 2018. The UK projected annualised Investor returns and bad debt rates include property loans.

(1) 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 are 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 returns and bad debt rates may be adjusted to reflect this.

(2) 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 returns and bad debt rates take into account how 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 returns and bad debt rates may be adjusted to reflect this.

In the United Kingdom, Funding Circle's most mature market, Investors are projected to earn returns ranging between 4.4 per cent. and 7.2 per cent. on loans originated through the UK platform since 2010, as illustrated in the following figure.

UK: Projected annualised Investor returns, by year of origination

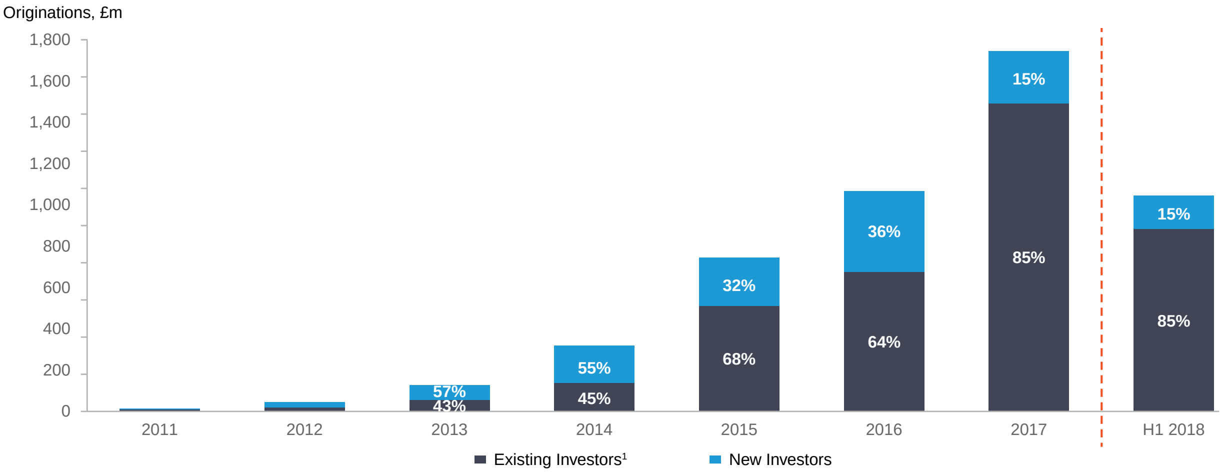


Notes: Based on Funding Circle's models as at 30 June 2018. The projected annualised Investor returns include property loans.

(1) 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 are 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 returns and bad debt rates may be adjusted to reflect this.

Funding Circle's value proposition to Investors, supported by an outstanding Investor experience and a proven track record of attractive Investor returns, have allowed Funding Circle to achieve high Investor retention rates, as evidenced by the continued growth and high proportion of its existing Investors' investments through the platform. The following figure illustrates the growth in existing Investors' investments for the periods indicated.

Originations by Investor type, globally



Notes: Originations exclude Spain.

(1) Existing Investors defined as Investors having started lending through the platform in the previous year.

Funding Circle has also considered the potential impact of adverse economic conditions on its loan portfolio, covering several scenarios of economic recession. These tests have indicated that even in a severe economic recession, Investors would still be expected to make positive returns. For more detail, see "*Risk Management and Data Analytics—Stress testing*" in this Part 6 (Business Description).

Proprietary risk and analytics platform, driving better customer experience, efficiency and platform quality

Funding Circle utilises sophisticated data analytics tools to create an attractive and convenient proposition for both Borrowers and Investors. It utilises an integrated approach to value optimisation and credit risk assessment throughout the Borrower lifecycle, from marketing to credit assessment and ongoing collections and recoveries.

Funding Circle approaches risk management by combining practices from the financial services industry with innovation in technology and data and analytics. Even though Funding Circle does not assume the credit or funding risks relating to investments in loans facilitated through its platform[18], it utilises a credit assessment approach that aims to blend the robustness of leading financial institutions with a data driven approach using proprietary scoring models and data analytics techniques to enhance the precision and efficiency in predicting credit risk and performance, including through back-tested analysis across both accepted and rejected loans. Funding Circle's systematic approach and use of data enables predictive credit assessment[19] for SME Borrowers and increases its ability to attract Borrowers. Through continued tracking of both accepted and rejected loans, Funding Circle has over the past eight years built rich proprietary data sets on borrowers and borrower performance, based on a combination of both internally generated and publicly available sources. These datasets are expected to be further enhanced by the onset of Open Banking and PSD2, which are expected to enable the sharing of banking data, allowing for more enriched data sets and potentially enabling easier access into new markets. The Directors believe that Funding Circle is well positioned to take advantage of these new regulations given its existing SME knowledge and marketing expertise.

In addition, Funding Circle benefits from an experienced credit assessment team with decades of experience in some of the world's leading financial institutions, who work very closely with the product and engineering teams who come from technology-driven businesses, bringing together a deep expertise in finance and technology.

Funding Circle utilises these analytical tools and extensive borrower data beyond risk metrics, for uses across its business. For example, with respect to marketing activities, Funding Circle uses machine learning models that are aimed at optimising marketing and messaging intensity and reducing acquisition cost.

Modern, customer-centric technology approach

Similar to other leading SME enablement platforms, technology, data and data-based learning are at the core of Funding Circle's business. Funding Circle has developed and continues to develop and harness modern, customer-centric technology that enables it to deliver scalable, innovative and automated solutions to Borrowers and Investors. Unlike many traditional banks, Funding Circle is not burdened by the challenges and maintenance costs related to legacy systems, and can therefore devote resources to developing, innovating and further enhancing its technology, rather than maintaining existing legacy systems.

Funding Circle's technology approach and strategy focus on both internal and external customers, and its sophisticated web and mobile interfaces and data analytics platforms are designed to drive a frictionless user experience. It embraces agile ways of working, leading to greater cross-team collaboration, continuous and fast deployment on a daily basis, and an ability to adapt quickly. Funding Circle uses modern technology and coding languages throughout the business, such as Clojure and Kafka, and has developed an infrastructure that scales horizontally. As a result, Funding Circle's technology supports significant increased scale at minimal incremental latency for the Borrower- and Investor-facing portions of the web interface.

Funding Circle is currently developing a new single unified money and loan management platform that it intends to implement across all its markets, enabling it to scale quickly and effectively. The technology it is using to build the global platform will enable a data flow architecture, distributed coordination, fault tolerance and improved operational efficiency.

In addition to its sophisticated technology, Funding Circle benefits from an exceptional team of software and data engineers possessing a deep understanding of the lending business and customer needs. As at 30 June 2018, the technology team (including contractors) accounted for nearly 27 per cent. of Funding Circle's global workforce (including contractors). Funding Circle's technology plays a significant role in helping to attract and retain skilled software and data engineers, by giving them the opportunity to utilise cutting-edge technologies in their work on Funding Circle's platform.

Strong growth opportunities combined with an improving financial profile

Funding Circle has delivered strong growth in revenue, with a 78 per cent. CAGR from 2015 to 2017 (excluding property loans), primarily driven by an increase in originations from £607 million in 2015 to £1,631 million in 2017 (both excluding property loans), and an increase in average transaction yield from

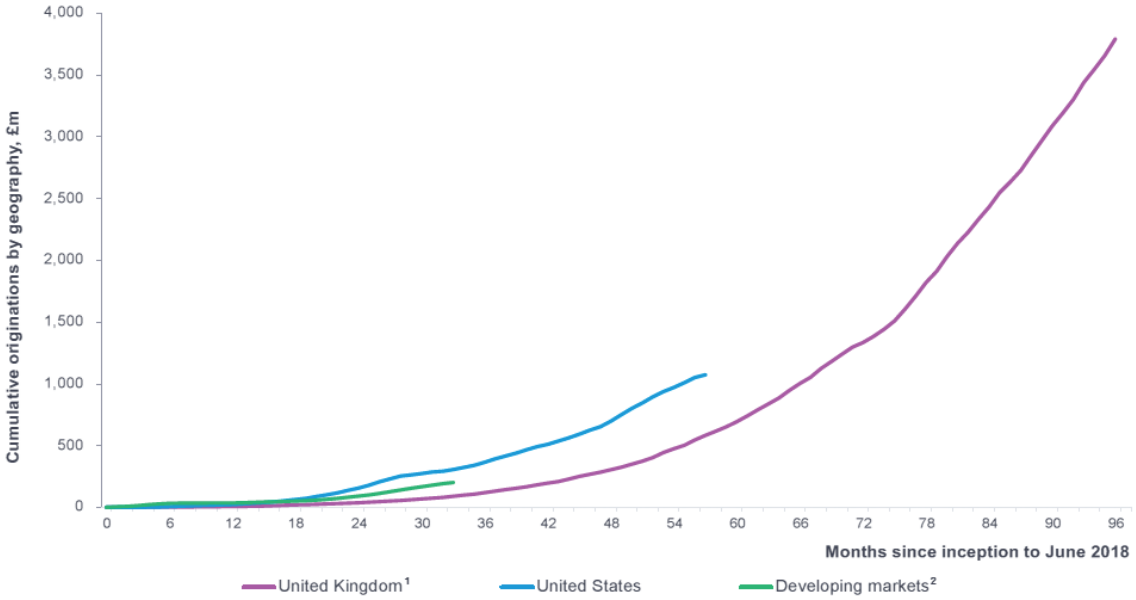
[18] Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

[19] In geographies and cohorts with sufficient ageing and maturity, where sufficient data is available. Based on historical performance.

3.6 per cent. in 2015 to 4.4 per cent. in 2017. In H1 2018 alone, Funding Circle generated £62.7 million in revenue (excluding property loans).

In the United Kingdom, Funding Circle has seen rapid growth in originations. In newer geographies, cumulative originations have grown at comparable or faster rates than the United Kingdom, supplementing the UK origination growth. The following chart illustrates the accelerated growth in Funding Circle's originations across each of its newer geographies, compared to the United Kingdom. As demonstrated below, the Directors believe that the infrastructure built and the experience accumulated by Funding Circle enables it to replicate key aspects of its business model and scale at a faster pace as it expands into its newer regions.

Cumulative originations by geography



Notes:

(1) Including property loans.

(2) Comprising Germany, the Netherlands and Spain.

Future growth prospects for Funding Circle are supported by meaningful penetration upside in existing geographies, given Funding Circle's limited share to date of an estimated £470 billion addressable market (as at 31 December 2017), with incremental upside from potential future expansion into new geographies.

An increasing portion of Funding Circle's revenue is derived from existing customers. This increase in repeat business is enabled by a combination of Funding Circle's value proposition to Borrowers, which results in strong Borrower repeat rates, growth in Loans under Management, and, in turn, an increasing share of income from existing customers. Funding Circle has observed that in the United Kingdom, over time, Borrowers maintain an ongoing balance of financing from Funding Circle's platform through repeat borrowing. In addition, Funding Circle's value proposition for Investors has resulted in a growing percentage of funding from existing Investors (85 per cent. of originations in 2017 and H1 2018, up from 68 per cent. in 2015). In 2017 and H1 2018, 40 per cent. and 43 per cent., respectively, of Funding Circle's revenue was generated from existing customers.

Attractive unit economics are driving expanded margins at Funding Circle. In the United Kingdom, first loan margins[20] improved to approximately 20 per cent. in 2017 and 14 per cent. in H1 2018, compared to approximately negative 37 per cent. in 2015, with repeat loan margins growing from approximately 23 per cent. in 2015 to approximately 57 per cent. in 2017 and 55 per cent. in H1 2018. In the United States, first loan margins improved to approximately negative 45 per cent. in 2017 and negative 35 per cent. in H1 2018,

[20] Margins are calculated as estimated revenue from an average-size loan, less estimated loan acquisition costs and other segment costs on that loan, as a percentage of estimated revenue from that loan. Estimated revenue represents the sum of estimated Borrower transaction fee plus life-time servicing and other revenue, adjusting for early prepayments and defaults, for an average loan. Estimated loan acquisition costs and other segment costs exclude certain central and other costs. Estimated acquisition costs represent estimated third party marketing costs, including first loan commission paid to partners, for an average loan. For instance, first loan margin in the United Kingdom in 2017 was calculated on the basis of (i) average loan size of £60,000, (ii) estimated revenue of £4,000 from that loan, and (iii) estimated acquisition costs and other segment costs of £1,800 and £1,400, respectively, on that loan.

compared to approximately negative 151 per cent. in 2015, with repeat loan margins growing from approximately negative 51 per cent. in 2015 to approximately positive 4 per cent. in 2017 and positive 8 per cent. in H1 2018.

The improvement in margins was driven by two main factors. Over time, Funding Circle has leveraged its expertise to reduce the cost of acquiring a Borrower, by accumulating more complete data sets of potential Borrowers, changing and optimising the emphasis placed on each marketing channel and, through improved credit models, converting more applications to originated loans. Furthermore, costs have grown at a slower pace than revenue growth, as a result of increased automation, economies of scale and better absorption of fixed costs. This operational leverage has resulted in a decrease in the cost of acquiring, originating and servicing an individual loan, for both first loans and repeat loans. Funding Circle expects unit economics and margins to improve in the medium to long term, driven both by increased business scale and a focus on direct lending channels (as opposed to indirect channels, such as third-party origination partners, where Funding Circle generally pays commissions to such partners), which drives lower loan acquisition costs. In the immediate term first loan margins may decline or flatten when more spend is directed to "above-the-line" marketing channels that are less effective in the short term in attracting Borrowers compared to the current "below-the-line" channels.

These operational trends have, among other contributing factors, resulted in a substantial improvement in Segment Adjusted EBITDA, which, in H1 2018, turned positive on a Group level. In the United Kingdom, Segment Adjusted EBITDA Margin has improved to 25 per cent. and 23 per cent. in 2017 and H1 2018, respectively, compared to negative 29 per cent. in 2015. In the United States, while still negative, Segment Adjusted EBITDA Margin has significantly improved to negative 49 per cent. and negative 34 per cent. in 2017 and H1 2018, respectively, compared to negative 186 per cent. in 2015. On a Group level, Segment Adjusted EBITDA Margin improved from negative 69 per cent. in 2015 to negative 4 per cent. in 2017, and positive 1 per cent. in H1 2018. During the same period, operating leverage has contributed to the Group's Adjusted EBITDA Margin, which has improved to negative 27 per cent. and negative 26 per cent. in 2017 and H1 2018, respectively, compared to negative 111 per cent. in 2015.

Experienced management team and entrepreneurial values-driven culture

Funding Circle has built an experienced management team that has consistently delivered strong growth. Its management team has a blend of deep functional experience across technology, product development, finance, risk management and marketing, as well as entrepreneurial experience. Funding Circle's strong business and culture have allowed it to continuously improve and refine its management team. The management team is led by Chief Executive Officer and co-founder Samir Desai CBE. Prior to founding Funding Circle, Samir was an executive at Olivant, a private equity firm that invests in financial services businesses in Europe, the Middle East and Asia. He was also previously a management consultant at the Boston Consulting Group. The Chief Financial Officer, Sean Glithero, joined Funding Circle in 2017 from Auto Trader Group where he served as chief financial officer and helped it undertake an initial public offering and join the FTSE 250. Funding Circle's risk team is headed by Jerome Le Luel, who joined Funding Circle in 2015 bringing more than 20 years of experience in risk management, having served as head of risk analytics at Barclays and chief risk officer at Barclaycard before joining Funding Circle. Funding Circle's product, engineering and operations team is headed by David Yu, who has over 20 years of experience in driving forward successful technology businesses, having spent more than a decade at Betfair, the world's largest betting exchange, where he held the roles of chief technology officer, chief operating officer and then chief executive officer.

For Funding Circle, people and culture are considered fundamental to the success of the business. Funding Circle's team consists of a talented group of people ("Circlers") that have strong alignment with its mission to build a better financial world, and share the same drive and passion as its customers; they are 'Made to do More'. The Directors believe that creating the right culture is crucial for both attracting and retaining talent. All permanent Circlers hold options and/or shares in the equity of the business, ensuring they are aligned with Funding Circle's mission, vision and objectives. Funding Circle has developed a strong and engaged culture in each of its offices, as well as a set of five core values that represent who Funding Circle is and how the team behaves:

- *Think Smart*: Challenge assumptions, seek insights and make informed decisions. Everyone has a voice, so be ambitious.
- *Make It Happen:* Be courageous and take ownership. Take small steps fast and commit to seeing it through.
- *Be Open*: Treat everybody with respect and be honest with each other. Transparency and integrity build trust.

- *Stand Together*: Listen, understand and support each other. Win or lose as one.
- *Live the Adventure*: Bring your passion with you every morning, and have fun.

These values are strongly implemented across all of Funding Circle's operations, from recruitment to remuneration.

Funding Circle runs a global, quarterly culture survey across all functions to track employee engagement and satisfaction. All results are reviewed by the people team and the senior management team to continue to drive engagement and execution across all geographies. In the United Kingdom, Funding Circle has frequently been featured in *The Sunday Times'* "Best Company to Work For" list. Most recently, Funding Circle UK was named as the 16th Best Company to Work For in *The Sunday Times'* 2018 annual survey. Funding Circle's aim is to become the best FinTech company to work for.

STRATEGY

Drive better Borrower experience and increase brand awareness

Funding Circle's medium-term strategy is to increase market penetration in its existing geographies. To that end, it intends to continue to improve Borrower experience and increase brand awareness.

Funding Circle aims to further improve Borrower experience by focusing on price, access, experience and customer engagement. It will continue to invest in modern technology to enhance its data-centric architecture and platform, improve convenience and automation, increase efficiency, reduce manual processes and ultimately improve the overall Borrower experience throughout the economic cycle. In addition, it intends to continue to invest in data and credit analytics with a view to creating more predictive risk models in order to optimise pricing and increase its ability to serve more SMEs. Investment in data and credit analytics will also enable further personalisation, by tailoring customer experience and propositions to customer needs.

Funding Circle sees significant profitability growth potential in repeat customers, given that on average they generate higher margins. Funding Circle currently observes high repeat rates of Borrowers through the Funding Circle platform. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future. As such, as the number of SMEs that Funding Circle attracts continues to grow, Funding Circle intends to continue driving Borrower engagement to drive repeat growth and establish itself as their first choice for financing needs. To that end, it intends to continue executing on its core promise of delivering a better Borrower experience and creating new ways to maintain and enhance customer engagement.

Although Funding Circle achieves high Borrower satisfaction rates and repeat rates, its brand awareness and consideration remain low compared to banks, who have large branch networks and a long history. As such, Funding Circle has recently invested and intends to continue to heavily invest in its brand through marketing initiatives with a view to increasing brand awareness, particularly vis-a-vis Borrowers. For example, in 2017, Funding Circle launched a new brand to a global internal audience, which was later unveiled in conjunction with a TV, radio and outdoor advertising campaign in the United Kingdom, 'Made to do More'. This initiative was premised on the objective of creating a brand that was highly differentiated from competitors and appealed to, and united, Funding Circle's Borrowers, Investors and Circlers. Initial feedback is that this campaign has been highly successful.

Invest in modern data, analytics and technology

Continued innovation is central to Funding Circle's strategy. Funding Circle has made, and will continue to make, significant investments in modern data, analytics and technology to drive further automation, improve customer experience and enhance credit models.

Funding Circle's approach to credit and risk analytics combines both value optimisation and credit risk management across the Borrower lifecycle from marketing to credit assessment and ongoing collections and recoveries. Funding Circle has built large proprietary data sets that combine publicly available SME data with loan performance data. It leverages these databases to train machine-learning models in order to optimise targeting, marketing, pricing and customer conversion. Funding Circle plans to grow its data sets and invest in proprietary analytics and tools in order to improve its customer experience and value proposition by creating personalised processes, optimising pricing and maximising access to Borrowers. As more data is collected, risk models become more predictive, enabling better pricing and risk decisioning.

Furthermore, in line with its technology approach and globalisation strategy, Funding Circle is currently developing a new single unified money and loan management platform that it intends to implement across all its markets, enabling it to scale quickly and effectively. The technology it is using to build the global platform will enable a data flow architecture, distributed coordination, fault tolerance and improved operational efficiency. It also plans to continue migration to consistent cloud-based hosting across all geographies, which is expected to yield improved fault tolerance, simpler operational management, and an infrastructure blueprint for future geographic expansion.

Diversify funding sources and deliver an improved Investor experience to Funding Circle's Investor base and secure long-term commitments

In recent years, Funding Circle has increasingly focused on further diversifying its funding base, attracting long-term commitments from Investors and enhancing predictability and stability of investments.

For instance, in 2015 it facilitated the formation of FCIF, a registered closed-ended collective investment fund which invests in a globally diversified portfolio of loans originated through Funding Circle's platform. In 2016 (and again in 2018), it worked with platform Investors to facilitate the securitisation of loans originated through the platform via the Small Business Origination Loan Trust 2016-1 DAC ("SBOLT 2016-1"), which was the first ever securitisation of SME loans originated through a lending platform in Europe. In 2017, it entered into an agreement with the EIB to invest through the platform, entered into a multi-year partnership with Aegon, and launched its Innovative Finance ISA product for retail Investors in the United Kingdom.

Funding Circle believes that a highly diversified Investor base provides it with Investor funding stability and reinforces the resilience of its business. In order to retain existing Investors and attract new Investors, Funding Circle focuses on ensuring attractive risk-adjusted returns through the economic cycle, as well as maintaining a fast and flexible investment process to optimise Investor experience, which drives continued growth in its Investor base and attracts global and larger commitments from Investors.

Going forward, Funding Circle intends to continue diversifying its platform funding sources, focusing on growing its retail Investor base, while at the same time continuing to secure long-term commitments from institutional Investors and capital markets vehicles.

Continue building a highly scalable, global business

Since its inception, Funding Circle has positioned itself to continue growing as a global leader in the platform lending industry, and intends to continue building a highly scalable, global business.

Funding Circle believes that there is a significant opportunity to roll out its innovative model into new geographic markets and serve an even larger base of SMEs and Investors, as it currently operates in geographies that, as of 2016, accounted for approximately 34 per cent. of global GDP. Funding Circle has demonstrated a track record of successfully identifying and executing on expansion opportunities. For instance, following its expansion into the United States, Germany and the Netherlands, Funding Circle's cumulative originations in these geographies have grown at comparable or faster rates than the United Kingdom. The Directors believe that there remain further attractive expansion opportunities that would meet Funding Circle's expansion strategy in the future, and will continue examining market opportunities to follow similar growth strategies, either through organic expansion or bolt-on acquisitions. Funding Circle takes a disciplined, phased and strategic approach to managing geographical expansion, continuing to actively consider geographic markets that could enhance its business. It has developed a shortlist of attractive countries that it believes would have a significant and positive impact on the business profile. In its assessment, Funding Circle has considered four major factors: demand for SME borrowing, investor sentiment, operational complexity including regulatory environment and credit data availability. In all of the geographies that Funding Circle has examined, SMEs appear to be underserved by traditional lenders.

The Directors believe that Funding Circle's scale and competitive position provides it with significant advantages in expanding its business and reach globally, leveraging its experience, data sets, brand and proprietary credit models.

BUSINESS DESCRIPTION

Business Model

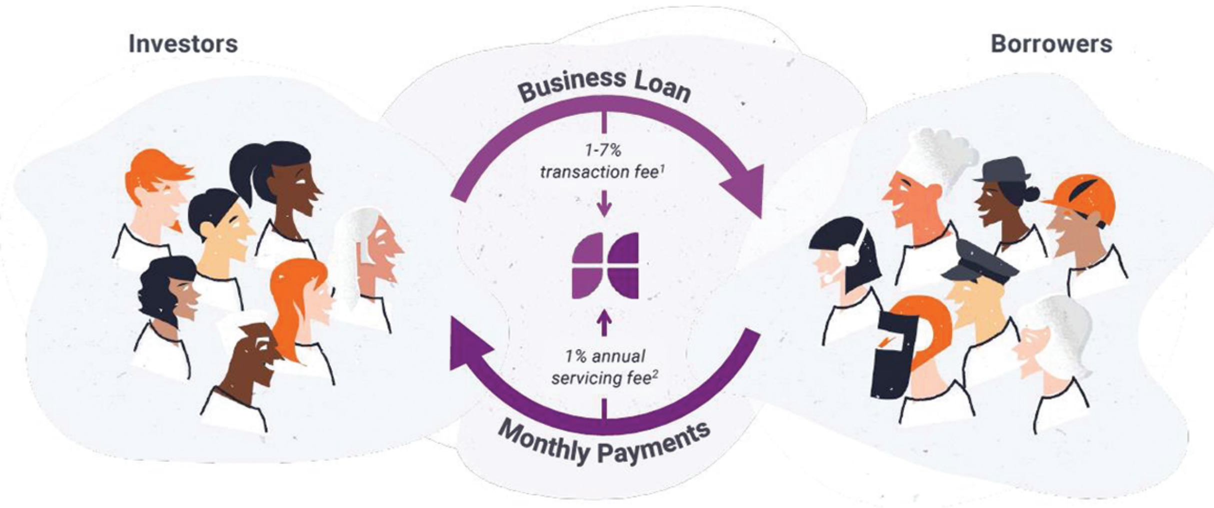
Funding Circle operates a lending platform that allows Investors to lend money directly to SMEs, without Funding Circle holding loans on its balance sheet[21]. It provides fast, flexible and competitively priced SME

[21] Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

loans, which, in the United Kingdom, Germany and the Netherlands, are generally unsecured by collateral (except for loans exceeding certain thresholds). It also provides Investors with attractive investment returns[22].

Funding Circle generates revenue in two primary ways: (i) a transaction fee typically ranging between 1 per cent. and 7 per cent. of the original principal balance of the loan, that is deducted from the loan proceeds paid to the Borrower, and (ii) an ongoing servicing fee of 1 per cent. per annum, calculated monthly on each loan (in most instances as a percentage of the outstanding principal balance of a loan). Funding Circle may from time to time change the amount and manner of collection of transaction and servicing fees.

The following figure illustrates Funding Circle's model.



Notes:

(1) As at the date of this Registration Document. Upfront borrower transaction fee ranging between 0.99 per cent. and 6.99 per cent.

(2) As at the date of this Registration Document. Ongoing servicing fee of 1 per cent. per annum, calculated monthly on each loan (in most instances as a percentage of the outstanding principal balance of a performing loan).

Products

Borrowers

Funding Circle focuses exclusively on SME lending. In H1 2018, excluding property loans, Borrowers across Funding Circle's geographies had, on average, approximately £950,000 of revenue per annum, eight employees and a trading history of ten years, and average loan size was approximately £70,000[23]. Borrowers must have a trading history of at least two years.

Loans originated through Funding Circle's platform are fully amortising[24], with terms ranging between six and 60 months and an average loan term of 52 months in H1 2018 (excluding property loans). Interest rates on loans originated through the platform have averaged approximately 11 per cent. per annum during that period (excluding property loans) and, as at the date of this Registration Document, range from 1.9 per cent. to 27 per cent. per annum.

Where the Borrower is a company with limited liability, loans are generally guaranteed by personal guarantees. In some instances, loans facilitated through the platform are also secured by collateral (e.g., for loans exceeding certain thresholds or in the United States).

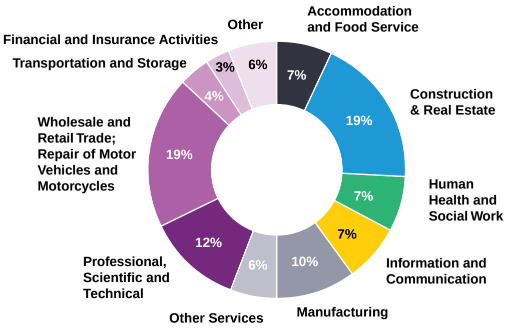
Funding Circle benefits from a highly diversified Borrower base across geographies and industries (largely in line with the general population of SMEs), which the Directors believe helps ensure stable returns and mitigates the adverse effects of a downturn in the economy. The following figures show the distribution of Funding Circle's loan portfolio in H1 2018, by industry, geography, and risk band as at the time of origination.

[22] Based on historical performance and return rates.

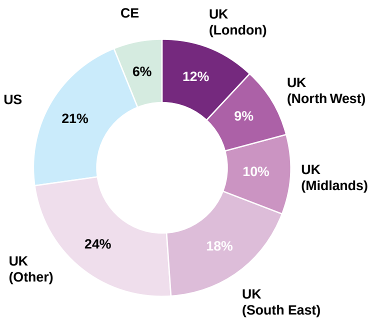
[23] Ranging between €5,000 and £1,000,000.

[24] Except for property loans.

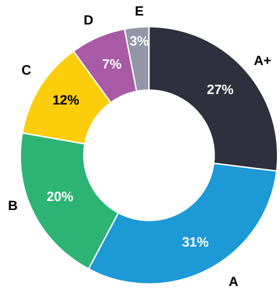
Loan portfolio by industry, geography and risk band



By industry



By geography



By risk band

Notes:

(1) Based on originations during H1 2018, excluding property loans.

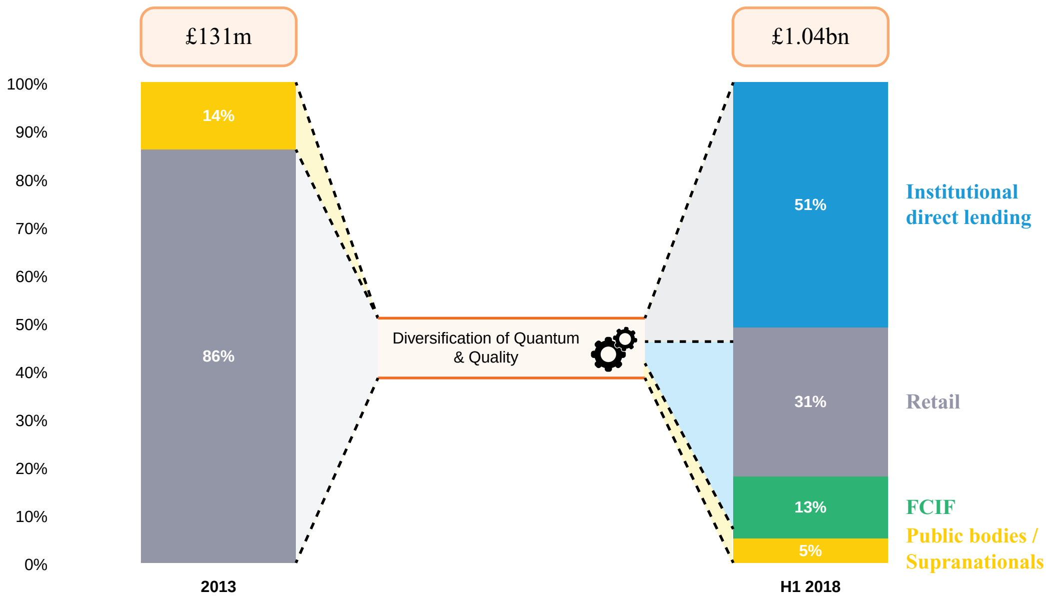
(2) Risk band categorisation varies between geographies.

Investors

Funding Circle has supported the growth of a new asset class, helping to open it to a range of Investors. Through Funding Circle's platform, a wide range of Investors are now able to invest in SME loans, which, traditionally, have only been held on bank balance sheets. Its platform enables broad diversification for both large and small Investors by allowing distribution of investments in loans in increments.

Funding Circle's Investor base now includes a deep and broad variety of Investors, ranging from retail Investors to public bodies, providing it with Investor funding diversity and stability. Since the beginning of 2016, 45 per cent. of funding has on average come from global Investors (i.e. Investors who invest in more than one of Funding Circle's geographies), reinforcing Funding Circle's global scale and demonstrating Investor satisfaction with its platform. The following figure sets out Funding Circle's Investor base composition across all geographies, by volume of originations, in the six months ended 30 June 2018 as compared to year ended 31 December 2013.

Investor base composition



Funding Circle seeks to ensure that certain principles are upheld across all Investor groups:

- *Passive investment*: all institutional and retail Investors, with the exception of retail Investors in Germany and the Netherlands as well as "accredited investors" in the United States (which, as at 30 June 2018, collectively represented approximately 1.6 per cent. of Funding Circle's global lending volume) invest passively through Funding Circle's platform.
- *Random allocation:* in all of the United Kingdom, the United States, Germany and the Netherlands, Funding Circle operates "whole loan" and "partial loan" marketplaces that allow Investors to either purchase whole loan or loan parts, starting at low increments. Loans qualifying for inclusion on Funding Circle's platform are allocated between specific Investors on a random basis.
- *Diversification*: with a view to mitigating risk to Investors, Funding Circle always seeks to ensure adequate diversification of loan portfolios.

Funding Circle strives to enable Investors to invest in loans originated through its platform via a variety of means, exploring various Investor markets and delivering appropriate structures for the different types of Investors. Funding Circle's Investors now fall within four principal groups, who access the platform in different ways:

Direct institutional Investors

Funding Circle has a wide range of direct institutional Investors, including banks, insurance companies and asset management companies the majority of which invest in "whole loans" directly through the platform. These Investors include the INTRUST Bank and Dutch financial services group, Aegon, among others. Furthermore, in 2016, Funding Circle facilitated the first ever securitisation of SME loans originated through a lending platform in Europe, having helped establish SBOLT 2016-1. This was followed in 2018 with SBOLT 2018-1.

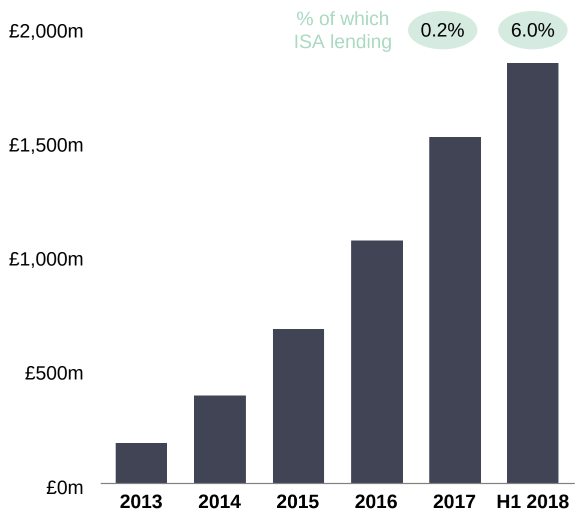
Institutional Investors may fund or acquire whole loans originated through the platform by entering into one of a variety of funding arrangements with Funding Circle.

Retail Investors

Funding Circle's retail Investor base has significantly grown over the past eight years, with more than 80,000 retail Investors to date lending directly to SMEs through the platform in the United Kingdom, Germany and the Netherlands. Cumulative funding from retail Investors, as well as average outstanding balance, have continued to rapidly grow as Funding Circle continued to diversify its Investor base, as illustrated by the following figures.

Average outstanding balance of retail Investors the United Kingdom

Cumulative retail Investor funding, globally



Retail Investors access the platform via Funding Circle's website or through mobile applications.

In the United Kingdom, retail Investors have an average portfolio of approximately £9,600 (as at 30 June 2018) and their funds are diversified across different loans. For those who invest at least £2,000, no more than 1.0 per cent. of their total investment amount is allocated to a single Borrower, with a view to ensuring adequate diversification of portfolio risk. UK retail Investors invest passively through Funding Circle's platform by choosing one of two different lending options, "Conservative" or "Balanced", based on their preferred level of risk. In Germany and the Netherlands, retail Investors manually choose who to lend money to. In the United States, Funding Circle does not currently seek retail Investors. Retail Investors in the United Kingdom are also able to select an option to automatically reinvest repayments and any available funds.

In addition, in the United Kingdom retail Investors are able to buy and sell their loan parts with each other via the "secondary marketplace" without paying any fees, enabling them to build up a diversified portfolio quickly and to withdraw invested funds prior to the maturity and settlement of the corresponding loan(s) (provided that these loan parts are sold to other Investors). Furthermore, in May 2017, the FCA granted full authorisation to Funding Circle UK, subsequently enabling it to apply for authorisation from HMRC as an ISA Manager and launch the "Innovative Finance ISA" in November 2017. This means that retail Investors can lend to Borrowers in return for income within a tax-free wrapper.

As at the date of this Registration Document, retail Investors are only able to participate on the "partial loan" marketplace.

FCIF

In 2015, Funding Circle facilitated the formation of FCIF, a registered closed-ended collective investment scheme that provides an investment conduit for public market investors including, but not limited to, discretionary pension funds, multi-asset funds, discretionary wealth managers and other investors to gain access to a globally diversified portfolio of Funding Circle's SME loans. FCIF invests in "whole loans" directly through the platform in all four of Funding Circle's geographies. FCIF is admitted to the premium segment of the Official List and its shares are traded on the London Stock Exchange's main market for listed securities. As at 30 June 2018, FCIF had £476 million in gross assets under management.

Supranationals and public bodies

Given the impact that SMEs have on job creation and economic growth, government-backed entities have invested, and continue to invest, through Funding Circle's platform to support SMEs' access to financing. For instance, in the United Kingdom, since UK government-owned institutions first started lending on Funding Circle's platform in 2013, more than 10,000 SMEs have benefited from their funding. Approximately 7 per cent. of Investor money in 2017 came from public or supranational sources (5 per cent. in H1 2018). The British Business Bank, the European Investment Bank, the European Investment Fund and KfW have all invested in loans originated through Funding Circle's platform. These bodies and entities invest via a variety of means, including directly though the "partial loan" marketplace and indirectly through the various capital markets vehicles that invest through Funding Circle's platform.

Sales, Marketing and Distribution

Borrowers

Funding Circle uses a variety of means, including emails, direct mail, newsletters and outbound contact from account managers to ensure continued engagement with its existing and potential Borrowers. This focus on customer engagement, combined with the attractive value proposition Funding Circle offers Borrowers, have led to high Borrower repeat rates, with 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform made to repeat Borrowers in 2017. Looking forward, Funding Circle has a clear strategy to continue to drive Borrower repeat rates. Moreover, further supporting repeat rates on the platform, Funding Circle has observed that in the United Kingdom, over time, Borrowers maintain an ongoing balance of financing from Funding Circle's platform through repeat borrowing, thus becoming a consistent part of their capital structures.

Funding Circle expects to heavily invest in marketing to drive awareness, which is currently low. A survey conducted by Monkey See for Funding Circle in 2017 showed the benefit of increased awareness. In the United Kingdom, of the surveyed participants who were already aware of Funding Circle, those who recall seeing television advertisements relating to Funding Circle are 140 per cent. more likely to consider the brand than those who have not. As such, Funding Circle expects that increased marketing spend will significantly increase brand awareness and in turn help drive further growth in originations. Furthermore, as data accumulation continues to increase, the effectiveness of Funding Circle's marketing is expected to continue to improve.

Funding Circle benefits from strong diversification in its origination channels.

Direct channels

Funding Circle attracts the substantial majority of its Borrowers via direct channels (which, in 2017 and H1 2018, accounted for approximately 70 per cent. and 72 per cent., respectively, of the total amount of loans originated through the platform, excluding property loans). The proportion of loans originated through direct channels has been steadily growing in recent years, in line with Funding Circle's strategy. Funding Circle operates a data-centric approach to its "direct channels" marketing strategy. It has built large proprietary data sets on borrowers and borrower performance in each of its geographies that it leverages in its targeting and segmenting strategy, using machine learning models aimed at optimising and tailoring marketing and messaging intensity to target specific Borrowers, and reducing acquisition cost. These machine learning models are supported by a proprietary knowledge base of thousands of test and learn experiments that are used to optimise marketing as well as Funding Circle's calibrated, performance-driven customer selection and customer conversion. Direct marketing channels include digital marketing (such as paid search, social media and display), "above-the-line" marketing (including television and radio) advertising and promotion, as well as targeted emails and traditional direct mail campaigns.

Indirect or intermediary channels

Funding Circle also uses, to a lesser extent, indirect or intermediary channels for loan origination (which, in 2017 and H1 2018, accounted for approximately 30 per cent. and 28 per cent., respectively, of the total amount of loans originated through the platform, excluding property loans). These primarily comprise referral partners and brokers. Funding Circle has established referral partnerships with leading accounting software providers, banks and other small business advisory firms in the United Kingdom, the United States and elsewhere. For example, in the United Kingdom, The Royal Bank of Scotland plc and Santander UK plc refer SMEs seeking financing that either sit outside their current lending criteria or which they cannot service for other reasons, to Funding Circle's UK platform. Commercial finance brokers are also an active part of the wider SME loan provision market in the United Kingdom, the United States and elsewhere. Funding Circle receives applications introduced by these brokers, and generally pays an introduction fee if an application successfully passes the credit process and a loan is subsequently accepted by the Borrower. Funding Circle also pays referral commissions to other non-broker introducers.

Investors

Funding Circle has a dedicated sales team, with in-depth experience in the lending business and capital markets transactions, tasked with attracting and maintaining relationships with institutional Investors. With respect to the retail Investor base, Funding Circle primarily relies on its reputation, word of mouth and referrals to drive growth.

Risk Management and Data Analytics

Funding Circle's ability to attract Borrowers and Investors to, and build trust in, the platform is significantly dependent on its ability to effectively evaluate risk. As such, Funding Circle has heavily invested in its technology infrastructure and, as at 30 June 2018, its risk team represented approximately 22 per cent. (including contractors) of Funding Circle's global workforce (including contractors), bringing together years of experience of managing risk processes and governance and a strong risk culture throughout the business. Together with a collaborative approach, flexible and modern technology, data and analytics and the ability to create rapid change, Funding Circle has developed a strong, sophisticated risk framework. Funding Circle utilises analytics tools, such as machine learning, throughout the business and the Borrower lifecycle to drive customer experience and efficiency, focusing on both risk management and value optimisation. Funding Circle's risk management strategy and data analytics techniques focus on active evaluation and surveillance of risk across Funding Circle's different functions and geographies, with rapid mitigation and change in response to any identified risks, supporting ongoing recession readiness.

Credit assessment strategy

Funding Circle considers that its success, reputation and ability to continue to attract and retain Investors are highly dependent on its ability to maintain the attractive rates of returns it has historically allowed Investors to achieve, and is therefore committed to best practices in terms of credit risk evaluation and assessment, with a view to ensuring accurate and optimised pricing.

Across all of its geographies, Funding Circle follows the same principles and techniques in its credit assessment approach that are focused on active evaluation and surveillance of risk, with rapid mitigation and change in response to any identified risks, supporting ongoing recession readiness. As part of its continued evaluation of credit risk, Funding Circle continuously reassesses expected lifetime loss rate and returns by cohort, simulates changes to credit parameters and conducts stress tests. Leveraging its agile technology and approach, Funding Circle quickly responds to credit risk and, if needed, deploys change (e.g., to its models, policies and pricing) quickly, with extraordinary sessions of the Group's dedicated Credit Risk Management Committee where necessary. Funding Circle continuously monitors credit risk by, for example, monitoring external indicators by region, sector and sub-sector, internal risk indicators and portfolio performance by cohort and operating segment, as well as collecting and analysing feedback from the collections and recoveries ("C&R") team.

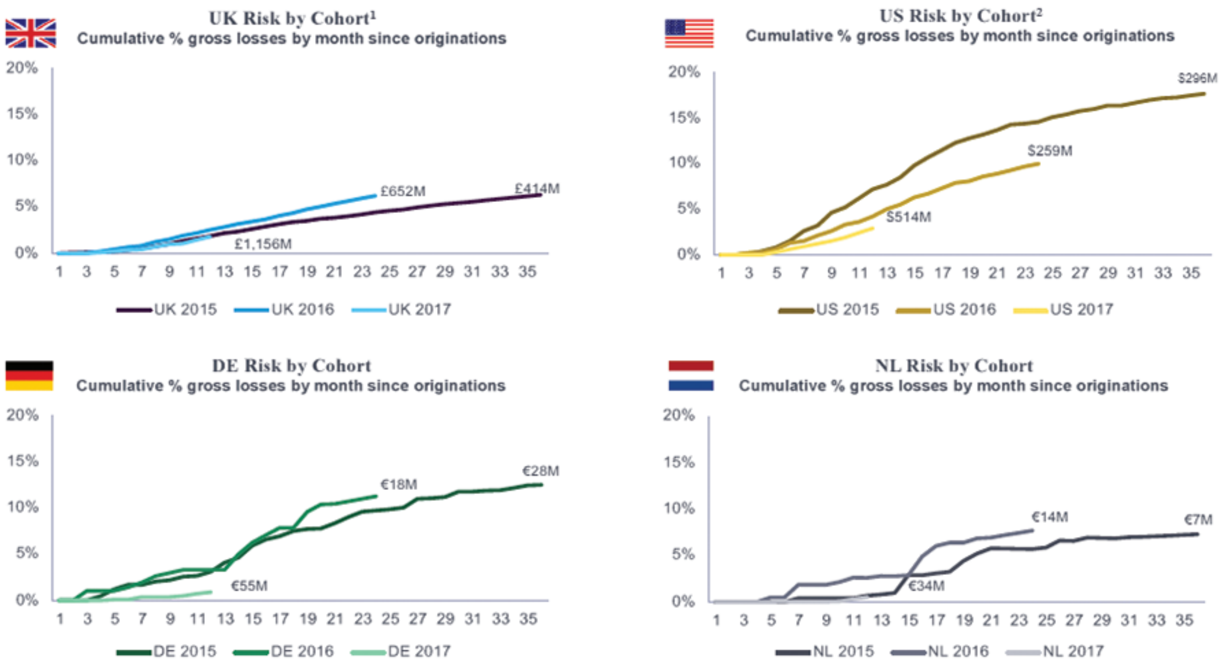
Given the differences in data availability, market characteristics and level of market maturity across its operations and geographies, Funding Circle has developed separate bespoke credit assessment models for each geography, which are continuously iterated and updated based on realised performance and additional available data. For example, its data set in the United Kingdom is more developed than that in Germany and the Netherlands. As such, Funding Circle can more heavily utilise automated processes in its credit assessment in the United Kingdom, resulting in a more accurate assessment of risk. In addition, because of the rich data sets, conversion rates of prospective Borrowers to active Borrowers tend to be higher in the United Kingdom than in other geographies, as Funding Circle is able to better target Borrowers and price loans. In Germany and the Netherlands, the data sets are not as rich, leading to less sophisticated Borrower targeting and increased reliance on expert credit assessment.

Credit assessment process

Funding Circle's credit assessment processes comprise a combination of proprietary and automated, data-driven assessment, as well as manual assessment. Funding Circle believes that this mix enables it to enhance precision—in an asset class where credit bureau scores are not a very predictive indicator of a Borrower's probability of default—with efficiency.

Through continued enhancement of its credit models, Funding Circle has been able to continually optimise the borrower lifecycle to grow originations, while controlling credit losses, as illustrated by the following graphs.

Risk by cohort (cumulative percentage of gross losses by month since origination)



Note:

(1) Excluding property loans. Gross losses are losses before any recoveries.

(2) Risk data in the United States for the 2015 cohort includes the first 19 days of 2016, as loans during this period were written on the same basis.

Set out below are some key features of Funding Circle's credit assessment process.

Main policies and procedures for credit assessment

The credit assessment process allows Funding Circle to evaluate the risk associated with lending to SME applicants and categorise them into risk bands, using algorithmic, automated risk models. Funding Circle applies systematic risk-based pricing to ensure that Borrowers receive rates appropriate to their level of risk. This supports Funding Circle's aim that, on average, sufficiently diversified Investors should earn positive returns in a stressed scenario. It leverages technology to draw together information from various sources and expedite the credit assessment process.

Risk bands are allocated to each application by the risk models. Risk band categorisation varies by geography and range from A+ to E in the United Kingdom, Germany and the Netherlands, and A+ to D in the United States. These bands, as calculated, are applied to each loan unless there is a specific reason why such calculation does not represent the correct banding (for instance, if a data input was missing or incorrect) and, together with other factors, dictate the corresponding gross annual interest rate to be paid by the Borrower. When reviewing Borrower gross interest rates, a number of factors are taken into account, including macroeconomic trends, the expected mix of risk bands of Borrowers, expected bad debt rates and wider competition in the market. Risk bands, however, do not amount to any form of recommendations or guarantee by Funding Circle as to the amount of payments that the potential Investor will actually receive or the likelihood of payment defaults occurring on a particular potential loan. Funding Circle continually assesses and periodically refines its pricing models to deliver optimised performance and reserves the right to make any changes to it in the future.

Funding Circle's general approach to credit assessment is as follows:

- identify the business and directors/proprietors;
- assess the integrity and quality of information available;
- assess the financial strength and credit quality of the business; and
- assess whether the business can afford the loan.

Main variables used in the scoring system and models

Funding Circle's credit models draw data from a range of different external sources including areas such as firmographics, company credit history, directors' credit history, financial ratios, scores from credit bureaux and bank cash flow information. Some of this data is pulled automatically from credit bureau providers. Others come from specific information requested from Borrowers.

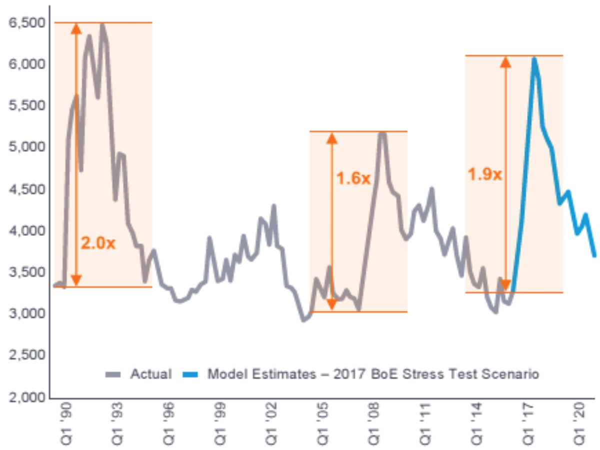
Each geography's credit model is periodically refined to reflect growth in the region's loan portfolio and related loan performance data. Funding Circle maintains a balanced mix of risk tools, including statistical models, logical rule-sets and human expert judgment to assess the risk profile of SME applications. It performs periodic analyses on improvements to the models, which may apply to all or a portion of the loan portfolio, to ensure performance meets expectations. Additionally, model components are validated annually (whether in-house or third party) to determine model design appropriateness, data quality validation, back testing and performance validation.

Stress testing

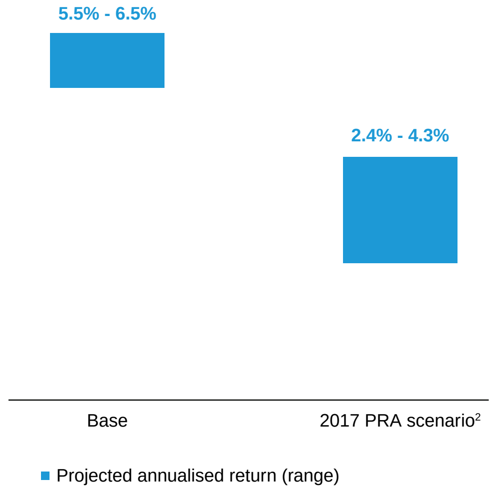
As part of its prudent risk management strategy, from time to time Funding Circle conducts voluntary stress testing analysis to support recession readiness planning.

Funding Circle's experienced credit risk management team has created a bespoke stress testing model for its UK loan portfolio, using more than 25 years of UK insolvency and macroeconomic data, alongside seven years of SME lending data. For example, in 2017, Funding Circle undertook a stress test analysis in connection with its UK loan portfolio, covering several economic scenarios, including the UK PRA 2017 variant, which assesses the resilience of UK banks under a common adverse scenario. The below charts set out the actual insolvency levels and Funding Circle model estimates for the UK PRA 2017 stress test scenario, as well as the stressed-tested returns. In this scenario, Funding Circle has applied the UK PRA 2017 variant to its model. This scenario results in approximately a twofold increase in net losses for Investors. However, stressed-expected returns remain attractive (ranging between 2.4 per cent. and 4.3 per cent.) in this extreme downturn scenario, illustrating the resilience of Funding Circle's model.

UK: Actual insolvency levels and model estimates for 2017 stress test scenario



UK: Stressed expected returns remain positive even in an extreme economic downturn(1)



Notes:

(1) Lifetime expected returns for 2017 Funding Circle UK loan cohort—simulated applying 2017 stress test scenario. Based on Funding Circle's models as at 30 June 2018. Assumes recoveries also reduce by 40 per cent. in recession.

(2) Based upon an Investor who invested in 2017.

In the United States, stress tests conducted by Funding Circle on recent loan cohorts indicate that Investors would be expected to make positive returns, even in a severe economic recession, although loss levels would be greater than those in the United Kingdom.

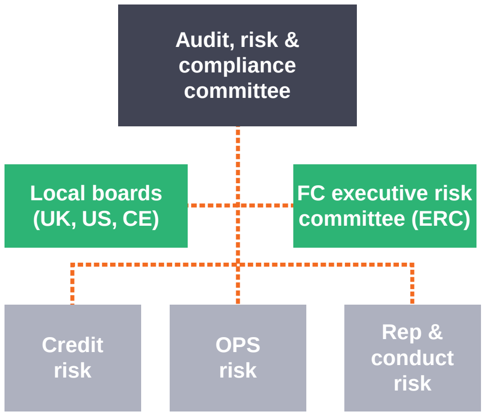
Enterprise Risk Management

The Directors believe strong governance, risk management and controls are vitally important to the long-term sustainability of the platform. As such, and in line with its values, Funding Circle always seeks to apply best-practices from the financial services sector, to embed and develop a strong risk and compliance culture across the business. Funding Circle has adopted a global Enterprise Risk Management Framework ("ERMF"), with an objective to deliver a strong control environment, and has implemented a consistent, systemic and integrated approach to risk management to help continually assess, respond and monitor significant risks throughout the business.

In addition, Funding Circle has implemented a formal risk governance structure across all of its geographies, with a clear policy hierarchy to connect each control procedure to the overall ERMF principles and ensure effective risk monitoring and risk events escalation processes, providing continuous reporting and full visibility to the relevant boards of directors. In the United Kingdom, Funding Circle operates a "Three Lines of Defence" model with the first line owning and managing risks, the second line (risk and compliance) providing oversight and challenge as well as compliance reviews and controls testing and the third line (internal audit function), which is currently outsourced to an independent third-party audit firm. First and second lines of defence have been established in the United States and the third line of defence is being implemented. In Germany and the Netherlands, the first and second lines of defence are being implemented and it is intended that the internal audit function will be rolled out during 2019. In Germany, Funding Circle is an outsourcing partner to Wirecard Bank for certain substantial banking activities and as such is subject to audits by Wirecard Bank in accordance with the outsourcing rules under the German Banking Act.

Funding Circle has implemented the same risk governance structure across all geographies with three committees: Credit Risk Management Committee, Operational Risk Committee and Reputation and Conduct

Risk Committee that report to local boards, the Executive Risk Committee and ultimately the Audit, Risk & Compliance Committee, per the following diagram.



Funding Circle has also implemented independent risk and compliance functions that report to the Chief Risk Officer and the Global General Counsel, each of whom has a direct line into the Board of Directors.

Loan Servicing, Collections and Recoveries

Funding Circle manages the ongoing loan monitoring and servicing for loans originated through the platform. With the goal of promoting trust, loyalty and commitment, collections and recoveries are largely managed by Funding Circle itself, while using a number of external agents for support and assistance, particularly in relation to insolvency related appointments, legal support, tracing and service of process and court enforcement. In addition, to ensure continuity of services, Funding Circle has put in place arrangements with third-party back-up servicers, who would take on its servicing obligations in respect of most Investors if it ceases operations.

Funding Circle's C&R team deals with Borrowers who are in arrears, who may go into arrears, who have defaulted or who have breached their loan conditions. The team is broadly sub-divided into two parts: collections and recoveries. The collections team is generally responsible for Borrower payment issues within the 0–90 day period, while the recoveries team is generally responsible for dealing with delinquent Borrowers who have defaulted or are in or intend to enter a formal insolvency procedure.

The C&R team uses a number of online and manual tools to track and monitor all late and defaulted loans and Borrowers on a daily basis, for work allocation, strategic planning, regulation of systems and controls, and regulatory compliance. The online tools enable the team to identify issues which may affect Borrowers and their ability to repay a loan, to monitor loans for updating the trackers, and to help the team prepare for direct contact with the Borrower through telephone, email or letter. The C&R team also uses a number of external agents for support and assistance for insolvency related appointments, legal support, tracing and service of process and for court enforcement.

Collection Strategy

Funding Circle's collection strategy aims to provide best-in-class collection services in each geography to its Borrowers, while protecting Investors' returns. The pillars of the collection strategy set forth below were established through careful consideration of key differences between balance-sheet lenders and lending platforms.

Organisational self-awareness

When a collection process is required, Funding Circle aims to promote trust, loyalty and commitment with Borrowers through clear communication of its policies and the rationale behind them.

Transparency and responsiveness

For SMEs, personal finance is often intertwined with business finance and therefore credibility must be assessed on transparency and responsiveness from the relevant guarantor(s) where applicable. Borrower and Investor accessibility to information is key to the success of long-term payment plans, full recoveries and a better customer experience for both sides of the platform.

Survival for revival

"Survival for revival" means believing that most Borrowers/guarantors will succeed after they have weathered the storm of financial distress. Funding Circle encourages business owners to learn from their mistakes and start new businesses because, when they are successful, they will be able to afford to settle their old debts in full. Funding Circle will not add additional post contractual interest to credible Borrowers/guarantors who adhere to the terms of the loan contract, personal guarantee and/or any agreement entered into after the loan has been defaulted. Where credibility is in doubt or the Borrower/guarantor does not adhere to any such agreements, legal proceedings will follow.

Recoveries

Funding Circle has historically achieved high recovery rates of approximately 49 per cent. on UK loan defaults within 36 months from default[25], and recovery rates in the future on mature cohorts in the United Kingdom are expected to be in line with the historic rates. In the United States, due to different market and operational dynamics, recovery rates are generally lower.

TECHNOLOGY

Funding Circle has developed and continues to develop a modern, customer-centric technology that enables it to deliver scalable, innovative and automated solutions to Borrowers and Investors. It uses modern, modular technologies resulting in enhanced performance and flexibility, and its horizontally-scalable architecture helps maintain a stable performance level in terms of response time, regardless of the number of users accessing the platform. Funding Circle is not burdened by the challenges and maintenance costs related to monolithic legacy systems, which many of its bank competitors struggle with on a daily basis. Its technology approach and strategy focus on both internal and external customers, and its sophisticated web and mobile interfaces and data analytics platforms were designed to optimise user experience. Funding Circle also employs modern ways of working—for example, using agile methodologies in its software development approach, ensuring collaboration between self-organising cross-functional teams, adaptive planning, early delivery and continuous improvement, which allow it to respond to change quickly and easily.

Funding Circle continues to be one of the pioneers of implementing a real-time stream processing based architecture. Its continuous investment in cutting-edge technology allows it to continuously and easily enhance and tailor its platform to meet customers' needs. Funding Circle is currently developing a new single unified money and loan management platform using Kafka, which it intends to implement across all its markets, enabling it to scale quickly and effectively. The technology it is using to build the global platform will enable a data flow architecture, distributed coordination, fault tolerance and improved operational efficiency.

In addition to sophisticated technology, Funding Circle has an exceptional team of software and data engineers possessing a deep understanding of the lending business and customer needs, dedicated to delivering innovation and advancement of Funding Circle's technology, as well as integrating the systems and platforms of acquired businesses. Funding Circle has established key development centres in London and San Francisco. The technology team department (including contractors) accounted for approximately 27 per cent. of Funding Circle's global workforce (including contractors) as at 30 June 2018, reflecting the growth of its investment in technology. Funding Circle's technology workforce is distributed across its various geographies (in addition to a team in Bulgaria), which helps attract highly skilled technology employees.

SECURITY CONTROLS

The Directors believe that security is critical to the continued success of Funding Circle. As such, Funding Circle has heavily invested and expects to continue investing in information security with a view to maintaining the security of its platform and customer and financial data. Funding Circle takes a modern technology approach to security—in addition to its internally developed security tools and controls, it sources security tools and processes from world-leading technology and security firms, including Darktrace, Twistlock and other service providers.

Funding Circle's Chief Information Security Officer, who reports directly to the Chief Product Officer, is tasked with setting the information security strategy and overseeing information security areas across all of Funding Circle's geographies, including employee skills, controls and disciplines. The team is responsible for security policy, awareness, application security, threat monitoring and security incident response.

[25] Of all defaulted UK loans that have reached at least 36 months of maturity post default, the actual recovery rate at month 36 post default is approximately 49 per cent.

Funding Circle takes a risk-based approach to security with layered controls and strong governance and assurance. Key projects and controls are based on mitigating key risks, including data loss and visibility of relevant security events. Controls are implemented via a defence in-depth approach, with controls like data loss prevention and access control at the data level; web firewalls and source code analysis at the application level; segregation and continuous vulnerability scanning at the network level; and anti-malware protections on the endpoints. Regular reviews are done through bi-annual penetration tests conducted by third-party specialists. Funding Circle's IT and security controls are audited by third parties to achieve certifications including SOC 1, PCI and ISAE 3402. This is in addition to internal audits of the information security programme.

Data is key to Funding Circle's ability to manage risk, serve its customers and ensure sustainable returns. Funding Circle has established clear guidelines in connection with data collection, storage and processing. Data is stored securely in line with the legal frameworks of the respective jurisdiction, with appropriate controls and regular audits. Funding Circle is transparent about its use of data in its website privacy policy and other notifications that it provides to customers from time to time as necessary. There are established processes in place for ensuring that any collection of new data, or the use of data for a new purpose, is done lawfully and in line with customers' expectations. There are also processes in place that enable Funding Circle's customers to exercise their rights under applicable privacy laws.

Information security risks are governed through the Global Technology Risk sub-committee, which is under the authority of Funding Circle's Operational Risk Committee. Annual information security training is mandatory for all employees, with additional specialist training undertaken throughout the year.

In so far as the Directors are aware, Funding Circle has not experienced any material operational or information security issues resulting from failures of, or breaches in, cybersecurity.

Competition

Funding Circle competes with lenders and lending platforms on the SME side, as well as investment products on the investor side. With respect to Borrowers, Funding Circle primarily competes with traditional financial institutions, such as banks, that focus on SME lending. In addition to traditional financial institutions, Funding Circle's competitors include online lending platforms, specialist lenders, and captive networks. For more detail, see *"Market participants in SME lending and competitive overview*" in Part 4 (Industry Overview).

Despite the funding landscape for SMEs undergoing a significant transformation since the global financial crisis, banks continue to be the dominant players in terms of the overall SME lending volume in each of Funding Circle's markets. For instance, as at December 2017, more than 80 per cent. of the total SME lending across Funding Circle's geographies consisted of bank financing (source: OC&C), underlining the imperative need of SMEs for alternative financing means. Banks generally benefit from a much stronger brand awareness as compared to alternative financing businesses, translating into significantly higher SME lending volumes. However, there has been little innovation or investment in the SME lending proposition, leading in many cases to a poor borrower experience. Banks are also constrained by legacy IT systems and expensive branch networks, distracted by other strategic issues and organised to serve larger clients. This lack of focus on SMEs provides a major opportunity for lending platforms.

Intellectual Property

Funding Circle's key trademarks comprise the FUNDING CIRCLE brand name (with some variation depending on the jurisdiction), the FUNDING CIRCLE device and the MADE TO DO MORE mark. Funding Circle has registered or applied for trademarks relating to every country of current operation, as well as in a number of other jurisdictions or regions (including with the Office for Harmonisation in the Internal Market in respect of the European Union). The registration and administration of the Group's trade mark portfolio is managed by Funding Circle's legal team, in conjunction with its brand and strategy teams and external trade mark attorneys.

Funding Circle also holds a portfolio of domain names (most notably, www.fundingcircle.com) that is managed by the Group's technology team, in conjunction with its brand, strategy and legal teams.

Funding Circle has proprietary rights over its own bespoke credit assessment and multi-dimensional scoring models, technology, platform, data and reporting systems. These include systems and technology relating to loan allocation and loan portfolio management, credit risk assessment, ledger maintenance and financial reconciliation, physical money movements, repayment distributions and loan servicing. Funding Circle also licences from third parties technology software for managing aspects of its business, including in respect of customer relationship management, information security and data storage and processing, and also makes use of open source software where appropriate.

On occasion, Funding Circle engages third parties to develop processes, techniques, technology or other intellectual property on its behalf. As a matter of general practice, contracts with such third parties provide for the assignment of relevant intellectual property to Funding Circle or the right to use such intellectual property in its business. Funding Circle's employees and direct contractors are generally contractually required to both transfer relevant intellectual property to Funding Circle (in addition to statutory protections for Funding Circle where available) and maintain confidentiality.

Corporate Social Responsibility

Funding Circle's mission is to build a better financial world, igniting opportunities for businesses and Investors by aiming to provide better propositions for both Borrowers and Investors. By improving competition in the market and reducing dependency on bank lending, Funding Circle is helping SMEs to boost their local economies and communities through much-needed job creation. In 2017 alone, loans facilitated through Funding Circle's platform contributed to £3.9 billion of gross value added to GDP and enabled more than 75,000 jobs[26]. In addition to its overall mission, Funding Circle is committed to contributing to social causes. For example, in the United Kingdom and the United States, Funding Circle launched a Circler-driven volunteer group, 'FC Impact', that continues to devote significant volunteering time for non-profit organisations.

Diversity and inclusion are core values of Funding Circle. Funding Circle recognises the power and value in building a diverse team, where people's skills and personalities complement each other and reflect the customers it is here to help. Funding Circle strongly believes that different perspectives lead to better outcomes and it sees the positive impact of this in its business every day. Funding Circle has a number of Circler-led initiatives that focus on improving diversity and the inclusion of underrepresented groups, celebrating diversity within its team and its customers with various events throughout the year. Among these initiatives is 'women@fc', a mixed-gender group of Circlers in the United Kingdom and the United States that focuses on gender diversity through three pillars: awareness, community and development. In the United States, 'women@fc' founded 'Women in FinTech', a group to help women working in the FinTech sector to expand their professional network and accelerate their career development. In the United Kingdom, Funding Circle UK has signed up to the government's 'Women in Finance Charter' which is a commitment to support the progression of women into senior roles in the financial services sector. Funding Circle's co-founder and UK Managing Director, James Meekings, leads its gender diversity and inclusion programs and initiatives in the United Kingdom, demonstrating Funding Circle's focus and attention on diversity.

As a leading global platform, Funding Circle is committed to operating with the highest degree of transparency, and supporting Borrower and Investor benefits and protection. As such, Funding Circle regularly engages and collaborates with policymakers, industry players and regulators on issues that cross a broad spectrum, including highlighting the underserved funding needs of small businesses globally, advising on the implementing regime for new products (such as the Innovative Finance Individual Savings Account in the United Kingdom), advising on international trade policy and improving the level playing field for non-bank funding alternatives. In many cases, these engagements or initiatives are presented by Funding Circle as information gathering projects to assist policymakers in better understanding the business models, activities, and impact of platform lending businesses on credit markets, as well as policy recommendations for the purposes of optimising borrower and investor protection. For instance, Funding Circle strongly advocated for regulation of the peer-to-peer sector in the United Kingdom, which resulted in certain of its activities falling within the sphere of financial regulation in 2014. In addition, in August 2011 Funding Circle formed (together with two other founding members) a self-regulated platform lending association in the United Kingdom, the Peer-to-Peer Finance Association, and in April 2016, it formed (together with two other founding members) the Marketplace Lending Association in the United States, which are both focused on promoting responsible business practices, developing the role of platform operators for the benefit of investors and small businesses alike and sound public policy; also adopting a platform lending code of conduct (or operating principles) for each association. Funding Circle has also been appointed to governmental and regulatory panels; for example, the FinTech Delivery Panel in the United Kingdom (HM Treasury appointee) and the FinTech Advisory Panel (Conference of State Bank Supervisors' appointee) in the United States. In the United States, Funding Circle co-authored and adopted the *Small Business Borrowers' Bill of Rights*, which identified the fundamental financing rights to protect SMEs from the more abusive practices that some credit providers have employed in the underserved SME lending market, and represented the first cross-sector consensus on responsible SME lending practices in the United States.

[26] According to Oxford Economics.

Employees

Funding Circle believes that its people are its business, they are what makes the business stronger every day. The exceptional experience Funding Circle aims to deliver to its customers is the product of the smart, talented, hardworking and diverse group of Circlers working at Funding Circle. Funding Circle has developed a strong and engaged culture in each of its offices, which has resulted in high employee satisfaction and engagement. It runs a global, quarterly culture survey across all functions to track employee engagement and satisfaction. All results are reviewed by the people team and the senior management team to continue to drive engagement and execution across all geographies. Based on the global quarterly survey conducted in the second quarter of 2018, 85 per cent. of Circlers would recommend Funding Circle as a great place to work.

As of 30 June 2018, Funding Circle employed 1,032 employees (including contractors) across its geographies, and expects its headcount to continue to increase to support its growth. The following table details the numbers of Funding Circle's employees by function.

Employees by function (including contractors)

	At of 31 December			As of 30 June
	2015	2016	2017	2018
Sales & Marketing	88	128	218	277
Technology	101	149	225	275
Risk	32	86	195	232
Central Functions	38	80	138	176
Operations	52	100	56	72
Total	**311**	**543**	**832**	**1,032**

The following table details the numbers of Funding Circle's employees by location:

Employees by location (including contractors)

	At of 31 December			As of 30 June
	2015	2016	2017	2018
United Kingdom	188	307	439	554
United States	83	161	258	301
Germany	31	62	93	108
The Netherlands	4	6	32	52
Other	5	7	10	17
Total	**311**	**543**	**832**	**1,032**

None of Funding Circle's employees is covered by a collective bargaining agreement or represented by a labour organisation. To date, Funding Circle has not experienced a labour-related work stoppage.

Funding Circle operates a defined contribution pension scheme for employees in the United Kingdom. In Germany, Funding Circle pays the statutory employer's contribution into the public pension scheme for each employee, but does not operate any pension schemes. Funding Circle makes no contributions to pension schemes in the United States or the Netherlands.

Properties

Funding Circle leases its principal properties upon which it operates. Funding Circle's global headquarters are located in London, United Kingdom and consist of approximately 60,000 square feet of space under lease agreements that expire in 2025. The following table sets forth Funding Circle's key properties:

Country	Location	Primary Function	Occupancy Type
United Kingdom	London	Global Headquarters	Leased
United Kingdom	Manchester	Office	Serviced managed
United States	San Francisco	Office	Leased
United States	San Francisco	Office	Leased
United States	Portland	Office	Serviced managed
United States	Denver	Office	Leased
Germany	Berlin	Office	Leased
The Netherlands	Amsterdam	Office	Leased

Environment

Funding Circle's business generally does not have a significant environmental impact. The Directors believe that it is in substantial compliance with all applicable environmental and health and safety laws and regulations.

Insurance

Funding Circle maintains insurance policies covering a range of risks including those related to physical damage to, and loss of, equipment and property, injury to employees, cyber and business interruption as well as coverage against claims and general liabilities which may arise through the course of normal business operations. Funding Circle engages an insurance broker to advise on the necessary types and levels of coverage, and reviews its coverage with its broker twice a year. Funding Circle renews most of its insurance policies annually. It also maintains various other insurance policies to cover a number of other risks related to its business, such as director and officer cover and employment practices.

PART 7
Directors, Senior Managers and Corporate Governance

Directors

The following table lists the names, positions and ages of the Directors.

Name	Age	Position
Andrew Digby Learoyd	57	Chairman of the Board
Samir Desai CBE	35	Co-founder, Chief Executive Officer
Sean Robert Glithero	45	Chief Financial Officer
Catherine Jane Keers	53	Non-Executive Director
Edward James Wray	50	Non-Executive Director
Hendrik Willem Nelis	54	Non-Executive Director
John Eric Daniels	67	Non-Executive Director
Neil Alexander Rimer	54	Non-Executive Director
Robert King Steel	67	Non-Executive Director

Andrew Digby Learoyd *(Chairman)*

Mr Learoyd was appointed as a Non-Executive Director in February 2010 and as Chairman in May 2016. Mr Learoyd previously spent 23 years working in investment banking as a research analyst, in corporate finance, equity capital markets and finally as chief operations officer of the Equities Division in Europe of Goldman Sachs. He retired as a managing director of Goldman Sachs in 2006, since then he has been involved as an angel investor, non-executive director and consultant to several start-up businesses. Mr Learoyd serves as a director at Threshold Sports Limited, Educate Schools Services Ltd, Small World Financial Services Group Limited (SWFSG) and Schwanhaeusser Industrie Holding GmbH.

Samir Desai CBE *(Co-founder, Chief Executive Officer)*

Mr Desai CBE co-founded the Company in 2010 and is the Chief Executive Officer, with responsibility for driving the Group's strategy, and overseeing operations globally. Before that, Mr Desai CBE was an executive at Olivant, a private equity firm that invests in financial services businesses in Europe, the Middle East and Asia. He was also previously a management consultant at the Boston Consulting Group. In 2015, he was awarded a CBE for services to financial services. Mr Desai CBE currently serves as a director and trustee of Neil Desai Foundation, a charitable organisation that aims to promote education and sports amongst the young, help the poor and needy in developing countries and invest in the prevention of cardiac fatalities in the young. He also previously served as a director at Funding Circle SME Income Fund.

Sean Robert Glithero *(Chief Financial Officer)*

Mr Glithero is the Chief Financial Officer and was appointed as an Executive Director in November 2017. As Chief Financial Officer, Mr Glithero is responsible for all aspects of finance including internal audit, tax, treasury, procurement and investor relations. Prior to joining Funding Circle in 2017, Mr Glithero served as a director and chief financial officer of Auto Trader Group and helped it undertake an initial public offering and join the FTSE 250. Mr Glithero qualified as a chartered accountant with Ernst & Young, working within both the audit and corporate finance departments.

Catherine Jane Keers *(Non-Executive Director)*

Ms Keers was appointed as a Non-Executive Director in May 2018. Ms Keers currently serves as chair of Ustwo Fampany Limited, an independent digital product, games and venture business, and as non-executive director at The Sage Group plc and TalkTalk Telecom Group plc. She is also an adviser to a number of small businesses, predominately in technology. Previously, Ms Keers held a number of commercial roles, including marketing and business development at Sky TV, Avon and Next, marketing director and customer director at O2, the mobile network, and chairman of Tesco Mobile; O2's joint venture with Tesco. She also held non-executive directorships at The Royal Mail Group, Home Retail Group, LV= and Telefonica O2 Europe.

Edward James Wray *(Non-Executive Director)*

Mr Wray was appointed as a Non-Executive Director in August 2011. Previously, he co-founded Betfair in 1999 and was CEO until 2003, when he moved to Australia to set up the company's joint venture. Mr Wray became chairman of Betfair in 2006 and in 2010 Betfair floated on the London Stock Exchange, valued at

£1.4 billion. Prior to setting up Betfair, Mr Wray spent eight years at J.P. Morgan & Co. as a vice president in the debt capital markets and derivatives area. Mr Wray also serves as a director at LMAX Limited, LMAX Broker Limited, Nesta, The London House Exchange Limited, Prodigy Finance Limited, Prodigy Investments Limited, Chamonix Investments Limited, Amelto Capital Limited, YouthNet (now The Mix) and Mental Health Innovation.

Hendrik Willem Nelis ***(Non-Executive Director)***

Mr Nelis was appointed as a Non-Executive Director in September 2013. Mr Nelis joined Accel in 2004, where he serves in various senior roles, and invests in both early and late-stage internet and software companies. Before joining Accel, Mr Nelis was at Perry Capital, a large US hedge fund, where he invested in public communications, media and technology companies. Prior to this, he was at Goldman Sachs, where he advised businesses on corporate finance and M&A transactions. Mr Nelis spent the first decade of his career in Silicon Valley, where he founded E-motion, a venture-backed software company. He started his career at Hewlett-Packard, where he held various engineering positions. Mr Nelis was an active member of the World Economic Forum and served on the selection committee of the WEF Technology Pioneers Programme. Mr Nelis also serves as manager, partner and/or director at a number of Accel entities, as a director at CallSign Inc., CartoDB Inc., Celonis SE, Instana Inc., Lola Travel Company Inc., RCW Inc. (t/a M.Gemi) and WorldRemit Ltd, and as a supervisory board member of Gameforge AG. He was also previously a director at Kayak Software Corporation, KDS SA, OnForce Inc. and SRP Groupe, and an advisory board member at Sprd.net AG.

John Eric Daniels ***(Non-Executive Director)***

Mr Daniels was appointed as a Non-Executive Director in September 2016. Mr Daniels currently holds a range of business appointments which include senior adviser to CVC Capital Partners, principal and senior adviser to StormHarbour, and non-executive director of Russell Reynolds Associates. He is also a member of the advisory board of the Smithsonian Tropical Research Institute and trustee of the Smithsonian UK Charitable Trust. He also advises a number of innovative finance and technology companies. Mr Daniels was previously group CEO of the Lloyds Banking Group, the FTSE 100 listed banking group, retiring in 2011. Prior to joining Lloyds in 2001, he spent 25 years with Citigroup in a range of management positions in Panama, Argentina, Chile, the United Kingdom, Europe and the United States. He was also a non-executive director at BT Group plc.

Neil Alexander Rimer ***(Non-Executive Director)***

Mr Rimer was appointed as a Non-Executive Director in March 2011. Mr Rimer is a co-founder and partner of Index Ventures SA. Before starting Index Ventures, Mr Rimer spent four years with Montgomery Securities in San Francisco. Mr Rimer is currently a director or observer on various boards of companies based in the United Kingdom, Europe and the United States, including Stack Exchange, Inc., Metromile, Inc., Prodigy Investments Limited, Raisin GmbH, Typeform S.L., and Roblox Corporation, amongst others. He is also a director of Human Rights Watch. He was previously a director of Photobox Holdco Limited, Supercell Oy and The Climate Corporation. Mr Rimer was educated at Stanford (BA) and Harvard (MBA).

Robert King Steel ***(Non-Executive Director)***

Mr Steel was appointed as a Non-Executive Director in July 2014. He is currently a partner at and CEO of Perella Weinberg Partners. Prior to joining Perella, Mr Steel was New York City's Deputy Mayor for Economic Development where he was responsible for the Bloomberg Administration's economic development strategy and job-creation efforts. As CEO of Wachovia Corporation in 2008, Mr Steel oversaw the sale of the bank to Wells Fargo & Co. and served on the Wells Fargo board of directors until 2010. Mr Steel also served as the Under Secretary for Domestic Finance of the United States Treasury, vice chairman of Goldman Sachs and a board member of Barclays. He is chairman of the Aspen Institute's Board of Trustees and has served as chairman of Duke's Board of Trustees, Senior Fellow at the Harvard Kennedy School of Government, member of the FDIC Advisory Committee on Economic Inclusion, chairman of The After-School Corporation, and co-founder of SeaChange Capital Partners. Mr Steel also serves as a director at Cadence Bancorp, LLC.

Senior Managers

The Company's Senior Managers are as follows:

Name	Age	Position
Samir Desai CBE	35	Co-founder, Chief Executive Officer
Sean Robert Glithero	45	Chief Financial Officer

Samir Desai CBE *(Co-founder, Chief Executive Officer)*

Mr Desai CBE's biography is included above. See "—*Directors*".

Sean Robert Glithero *(Chief Financial Officer)*

Mr Glithero's biography is included above. See "—*Directors*".

Corporate governance

As an unlisted private company, the Company is not subject to the UK Corporate Governance Code (the "Governance Code") published in July 2018 by the Financial Reporting Council. However, the Board is committed to high standards of corporate governance and, as such, has established an Audit, Risk & Compliance Committee and a Remuneration Committee. As set out in "*Risk Management and Data Analytics—Enterprise Risk Management"* in Part 6 (Business Description), each of the UK and US businesses has a local board focused on risk and compliance matters and there is an informal advisory board for the German and Dutch businesses. The three risk committees in the relevant geography report into these local boards and the Executive Risk Committee, which in turn report into the Audit Risk & Compliance Committee.

Audit, Risk & Compliance Committee

The Audit, Risk & Compliance Committee's role is to assist the Board with the discharge of its responsibilities in relation to the Company's compliance with its legal and regulatory requirements, policies, corporate reporting and risk management, reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems, considering the Company's risk strategy and risk management framework in line with the regulatory requirements of relevant regulators, overseeing the Company's internal and external audits and control systems, overseeing the Company's accounting and financial reporting systems, including reviewing the Group's annual financial statements and accounting policies, reviewing and monitoring the scope of the annual external audit and the extent of the non-audit work undertaken by external auditors, overseeing the Company's procedures for detecting and preventing bribery, fraud, money laundering and other financial crime, reviewing the effectiveness and appropriateness of the Company's corporate governance framework and ensuring the Company's governance and controls are in line with good practice and relevant regulatory expectations.

The Audit, Risk & Compliance Committee will normally meet not less than four times a year. It is chaired by John Eric Daniels and its other member is Hendrik Willem Nelis.

Remuneration Committee

The Remuneration Committee is responsible for all elements of Board and senior executive remuneration, including monitoring the level and structure of remuneration for the Board and executives of the Company, and determining a framework and policy for their remuneration. It is also responsible for overseeing any major changes to the Group's employee benefit structure and overseeing the implementation of the Group's share option plans (including any new share incentive plans).

The Remuneration Committee will normally meet not less than twice a year. It is chaired by Catherine Jane Keers and its other members are Andrew Digby Learoyd and Neil Alexander Rimer.

Conflicts of interest

Neil Alexander Rimer, who is a Non-Executive Director of the Group, holds a number of positions at the Index Ventures group, which advises various Index funds, which own approximately 21.5 per cent. of the issued Shares in the share capital of the Company as at the date of this Registration Document. For more information, see paragraph 7 (Significant Shareholders) of Part 11 (Additional Information).

Hendrik Willem Nelis, who is a Non-Executive Director of the Group, holds a number of positions at the Accel group, which beneficially owns approximately 9.9 per cent. of the issued Shares in the share capital of the Company as at the date of this Registration Document. For more information, see paragraph 7 (Significant Shareholders) of Part 11 (Additional Information).

Save as set out above in the paragraph above, there are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests or other duties.

PART 8
Selected Financial Information

The tables below set out the Group's selected financial information for the periods indicated, as reported in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The audited interim consolidated financial information for the Group as of and for the six months ended 30 June 2018 and the unaudited interim consolidated financial information for the Group as of and for the six months ended 30 June 2017 has been extracted without material adjustment from Part 10 (Historical Financial Information). The audited consolidated financial information for the Group as of and for each of the three years ended 31 December 2015, 2016 and 2017 has been extracted without material adjustment from Part 10 (Historical Financial Information).

Consolidated income statement data

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
			(£ million)		
Revenue	32.0	50.9	94.5	40.9	63.0
Operating expenses	(71.7)	(98.8)	(131.4)	(60.3)	(90.3)
Operating loss	**(39.7)**	**(47.9)**	**(36.9)**	**(19.4)**	**(27.3)**
Finance income	0.2	0.7	0.6	0.2	0.3
Loss before taxation	**(39.5)**	**(47.2)**	**(36.3)**	**(19.2)**	**(27.0)**
Income tax	(0.1)	0.6	1.0	—	—
Loss for the year / period	**(39.6)**	**(46.6)**	**(35.3)**	**(19.2)**	**(27.0)**

Consolidated balance sheet data

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
		(£ million)		
Non-current assets				
Goodwill	35.1	41.4	41.3	41.5
Intangible assets	4.2	11.7	16.2	17.9
Property, plant and equipment	4.6	5.1	4.7	5.0
Investments	1.8	1.2	0.3	0.2
	45.7	**59.4**	**62.5**	**64.6**
Current assets				
Investments	4.6	1.3	3.1	5.1
Trade and other receivables	8.6	11.8	13.4	19.5
Cash and cash equivalents	86.3	43.3	88.9	65.2
	99.5	56.4	105.4	89.8
Total assets	**145.2**	**115.8**	**167.9**	**154.4**
Current liabilities				
Trade and other payables	10.6	10.5	12.0	21.5
Provisions	1.1	0.7	2.1	4.1
	11.7	**11.2**	**14.1**	**25.6**
Non-current liabilities				
Provisions	0.3	0.4	0.4	0.7
Total liabilities	**12.0**	**11.6**	**14.5**	**26.3**
Equity				
Share capital	0.2	0.2	0.2	0.2
Share premium account	195.9	196.0	278.0	278.2
Foreign exchange reserve	4.3	15.2	13.3	14.1
Share options reserve	2.8	9.5	13.9	15.8
Accumulated losses	(70.0)	(116.7)	(152.0)	(180.2)
Total equity	**133.2**	**104.2**	**153.4**	**128.1**
Total equity and liabilities	**145.2**	**115.8**	**167.9**	**154.4**

Consolidated cash flow statement data

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
			(£ million)		
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
Adjustments for:					
Depreciation of property, plant and equipment	0.8	1.4	1.6	0.8	1.0
Loss on disposal of property, plant and equipment	0.4	—	—	—	—
Amortisation of intangible assets	0.6	2.8	5.2	2.4	3.1
Impairment of intangible assets	—	—	0.5	0.5	—
Movement in credit loss and other provisions	0.5	(0.2)	—	1.1	0.8
Movement in dilapidation provision	—	0.1	—	—	0.2
Interest receivable	(0.2)	(0.6)	(0.6)	(0.3)	(0.3)
Non-cash employee benefits expense—share-based payments and social security costs	2.8	6.7	4.4	2.1	4.7
Tax credit received	—	0.6	1.0	—	—
Changes in working capital:					
Movement in trade and other receivables	(2.2)	(2.7)	(2.9)	(5.3)	(6.0)
Movement in trade and other payables	1.4	(0.9)	4.5	0.7	6.7
Net cash outflow from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash outflow from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Net cash inflow from financing activities	95.1	—	81.9	81.9	0.2
Net increase/(decrease) in cash and cash equivalents	**49.6**	**(46.1)**	**46.6**	**60.8**	**(24.0)**
Cash and cash equivalents at the beginning of the year / period	35.0	86.3	43.3	43.3	88.9
Effect of foreign exchange rate changes	1.7	3.1	(1.0)	(0.6)	0.3
Cash and cash equivalents at the end of the year / period	**86.3**	**43.3**	**88.9**	**103.5**	**65.2**

Other Financial Data

The Directors consider the following metrics to be the non-IFRS financial measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Directors believe that these non-IFRS performance measures, in addition to IFRS measures, provide an enhanced understanding of the Group's results and related trends, therefore increasing transparency and clarity into the core results of the business. The Directors believe the following metrics are useful in evaluating the Group's operating performance:

- Adjusted EBITDA
- Adjusted EBITDA Margin
- Segment Adjusted EBITDA
- Segment Adjusted EBITDA Margin
- Free Cash Flow
- Free Cash Flow Margin

Each metric is described more fully below. See also "Non-IFRS financial information" and "Key performance indicators", each in Part 2 (Presentation of Financial and Other Information) and "Key Operating and Financial Metrics" in Part 9 (Operating and Financial Review).

Adjusted EBITDA and Adjusted EBITDA Margin

The Group defines Adjusted EBITDA as profit or loss before depreciation and amortisation, finance income, income tax, share-based payments and associated social security costs, foreign exchange and exceptional items. The Group defines Adjusted EBITDA Margin as the ratio of Adjusted EBITDA to revenue, expressed as a percentage. The Directors view Adjusted EBITDA as a useful measure because it is used to analyse the Group's operating profitability, and shows the results of normal, core operations exclusive of non-cash charges, share-base payment charges and items that the Group considers to be non-recurring and not part of the Group's core day-to-day business. The Directors view Adjusted EBITDA Margin as a useful measure because it assists in evaluating the Group's operating performance. The Directors believe that Adjusted EBITDA and Adjusted EBITDA Margin are therefore helpful for understanding the performance of the business of the Group. The following table provides a reconciliation from loss for the year / period to Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
			(£ million)		
Loss for the year / period	**(39.6)**	**(46.6)**	**(35.3)**	**(19.2)**	**(27.0)**
Depreciation and amortisation	1.4	4.2	6.8	3.7	4.1
Finance income	(0.2)	(0.7)	(0.6)	(0.2)	(0.3)
Income tax	0.1	(0.6)	(1.0)	—	—
Share-based payments	2.8	6.7	4.4	2.1	1.9
Social security costs on share-based payments	—	—	—	—	2.8
Foreign exchange	—	(3.9)	0.6	0.4	0.3
Exceptional items	—	—	—	—	1.9
Adjusted EBITDA	**(35.5)**	**(40.9)**	**(25.1)**	**(13.2)**	**(16.3)**
Adjusted EBITDA Margin	**(111)%**	**(80)%**	**(27)%**	**(32)%**	**(26)%**

Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin

The Group defines Segment Adjusted EBITDA as Adjusted EBITDA excluding product development and corporate costs that are incurred for the benefit of all geographic operating segments. The Directors view Segment Adjusted EBITDA as a useful measure because it allows better interpretation of the underlying performance of the business by geography. The Group defines Segment Adjusted EBITDA Margin as the ratio of Segment Adjusted EBITDA to revenue, expressed as a percentage. The following table provides a reconciliation from Adjusted EBITDA to Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
			(£ million)		
Adjusted EBITDA	**(35.5)**	**(40.9)**	**(25.1)**	**(13.2)**	**(16.3)**
Product development	10.1	9.0	13.6	6.7	12.2
Corporate costs	3.3	5.4	7.6	3.5	5.0
Segment Adjusted EBITDA	**(22.1)**	**(26.5)**	**(3.9)**	**(3.0)**	**0.9**
United Kingdom	*(6.8)*	*1.7*	*16.9*	*9.2*	*9.8*
United States	*(14.3)*	*(19.1)*	*(10.9)*	*(7.0)*	*(5.1)*
Developing Markets	*(1.0)*	*(9.1)*	*(9.9)*	*(5.2)*	*(3.8)*
Segment Adjusted EBITDA Margin	**(69)%**	**(52)%**	**(4)%**	**(7)%**	**1%**
United Kingdom	*(29)%*	*4%*	*25%*	*29%*	*23%*
United States	*(186)%*	*(187)%*	*(49)%*	*(84)%*	*(34)%*
Developing Markets	*(200)%*	*(650)%*	*(261)%*	*(578)%*	*(73)%*

Free Cash Flow and Free Cash Flow Margin

The Group defines Free Cash Flow as the sum of net cash flow from operating activities and net cash flow from investing activities. The Directors view Free Cash Flow as a key liquidity measure, as this measure represents the amount of cash required to operate and develop the Group's platform during a particular period. The Group defines Free Cash Flow Margin as the ratio of Free Cash Flow to revenue, expressed as a percentage. The Directors view Free Cash Flow Margin as a key measure of cash conversion efficiency. The following table provides the information used to calculate Free Cash Flow for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
			(£ million)		
Net cash from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Free Cash Flow	**(45.5)**	**(46.1)**	**(35.3)**	**(21.1)**	**(24.2)**
Free Cash Flow Margin	**(142)%**	**(91)%**	**(37)%**	**(52)%**	**(38)%**

PART 9
Operating and Financial Review

This Part 9 (Operating and Financial Review) should be read in conjunction with Part 2 (Presentation of Financial and Other Information), Part 4 (Industry Overview), Part 6 (Business Description) and Part 10 (Historical Financial Information). The financial information considered in this Part 9 is extracted from the financial information set out in Part 10 (Historical Financial Information).

The following discussion of the Company's results of operations and financial condition contains forward-looking statements. The Company's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Registration Document, particularly under Part 1 (Risk Factors) and Part 2 (Presentation of Financial and Other Information). In addition, certain industry issues also affect the Company's results of operations and are described in Part 4 (Industry Overview). The Company has not defined by reference to specific periods the terms "medium term" and "long term", which are not intended to be representative of any particular financial year.

OVERVIEW

With a mission of building a better financial world and igniting opportunities for SMEs, Funding Circle has developed a highly efficient and effective platform that enables SMEs to borrow money directly from Investors, creating opportunities for both. Funding Circle's aim is to help SMEs grow by providing them with streamlined access to capital. Its lending platform is centred on serving and building long-term relationships with Borrowers, which translates into high repeat rates as Borrowers seek more financing as they continue to grow. This enables Funding Circle to grow with its Borrowers. For Investors, Funding Circle aims to provide an alternative asset class to the investor community who have suffered from a decade-long trend of poor yields since the global financial crisis.

The efficiency and effectiveness of Funding Circle's platform, as well as its singular SME focus and credit and risk management expertise, have allowed it to achieve consistently high Borrower satisfaction rates, with a Net Promoter Score of 89 in each of the United Kingdom and the United States in the second quarter of 2018 (a "world class" rating), resulting in rising repeat rates and driving increased revenue and margins. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform were made to repeat Borrowers, and the Directors believe that, as Funding Circle continues to grow and facilitate the development of more SMEs, these repeat rates will continue to increase. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future.

Funding Circle also benefits from a diverse pool of Investors lending through its platform, including retail Investors, banks, asset management companies, insurance companies, government-backed entities and funds, providing it with diverse and stable funding from a range of Investors, with 45 per cent. of funding since the beginning of 2016 coming from global Investors (i.e. Investors who invest in more than one of Funding Circle's geographies). The 2017 cohort of loans is projected to deliver returns ranging from 4.6 per cent. to 7.6 per cent. per annum[27] across the different geographies. 85 per cent. of Funding Circle's platform funding in 2017 and H1 2018 came from repeat Investors, demonstrating Investors' satisfaction with Funding Circle's proposition and model.

Funding Circle has rapidly grown in recent years, while benefitting from significantly improving margins on both first loans and repeat loans, driven by operational leverage. Between 2015 and 2017, revenue (excluding property loans) increased by a CAGR of 78 per cent., loan originations (excluding property loans) by a CAGR of 64 per cent. and Loans under Management (excluding property loans) by a CAGR of 64 per cent. In H1 2018, revenue (excluding property loans), Loans under Management (excluding property loans) and loan originations (excluding property loans) grew by 62 per cent., 63 per cent. and 44 per cent., respectively, as compared to the six months ended 30 June 2017 ("H1 2017").

The Directors believe that Funding Circle's scale and self-reinforcing business model will drive continual improvement and increased competitive advantage, creating a virtuous circle that will continue to enhance its competitive position and drive market share across its current and future geographies.

[27] Based on Funding Circle's models as at 30 June 2018.

Key Factors Affecting Funding Circle's Results of Operations

The results of Funding Circle's operations have been, and will continue to be, affected by many factors, some of which are beyond Funding Circle's control. This section sets out certain key factors the Directors believe have affected Funding Circle's results of operations in the period from 1 January 2015 to 30 June 2018 and could affect its results of operations in the future.

Key Factors Affecting Funding Circle's Revenue and Profitability

Funding Circle charges Borrowers a transaction fee, typically ranging between 1 per cent. and 7 per cent. of the original principal balance of the loan, that is deducted from the loan proceeds paid to the Borrower and recognised as revenue immediately. Funding Circle also receives an annualised loan servicing fee, calculated monthly on each loan (in most instances as a percentage of the outstanding principal balance of a performing loan, as described in more detail in *"—Changing servicing yield*"). Servicing fees are recognised as revenue upon repayment of loan parts by Borrowers with late payment and collection charges to Borrowers recognised as other revenue.

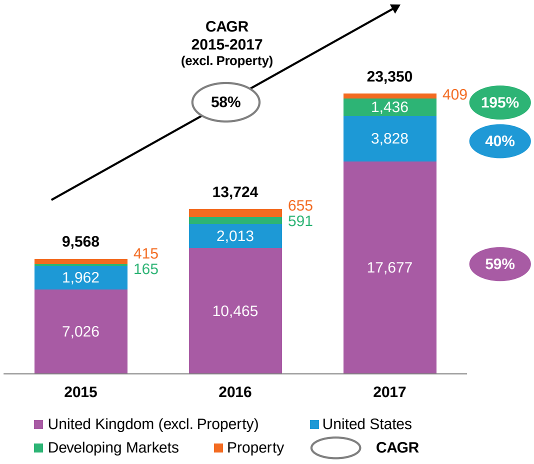
Number and average size of loans originated through Funding Circle's platform

The transaction fees that Funding Circle generates in any particular period are directly related to the number and average size of loans originated through its platform during that period.

The number of loans originated through the platform in a period represents the sum of originations to new Borrowers and originations to existing Borrowers. New Borrower lending largely depends on Funding Circle's brand awareness and consideration to borrow amongst its target market, and therefore on the level and effectiveness of marketing spend, both in a particular period and cumulatively. Funding Circle's ability to attract new Borrowers also depends on the effectiveness of its scoring models. By effectively evaluating Borrowers' credit profiles and accurately pricing risk, Funding Circle is able to convert more applications into successful loan originations and therefore increase the total number of loans originated through the platform. Once a Borrower has secured its first loan through the platform, the behaviour observed by Funding Circle is that further loans are originated from existing Borrowers, either at the end of the first loan's term or in addition to that first loan. Accordingly, originations from existing Borrowers are primarily a function of the number of Borrowers participating on Funding Circle's platform, the level of past originations to Borrowers and Loans under Management.

Through continued enhancement of its scoring models, as well as operational improvements, Funding Circle has during the period under review been able to increase conversion rates. Furthermore, as part of its core strategy, Funding Circle has in recent years invested significantly in marketing initiatives across a number of media channels including direct mail, social, digital, television, radio and partner incentives, with a view to increasing Borrower awareness and consideration (for more detail, see *"—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Costs—Marketing Spend"*). As a result, Funding Circle has been able to consistently and rapidly increase the number of loans originated through its platform, which grew by a CAGR of 58 per cent. (excluding property loans) between 2015 and 2017, and by 41 per cent. in H1 2018 as compared to H1 2017 (excluding property loans). The following figure sets out the number of loans originated through Funding Circle's platform during the periods indicated, by operating segment.

Number of loans originated through the platform, by operating segment



The average size of SME loans originated through the platform has during the period under review remained relatively stable on a Group level, at approximately £75,000 in 2015, £78,000 in 2016, £74,000 in 2017 and £71,000 in H1 2018. In the United Kingdom, average loan size (excluding property loans) increased from approximately £59,000 in 2015, to approximately £62,000 in 2016, £65,000 in 2017 and £67,000 in H1 2018. In the United States, average loan size was approximately $140,000 in 2015, $140,000 in 2016, $134,000 in 2017 and $136,000 in H1 2018. In the Developing Markets, average loan size was approximately €85,000 in 2015, €66,000 in 2016, €61,000 in 2017 and €56,000 in H1 2018.

Coupled with a relatively stable average loan size, the significant increase in the number of loans originated through the platform has resulted in a substantial increase in the value of transaction fees generated by Funding Circle. Funding Circle's transaction fee revenue grew by a CAGR of 78 per cent. (excluding property loans) between 2015 and 2017 and by 59 per cent. in H1 2018 as compared to H1 2017.

Margins on first loans and repeat loans and mix between the two

A key feature of Funding Circle's performance in the period under review has been its improving margins, both on first loans and repeat loans. In the United Kingdom, first loan margins[28] improved to approximately 20 per cent. in 2017 compared to approximately 1 per cent. and negative 37 per cent. in 2016 and 2015, respectively, with repeat loan margins growing from approximately 23 per cent. in 2015 to approximately 40 per cent. and 57 per cent. in 2016 and 2017, respectively. In H1 2018, first loan margins declined to approximately 14 per cent., following planned increased spend on "above-the-line" marketing (such as television and radio), resulting in an increase in Borrower acquisition costs. Repeat loan margins in H1 2018 were approximately 55 per cent. In the United States, first loan margins improved to approximately negative 45 per cent. in 2017 compared to approximately negative 195 per cent. and negative 151 per cent. in 2016 and 2015, respectively, with repeat loan margins growing from approximately negative 51 per cent. in 2015 to approximately negative 82 per cent. in 2016 and positive 4 per cent. in 2017. In H1 2018, first loan margins improved to approximately negative 35 per cent., while repeat loan margins improved to approximately positive 8 per cent, driven by a 39 percentage point decrease in segment costs (net of marketing spend) as a percentage of revenue. In the Developing Markets, first loan margins were approximately negative 696 per cent. and negative 278 per cent. in 2016 and 2017, respectively, while repeat loan margins were approximately negative 227 per cent. and negative 32 per cent, respectively. In H1 2018, first loan margins improved to approximately negative 107 per cent. (approximately negative 685 per cent. in H1 2017), while repeat loan margins improved to approximately negative 48 per cent. (approximately negative 165 per cent. in H1 2017).

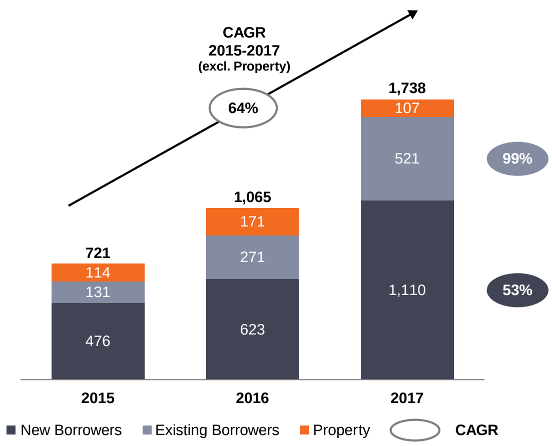
The improvement in margins was driven by two main factors. Over time, Funding Circle has leveraged its expertise to generally reduce the cost of acquiring a Borrower, by accumulating more complete data sets of potential Borrowers, changing and optimising the emphasis placed on each marketing channel and, through

28 Margins are calculated as estimated revenue from an average-size loan, less estimated loan acquisition costs and other segment costs on that loan, as a percentage of estimated revenue from that loan. Estimated revenue represents the sum of estimated Borrower transaction fee plus life-time servicing and other revenue, adjusting for early prepayments and defaults, for an average loan. Estimated loan acquisition costs and other segment costs exclude certain central and other costs. Estimated acquisition costs represent estimated third party marketing costs, including first loan commission paid to partners, for an average loan. For instance, first loan margin in the United Kingdom in 2017 was calculated on the basis of (i) average loan size of £60,000, (ii) estimated revenue of £4,000 from that loan, and (iii) estimated acquisition costs and other segment costs of £1,800 and £1,400, respectively, on that loan.

improved credit models, converting more applications to originated loans. Furthermore, costs have grown at a slower pace than revenue growth, as a result of increased automation, economies of scale and better absorption of fixed costs. This operational leverage has in the three years ended 31 December 2017 resulted in a decrease in the cost of acquiring, originating and servicing an individual loan, for both first loans and repeat loans. In the future, as seen in the United Kingdom in H1 2018, when more spend is directed to "above-the-line" marketing channels (such as television and radio) to increase Borrower awareness and consideration, the expectation is that the unit cost of acquiring a loan will increase, as these channels are less effective in the short term in attracting Borrowers compared to the current "below-the-line channels", such as direct mail, social and digital. However, as a percentage of revenue, Funding Circle's total cost base is expected to decrease.

Funding Circle attributes most of its marketing spend to acquiring new Borrowers, as the marketing effort required to secure repeat loans from existing Borrowers is much reduced once the business is known to the Borrower, and accordingly Funding Circle achieves significantly higher margins on loans to existing Borrowers than loans to new Borrowers. Funding Circle's value proposition to Borrowers and its continuous investment in its Borrower engagement capabilities have allowed it to consistently increase Borrower repeat rates and, therefore, the percentage of revenue from existing customers. During the period under review, the percentage of revenue from existing customers grew from 33 per cent. in 2015 to 40 per cent. in 2017 and 43 per cent. in H1 2018 (all excluding property loans). Moreover, Funding Circle has observed that in the United Kingdom, over time, Borrowers maintain an ongoing balance of financing from Funding Circle's platform, resulting in strong repeat rates, growth in Loans under Management, and, in turn, an increase in servicing fee income. The following table sets out originations by Borrower type for the periods indicated.

Originations by Borrower type, in £ million



Changing transaction yield

The transaction yield that Funding Circle generates is determined by a combination of factors, some of which are more controllable than others. Funding Circle operates a number of rate cards across the different operating segments and Borrower acquisition channels, which largely determine the transaction fee that it charges to Borrowers. The main categories of this rate card include loan term and risk band, both of which are directly correlated with the transaction fee that Funding Circle charges in that fee percentages increase as loan term and risk bands increase. Transaction yields increased considerably between 2016 and 2017, primarily due to changes in pricing strategy, in particular in the United Kingdom, and the run-off of Funding Circle's historic property business. As Funding Circle continues to refine its strategies across geographies for both existing and new Borrowers, transaction yields may continue to change, although Funding Circle considers that the rise in rates in recent years was the result of specific initiatives, and does not expect further increases in the near term.

Additionally, the average loan term (excluding property loans) has during the period under review increased from 47 months in 2015 to 50 months in 2017 and 52 months in H1 2018, making it more affordable for Borrowers to increase their borrowing levels, as the cost to the Borrower of the transaction fee is felt over a longer period. This increase in the average loan term has in turn resulted in an increase in average transaction yield. In addition, Funding Circle has from time to time consciously varied the transaction yield percentage on the rate card, in response to market conditions, the competitive environment and borrower price elasticity. In the future, the transaction yield will be dependent on all these variables as well as the relevant size of each of

Funding Circle's operating segment, as each platform across the different geographies offers a different rate card to Borrowers.

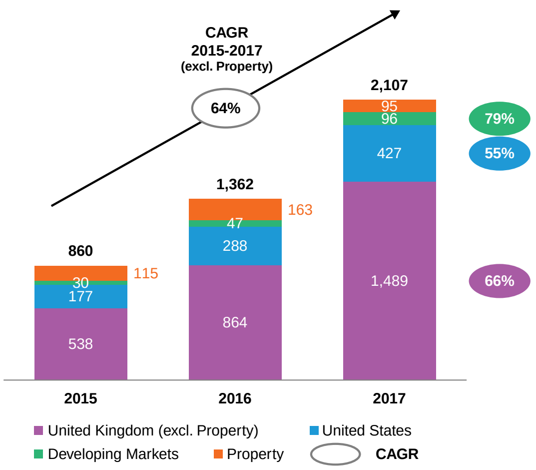
Change in the value of Loans under Management

The amount of Loans under Management at any particular point in time represents the total value of outstanding principal and minimal amounts of late interest. It includes amounts that are overdue but not loans that have defaulted.

As described in this section "*—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Revenue and Profitability*", Funding Circle receives an annualised loan servicing fee, in most instances calculated and received monthly on each loan as a percentage of the outstanding principal balance of the loan. As such, changes in the level of Loans under Management over time impact Funding Circle's servicing fees, and therefore its revenue. Loans under Management increase pursuant to new loans originated through the platform, both to new and existing Borrowers, and decrease pursuant to scheduled repayments (as all non-property loans are amortising) and early repayments (including refinancing) that Borrowers choose to make, as well as defaults.

Excluding property loans, Loans under Management increased by a CAGR of 64 per cent. between 2015 and 2017, and by 63 per cent. between H1 2017 and H1 2018, contributing to an increase in servicing fees by a CAGR of 75 per cent. and 59 per cent. (excluding property loans), respectively, during those periods. The following figure sets out the value of Loans under Management during the periods indicated, by operating segment.

Loans under Management by operating segment, in £ million



Going forward, Funding Circle's target for Loans under Management (excluding property loans) as at 31 December 2018 is in excess of £3 billion (£2.5 billion as at 30 June 2018, excluding property loans) on an absolute sterling basis. In the medium term, Funding Circle's ambition is that Loans under Management approach £7 billion on an absolute sterling basis, with approximately 60 per cent. coming from the United Kingdom, 30 per cent. from the United States and the balance from the Developing Markets.

Changing servicing yield

The servicing yield that Funding Circle earns on Loans under Management has remained fairly constant during the period under review (at an annualised rate of 1.0 per cent.). This was a function of the larger operating segments, namely the United Kingdom and the United States, achieving a consistent 1.0 per cent. yield over that period, except for a marginal decrease in the United States in H1 2018, due to rebates. Funding Circle does not charge sales tax, except in Germany, where the yield is recorded net of sales tax. This, together with a pricing model for retail Investors based on a flat charge per period (rather than a model based on the percentage of principle outstanding), resulted in a marginally lower servicing yield in the Developing Markets compared to the average servicing yield of the Group as whole, throughout the period under review.

Servicing yield has limited determining factors or variables and Funding Circle actively seeks to keep the yield at 1.0 per cent. for all Loans under Management. However, market conditions and competitive pressures do contribute to the rate charged, and therefore the servicing yield may vary in the future. In addition, Funding

Circle has historically provided limited servicing fee rebates in order to help secure Investor funding, particularly in the early stage of a market's development. Funding Circle may in the future provide similar rebates or yield enhancement, particularly when entering a new geography.

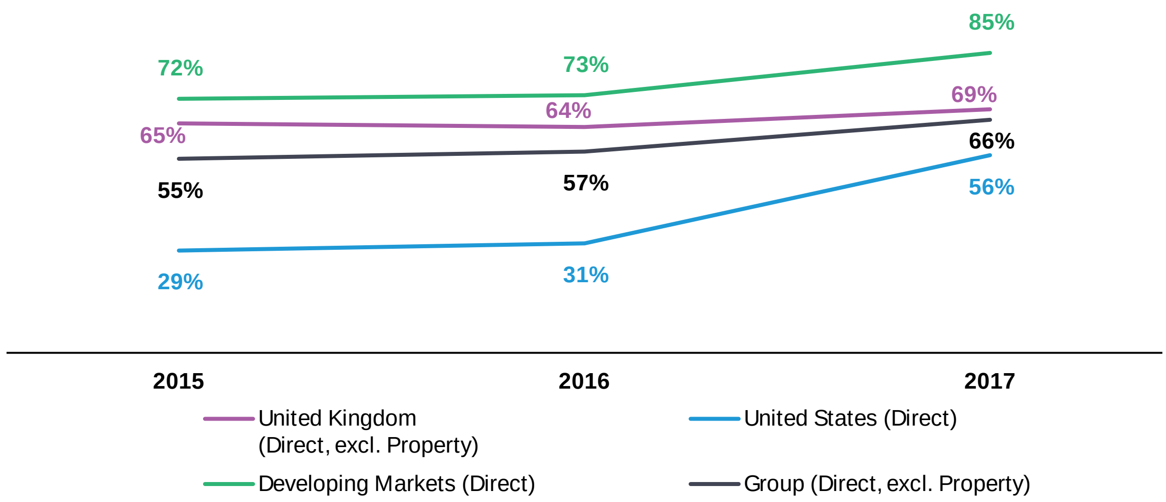
Evolution of Borrower acquisition channels

Funding Circle uses direct channels as well as indirect or intermediary channels, such as third-party origination partners, for loan originations. These third-party origination partners are further split between referral partners or brokers and strategic partners, and receive commissions for introducing Borrowers that borrow through Funding Circle's platform. The amount payable varies between the third-party origination partners and is dependent on the size and term of the loan, as well as the risk band. The commission is not linked to the subsequent performance of the loan and, in most geographies, a repeat commission is paid to the partner in the event a repeat loan is made to the Borrower.

During the three years ended 31 December 2017, the proportion of loans originated through direct channels has been steadily growing, in line with Funding Circle's overall strategy to reduce reliance on indirect channels and ensure sufficient borrowing volumes independently of third-party origination partners. In H1 2018, the proportion of direct originations (excluding property loans) further increased to 72 per cent. on a Group level (69 per cent. in H1 2017) as a result of Funding Circle's decision in late 2017 to reduce the number of third-party referral partners following a systematic review in both the United Kingdom and the United States, the effect of which materalised in early 2018.

The following table sets out total transaction fee revenue by origination channel for the periods indicated.

Transaction fee revenue split, by origination channel



While third-party origination partners remain an important route to market, particularly in new geographies, and originations sourced from partners are expected to grow, the Directors expect direct originations to continue to increase as a proportion of total originations in its more mature geographies.

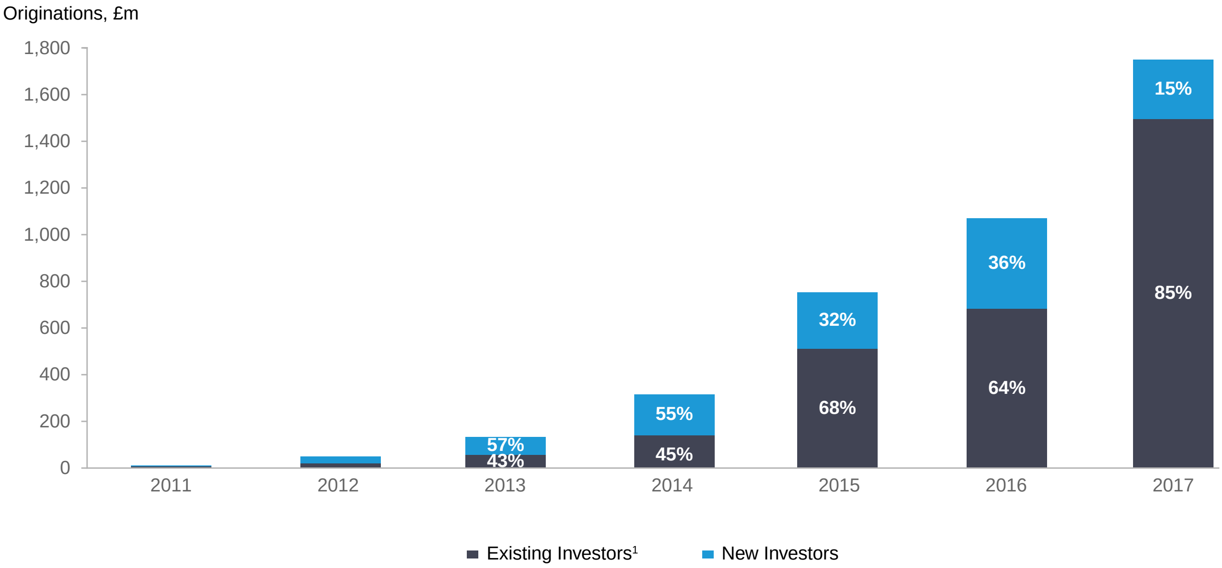
Effectiveness of scoring models and funding relationships

Funding Circle's ability to attract Borrowers and Investors to its platform largely depends on the effectiveness of its scoring models. Its ability to effectively assess risk and assign a risk band to Borrowers impacts its ability to accurately price loans to Borrowers and, in turn, its ability to offer Investors attractive returns.

Another operational requirement of Funding Circle is to balance the demand for funding from Borrowers with the supply of funding from Investors. This balancing is achieved through managing the timing of Investor funding from new and existing Investors, agreeing minimum and maximum levels of committed investment from Investors, and anticipating repayments from Borrowers that are typically reinvested through the platform. To ensure Investor funding availability throughout economic and business cycles, Funding Circle seeks to establish and facilitate diverse forms of funding, including, but not limited to, substantial volumes of forward commitments, securitisation, investment funds and retail Investor funding channels.

Funding Circle's value proposition to Investors has allowed it to attract a highly diversified Investor base that includes institutional Investors (including through secured forward-flow agreements), retail Investors, FCIF and supranationals and public bodies, achieve high Investor retention rates as evidenced by the continued growth and high proportion of its existing Investors' investments through the platform and, in turn, consistently increase Investor funding. The following figure illustrates the growth in Investor funding for the periods indicated.

Originations by Investor type, globally



Note: Originations exclude Spain.

(1) Existing Investors defined as Investors having started lending through the platform in the previous year.

Macroeconomic conditions in the geographies in which Funding Circle operates

The demand for Funding Circle's loan products from Borrowers and Investors is affected by general economic factors and conditions in the United Kingdom, the United States, Germany and the Netherlands. Demand for SME loans typically remains strong in most economic environments. However, general economic factors and conditions, including the general interest rate environment and unemployment rates, may affect Borrowers' demand for Funding Circle's loan products at the prevailing market prices or their ability to comply with their payment obligations in respect of loans, as well as Investors' ability and desire to invest in loans.

Key Factors Affecting Funding Circle's Costs

People costs

Funding Circle's primary operating cost drivers are people costs and marketing expenditure. People costs include salaries, bonuses, social security costs, pension costs and share-based payments of employees plus contractor costs. The following table sets out a breakdown of Funding Circle's people costs during the period under review.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
	(£ million, unless otherwise indicated)				
Wages and salaries	22.5	41.1	50.6	23.9	32.3
Social security costs on wages and salaries	2.2	3.6	5.3	2.6	3.4
Pension costs	—	—	0.2	0.1	0.2
Share-based payments	2.8	6.7	4.4	2.1	1.9
Social security costs on share-based payments	—	—	—	—	2.8
Employment costs	**27.5**	**51.4**	**60.5**	**28.7**	**40.6**
Contractor costs	3.1	1.5	1.9	0.8	2.4
People costs	**30.6**	**52.9**	**62.4**	**29.5**	**43.0**
Less capitalised development spend	(3.6)	(9.8)	(10.1)	(4.6)	(4.7)
People costs net of capitalised development spend	**27.0**	**43.1**	**52.3**	**24.9**	**38.3**
People costs as a percentage of revenue	**96%**	**104%**	**66%**	**72%**	**68%**
Attributable to:					
Segment Adjusted EBITDA(1)	16.2	27.0	33.2	15.7	23.6
Product development(1)	6.2	5.1	8.8	4.3	8.9
Corporate costs(1)	1.8	4.3	5.9	2.8	3.9
Share-based payments	2.8	6.7	4.4	2.1	1.9
People costs net of capitalised development spend	**27.0**	**43.1**	**52.3**	**24.9**	**38.3**
Average headcount (including contractors)(1)	365	614	739	679	950
Growth in average headcount (including contractors)(1)	n/a	68%	20%	n/a	40%

Note:

(1) Unaudited.

During the period under review, as a result of Funding Circle's growth and continued investment in its team, people costs have grown. The increase has been broadly in line with the increase in headcount (including contractors). The other main contributing factor is the change in average cost per head, which has been a function of annual salary inflation and the changing mix of headcount. People costs (including capitalised development spend) increased by 73 per cent. in 2016 (with an average headcount increase of 68 per cent.), 18 per cent. in 2017 (with an average headcount increase of 20 per cent.) and 46 per cent. in H1 2018 as compared to H1 2017 (with an average headcount increase of 40 per cent). In H1 2018, Funding Circle incurred £2.8 million in social security costs on share-based payments, as described in more detail in "*—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Costs—Share-based payments and social security costs on share-based payments*". Headcount increases reflect investments in all Group functions and across all geographies, with the greatest change occurring within the two largest geographies, the United Kingdom and United States. Given the scale and operating leverage that Funding Circle has achieved, however, headcount increases for the Group as a whole and in each of the individual geographies has in each of 2017 and H1 2018 been below the level of revenue growth. The Directors expect that growth in both headcount and people costs will, over the medium term, continue to be slower than growth in revenue.

Capitalised development spend

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
	(£ million, unless otherwise indicated)				
Capitalised development spend	3.6	9.8	10.1	4.6	4.7
Capitalised development spend as a percentage of revenue	11%	19%	11%	11%	7%

Capitalised development spend comprises employee and contractor costs capitalised in the relevant period, and are set-out under the line item "intangible assets" of the statement of financial position. During the period under review, Funding Circle has invested in developing a new single unified money and loan management platform that it intends to implement across all its markets, enabling it to scale quickly and effectively. In accordance with IFRS, the expense of doing so, together with the costs associated with developing other local and global assets have been capitalised. As a percentage of revenue, capitalised development spend was 11 per cent., 19 per cent., 11 per cent. and 7 per cent. in 2015, 2016, 2017 and H1 2018, respectively. Based on the current roadmap, in the medium term capitalised development spend is expected to grow slowly, as product development expenditures are increasingly expended rather than capitalised. The Directors' target is to reduce the ratio of capitalised development spend to revenue by nearly half in the medium term.

Marketing spend

As part of its core strategy, Funding Circle has recently invested significantly in marketing spend across a number of media channels, including direct mail, social, digital, television, radio and partner incentives. By attracting more Borrowers and providing them with a superior proposition and service, Funding Circle is able to meet the needs of Investors and, in turn, grow its own revenue. The majority of marketing spend in the period under review was on direct media, which typically drives nearer-term results, with the remainder on brand advertising and partner incentives. The following table sets out a breakdown of Funding Circle's marketing spend during the period under review.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
	(£ million, unless otherwise indicated)				
Direct	10.6	13.7	20.2	9.0	12.6
Brand (including television and radio)	3.2	1.7	5.3	0.7	4.6
Partner incentives	6.6	9.4	13.2	6.0	7.5
Marketing Spend	**20.4**	**24.8**	**38.7**	**15.7**	**24.7**
Marketing Spend as a percentage of revenue					
United Kingdom	53%	39%	37%	32%	38%
United States	99%	75%	49%	54%	43%
Developing Markets	60%	114%	68%	122%	35%
Total	**64%**	**49%**	**41%**	**38%**	**39%**

The Directors believe that both the awareness and the consideration levels of Funding Circle's proposition is significantly below its traditional and incumbent competitors and a key strategy is to increase awareness and consideration once a certain scale has been achieved in a geography. Looking forward, Funding Circle intends to significantly and sustainably increase the level of "above-the-line" and brand marketing in each of its geographies (including television and radio marketing), starting with the United Kingdom and the United States, which, despite the higher initial cost per acquisition compared to direct marketing, the Directors believe is necessary to successfully scale the business. The Directors accordingly expect marketing spend to remain at approximately 40 per cent. of revenue through the medium term. Marketing spend is expected to decline as a percentage of revenue over the longer term, with a positive Group margin impact.

Partner incentives include commissions payable to Funding Circle's third-party origination partners, as described in more detail in "*—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Revenue and Profitability*".

Data and technology costs

Funding Circle incurs costs in respect of data acquisition and accumulation, which it uses to continually enhance its credit models and support its credit assessment. It also pays licencing fees to software providers, whose technologies enable Funding Circle to operate a fast-paced and innovative culture. During the period under review, data and technology costs have declined as a percentage of revenue from 11 per cent. in 2015, to 9 per cent. in 2016, 7 per cent. in 2017 and 7 per cent. in H1 2018. This reflects a combination of fixed-cost data arrangements with third-party service providers, insights gained through a number of years of data acquisition and the relationship of software licences to headcount, which has grown slower than revenue.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million, unless otherwise indicated)				
Data and technology costs(1)	3.5	4.4	6.5	3.3	4.4
Data and technology costs as a percentage of revenue(1)	11%	9%	7%	8%	7%

Note:

(1) Unaudited.

Investor incentives

During the period under review, Funding Circle has entered into a small number of bespoke arrangements with a limited number of institutional Investors, with a view to gaining market share in Funding Circle's then less mature geographies. These bespoke agreements typically required Funding Circle to augment returns, albeit to a capped level of cost, or to compensate Investors for loans that defaulted shortly after origination. Incentives to non-retail Investors totalled £1.9 million, £3.2 million and £3.0 million in the years ended 31 December 2015, 2016 and 2017, respectively, and £1.7 million in H1 2018. The majority of the Investor incentive costs in 2015 and 2016 related to agreements with long-standing Investors in the United States, while most of the Investor incentive costs in each of 2017 and H1 2018 were in connection with the Developing Markets.

In early 2017, in the Developing Markets segment, Funding Circle entered into an arrangement with an institutional Investor to guarantee the credit risk on the loan investments made by the Investor. Under the terms of the agreement, Funding Circle is required either to make payments when the underlying Borrower fails to meet its obligation under the loan contract or buy the defaulted loan from the Investor at its carrying value. In return for this financial guarantee, if the portfolio of loans held by the institutional Investor perform above a threshold annual return of 3.8 per cent., Funding Circle is entitled to the excess returns which are recorded as other revenue. Since the commencement of this agreement, the returns generated have exceeded the costs of providing the financial guarantee, and the expectation in the majority of scenarios modelled by Funding Circle is that the income from this arrangement will exceed the Investor incentive cost of buying back defaulted loans, which is treated as an operating expense.

In addition, Funding Circle has in the past provided credit or yield enhancement in the form of cashback to retail Investors, as an incentive to participate on the platform. This cashback cost was greatest in 2015, at £1.3 million, before falling to £0.2 million in 2016 and £0.1 million in 2017, and £0.1 million in H1 2018.

To the extent Funding Circle chooses to expand further in existing geographies or enter into new geographies in the future, it may provide credit or yield enhancement, in the form of cashback or other forms of recourse for certain Investors, to secure sufficient levels of Investor funding and gain market share. The following table sets out other revenue from excess returns and Investor incentive costs for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
	(£ million, unless otherwise indicated)				
Other revenue from excess returns	—	—	0.3	—	1.1
Investor incentive costs	3.2	3.4	3.1	1.2	1.8

Other operating expenses

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million, unless otherwise indicated)				
Other operating expenses(1)	16.2	22.8	23.4	11.1	14.8
Other operating expenses as a percentage of revenue(1)	51%	45%	25%	27%	24%

Note:

(1) Unaudited.

Funding Circle's other operating expenses include people-related spend on travel, recruitment and training, property expenditure and professional fees. During the period under review, other operating expenses have declined as a percentage of revenue from 51 per cent. in 2015, to 45 per cent. in 2016, 25 per cent. in 2017 and 24 per cent. in H1 2018. As the business continues to grow, other operating expenses are expected to continue to rise, including as a result of increased property costs to accommodate a growing workforce. However, as the business continues to scale, operational efficiencies are expected to result in a decrease of other operating expenses as a percentage of revenue.

Depreciation and amortisation

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
	(£ million, unless otherwise indicated)				
Depreciation and amortisation	1.4	4.2	6.8	3.7	4.1
Depreciation and amortisation as a percentage of revenue	4%	8%	7%	9%	7%

Depreciation is provided on all tangible fixed assets on a straight-line basis over an expected useful life of between one and five years. During the period under review, Funding Circle has largely shifted away from the purchase of physical computer equipment in favour of subscribing to cloud-based technologies, to assist with the processing of large amounts of data. Accordingly, annual depreciation charges have not tracked revenue growth.

Amortisation is provided on intangible fixed assets, the largest category of which relates to capitalised development costs which have an estimated useful life of between three to eight years. The amount of capitalised development spend has increased in each of the three years ended 31 December 2015, 2016 and 2017, and in H1 2018 (as compared to H1 2017), as Funding Circle developed a common technology platform using internal resources, resulting in an increase in amortisation expenses.

Share-based payments and social security costs on share-based payments

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
	(£ million, unless otherwise indicated)				
Share-based payments	2.8	6.7	4.4	2.1	1.9
Share-based payments as a percentage of revenue	9%	13%	5%	5%	3%
Social security costs on share-based payments	—	—	—	—	2.8

Share-based awards are a key part of the remuneration strategy of Funding Circle, with all permanent employees eligible for one or more of the five different share and share option schemes in operation as at 30 June 2018. Each of the schemes has broadly the same vesting conditions whereby there is a four year vesting period, with the first 25 per cent. vesting on the first anniversary of the award and the balance of 75 per cent. vesting over the remaining three years on a quarterly basis. A share-based payment charge is determined for each scheme award and charged to the income statement in accordance with the vesting schedule, as adjusted for leavers. Prior to the potential initial public offering being considered by the Company, and options being classified as readily convertible securities, Funding Circle was not required to account for employer's social security costs on the potential exercise by employees of vested options. Therefore, in H1 2018, Funding Circle recorded for the first time a £2.8 million share-based payment charge in respect of future employer's social security costs, and the Directors expect the charge to amount to approximately £8 million in 2018.

For all schemes, admission of the Company's shares to a stock exchange does not automatically result in an acceleration of vesting. Accordingly, awards made prior to any such admission will continue to lead to a share-based payment charge post admission, as the awards continue to vest. In the future, Funding Circle intends to continue making share-based awards to all permanent employees, with a similar vesting and no-performance criteria structure. Accordingly, if Funding Circle were to move from being a privately owned organisation to one with listed shares, the expectation is that the share-based payment charge would, as a percentage of revenue, rise to approximately 7 per cent. in the medium term, and would gradually decrease thereafter. Such rise over the medium term would be driven by an increased number of awards (as Funding Circle continues to grow) as well as a higher per-award charge (as the value of each award becomes more transparent). Additional social security costs on share-based payments would be triggered by admission of the Company's shares to a stock exchange, as the value of options that are eligible and likely to be exercised would be higher in a more liquid market.

Foreign exchange gains and losses

During 2016 and 2017, the Company held a large amount of cash and cash equivalents denominated in US dollars. On 23 June 2016, a majority of UK voters voted in favour of the United Kingdom's exit from the European Union in a national referendum, which resulted in a significant decrease in the value of the pound sterling relative to the US dollar in 2016. This gave rise to a significant foreign exchange gain of £3.9 million in 2016. In January 2018, the remaining US dollar balances held at a Group level were transferred to the US business and, as such, the impact of translating non-pound sterling balances is expected to be limited in future periods to reserves movements.

Costs related to the potential initial public offering

As of 30 June 2018, Funding Circle has incurred £4.6 million of costs in respect of a potential initial public offering of its shares. These expenses include advisor and other costs, but exclude any fees contingent on the successful completion of the initial public offering, as well as future costs that may be incurred in order to complete any such offering. Of the total £4.6 million, £2.7 million has been deferred (as at 30 June 2018) on the statement of financial position, and £1.9 million were recorded in the income statement as an exceptional charge during H1 2018.

Other Factors Affecting Funding Circle's Results

Foreign exchange rates

Funding Circle currently operates across the United Kingdom, the United States, Germany and the Netherlands. The majority of Funding Circle's revenue and costs are denominated in pounds sterling, with the remainder in the local currencies of the countries in which the business operates, namely US dollars or euros. Funding Circle generally seeks to match the currency of its revenue and expenses for its operations in each geography to reduce its exposure to currency fluctuations. In limited circumstances, however, revenues and expenses may be in different currencies. Funding Circle reports its consolidated financial information in pounds sterling and, consequently, the presentation of the consolidated financial information may be materially by movements in foreign exchange rates and, particularly, by the US dollar to pound sterling and the euro to pound sterling rates.

Geographic expansion

In the period under review, Funding Circle expanded through the Zencap Acquisition into three new geographies, which subsequently reduced to two (Germany and the Netherlands) following Funding Circle's withdrawal from the Spanish market. The strategy of Funding Circle is to continue expanding geographically in a disciplined and phased manner, either through acquisitions or organically. Given the nature of the business model (whereby it takes a number of years of operations to develop effective credit models and the relatively high marketing spend required to attract both Borrowers and Investors onto the platform), the expectation is for losses to be incurred locally while the business in a new geography matures.

Effective tax rates

Funding Circle has incurred an aggregate of more than £165 million of tax losses in the geographies in which it operates, and accordingly has not recorded a meaningful historic effective tax rate. Tax credits received in respect of spend in the United Kingdom on qualifying research and development have been £nil, £0.6 million and £1.0 million in the years ended 31 December 2015, 2016 and 2017, respectively. As tax credits are only recognised on receipt, no such credits were recognised in H1 2018. Funding Circle anticipates making tax credit claims in 2018 and in subsequent years, with the size of any such credit expected to decrease over time. Based on current legislation in effect in each of the geographies in which it operates, Funding Circle expects to be able to utilise in future periods accumulated tax losses against any future taxable profits. The extent to which past tax losses can be used to offset future tax charges remains subject to changing tax legislation.

Finance income

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			(£ million)	(unaudited)	
Interest on bank deposits	0.1	0.3	0.2	—	0.1
Interest on loan securities	0.1	0.4	0.4	0.2	0.2
Finance income	**0.2**	**0.7**	**0.6**	**0.2**	**0.3**

Funding Circle earns finance income on bank deposits and on loan securities on the platform. The rate of return on bank deposits has been relatively low over the period under review, with fluctuations in finance income mainly resulting from the changing levels of cash in hand due to a mix of equity contributions and funding trading losses. Interest on loan securities is earned primarily in the United States, where Funding Circle holds on its balance sheet loans originated through the platform for an initial holding period, typically of two days, before they are acquired by Investors (the so called "loan curing period"). The interest income in respect of these investments therefore represents the yield payable by Borrowers (net of losses) for that short loan curing period.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 of Section B of Part 10 (Historical Financial Information).

KEY OPERATING AND FINANCIAL METRICS

Funding Circle monitors several key metrics to track the financial and operating performance of its business. These measures are derived from Funding Circle's internal financial and analytics systems. As some of these measures are not determined in accordance with IFRS, and are thus susceptible to varying calculations, they may not be comparable with other similarly titled measures of performance of other companies. For more information on the definition and calculation of these metrics, including a reconciliation to Funding Circle's reported historical financial information prepared on an IFRS basis, where relevant, please see "Non-IFRS financial information" and "Key performance indicators", each in Part 2 (Presentation of Financial and Other Information).

The following key operating and financial metrics are monitored by Funding Circle both at operating segment and Group levels.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited, unless otherwise indicated) (£ million, unless otherwise indicated)				
Loans under Management	860	1,362	2,107	1,705	2,584
Originations	721	1,065	1,738	797	1,043
Number of loans originated	9,568	13,724	23,350	10,734	14,783
Transaction yield	3.6%	3.7%	4.4%	4.1%	4.8%
Servicing yield	1.0%	1.0%	1.0%	1.0%	1.0%
Marketing spend as a percentage of revenue	64%	49%	41%	38%	39%
Revenue(1)	32.0	50.9	94.5	40.9	63.0
Segment Adjusted EBITDA(1)	(22.1)	(26.5)	(3.9)	(3.0)	0.9
Segment Adjusted EBITDA Margin	(69)%	(52)%	(4)%	(7)%	1%
Adjusted EBITDA(1)	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Adjusted EBITDA Margin	(111)%	(80)%	(27)%	(32)%	(26)%
Free Cash Flow	(45.5)	(46.1)	(35.3)	(21.1)	(24.2)

Note:

(1) Audited for the three years ended 31 December 2015, 2016 and 2017 and H1 2018.

Comparability of results

Withdrawal from property lending in the United Kingdom

In April 2017, Funding Circle took the decision to no longer lend to property developers in the United Kingdom, the one market in which it had previously expanded its product set beyond amortising SME loans. The change orientated from the decision to focus on the core product offering which is considered transferable and scalable across multiple geographies using common technology. Over the remainder of 2017 and into 2018, Funding Circle continued to fulfil its outstanding lending obligations.

The Zencap Acquisition

On 19 October 2015, Funding Circle expanded its operations through the Zencap Acquisition into Germany, the Netherlands and Spain (which it subsequently decided to exit in January 2017, following market testing and a recognition of the different dynamics of the Spanish market). Since that date, the results of the Zencap Group (now Funding Circle Continental Europe) have been included in Funding Circle's consolidated results and given the post-acquisition period is less than a full year, the comparability of Funding Circle's results for the years ended 31 December 2016 and 2017, with the results for the year ended 31 December 2015 are impacted.

Seasonality

Funding Circle's business is subject to seasonality. Excluding specific business-led initiatives to stimulate or contract originations, including the level of marketing, Borrower experience improvements or changes to credit risk models, the volume of loans originated through the platform in any particular period tend to correlate to general business activity in that period, with Borrower applications tending to be lower around both national holidays or traditional holiday periods. Historically, this has meant that originations in the first half of the year tend to be less than 50 per cent. of the full year total, with the second quarter generally proportionately the lowest in any given year. Accordingly, second half originations tend to be above 50 per cent. of the full year total with fourth quarter originations typically the greatest in any given year.

Current Trading and Prospects

Funding Circle has continued its growth trajectory in line with management expectations since 30 June 2018. As set out in "*Strategy*" in Part 6 (Business Description), management sees significant opportunity in both Funding Circle's existing markets (given its market share is less than 0.5 per cent. across all four geographies taken together, as at 31 December 2017) and also the opportunity to prudently expand into new geographies. This opportunity means that Funding Circle will focus on driving growth over profitability through the medium term, and incur elevated marketing spend through 2020 (as described under "*—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Costs—Marketing spend*"). At the same time, however, the Directors believe that Funding Circle's business model has very attractive margin potential as it reaches scale as a result of its experience of the repeat nature of SME Borrowers and observed characteristics of repeat loan performance, as evidenced by Funding Circle's experience in the United Kingdom, where margins for repeat Borrowers are demonstrably higher than those for new ones.

Funding Circle's business plan sets out certain ambitions in respect of Loans under Management (as described under "*—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Revenue and Profitability—Change in the value of Loans under Management*"), revenue (excluding that related to property loans), Segment Adjusted EBITDA Margin, and Adjusted EBITDA. These are forward-looking statements, based on assumptions that the Directors believe are reasonable, but which may turn out to be incorrect or different than expected, and Funding Circle's ability to achieve them will depend on a number of factors, many of which are outside Funding Circle's control, including significant business and economic uncertainties and risks, including those described in Part 1 (Risk Factors). As a result, Funding Circle's actual results may vary from the ambitions set out in its business plan and those variations may be material.

In revenue terms, excluding property loans, the Directors are targeting approximately 50 per cent. year-on-year growth for the year ending 31 December 2018; with revenue growth converging towards origination growth over the course of the second half of 2018 as transaction yields begin to reflect the full-period impact of pricing initiatives and stabilise at this level. In the medium term, the Directors are targeting revenue growth in excess of 40 per cent. with higher levels of growth in the United States and the Developing Markets.

In the year ending 31 December 2018, the Directors are targeting an aggregate Segment Adjusted EBITDA Margin in the mid-single digits, primarily as a result of the US Segment Adjusted EBITDA Margin approaching break-even in the second half of 2018. In the medium term, Funding Circle's target for aggregate

Segment Adjusted EBITDA Margin is approximately 20 per cent., as the US Segment Adjusted EBITDA Margin converges toward that achieved in the United Kingdom, offset by lower margins in the Developing Markets and start-up costs in any new markets.

As a result of the foregoing, in the long term the Directors are targeting a sustainable Group Adjusted EBITDA Margin of 35 per cent. or above, reflecting economies of scale and increased automation as Funding Circle expands in different regions and the proportion of repeat loans grows.

RESULTS OF OPERATIONS

Results of operations for the six months ended 30 June 2017 and 2018

The following table presents Funding Circle's results of operations for the six month periods indicated, which has been extracted without material adjustment from the historical financial information set out in Section B of Part 10 (Historical Financial Information).

	Six months ended 30 June		Percentage Change
	2017	**2018**	**2018**
	(unaudited) (£ million)		(%)
Revenue	40.9	63.0	54%
Operating expenses	(60.3)	(90.3)	50%
Operating loss	**(19.4)**	**(27.3)**	**41%**
Finance income	0.2	0.3	50%
Loss before taxation	**(19.2)**	**(27.0)**	**41%**
Income tax	—	—	n/a
Loss for the year	**(19.2)**	**(27.0)**	**41%**

Revenue

Revenue increased by £22.1 million, or 54 per cent., to £63.0 million in H1 2018 compared to £40.9 million in H1 2017. This increase was primarily driven by a 38 per cent. increase in the number of loans originated through the platform, a 2 per cent. increase in average loan size (excluding property loans) on a Group level, a 0.4 per cent. increase in transaction yield, and a 49 per cent. growth in servicing revenue, driven by higher levels of Loans under Management.

Revenue by type

The following tables sets out Loans under Management, origination volumes, revenue by type, transaction yield and servicing yield for the six month periods indicated.

	Six months ended 30 June		Percentage Change
	2017	**2018**	**2018**
	(unaudited) (£ million)		(%)
Loans under Management	1,705	2,584	52%
Originations	797	1,043	31%

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited) (£ million)		(%)
Transaction revenue	33.0	50.3	52%
Servicing revenue	7.6	11.3	49%
Other revenue	0.3	1.4	367%
Revenue	**40.9**	**63.0**	**54%**
	(%)		(% pts)
Transaction yield[(1)]	4.1%	4.8%	0.7% pts
Servicing yield[(1)]	1.0%	1.0%	0% pts

Note:

(1) Unaudited.

Originations increased by 31 per cent., to £1,043 million in H1 2018 from £797 million in H1 2017. In H1 2018, Funding Circle incurred £24.7 million in marketing spend, representing 39 per cent. of revenue, which Funding Circle believes has helped increase Borrower awareness and engagement with the platform, in turn resulting in a £220 million increase in originations to new Borrowers as compared to H1 2017. Furthermore, originations to existing Borrowers increased from £235 million in H1 2017 to £333 million in H1 2018, primarily due to an increasing base of Loans under Management.

In H1 2018, transaction fee revenue was £50.3 million (a 52 per cent. increase as compared H1 2017), representing a yield on originations of 4.8 per cent. This increase was higher than the growth in originations over the same period (31 per cent.), as the transaction yield improved from 4.1 per cent. in H1 2017 to 4.8 per cent. in H1 2018, following a series of rate card price increases in all three of Funding Circle's operating segments.

Loans under Management grew by 52 per cent., to £2,584 million in H1 2018 from £1,705 million in H1 2017. This growth was primarily driven by the growth in loan originations (net of scheduled repayments, voluntary prepayments and defaults).

In H1 2018, servicing fee revenue was £11.3 million (a 49 per cent. increase as compared to H1 2017), representing a yield on average Loans under Management of 1.0 per cent. This increase was in line with the growth in Loans under Management, given that the servicing yield remained constant at 1.0 per cent.

Other revenue increased by 367 per cent., to £1.4 million in H1 2018 from £0.3 million for in H1 2017. As described in "*—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Costs—Investor Incentives*", in early 2017 Funding Circle agreed a per annum level of return to an institutional Investor in the Developing Markets, with any excess spread to be returned to Funding Circle. In H1 2018, Funding Circle delivered returns above the agreed per annum level, resulting in £1.1 million of other revenue to Funding Circle.

Revenue by customer type—new or existing

The following table presents a breakdown of revenue by customer type for the six month periods indicated.

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited) (£ million)		(%)
Revenue from new customers (excluding property loans)[1]	23.0	36.0	57%
Revenue from existing customers (excluding property loans)[1][2]	15.7	26.7	70%
Revenue (excluding property loans)	**38.7**	**62.7**	**62%**
Revenue from property loans	2.2	0.3	(86)%
Revenue	**40.9**	**63.0**	**54%**
	(%)		(% pts)
Percentage of revenue from existing customers (excluding property loans)[1]	41%	43%	3% pts
Percentage of loans (by value) made to existing Borrowers (excluding property loans)[1]	33%	32%	(1)% pts

Notes:

(1) Unaudited.

(2) Revenue from existing customers (excluding property loans) represents the sum of (i) transaction fees on repeat loans; and (ii) all servicing fee and other revenue; excluding revenue from property loans.

The percentage of loans (excluding property loans) made to existing Borrowers (by value) remained relatively stable in H1 2018 (at 32 per cent., compared to 33 per cent. H1 2017). The percentage of revenue from existing customers (excluding property loans) increased to 43 per cent. in H1 2018, from 41 per cent. in H1 2017, primarily driven by the growth in servicing revenue on Loans under Management.

Revenue by operating segment

The following table presents a breakdown of revenue and other financial and operating metrics for the six month periods indicated, by operating segment.

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited, unless otherwise indicated) (£ million)		(%)
United Kingdom (excluding property loans)	29.5	42.5[1]	44%
United States	8.3	15.0[1]	81%
Developing Markets	0.9	5.2[1]	478%
Property (United Kingdom only)	2.2	0.3[1]	(86)%
Revenue	**40.9**	**63.0**[1]	**54%**
	(%)		(% pts)
United Kingdom (excluding property loans)	4.4%	4.8%	0.4% pts
United States	4.5%	5.0%	0.5% pts
Developing Markets	3.5%	4.4%	0.9% pts
Property (United Kingdom only)	1.9%	n/a	n/a
Transaction yield	**4.4%**	**4.8%**	**0.4% pts**
United Kingdom (excluding property loans)	1.0%	1.0%	0.0% pts
United States	1.0%	0.9%	(0.1)% pts
Developing Markets	0.5%	0.7%	0.3% pts
Servicing yield	**1.0%**	**1.0%**	**0.0% pts**

Note:

(1) Audited.

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited) (£ million, unless otherwise indicated)		(%)
United Kingdom (excluding property loans)	1,179	1,832	55%
United States	322	549	70%
Developing Markets	55	153	178%
Property (United Kingdom only)	150	50	(67)%
Loans under Management	**1,705**	**2,584**	**52%**
United Kingdom (excluding property loans)	548	707	29%
United States	151	249	65%
Developing Markets	21	82	290%
Property (United Kingdom only)	77	5	(94)%
Originations	**797**	**1,043**	**31%**
Percentage of originations from existing Borrowers (excluding property loans)	**33%**	**32%**	**(1)%**
United Kingdom (excluding property loans)	8,468	10,558	25%
United States	1,498	2,532	69%
Developing Markets	488	1,668	242%
Property (United Kingdom only)	280	25	(91)%
Number of loans originated	**10,734**	**14,783**	**38%**
Percentage of loans to existing Borrowers (excluding property loans)	**28%**	**28%**	**0% pts**

United Kingdom

Loans under Management (excluding property loans) increased by £654 million, or 55 per cent., to £1,832 million as at 30 June 2018 from £1,179 million as at 30 June 2017, which was primarily driven by new originations over the intervening 12-month period, partially offset by repayments and defaults. The 29 per cent. increase in originations (to £707 million in H1 2018 from £548 million in H1 2017) was primarily due to a 25 per cent. increase in the number of loans originated through the platform, as well as a 3 per cent. increase in average loan size (excluding property loans).

Revenue (excluding that in relation to property loans) increased by 44 per cent., to £42.5 million in H1 2018 from £29.5 million in H1 2017. This increase was primarily driven by the increase in originations (29 per cent.) and the associated transaction fee earned and, to a lesser extent, an increase in average transaction yield (to 4.8 per cent. in H1 2018 from 4.4 per cent. in H1 2017) and a growing level of Loans under Management, on which a 1 per cent. servicing fee was earned.

United States

Loans under Management increased by £227 million, or 70 per cent., to £549 million as at 30 June 2018 from £322 million as at 30 June 2017. The increase was driven by an increase in originations (net of repayments and defaults), as well as differing USD to GBP translation rates. In H1 2018, a total of 2,532 loans were originated, a 69 per cent. increase as compared to H1 2017. This increase, while partially offset by a 2 per cent. decrease in average loan size, resulted in a 65 per cent. increase in originations over these periods, to £249 million in H1 2018 from £151 million in H1 2017.

Revenue increased by 81 per cent., to £15.0 million in H1 2018 from £8.3 million in H1 2017. The increase was primarily driven by growth in originations, as well as an increase in transaction yield (from 4.5 per cent. in H1 2017 to 5.0 per cent. H1 2018) following a series of increases to the transaction fee rate charged to Borrowers. The increase was partially offset by a 9 per cent. decrease in the value of the US dollar relative to the pound sterling between 30 June 2017 and 30 June 2018.

Developing Markets

Loans under Management increased by £98 million, or 178 per cent., to £153 million as at 30 June 2018 from £55 million as at 30 June 2017. The change was driven by an increase in originations (net of repayments and defaults), with little impact from a changing Euro to pound sterling foreign exchange rate. In H1 2018, a total of 1,668 loans were originated, a 242 per cent. increase as compared to H1 2017. This increase, coupled with a 14 per cent. increase in average loan size, resulted in a near four-fold increase in originations, to £82 million in H1 2018 from £21 million in H1 2017.

Revenue grew over five-fold in H1 2018, to £5.2 million from £0.9 million in H1 2017. The increase was the result of growth in Loans under Management and originations, coupled with an improvement in transaction yield to 4.4 per cent. (from 3.5 per cent. in H1 2017), as rates charged to Borrowers were revised upwards during the second half of 2017. Changing euro to pound sterling foreign exchange rates had little impact.

Property

Following the decision to withdraw from property lending in the United Kingdom (see "—*Comparability of Results*"), originations decreased to £5 million in H1 2018, from £77 million in H1 2017. The impact of the decision to withdraw from property lending, combined with a focus to help Borrowers refinance their loans away from Funding Circle, resulted in a decline in Loans under Management, from £150 million as at 30 June 2017 to £50 million as at 30 June 2018. Based on the current trends and initiatives, the expectation is that property Loans under Management will be £nil or immaterial by the end of 2019.

Operating expenses

The following table presents a breakdown of operating expenses for the six month periods indicated.

	Six months ended 30 June		Percentage Change
	2017	**2018**	**2018**
	(unaudited)		
	(£ million)		**(%)**
People costs net of capitalised development spend[(1)]	24.9	38.3	54%
Marketing	15.7	24.7	57%
Data and technology costs[(2)]	3.3	4.4	33%
Investor incentives	1.2	1.8	50%
Other[(2)]	11.1	14.8	34%
Depreciation and amortisation	3.7	4.1	11%
Foreign exchange (gain) / loss	0.4	0.3	(25)%
Exceptional items	—	1.9	n/a
Operating expenses	**60.3**	**90.3**	**50%**

Notes:

(1) People costs are stated net of capitalised development spend that is recorded as intangible assets on the balance sheet.

(2) Unaudited.

Adjusted EBITDA and operating loss

	Six months ended 30 June		Change
	2017	2018	2018
	(unaudited)	(£ million)	
United Kingdom	9.2	9.8	0.6
United States	(7.0)	(5.1)	1.9
Developing Markets	(5.2)	(3.8)	1.4
Segment Adjusted EBITDA	**(3.0)**	**0.9**	**3.9**
Product development	(6.7)	(12.2)	(5.5)
Corporate costs	(3.5)	(5.0)	(1.5)
Adjusted EBITDA	**(13.2)**	**(16.3)**	**(3.1)**
Depreciation and amortisation	(3.7)	(4.1)	(0.4)
Share-based payments	(2.1)	(1.9)	0.2
Social security costs on share-based payments	—	(2.8)	(2.8)
Foreign exchange gain / (loss)	(0.4)	(0.3)	0.1
Exceptional items	—	(1.9)	(1.9)
Operating loss for the year / period	**(19.4)**	**(27.3)**	**(7.9)**
	(%)		(% pts)
United Kingdom	29%	23%	(6)% pts
United States	(84)%	(34)%	50% pts
Developing Markets	(578)%	(73)%	505% pts
Segment Adjusted EBITDA Margin	**(7)%**	**1%**	**8% pts**
Product development as a percentage of revenue	(16)%	(19)%	(3)% pts
Corporate costs as a percentage of revenue	(9)%	(8)%	1% pts
Adjusted EBITDA Margin	**(32)%**	**(26)%**	**6% pts**

United Kingdom

Segment Adjusted EBITDA grew by £0.6 million, to £9.8 million in H1 2018 from £9.2 million in H1 2017. This increase was primarily driven by a £11.1 million increase in revenue, offset by a £10.5 million increase in segment costs, including a £6.3 million increase in marketing spend that was driven by "above-the-line" marketing aimed at increasing brand awareness.

United States

In H1 2018, the £6.7 million revenue increase translated into an improving Segment Adjusted EBITDA, to negative £5.1 million in H1 2018 from negative £7.0 million in H1 2017. Marketing spend increased by £2.0 million, from £4.5 million in H1 2017 to £6.5 million in H1 2018. However, as a percentage of revenue, marketing spend decreased to 43 per cent. in H1 2018, from 54 per cent. in H1 2017, reflecting the inherent operating leverage in the business.

Developing Markets

Segment Adjusted EBITDA improved to negative £3.8 million in H1 2018, from negative £5.2 million in H1 2017. Revenue over the same period increased by £4.3 million, while segment costs increased by £2.9 million, including a £0.7 million increase in marketing spend.

Product Development

Product development costs (including capitalised development spend recorded as intangible fixed assets on the balance sheet) were £16.9 million in H1 2018 (representing 27 per cent. of revenue), compared to £11.3 million in H1 2017 (representing 28 per cent. of revenue). Net of capitalised development spend, product development spend amounted to £12.2 million in H1 2018, an 82 per cent. increase compared to H1 2017, as a result of a lower percentage of total product development costs being capitalised.

Consistent with the expectation of capitalised development spend recorded as intangible fixed assets on the balance sheet declining as a percentage of revenue, capitalised development spend in H1 2018 was £4.7 million (representing 7 per cent. of revenue) compared to £4.6 million in H1 2017 (representing 11 per cent. of revenue).

Corporate Costs

Corporate costs were £5.0 million in H1 2018, up from £3.5 million in H1 2017, reflecting Funding Circle's continuous investment in building a global business, including the strengthening of its global leadership team and the implementation of common processes, procedures and reporting structures.

Finance income

Finance income increased by £0.1 million, to £0.3 million in H1 2018 from £0.2 million in H1 2017. This increase was primarily due to the growth in loan originations in the United States, where Funding Circle holds loans on its balance sheet for an initial holding period of two days typically, as described in more details in "*—Liquidity and Capital Resources—Cash flows—Key factors affecting Funding Circle's operating cash flows*".

Income tax

No income tax was incurred in H1 2018 and H1 2017, as a result of taxable losses in both periods. Similarly, no tax credit in respect of research and development claims in the United Kingdom were received in either period.

Loss for the period

As a result of the above, Funding Circle incurred a loss of £27.0 million in H1 2018, compared to a loss of £19.2 million in H1 2017.

Results of operations for the three years ended 31 December 2015, 2016 and 2017

The following table presents Funding Circle's results of operations for the years indicated, which has been extracted without material adjustment from the historical financial information set out in Section B of Part 10 (Historical Financial Information).

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
	(£ million)			(%)	
Revenue	32.0	50.9	94.5	59%	86%
Operating expenses	(71.7)	(98.8)	(131.4)	38%	33%
Operating loss	**(39.7)**	**(47.9)**	**(36.9)**	**21%**	**(23)%**
Finance income	0.2	0.7	0.6	250%	(14)%
Loss before taxation	**(39.5)**	**(47.2)**	**(36.3)**	**19%**	**(23)%**
Income tax	(0.1)	0.6	1.0	n/a	67%
Loss for the year	**(39.6)**	**(46.6)**	**(35.3)**	**18%**	**(24)%**

Revenue

Revenue increased by £43.6 million, or 86 per cent., to £94.5 million in the year ended 31 December 2017 compared to £50.9 million in the year ended 31 December 2016. In 2016, revenue increased by £18.9 million, or 59 per cent., from £32.0 million in the year ended 31 December 2015 to £50.9 million in the year ended 31 December 2016. Growth in revenue during the years under review was driven by an increase in the value of loans originated through the platform, an improvement in transaction yield and growth in servicing revenue driven by a growing level of Loans under Management.

Revenue by type

The following tables sets out Loans under Management, origination volumes, revenue by type, transaction yield and servicing yield for the years indicated.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
		(unaudited) (£ million)		(%)	
Loans under Management	860	1,362	2,107	58%	55%
Originations	721	1,065	1,738	48%	63%

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
		(£ million)		(%)	
Transaction revenue	26.0	39.6	76.5	52%	93%
Servicing revenue	5.8	10.9	17.1	88%	57%
Other revenue	0.2	0.4	0.9	100%	125%
Revenue	**32.0**	**50.9**	**94.5**	**59%**	**86%**
		(%)		(% pts)	
Transaction yield[(1)]	3.6%	3.7%	4.4%	0.1% pts	0.7% pts
Servicing yield[(1)]	1.0%	1.0%	1.0%	0% pts	0% pts

Note:

(1) Unaudited.

Originations increased by 63 per cent. to £1,738 million in the year ended 31 December 2017, compared to £1,065 million in the year ended 31 December 2016. Originations in the year ended 31 December 2016 increased by 48 per cent. to £1,065 million, compared to £721 million for the year ended 31 December 2015. Growth in originations during the three-year period ending 31 December 2017 was primarily driven by improved Borrower and Investor awareness resulting from increased marketing activity, as well as the continual enhancement of operational processes that improved conversion of applications to funded loans.

For the year ended 31 December 2017, transaction fee revenue was £76.5 million, representing a yield on originations of 4.4 per cent. Transaction fee revenue grew 93 per cent. in the year ended 31 December 2017 compared to the year ended 31 December 2016. This growth was higher than the growth in originations over the same period (63 per cent.) as the transaction yield improved from 3.7 per cent. to 4.4 per cent., driven by an increase in the transaction yield in all three operating segments due to a combination of rate card price increases and an increase in average loan term. For the year ended 31 December 2016, transaction fee revenue was £39.6 million, representing a yield on originations of 3.7 per cent. The 52 per cent. growth in transaction fee revenue in the year ended 31 December 2016 compared to the year ended 31 December 2015 was higher than the growth in originations over the same period (48 per cent.) as transaction yield improved slightly from 3.6 per cent. to 3.7 per cent. following a period of limited change to the underlying risk models and rate cards.

Loans under Management grew 55 per cent. to £2,107 million in the year ended 31 December 2017, after growing 58 per cent. to £1,362 million in the year ended 31 December 2016, from £860 million in the year ended 31 December 2015. The growth in each year was primarily driven by the growth in originations net of scheduled repayments, voluntary prepayments and defaults.

For the year ended 31 December 2017, servicing fee revenue was £17.1 million, representing a yield on average Loans under Management of 1.0 per cent. The 57 per cent. growth in servicing fee revenue in 2017 was in line with growth in Loans under Management, given that the servicing yield remained constant at 1.0 per cent. For the year ended 31 December 2016, servicing fee revenue was £10.9 million, representing a yield of 1.0 per cent. The 88 per cent. growth in servicing fee revenue in 2016 was primarily due to the growth in Loans under Management. The servicing yield remained constant at 1.0 per cent.

Other revenue increased by 125 per cent. to £0.9 million for the year ended 31 December 2017, compared to £0.4 million for the year ended 31 December 2016, reflecting the overall rate of growth of the business. Similarly, other revenue for the year ended 31 December 2016 increased by 100 per cent. to £0.9 million, compared to £0.2 million for the year ended 31 December 2015.

Revenue by customer type—new or existing

The following table presents a breakdown of revenue by customer type for the years indicated.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
		(£ million)		(%)	
Revenue from new customers (excluding property loans)(1)	19.4	27.6	54.8	42%	99%
Revenue from existing customers (excluding property loans)(1)(2)	9.6	18.7	36.6	95%	96%
Revenue (excluding property loans)	**29.0**	**46.3**	**91.4**	**60%**	**97%**
Revenue from property loans	3.0	4.6	3.1	53%	(33)%
Revenue	**32.0**	**50.9**	**94.5**	**59%**	**86%**
		(%)		(% pts)	
Percentage of revenue from existing customers (excluding property loans)(1)	33%	40%	40%	7% pts	0% pts
Percentage of loans (by value) made to existing Borrowers (excluding property loans)(1)	22%	30%	32%	8% pts	2% pts

Notes:

(1) Unaudited.

(2) Revenue from existing customers (excluding property loans) represents the sum of (i) transaction fees on repeat loans; and (ii) all servicing fee and other revenue; excluding revenue from property loans.

Over the period under review, the percentage of loans (excluding property loans) made to existing Borrowers (by value) has increased from 22 per cent. in the year ended 31 December 2015 to 30 per cent. in the year ended 31 December 2016 and 32 per cent. in the year ended 31 December 2017. This growth was primarily driven by an increase in the number of Borrowers participating on the platform, as well as Funding Circle's increasing focus on driving growth in repeat rates. Analysis of Borrower behaviour has shown that, on average, the number of loans a Borrower obtains increases in line with the number of months passed since the origination of its first loan.

As a proportion of total revenue (excluding that related to property loans), the percentage of revenue from existing customers (excluding property loans) has increased from 33 per cent. in the year ended 31 December 2015 to 40 per cent. in each of the years ended 31 December 2016 and 2017. The increase mainly reflects the growth in originations from existing customers.

Revenue by operating segment

The following table presents a breakdown of revenue and other financial and operating metrics for the years indicated, by operating segment.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
	(unaudited, unless otherwise indicated) (£ million)			(%)	
United Kingdom (excluding property loans)[1]	20.8	34.7	65.3	67%	88%
United States[1]	7.7	10.2	22.3	32%	119%
Developing Markets[1]	0.5	1.4	3.8	180%	171%
Property (United Kingdom only)[1]	3.0	4.6	3.1	53%	(33)%
Revenue[1]	**32.0**	**50.9**	**94.5**	**59%**	**86%**
		(%)		(% pts)	
United Kingdom (excluding property loans)	4.0%	4.2%	4.6%	0.2% pts	0.4% pts
United States	3.7%	3.7%	4.7%	0.0% pts	1.0% pts
Developing Markets	4.4%	3.8%	4.0%	(0.6)% pts	0.2% pts
Property (United Kingdom only)	2.1%	1.9%	1.6%	(0.2)% pts	(0.3)% pts
Transaction yield	**3.6%**	**3.7%**	**4.4%**	**0.1% pts**	**0.7% pts**
United Kingdom (excluding property loans)	1.0%	1.0%	1.0%	0.0% pts	0.0% pts
United States	1.0%	1.0%	1.0%	0.0% pts	0.0% pts
Developing Markets	0.7%	0.2%	0.6%	(0.5)% pts	0.4% pts
Servicing yield	**1.0%**	**1.0%**	**1.0%**	**0.0% pts**	**0.0% pts**

Note:

(1) Audited.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
	(unaudited) (£ million, unless otherwise indicated)			(%)	
United Kingdom (excluding property loans)	538	864	1,489	61%	72%
United States	177	288	427	63%	48%
Developing Markets	30	47	96	57%	104%
Property (United Kingdom only)	115	163	95	42%	(42)%
Loans under Management	**860**	**1,362**	**2,107**	**58%**	**55%**
United Kingdom (excluding property loans)	417	652	1,157	56%	77%
United States	180	211	396	17%	88%
Developing Markets	10	31	78	210%	152%
Property (United Kingdom only)	114	171	107	50%	(37)%
Originations	**721**	**1,065**	**1,738**	**48%**	**63%**
Percentage of originations from existing Borrowers (excluding property loans)	**22%**	**30%**	**32%**	**40%**	**5%**
United Kingdom (excluding property loans)	7,026	10,465	17,677	49%	69%
United States	1,962	2,013	3,828	3%	90%
Developing Markets	165	591	1,436	258%	143%
Property (United Kingdom only)	415	655	409	58%	(38)%
Number of loans originated	**9,568**	**13,724**	**23,350**	**43%**	**70%**
Percentage of loans to existing Borrowers (excluding property loans)	**20%**	**25%**	**28%**	**5% pts**	**3% pts**

United Kingdom

In the year ended 31 December 2017, Loans under Management increased by £625 million, or 72 per cent., to £1,489 million from £864 million in the year ended 31 December 2016, driven by new originations of £1,157 million in 2017, partially offset by repayments and defaults. In the year ended 31 December 2016, Loans under Management increased by £326 million, or 61 per cent., from £538 million in the year ended 31 December 2015, driven by new originations of £652 million in 2016, partially offset by repayments and defaults. The increase in originations in each of 2016 and 2017 was driven by an increase in the number of loans originated through the platform, as well as an increase in average loan size. The acceleration of growth in the number of loans originated through the UK platform to 69 per cent. (excluding property loans) in the year ended 31 December 2017, as compared to 49 per cent. (excluding property loans) in the year ended 31 December 2016, was mainly the result of a 63 per cent. increase in marketing spend in 2017 and better conversion of loan applications to funded loans. Combined with a 5 per cent. increase in average loan size (excluding property loans) in each of 2016 and 2017, originations increased by 77 per cent. in the year ended 31 December 2017 and by 56 per cent. in the year ended 31 December 2016.

Revenue (excluding that in relation to property loans) for the year ended 31 December 2017 increased 88 per cent. to £65.3 million, from £34.7 million in the year ended 31 December 2016. This increase was primarily driven by the increase in originations and the associated transaction fee earned and, to a lesser extent, an increase in average transaction yield (to 4.6 per cent. in the year ended 31 December 2017 from 4.2 per cent. in the year ended 31 December 2016) and a growing level of Loans under Management, on which a 1 per cent. servicing fee was earned. Revenue (excluding that in relation to property loans) for the year ended 31 December 2016 increased 67 per cent. from £20.8 million in the year ended 31 December 2015. The main drivers of this increase were an improvement in the transaction yield, higher originations and a growing level of Loans under Management.

United States

In the year ended 31 December 2017, Loans under Management increased by £139 million, or 48 per cent., to £427 million from £288 million in the year ended 31 December 2016. The increase was driven by new originations of £396 million in 2017, as well as the impact of translating results from US dollars to pounds sterling at different rates at each balance sheet date, partially offset by repayments and defaults. In the year ended 31 December 2016, Loans under Management increased by £111 million, or 63 per cent., from £177 million in the year ended 31 December 2015. The increase was driven by new originations of £211 million of loans, as well as the impact of changing foreign exchange rates, partially offset by repayments and defaults.

In the year ended 31 December 2016, Funding Circle tightened its credit models and reduced the number of third-party origination partners in the United States (see "*—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Revenue and Profitability—Evolution of Borrower acquisition channels*"). As a result, in the year ended 31 December 2016, the number of loans originated only grew by 3 per cent. to 2,013, from 1,962 in the year ended 31 December 2015. In the year ended 31 December 2017, a total of 3,828 loans were originated, a rise of 90 per cent. as compared to 2016, following proactive targeting of existing Borrowers. Average loan size rose 14 per cent. in the year ended 31 December 2016, reflecting increasing sophistication of credit models that enabled scoring of larger loans. Average loan size stabilised in the year ended 31 December 2017.

Revenue for the year ended 31 December 2017 increased 119 per cent. to £22.3 million, from £10.2 million in the year ended 31 December 2016. The increase was driven by a growth of 88 per cent. in originations and an increase in transaction yield (from 3.7 per cent. in 2016 to 4.7 per cent. in 2017) following a series of increases to the transaction fee rate charged to Borrowers. Revenue for the year ended 31 December 2016 increased 32 per cent. from £7.7 million in the year ended 31 December 2015, primarily driven by a 17 per cent. growth in originations, with the growth in Loans under Management resulting in an additional servicing fee revenue of £1.3 million. Revenue and originations as presented in pounds sterling also benefited from a 12 per cent. and 3 per cent. depreciation in the value of the pound sterling relative to the US dollar in the years ended 31 December 2016 and 2017, respectively.

Developing Markets

In the year ended 31 December 2017, Loans under Management increased by £49 million, or 104 per cent., to £96 million from £47 million in the year ended 31 December 2016. The increase was driven by new originations of £78 million (partially offset by repayments and defaults) in addition to the impact of translating results from euro to pounds sterling at different rates at each balance sheet date. In the year ended 31 December 2016, Loans under Management increased by £17 million, or 57 per cent., from £30 million in the year ended 31 December 2015. The increase was driven by new originations of £31 million (partially offset by repayments and defaults) in addition to the impact of changing foreign exchange rates.

In the year ended 31 December 2017, the number of loans originated grew by 143 per cent. to 1,436 from 591 the year before. In the year ended 31 December 2016, the number of loans originated increased by 258 per cent. from 165 in the year ended 31 December 2015, as Funding Circle only acquired the Zencap Group in October 2015 (see "*—Comparability of Results*"). Average loan size fell 13 per cent. in the year ended 31 December 2016 as the business underwent post-acquisition operational changes to bring it into line with Funding Circle's practices, before growing 4 per cent. in the year ended 31 December 2017.

Revenue for the year ended 31 December 2017 increased 171 per cent. to £3.8 million from £1.4 million in the year ended 31 December 2016, which was primarily driven by a growth in originations of 152 per cent., an increase in servicing fees and an increase in transaction yield (from 3.8 per cent. in 2016 to 4.0 per cent. in 2017). Revenue for the year ended 31 December 2016 increased 180 per cent. to £1.4 million from £0.5 million in the year ended 31 December 2015, reflecting the first full year of ownership of the Zencap Group (now Funding Circle Continental Europe). See "*—Comparability of Results*". Revenue as presented in pounds sterling also benefited from a 12 per cent. and 6 per cent. fall in the average pounds sterling to euro exchange rate in the years ended 31 December 2016 and 2017, respectively.

<u>Property</u>

In the year ended 31 December 2017, as a result of the decision to withdraw from property lending in the United Kingdom (see "*—Comparability of Results*"), originations declined by 37 per cent. to £107 million, from £171 million in the year ended 31 December 2016. The impact of the decision to withdraw from property lending, combined with a focus to help Borrowers refinance their loans away from Funding Circle, resulted in a decline of 42 per cent. in Loans under Management, from £163 million as at 31 December 2016 to £95 million as at 31 December 2017. Based on the current trends and initiatives, the expectation is that property Loans under Management will be nil or immaterial by the end of 2019.

In the year ended 31 December 2016, Loans under Management rose to £163 million, from £115 million in the year ended 31 December 2015. This increase was primarily driven by new originations of £171 million, partially offset by repayments and defaults of £123 million.

Operating expenses

The following table presents a breakdown of operating expenses for the years indicated.

	Year ended 31 December			Percentage Change	
	2015	**2016**	**2017**	**2016**	**2017**
	(£ million)			(%)	
People costs net of capitalised development spend(1)	27.0	43.1	52.3	60%	21%
Marketing	20.4	24.8	38.7	22%	56%
Data and technology costs(2)	3.5	4.4	6.5	26%	48%
Investor incentives	3.2	3.4	3.1	6%	(9)%
Other(2)	16.2	22.8	23.4	41%	3%
Depreciation and amortisation	1.4	4.2	6.8	200%	62%
Foreign exchange (gain) / loss	—	(3.9)	0.6	n/a	(115)%
Operating expenses	**71.7**	**98.8**	**131.4**	**38%**	**33%**

Notes:

(1) People costs are stated net of capitalised development spend that is recorded as intangible assets on the balance sheet.

(2) Unaudited.

Adjusted EBITDA and operating loss

	Year ended 31 December			Change	
	2015	2016	2017	2016	2017
		(£ million)		(%)	
United Kingdom	(6.8)	1.7	16.9	8.5	15.2
United States	(14.3)	(19.1)	(10.9)	(4.8)	8.2
Developing Markets	(1.0)	(9.1)	(9.9)	(8.1)	(0.8)
Segment Adjusted EBITDA	**(22.1)**	**(26.5)**	**(3.9)**	**(4.4)**	**22.6**
Product development	(10.1)	(9.0)	(13.6)	1.1	(4.6)
Corporate costs	(3.3)	(5.4)	(7.6)	(2.1)	(2.2)
Adjusted EBITDA	**(35.5)**	**(40.9)**	**(25.1)**	**(5.4)**	**15.8**
Depreciation and amortisation	(1.4)	(4.2)	(6.8)	(2.8)	(2.6)
Share-based payments	(2.8)	(6.7)	(4.4)	(3.9)	2.3
Foreign exchange gain / (loss)	—	3.9	(0.6)	3.9	(4.5)
Operating loss for the year / period	**(39.7)**	**(47.9)**	**(36.9)**	**(8.2)**	**11.0**
		(%)		(% pts)	
United Kingdom	(29)%	4%	25%	33% pts	21% pts
United States	(186)%	(187)%	(49)%	(1)% pts	138% pts
Developing Markets	(200)%	(650)%	(261)%	(450)% pts	(389)% pts
Segment Adjusted EBITDA Margin	**(69)%**	**(52)%**	**(4)%**	**17% pts**	**48% pts**
Product development as a percentage of revenue	(32)%	(18)%	(14)%	14% pts	4% pts
Corporate costs as a percentage of revenue	(10)%	(11)%	(8)%	(1)% pts	3% pts
Adjusted EBITDA Margin	**(111)%**	**(80)%**	**(27)%**	**31% pts**	**53% pts**

United Kingdom

Segment Adjusted EBITDA grew to positive £16.9 million in the year ended 31 December 2017. The 'United Kingdom' segment recorded its first positive Segment Adjusted EBITDA of £1.7 million in the year ended 31 December 2016, as compared to a negative Segment Adjusted EBITDA of £6.8 million in the year ended 31 December 2015. The growth in both years was the result of a slower growth in Funding Circle's cost base as compared to its revenue growth. This, in turn, was primarily due to a decrease in the cost of acquiring, originating and servicing an individual loan, for both first loans and repeat loans, driven by operational leverage. Marketing spend rose from £12.5 million in the year ended 31 December 2015 to £15.5 million in the year ended 31 December 2016 and £25.2 million in the year ended 31 December 2017, reflecting Funding Circle's strategy to significantly invest in marketing with a view to increasing brand awareness. Nonetheless, as a percentage of revenue, marketing spend fell from 53 per cent. to 37 per cent. over the same period.

United States

Segment Adjusted EBITDA improved to negative £10.9 million in the year ended 31 December 2017 compared to negative £19.1 million in the year ended 31 December 2016. This was due to a revenue increase of £12.1 million over the year, as compared to an increase in costs of £3.9 million only (and which was primarily driven by a £3.2 million increase in marketing spend). Segment Adjusted EBITDA decreased by £4.8 million in the year ended 31 December 2016, from negative £14.3 million in the year ended 31 December 2015 as revenue grew £2.5 million, but costs rose £7.3 million. Marketing costs declined in local currency but, when translated into pound sterling, remained relatively constant year on year. As a percentage of revenue, marketing costs declined in both local currency and pounds sterling. People costs associated with originating loans grew in line with revenue growth, with average headcount (including contractors) increasing 40 per cent. primarily due to significant investments in support functions to provide the infrastructure and foundation for future growth.

Developing Markets

Segment Adjusted EBITDA decreased to negative £9.9 million in the year ended 31 December 2017, compared to negative £9.1 million in the year ended 31 December 2016. Revenue over that period increased by

£2.4 million while segment costs increased by £3.2 million, which included a £1.0 million increase in marketing spend. People costs and other overheads remained relatively constant, with the remainder of the cost increase in 2017 mainly relating to a £1.8 million increase in Investor incentives. In the year ended 31 December 2016, Segment Adjusted EBITDA decreased by £8.1 million, from negative £1.0 million in the year ended 31 December 2015 to negative £9.1 million in the year ended 31 December 2016, with the primary reason being that 2016 was the first full year of ownership of the Zencap Group (now Funding Circle Continental Europe). See "*—Comparability of Results*".

Product Development

Product development costs (including capitalised development spend recorded as intangible fixed assets on the balance sheet) were £23.7 million in the year ended 31 December 2017 (representing 25 per cent. of revenue) compared to £18.8 million in the year ended 31 December 2016 (representing 37 per cent. of revenue). Net of capitalised development spend, product development spend amounted to £13.6 million in the year ended 31 December 2017, a 51 per cent. increase compared to 2016. The increase in spend was the result of greater investment in all aspects of the product and technology parts of Funding Circle. Average product development headcount (including contractors) rose over the period by 11 per cent., with the majority of the hires engaged in operational aspects of technology. Spend on third-party services increased from £2.7 million in the year ended 31 December 2016 to £3.4 million in the year ended 31 December 2017, which was driven by the purchase of additional licences and software to support a 20 per cent. growth in average Group headcount (including contractors) and a near doubling of loans originated. Capitalised development spend remained fairly constant at £10.1 million in the year ended 31 December 2017, compared to £9.8 million the year before.

In the year ended 31 December 2016, product development costs (including capitalised development spend recorded as intangible fixed assets on the balance sheet) were £18.8 million (representing 37 per cent. of revenue), a £5.1 million increase as compared to £13.7 million in the year ended 31 December 2015 (representing 43 per cent. of revenue). Net of capitalised development spend, product development costs amounted to £9.0 million in the year ended 31 December 2016, compared to £10.1 million in the year ended 31 December 2015. Spend on third-party services increased by £1.1 million in 2016, but outsourced consultancy expenses declined by £1.2 million as a greater proportion of work was undertaken by Funding Circle's employees. Capitalised development spend increased to £9.8 million in the year ended 31 December 2016, from £3.6 million the year ended 31 December 2015, as Funding Circle's development in 2015 was mainly engaged in maintaining its legacy platforms prior to the commencement in 2016 of the project to build a new single unified money and loan management platform.

Corporate Costs

Corporate costs in the year ended 31 December 2017 were £7.6 million, up from £5.4 million in the year ended 31 December 2016 and £3.3 million in the year ended 31 December 2015. This increase reflects Funding Circle's continuous investment in building a global business, including the strengthening of its global leadership team and the implementation of common processes, procedures and reporting structures. The Directors expect corporate costs, together with product development costs (net of capitalised development spend), to be in the mid-teens as a percentage of revenue in the medium term.

Finance income

Finance income decreased by £0.1 million to £0.6 million in the year ended 31 December 2016 from £0.7 million in the year ended 31 December 2015. Finance income increased by £0.5 million to £0.7 million in the year ended 31 December 2016 from £0.2 million in the year ended 31 December 2015. This increase was primarily due to a higher level of average cash balances on deposit, as well as the growth in loan originations in the United States where Funding Circle holds loans on its balance sheet for an initial holding period of two days typically, as described in more details in "*—Liquidity and Capital Resources—Cash flows—Key factors affecting Funding Circle's operating cash flows*".

Income tax

Funding Circle realised an income tax credit of £1.0 million and £0.6 million in the years ended 31 December 2017 and 2016, respectively, compared to an income tax charge of £0.1 million in the year ended 31 December 2015. In both 2016 and 2017, the income tax credit related to cash received in respect of research and development claims in the United Kingdom.

Loss for the year

As a result of the above, loss for the year was £39.6 million, £46.6 million and £35.3 million in the years ended 31 December 2015, 2016 and 2017, respectively.

Liquidity and Capital Resources

Funding Circle's primary sources of liquidity are the cash flows generated from its operations, as well as equity contributions. The primary use of this liquidity is to fund Funding Circle's operations. As at the date of this Registration Document, Funding Circle had no financial indebtedness other than trade and other payables in the ordinary course of business.

Cash flows

Key factors affecting Funding Circle's operating cash flows

Loan Curing in the United States

In the United States, for regulatory reasons, Funding Circle holds on its balance sheet loans originated through the platform for an initial holding period, typically of two days, before they are acquired by Investors. Funding Circle uses its own cash resources to fund the loans and as such incurs an initial cash outflow before receiving funds from Investors. The level of net cash outflow reported in the cash flow statement under the heading "Investment in loan securities" (included within "Net cash outflow from investing activities" below) is a function of the loans made immediately prior to the end of the reporting period which are subsequently purchased after the period end. The Directors expect the net cash outflow to increase in line with the growth of originations in the United States, subject to normal day-to-day operational variations and the timing of the period end.

Cash flows for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018

The following table presents a summary of Funding Circle's cash flows for the periods indicated, which has been extracted without material adjustment from the historical financial information set out in Section B of Part 10 (Historical Financial Information).

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
			(£ million)		
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
Adjustments for:					
Depreciation of property, plant and equipment	0.8	1.4	1.6	0.8	1.0
Loss on disposal of property, plant and equipment	0.4	—	—	—	—
Amortisation of intangible assets	0.6	2.8	5.2	2.4	3.1
Impairment of intangible assets	—	—	0.5	0.5	—
Movement in credit loss and other provisions	0.5	(0.2)	—	1.1	0.8
Movement in dilapidation provision	—	0.1	—	—	0.2
Interest receivable	(0.2)	(0.6)	(0.6)	(0.3)	(0.3)
Non-cash employee benefits expense—share-based payments and social security costs	2.8	6.7	4.4	2.1	4.7
Tax credit received	—	0.6	1.0	—	—
Changes in working capital:					
Movement in trade and other receivables	(2.2)	(2.7)	(2.9)	(5.3)	(6.0)
Movement in trade and other payables	1.4	(0.9)	4.5	0.7	6.7
Net cash outflow from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash outflow from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Net cash inflow from financing activities	95.1	—	81.9	81.9	0.2
Net increase/(decrease) in cash and cash equivalents	**49.6**	**(46.1)**	**46.6**	**60.8**	**(24.0)**
Cash and cash equivalents at the beginning of the year / period	35.0	86.3	43.3	43.3	88.9
Effect of foreign exchange rate changes	1.7	3.1	(1.0)	(0.6)	0.3
Cash and cash equivalents at the end of the year / period	**86.3**	**43.3**	**88.9**	**103.5**	**65.2**

Net cash outflow from operating activities

Net cash outflow from operating activities decreased by £0.4 million, to £16.8 million in H1 2018, from £17.2 million in H1 2017. This decrease was primarily due to an increase in non-cash items as at 30 June 2018 as compared to 30 June 2017 (including depreciation and amortisation, and costs of share-based payments), together with movements in working capital, which offset the £7.9 million increase in operating loss.

Net cash outflow from operating activities decreased by £17.4 million, to £22.6 million in the year ended 31 December 2017 from £40.0 million in the year ended 31 December 2016. This decrease was primarily due to a lower loss before taxation in 2017 (of £36.3 million, as compared to £47.2 million in 2016), combined with a £5.2 million improvement in changes in working capital. In the year ended 31 December 2017, Funding Circle benefited from a longer rent-free period in its United Kingdom property, which represented £1.8 million of the working capital improvement. A further £1.6 million related to Investor incentives that were incurred but not paid in cash in 2017.

Net cash outflow from operating activities increased by £4.6 million, to £40.0 million in the year ended 31 December 2016 from £35.4 million in the year ended 31 December 2015. This increase was primarily due to a higher loss before taxation in 2016 (of £47.2 million, as compared to £39.5 million in 2015) combined with a £2.8 million increase in working capital outflow, partially offset by an increase in non-cash charges in respect of depreciation and amortisation and share-based payments.

Net cash outflow from investing activities

Net cash outflow from investing activities increased by £3.5 million, to £7.4 million in H1 2018 from £3.9 million in H1 2017. This increase was primarily due to a £2.6 million change in net cash flows in respect of loan securities, from a £0.9 million inflow in H1 2017 to a £1.7 million outflow in H1 2018, in addition to £1.0 million greater spend on purchases of tangible fixed assets following leasehold property expansions in both the United Kingdom and United States.

Net cash outflow from investing activities increased by £6.6 million, to £12.7 million in the year ended 31 December 2017 from £6.1 million in the year ended 31 December 2016. This increase was primarily due to a £5.9 million change in net cash flows in respect of loan securities, from a £4.6 million inflow in 2016 to a £1.3 million outflow in 2017.

Net cash outflow from investing activities decreased by £4.0 million, to £6.1 million in the year ended 31 December 2016 from £10.1 million in the year ended 31 December 2015. This decrease was primarily due to a £7.5 million change in net cash flows in respect of loan securities, from a £2.9 million outflow in 2015 to a £4.6 million inflow in 2016.

Net cash inflow from financing activities

In H1 2017 and the year ended 31 December 2017, Funding Circle had a net cash inflow from financing activities of £81.9 million, which substantially related to the proceeds, net of expenses, from the issuance of Shares in connection with the Series F equity raise.

In the year ended 31 December 2016 and H1 2018, cash flows from financing activities were negligible.

In the year ended 31 December 2015, Funding Circle had a net cash inflow from financing activities of £95.1 million, which related to the proceeds, net of expenses, from the issuance of Shares in connection with the Series E equity raise.

Commitments and contingent liabilities

Commitments

Funding Circle's commitments relate to its property leases. The following table presents a summary of Funding Circle's commitments as at 30 June 2018.

	Less than one year	One to five years	More than five years	Total
		(£ million)		
Property lease commitments	5.2	16.3	4.9	26.4
Total	**5.2**	**16.3**	**4.9**	**26.4**

Contingent liabilities

Funding Circle had no material contingent liabilities as at 30 June 2018.

Capital expenditure

The following table presents a breakdown of Funding Circle's capital expenditure for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
			(£ million)		
Intangible assets—internally generated development costs	3.6	9.8	10.1	4.5	4.8
Intangible assets—other	0.1	0.1	0.4	0.2	0.1
Purchase of property, plant and equipment	4.5	1.8	1.2	0.6	1.3
Total	**8.2**	**11.7**	**11.7**	**5.3**	**6.2**

During the period under review, Funding Circle has been capitalising development spend on its new single unified money and loan management platform. The areas of major investment have focused on a new platform ledger system that is centred around ensuring that loans, repayments, prepayments, charges and secondary market transactions are recorded efficiently and in accordance with both regulation and bilateral Investor agreements. Spend has also been capitalised in respect of technology investment incurred to assist the development of architecture required for data analysis and credit risk modelling.

Expenditure on property, plant and equipment relates to the purchase of physical computer equipment, property fit out costs and leasehold improvements. The amount of spend over the three-year period ending 31 December 2017, and in both H1 2017 and H1 2018, reflects the timing of spend on properties. In the year ended 31 December 2015, Funding Circle spent £3.8 million on leasehold improvements, furniture and fixtures, compared to £1.4 million in the year ended 31 December 2016 and £0.4 million in the year ended 31 December 2017. Funding Circle spent £0.6 million and £1.3 million in H1 2017 and H1 2018, respectively, on property, plant and equipment. Funding Circle has also gradually shifted away from ownership of physical assets in data centres towards a cloud-based strategy for data storage, resulting in a decrease in capital expenditure on technology equipment.

Off-balance sheet arrangements

For a description of Funding Circle's off-balance sheet arrangements, see Note 24 of Section B of Part 10 (Historical Financial Information).

Dividend Policy

The Company currently intends to retain any future earnings to finance the operation and expansion of its business, and the Company does not expect to declare or pay any dividends for the foreseeable future. The Company may revise its dividend policy from time to time.

Quantitative and Qualitative Disclosures about Market Risks

For a description of Funding Circle's management of credit, liquidity, market and foreign exchange risks, see "*Financial risk factors*" in Note 2 of Section B of Part 10 (Historical Financial Information).

Critical Accounting Policies and Estimates

For a description of Funding Circle's critical accounting judgements and key sources of estimation uncertainty, see Note 1 of Section B of Part 10 (Historical Financial Information).

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PART 10
Historical Financial Information

Section A—Accountants' report on the Historical Financial Information

The Directors
Funding Circle Holdings Limited
71 Queen Victoria Street
London
EC4V 4AY
United Kingdom

3 September 2018

Dear Sirs

Funding Circle Holdings Limited

We report on the financial information for the three years ended 31 December 2017 and six months ended 30 June 2018 set out in section B of Part 10 below (the "**Financial Information Table**"). The Financial Information Table has been prepared for inclusion in the registration document dated 3 September 2018 (the "**Registration Document**") of Funding Circle Holdings Limited (the "**Company**") on the basis of the accounting policies set out in note 1 to the Financial Information Table. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

We have not audited or reviewed the financial information for the six months ended 30 June 2017 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Registration Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 1.2 of Annex I to the PD Regulation to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Registration Document.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, www.pwc.co.uk

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Registration Document dated 3 September 2018, a true and fair view of the state of affairs of the Company as at the dates stated and of its losses, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of item 1.2 of Annex I to the PD Regulation we are responsible for this report as part of the Registration Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Registration Document in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B—Historical Financial Information

Consolidated statement of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		£m	£m	£m	(Unaudited) £m	£m
Revenue	4	32.0	50.9	94.5	40.9	63.0
Operating expenses	5	(71.7)	(98.8)	(131.4)	(60.3)	(90.3)
Operating loss		**(39.7)**	**(47.9)**	**(36.9)**	**(19.4)**	**(27.3)**
Finance income	8	0.2	0.7	0.6	0.2	0.3
Loss before taxation		**(39.5)**	**(47.2)**	**(36.3)**	**(19.2)**	**(27.0)**
Income tax	9	(0.1)	0.6	1.0	—	—
Loss for the year / period		**(39.6)**	**(46.6)**	**(35.3)**	**(19.2)**	**(27.0)**
Other comprehensive (loss)/income:						
Items that may be reclassified subsequently to profit and loss:						
Exchange differences on translation of foreign operations	20	2.7	10.9	(1.9)	(1.0)	0.8
Total comprehensive loss for the year / period		**(36.9)**	**(35.7)**	**(37.2)**	**(20.2)**	**(26.2)**
Total comprehensive loss attributable to:						
Equity holders of the parent		**(36.9)**	**(35.7)**	**(37.2)**	**(20.2)**	**(26.2)**

The items of comprehensive income or expenses noted above are stated net of tax related effects (all periods: £nil).

	Note	2015	2016	2017	2017	2018
Earnings per share						
Basic loss per share	10	(17.4)p	(15.6)p	(14.8)p	(8.1)p	(10.3)p
Diluted loss per share	10	(16.0)p	(14.0)p	(13.2)p	(7.3)p	(8.8)p
Adjusted profit measures						
Adjusted EBITDA	4	**(35.5)**	**(40.9)**	**(25.1)**	**(13.2)**	**(16.3)**

All amounts relate to continuing activities.

Consolidated balance sheet

	Note	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 June 2018
		£m	£m	£m	£m
Non-current assets					
Goodwill	11	35.1	41.4	41.3	41.5
Intangible assets	12	4.2	11.7	16.2	17.9
Property, plant and equipment	13	4.6	5.1	4.7	5.0
Investments	14	1.8	1.2	0.3	0.2
		45.7	59.4	62.5	64.6
Current assets					
Investments	14	4.6	1.3	3.1	5.1
Trade and other receivables	15	8.6	11.8	13.4	19.5
Cash and cash equivalents	23	86.3	43.3	88.9	65.2
		99.5	56.4	105.4	89.8
Total assets		145.2	115.8	167.9	154.4
Current liabilities					
Trade and other payables	16	10.6	10.5	12.0	21.5
Provisions	17	1.1	0.7	2.1	4.1
		11.7	11.2	14.1	25.6
Non-current liabilities					
Provisions	17	0.3	0.4	0.4	0.7
Total liabilities		12.0	11.6	14.5	26.3
Equity					
Share capital	18	0.2	0.2	0.2	0.2
Share premium account	19	195.9	196.0	278.0	278.2
Foreign exchange reserve	20	4.3	15.2	13.3	14.1
Share options reserve	22	2.8	9.5	13.9	15.8
Accumulated losses	21	(70.0)	(116.7)	(152.0)	(180.2)
Total equity		133.2	104.2	153.4	128.1
Total equity and liabilities		145.2	115.8	167.9	154.4

Consolidated statement of changes in equity

	Note	Share capital	Share premium account	Foreign exchange reserve	Share options reserve	Accumulated losses	Total equity
		£m	£m	£m	£m	£m	£m
Balance at 1 January 2015		**0.2**	**75.5**	**1.6**	—	**(30.4)**	**46.9**
Loss for the year	21	—	—	—	—	(39.6)	(39.6)
Other comprehensive income	20	—	—	2.7	—	—	2.7
Issue of share capital		—	95.0	—	—	—	95.0
Issue of ordinary shares as consideration for a business combination		—	19.9	—	—	—	19.9
Shares to be issued as consideration for a business combination		—	5.5	—	—	—	5.5
Employee share schemes—value of employee services	22	—	—	—	2.8	—	2.8
Balance at 31 December 2015		**0.2**	**195.9**	**4.3**	**2.8**	**(70.0)**	**133.2**
Loss for the year	21	—	—	—	—	(46.6)	(46.6)
Other comprehensive income	20	—	—	10.9	—	—	10.9
Issue of share capital	18, 19	—	0.1	—	—	—	0.1
Buyback of ordinary shares	21	—	—	—	—	(0.1)	(0.1)
Employee share schemes—value of employee services	22	—	—	—	6.7	—	6.7
Balance at 31 December 2016		**0.2**	**196.0**	**15.2**	**9.5**	**(116.7)**	**104.2**

	Note	Share capital	Share premium account	Foreign exchange reserve	Share options reserve	Accumulated losses	Total equity
		£m	£m	£m	£m	£m	£m
Balance at 31 December 2016		**0.2**	**196.0**	**15.2**	**9.5**	**(116.7)**	**104.2**
Loss for the year	21	—	—	—	—	(35.3)	(35.3)
Other comprehensive loss	20	—	—	(1.9)	—	—	(1.9)
Issue of share capital	18, 19	—	82.0	—	—	—	82.0
Employee share schemes—value of employee services	22	—	—	—	4.4	—	4.4
Balance at 31 December 2017		**0.2**	**278.0**	**13.3**	**13.9**	**(152.0)**	**153.4**
IFRS 9 expected credit loss restatement	17	—	—	—	—	(1.2)	(1.2)
Balance at 1 January 2018		**0.2**	**278.0**	**13.3**	**13.9**	**(153.2)**	**152.2**
Loss for the period	21	—	—	—	—	(27.0)	(27.0)
Other comprehensive income	20	—	—	0.8	—	—	0.8
Issue of share capital	18, 19	—	0.2	—	—	—	0.2
Employee share schemes—value of employee services	22	—	—	—	1.9	—	1.9
Balance at 30 June 2018		**0.2**	**278.2**	**14.1**	**15.8**	**(180.2)**	**128.1**

Consolidated statement of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
					(Unaudited)	
		£m	£m	£m	£m	£m
Net cash outflow from operating activities	23	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Investing activities						
Purchase and investment in intangible assets	12	(3.6)	(9.6)	(10.7)	(4.7)	(4.7)
Purchase of tangible fixed assets	13	(4.3)	(1.7)	(1.3)	(0.3)	(1.3)
Investment in loan securities	14	(2.9)	4.6	(1.3)	0.9	(1.7)
Acquisition of subsidiary	10	0.5	—	—	—	—
Interest received		0.2	0.6	0.6	0.2	0.3
Net cash outflow from investing activities		(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Financing activities						
Proceeds on issue of shares	19	99.0	0.1	82.0	82.0	0.2
Preferred share issue costs		(3.9)	—	(0.1)	(0.1)	—
Buyback of ordinary shares	21	—	(0.1)	—	—	—
Net cash inflow from financing activities		95.1	—	81.9	81.9	0.2
Net (decrease)/increase in cash and cash equivalents		49.6	(46.1)	46.6	60.8	(24.0)
Cash and cash equivalents at the beginning of the year/period		35.0	86.3	43.3	43.3	88.9
Effect of foreign exchange rate changes		1.7	3.1	(1.0)	(0.6)	0.3
Cash and cash equivalents at the end of the year/period		86.3	43.3	88.9	103.5	65.2

Notes forming part of the consolidated historical financial information

1. Accounting policies

General information

Funding Circle Holdings Limited (the "Company") is a company incorporated on 13 January 2010 in the United Kingdom under the Companies Act 2006. The Company is a holding company and the principal activity of its subsidiary undertakings is the provision of online lending platforms whereby investors can lend money to small and medium sized businesses in the UK, USA, Germany and Netherlands.

The historical financial information includes the results of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The historical financial information presented herein is for the six months ended 30 June 2018 and 30 June 2017 (unaudited), and the years ended 31 December 2015, 31 December 2016 and 31 December 2017.

The principal accounting policies applied in the preparation of the historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern

The historical financial information is prepared on a going concern basis as the directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the historical financial information).

The Group has prepared detailed cash flow forecasts for the next 18 months. The directors have made enquiries with management and considered budgets and cash flow forecasts for the Group and have, at the time of approving this historical financial information, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Basis of preparation

The Group presents its historical financial information in conformity with United Kingdom laws and regulations.

The historical financial information has been prepared in accordance with the requirements of the Prospectus Directive, the Listing Rules and in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The historical financial information has been prepared on the historical cost basis except for certain financial instruments that are carried at fair value. The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the historical financial information in the year the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 3.

Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRSs from 1 January 2018 prospectively in the consolidated historical financial information. There has not been a material impact to the Group when adopting these new and amended IFRSs:

STANDARD / INTERPRETATION	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/AFTER
IFRS 9	Financial instruments: Classification and measurement.	1 January 2018
IFRS 15	Revenue from contracts with customers.	1 January 2018

IFRS 9 Financial instruments

The Group adopted IFRS 9 Financial Instruments as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in the accounting policies and certain disclosures in the historical financial information. The Group did not early adopt any of IFRS 9 in previous periods and as permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures.

There have been no adjustments to the carrying value of financial assets and liabilities at the date of transition that have been recognised in the opening retained earnings, save the credit loss provision relating to financial guarantee contracts:

	Performing: 12-month ECL	Underperforming: Lifetime ECL	Non-performing: Lifetime ECL	Total
	£m	£m	£m	£m
Closing credit loss provision as at 31st December 2017	0.4	0.3	0.6	1.3
Amounts restated through opening retained earnings	1.2	—	—	1.2
Opening credit loss provision as at 1st January 2018	1.6	0.3	0.6	2.5

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

(a) Classification and measurement of financials instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
1 January 2018	Measurement category	Carrying amount	Measurement category	Carrying amount
	£m	£m	£m	£m
Financial assets				
Investment in loan securities under cure period	Fair value through profit and loss (FVTPL)	3.1	FVTPL	3.1
Investment in loan securities	Amortised cost (loans and receivables)	0.3	Amortised cost	0.3
Trade and other receivables	Amortised cost (loans and receivables)	13.4	Amortised cost	13.4
Cash and cash equivalents	Amortised cost (loans and receivables)	88.9	Amortised cost	88.9

	Measurement category	Carrying amount	Measurement category	Carrying amount
	£m	£m	£m	£m
Financial liabilities				
Trade and other payables	Amortised cost	12.0	Amortised cost	12.0
Provisions	Amortised cost	2.5	Amortised cost	3.9

(b) Categorisation of financial instruments

As shown in the table above, investment in loan securities, trade and other receivables and cash and cash equivalents were shown under IAS 39 as 'loans and receivables'. Under IFRS 9 these are now categorised as 'amortised cost'.

The categorisation of all financial liabilities recognised on the balance sheet has remained the same between IAS 39 and IFRS 9.

The amounts expected to be recovered or settled for assets and liabilities in the historical financial information are due no more than 12 months after the reporting period unless specifically stated.

(c) Impairment

The credit loss provision relating to financial guarantee contracts is impacted by the expected credit loss model. An opening balance adjustment has been made to retained earnings under IFRS 9 (refer to note 17).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued in 2014 and was endorsed by the EU in 2016. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue.

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with Customers:

1) identify the contract with the Customer;
2) identify the performance obligations in the contract, introducing the new concept of "distinct";
3) determining the transaction price;
4) allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis; and
5) recognise revenue when (or as) the entity satisfies its performance obligation.

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration and contract modifications. It requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship.

Management has conducted a detailed analysis of the impact of IFRS 15 on the Group which has shown that the recognition of revenue will be consistent with the transfer of risks and rewards to the customer under IAS 18. We have concluded following this assessment that the implementation of IFRS 15 has not resulted in any impact to revenue in the Group's consolidated historical financial information. Both transaction fees and servicing fees are recognised when the Group satisfies the respective performance obligations which remains consistent with the treatment of these revenue streams prior to IFRS 15 (refer to revenue recognition policy).

The following standards and interpretations were issued by the IASB and IFRS IC but have not been adopted either because they were not endorsed by the EU at 30 June 2018 or they are not yet mandatory and the Group has not chosen to early adopt.

STANDARD / INTERPRETATION	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/AFTER
IFRS 16	Leases	1 January 2019

IFRS 16 replaces IAS 17 Leases and will primarily change lease accounting, with lessor accounting under IFRS 16 expected to be similar to lessor accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

Where a contract meets IFRS 16's definition of a lease and the Group acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables on the Group's balance sheet.

Lease costs will be recognised in the form of depreciation of the right-of-use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in the income statement, and will also impact the classification of associated cash flows.

The impact of IFRS 16—Leases will require the Group to record its current property leases and qualifying technology contracts on the balance sheet giving rise to a right to use asset and a corresponding lease obligation. The leases impacted are currently treated as operating expenses. The change in recognition is expected to increase depreciation charges and lead to a reduction in lease costs in the income statement and give rise to an increased EBITDA. Future commitments under current operating leases are outlined in note 24 which gives some indication of the impact on the Group going forward, however, as IFRS 16 is effective for the first time for the financial year commencing 1 January 2019, a full assessment of the standard has not yet been made and therefore the standard could have a material impact on the future results of the Group.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The historical financial information presents the results of the company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Group applies the acquisition method to account for business combinations. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Foreign currency translation

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Functional and presentation currency

The historical financial information is presented in GBP Sterling, which is the Group's functional currency.

All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segment reporting

Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Global Leadership Team that make strategic decisions. For each identified operating segment, the Group has disclosed information for the key performance indicators that are assessed internally to review and steer performance in the Performance review section of this report.

Transfer prices between segments are on an arm's length basis in a manner similar to transactions with third parties.

Exceptional items

Exceptional items are the items of income or expense that the Group considers are material, one-off in nature and of such significance that they merit separate presentation in order to aid the reader's understanding of the Group's financial performance. Such items would include profits or losses on disposal of businesses and costs associated with acquisitions and disposals; major restructuring programmes; significant goodwill or other assets impairments; other particularly significant or unusual items, such as transaction related costs.

Revenue recognition

Revenue represents fees receivable from lenders and borrowers for the arranging of finance and servicing that finance.

Revenue earned for the arrangement of finance is classified as transaction fees and is recognised immediately once loans are fully funded on the marketplace, after the loans are accepted by the borrowers. Such fees are automatically deducted from the amount borrowed and recognised at that point as the Group has the right to consideration.

Revenue earned from servicing of finance is classified as servicing fees. It comprises an annualised fee representing a percentage of outstanding principal and is recognised on a monthly basis upon repayment of loan parts by borrowers. Due to the conditions of the trade, there are no partially completed contracts at the balance sheet date and no advance payments from customers.

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Revenue recorded in the historical financial information is generated in the UK, the USA, Germany, the Netherlands and Spain and sourced from financing transactions. All fees are calculated based on the above revenue recognition policy.

Interest Receivable

Interest receivable is recognised on an accrual basis within 'Finance income' in the statement of comprehensive income.

Expenses

Expenses are recognised as an expense in the statement of comprehensive income in the period in which they are incurred (on an accruals basis).

Leases

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Share based payments

The Group operates a number of equity-settled, share based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options and shares) of the Company. The fair value of the employee services received in exchange for the grant of the options and shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options and shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the Group over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options and shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employees services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity (the Company) accounts.

Pension obligations

The Group operates a defined contribution pension scheme for employees in the United Kingdom. A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Contributions payable to the Group's pension scheme are charged to the income statement in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

In Germany, the Group pays the statutory employer's contribution into the public pension scheme for each employee, but does not operate any pension schemes. The Group makes no contributions to pension schemes in the United States or the Netherlands.

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the year end date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the year-end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax balances are not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Dividends

Dividends are recognised when they become legally payable, in accordance with the Companies Act 2006.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets with finite useful lives are amortised to profit or loss on a straight-line basis over their estimated useful lives. Useful lives and amortisation methods are reviewed at the end of each annual reporting period, or more frequently when there is an indication that the intangible asset may be impaired, with the effect of any changes accounted for on a prospective basis. Amortisation commences when the intangible asset is available for use. The residual value of intangible assets is assumed to be zero.

Computer Software Licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the licence period.

Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available of use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated useful lives, ranging from 3–5 years. Items that are amortised over the longer period relate to the development of the Group's global technology platform.

Other intangibles

Other intangibles relate to the technology platform and customer relationship (representing fees due on contracted loans expected to be realised in the foreseeable future) acquired on a business combination. These costs are amortised over their estimated useful lives, which does not exceed three years.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	1–3 years
Furniture and fixtures	3–5 years

Leasehold improvements that qualify for recognition as an asset are measured at cost and are presented as part of property, plant and equipment in the non-current assets section on the balance sheet. Depreciation on leasehold improvements is calculated using the straight line method over the lease term.

Impairment of tangible and intangible assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this was the case, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets

The Group determines the classification of its financial assets at initial recognition. From 1 January 2018 the requirements of IFRS 9 for classification and subsequent measurement have been applied which require financial assets to be classified based on the Group's business model for managing the asset, and the contractual cash flow characteristics of the asset:

- Financial assets are measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.
- Financial assets are measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.
- Financial assets that do not meet the criteria to be amortised cost of fair value through other comprehensive income are measured at fair value through profit or loss. In addition, the Group may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Except for certain investments in loan securities under cure period as described below, the Group does not recognise on its balance sheet loans arranged between borrowers and investors as it is not a principal party to the contracts and is not exposed to the risks and rewards of these loans.

However under certain circumstances the Group does hold investments in loan securities. The two types of investment in loan securities held are as follows:

Investment in loan securities under cure period

In the US, investors commit to providing loans to Funding Circle Marketplace LLC (the originator of the borrower loans) in advance of the physical transfer of monies. Funding Circle USA Inc initially funds these committed loans to the borrowers and recovers the monies from the investors after the two to three day period. Funding Circle USA Inc retains the credit risk during this short period.

Investments in loan securities under cure period have been classified as financial assets at fair value through profit or loss under IAS 39 and under IFRS 9.

The above classification is mainly because all such loans are acquired principally for selling in the short term. They are initially recognised at fair value on the statement of financial position with the subsequent measurement at fair value with all gains and losses being recognised in profit or loss.

Investment in other loan securities

The Group holds investment in certain business loans as a result of a commercial arrangement with institutional investors in the marketplace (see note 14). These investments in other loan securities are classified as loans and receivables (from 1 January 2018: amortised cost) and are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Other financial assets

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables (from 1 January 2018: amortised cost). They are recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables (from 1 January 2018: amortised cost). Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

Impairment of financial assets

For periods before 31 December 2017 the Group applied the impairment requirements of IAS 39.

Under the requirements of IAS 39 the Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the Statement of Comprehensive Income.

The Group reviews its investments in loan securities to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified within an individual loan in that portfolio.

This evidence may include observable data indicating that there is an adverse change in the payment status of borrowers, or national or economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling in future cash flows. The methodology and assumptions used for estimating both the amount and timings of future cash flows are reviewed regularly to reduce any variances between loss estimates and actual loss experience.

From 1 January 2018 the Group applied the impairment requirements of IFRS 9. The IFRS 9 impairment model introduces a three stage approach:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses (that is, expected losses arising from the risk of default in the next 12 months) are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit-impaired. For these assets, lifetime ECL (that is, expected losses arising from the risk of default over the life of the financial instrument) are recognised, and interest revenue is still calculated on the gross carrying amount of the asset.
- Stage 3 consists of financial assets that are credit-impaired, which is when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For these assets, lifetime ECL are also recognised, but interest revenue is calculated on the net carrying amount (that is, net of the ECL allowance).

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its assets carried at amortised cost and FVOCI and recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and

- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Group has either transferred the contractual right to receive the cash flows from that asset, or has assumed an obligation to pay those cash flows to one or more recipients.

The Group dereognises a transferred financial assets if it transfers substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. Under IFRS 9, applicable from 1 January 2018, the expected credit loss model is being used to measure and recognise the financial liability (as further detailed in note 17).

Share capital

Ordinary shares are classified as equity where their terms include no contractual obligation to transfer cash or another financial asset to another entity.

Preferred share capital

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

2. Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Group's activities are reviewed regularly and potential risks are considered.

Risk factors

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk and other price risk)
- foreign exchange risk

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Investments
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

Categorisation of financial assets and financial liabilities

The table shows the carrying amounts of financial assets and financial liabilities by category of financial instrument:

31 December 2015	Assets at fair value through profit and loss	Loans and receivables	Total
	£m	£m	£m
Assets per statement of financial position			
Investments	4.6	1.8	6.4
Trade and other receivables	—	8.6	8.6
Cash and cash equivalents	—	86.3	86.3
	4.6	96.7	101.3

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	£m	£m	£m
Liabilities per statement of financial position			
Trade and other payables	—	(10.6)	(10.6)
Provisions	—	(1.4)	(1.4)
	—	(12.0)	(12.0)

31 December 2016	Assets at fair value through profit and loss	Loans and receivables	Total
	£m	£m	£m
Assets per statement of financial position			
Investments	1.3	1.2	2.5
Trade and other receivables	—	11.8	11.8
Cash and cash equivalents	—	43.3	43.3
	1.3	56.3	57.6

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	£m	£m	£m
Liabilities per statement of financial position			
Trade and other payables	—	(10.5)	(10.5)
Provisions	—	(1.1)	(1.1)
	—	(11.6)	(11.6)

31 December 2017	Assets at fair value through profit and loss	Loans and receivables	Total
	£m	£m	£m
Assets per statement of financial position			
Investments	3.1	0.3	3.4
Trade and other receivables	—	13.4	13.4
Cash and cash equivalents	—	88.9	88.9
	3.1	102.6	105.7

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	£m	£m	£m
Liabilities per statement of financial position			
Trade and other payables	—	(12.0)	(12.0)
Provisions	—	(2.5)	(2.5)
	—	(14.5)	(14.5)

30 June 2018	Assets at fair value through profit and loss	Amortised cost	Total
	£m	£m	£m
Assets per statement of financial position			
Investments	5.1	0.2	5.3
Trade and other receivables	—	19.5	19.5
Cash and cash equivalents	—	65.2	65.2
	5.1	84.9	90.0

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	£m	£m	£m
Liabilities per statement of financial position			
Trade and other payables	—	(21.5)	(21.5)
Provisions	—	(4.8)	(4.8)
	—	(26.3)	(26.3)

Financial instruments measured at amortised cost

Financial instruments measured at amortised cost, rather than fair value, include cash and cash equivalents, trade and other receivables, investments in loan securities (excluding those held under cure period) and trade and other payables. Due to their short-term nature, the carrying value of each of the above financial instruments approximates their fair value.

Financial instruments measured at fair value

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

The fair value hierarchy has the following levels:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments that are not traded in an active market (for example, investments in loan securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The investments categorised as level 2 all relate to investments in loan securities under cure period. These are typically held 2–3 days before being transferred to independent investors at the principal amount.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	Fair value measurement using			
31 December 2015	**Quoted prices in active markets**	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1) £m	**(Level 2) £m**	**(Level 3) £m**	**£m**
Financial assets				
Investments				
Investment in loan securities	—	4.6	—	4.6
	—	4.6	—	4.6

	Fair value measurement using			
31 December 2016	**Quoted prices in active markets**	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1) £m	**(Level 2) £m**	**(Level 3) £m**	**£m**
Financial assets				
Investments				
Investment in loan securities	—	1.3	—	1.3
	—	1.3	—	1.3

	Fair value measurement using			
31 December 2017	**Quoted prices in active markets**	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1) £m	**(Level 2) £m**	**(Level 3) £m**	**£m**
Financial assets				
Investments				
Investment in loan securities	—	3.1	—	3.1
	—	3.1	—	3.1

	Fair value measurement using			
30 June 2018	**Quoted prices in active markets**	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1) £m	**(Level 2) £m**	**(Level 3) £m**	**£m**
Financial assets				
Investments				
Investment in loan securities	—	5.1	—	5.1
	—	5.1	—	5.1

Financial instruments measured at fair value

Loan investments held under cure period were originated during the last week of December 2017. As a result fair value is assumed to be equal to the outstanding principal amount.

Financial risk factors

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents held at banks.

The Group's maximum exposure to credit risk by class of financial asset is as follows:-

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Non-Current				
Investments in loan securities	1.8	1.2	0.3	0.2
Current				
Investments in loan securities	4.6	1.3	3.1	5.1
Trade and other receivables				
—Trade receivables	0.5	0.9	1.7	1.3
—Other receivables	7.0	8.6	7.1	9.8
—Prepayments and accrued income	1.1	2.3	4.6	8.4
Cash and cash equivalents	86.3	43.3	88.9	65.2

Investments in loan securities in current assets are held on average for 2 days before the physical transfer of monies from investors. The risk of financial loss is deemed minimal.

Trade receivables represents invoiced amount in respect of servicing fee due from institutional investors. The risk of financial loss deemed minimal because the counterparties are well established financial institutions.

Ongoing credit evaluation is performed on the financial condition of other receivable and, where appropriate, a provision for impairment is recorded in the historical financial information.

Other receivables includes amounts receivable in respect of credit impaired debts acquired by the Group. The carrying amount of these loans are stated net of impairment charges, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position.

The Group's liquidity position is monitored and reviewed on an ongoing basis by the directors.

The amounts disclosed in the following tables are the contractual undiscounted cash flows.

The maturity analysis of financial instruments is as follows:

At 31 December 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
	£m	£m	£m	£m
Financial assets				
Investments in loan securities	4.6	—	1.8	—
Trade and other receivables	4.5	4.1	—	—
Cash and cash equivalents	86.3	—	—	—
	95.4	4.1	1.8	—
Financial liabilities				
Trade and other payables	(4.9)	(5.6)	—	—
Provisions	—	(1.1)	—	(0.3)
	(4.9)	(6.7)	—	(0.3)

At 31 December 2016	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
	£m	£m	£m	£m
Financial assets				
Investments in loan securities	1.3	—	1.2	—
Trade and other receivables	5.1	6.1	0.6	—
Cash and cash equivalents	43.3	—	—	—
	49.7	6.1	1.8	—
Financial liabilities				
Trade and other payables	(4.5)	(6.0)	—	—
Provisions	—	(0.7)	—	(0.4)
	(4.5)	(6.7)	—	(0.4)

At 31 December 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
	£m	£m	£m	£m
Financial assets				
Investments in loan securities	3.1	—	0.3	—
Trade and other receivables	3.2	9.0	1.2	—
Cash and cash equivalents	88.9	—	—	—
	95.2	9.0	1.5	—
Financial liabilities				
Trade and other payables	(3.0)	(9.0)	—	—
Provisions	—	(2.1)	—	(0.4)
	(3.0)	(11.1)	—	(0.4)

At 30 June 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
	£m	£m	£m	£m
Financial assets				
Investments in loan securities	5.1	—	0.2	—
Trade and other receivables	7.7	10.5	1.2	—
Cash and cash equivalents	65.2	—	—	
	78.0	10.5	1.4	—
Financial liabilities				
Trade and other payables	(4.8)	(16.7)	—	—
Provisions	—	(4.1)	—	(0.7)
	(4.8)	**(20.8)**	—	**(0.7)**

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open position in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

a. Price risk

The Group is not exposed to price risk with respect to financial instruments as it does not hold any marketable securities.

b. Cash flow and fair value interest rate risk

The Group is not exposed to interest rate risk in relation to financial liabilities because it does not have any external borrowings.

Non-trading interest rate risk

The Group's interest risk on financial assets is limited to interest receivable on loan note investments and cash and cash deposit balances.

	Less than 3 months				Between 3 months and 1 year				Between 1 and 5 years			
At 31 December	2015	2016	2017	June 2018	2015	2016	2017	June 2018	2015	2016	2017	June 2018
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fixed rate:												
Investments in loan securities	4.6	1.3	3.1	5.1	—	—	—	—	1.8	1.2	0.3	0.2
Floating rate:												
Cash and cash equivalents	86.3	43.3	88.9	65.2	—	—	—	—	—	—	—	—
	90.9	44.6	92.0	70.3	—	—	—	—	1.8	1.2	0.3	0.2

There are no financial assets which are held for a period over 5 years.

Interest rate risk sensitivity analysis—non trading interest (fixed rate)

Interest on loan note investments is fixed until the maturity of the investment. The level of future interest rate receivable would be similar to that received in the year and is considered immaterial to the Group's overall performance for the year.

Interest rate risk sensitivity analysis—non trading interest (floating rate)

Interest on cash and cash deposit balances are subject to movements in Libor. The Directors monitors interest rate risk and note that interest rates remain at historical low. The Directors believe that any reasonable increase in the Libor rate would not significantly impact the Group.

c. Sensitivity analysis

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the report date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

As discussed above, the Group does not have significant exposure to liquidity, cash flow or interest rate risk and therefore no sensitivity analysis for those risks has been disclosed.

d. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the UK pound and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

Apart from these particular cash flows the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The Group is primarily exposed to the US dollar and Euro currencies.

The following table details the Group's sensitivity to a 5% depreciation and 5% appreciation in pound sterling against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis excludes quasi-equity loans to foreign operations within the Group.

	Appreciation in pound sterling				**Depreciation in pound sterling**			
At 31 December	**2015**	**2016**	**2017**	**June 2018**	**2015**	**2016**	**2017**	**June 2018**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
US Dollars	(1.2)	(0.5)	(0.4)	—	1.2	0.5	0.4	—
Euros	—	—	—	—	—	—	—	—

The Group's income statement sensitivity to fluctuations in foreign currencies is related to the US dollar amount holdings in the Parent Company. There was no impact to equity.

Capital management

The Group considers its capital to comprise of its equity share capital, share premium, foreign exchange reserve, share options reserve and capital redemption reserve, less its accumulated losses. Quantitative detail is shown in the consolidated statement of changes in equity.

The directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The directors monitor a number of KPIs at both the Group and individual subsidiary level on a monthly basis. As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Group. Performance is reviewed on a regular basis and appropriate actions are taken as required. These internal measures indicate the performance of the business against budget/forecast and to confirm that the Group has adequate resources to meet its working capital requirements.

3. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the key estimates that the directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the historical financial information. There are no further critical accounting judgements.

Estimated impairment of assets

The Group tests annually whether goodwill has suffered any impairment. All other assets are tested for impairment where there are indicators of impairment.

The recoverable amount of cash generating units have been determined based on value in use calculations. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates. The estimates used are shown in note 11.

Fair value of options granted to employees

The Group uses a combination of the Black-Scholes model and Binomial model in determining the fair value of options granted to employees under the Group's various share schemes. The determination of the fair value of options requires a number of assumptions. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award. Details of the assumptions used are shown in note 22.

4. Segmental Information

The IFRS 8 Operating segments requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there are three geographic operating segments supported by two centralised cost segments. Reporting on this basis is reviewed by the Global Leadership Team ('GLT') which is the chief operating decision-maker ('CODM'). The GLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group.

The five reportable segments consist of the three geographic segments: United Kingdom, United States and Developing Markets; plus the two centralised cost segments: global product development and corporate costs. The Developing Markets segment includes the Group's less mature marketplaces in Germany and The Netherlands.

The GLT measures the performance of each segment by reference to a non-GAAP measure, Adjusted EBITDA, which is defined as profit/loss before finance income and costs, taxation, depreciation and amortisation ("EBITDA"); and additionally excludes share-base payment charges, social security costs on share-based payments, foreign exchange and exceptional items. Together with Operating profit, Adjusted EBITDA is a key measure of Group performance as it allows better interpretation of the underlying performance of the business.

Exceptional items include transaction related costs.

Capital expenditure is predominantly managed centrally and depreciation and amortisation are not allocated to individual segments for decision making and accordingly has not been allocated to segments.

				Six months ended	
	31 December 2015	31 December 2016	31 December 2017	30 June 2017	30 June 2018
				(Unaudited)	
	£m	£m	£m	£m	£m
Revenue from continuing operations					
United Kingdom	23.8	39.3	68.4	31.7	42.8
United States of America	7.7	10.2	22.3	8.3	15.0
Developing Markets	0.5	1.4	3.8	0.9	5.2
Total revenue	**32.0**	**50.9**	**94.5**	**40.9**	**63.0**

During 2017 Management took the decision to cease originating loans to Property developers. This activity only took place in the United Kingdom and to aid interpretation of revenue trends the following analysis is provided:

				Six months ended	
	31 December 2015	31 December 2016	31 December 2017	30 June 2017	30 June 2018
				(Unaudited)	
	£m	£m	£m	£m	£m
Supplementary analysis:					
Other business loans	20.8	34.7	65.3	29.5	42.5
Property loans	3.0	4.6	3.1	2.2	0.3
United Kingdom revenue	**23.8**	**39.3**	**68.4**	**31.7**	**42.8**

Segment Adjusted EBITDA and Operating loss	31 December 2015	31 December 2016	31 December 2017	Six months ended 30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
United Kingdom	(6.8)	1.7	16.9	9.2	9.8
United States	(14.3)	(19.1)	(10.9)	(7.0)	(5.1)
Developing Markets	(1.0)	(9.1)	(9.9)	(5.2)	(3.8)
Segment Adjusted EBITDA	**(22.1)**	**(26.5)**	**(3.9)**	**(3.0)**	**0.9**
Product development	(10.1)	(9.0)	(13.6)	(6.7)	(12.2)
Corporate costs	(3.3)	(5.4)	(7.6)	(3.5)	(5.0)
Adjusted EBITDA	**(35.5)**	**(40.9)**	**(25.1)**	**(13.2)**	**(16.3)**
Depreciation & amortisation	(1.4)	(4.2)	(6.8)	(3.7)	(4.1)
Share-based payments	(2.8)	(6.7)	(4.4)	(2.1)	(1.9)
Social security costs on share-based payments	—	—	—	—	(2.8)
Foreign exchange	—	3.9	(0.6)	(0.4)	(0.3)
Exceptional items	—	—	—	—	(1.9)
Operating loss	**(39.7)**	**(47.9)**	**(36.9)**	**(19.4)**	**(27.3)**

Revenue by type

In addition to the segmental reporting of revenue, the table below sets out revenue by its type:

	31 December 2015	31 December 2016	31 December 2017	Six months ended 30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Transaction Revenue	26.0	39.6	76.5	33.0	50.3
Servicing Revenue	5.8	10.9	17.1	7.6	11.3
Other Revenue	0.2	0.4	0.9	0.3	1.4
Total revenue	**32.0**	**50.9**	**94.5**	**40.9**	**63.0**

5. Operating expenses

	31 December 2015	30 December 2016	31 December 2017	Six months ended 30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Depreciation	0.8	1.4	1.6	0.8	1.0
Amortisation	0.6	2.8	5.2	2.4	3.1
Impairment of assets	—	—	0.5	0.5	—
Loss on disposal of property, plant and equipment	0.4	—	—	—	—
Rental income and other recharges	—	(0.5)	(1.2)	(0.6)	(0.4)
Operating lease rentals					
—Other assets	—	0.1	0.1	—	—
—Land and buildings	2.8	4.7	4.8	2.4	2.5
Employment costs (including directors' emoluments)	23.9	41.6	50.4	24.1	35.9
Marketing costs (excluding employment costs)	20.4	24.8	38.7	15.7	24.7
Other expenses	22.8	23.9	31.3	14.4	23.5
Total operating expenses	**71.7**	**98.8**	**131.4**	**60.3**	**90.3**
Foreign exchange loss/(gain)	—	(3.9)	0.6	0.4	0.3
Exceptional items	—	—	—	—	1.9
Total operating expenses after foreign exchange and exceptional items	**71.7**	**102.7**	**130.8**	**59.9**	**88.1**

During 2016 and 2017, Funding Circle Holdings Limited held a large amount of operational cash and cash equivalents denominated in US dollars. During this period the EU referendum took place and the UK voted to leave the EU. This resulted in a particularly high degree of volatility in exchange rates between the UK and the US and gave rise to a material gain of £3.9m in 2016.

In January 2018, the surplus US cash was injected into the US business for operational purposes and therefore any future foreign exchange movements on this will now be reported within the foreign exchange reserves.

Exceptional items relate to advisor costs associated with the transaction related costs.

Auditors' remuneration

				Six months ended	
	31 December 2015	**31 December 2016**	**31 December 2017**	**30 June 2017**	**30 June 2018**
				(Unaudited)	
	£m	**£m**	**£m**	**£m**	**£m**
Audit Fees					
—Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	0.1	0.1	0.1	—	0.1
—Fees payable to the Company's auditor for the statutory audit of the accounts of subsidiaries of the Company	0.2	0.2	0.3	0.2	0.2
Total audit fees	**0.3**	**0.3**	**0.4**	**0.2**	**0.3**
Audit related fees					
—Other audit-related assurance services	0.1	0.1	0.1	0.1	0.1
Total audit-related fees	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Non-audit fees					
—Tax compliance services	—	—	0.1	—	—
—Other services	—	—	—	—	1.6
Total non-audit fees	**—**	—	**0.1**	**—**	**1.6**

Other services relate to the reporting accountant fees.

6. Remuneration of key management personnel

				Six months ended	
	31 December 2015	**31 December 2016**	**31 December 2017**	**30 June 2017**	**30 June 2018**
				(Unaudited)	
	£m	**£m**	**£m**	**£m**	**£m**
Wages and salaries	0.4	0.2	0.3	0.2	0.3
Share-based payments	1.5	2.3	1.1	0.5	0.6
Social security costs on share-based payments	—	—	—	—	0.2
	1.9	**2.5**	**1.4**	**0.7**	**1.1**
Highest paid	0.2	0.2	0.2	0.1	0.2

The directors of the Company are also the key management personnel of the Group. The aggregate emoluments for the highest paid director inclusive of employers' national insurance contributions was £228,230 (2016: £180,989).

7. Employees

The average monthly number of employees, including directors, during the year were:

	2015	2016	2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	Number	Number	Number	(Unaudited) Number	Number
Product & technology	101	171	185	176	224
Operations, support and administrative	256	430	534	495	679
	357	**601**	**719**	**671**	**903**

Employment costs (including directors' emoluments) during the year were:

	31 December 2015	31 December 2016	31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Wages and salaries	22.5	41.1	50.6	23.9	32.3
Social security costs	2.2	3.6	5.3	2.6	6.2
Pension costs	—	—	0.2	0.1	0.2
Share based payments	2.8	6.7	4.4	2.1	1.9
	27.5	51.4	60.5	28.7	40.6
Less: Capitalised development costs	(3.6)	(9.8)	(10.1)	(4.6)	(4.7)
	23.9	**41.6**	**50.4**	**24.1**	**35.9**

8. Finance income

	31 December 2015	31 December 2016	31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Interest on bank deposits	0.1	0.3	0.2	—	0.1
Interest on loan securities	0.1	0.4	0.4	0.2	0.2
	0.2	**0.7**	**0.6**	**0.2**	**0.3**

9. Income tax

The Group is subject to all taxes applicable to a commercial company in its countries of operation. The UK business profits of the Company are subject to UK income tax at the standard corporation tax rate of 19% (2017: 19.25%; 2016: 20%; 2015: 20.25%).

	31 December 2015	31 December 2016	31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Current tax					
Foreign tax suffered	0.1	—	—	—	—
Research and development tax credit	—	(0.6)	(1.0)	—	—
Total current tax	0.1	(0.6)	(1.0)	—	—
Tax per income statement	**0.1**	**(0.6)**	**(1.0)**	—	—

Factors affecting the tax charge for the year:

	31 December 2015	31 December 2016	31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
				(Unaudited)	
	£	£	£	£	£
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
Taxation on loss at 19% (2017: 19.25%; 2016: 20%; 2015: 20.25%)	(8.0)	(9.4)	(7.0)	(3.7)	(5.1)
Effects of:					
Research and development tax credit	—	(0.6)	(1.0)	—	—
Non-deductible expenses	0.9	1.4	0.2	0.1	0.9
Goodwill on consolidation	(0.2)	(2.3)	—	—	—
Temporary differences not recognised	7.4	10.4	6.8	3.6	4.2
Deduction for share options	—	(0.1)	—	—	—
Tax (credit)/charge for the year	**0.1**	**(0.6)**	**(1.0)**	—	—

The Group has unrelieved tax losses in excess of £165m that are available for offset against future taxable profits. The Group has not recognised a deferred tax asset in respect of these losses as in the opinion of the directors there is not sufficient visibility of suitable taxable profits being generated to utilise these losses.

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the tax rates in those locations, changes in tax legislation and the use of brought forward tax losses. The calculation of the Group's total tax charge involves a degree of estimation and judgement with respect to the recognition of any deferred tax asset.

10. Loss per share

Basic loss per share amounts are calculated by dividing the loss for the year / period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year/ period.

Diluted loss per share amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent (after adjusting for share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the loss and share data used in the basic and diluted EPS computations:

	31 December 2015	31 December 2016	31 December 2017	Six months ended 30 June 2017	Six months ended 30 June 2018
				(Unaudited)	
	£m	£m	£m	£m	£m
Loss attributable to owners of the parent	(36.9)	(35.7)	(37.2)	(20.2)	(26.2)
Total	**(36.9)**	**(35.7)**	**(37.2)**	**(20.2)**	**(26.2)**
Weighted average number of ordinary shares in issue (million)	212.3	229.6	251.9	249.3	255.6
Effects of dilution from:					
Share options	18.7	25.4	29.1	27.1	40.7
Weighted average number of ordinary shares for diluted earnings per share (million)	231.0	255.0	281.0	276.4	296.4
Basic loss per share	**(17.4)p**	**(15.6)p**	**(14.8)p**	**(8.1)p**	**(10.3)p**
Diluted loss per share	**(16.0)p**	**(14.0)p**	**(13.2)p**	**(7.3)p**	**(8.8)p**

11. Goodwill

	Total
	£m
Cost and carrying amount	
At 1 January 2015	9.5
Acquisition of a subsidiary	24.2
Exchange differences	1.4
At 31 December 2015	**35.1**
At 1 January 2016	35.1
Exchange differences	6.3
At 31 December 2016	**41.4**
At 1 January 2017	41.4
Exchange differences	(0.1)
At 31 December 2017	**41.3**
At 1 January 2018	41.3
Exchange differences	0.2
At 30 June 2018	**41.5**

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. At the balance sheet date, the Company has two CGUs being Funding Circle USA ("FCUSA") and its subsidiaries and Funding Circle Continental Europe ("FCCE") and its subsidiaries to which goodwill is attached. The goodwill associated with each CGU is shown below.

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Funding Circle USA, Inc.	10.0	12.1	11.0	11.3
Funding Circle CE GmbH	25.1	29.3	30.3	30.2
Total goodwill	**35.1**	**41.4**	**41.3**	**41.5**

The Group performed its annual impairment test on the goodwill that was recognised on the acquisition of FCUSA and FCCE. The impairment test involved comparing the carrying value of the assets held for use to their recoverable amount. The recoverable amount represents the higher of the entity's fair value net of selling costs and its value in use.

The impairment was assessed under both the fair value net of selling costs and value in use calculations. The fair value review took into consideration the Group valuation for the Series F funding round in January 2017 and the estimated market capitalisations of comparable companies, based on calibrated revenue multiples.

The Group prepares a formal five year management plan for its operations, which is used in the value in use calculations. Due to the early stage business and developing nature of peer-2-peer lending markets, the five year plan data was extended for an additional five year period under the target operating model.

The cash flow projections are based on the following key assumptions:

- Revenue growth at a compound annual growth rate of 63% (2016: 83%) and 76% (2016: 117%) for FCUSA and FCCE respectively;
- Pre-tax discount rate of 13.2% (2016: 13.0%) and 15.6% (2016: 14.0%) for FCUSA and FCCE respectively. The discount rate has been determined using the CAPM formula for each geography;
- Revenues beyond the five-year period are extrapolated using an estimated growth rate of 2.5% (2016: 2.5%).

The above assumptions are based on historical trends and future market expectations.

Due to the proximity of the acquisition of the Zencap Group and no indication of impairment, the Group only included FCUSA in the annual impairment review for 2015. The Group took into consideration the Group valuation for the Series E funding round in April 2015 and the estimated market capitalisation of FCUSA based on the calibrated revenue multiples of comparable companies.

The review did not identify any impairment to the goodwill due to adequate headroom of expected recoverable amount over carrying amount. There are no CGUs for which management considers a reasonable possible change in a key assumption would give rise to an impairment. However, as the FCCE CGU is less established the Group did consider further sensitivity analysis for this CGU.

The Group conducted a sensitivity analysis on FCCE CGU by reducing the forecast EBITDA by 50% in each year from 2021 and reducing the terminal margin by 10%. The identified value in use would still remain above the carrying value of FCCE CGU.

Acquisition of subsidiary

On 19 October 2015, the Group acquired 100% of the issued share capital of Zencap Global S.A.R.L (Zencap Group). The Zencap Group operated a marketplace for lending to small and medium sized businesses in Germany, Spain and the Netherlands with operating headquarters based in Berlin. The principal reason for this acquisition was to gain access to the Continental Europe market.

The consideration for this acquisition was settled through the issue of Ordinary Shares in the Company.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Fair value £m
Financial assets	2.0
Tangible fixed assets	0.1
Intangible assets	1.1
Financial liabilities	(2.0)
Total identifiable assets	1.2
Goodwill	24.2
Total	25.4
Net inflow of cash—investing	0.5

The consideration agreed for Funding Circle Continental Europe (formerly Zencap Group) was 7,348,300 shares. 5,769,450 Ordinary Shares of £0.001 were issued on the acquisition date. A further 1,578,850 Ordinary Shares will be issued on the date falling eighteen months after the acquisition date. These have been recognised in equity as "Shares to be issued". The valuation of these shares was based on the implied value of the Group from the then most relevant funding round. The intangible assets related to the Zencap trademark, its technology platform and customer relationships. The financial assets related to investments in loan securities, cash, deposits in escrow and prepayments. The financial liabilities related to trade and other creditors.

The goodwill arising on the Zencap Group acquisition is not deductible for tax purposes.

Acquisition-related costs of £0.3m that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

The revenue included in the consolidated statement of comprehensive income for the year ended 31 December 2015 contributed by the Zencap Group since 19 October 2015 was £0.5m. Zencap Group also generated a loss before tax of £1.4m over the same period.

If Zencap Group had been consolidated from 1 January 2015, the revenue would have been £1.4m and losses before tax would have been £5.6m.

12. Intangible assets

	Capitalised development costs	Computer software	Other intangibles	Total
	£m	£m	£m	£m
Cost				
At 1 January 2015	0.1	0.1	—	0.2
Acquisition of subsidiary	—	—	1.1	1.1
Exchange differences	—	—	—	—
Additions	3.6	—	0.1	3.7
Disposals	—	—	(0.1)	(0.1)
At 31 December 2015	**3.7**	**0.1**	**1.1**	**4.9**
Exchange differences	0.3	—	0.2	0.5
Additions	9.8	0.1	—	9.9
At 31 December 2016	**13.8**	**0.2**	**1.3**	**15.3**
Exchange differences	(0.4)	—	—	(0.4)
Additions	10.1	0.4	—	10.5
Impairment	(0.5)	—	—	(0.5)
At 31 December 2017	**23.0**	**0.6**	**1.3**	**24.9**
Exchange differences	0.2	—	—	0.2
Additions	4.8	0.1	—	4.9
Disposals	—	—	—	—
At 30 June 2018	**28.0**	**0.7**	**1.3**	**30.0**
Accumulated Amortisation				
At 1 January 2015	0.1	0.1	—	0.2
Charge for the year	0.4	—	0.2	0.6
Disposals	—	—	(0.1)	(0.1)
At 31 December 2015	**0.5**	**0.1**	**0.1**	**0.7**
Exchange differences	0.1	—	—	0.1
Charge for the year	2.2	0.1	0.5	2.8
At 31 December 2016	**2.8**	**0.2**	**0.6**	**3.6**
Exchange differences	(0.1)	—	—	(0.1)
Charge for the year	4.6	0.1	0.5	5.2
At 31 December 2017	**7.3**	**0.3**	**1.1**	**8.7**
Exchange differences	0.1	—	—	0.1
Charge for the year	3.1	0.2	—	3.3
At 30 June 2018	**10.5**	**0.5**	**1.1**	**12.1**
Carrying amount				
At 30 June 2018	**17.5**	**0.2**	**0.2**	**17.9**
At 31 December 2017	15.7	0.3	0.2	16.2
At 31 December 2016	11.0	—	0.7	11.7
At 31 December 2015	3.2	—	1.0	4.2

13. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
	£m	£m	£m	£m
Cost				
At 1 January 2015	0.6	0.7	0.3	1.6
Acquisition of subsidiary	—	0.1	—	0.1
Exchange differences	—	—	—	—
Additions	3.1	0.7	0.7	4.5
Disposals	(0.6)	—	—	(0.6)
At 31 December 2015	**3.1**	**1.5**	**1.0**	**5.6**
Exchange differences	0.1	0.1	—	0.2
Additions	0.9	0.4	0.5	1.8
At 31 December 2016	**4.1**	**2.0**	**1.5**	**7.6**
Exchange differences	—	—	—	—
Reclassifications	—	0.1	(0.1)	—
Additions	0.2	0.8	0.2	1.2
At 31 December 2017	**4.3**	**2.9**	**1.6**	**8.8**
Exchange differences	—	—	—	—
Additions	0.4	0.8	0.1	1.3
Disposals	—	—	—	—
At 30 June 2018	**4.7**	**3.7**	**1.7**	**10.1**
Accumulated depreciation				
At 1 January 2015	0.2	0.3	—	0.5
Acquisition of subsidiary	—	—	—	—
Exchange differences	—	—	—	—
Charge for the year	0.2	0.4	0.2	0.8
Disposals	(0.3)	—	—	(0.3)
At 31 December 2015	**0.1**	**0.7**	**0.2**	**1.0**
Exchange differences	—	0.1	—	0.1
Charge for the year	0.4	0.5	0.5	1.4
At 31 December 2016	**0.5**	**1.3**	**0.7**	**2.5**
Exchange differences	—	—	—	—
Charge for the year	0.5	0.7	0.4	1.6
At 31 December 2017	**1.0**	**2.0**	**1.1**	**4.1**
Exchange differences	—	—	—	—
Charge for the year	0.3	0.5	0.2	1.0
Disposals	—	—	—	—
At 30 June 2018	**1.3**	**2.5**	**1.3**	**5.1**
Carrying amount				
At 30 June 2018	**3.4**	**1.2**	**0.4**	**5.0**
At 31 December 2017	3.3	0.9	0.5	4.7
At 31 December 2016	3.6	0.7	0.8	5.1
At 31 December 2015	3.0	0.8	0.8	4.6

The Group does not have any fixed assets under finance lease.

14. Investments

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Investment in loan securities under cure period	4.6	1.3	3.1	5.1
Investment in loan securities	1.8	1.2	0.3	0.2
	6.4	**2.5**	**3.4**	**5.3**

15. Trade and other receivables

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Trade receivables	0.5	0.9	1.7	1.3
Other receivables	7.0	8.6	7.1	9.8
Prepayments and accrued income	1.1	2.3	4.6	8.4
	8.6	**11.8**	**13.4**	**19.5**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

No trade receivables were overdue or impaired.

16. Trade and other payables

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Trade payables	2.2	1.6	2.4	3.4
Taxes and social security costs	0.9	2.2	0.2	3.0
Other creditors	2.0	1.0	0.6	0.9
Accruals	5.0	5.2	8.3	13.7
Preferred dividends payable	0.5	0.5	0.5	0.5
	10.6	**10.5**	**12.0**	**21.5**

Preferred dividends payable represents the total aggregate maximum amount payable on Series A preferred shares.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

17. Provisions

	Dilapidation	Credit loss provision	Other Provisions	Total
	£m	£m	£m	£m
At 1 January 2015	0.1	—	0.1	0.2
Charged / (credited) to income statement:				
Reverse on the discharge of operating lease	(0.1)	—	—	(0.1)
Provision relating to new premises	0.3	—	—	0.3
Additional provision	—	0.4	0.6	1.0
At 31 December 2015	**0.3**	**0.4**	**0.7**	**1.4**
Charged / (credited) to income statement:				
Provision relating to new floor of premises	0.1	—	—	0.1
Additional provision	—	—	—	—
Released to the income statement	—	(0.3)	(0.1)	(0.4)
At 31 December 2016	**0.4**	**0.1**	**0.6**	**1.1**
Charged / (credited) to income statement:				
Additional provision	—	2.4	0.2	2.6
Amounts utilised	—	(1.2)	-	(1.2)
At 31 December 2017	**0.4**	**1.3**	**0.8**	**2.5**
Charged / (credited) to retained earnings:				
IFRS 9 opening balance restatement	—	1.2	—	1.2
Charged / (credited) to income statement:				
Expected credit loss charge	—	1.4	—	1.4
Additional provision	—	—	1.0	1.0
Amounts utilised	—	(1.0)	(0.6)	(1.6)
Provision relating to new floor of premises	0.3	—	—	0.3
Unused amounts reversed	—	—	—	—
At 30 June 2018	**0.7**	**2.9**	**1.2**	**4.8**

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	£m	£m	£m	£m
Current	1.1	0.7	2.1	4.1
Non-Current	0.3	0.4	0.4	0.7
	1.4	1.1	2.5	4.8

The dilapidation provision represents an estimated cost for dismantling the customisation of offices and restoring the leasehold premises to its original state at the end of the tenancy period. The provision is expected to reverse in 2025.

Credit loss provision

In early 2017, in the Developing Markets segment, Funding Circle entered into an arrangement with an institutional investor to guarantee the credit risk on the loan investments made by the institutional investor. Under the terms of the agreements, the Group is required either to make payments when the underlying borrower fails to meet its obligation under the loan contract or buy the defaulted loan from the investor at its carrying value. In return for this financial guarantee, if the portfolio of loans held by the institutional investor perform above a threshold annual return of 3.8%, the Group is entitled to the excess returns which are recorded as other revenue. Since the commencement of this agreement, the returns generated have exceeded the costs of providing the financial guarantee and the expectation is that in the majority of scenarios modelled by Funding Circle is that the income from this arrangement, will exceed the investor incentive cost of buying back defaulted loans, which is treated as an operating expense.

Under IAS 37, a credit loss provision was recognised to cover the credit risk the Group is exposed to under such financial guarantees, measured using the incurred loss model at the best estimate of expenditure required to settle any financial obligation.

Under IFRS 9, which the Group adopted from 1 January 2018, the credit loss provision is measured and recognised in accordance with the expected credit loss (ECL) model. This has resulted in an opening balance restatement, as well as a higher profit and loss charge for H1 2018 than would have occurred under IAS 37.

The reserve related to each loan arranged is based on the ECLs associated with the probability of default of that loan in the next twelve months unless there has been a significant increase in credit risk of that loan since origination. The Group assumes there has been a significant increase in credit risk if outstanding amounts on the loan investment exceed 30 days, in line with the rebuttable presumption per IFRS 9.

The Group defines a default, classified within non-performing, as a loan investment with any outstanding amounts exceeding a 90 day due date. Under the financial guarantee contracts, this is the point at which there is an obligation for the Group to make a payment under the contract or buy back the loan. If the loan is bought back by the Group, at the point of buyback, the financial asset associated with the purchase meets the definition of purchased or originated credit impaired (POCI), this element of the reserve is therefore based on lifetime ECLs.

The Group bands each loan investment using an internal risk rating and assesses credit losses on a collective basis.

	Performing: 12-month ECL	Underperforming: Lifetime ECL	Non-performing: Lifetime ECL	Total
	£m	£m	£m	£m
Opening credit loss provisions at 1st January 2018	1.6	0.3	0.6	2.5
Provision against new loans originated	0.8	0.1	—	0.9
Provision against loans transferred from performing	—	0.1	1.0	1.1
Amounts utilised	—	—	(1.0)	(1.0)
Loans repaid	(0.2)	—	—	(0.2)
Change in PD	(0.5)	0.1	—	(0.4)
Closing credit loss provisions as at 30th June 2018	**1.7**	**0.6**	**0.6**	**2.9**

As at 1 January 2018	**Expected credit loss rate (%)**	**Basis for recognition of expected credit loss provision**	**Credit loss provision (£m)**
Performing	4	12 month ECL	1.6
Underperforming	59	Lifetime ECL	0.3
Non-performing	100	Lifetime ECL	0.6
		Total	2.5

As at 30 June 2018	**Expected credit loss rate (%)**	**Basis for recognition of expected credit loss provision**	**Credit loss provision (£m)**
Performing	3	12 month ECL	1.7
Underperforming	67	Lifetime ECL	0.6
Non-performing	100	Lifetime ECL	0.6
		Total	2.9

The percentages applied above are based on the Group's past experience as well as forward looking information, namely: macro-economic forecasts such as changes in interest rates, GDP and inflation; delinquencies; and loss trends.

The items that the model is most sensitive to are delinquencies and loss trends.

18. Share capital

	31 December 2015	31 December 2015	31 December 2016	31 December 2016	31 December 2017	31 December 2017	30 June 2018	30 June 2018
	Number	£	Number	£	Number	£	Number	£
Called up, allotted and fully paid								
Ordinary shares of £0.001 . . .	79,351,495	79,351	80,111,105	80,111	83,186,146	83,186	85,015,692	85,016
A Ordinary shares of £0.00001	1,606,500	16	1,439,625	14	1,439,625	14	1,439,625	14
B Ordinary shares of £0.00001	650,000	7	650,000	7	650,000	7	650,000	7
C Ordinary shares of £0.00001	3,473,500	35	5,857,600	59	5,857,600	59	5,829,475	58
D Ordinary shares of £0.00001	500,000	5	1,068,850	10	1,068,850	10	1,068,850	10
E Ordinary shares of £0.00001	—	—	—	—	6,063,840	61	6,063,840	61
Series A preferred shares of £0.001	27,392,200	27,392	27,392,200	27,392	27,392,200	27,392	27,392,200	27,392
Series B preferred shares of £0.001	31,492,900	31,493	31,492,900	31,493	31,492,900	31,493	31,492,900	31,493
Series C preferred shares of £0.001	32,520,500	32,521	32,520,500	32,521	32,520,500	32,521	32,520,500	32,521
Series D preferred shares of £0.001	25,595,700	25,596	25,595,700	25,596	25,595,700	25,596	25,595,700	25,596
Series E preferred shares of £0.001	31,432,400	31,432	31,432,400	31,432	31,432,400	31,432	31,432,400	31,432
Series F preferred shares of £0.001	—	—	—	—	23,672,990	23,672	23,672,990	23,673
Deferred shares of £0.00001 . .	49,500	1	2,664,461	27	2,664,461	27	2,692,586	27
Shares to be issued								
Ordinary shares of £0.001 . . .	1,578,850	1,579	1,578,850	1,579	—	—	—	—
	235,643,545	229,428	241,804,191	**230,241**	273,037,212	**255,470**	274,866,758	**257,300**

During the six month period to 30 June 2018, the Company issued a total of 1,829,546 Ordinary shares of £0.001 ranking pari passu with ordinary shares in issue on the exercise of employee share options, giving rise to total share premium of £189,016. During the same period, 28,125 C Ordinary shares were re-designated as Deferred shares.

During 2017, the Company issued a total of 1,496,191 Ordinary shares of £0.001 ranking pari passu with ordinary shares in issue (2016: 1,221,173; 2015: 2,760,745) on the exercise of employee share options, giving rise to total share premium of £195,133 (2016: £59,748; 2015: £254,678).

During 2017, the Company issued the remaining 1,578,850 Ordinary Shares that were previously withheld under the terms of the acquisition transaction of the Zencap group in 2015. A total share premium £5,445,454 was recognised on the issue of those shares.

In addition, 6,063,840 E Ordinary shares were issued following awards of shares under the Company's employee share plan. These issues have given rise to a total share premium of £41,189.

During 2017, the Company issued 23,672,990 non-redeemable and convertible Series F preferred shares of £0.001 at a price of £3.46 per share. A total share premium of £81,884,872 was received and a total share issue costs of £113,260 were incurred on the issue of Series F preferred shares. Series F preferred shareholders are not entitled to any non-discretionary dividends.

During 2016, 4,763,436 C Ordinary shares and 637,600 D Ordinary shares were issued following awards of shares under the Company's employee share plan. These issues have given rise to a total share premium of £8,920 on the D Ordinary shares.

During the same period, 166,875 A Ordinary shares (2015: 49,500), 2,379,336 C Ordinary shares and 68,750 D Ordinary shares were re-designated as Deferred shares. In addition, the Company repurchased 461,563 of its own Ordinary shares of £0.001 for £82,836.

In August 2015 the issued share capital of the Company was sub-divided creating A, B, C and D Ordinary Shares of £0.00001, Series A, B, C, D and E preferred shares of £0.001 and deferred shares of £0.00001.

During 2015, the Company issued 285,749 non-redeemable and convertible Series E preferred shares of £0.1 at a price of £345.36 per share (which were subsequently subdivided as referred to above).

During the same period, the Company also re-designated 14,485 Ordinary shares, 11,791 Series A preferred shares, 1,270 Series B preferred shares and 1,029 Series C preferred shares into Series E preferred shares following the transfer of such shares from existing shareholders to one of the holders of Series E preferred shares (which were subsequently sub-divided as referred to above).

A total share premium of £98,657,700 was received on the issue of new Series E preferred shares. Total share issue costs of £3,888,895 were incurred on the issue of Series E preferred shares. Series E preferred shareholders are not entitled to any non-discretionary dividends.

The A Ordinary, B Ordinary, C Ordinary, D Ordinary, E Ordinary and Deferred shares do not confer a right to vote. The Ordinary shares and all classes of preference shares confer the right to one vote per share.

19. Share premium account

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Balance at 1 January	75.5	195.9	196.0	278.0
Premium arising on issue of B ordinary shares	—	—	—	—
Premium arising on issue of D ordinary shares	—	—	—	—
Premium arising on issue of E Ordinary Shares	—	—	—	—
Premium arising on issue of Series E preferred shares	98.7	—	—	—
Transaction costs—Series E preferred share issue	(3.9)	—	—	—
Premium arising on issue of Series F preferred shares			81.9	—
Transaction costs—Series F preferred share issue			(0.1)	—
Exercise of options—proceeds received	0.3	0.1	0.2	0.2
Acquisition of subsidiary	19.9	—	—	—
Premium expected on the ordinary shares to be issued	5.4	—	—	—
Total	**195.9**	**196.0**	**278.0**	278.2

20. Foreign exchange reserve

	£m
Balance at 1 January 2015	1.6
Exchange difference on translating the net assets of foreign operations	2.7
Balance at 31 December 2015	**4.3**
Exchange difference on translating the net assets of foreign operations	10.9
Balance as at 31 December 2016	**15.2**
Exchange difference on translating the net assets of foreign operations	(1.9)
Balance as at 31 December 2017	**13.3**
Exchange difference on translating the net assets of foreign operations	0.8
Balance as at 30 June 2018	**14.1**

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the Company's functional currency, being pound sterling, are recognised directly in translation reserves.

21. Accumulated losses

	£m
Balance at 1 January 2015	(30.4)
Loss for the year	(39.6)
Balance at 31 December 2015	**(70.0)**
Loss for the year	(46.6)
Items of other comprehensive income recognised directly in accumulated losses	
Buyback of ordinary shares	(0.1)
Balance as at 31 December 2016	**(116.7)**
Loss for the year	(35.3)
Balance at 31 December 2017	**(152.0)**
Adjustment on adoption of IFRS 9 at 1 January 2018	(1.2)
Loss for the period	(27.0)
Balance at 30 June 2018	**(180.2)**

22. Share based payment

The Company operates share schemes for all employees of the Group. The terms of the main current schemes from which the Group's employees benefit are as follows:

EMI Options

Prior to June 2014, the Company issued options to subsidiary undertakings' employees under the EMI Options scheme. Since then, the Company is not eligible to issue under the scheme.

Unapproved Options

The Company has an unapproved option scheme for all employees of the Group. In accordance with standard vesting terms, the full award will vest four years after the vesting start date, with 25% vesting on the first anniversary of the vesting date and 6.25% every three months thereafter. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

US Options Scheme 2

Options granted under the 'US Option Scheme 2' are unapproved options granted to US employees. The US Options Scheme 2 has the same vesting period as Unapproved Options. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Unvested options are forfeited if the employee leaves the Group before the options vest.

There are also some outstanding options originally granted to US employees under the Endurance Lending Network share option scheme (the Group acquired Endurance Lending Network in 2013). Although these options are over ordinary shares in the Company, the terms of the original scheme apply and so these options are subject to different vesting provisions from the Company's standard vesting provisions.

ESS Shares with 'shadow' Unapproved Options

To subscribe for the ESS Shares, employees have to give up certain employment rights. ESS shares are an up-front award of A or C ordinary shares with a nominal value of £0.00001 per share where the ability to receive dividends and a capital return from the shares is conditional on the achievement of a performance target (namely, the growth of the enterprise value of the business beyond a hurdle). According to the terms and conditions, the performance target differs depending on the underlying share.

If this performance target is met, the participants will profit from the whole of the value of the business, not just the growth from the date of the award, on the same basis as the ordinary shares.

The ESS Shares also have a right of redemption—the employee has the option to redeem those shares for a fixed cash amount in the first three months post grant date. Note that the cash amount received depends on the number of ESS Shares granted.

The ESS Shares are each issued in conjunction with a 'shadow' Unapproved Option. The Unapproved Option can be exercised if the relevant enterprise value hurdle is not met upon an exit event. Both the ESS Shares and the 'shadow' Unapproved Options vest according to the Company's standard vesting terms, as discussed in the description of Unapproved Options above.

Growth Shares with 'shadow' Unapproved Options

Growth Shares are an up-front award of B or D or E ordinary shares with a nominal value of £0.00001 per share where the ability to receive dividends and a capital return from the shares is conditional on the achievement of a performance target (namely, the growth of the enterprise value of the business beyond a hurdle). According to the terms and conditions, the performance target differs depending on the underlying share.

If this performance target is met, the participants will profit from the whole of the value of the business, not just the growth from the date of the award, on the same basis as the ordinary shares.

The Growth Shares are each issued in conjunction with a 'shadow' Unapproved Option. The Unapproved Option can be exercised if the applicable enterprise value hurdle is not met upon an exit event. Both the Growth Shares and the 'shadow' Unapproved Options vest according to the Company's standard vesting terms, as discussed in the description of Unapproved Options above.

Included in operating expenses of the Group is a charge for share based payments of £1.9m that arises from transactions accounted for as equity-settled share based payment transactions.

Details of movements in the share schemes during the year are as follows:

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		US Options Scheme[2]		Total	
	Number and WAEP[1]		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January 2015	5,368,000	0.027	1,349,900	0.055	566,000	0.177	—	—	3,573,200	0.110	**10,857,100**	**0.066**
Granted during the year	—	—	1,393,213	0.290	4,563,500	0.284	1,150,000	0.238	4,044,100	0.212	**11,150,813**	**0.254**
Granted on business combination	—	—	3,897,679	0.022	—	—	—	—	—	—	**3,897,679**	**0.022**
Exercised during the year	(915,500)	0.027	—	—	—	—	—	—	(1,845,245)	0.127	**(2,760,745)**	**0.094**
Forfeited during the year	(84,550)	0.027	(18,875)	0.221	(49,500)	0.177	—	—	(269,194)	0.106	**(422,119)**	**0.104**
Outstanding at 31 December 2015	**4,367,950**	**0.027**	**6,621,917**	**0.085**	**5,080,000**	**0.273**	**1,150,000**	**0.238**	**5,502,861**	**0.179**	**22,722,728**	**0.147**
Outstanding at 1 January 2016	**4,367,950**	**0.027**	**6,621,917**	**0.085**	**5,080,000**	**0.273**	**1,150,000**	**0.238**	**5,502,861**	**0.179**	**22,722,728**	**0.147**
Granted during the year	—	—	**3,115,402**	**0.390**	**4,763,436**	**0.390**	**637,600**	**0.496**	**1,625,875**	**0.496**	**10,142,313**	**0.414**
Exercised during the year	**(609,015)**	**0.027**	**(356,317)**	**0.029**	—	—	—	—	**(255,841)**	**0.131**	**(1,221,173)**	**0.050**
Forfeited during the year	**(110,398)**	**0.027**	**(2,407,493)**	**0.091**	**(2,546,211)**	**0.317**	**(68,750)**	**0.317**	**(977,444)**	**0.313**	**(6,110,296)**	**0.222**
Outstanding at 31 December 2016	**3,648,537**	**0.027**	**6,973,509**	**0.222**	**7,297,225**	**0.334**	**1,718,850**	**0.330**	**5,895,451**	**0.247**	**25,533,572**	**0.239**
Outstanding at 1 January 2017	**3,648,537**	**0.027**	**6,973,509**	**0.222**	**7,297,225**	**0.334**	**1,718,850**	**0.330**	**5,895,451**	**0.247**	**25,533,572**	**0.239**
Granted during the year	—	—	**2,489,508**	**0.404**	—	—	**6,063,840**	**0.400**	**2,013,993**	**0.400**	**10,567,341**	**0.401**
Exercised during the year	**(399,411)**	**0.027**	**(122,112)**	**0.300**	—	—	—	—	**(974,668)**	**0.296**	**(1,496,191)**	**0.224**
Forfeited during the year	**(9,376)**	**0.027**	**(527,634)**	**0.381**	—	—	—	—	**(551,756)**	**0.506**	**(1,088,766)**	**0.441**
Outstanding at 31 December 2017	**3,239,750**	**0.027**	**8,813,271**	**0.262**	**7,297,225**	**0.334**	**7,782,690**	**0.385**	**6,383,020**	**0.265**	**33,515,956**	**0.284**
Outstanding at 1 January 2018	**3,239,750**	**0.027**	**8,813,271**	**0.262**	**7,297,225**	**0.334**	**7,782,690**	**0.385**	**6,383,020**	**0.265**	**33,515,956**	**0.284**
Granted during the period	—	—	**4,523,282**	**0.362**	—	—	—	—	**1,263,242**	**0.857**	**5,786,524**	**0.470**
Exercised during the period	**(1,377,043)**	**0.027**	**(332,095)**	**0.353**	—	—	—	—	**(120,408)**	**0.889**	**(1,829,546)**	**0.143**
Forfeited during the period	**(3,007)**	**0.027**	**(511,182)**	**0.387**	**(28,125)**	**0.390**	—	—	**(409,070)**	**0.522**	**(951,384)**	**0.444**
Outstanding at 30 June 2018	**1,859,700**	**0.027**	**12,493,276**	**0.291**	**7,269,100**	**0.334**	**7,782,690**	**0.385**	**7,116,784**	**0.348**	**36,521,550**	**0.317**

(1) Weighted average exercise price

The following table summarises information about the share awards outstanding at 31 December 2015, 2016, 2017 and 30 June 2018:

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		US Options Scheme		Total	
	Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
31 December 2015	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**
Range of exercise prices												
£0.001–£0.008	—	—	820,079	9.8	—	—	—	—	—	—	820,079	9.8
£0.0272	4,367,950	4.6	4,177,500	8.7	—	—	—	—	230,964	4.8	8,776,414	6.6
£0.0272–£0.2785	—	—	504,125	9.0	1,606,500	9.0	650,000	9.0	4,373,497	8.3	7,134,122	8.6
£0.2785–£0.3172	—	—	1,120,213	9.7	3,473,500	9.7	500,000	9.7	898,400	9.6	5,992,113	9.7
	4,367,950	**4.6**	**6,621,917**	**9.1**	**5,080,000**	**9.5**	**1,150,000**	**9.3**	**5,502,861**	**8.4**	**22,722,728**	**8.1**

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		US Options Scheme		Total	
	Number and WARCL[2]		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
31 December 2016	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**
Range of exercise prices												
£0.001–£0.008	—	—	684,594	8.8	—	—	—	—	—	—	684,594	8.8
£0.008–£0.043	3,648,537	6.1	2,025,500	7.3	—	—	—	—	143,813	6.4	5,817,850	6.5
£0.043–£0.279	—	—	466,342	8.0	1,439,625	7.8	650,000	8.0	3,732,175	7.9	6,288,142	7.9
£0.279–£0.390	—	—	3,797,073	9.2	5,857,600	8.8	1,068,850	9.0	2,019,463	9.2	12,742,986	9.0
	3,648,537	**6.1**	**6,973,509**	**8.5**	**7,297,225**	**8.6**	**1,718,850**	**8.6**	**5,895,451**	**8.3**	**25,533,572**	**8.2**

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		US Options Scheme		Total	
	Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
31 December 2017	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**
Range of exercise prices												
£0–£0.008	—	—	672,336	7.8	7,297,225	7.7	—	—	—	—	7,969,561	7.7
£0.008–£0.093	3,239,750	5.0	2,025,500	6.3	—	—	2,568,850	8.4	247,528	6.0	8,081,628	6.4
£0.093–£0.279	—	—	438,185	7.0	—	—	5,213,840	9.6	2,719,890	7.1	8,371,915	8.7
£0.279–£0.610	—	—	5,677,250	8.8	—	—	—	—	3,415,602	9.0	9,092,852	8.9
	3,239,750	**5.0**	**8,813,271**	**8.0**	**7,297,225**	**7.7**	**7,782,690**	**9.2**	**6,383,020**	**8.1**	**33,515,956**	**7.9**

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		US Options Scheme		Total	
	Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
30 June 2018	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**
Range of exercise prices												
£0–£0.008	—	—	3,234,221	9.4	7,269,100	7.2	—	—	—	—	**10,503,321**	7.9
£0.008–£0.096	1,859,700	4.8	2,025,500	5.8	—	—	2,568,850	7.9	228,330	5.6	**6,682,380**	6.3
£0.096–£0.279	—	—	384,841	6.5	—	—	5,213,840	9.1	2,678,484	6.6	**8,277,165**	8.2
£0.279–£1.750	—	—	6,848,714	8.7	—	—	—	—	4,209,970	8.9	**11,058,684**	8.8
	1,859,700	**4.8**	**12,493,276**	**8.3**	**7,269,100**	**7.2**	**7,782,690**	**8.7**	**7,116,784**	**7.9**	**36,521,550**	**7.9**

(2) Weighted average remaining contractual life

Unapproved Options Scheme

The weighted average fair values of options granted under the Unapproved Options Scheme and the US Option Scheme were range between £0.23 and £0.25 (2016: £0.06 for Unapproved Option and £0.05 for US Option) per option respectively. These values were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

Unapproved options scheme	31 December 2015	31 December 2016	31 December 2017	30 June 2018
Share price (various times during the year)	£0.162, £0.317 and £0.390	£0.390	£0.520 and £0.550	£0.73, £1.42 and £1.80
Exercise price at/(between)	£0.176 and £0.317	£0.390	£0.400	£0.44 and £1.75
Expected life	4 years	4 years	4 years	4 years
Expected volatility	40%	40%	45%	48%
Risk-free interest rate (between)	0.30% and 1.40%	0.01% and 0.76%	0.28% and 0.68%	0.93% and 1.02%
Dividend yield	Nil	Nil	Nil	Nil
Forward exchange rate—US Options (between)	0.6327 and 0.6661	0.6810 and 0.7836	0.746 and 0.751	—

ESS Shares and Growth Shares with 'shadow' Unapproved Options

The weighted average fair values of equity-settled options granted under the ESS Shares and Growth Shares with 'shadow' Unapproved Options were £nil and £0.23 (2016: £1.78 and £1.97) per option respectively. These values were determined using the Monte Carlo simulation model. The significant inputs into the model are as follows:

ESS and growth	31 December 2015	31 December 2016	31 December 2017	30 June 2018
Exercise price at/(between)	£0.176 and £0.317	£0.390	£0.400	£0.44 and £1.75
Expected life	2 years	1 year	1 year	4 year
Expected volatility	40%	40%	45%	48%
Risk-free interest rate (between)	0.30% and 1.40%	0.01% and 0.76%	0.38% and 0.62%	0.93% and 1.02%
Dividend yield	Nil	Nil	Nil	Nil

In addition to the above, the Group also considered the enterprise values relevant at the grant dates including an assumption around a future liquidity event of the Company.

Due to the Company being an unlisted entity, the expected volatility has been determined by calculating the historical volatility of the share returns of a group of listed entities and use it as a proxy for the expected volatility of the Company's share returns as at grant date.

Expected life was based on the contractual life of the options and adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

23. Notes to the consolidated statement of cash flows

Cash outflow from operations

	31 December 2015	31 December 2016	31 December 2017	30 June 2017	30 June 2018
				(unaudited)	
	£m	£m	£m	£m	£m
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
Adjustments for:					
Depreciation of property, plant and equipment	0.8	1.4	1.6	0.8	1.0
Loss on disposal of property, plant and equipment	0.4	—	—	—	—
Amortisation of intangible assets	0.6	2.8	5.2	2.4	3.1
Impairment of intangible assets	—	—	0.5	0.5	—
Movement in credit loss and other provisions	0.5	(0.2)	—	1.1	0.8
Movement in dilapidation provision	—	0.1	—	—	0.2
Interest receivable	(0.2)	(0.6)	(0.6)	(0.3)	(0.3)
Non-cash employee benefits expense—share based payments and social security costs	2.8	6.7	4.4	2.1	4.7
Tax credit received	—	0.6	1.0	—	—
Changes in working capital:					
Movement in trade and other receivables	(2.2)	(2.7)	(2.9)	(5.3)	(6.0)
Movement in trade and other payables	1.4	(0.9)	4.5	0.7	6.7
Net cash outflow from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)

Cash and cash equivalents

	31 December 2015	31 December 2016	31 December 2017	30 June 2017	30 June 2018
				(unaudited)	
	£m	£m	£m	£m	£m
Cash and bank balances	86.3	43.3	88.9	103.5	65.2

The cash and cash equivalents balance is made up fully of cash and bank deposits. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents includes restricted cash of £0.3m.

Analysis of changes in net funds

	1 January 2015	Cash flow	Exchange movements	31 December 2015
	£m	£m	£m	£m
Cash and bank balances	35.0	49.6	1.7	86.3
Total net funds	35.0	49.6	1.7	86.3

	1 January 2016	Cash flow	Exchange movements	31 December 2016
	£m	£m	£m	£m
Cash and bank balances	86.3	(46.1)	3.1	43.3
Total net funds	86.3	(46.1)	3.1	43.3

	1 January 2017	Cash flow	Exchange movements	31 December 2017
	£m	£m	£m	£m
Cash and bank balances	43.3	46.6	(1.0)	88.9
Total net funds	43.3	46.6	(1.0)	88.9

	1 January 2018	Cash flow	Exchange movements	30 June 2018
	£m	£m	£m	£m
Cash and bank balances	88.9	(24.0)	0.3	65.2
Total net funds	88.9	(24.0)	0.3	65.2

24. Operating lease arrangements

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Lease payments under operating leases recognised as an expense in the year/period	2.8	4.8	4.9	2.5
Balance at year end / period end	2.8	4.8	4.9	2.5

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Within one year	4.1	4.4	5.0	5.2
In the second to fifth year inclusive	16.4	16.2	16.6	16.3
After five years	13.5	9.1	6.3	4.9
Total at year end / period end	34.0	29.7	27.9	26.4

Operating lease payments represent rentals payable by the Group for its office properties and plant and machinery rental.

25. Dividends per share

No dividends were declared or paid during the current financial period or the previous financial years.

26. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group identifies Funding Circle SME Income Fund Limited ("FCIF") as a related party by way of common directorship for Samir Desai. The transaction amounts incurred for the periods covered in the historical financial information and amounts receivable from FCIF are disclosed below:

Receivable as at 31 December	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Servicing fee	—	0.2	0.1	—
Income during the year ended 31 December/period ended 30 June				
Servicing fee	—	1.1	1.3	—
Corporate services fee	—	0.1	0.2	—
Reimbursement of expenses	—	—	0.2	—
Total at year end / period end	—	1.2	1.7	—

Samir Desai resigned as a director of FCIF on 18 May 2017 and therefore from H1 2018, FCIF will cease to be classified as a related party of the Group.

27. Ultimate controlling party

In the opinion of the directors, the Group does not have a single ultimate controlling party.

28. Contingent liabilities

There are curently no contingent liabilities expected to have a material adverse financial impact on the Group's historical financial information or net assets.

29. Investment in Subsidiaries

The group had the following subsidiaries, all of which have been included in the consolidated historical financial information. The proportion of the voting rights in subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Subsidiary Undertakings	Place of incorporation	Proportion of ownership interest	Registered office address
Funding Circle Ltd	**UK**	100%	**71 Queen Victoria Street, London EC4V 4AY**
Funding Circle Asset Finance Limited	**UK**	100%	**71 Queen Victoria Street, London EC4V 4AY**
Funding Circle Trustee Limited	**UK**	100%	**71 Queen Victoria Street, London EC4V 4AY**
Funding Circle Property Finance Limited	**UK**	100%	**71 Queen Victoria Street, London EC4V 4AY**
Funding Circle Global Partners Limited	**UK**	100%	**71 Queen Victoria Street, London EC4V 4AY**
Made To Do More Limited	**UK**	100%	**71 Queen Victoria Street, London EC4V 4AY**
Funding Circle USA, Inc.	**USA**	100%	**747 Front Street, Floor 4, San Francisco, CA 94111**
Funding Circle Notes Program, LLC	**USA**	100%	**747 Front Street, Floor 4, San Francisco, CA 94111**
Funding Circle Marketplace, LLC	**USA**	100%	**747 Front Street, Floor 4, San Francisco, CA 94111**
FC Partners, LLC	**USA**	100%	**747 Front Street, Floor 4, San Francisco, CA 94111**
Funding Circle Securities, LLC	**USA**	100%	**747 Front Street, Floor 4, San Francisco, CA 94111**
Funding Circle Investor Funds, LLC	**USA**	100%	**747 Front Street, Floor 4, San Francisco, CA 94111**
Funding Circle CE GmbH	**Germany**	100%	**Bergmannstraße 72, 10961 Berlin, Germany**

Subsidiary Undertakings	Place of incorporation	Proportion of ownership interest	Registered office address
Funding Circle Deutschland GmbH	**Germany**	100%	**Bergmannstraße 72, 10961 Berlin, Germany**
Funding Circle Connect GmbH	**Germany**	100%	**Bergmannstraße 72, 10961 Berlin, Germany**
Juwel 182 VV UG	**Germany**	100%	**Johannlsstratse 20, 10117 Berlin**
Funding Circle Espana S.L.	**Spain**	100%	**Calle Claudio Coello 124, 28006 Madrid, Spain**
Funding Circle Nederland B.V.	**Netherlands**	100%	**Gustav Mahlerplein 64b, ITO Toren, 1082 MA Amsterdam, Netherlands**

Interest in other entities:

Stichting Derdengelden Funding Circle is not a direct or indirect subsidiary of FCHL but is an independent special purpose foundation which is required in the Netherlands to safeguard borrower and investor funds.

The principal activity of the Group's most significant subsidiary undertakings are set out below. These are considered significant in the context of Group's business, results and financial position.

Subsidiary Undertakings	Principal Activity
Funding Circle Ltd	Acts as facilitator and performs intermediary services in respect of all loans made through the Funding Circle platform in the UK
Funding Circle USA, Inc.	The US operating subsidiary of Funding Circle. Acts as the administrator of the Funding Circle platform in the US
Funding Circle Marketplace, LLC	Acts as originator and servicer of all loans made through the Funding Circle platform in the US. Funding Circle Marketplace LLC sells each loan it originates, on a servicing retained basis, to third-party institutional investors or to affiliates (e.g. Funding Circle Notes Program) on an arms' length basis. Funding Circle Marketplace LLC initially holds loans for a 2–3 days cure period before selling the loan onto the investor or affiliate
Funding Circle Notes Program, LLC	A special purpose bankruptcy remote entity which issues loan payment dependent debt securities to accredited investors. It uses the proceeds to purchase a specific corresponding loan made through the Funding Circle platform from Funding Circle Marketplace LLC. The entity retains the contractual rights to receive the cash flows from the loan assets it has purchased, but has assumed a contractual obligation to pay those cash flows to the holders of the debt securities. The eligibility criteria have been met to derecognise the loan assets and associated issued debt securities as a pass-through arrangement under IAS 39 / IFRS 9
Funding Circle CE GmbH	The Continental Europe operating subsidiary of Funding Circle. Facilitates development, marketing and provision of internet services to affiliated companies of FCCE Group (formerly Zencap group) (E-Commerce concerning different goods)
Funding Circle Deutschland GmbH	Operates the Funding Circle platform in Germany and services loans
Funding Circle Netherlands B.V.	Operates the Funding Circle platform in The Netherlands and services loans

PART 11
Additional Information

1. Responsibility

1.1 The Company and the Directors of the Company, whose names are set out in Part 3 (Directors, Secretary, Registered and Head Office and Advisers) accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Registration Document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. Incorporation

2.1 The Company was incorporated and registered in England and Wales on 13 January 2010 as a private company limited by shares under the Act with the name Funding Circle Holdings Limited and with the registered number 07123934.

2.2 The Company's registered office and principal place of business is at 71 Queen Victoria Street, London, EC4V 4AY and its telephone number is +44 203 667 2265.

2.3 The principal laws and legislation under which the Company operates and the shares have been created are the Act and regulations made thereunder.

3. Share Capital

3.1 A history of the share capital of the Company for the period covered by the historical financial information set out in this Registration Document is set out below:

As at 1 January 2015, being the first date in the period covered by the Company's historical financial information set out in this Registration Document, the Company's share capital comprised:

Class of Shares	Number issued	Amount issued (£)	Fully paid
Ordinary shares	722,698	72,270	Yes
A ordinary shares	5,660	5	Yes
Series A preferred shares	285,713	28,572	Yes
Series B preferred shares	316,199	31,620	Yes
Series C preferred shares	326,234	32,623	Yes
Series D preferred shares	255,957	25,596	Yes

Between 1 January 2015 and 31 December 2015, the issued share capital of the Company was sub-divided creating A, B, C and D ordinary shares of £0.00001, ordinary shares of £0.001 (the "Ordinary Shares"), Series A, B, C, D and E preferred shares of £0.001 and deferred shares of £0.00001. During 2015, the Company also issued 8,530,195 Ordinary Shares, 1,090,000 A ordinary shares, 650,000 B ordinary shares, 3,473,500 C ordinary shares, 500,000 D ordinary shares and 28,574,900 Series E preferred shares, re-designated 1,448,500 Ordinary Shares, 1,179,100 Series A preferred shares, 127,000 Series B preferred shares and 102,900 Series C preferred shares into Series E preferred shares, and re-designated 49,500 A ordinary shares as deferred shares. Following this, as at 31 December 2015 the Company's share capital comprised:

Class of Shares	Number issued	Amount issued (£)	Fully paid
Ordinary Shares	79,351,495	79,351	Yes
A ordinary shares	1,606,500	16	Yes
B ordinary shares	650,000	7	Yes
C ordinary shares	3,473,500	35	Yes
D ordinary shares	500,000	5	Yes
Series A preferred shares	27,392,200	27,392	Yes
Series B preferred shares	31,492,900	31,493	Yes
Series C preferred shares	32,520,500	32,521	Yes
Series D preferred shares	25,595,700	25,596	Yes
Series E preferred shares	31,432,400	31,432	Yes
Deferred shares	49,500	1	Yes

Between 1 January 2016 and 31 December 2016, the Company issued a total of 1,221,173 Ordinary Shares, 4,763,436 C ordinary shares of £0.00001 and 637,600 D ordinary shares of £0.00001. In addition, during this period 166,875 A ordinary shares of £0.00001, 2,379,336 C ordinary shares of £0.00001 and 68,750 D ordinary shares of £0.00001 were re-designated as deferred shares, and the Company repurchased 461,563 of its own Ordinary Shares. Following this, as at 31 December 2016 the Company's share capital comprised:

Class of Shares	Number issued	Amount issued (£)	Fully paid
Ordinary Shares	80,111,105	80,111	Yes
A ordinary shares	1,439,625	14	Yes
B ordinary shares	650,000	7	Yes
C ordinary shares	5,857,600	59	Yes
D ordinary shares	1,068,850	11	Yes
Series A preferred shares	27,392,200	27,392	Yes
Series B preferred shares	31,492,900	31,493	Yes
Series C preferred shares	32,520,500	32,521	Yes
Series D preferred shares	25,595,700	25,596	Yes
Series E preferred shares	31,432,400	31,432	Yes
Deferred shares	2,664,461	27	Yes

Between 1 January 2017 and 31 December 2017, the Company issued shares of various classes, following which the Company's share capital comprised:

Class of Shares	Number issued	Amount issued (£)	Fully paid
Ordinary Shares	83,186,146	83,186	Yes
A ordinary shares	1,439,625	14	Yes
B ordinary shares	650,000	7	Yes
C ordinary shares	5,857,600	59	Yes
D ordinary shares	1,068,850	11	Yes
E ordinary shares	6,063,840	61	Yes
Series A preferred shares	27,392,200	27,392	Yes
Series B preferred shares	31,492,900	31,493	Yes
Series C preferred shares	32,520,500	32,521	Yes
Series D preferred shares	25,595,700	25,596	Yes
Series E preferred shares	31,432,400	31,432	Yes
Series F preferred shares	23,672,990	23,673	Yes
Deferred shares	2,664,461	27	Yes

As at 3 September 2018 (being the date of this Registration Document), the Company's share capital comprised (all of which is fully paid or credited as fully paid):

Class of Shares	Number issued	Amount issued (£)	Fully paid
Ordinary Shares	85,851,080	85,851.08	Yes
A ordinary shares	1,439,625	14.39625	Yes
B ordinary shares	650,000	6.500	Yes
C ordinary shares	5,829,475	58.29475	Yes
D ordinary shares	1,068,850	10.6885	Yes
E ordinary shares	6,063,840	60.6384	Yes
Series A preferred shares	27,392,200	27,392.2	Yes
Series B preferred shares	31,492,900	31,492.9	Yes
Series C preferred shares	32,520,500	32,520.5	Yes
Series D preferred shares	25,595,700	25,595.7	Yes
Series E preferred shares	31,432,400	31,432.4	Yes
Series F preferred shares	23,672,990	23,672.99	Yes
Deferred shares	2,692,586	26.92586	Yes

4. Articles of Association

The Articles of Association of the Company (the "Articles") are based on the model articles for private companies limited by shares, as amended to suit a company of the size and with the ownership profile of the Company. The Articles include provisions to the following effect:

4.1 *Share classes and rights*

The Company's share capital is made up of a number of different classes of Shares, all of which are listed in paragraph 3 (*Share Capital*) above. Set out in the paragraphs below is a description of the rights, preferences and restrictions attaching to each class of Shares.

4.2 *Voting rights*

The Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares and Series F preferred shares (together, the "Preferred Shares") and the Ordinary Shares confer on each holder the right to receive notice of and attend, speak and vote at all general meetings of the Company and to receive and vote on proposed written resolutions of the Company.

The A ordinary shares, B ordinary shares, C ordinary shares, D ordinary shares, E ordinary shares (together, the "Growth Shares") and the deferred shares do not entitle their holders to receive notice of, to attend, speak or vote at any general meetings of the Company, nor to receive or vote on, or otherwise constitute the holder an eligible member for the purposes of, proposed written resolutions of the Company.

4.3 *Dividends and other distributions*

The Series A preferred shares are entitled to a fixed cash preferential dividend, which accrued at an annual rate of 8 per cent. of £0.0875 (compounding annually) from the date of issue to 15 September 2013 (the "Preference Dividend"). The total maximum aggregate amount of this dividend is £523,755.54, and it is only payable on a sale of shares which results in a change of control of the Company, a sale of all (or substantially all) of the Company's undertakings and assets, an initial public offering of the Company or its liquidation.

The Preferred Shares, the Ordinary Shares and the Growth Shares confer on each holder the right to participate in dividends (excluding the Preference Dividend) pro rata to their holding of such shares, provided that the holders of Growth Shares may not participate in respect of Growth Shares that have not vested or if the Board determines at the relevant time that the equity value of the Company is less than the relevant threshold value that applies to such Growth Shares (as set out in the Articles).

Deferred shares do not entitle their holders to participate in any dividends.

4.4 *Variation of rights*

The rights attached to a class of shares may only be varied with the written consent of the holders of more than 75 per cent. in nominal value of the issued shares of that class, save that the rights attaching to:

4.4.1 the Series A preferred shares, the Series B preferred shares and the Series C preferred shares may only be varied with the consent of the holders of 60 per cent. or more of the issued shares of that class of Preferred Shares;

4.4.2 the Series D preferred shares may only be varied with the written consent of the holders of 60 per cent. or more of the issued Series D preferred shares, including certain material investors;

4.4.3 the Series E preferred shares may only be varied with the written consent of the holders of 60 per cent. or more of the issued Series E preferred shares, including DST Global IV, L.P.; and

4.4.4 the Series F preferred shares may only be varied with the written consent of the holders of more than 75 per cent. of the issued Series F preferred shares.

4.5 *Lien and forfeiture*

The Articles do not contain any lien or forfeiture provisions.

4.6 ***Transfer of shares***

The Articles permit certain transfers (for example, transfers by individuals to family members and transfers by corporates to associated companies) to be made without restriction, provided that no unvested Growth Shares may be transferred. Samir Desai CBE, James Meekings and Andrew Mullinger may transfer their shares with the prior written consent of certain material investors in the Company. Holders of vested Growth Shares may transfer their shares with the prior written consent of the Board and certain material investors in the Company

Transfers that are not permitted transfers in accordance with the Articles are subject to pre-emption rights. The pre-emption rights can be waived with the prior written consent of certain material investors in the Company and the holders of a majority of the Ordinary Shares then in issue, subject to certain co-sale rights contained in the Articles.

The Articles also contain provisions on compulsory transfers, tag along rights, drag along rights and co-sale rights.

4.7 ***Alteration of share capital***

The Articles do not restrict or prohibit the consolidation, sub-division or redemption of the Company's shares or the redenomination or reduction of its share capital.

The A ordinary shares and C ordinary shares are redeemable at the option of the holder at any time within three months of the date of issue of the relevant shares.

The Articles include pre-emption provisions on the allotment of certain new shares. The pre-emption provisions may be waived by shareholder special resolution and with the consent of certain investors (or if the proposed issue price is less than £3.4536, the consent of each holder of Series E preferred shares). The Articles exclude various types of share issue from the pre-emption provisions, including the allotment of Growth Shares and the grant of options under an employee share scheme, so that they may be freely allotted.

An increase in the number of the Series C preferred shares, the Series D preferred shares, the Series E preferred shares or the Series F preferred shares then in issue is deemed to be a variation of the rights attaching to such shares (see paragraph 4.4 (*Variation of rights*) above).

4.8 ***Purchase of own shares***

The Articles do not restrict or prohibit the Company from purchasing its own shares. In addition, the Company is authorised under the Articles to purchase its own shares pursuant to Section 692(1ZA) of the Act.

4.9 ***General meetings***

As a private company limited by shares, the Company is not required to hold general meetings.

4.10 ***Other provisions***

The Articles also include further provisions which are suitable for a company of the size and with the ownership profile of the Company, including the treatment of the assets of the Company on a liquidation or return of capital, the treatment of proceeds in case of a sale of Shares or of a material amount of the Company's assets, the conversion of Preferred Shares and Growth Shares into Ordinary Shares in certain circumstances, anti-dilution protections for existing Shareholders, and provisions setting out which rights arise in a situation in which an offer is made for all (or a majority) of the Shares in the Company.

4.11 ***Directors***

4.11.1 *Appointment of Directors*

The Articles provide that the number of Directors shall be not less than two and not more than nine unless otherwise agreed by the Board acting with the consent of certain material investors in the Company. The maximum number of Directors has been increased to ten in accordance with that procedure.

4.11.2 *CEO Director, Founder Director, Accel Director and Index Director*

The Articles provide for the Chief Executive Officer to be a Director of the Company. In addition, pursuant to the Articles: (i) the Company's founders (the "Founders") Samir Desai CBE, James Meekings and Andrew Mullinger (acting together), have the right to appoint a Director of the Company (the "Founder Director"); (ii) certain entities connected with Index Ventures have the right to appoint a Director of the Company (the

"Index Director"); and (iii) certain entities connected with Accel have the right to appoint a Director of the Company (the "Accel Director"); provided that they continue to hold certain percentages of the share capital of the Company. As at the date of this Registration Document, the Founder Director is Samir Desai CBE, the Accel Director is Hendrik Willem Nelis and the Index Director is Neil Alexander Rimer.

4.11.3 *Ordinary Shareholder Director*

Pursuant to the Articles, the Board has the right to nominate in its absolute discretion any one person to act as a Director of the Company, provided that the appointment or removal of any person as a Director shall be subject to the prior written approval of the Index Director and the Founder Director.

4.11.4 *Chairman*

Pursuant to the Articles, a majority of the serving Directors may appoint any Director as Chairman of the Board and may remove and replace such Chairman. The Chairman has no casting vote.

4.11.5 *Independent Directors*

Pursuant to the Articles, the Board has the right to nominate up to three persons to act as Directors of the Company, provided that the appointment or removal of any person as a Director shall be subject to the approval of the Index Director and the Founder Director.

4.11.6 *Board observers*

Pursuant to the Articles, certain Shareholders in the Company have the right, in addition to any other rights conferred by the Articles and/or the Shareholders' Agreement, to appoint observers on the Board.

4.11.7 *No share qualification*

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

4.11.8 *Term of office*

The Articles set out various circumstances in which a person shall cease to be a Director (for example, bankruptcy or conviction of a criminal offence (other than a minor motoring offence)). The Articles do not contain any other provision relating to a Director's term of office.

4.11.9 *Remuneration of Directors*

The Directors may be paid (upon request to the Company) reasonable costs and out of pocket expenses incurred by them in respect of attending meetings of the Company or carrying out other authorised business on behalf of the Company.

4.11.10 *Permitted interests of Directors*

Subject to the provisions of the Act, and provided (to the extent required by the Act and/or the Articles) that he or she has disclosed to the Board the nature and extent of his or her interest, a Director notwithstanding his or her office may:

4.11.10.1 be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;

4.11.10.2 be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is in any way interested;

4.11.10.3 be a shareholder in the Company or a shareholder, employee, director of other officer of, or consultant to, any other member of the Group;

4.11.10.4 hold and be remunerated in respect of any office or place of profit (other than the office of auditor) in respect of the Company or any body corporate in which the Company is in any way interested;

4.11.10.5 benefit from a guarantee given in respect of an obligation incurred by or on behalf of the Company or body corporate in which the Company is in any way interested;

4.11.10.6 act by himself or herself in a professional capacity for the Company or any body corporate in which the Company is in any way interested (otherwise than as auditor), whether or not he or she is remunerated for this;

4.11.10.7 have any interest which cannot reasonably be regarded as likely to give rise to a conflict of interest; and

4.11.10.8 have any other interest authorised by ordinary resolution.

Subject to the provisions of the Act, and provided (to the extent required by the Act and/or the Articles) that he or she has disclosed to the Board the nature and extent of his or her interest, the directors appointed by certain entities connected with each of Index Ventures and Accel, notwithstanding his or her office, may (in addition to the interests referred to above) be an employee, director, trustee, member, partner, officer or representative of, or consultant to or investor in:

4.11.10.9 a fund manager of certain investors in the Company;

4.11.10.10 any of the funds advised or managed by any such fund manager; or

4.11.10.11 another body corporate or firm in which any such fund manager or fund has invested (including portfolio companies).

4.11.11 *Restrictions on voting*

A Director may not vote on any resolution of the Board concerning a matter in which he or she has an interest, unless (i) to the extent required by the Articles, he or she has declared the nature and extent of such interest to the Board; and (ii) (to the extent required by the Act and/or the Articles) his or her interest has been authorised by the Board.

4.11.12 *Indemnity of officers*

Subject to the provisions of, and so far as may be permitted by, the Act, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) shall be entitled to be indemnified out of the assets of the Company against all liabilities incurred by him or her in the actual or purported execution or discharge of his or her duties or the exercise or purported exercise of his or her powers or otherwise in relation to or in connection with his or her duties, powers or office, provided that no Director is indemnified by the Company against any liability incurred by the Director:

4.11.12.1 to the Company or any associated company;

4.11.12.2 to pay a fine imposed in criminal proceedings or a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirements of a regulatory nature;

4.11.12.3 in defending any criminal proceedings in which he or she is convicted;

4.11.12.4 in defending civil proceedings brought by the Company or any associated company in which final judgment (within the meaning set out in section 234 of the Act) is given against him or her; or

4.11.12.5 in connection with any application under sections 661(3) or 661(4) or 1157 of the Act (as the case may be) for which the court refuses to grant him or her relief,

save that, in respect of a provision indemnifying a director of a company (whether or not the Company) that is a trustee of an occupational pension scheme (as that term is used in section 235 of the Act) against liability incurred in connection with that company's activities as trustee of the scheme, the Company shall also be able to indemnify any such director without the restrictions in paragraphs 4.11.12.1, 4.11.12.4 and 4.11.12.5 applying.

The Company and the Directors have recently entered into deeds of indemnity in accordance with the above.

5. Shareholders' Agreement

On 13 September 2013, the Company, the Founders and certain other Shareholders of the Company entered into a shareholders' agreement (the "Shareholders' Agreement") that regulates their relationship as Shareholders of the Company. The Shareholders' Agreement has been amended and restated on several occasions since.

The Shareholders' Agreement contains provisions that, together with the Articles, govern matters such as decisions requiring the consent of Shareholders (or the holders of particular classes of Shares, as the case may be) and/or directors (or certain members of the Board, as the case may be), anti-dilution provisions, board composition and appointment rights, proceedings of the Board, Shareholder information rights, restriction on Share transfers, Founders' non-compete and other restrictive covenants, and other corporate governance matters.

The Shareholders' Agreement includes provisions to the following effect:

5.1 ***Transfer of Shares***

Pursuant to the Shareholders' Agreement:

(a) each holder of Ordinary Shares undertakes that he or she shall not, and shall not agree to, transfer, mortgage, charge or otherwise dispose of the whole or any part of his or her interest in, or grant any option or other rights over any Shares in the share capital of the Company to any person except where required or permitted to do so pursuant to the Articles or the Shareholders' Agreement; and

(b) each of the Founders undertakes that, subject to certain exceptions, he or she shall not, and shall not agree to, transfer, mortgage, charge or otherwise dispose of the whole or any part of his or her interest in, or grant any option or other rights over any Shares in the share capital of the Company to any person except (i) with majority consent of the Shareholders, (ii) where required to do so pursuant to the Articles or the Shareholders' Agreement, or (iii) where permitted to do so pursuant to the Articles or the Shareholders' Agreement;

provided that, notwithstanding the provisions of (a) and (b) above, none of the holders of Ordinary Shares or the Founders shall effect any transfer, mortgage, charge or other disposal of any interest in any Shares or equity securities of the Company, nor shall the Company issue any shares of equity securities, representing 0.5 per cent. or more of the issued share capital of the Company, to any person who is not a party to the Shareholders' Agreement without first obtaining from the transferee or subscriber a deed of adherence to the Shareholders' Agreement.

5.2 ***Directors***

The Shareholders' Agreement also includes provisions relating to board composition and appointment rights, which are substantially identical to those included in the Articles.

6. Directors' and Senior Managers' interests

The interests in the share capital of the Company of the Directors and Senior Managers (all of whom, unless otherwise stated, are beneficial and include interests of persons connected with a Director or a Senior Manager) are, as at the date of this Registration Document, as follows:

	Issued Shares(1)		**Voting Shares**		**Issued Shares and vested options(1)**		**Fully diluted Shares(2)**	
Director/Senior Manager	**Number**	**Percentage of total**	**Number**	**Percentage of total**	**Number**	**Percentage of total**	**Number**	**Percentage of total**
Andrew Digby Learoyd	2,217,600	0.8%	2,217,600	0.9%	2,292,600	0.8%	2,317,600	0.8%
Samir Desai CBE	20,723,700	7.6%	14,640,200	5.7%	20,723,700	7.3%	22,873,700	7.7%
Sean Robert Glithero	867,053	0.3%	—	—	867,053	0.3%	1,298,903	0.4%
Catherine Jane Keers	—	—	—	—	—	—	—	—
Edward James Wray	2,275,600	0.8%	2,275,600	0.9%	2,922,000	1.0%	2,947,000	1.0%
Hendrik Willem Nelis	—	—	—	—	—	—	—	—
John Eric Daniels	—	—	—	—	417,187	0.1%	487,500	0.2%
Neil Alexander Rimer	—	—	—	—	—	—	—	—
Robert King Steel	614,754	0.2%	614,754	0.2%	939,754	0.3%	964,754	0.3%

Notes:

(1) Excludes deferred Shares.

(2) Includes all issued Shares, deferred Shares and vested and unvested options.

7. Significant Shareholders

7.1 In so far as is known to the Directors, the following are the interests (within the meaning of Part 22 of the Act) which represent, directly or indirectly, 3 per cent. or more of the (i) issued shares, (ii) voting shares, (iii) issued shares and vested options, and/or (iv) fully diluted shares, in the share capital of the Company as at the date of this Registration Document:

	Issued Shares[(1)]		Voting Shares		Issued Shares and vested options[(1)]		Fully diluted Shares[(2)]	
Shareholders	**Number**	**Percentage of total**	**Number**	**Percentage of total**	**Number**	**Percentage of total**	**Number**	**Percentage of total**
Index Ventures[(3)]	58,618,351	21.5%	58,618,351	22.7%	58,618,351	20.7%	58,618,351	19.7%
Accel[(4)]	26,906,743	9.9%	26,906,743	10.4%	26,906,743	9.5%	26,906,743	9.1%
Union Square Ventures[(5)]	21,694,388	7.9%	21,694,388	8.4%	21,694,388	7.7%	21,694,388	7.3%
Samir Desai CBE	20,723,700	7.6%	14,640,200	5.7%	20,723,700	7.3%	22,873,700	7.7%
DST Global[(6)]	16,510,933	6.0%	16,510,933	6.4%	16,510,933	5.8%	16,510,933	5.6%
James Meekings	13,995,100	5.1%	13,195,100	5.1%	13,995,100	4.9%	13,995,100	4.7%
Andrew Mullinger	12,285,350	4.5%	12,004,100	4.7%	12,358,266	4.4%	12,577,016	4.2%
Stone Ridge Trust V[(7)]	8,313,540	3.0%	8,313,540	3.2%	8,313,540	2.9%	8,313,540	2.8%

Notes:

(1) Excludes deferred Shares.

(2) Includes all issued Shares, deferred Shares and vested and unvested options.

(3) The Index Ventures group advises various investment funds including those which hold interests in the Company: namely Index Ventures Growth II (Jersey), L.P.; Index Ventures Growth II Parallel Entrepreneur Fund (Jersey), L.P.; Index Ventures V (Jersey), L.P.; Index Ventures V Parallel Entrepreneur Fund (Jersey), L.P. and Yucca (Jersey) SLP (as administrator of the Index Co-Investment Scheme).

(4) The Accel investment funds which hold interests in the Company are: Accel London III, L.P.; Accel London Investors 2012 L.P.; Accel London Investors 2016 L.P.; Accel London V, L.P. and Accel London V Strategic Partners L.P.

(5) The companies ultimately owned by Union Square Ventures with interests in the Company are Union Square Ventures 2012 Fund, L.P.; USV Investors Fund 2012, L.P.; USV Opportunity 2014, LP and USV Opportunity Investors 2014, LP.

(6) The companies ultimately owned by DST Global with interests in the Company are Apoletto Limited and DST Global IV, L.P.

(7) On behalf of its series, the Stone Ridge Alternative Lending Risk Premium Fund.

Save as disclosed above, in so far as is known to the Directors, there is no other person who is, as at the date of this Registration Document, directly or indirectly, interested in 3 per cent. or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have different voting rights attached to the shares they hold in the Company.

7.2 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

7.3 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

8. Directors' terms of employment

8.1 The Directors and their functions are set out in Part 7 (Directors, Senior Managers and Corporate Governance). The business address of each of the Directors is 71 Queen Victoria Street, London EC4V 4AY.

8.2 ***Executive Directors***

8.2.1 *Base salary.* Samir Desai CBE and Sean Robert Glithero receive base salaries of £210,000 and £300,000, respectively, per annum. Base salaries are reviewed annually in the context of both Company and individual performance, and pay and conditions of the broader employee population more generally.

8.2.2 *Pension and benefits*. Sean Robert Glithero receives a contribution to the Funding Circle Ltd defined contribution pension scheme (currently 2 per cent. of base salary per annum). Samir Desai CBE has waived his right to receive pension contributions from Funding Circle Ltd. Executive Directors also receive benefits in kind, including private healthcare for themselves (and, for Samir Desai CBE, for his children as well) and life assurance equal to four times base salary. The Executive Directors are also entitled to reimbursement of all travelling, hotel, entertainment and other expenses incurred in the proper performance of their respective duties. The Executive Directors are entitled to the benefit of certain indemnity arrangements.

8.2.3 *Annual bonus.* Executive Directors are not entitled to an annual cash bonus.

8.2.4 *Equity incentives.* Executive Directors have received share options and Growth Shares under the plans described in paragraph 9 (Employee share plans) of this Part 11 (Additional Information).

8.2.5 Each of the Executive Directors is subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation, non-dealing and non-hiring restrictive covenants for a period of six months after the termination of his employment arrangements in the case of Sean Robert Glithero and 12 months after the termination of his employment arrangements in the case of Samir Desai CBE.

8.2.6 The employment contract of Sean Robert Glithero is terminable by the Company or by the individual on six months' notice. The employment contract of Samir Desai CBE is terminable by the Company or by the individual on three months' notice.

8.3 ***Non-Executive Directors***

8.3.1 All Non-Executive Directors other than Neil Alexander Rimer, Hendrik Willem Nelis and Robert King Steel have entered into appointment letters with the Company. The appointments of each of the Non-Executive Directors who have entered into appointment letters can be terminated by either party on one month's notice with the exception of the appointment of Edward James Wray, which can be terminated on three months' notice by either party. It is intended that, shortly following the date of this Registration Document, all Non-Executive Directors will enter into an appointment letter substantially on the Company's standard terms.

8.3.2 With the exception of Catherine Jane Keers, the Non-Executive Directors are not entitled to a fee for performing their role as non-executive director. Ms Keers is entitled to a fee for performing her role as non-executive director and an additional fee for performing her role as chair of the Remuneration Committee.

8.3.3 The Non-Executive Directors, other than Catherine Jane Keers, Neil Alexander Rimer and Hendrik Willem Nelis, have been granted options over Ordinary Shares which are on substantially the same terms as the options over Ordinary Shares granted to employees as described in paragraph 9 (Employee share plans) of this Part 11 (Additional Information).

8.3.4 Each Non-Executive Director is also entitled to reimbursement of reasonable expenses.

8.3.5 The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company's bonus or pension schemes.

8.3.6 The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. They are not subject to non-compete restrictive covenants.

8.4 Save as set out in paragraphs 8.2 (Executive Directors) and 8.3 (Non-Executive Directors) above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

8.5 ***Directors' and Senior Managers' Remuneration***

Under the terms of their service contracts and letters of appointment, in the year ended 31 December 2017, the aggregate remuneration, pension and benefits to the Directors and Senior Managers who served the Group during 2017, consisting of eight individuals, was £0.3 million.

Under the terms of their service contracts and letters of appointment, in the year ended 31 December 2017, the Directors were remunerated as set out below:

Name	Position	Annual Salary (£000)	Pension and Benefits (£000)	Date of Joining the Board
Andrew Digby Learoyd	Chairman of the Board	—	—	25 February 2010
Samir Desai CBE	Co-founder, Chief Executive Officer	202	2	13 January 2010
Sean Robert Glithero	Chief Financial Officer	75	1	28 November 2017
Catherine Jane Keers	Non-Executive Director	n/a	n/a	1 May 2018
Edward James Wray	Non-Executive Director	—	—	9 August 2011
Hendrik Willem Nelis	Non-Executive Director	—	—	13 September 2013
John Eric Daniels	Non-Executive Director	—	—	9 September 2016
Neil Alexander Rimer	Non-Executive Director	—	—	9 March 2011
Robert King Steel	Non-Executive Director	—	—	15 July 2014

In addition, the following Directors had equity incentives awarded pursuant to the plans described in paragraph 9 (Employee share plans) of this Part 11 (Additional Information) vest in the year ended 31 December 2017.

Name	Position	Number of share options vested (in '000)	Type of award	Grant date
Andrew Digby Learoyd . . .	Chairman of the Board	25	Unapproved	18 June 2015
Samir Desai CBE	Co-founder, Chief Executive Officer	833	ESS	1 September 2015
		150	Growth	1 May 2015
Sean Robert Glithero	Chief Financial Officer	—	—	n/a
Catherine Jane Keers	Non-Executive Director	—	—	n/a
Edward James Wray	Non-Executive Director	25	Unapproved	18 June 2015
Hendrik Willem Nelis	Non-Executive Director	—	—	n/a
John Eric Daniels	Non-Executive Director	120	Unapproved	9 September 2016 and 22 April 2013
Neil Alexander Rimer	Non-Executive Director	—	—	n/a
Robert King Steel	Non-Executive Director	88	Unapproved	18 June 2015 and 19 December 2014

Notes:

(1) Exercise prices range from £nil to £0.39.

(2) A quarter of each of the above awards vested in each of the calendar quarters during 2017.

(3) Options expire on 10 years from the date of grant.

Further details in respect of the Director's interests in the share capital of the Company are described in paragraph 6 (Directors' and Senior Managers' interests) of this Part 11 (Additional Information).

8.6 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Registration Document.

8.7 ***Directors' and Senior Managers' current and past directorships and partnerships***

Set out below are the directorships and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in the Company and its subsidiaries and the subsidiaries of the companies listed below), in the five years prior to the date of this Registration Document:

Name	Current directorships / partnerships	Past directorships / partnerships
Andrew Digby Learoyd . . .	Threshold Sports Limited Educate Schools Services Ltd WLG Learning Limited Emerson House LLP(2) Small World Financial Services Group Limited (SWFSG) Schwanhaeusser Industrie Holding GmbH	Healthy Kids Limited On Holiday Group Limited(1)
Samir Desai CBE	Neil Desai Foundation	Funding Circle SME Income Fund
Sean Robert Glithero	—	Auto Trader Group plc(3)
Catherine Jane Keers	The Sage Group plc TalkTalk Telecom Group plc	Home Retail Group The Royal Mail Group

Name	Current directorships / partnerships	Past directorships / partnerships
	Everybody Loves Baxter Limited Ustwo Fampany Limited 19 Gately Road Limited Square Root of Diddly Squat Limited	LV= Telefonica O2 Europe Radish Solutions Limited
Edward James Wray	LMAX Limited LMAX Broker Limited Nesta The London House Exchange Limited Prodigy Finance Limited Prodigy Investments Limited Chamonix Investments Limited Amelto Capital Limited YouthNet (now the Mix) (Charity) Mental Health Innovation (Charity)	Tradefair Spreads Limited London Multi-Asset Exchange (Holdings) Limited
Hendrik Willem Nelis	Accel London Intermediate (Guernsey) Partnership Accel Partners Management LLP Accel Partners Limited CallSign, Inc. CartoDB, Inc. Celonis SE Gameforge AG(5) Instana, Inc. Lola Travel Company, Inc. RCW, Inc. (t/a M.Gemi) WorldRemit Ltd	KDS SA OnForce Inc. Sprd.net AG(4) SRP Groupe
John Eric Daniels	Russel Reynolds Associates (RRA) StormHarbour Investments UK LLP(6) 10 Ennismore Gardens Freehold Limited 10 Ennismore Gardens Management Limited	Wellesley Group (UK) Limited Energy Works Advisory Ltd Energy Works Investments Plc
Neil Alexander Rimer	auxmoney GmbH Big Health Limited Call9 Inc. Human Rights Watch Index Ventures SA Metromile, Inc. Peat GmbH Prodigy Investments Limited Raisin GmbH Stack Exchange, Inc. Typeform S.L.	Artbinder, Inc. doubleTwist Corporation Housetrip Limited Housetrip SA Index Securities SA Index Securities (International) SA Kaggle, Inc. Lehigh Technologies, Inc. LHE Holdings Limited London House Exchange Limited(7) MooPrint Limited Photobox Holdco Limited Supercell Oy The Climate Corporation
Robert King Steel	Perella Weinberg Partners Cadence Bancorp, LLC	—

Notes:

(1) As the investor representative with the right to observe at all board meetings and committees of the board of On Holiday Group Limited.

(2) As the representative of WLG Learning Limited, a partner in Emerson House LLP.

(3) Including a number of its subsidiaries.

(4) As a member of the supervisory board.

(5) As a member of the supervisory board.

(6) As principal and senior adviser.

(7) Trading as Property Partner.

8.8 Within the period of five years preceding the date of this Registration Document, none of the Directors:

(a) has had any convictions in relation to fraudulent offences;

(b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company, with the exception of Andrew Digby Learoyd, who was the investor representative with the right to observe at all board meetings and committees of the board of On Holiday Group Limited, whose principal trading subsidiary was placed into administration and On Holiday Group Limited was then put into members voluntary liquidation; or

(c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

9. Employee share plans

9.1 ***Forms of Award***

The Company operates the following equity incentive arrangements in respect of its Shares, subject to the vesting conditions described at paragraph 9.2 (Vesting of Awards) below:

9.1.1 awards of Growth Shares (including A and C ordinary shares issued as ESS Shares) made to certain members of the senior management team subject to restrictions and risk of forfeiture, which, on a liquidity event (which includes the admission of all or any of the Shares to a stock exchange), will convert to Ordinary Shares to the extent vested and provided the pre-new money equity value of the Company (or, on a sale or distribution of capital, the amount available for Shareholders) is equal to or greater than the relevant valuation threshold specified for the class of Growth Shares in the Articles ("Threshold Value");

9.1.2 the Funding Circle Holdings Limited EMI Option Scheme (the "EMI Scheme"), under which awards have been granted to employees over Ordinary Shares in the form of:

9.1.2.1 share options representing rights to acquire Ordinary Shares, including options that do not qualify for tax advantages in any jurisdiction ("Unapproved Options"), UK tax advantaged enterprise management incentive options ("EMI Options"), US tax advantaged Incentive Stock Options ("US Options"), and linked share options (granted, in parallel with Growth Share awards, over an equivalent number of Ordinary Shares and exercisable if the Threshold Value of the linked Growth Shares is not met at the time of a liquidity event) (together "Options"); and

9.1.2.2 restricted stock units ("RSUs"), representing a promise to deliver Ordinary Shares;

9.1.3 share options representing rights to acquire Ordinary Shares granted to certain of the Non-Executive Directors ("NED Unapproved Options");

(together, the "Awards").

The terms on which the various forms of Awards have been granted are summarised below.

9.2 ***Vesting of Awards***

9.2.1 All Awards are subject to a service-based vesting condition, which is met on the first anniversary of the date of grant as to 25 per cent. of the Shares under the Award, and as to a further 6.25 per cent. of the Shares under the Award every three months following such anniversary ("Service Condition"). Growth Shares are vested once the Service Condition is met, but remain subject to the provisions of the Articles.

9.2.2 Options (including NED Unapproved Options) can be exercised once the Service Condition is met, subject to payment of the exercise price which (unless determined otherwise by the Board at grant) is equal to the fair market value of an Ordinary Share at the grant date of the Option, determined for US Internal Revenue Code section 409A valuation purposes.

9.2.3 Vesting of RSUs is subject to the Service Condition and an additional vesting condition, which is that a liquidity event has occurred. Shares are only delivered to participants once both conditions are met.

9.3 ***Leaving employment***

9.3.1 All Options and RSUs lapse in the event of dismissal for cause (including gross misconduct) or (as determined at the discretion of the Board) other disciplinary reasons.

9.3.2 Subject to the above, upon cessation of employment (or if earlier the giving or receiving of notice of termination) unvested Options and RSUs, and all EMI Options, will lapse unless the Board exercises its discretion to permit exercise on terms it determines.

9.3.3 Similarly, Growth Shares will convert to deferred shares if the holder is dismissed for gross misconduct or falls into other prescribed "bad leaver" circumstances described in the Articles. In other leaver circumstances, unvested Growth Shares will convert to deferred shares upon cessation of employment unless the Board exercises its discretion otherwise.

9.3.4 In respect of members of the Company's global leadership team (which is made up of the Executive Directors and key management), the Company has agreed that additional protection will apply in the event of a termination of their employment or engagement in anticipation of, upon or within 12 months following a change of control of the Company, where such termination is deemed to be connected with the change of control. In those circumstances the relevant individual will be entitled to receive a cash payment or other form of award (the "replacement award") which vests upon the termination of their employment. The value of the replacement award will be determined by reference to the portion of the participant's unvested Awards that would have vested (but for the change of control) over the period of 24 months following the change of control or, if later, the 24 months following their termination. The agreed provisions are subject to the Company's discretion to determine that a greater number of Shares subject to an Award should vest upon a change of control.

9.4 ***Variation of capital***

9.4.1 In the event of any variation of the capital of the Company, the number of Shares subject to the Awards and any Option exercise price may be adjusted in such manner as the Board, on a fair and reasonable basis, may deem appropriate.

10. Pensions

The Group operates a defined contribution pension scheme for employees in the United Kingdom. In Germany, the Group pays the statutory employer's contribution into the public pension scheme for each employee, but does not operate any pension schemes. The Group makes no contributions to pension schemes in the United States or the Netherlands.

11. Subsidiaries, investments and principal establishments

11.1 ***Subsidiaries and subsidiary undertakings***

The Company is the holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company (excluding any companies in liquidation) are as follows:

Name	Country of incorporation and registered office	Class and percentage of ownership interest and voting power	Primary field of activity
Funding Circle Ltd	United Kingdom	100%	Facilitates the raising of finance through the UK platform and performs intermediary services in respect of the loans
Funding Circle Asset Finance Limited	United Kingdom	100%	Holds assets on behalf of Investors where the loan is an asset finance loans
Funding Circle Trustee Limited	United Kingdom	100%	Holds security on Investors' behalf for all secured loans other than property finance loans. On default, holds the legal interest in loans on trust for Investors
Funding Circle Property Finance Limited	United Kingdom	100%	Holds security on Investors' behalf for all property finance loans

Name	Country of incorporation and registered office	Class and percentage of ownership interest and voting power	Primary field of activity
Made To Do More Limited	United Kingdom	100%	Holds the intellectual property associated with the Group's rebranding in 2017
Funding Circle Global Partners Limited	United Kingdom	100%	Carries out limited capital markets activities (other than in the United States)
Funding Circle USA, Inc.	United States	100%	A web-based lender for small and medium businesses in the United States
Funding Circle Notes Program, LLC	United States	100%	A "special purpose" bankruptcy remote entity that issues and sells series of borrower payment dependent notes to fractional marketplace Investors and purchases and holds corresponding borrower loans from the originator
FC Marketplace, LLC	United States	100%	Originator of the Borrower loans
FC Partners, LLC	United States	100%	General Partner of FC Partners LP and Funding Circle Diversified Income Fund, LP
Funding Circle Securities LLC	United States	100%	Registered broker dealer
Funding Circle Investor Funds, LLC	United States	100%	a "special purpose" bankruptcy remote entity that owns a bank account holding investor funds
Funding Circle CE GmbH	Germany	100%	Facilitates development, marketing and provision of internet services to affiliated companies of FCCE Group (formerly Zencap Group) (E-Commerce concerning different goods)
Funding Circle Deutschland GmbH	Germany	100%	Operates the German platform and services loans
Funding Circle Connect GmbH	Germany	100%	Investor facing intermediary for the assignment of receivables
Funding Circle España S.L.	Spain	100%	Operated the Spanish platform and now running down loan book
Funding Circle Nederland B.V.	Netherlands	100%	Operates the Dutch platform and services the loans

11.2 ***Interest in other entities***

Stichting Derdengelden Funding Circle is not a direct or indirect subsidiary of the Company but is an independent special purpose foundation which is required in the Netherlands to safeguard Borrower and Investor funds.

11.3 ***Principal establishments***

The following are the principal establishments of the Group:

Country	Location	Primary Function	Occupancy Type
United Kingdom	London	Global Headquarters	Leased
United Kingdom	Manchester	Office	Serviced managed
United States	San Francisco	Office	Leased
United States	San Francisco	Office	Leased
United States	Portland	Office	Serviced managed
United States	Denver	Office	Leased
Germany	Berlin	Office	Leased
The Netherlands	Amsterdam	Office	Leased

All the Group's leases are short term.

12. Statutory auditors

The auditors of the Company for the period covered by the historical financial information set out in this Registration Document are PricewaterhouseCoopers LLP, chartered accountants, whose registered address is at 1 Embankment Place, London WC2N 6RH.

13. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Registration Document which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Registration Document:

13.1 ***Shareholders' Agreement***

The Shareholders' Agreement described in paragraph 5 (Shareholders' Agreement) of this Part 11 (Additional Information).

14. Litigation

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Registration Document, which may have, or have had in the recent past, a significant effect on the Company's and/or the Group's financial position or profitability.

15. Related party transactions

Save as described in Note 26 of Section B of Part 10 (Historical Financial Information), there are no related party transactions between the Company or members of the Group and related parties.

16. No significant change

There has been no significant change in the financial or trading position of the Group since 30 June 2018, the date to which the last audited consolidated information of the Group was prepared.

17. Consents

PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the report in Section A of Part 10 (Historical Financial Information), in the form and context in which it appears and has authorised the contents of that part of this Registration Document.

18. General

The financial information contained in this Registration Document does not amount to statutory accounts within the meaning of section 434(3) of the Act.

19. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following the date of this Registration Document at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HS:

(a) the Articles;

(b) the Reporting Accountant's report on the Historical Financial Information, which is set out in Section A of Part 10 (Historical Financial Information);

(c) the consent letter referred to in "Consents" in paragraph 17 (*Consents*) of this Part 11 (Additional Information); and

(d) this Registration Document.

This Registration Document will be published in electronic form and be available on the Group's website at http://corporate.fundingcircle.com/investors/registration-document.

Dated: 3 September 2018

PART 12
Definitions and Glossary

The following definitions apply throughout this Registration Document unless the context requires otherwise:

"Accel Director"	as defined in paragraph 4.11.2 (*CEO Director, Founder Director, Accel Director and Index Director*) of Part 11 (Additional Information)
"Act"	the Companies Act 2006, as amended, modified or re-enacted from time to time
"Adjusted EBITDA"	profit or loss before depreciation and amortisation, finance income, income tax, share-based payments and associated social security costs, foreign exchange and exceptional items
"Adjusted EBITDA Margin"	the ratio of Adjusted EBITDA to revenue, expressed as a percentage
"AFM"	the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*)
"Articles"	the Articles of Association of the Company
"Awards"	as defined in paragraph 9 (Employee share plans) of Part 11 (Additional Information)
"AWS"	Amazon Web Services
"Board"	the board of directors of the Company
"Borrowers"	actual or prospective borrowers participating on the Group's platform
"Brexit"	a common reference to the United Kingdom leaving the European Union
"Call for Input"	as defined in Part 1 (Risk Factors)
"CEO"	chief executive officer
"CFPB"	the Consumer Financial Protection Bureau, created by the Dodd-Frank Act
"Chairman"	the chairman of the Board
"Chief Executive Officer" .	the chief executive officer of the Group
"Chief Financial Officer" . .	the chief financial officer of the Group
"Circlers"	a term used by the Group to refer to its employees
"Company"	Funding Circle Holdings Limited
"C&R"	collections and recoveries
"DBO"	the California Department of Business Oversight
"Developing Markets"	Germany, the Netherlands and Spain (which the Group subsequently decided to exit in January 2017)
"Directors"	the Executive Directors and the Non-Executive Directors
"DFS"	the New York Department of Financial Services
"DFSA"	the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)
"Dodd-Frank Act"	the Dodd-Frank Wall Street Reform and Consumer Protection Act
"ECOA"	the US Equal Credit Opportunity Act
"EEA"	the European Economic Area
"EIB"	the European Investment Bank
"EMI Scheme"	as defined in paragraph 9 (Employee share plans) of Part 11 (Additional Information)
"ERMF"	Enterprise Risk Management Framework

"ESS Shares"	A and C ordinary shares, both in the share capital of the Company, acquired under an employee shareholder status agreement for UK tax purposes
"EU"	the European Union
"EU Single Market"	a single market which seeks to guarantee the free movement of goods, capital, services, and labour within the European Union
"FCA"	the Financial Conduct Authority
"FCGP"	Funding Circle Global Partners Limited
"FCIF"	Funding Circle SME Income Fund
"FCTL"	Funding Circle Trustee Limited
"Founder Director"	as defined in paragraph 4.11.2 (*CEO Director, Founder Director, Accel Director and Index Director*) of Part 11 (Additional Information)
"Founders"	the founders of the Company: Samir Desai CBE, James Meekings and Andrew Mullinger
"Free Cash Flow"	the sum of net cash flow from operating activities and net cash flow from investing activities
"Free Cash Flow Margin" .	the ratio of Free Cash Flow to revenue, expressed as a percentage
"Funding Circle Continental Europe"	Funding Circle CE GmbH and its subsidiaries and subsidiary undertakings
"Funding Circle Germany" .	Funding Circle Deutschland GmbH
"Funding Circle NL"	Funding Circle Nederland B.V.
"Funding Circle UK"	Funding Circle Ltd
"Funding Circle US"	Funding Circle USA, Inc. and its US subsidiaries and affiliates
"GDPR"	the General Data Protection Regulation (Regulation (EU) 2016/679)
"Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time
"Group" or "Funding Circle"	the Company and its subsidiaries and subsidiary undertakings
"Growth Shares"	the A ordinary shares, B ordinary shares, C ordinary shares, D ordinary shares and E ordinary shares, each in the share capital of the Company
"HMRC"	HM Revenue and Customs
"H1 2017"	the six month period ended 30 June 2017
"H1 2018"	the six month period ended 30 June 2018
"IFISA"	Innovative Finance Individual Savings Account
"IFRS"	International Financial Reporting Standards, as adopted by the European Union
"Index Director"	as defined in paragraph 4.11.2 (*CEO Director, Founder Director, Accel Director and Index Director*) of Part 11 (Additional Information)
"Interim Feedback Statement"	as defined in Part 1 (Risk Factors)
"Investment Adviser Act" . .	the US Investment Adviser Act of 1940, as amended
"Investment Company Act"	the US Investment Company Act of 1940, as amended
"Investors"	actual or prospective investors participating on the Group's platform
"Loans under Management"	the total value of outstanding principal and interest to Borrowers and includes amounts that are overdue but not loans that have defaulted
"London Stock Exchange" .	London Stock Exchange plc

"Member State"	a member state of the European Economic Area
"MiFID II"	the EU Directive 2014/65/EU on markets in financial instruments, as amended
"NED Unapproved Options"	as defined in paragraph 9 (Employee share plans) of Part 11 (Additional Information)
"Net Promoter Score"	an index ranging from −100 to 100 that measures the willingness of customers to recommend a company's products or services to others
"Non-Executive Directors" .	the non-executive Directors of the Company
"OCC"	the Officer of the Comptroller of Currency, which is the principal supervisor of national banks in the United States and part of the Treasury Department
"Open Banking"	an initiative led by the UK's Competition and Markets Authority that is intended to create more competition in the banking industry and to encourage better services and more innovation to improve your banking experience
"Options"	as defined in paragraph 9 (Employee share plans) of Part 11 (Additional Information)
"Ordinary Shares"	the ordinary shares of £0.001 in the share capital of the Company
"PCAOB"	the Public Company Accounting Oversight Board (United States)
"platform"	an online lending platform through which borrower loans are originated and allocated to investors, and, with respect to the Group, comprising the different online lending platforms across the Group's geographies
"Preferred Shares"	the Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares and Series F preferred shares, each in the share capital of the Company
"Prospectus Directive"	Directive 2003/71/EC and amendments thereto, including any relevant implementing measure in each Relevant Member State
"Prospectus Rules"	the prospectus rules of the FCA made pursuant to section 73A of FSMA, as amended
"PSD2"	the Second Payment Services Directive (*Directive 2015/2366/ EU*)
"P2P"	peer-to-peer
"P2P Agreements"	"article 36H agreements", as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)
"Registration Document" . .	the final registration document approved by the FCA as a registration document prepared in accordance with the Prospectus Rules
"Relevant Member State" . .	each Member State of the European Economic Area that has implemented the Prospectus Directive
"RSUs"	restricted stock units
"Rule 144A"	Rule 144A under the US Securities Act
"SEC"	the US Securities and Exchange Commission
"Section 1071"	Section 1071 of the Dodd-Frank Act
"Segment Adjusted EBITDA"	Adjusted EBITDA excluding product development and corporate costs that are incurred for the benefit of all geographic operating segments
"Segment Adjusted EBITDA Margin"	the ratio of Segment Adjusted EBITDA to revenue, expressed as a percentage
"Senior Managers"	those individuals identified as such in Part 7 (Directors, Senior Managers and Corporate Governance)

"Service Condition"	as defined in paragraph 9 (Employee share plans) of Part 11 (Additional Information)
"Shareholders"	the holders of Shares in the capital of the Company
"Shareholders' Agreement" .	as defined in paragraph 5 (Shareholders' Agreement) of Part 11 (Additional Information)
"Shares"	means the shares (of any class) in the capital of the Company from time to time
"SME"	small and medium enterprises
"third-party origination partners"	as defined in Part 1 (Risk Factors)
"Threshold Value"	as defined in paragraph 9 (Employee share plans) of Part 11 (Additional Information)
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Bribery Act"	the UK Bribery Act 2010
"Unapproved Options"	as defined in paragraph 9 (Employee share plans) of Part 11 (Additional Information)
"United States" or "US" . .	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
"US Exchange Act"	United States Securities Exchange Act of 1934, as amended
"US GAAS"	auditing standards generally accepted in the United States
"US Options"	as defined in paragraph 9 (Employee share plans) of Part 11 (Additional Information)
"US Securities Act"	United States Securities Act of 1933, as amended
"Zencap Acquisition"	the Group's acquisition of the Zencap Group in October 2015
"Zencap Group"	Zencap Global S.A.R.L. (now Funding Circle Continental Europe)

Merrill Corporation Ltd, London
18-21004-1


BROOK
AT ALL TIMES
RAW MEAT
RAW FISH
COOKED MEATS
SALADS & FRUITS
VEGETABLES
DAIRY PRODUCTS
Funding
Circle