

17 January 2019

Funding Circle Holdings plc

Q4 2018 Update

Funding Circle Holdings plc (“Funding Circle” or the “Company”), the leading small and medium enterprise (“SME”) loans platform in the UK, US, Germany and the Netherlands, today announces updates to its statistics pages for the three months ending 31 December 2018 (the “Quarter”) and selected highlights from the quarter.

The data by country included in this announcement is also available on the Company’s website at corporate.fundingcircle.com/investors/loan-performance-statistics.

Highlights

- Full year revenue growth of ~55% (excluding property) exceeding ~50% guidance stated at IPO
- Loans under Management (excluding property) of ~£3.1 billion as at 31 December 2018, up 55% compared to the same period last year and also exceeding IPO guidance
- Total originations of £2.3 billion in the year to 31 December 2018, up 40%; record originations (excluding property) of £683 million for Q4 2018 vs £522 million in Q4 2017, up 31%
- Revenue growth exceeded origination growth in H2 2018, due to policy changes for existing borrowers in the US which reduced overall originations, but had no impact on revenue
- On 28 November 2018, The British Business Bank, the UK government's economic development bank, announced a commitment of up to £150 million for lending to UK small businesses through Funding Circle
- On 7 December 2018, Waterfall Asset Management agreed to invest in £1 billion of loans originated through Funding Circle's UK platform over a two-year period

Samir Desai CBE, CEO and co-founder, said:

“Funding Circle delivered a strong end to 2018 which resulted in exceeding our revenue and Loans under Management guidance for the year. We were pleased to announce a number of new institutional investor transactions in Q4, which is further validation of the attractive risk-adjusted returns generated on the Funding Circle platform. We enter 2019 with continuing confidence and remain focused on delivering our growth strategy set out at IPO.”

Group performance¹

		Q4 2018	Q4 2017	%	2018	2017	%
Loans under Management (<i>excluding property</i> ¹)	£m	3,123	2,012	55%	N/A	N/A	N/A
Originations (<i>excluding property</i> ¹)	£m	683	522	31%	2,286	1,631	40%

Investor Returns

- Across all geographies, investor returns on a net basis are expected to deliver 5-8% in 2018 and 4-7% in 2016 and 2017
- Loans originated in H2 2018 for the UK are expected to return 5.5-6.5%. The expectation of lower performance for 2016/2017 remains as a result of the weaker consumer credit environment, which has impacted some loans in higher risk bands. In response, the Company adjusted its risk models in H2 2018 - the total amount of SME loans originated in H2 2018 represents almost the total originations for the UK in 2017
- Loans originated in H2 2018 for the US are expected to deliver 6.0-8.0%. US loan performance has steadily improved since 2015, driven by risk model improvements and changes to pricing strategy
- Loans originated in H2 2018 for Germany are expected to deliver 5.5-7.5% and loans originated in H2 2018 for the Netherlands are expected to deliver 6.5-8.5%. Like the US, loan performance in Germany and the Netherlands continues to improve year-on-year

Outlook

- The Board reconfirms guidance given at the IPO with targeted revenue growth in excess of 40% in the medium term
- More detailed guidance for the year ahead will be issued alongside full year results on Thursday 7 March

Our statistics – Q4 2018

The following information is reproduced from each country's statistics pages, which can be found at corporate.fundingcircle.com/investors/loan-performance-statistics.

Loans under Management (million)

	2012	2013	2014	2015	2016	2017	2018
Group² (£)	52	145	366	860	1,362	2,107	3,148
UK² (£)	52	144	332	653	1,027	1,584	2,208
US (\$)	N/A		54	261	354	577	939
DE (€)	N/A			27	30	65	131
NL (€)	N/A				16	40	95

Originations (million)

	2012	2013	2014	2015	2016	2017	2018
Group³ (£)	49	130	311	721	1,065	1,738	2,292
UK³ (£)	49	129	279	531	823	1,264	1,531
US (\$)	N/A		334		281	514	792
DE (€)	N/A		33		19	55	105
NL (€)	N/A			21		34	81

Gross Yield

	2012	2013	2014	2015	2016	2017	2018
UK	9.2%	8.4%	9.9%	9.6%	9.6%	9.7%	9.8%
US	N/A		14.2%		13.2%	12.3%	13.0%
DE	N/A		7.2%		9.5%	9.5%	10.1%
NL	N/A			9.3%		10.9%	12.0%

Projected annualised return range (after fees and bad debt)⁴

	2012	2013	2014	2015	2016	2017	2018
UK	7.1-7.2%	5.6-5.8%	7.1-7.3%	6.5-7.1%	5.2-5.8%	4.7-5.4%	5.1-6.0%
US	N/A		2.5-2.7%		4.0-4.8%	5.3-6.9%	5.8-7.8%
DE	N/A		0.1-1.0%		2.3-4.1%	4.8-6.7%	5.3-7.3%
NL	N/A			3.6-4.8%		5.6-7.5%	6.4-8.4%

Projected bad debt rate range⁵

	2012	2013	2014	2015	2016	2017	2018
UK	1.3-1.3%	1.8-2.0%	1.8-2.1%	1.8-2.3%	2.9-3.5%	3.5-4.1%	3.0-3.8%
US	N/A		10.5-10.7%		7.5-8.3%	4.6-6.2%	4.6-6.4%
DE	N/A		4.7-5.6%		4.4-6.2%	1.7-3.6%	1.7-3.7%
NL	N/A			2.8-4.0%		2.2-4.2%	2.2-4.2%

ENDS

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About Funding Circle:

Funding Circle (LSE: FCH) is a global SME loans platform, connecting SMEs who want to borrow with investors who want to lend in the UK, US, Germany and the Netherlands. Since launching in 2010, investors across Funding Circle's geographies - including more than 85,000 retail investors, banks, asset management companies, insurance companies, government-backed entities and funds - have lent more than £6 billion to over 60,000 businesses globally. Funding Circle is a member of the FTSE 250 Index.

Forward looking statements and other important information

This document contains forward looking statements, which are statements that are not historical facts and that reflect Funding Circle's beliefs and expectations with respect to future events and financial and operational performance. These forward looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the control of Funding Circle and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. Nothing contained within this document is or should be relied upon as a warranty, promise or representation, express or implied, as to the future performance of Funding Circle or its business. Any historical information contained in this statistical information is not indicative of future performance.

The information contained in this document is provided as of the dates shown. Nothing in this document should be construed as legal, tax, investment, financial, or accounting advice, or solicitation for or an offer to invest in Funding Circle.

Definitions and notes to the editor:

1. In 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. As a result, the Board excludes property lending when measuring ongoing business performance.
2. Group and UK Loans under Management by year include property lending. Loans under Management related solely to property were, by year: 2012/2013: £0; 2014: £26 million; 2015: £115 million; 2016: £163 million; 2017: £95 million; 2018: £25 million.
3. Group and UK originations by year include property lending. Group originations related solely to property lending were, by year: 2012/2013: £0; 2014: £23 million; 2015: £114 million; 2016: £171 million; 2017: £107 million; 2018: £6 million.
4. The projected annual return shows how loans are estimated to perform. Loans are shown by the year they were taken out, and are after fees and bad debt. Returns equal gross yield minus net losses minus servicing fee and is estimated, using an internally managed model, by cohort of origination incorporating actual returns received for each cohort and adding future expected returns which are determined using the same aforementioned model. Net yield is compounded to recognise re-investment. These expectations may be revised, for example if macroeconomic conditions change, and the projected return, projected gross yield and the projected bad debt rate may be adjusted to reflect this.
5. The projected bad debt rate shows the projected annualised percentage of loans, by loan amount, that will not be repaid. Loans are shown by the year they were taken out and include recoveries. It can take up to five years for loans to be fully repaid, so the projected return, projected gross yield and projected bad debt rate take into account how each year of loans are performing and how Funding Circle expects them to perform in future. These expectations may be revised, for example if macroeconomic conditions change, and the projected return, projected gross yield and the projected bad debt rate may be adjusted to reflect this.