



2020 Full Year results presentation

Results for the 12 months
to 31 December 2020



Disclaimer

Information regarding forward-looking statements

This Presentation 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 Group's 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 Presentation and include statements regarding the intentions, beliefs or current expectations of 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.

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Summary

2020

- A year of two halves. H1 responding to Covid. H2 strong demand with UK H2 originations c.£1.5bn, up 91% year-on year.
- Our technology platform is transforming the SME borrowing experience with instant decisions for 50% of applications.
- Resilient funding and loan performance through the recession - all investor cohorts expected to deliver positive returns.
- Profitable in H2 2020:
 - Group: H2 £20.3m AEBITDA (FY: negative £63.8m) and £7.2m operating profit (FY: negative £106m).
 - UK: H2 £28.6m AEBITDA (FY: £6.5m) and £21.3m operating profit (FY: negative £7.9m)
- Robust net assets of £218m.

Looking ahead

- Acceleration in adoption of online small business lending, and strong demand from investors and borrowers, will benefit Funding Circle throughout 2021 and beyond.
- We will operate our core loan product alongside Recovery Loan Scheme and bank SBA loans in the UK and US.
- Continue to roll out Instant Decision Lending with long term target of 80% of loan decisions automated.
- Leverage our technology to launch new solutions to help SMEs:
 - Embedded finance (API)
 - Payment finance
 - Card
- Attractive financial profile: powered by UK, we expect to be AEBITDA profitable and will invest in additional growth opportunities.



Accelerated structural changes that benefit Funding Circle

Government support shows SMEs are strategically important to economic growth	\$700bn borrowed through PPP, £70bn borrowed through CBILS/BBLS ¹
Significant acceleration in adoption of online borrowing	5x increase in searches for online business loans in the UK ²
Strong demand from investors despite recession	£2.5bn investor capital raised in 2020 to lend to UK and US SMEs ³
SMEs expect to have ongoing financing needs	40% of SMEs expect to require finance in the next 12 months, primarily for growth or investment ⁴

1. Cumulative PPP data published by the SBA; cumulative CBILS and BBLS lending data published by HMT
2. Google trends
3. Funding Circle institutional capital raised accredited to CBILS and PPP
4. Data from the Oxford Economics and Funding Circle 2020 Economic Impact Report



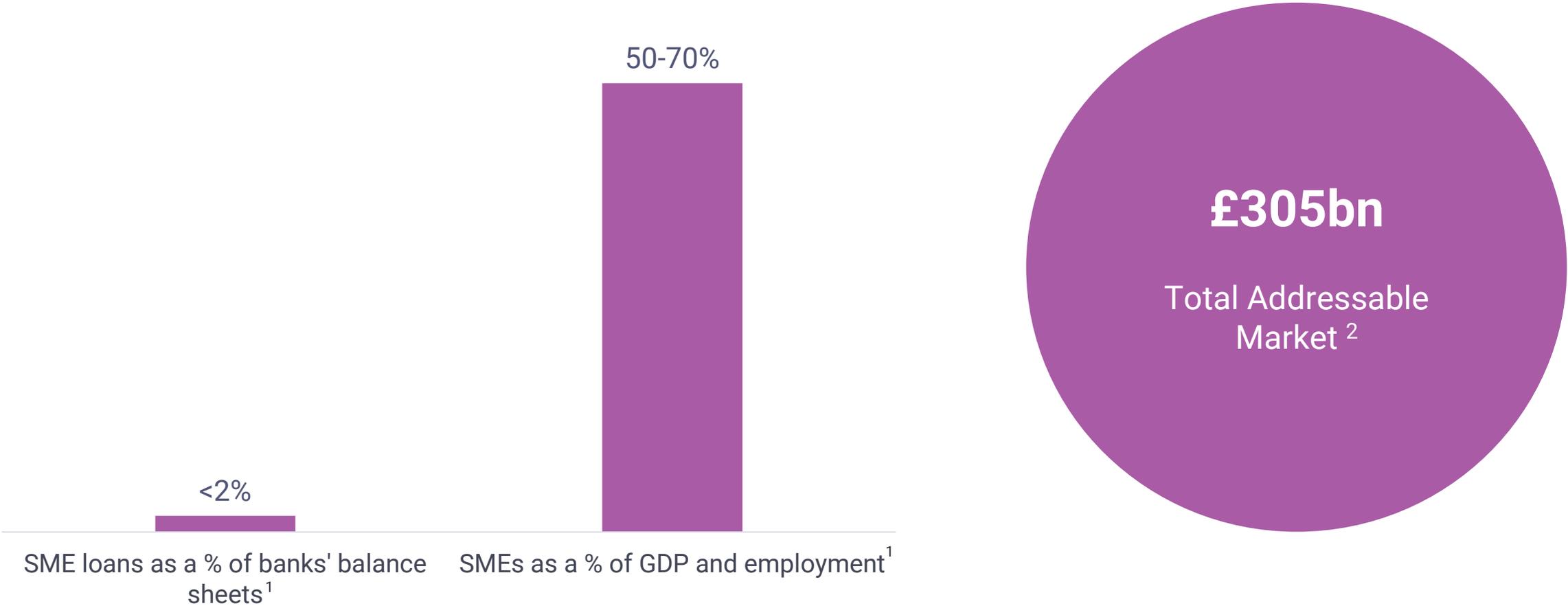
Our mission:

Build the place where small businesses get the funding they need to win.

How we do it:

We deliver an amazing experience for small businesses powered by machine learning and technology.

Small business lending is underserved by traditional lenders

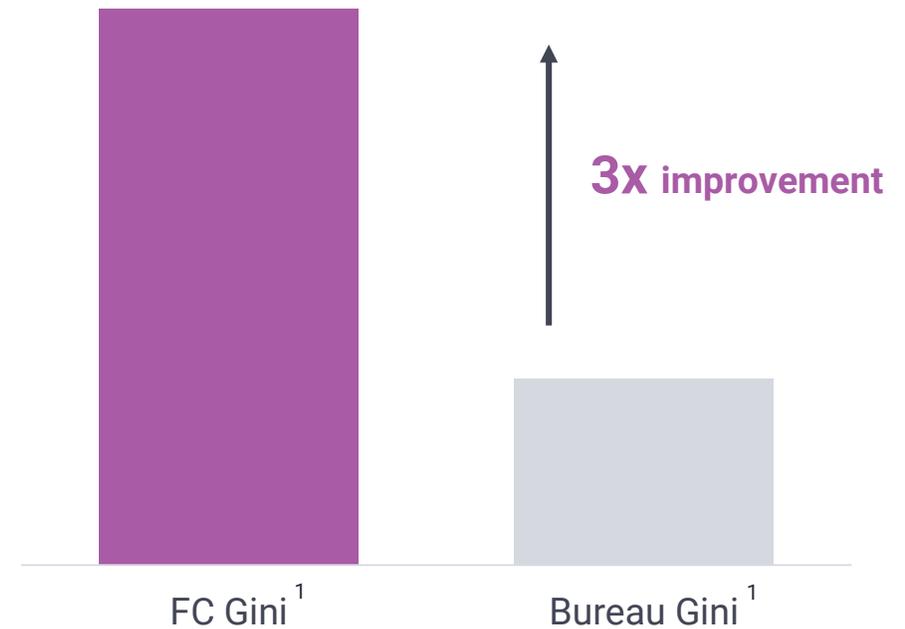
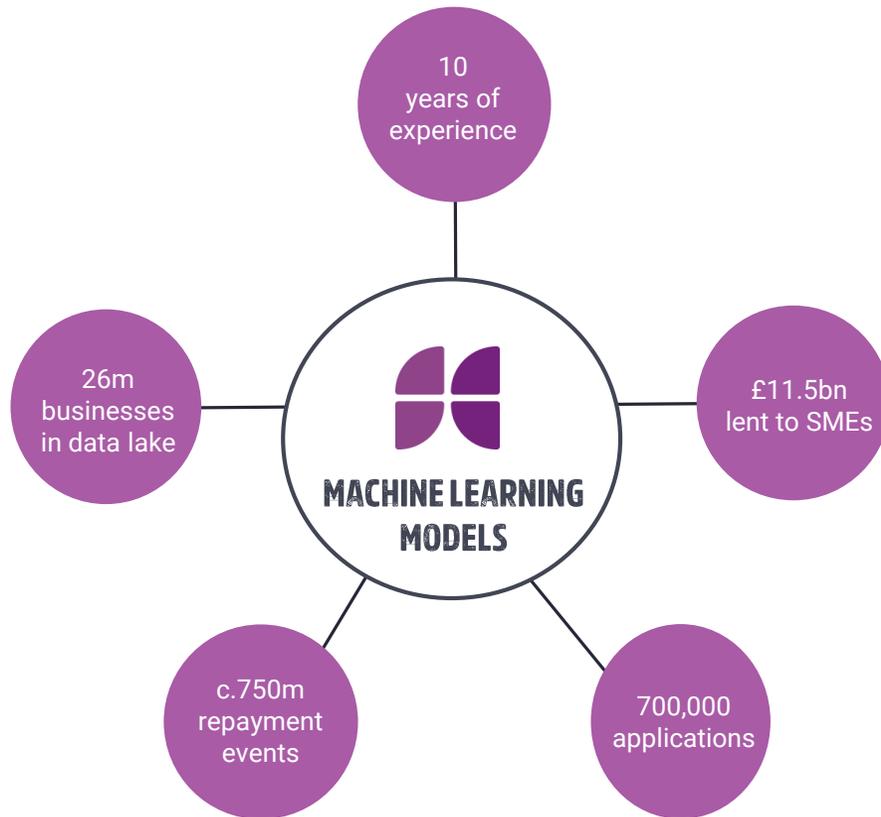


1. OECD SME and Entrepreneurship Outlook 2019
2. OC&C analysis: Target addressable market in UK and US. Excludes commercial mortgages, loans / debt products <5k and >500k in local currency and loans with APR >25%. In US, higher minimum threshold of \$25k

Our risk models are 3X better than bureau scores

Machine learning risk models

8th Generation risk models



1. A measurement of the effectiveness of a risk model at predicting likely defaults

Powered by best in class technology and team

Leading technology



Continuous deployment enables us to scale quickly, efficiently and securely

Proprietary data lake

2bn

Panoramic contains 2bn data points on 26m SMEs and is used for machine learning risk models and highly targeted marketing

Best team dedicated to SME lending

300+

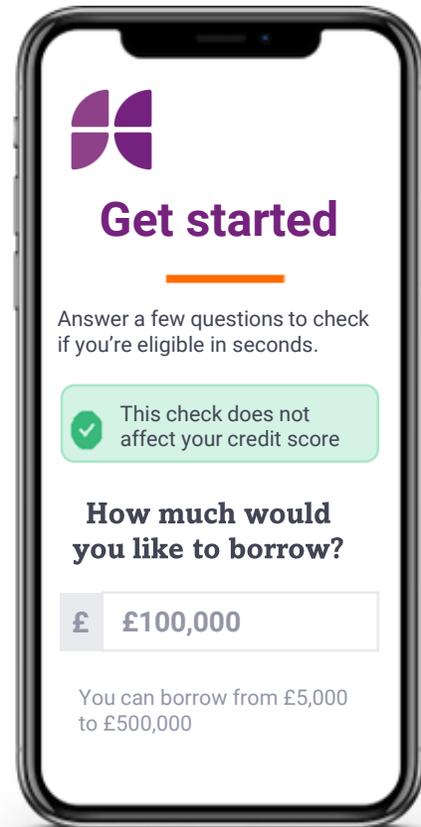
Funding Circle engineers, product managers, data scientists and risk managers



Our technology platform is revolutionising SME lending

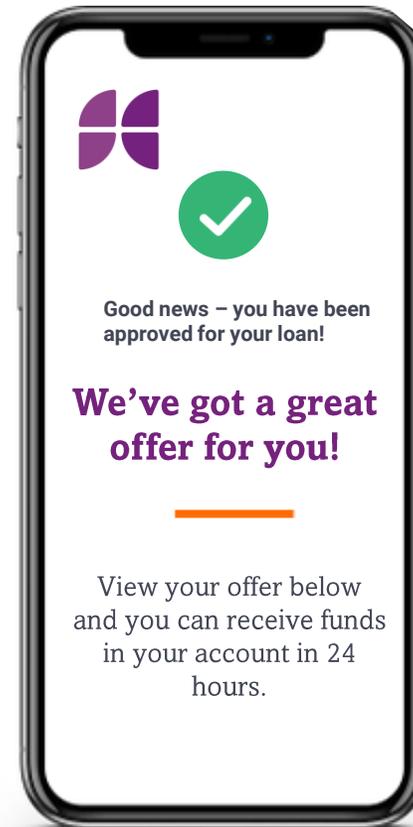
IDL enables SME owners to receive a decision in minutes with annual interest rates from 4.9%¹

Application



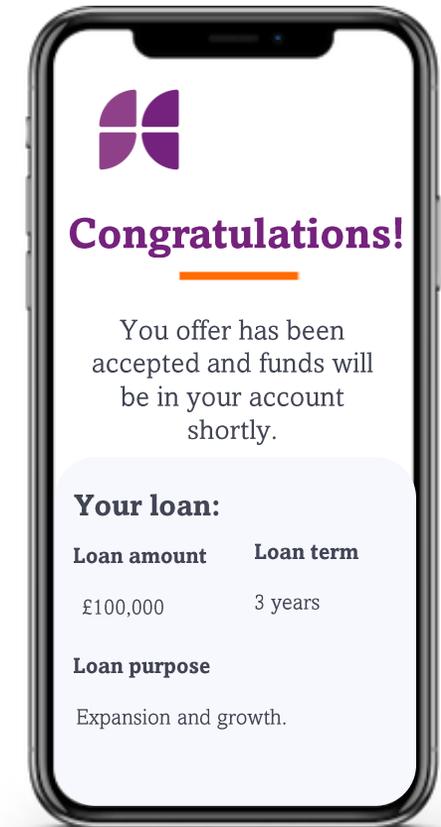
c.6 minutes

Decision



9 seconds

Funded



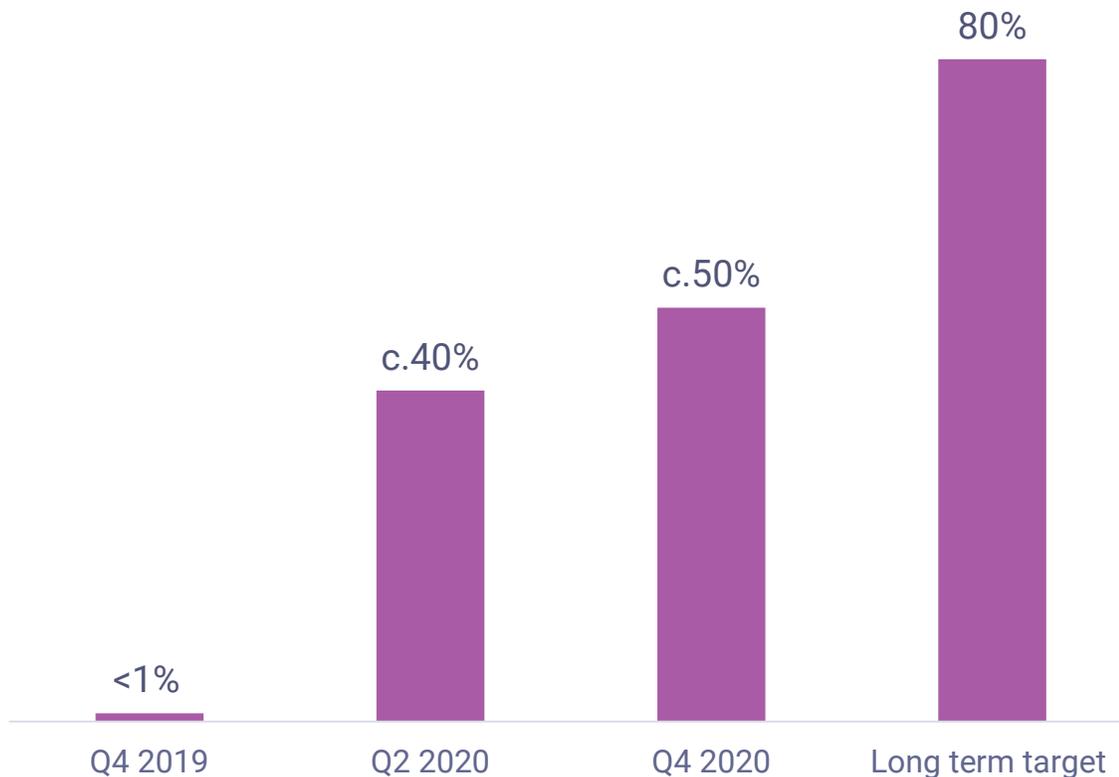
24 hours



1. Average interest rate for Core loans for A+ borrowers

IDL has huge benefits for Funding Circle

Long term target of 80% loan decisions automated



IDL delivers:

Credit performance as accurate as non-IDL loans

- IDL leverages the same risk models, developed over 10 years, as non-IDL loans.

Higher conversion

- Getting an instant decision can improve borrower conversion by up to 25%.

Lower processing costs and scalability

- H2 2020 UK originations up 91% year-on year, without adding additional headcount.

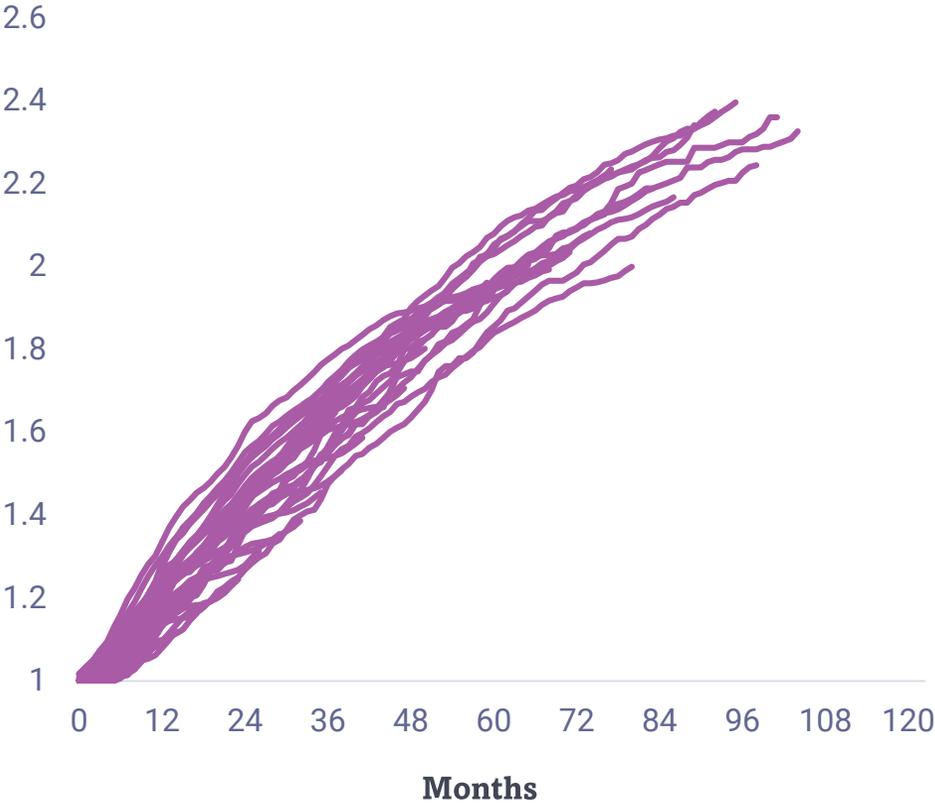
Ability to launch new products

- Begin to launch new products in the next 12 months.



Great experience leads to stable repeat rates and attractive unit economics

Average # of UK loans by quarterly cohorts since 2012



Lifetime Value / Customer Acquisition Costs¹



51% of operating income came from existing customers in 2020



1. LTV/CAC by number of loans per borrower

£11.5 billion lent to 100,000 small businesses since 2010



Typical Funding Circle borrowers

- 12 years trading history
- 8 employees
- £1m revenue
- £80k loan size
- 50 months average term

“ On the day the lockdown started we opened an e-commerce store and started delivering to doorsteps. Over the past year we’ve grown by 12 per cent and Funding Circle has played an important role in supporting us. ”

**Andrew Birkby founder
of Wild Card Brewery**

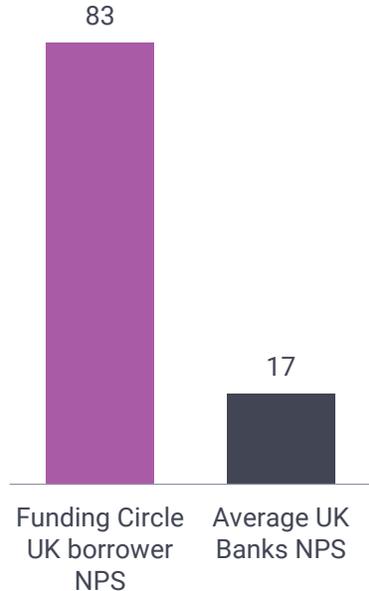
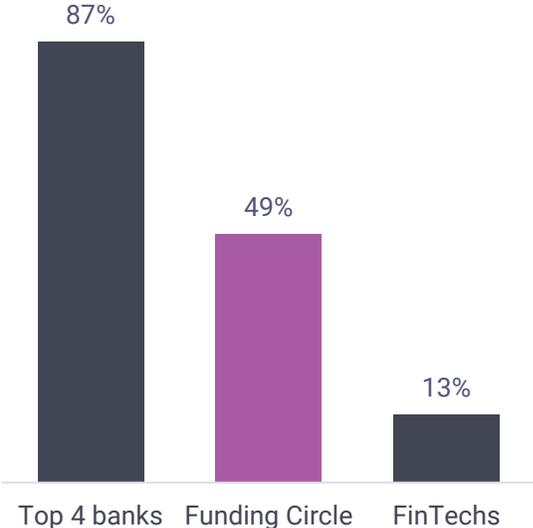
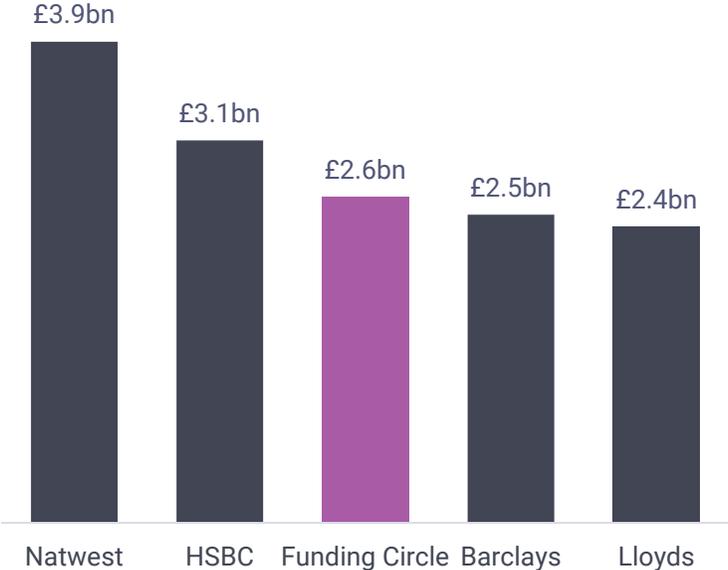
135,000 jobs created and sustained and £10 billion contributed to GDP in 2020¹

Large scale, brand awareness and customer satisfaction

3rd largest CBILS loans provider¹

Leading SME FinTech brand awareness²

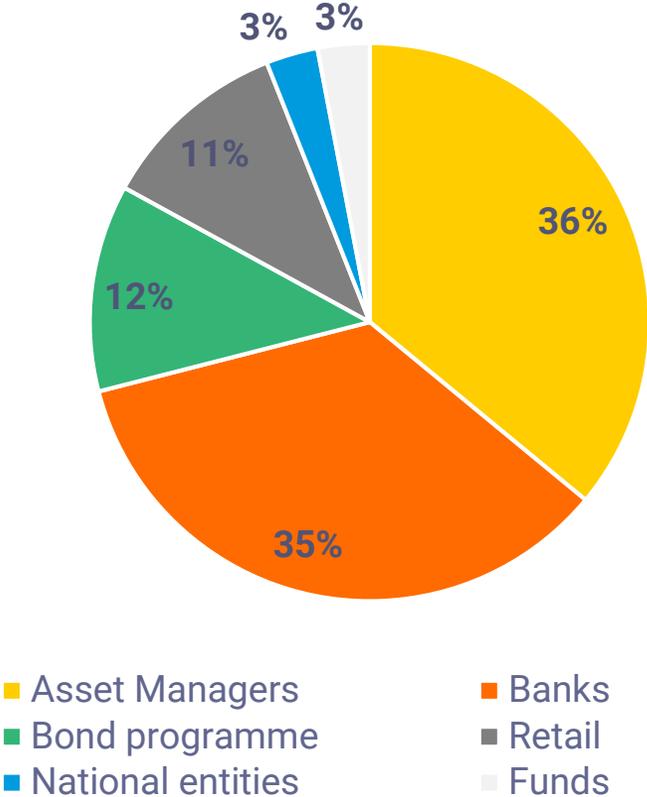
High customer satisfaction rates³



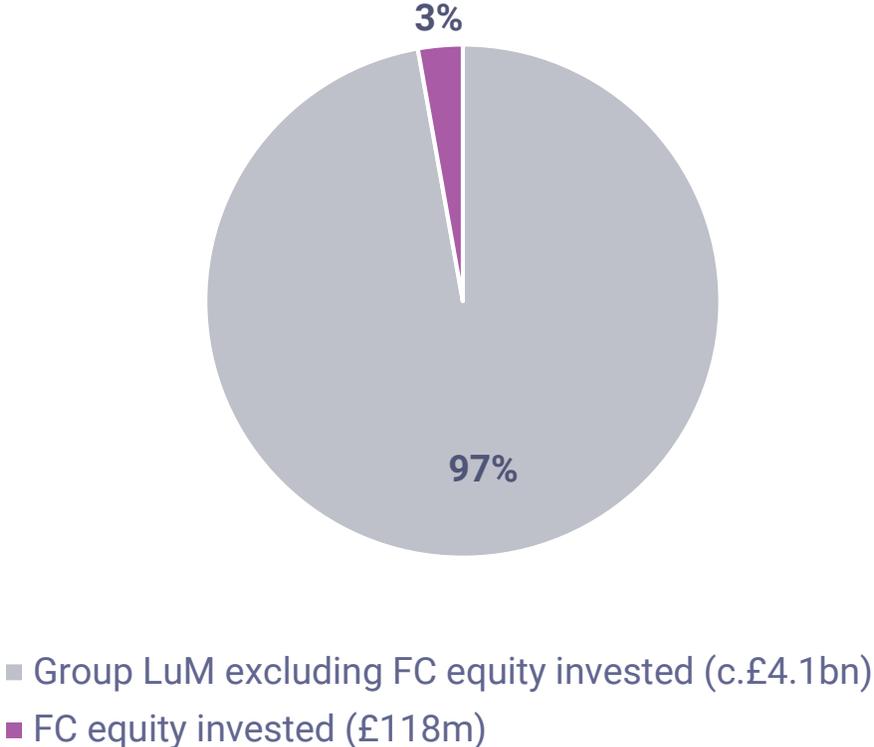
1. Natwest CBILS approvals as at Q4 2020; HSBC CBILS approvals as at Q3 2020; Barclays CBILS approvals as at 12 Feb 2021, Lloyds CBILS approvals as at 12 Feb 2021, Funding Circle CBILS approvals as at 12 Feb 2021
 2. Hall & Partners brand awareness research for Funding Circle – October 2020
 3. Net Promoter Score (“NPS”) scores from Funding Circle NPS survey 2021. and average NPS of UK main banks via Customer Guru: <https://customer.guru/>

£4.2bn of loans under management funded via a platform model

Diverse mix of investor types on the platform



Funding Circle equity invested is only 3% of LuM



The Funding Circle flywheel drives competitive advantage



Group Financial Performance



Revenue model - Platform and fee income based model with equity invested where it makes platform stronger

	H2 2020 Driver	Go-forward Yield %	H2 20 Net Income
Transaction Fee	Originations £1.6bn	c.5%	£73m
Servicing Fee	LuM £4.2bn	c.1%	£16m
Investment Return	Equity Invested £118m	c.14%*	£8m



*Return on equity represents the period H2 2020. Go-forward RoE will depend on the nature of where Funding Circle's equity is invested. E.g. investments such as ABS typically yield higher returns but with higher volatility. Co-investments in loans, will typically earn lower returns but with lower volatility.

Group Income Statement

£m	H1 2020	H2 2020	2019	2020
<i>Loans Under Management (LuM)</i>	3,722	4,214	3,731	4,214
<i>Originations</i>	1,112	1,630	2,350	2,742
Operating income	64.8	90.9	156.9	155.7
Investment income	36.4	29.9	20.4	66.3
Total income¹	101.2	120.8	177.3	222.0
Fair value (losses)/gains	(96.1)	(22.2)	(9.9)	(118.3)
Net income	5.1	98.6	167.4	103.7
Expenses above AEBITDA	(89.2)	(78.3)	(194.9)	(167.5)
AEBITDA²	(84.1)	20.3	(27.5)	(63.8)
<i>Operating AEBITDA</i>	<i>(24.4)</i>	<i>12.6</i>	<i>(37.9)</i>	<i>(11.8)</i>
<i>Investment AEBITDA</i>	<i>(59.7)</i>	<i>7.7</i>	<i>10.4</i>	<i>(52.0)</i>
Expenses below AEBITDA	(12.5)	(11.3)	(22.9)	(23.8)
Exceptionals	(16.9)	(1.8)	(34.3)	(18.7)
Operating profit (loss)	(113.5)	7.2	(84.7)	(106.3)
Profit (Loss) before taxation	(115.1)	7.0	(84.2)	(108.1)

1. Total income is defined as fee income and investment income less investment expense and before non-cash fair value gains/losses

2. Adjusted EBITDA represents EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) excluding share-based payments, exceptional items and foreign exchange gains or losses. Investment AEBITDA refers to net investment income (being investment income, investment expense and fair value adjustments) as previously reported and operating AEBITDA represents AEBITDA excluding investment AEBITDA



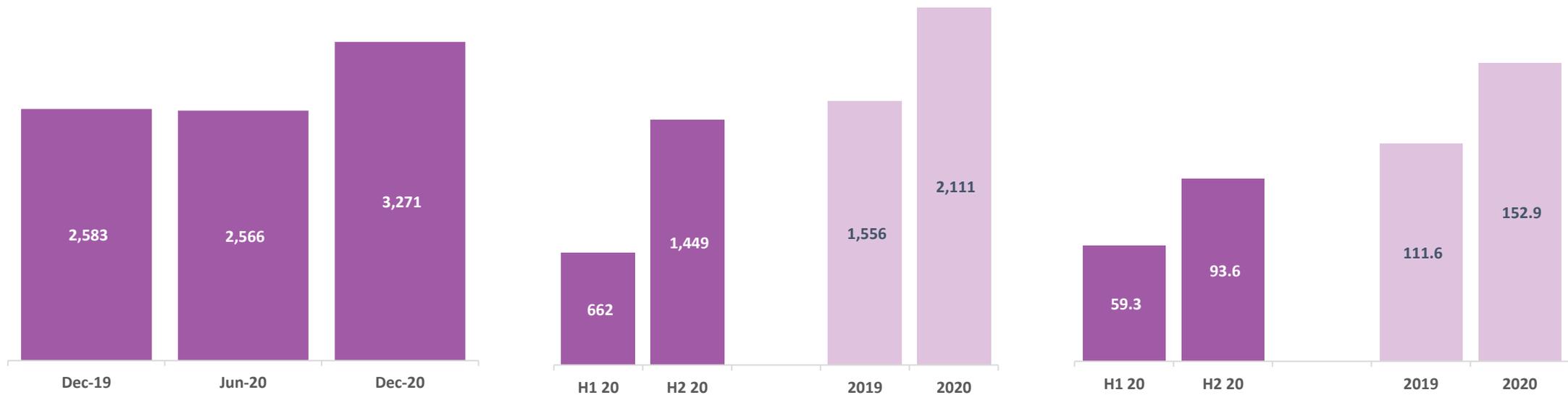
UK LuM, originations and total income¹

LuM exceeded £3.2bn

Originations at £2.1bn

Total income¹ at £153m

£m



YoY growth



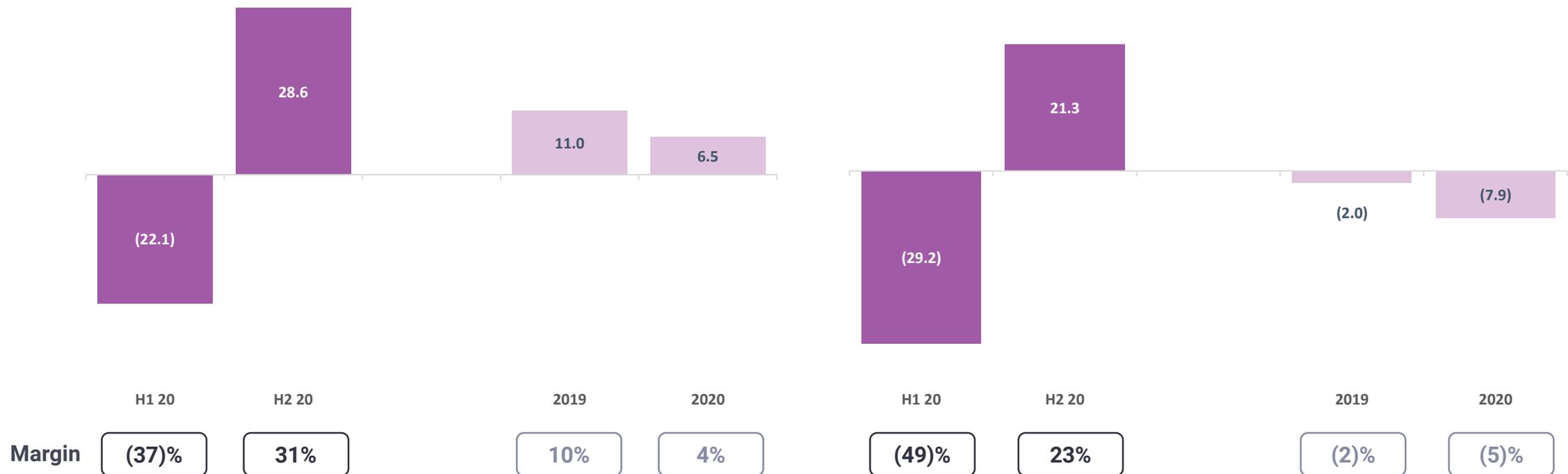
1. Total income is defined as fee income and investment income less investment expense and before non-cash fair value gains/losses

UK AEBITDA¹ and operating profit

£28.6m AEBITDA¹ profitable in H2 2020

£21.3m operating profit in H2 2020

£m



1. Adjusted EBITDA "AEBITDA" represents EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) excluding share-based payments, exceptional items and foreign exchange gains or losses



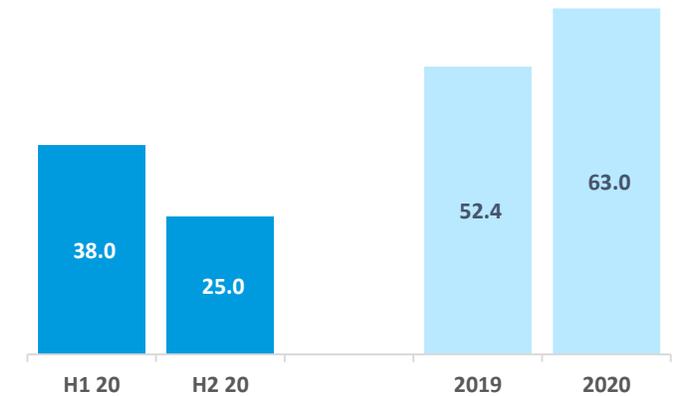
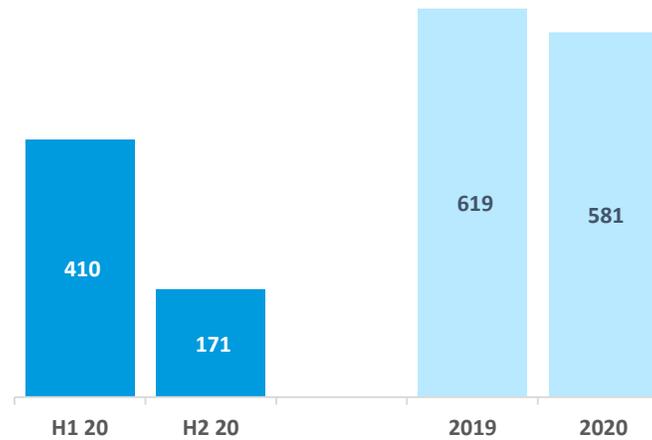
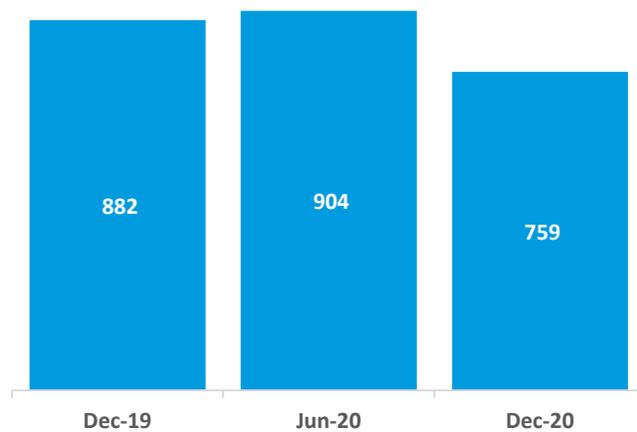
US LuM, originations and total income²

LuM at £759m

Originations of £581m

Total income² at £63m, up 20% driven by investment income

£m



YoY growth¹

24% 3% (11)%

28% (43)% 0% (7)%

67% (15)% 36% 20%

1. Geo segment growth stated in local currency to eliminate FX variations
 2. Total income is defined as fee income and investment income less investment expense and before non-cash fair value gains/losses

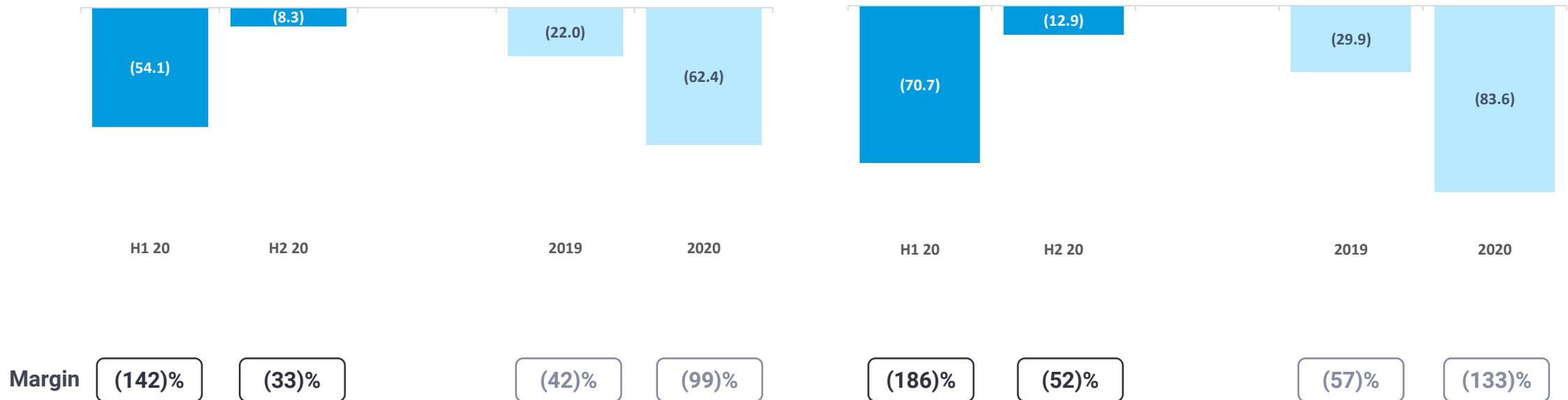


US AEBITDA¹ and operating profit

£(8.3)m AEBITDA¹ loss in H2 2020;
H1 significantly impacted by fair value

£(12.9)m operating loss in H2 2020

£m



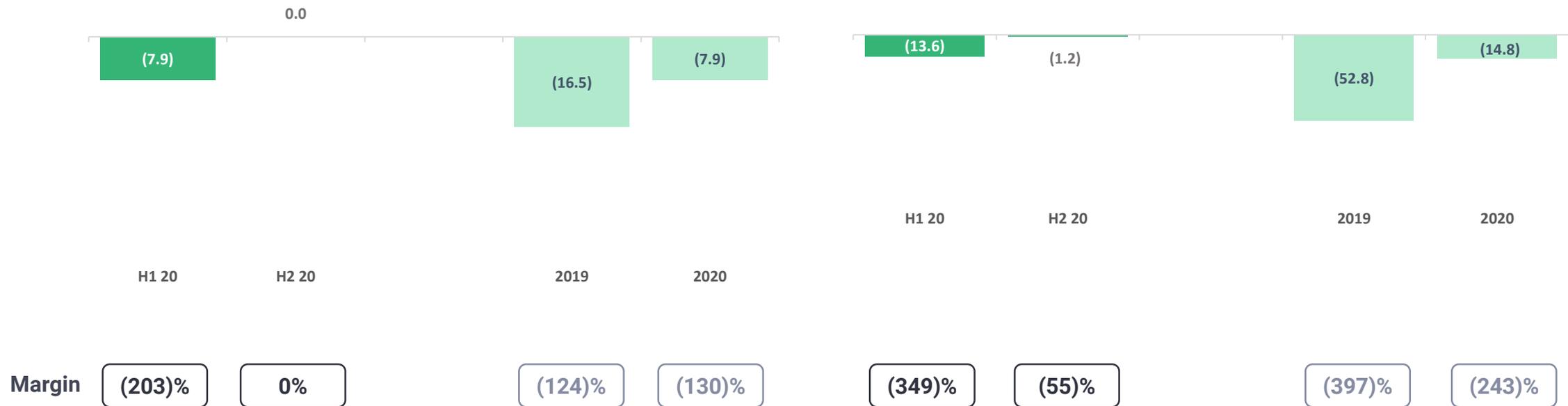
1. Adjusted EBITDA "AEBITDA" represents EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) excluding share-based payments, exceptional items and foreign exchange gains or losses

Developing Markets AEBITDA¹ and operating profit

Successful restructuring has resulted in breakeven AEBITDA¹ in H2 2020

£(1.2)m operating loss in H2 2020

£m

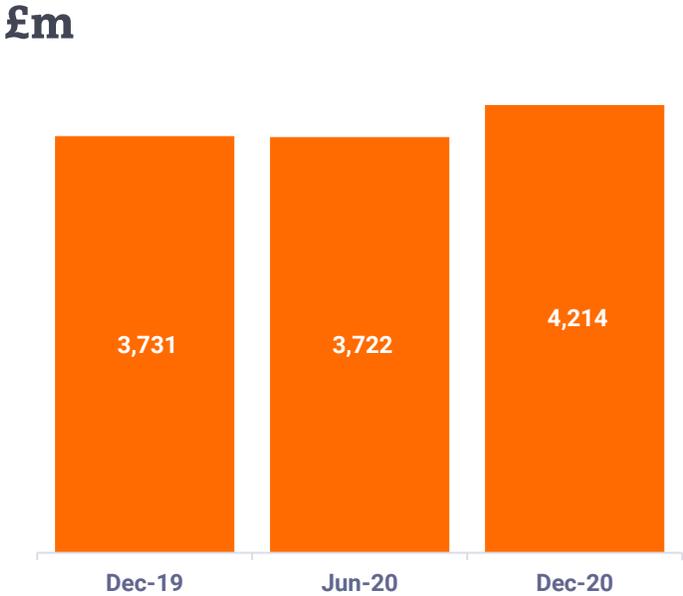


1. Adjusted EBITDA "AEBITDA" represents EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) excluding share-based payments, exceptional items and foreign exchange gains or losses



Group LuM, originations and total income¹

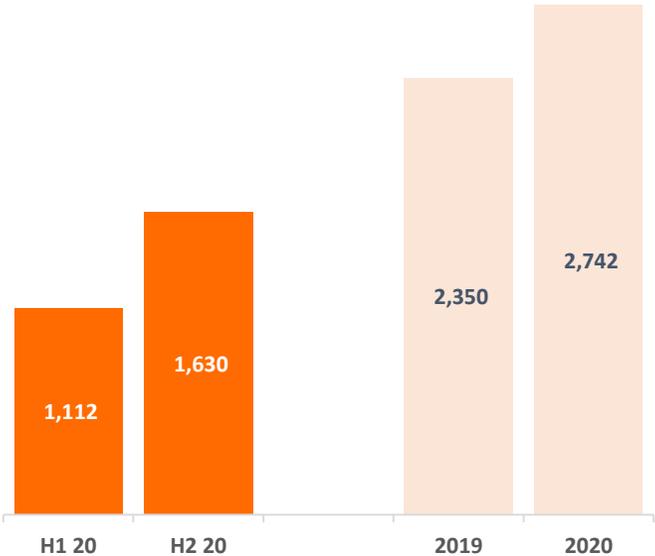
LuM exceeded £4.2bn



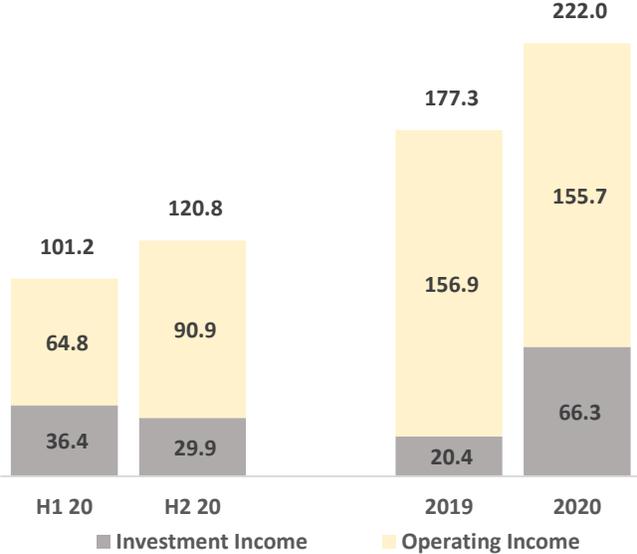
YoY growth



Originations at £2.7bn



Total income¹ at £222m



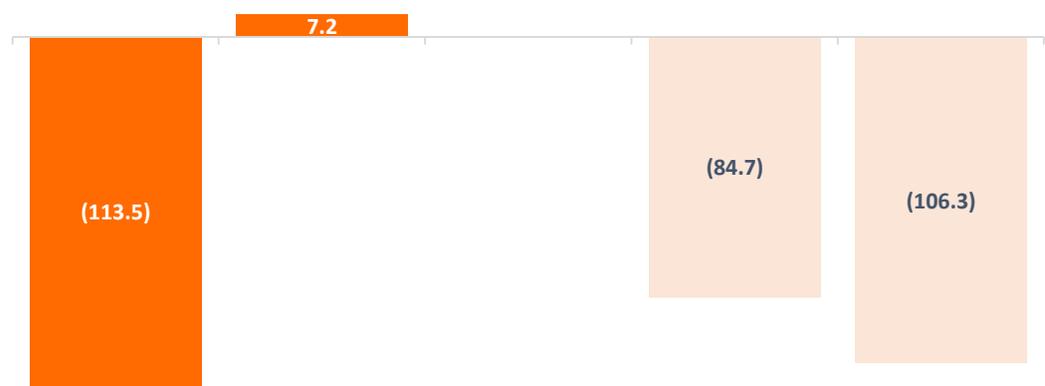
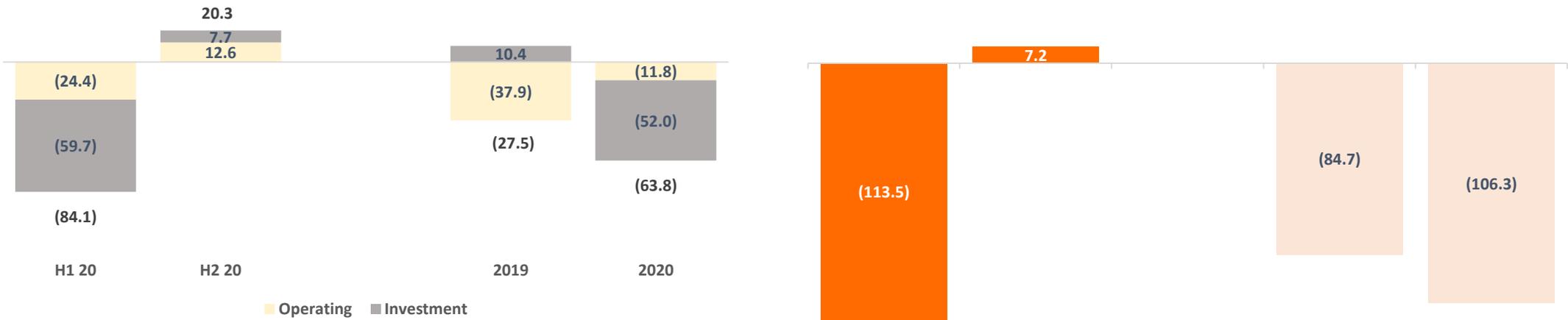
1. Total income is defined as fee income and investment income less investment expense and before non-cash fair value gains/losses

Group AEBITDA¹ and operating profit

AEBITDA¹ over £20m in H2; H1 significantly impacted by fair value (£96m) vs H2 (£22m)

Operating profit of £7.2m in H2

£m



Margin



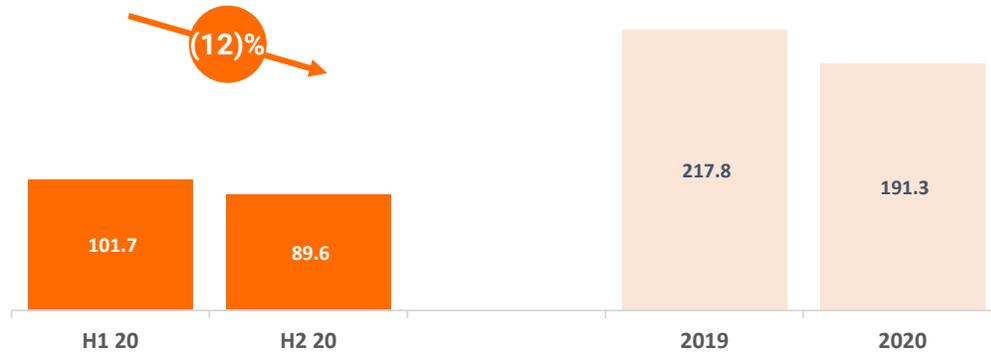
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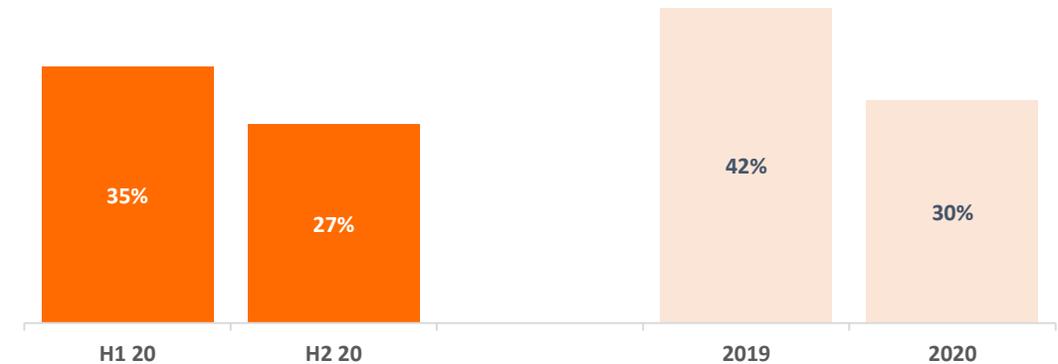
Operating expenses

Cost management initiatives led to a 12% decrease H2 vs H1 2020

£m



Reduced marketing costs from 42% in 2019 to 30% of operating income in 2020



YoY growth

(10)%

(15)%

17%

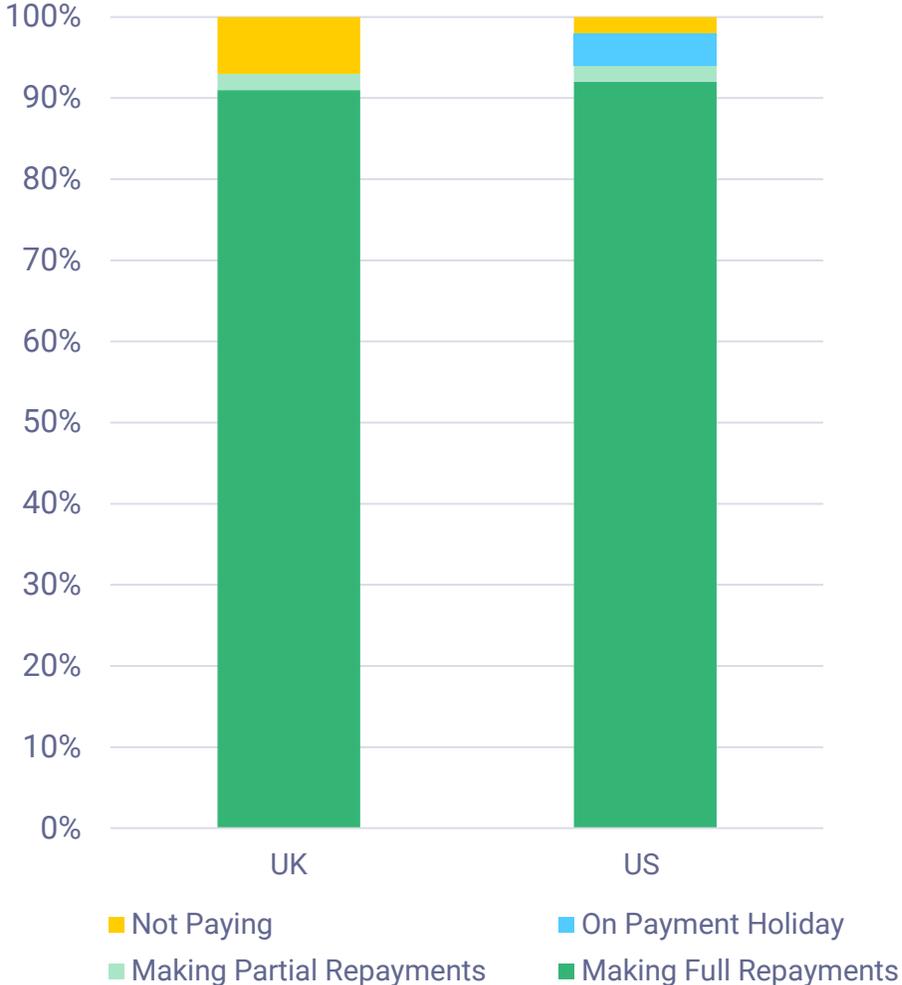
(12)%

1. Operating expenses are before exceptional items and include the following cost areas: people; marketing; depreciation, amortization and impairment; loan repurchase charge; other costs

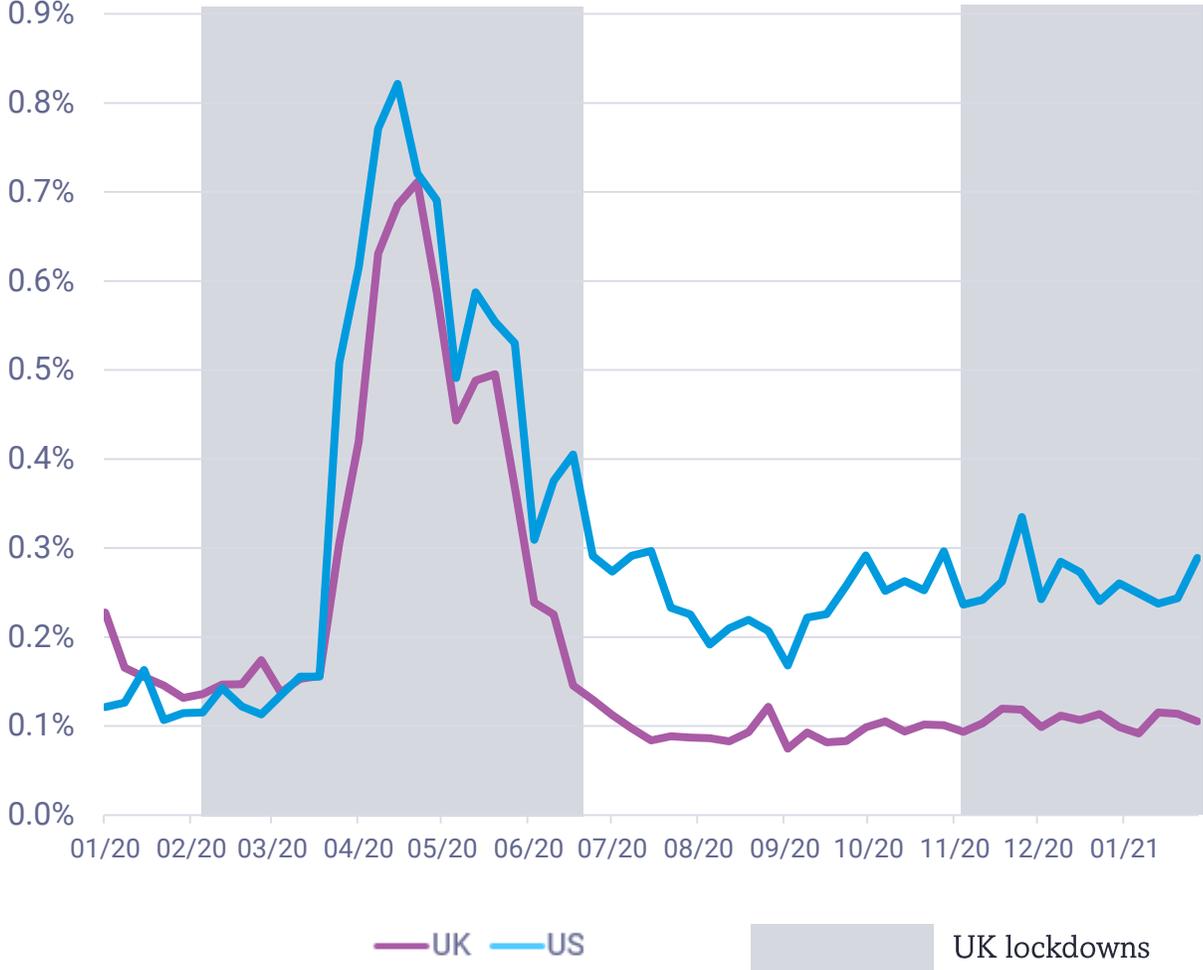


Performance of loans under management stable

93%+ of loans are making payments



Flow of borrowers missing payments has remained low and stable, since first lockdown



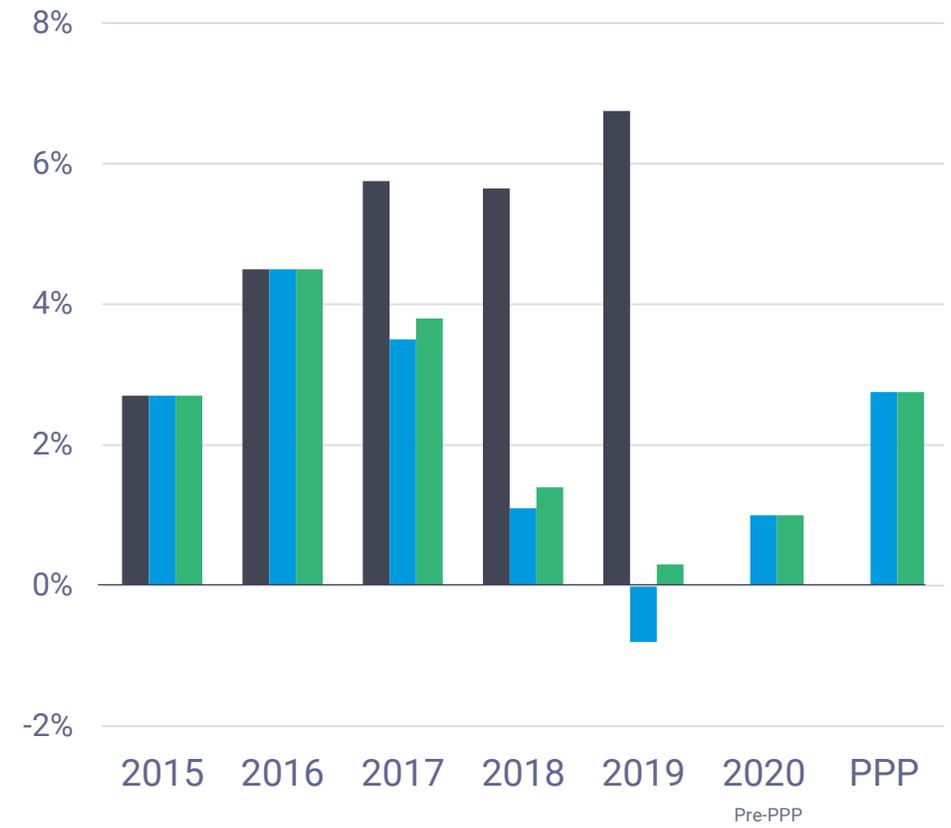
Loan performance demonstrates quality and resilience of portfolio



Projected annualised returns by cohort



Projected annualised returns by cohort



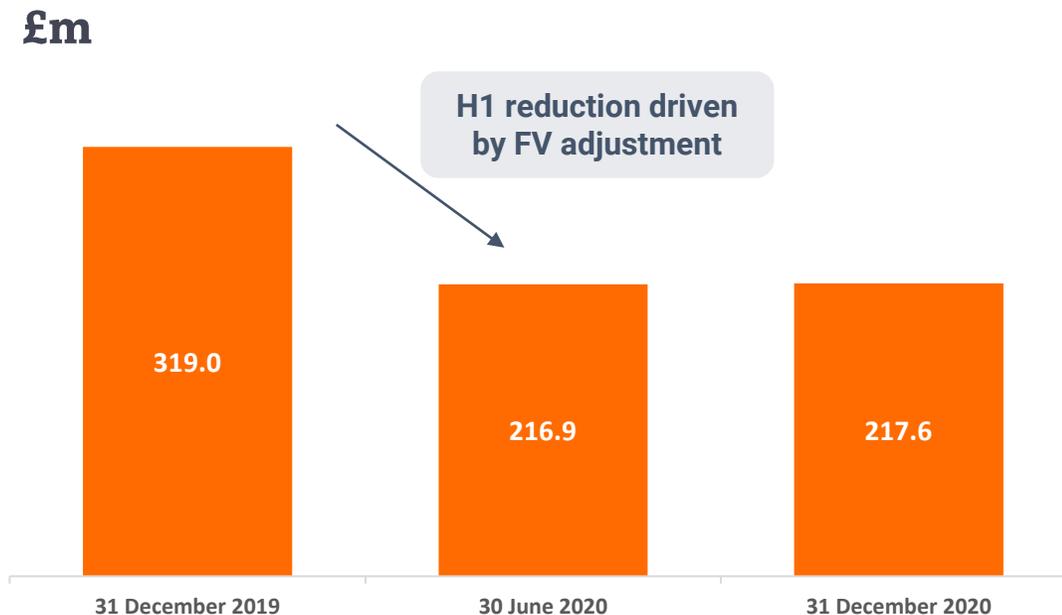
Jan 2020 forecast
 H1 forecast
 H2 forecast



Net Assets

Robust net assets of £218m including cash of £103m

Future absolute equity invested to be around or below year-end 2020 levels (Dec20: £118m)



- Funding Circle deploys its equity where it makes the platform stronger. This may include limited co-investment and investment in new products.
- We see the ability to do this as a source of competitive advantage. We don't deploy capital with the sole purpose of deepening profit through investment returns.
- We intend to re-cycle the investments over time as opportunity for realisations allow and we will continue to leverage some of our co-investments where appropriate.



Looking ahead



2021 priorities

UK



- Core loans for borrowers that do not require a guarantee.
- Operate Recovery Loan Scheme for other borrowers once CBILS ends.
- Launch new products using technology platform.

US



- Expand Core loans once PPP finishes.
- Originate government guarantee loans through the SBA on behalf of banks.
- Continue to operate our referral model for other borrower needs.



10 years of R&D have created an inflection point for Funding Circle

2010-2015

Auction model. 2-3 weeks loan application to pay-out. Risk models primarily utilizing 3rd party data.

2015-2019

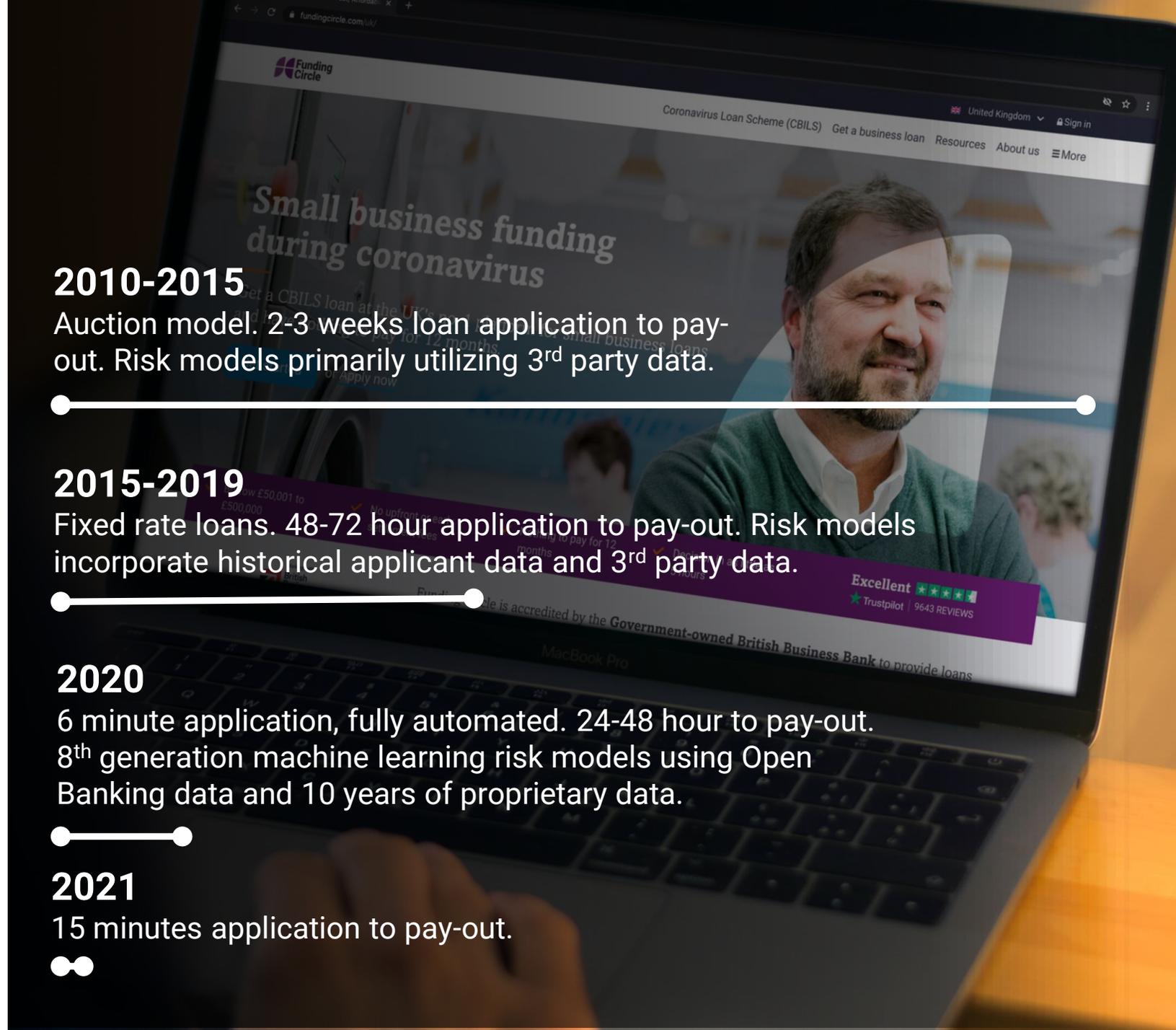
Fixed rate loans. 48-72 hour application to pay-out. Risk models incorporate historical applicant data and 3rd party data.

2020

6 minute application, fully automated. 24-48 hour to pay-out. 8th generation machine learning risk models using Open Banking data and 10 years of proprietary data.

2021

15 minutes application to pay-out.



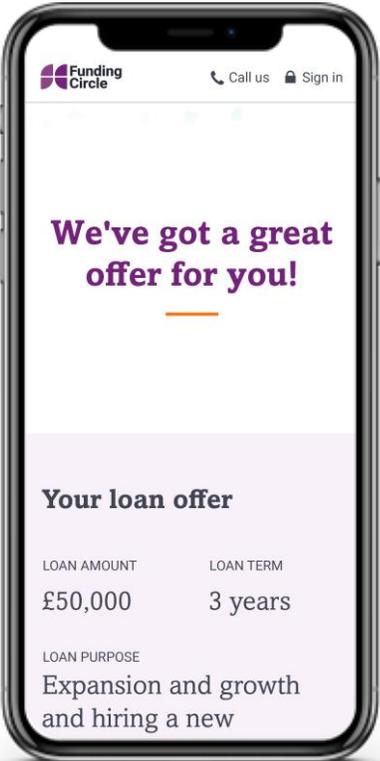
Embedding Funding Circle natively into partners' websites and platforms

- Launching Application Programming Interface (API) in 2021.
- Focus on partnering with finance brokers, accounting software providers, payments companies.
- Integrating with partners can increase distribution of Funding Circle's products.



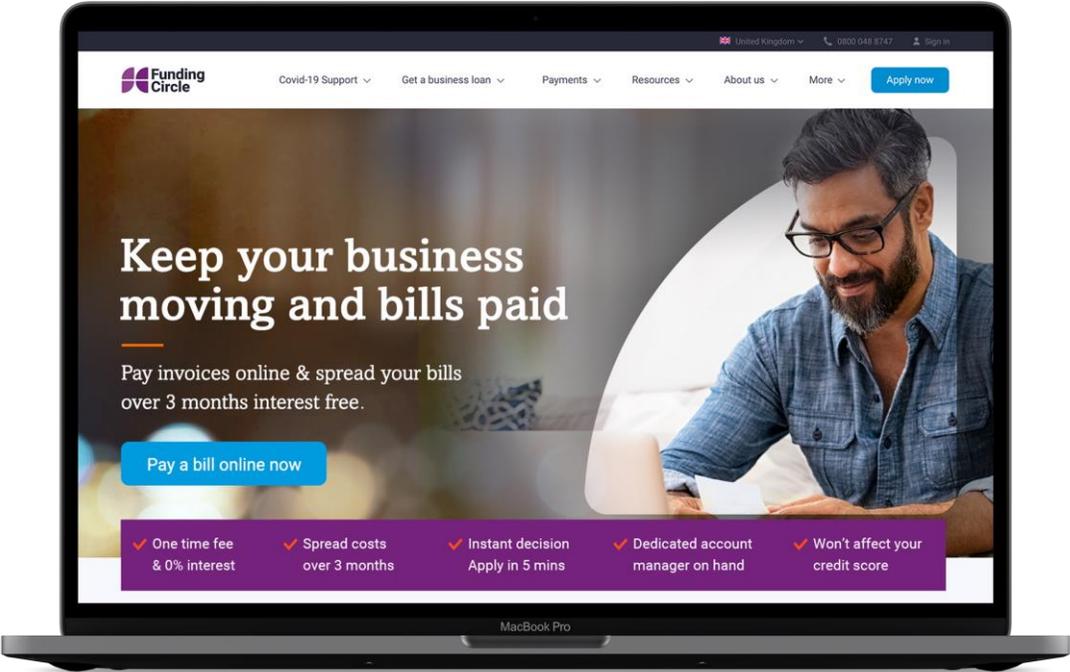
Launching new solutions in the next 12 months to help solve more small business funding problems

Borrow



Yearly

Pay ^{NEW}



Monthly

Spend ^{NEW}



Daily



Outlook

Covid-19 has changed the SME lending landscape. Over the past 12 months we have seen an acceleration in the adoption of online borrowing. Through the use of our machine learning and technology platform, which is transforming the small business borrowing experience, we are well-placed to capture this enlarged opportunity going forward.

Full year outlook:

- LuM and originations over the full year will depend on how quickly the economy recovers in the UK and US.
- Trading has been strong since the start of 2021. As we transition to operating our core loan product alongside government guarantee programmes in the UK and US from Q2 2021 onwards, we expect some initial reduction in lending.
- We expect to be AEBITDA profitable for the full year, with profitability skewed towards H1 2021.



Funding Circle in the medium term

UK

- **UK:** represented 70% of Group total income in 2020. The business continues to offer operational leverage, is AEBITDA and Operating Profit profitable (and has been AEBITDA profitable since 2018), and cash generative.
- Strong growth opportunities in core market over the medium term.

Additional growth opportunities

- **US:** The US is 5x the size of the UK market, but at an earlier stage of development. PPP will provide a boost to volumes and revenues in early 2021. Post PPP as we invest to grow market share, the US will likely be AEBITDA loss making for the next few years. We will carefully manage the level of investment.
- **New products:** there is a big but early stage opportunity to support more customers by leveraging our technology platform. There will be beta launches in 2021 but with small income contribution initially; stepping up in the future following successful roll out.
- **Developing Markets:** following the restructure to a referral model in H1 2020, the business is now breakeven.

Group

- **Group:** powered by UK, we expect to be AEBITDA profitable and will invest in additional growth opportunities.



Q&A



Financial appendices



Government support for businesses during Covid-19

Coronavirus Business Interruption Scheme (CBILS)

- CBILS started in March 2020. Loans available up to £5 million, available on repayment terms of up to six years. No personal guarantees for facilities under £250,000.
- The scheme provides the lender with an 80% government-backed guarantee against the outstanding balance of the finance. The borrower remains 100% liable for the debt.
- The Government pays the first year's interest and fees to the borrower, known as a Business Interruption Payment (BIP).
- Lenders pay a guarantee fee to participate on the scheme.
- CBILS applications end 31 March 2021, with ongoing fulfilment in Q2.

Recovery Loan Scheme (RLS)

- RLS launches on 6 April with loans available up to £10 million on repayment terms of up to six years. No personal guarantees for facilities under £250,000.
- The scheme continues the 80% government-backed guarantee against the outstanding balance of the finance.
- Businesses will be required to meet the costs of interest payments and any fees associated with the facility.
- Borrowers can have existing CBILS/BBLIS facilities.
- Lenders pay a guarantee fee to participate on the scheme.

Paycheck Protection Programme (PPP)

- PPP originally ran April-August 2020 and then restarted in January 2021.
- Loans are designed to help businesses keep their workforce employed during Covid.
- These loans have an interest rate of 1% and maturity of 5 years*.
- PPP loans are 100% forgivable if all employee retention criteria are met and the funds are used for eligible purposes.
- SBA pays the lender an origination fee that is a % of the loan amount accessed.
- PPP ends 31 March 2021 with ongoing fulfilment in Q2.

*maturity of 2 years if loan issued prior to June 5 2020



Group Income Statement

	H1 2020	H2 2020	2020			2019		
	Total £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Transaction fees	47.8	74.7	122.5	-	122.5	121.2	-	121.2
Servicing fees	13.8	16.4	30.2	-	30.2	30.4	-	30.4
Other fees	3.2	(0.2)	3.0	-	3.0	5.3	-	5.3
Fee income ("operating income")	64.8	90.9	155.7	-	155.7	156.9	-	156.9
Investment income	49.8	39.2	89.0	-	89.0	28.3	-	28.3
Investment expense	(13.4)	(9.3)	(22.7)	-	(22.7)	(7.9)	-	(7.9)
Total income	101.2	120.8	222.0	-	222.0	177.3	-	177.3
Fair value (losses)/gains	(96.1)	(22.2)	(118.3)	-	(118.3)	(9.9)	-	(9.9)
Net income	5.1	98.6	103.7	-	103.7	167.4	-	167.4
People costs	(48.3)	(37.0)	(81.3)	(4.0)	(85.3)	(90.3)	-	(90.3)
Marketing costs	(22.4)	(24.4)	(46.8)	-	(46.8)	(66.5)	-	(66.5)
Depreciation, amortisation and impairment	(20.6)	(10.3)	(17.2)	(13.7)	(30.9)	(14.9)	(34.3)	(49.2)
Loan repurchase charge	(5.5)	(0.7)	(6.2)	-	(6.2)	(6.5)	-	(6.5)
Other costs	(21.8)	(19.0)	(39.8)	(1.0)	(40.8)	(39.6)	-	(39.6)
Operating expenses	(118.6)	(91.4)	(191.3)	(18.7)	(210.0)	(217.8)	(34.3)	(252.1)
Operating profit (loss)	(113.5)	7.2	(87.6)	(18.7)	(106.3)	(50.4)	(34.3)	(84.7)
Finance income	0.3	0.1	0.4	-	0.4	1.8	-	1.8
Finance costs	(0.8)	(0.6)	(1.4)	-	(1.4)	(1.2)	-	(1.2)
Share of net loss of associates	(1.1)	0.3	(0.8)	-	(0.8)	(0.1)	-	(0.1)
Profit (Loss) before taxation	(115.1)	7.0	(89.4)	(18.7)	(108.1)	(49.9)	(34.3)	(84.2)

1. Exceptional items related to the restructuring of the European business (£5.2 million), restructuring cost in the US business (£1.5 million) and US goodwill impairment (£12.0 million)



Segment profit split

£m	H1 2020				H2 2020				2019 (Restated)				2020			
	United Kingdom £m	United States £m	Developing Markets £m	Total £m	United Kingdom £m	United States £m	Developing Markets £m	Total £m	United Kingdom £m	United States £m	Developing Markets £m	Total £m	United Kingdom £m	United States £m	Developing Markets £m	Total £m
Segment adjusted EBITDA	(10.5)	(48.4)	(6.7)	(65.6)	40.7	(4.4)	0.4	36.7	34.0	(10.3)	(12.5)	11.2	30.2	(52.8)	(6.3)	(28.9)
Product development	(7.5)	(4.0)	(0.8)	(12.3)	(7.2)	(2.5)	(0.3)	(10.0)	(15.1)	(8.3)	(3.0)	(26.4)	(14.7)	(6.5)	(1.1)	(22.3)
Corporate costs	(4.1)	(1.7)	(0.4)	(6.2)	(4.9)	(1.4)	(0.1)	(6.4)	(7.9)	(3.4)	(1.0)	(12.3)	(9.0)	(3.1)	(0.5)	(12.6)
Adjusted EBITDA	(22.1)	(54.1)	(7.9)	(84.1)	28.6	(8.3)	0.0	20.3	11.0	(22.0)	(16.5)	(27.5)	6.5	(62.4)	(7.9)	(63.8)
Depreciation and amortisation	(4.1)	(3.4)	(0.7)	(8.2)	(5.3)	(3.1)	(0.6)	(9.0)	(8.0)	(5.2)	(1.7)	(14.9)	(9.4)	(6.5)	(1.3)	(17.2)
Share-based payments and social security costs	(3.0)	(1.2)	(0.1)	(4.3)	(2.0)	0.0	(0.3)	(2.3)	(5.0)	(2.7)	(0.3)	(8.0)	(5.0)	(1.2)	(0.4)	(6.6)
Exceptional items	-	(12.0)	(4.9)	(16.9)	-	(1.5)	(0.3)	(1.8)	-	-	(34.3)	(34.3)	-	(13.5)	(5.2)	(18.7)
Operating loss	(29.2)	(70.7)	(13.6)	(113.5)	21.3	(12.9)	(1.2)	7.2	(2.0)	(29.9)	(52.8)	(84.7)	(7.9)	(83.6)	(14.8)	(106.3)



Operating and investment income¹ and AEBITDA²

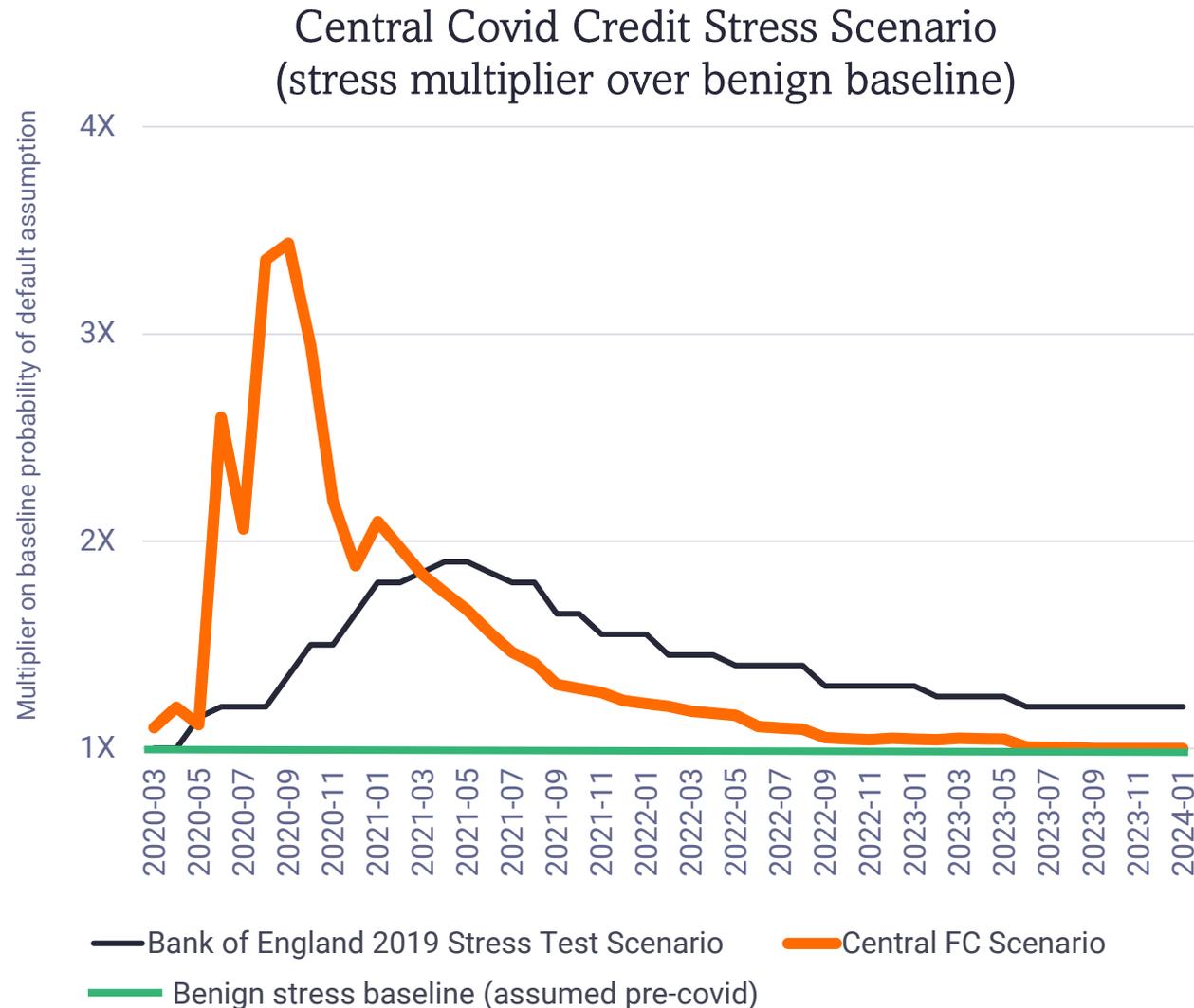
		H1 2020			H2 2020			2019			2020		
		Operating	Investment	Total	Operating	Investment	Total	Operating	Investment	Total	Operating	Investment	Total
Group	Income	64.8	36.4	101.2	90.9	29.9	120.8	156.9	20.4	177.3	155.7	66.3	222.0
	AEBITDA	(24.4)	(59.7)	(84.1)	12.6	7.7	20.3	(37.9)	10.4	(27.5)	(11.8)	(52.0)	(63.8)
UK	Income	43.4	15.9	59.3	80.6	13.0	93.5	103.6	8.0	111.6	123.9	28.9	152.9
	AEBITDA	(3.3)	(18.8)	(22.1)	24.8	3.9	28.6	6.1	4.9	11.0	21.4	(14.9)	6.5
US	Income	17.5	20.5	38.0	8.2	16.9	25.1	40.3	12.1	52.4	25.7	37.4	63.0
	AEBITDA	(13.2)	(40.9)	(54.1)	(12.1)	3.9	(8.2)	(27.4)	5.3	(22.0)	(25.3)	(37.1)	(62.4)
DM	Income	3.9	-	3.9	2.2	-	2.2	13.1	0.2	13.3	6.1	-	6.1
	AEBITDA	(7.9)	-	(7.9)	-	-	-	(16.7)	0.2	(16.5)	(7.9)	-	(7.9)

1. Total income is defined as fee income and investment income less investment expense and before non-cash fair value gains/losses

2. Adjusted EBITDA represents EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) excluding share-based payments, exceptional items and foreign exchange gains or losses. Investment AEBITDA refers to net investment income (being investment income, investment expense and fair value adjustments) as previously reported and operating AEBITDA represents AEBITDA excluding investment AEBITDA



Our central stress scenario assumes a sharper initial spike and higher overall severity than BoE stress test scenario



- Very sharp initial spike recognising our experience so far.
- Longer term tail acknowledges weak economy with some survival effects.
- Average stress over the period is 1.4X in both BoE stress test scenario and our central stress test scenario, but front loading of stress in our scenario is more penalising for amortising loans.

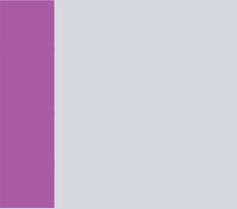


Projected annualised returns ranges - Jan 2021 forecast

Cohort	2015	2016	2017	2018	2019	2020
UK	6.6% - 6.7%	4.5% - 4.9%	2.8% - 3.3%	1.3% - 2.3%	1.2% - 2.7%	4.5% - 5.5%
US	2.2% - 2.4%	4.1% - 4.9%	3.4% - 4.4%	1.1% - 1.9%	(0.2%) - 0.8%	1.0% - 3.0%



Funding Circle's vehicles risk dynamics and are affected by Covid-19 in different ways

Investment type	Covid-19 Impact	Description
<p>1 Vertical securitisation retention (required by regulation)</p> 	Low impact	<p>Funding Circle is required by regulation to retain a 5% equal participation in all classes of bonds issued (vertical) resulting in low impact from Covid-19.</p>
<p>2 Other Investments (Private Fund and Govt SME investments)</p> 	Low impact	<p>Other Investments comprise seed investments in Private Funds and investments in the UK CBILS programme. Both vehicles purchase equal participation in all loans resulting in low impact from Covid-19.</p>
<p>3 Warehouses</p> 	Medium impact	<p>In warehouses we deploy our equity and bank debt to aggregate loans temporarily prior to securitisation. The debt is senior which means the equity is more exposed to changes in valuation of loans. When Covid-19 hit the UK warehouse was 100% of capacity. The US warehouses were 30% of capacity.</p>
<p>4 Horizontal securitisation</p> 	High Impact	<p>Once loans are securitised, we temporarily hold the residual horizontal tranches with the intention to sell once seasoned. As at December, we had horizontals in 3 securitisations (UK: H2 19, US: H2 19 and H1 20).</p>



Funding Circle's investment in vehicles

	Investment as shown on Balance Sheet ("Committed Capital")									Estimated future cash flows
	Dec-19	Additional investment / withdrawals	Investment income	Fair value adjustment	Jun-20	Additional investment / withdrawals	Investment income	Fair value adjustment	Dec-20	
Vertical securitisation retention	13	5	-	-	18	(6)	-	-	12	13
Other investments	13	3	-	-	16	16	-	-	32	43
Warehouses	94	(8)	15	(35)	66	(2)	13	(7)	70	88
Horizontal securitisation retention	25	25	21	(61)	10	(8)	17	(15)	4	10
Invested	145	25	36	(96)	110	-	30	(22)	118	154

Investment AEBITDA impact: (£60)m

Investment AEBITDA impact: £8m



1. The fair value was significantly impacted by Covid-19. The fair value adjustment in Q1 i.e. before Covid-19 struck, was c.£11m

Net Assets and investment in vehicles

						As at 31 December 2020	As at 30 June 2020	As at 31 December 2019
	Trading business	Investments in PPP	Warehouses £m	Securitisations ¹ £m	Other ² £m	Total £m	Total £m	Total £m
Investment in SME loans	0.7	24.3	221.8	279.8	32.2	558.8	758.6	723.5
Cash & cash equivalents	64.4	-	18.9	20.0	-	103.3	131.2	164.5
Other assets	-	-	-	11.1	-	11.1	13.3	8.4
Borrowings/bonds	-	(24.3)	(171.2)	(294.3)	-	(489.8)	(717.4)	(614.5)
CASH & INVESTMENTS	65.1	-	69.5	16.6	32.2	183.4	185.7	281.9
Other assets	109.0	-	-	-	-	109.0	102.0	99.1
Other liabilities	(74.8)	-	-	-	-	(74.8)	(70.8)	(62.0)
NET ASSETS	99.3	-	69.5	16.6	32.2	217.6	216.9	319.0



Investments of £118m

Our intention remains to sell elements of the warehouses and securitisations investments when appropriate



1. Securitisations include vertical tranche of £12m and horizontal tranche of £4m
2. Other includes £11.0m investment in Private Funds and £21.2m investment in CBILS

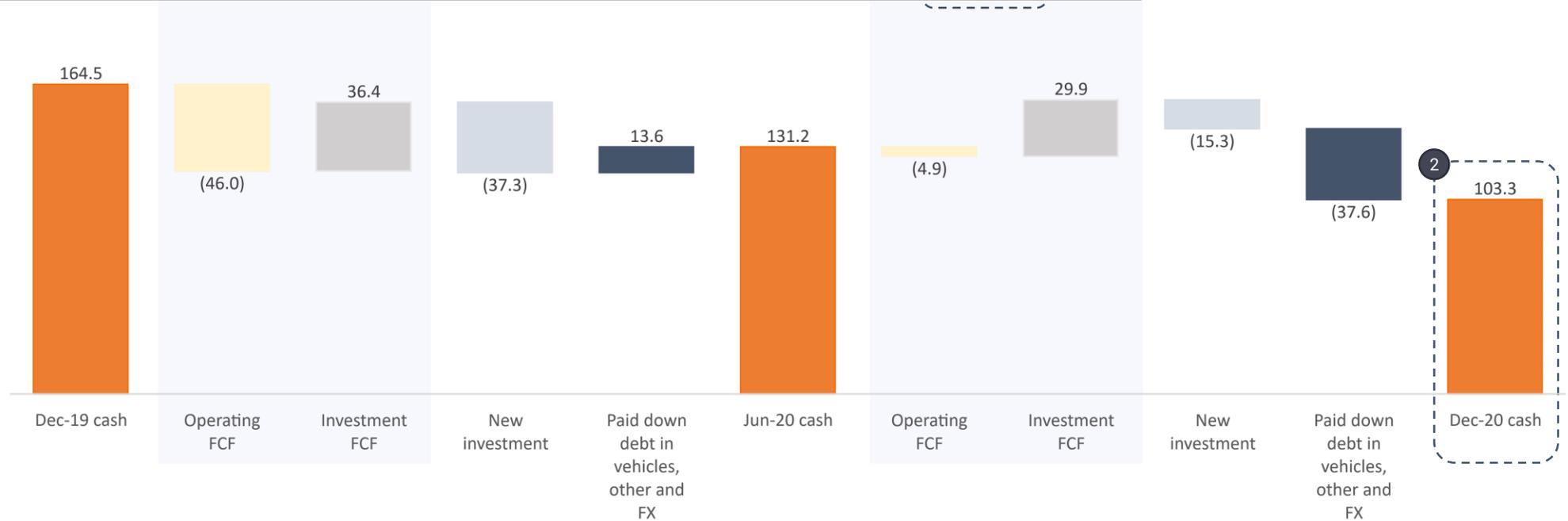
AEBITDA to FCF reconciliation and cash flow

AEBITDA to FCF reconciliation (£m)

	H1 2020		H2 2020	
	Operating	Investment	Operating	Investment
AEBITDA	(24.4)	(59.7)	12.6	7.7
Payment of lease liabilities	(3.5)	-	(4.3)	-
Purchase of tangible/intangible assets	(5.9)	-	(4.4)	-
Fair value adjustments	-	96.1	-	22.2
Working capital/other	(12.2)	-	(8.8)	-
Free cash flow (FCF)	(46.0)	36.4	(4.9)	29.9

1 Positive operating FCF in H2 2020 once CBILS payment received from UK government (paid quarterly in arrears).

2 Total cash post CBILS payment would be £130m



1. Adjusted EBITDA "AEBITDA" represents EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) excluding share-based payments, exceptional items and foreign exchange gains or losses
 2. Free Cash Flow represents net cash flows from operating and investment activities, including the payment of lease liabilities, but excludes net investment in new products and is stated before financing activities
 3. Other and FX is £2.4m in H1 2020 and £(2.6)m in H2 2020



Financing outflow and committed capital movements

Financing outflow paid down bank and bondholders

	H1 20	H2 20
Financing outflow:		
Investment in bonds	34	-
Investment income used to pay down debt/bonds	33	26
Partial disposal of horizontal securitisation	-	(4)
Net investment in CBILS/Private Funds	3	16
Payments to bondholders (out of built up cash)	(45)	15
Other	1	(3)
Financing and funding of vehicles	26	50

Committed capital movements

	H1 20	H2 20
B/F committed capital	145	110
Investment in bonds	34	-
Investment income used to pay down debt/bonds	33	26
Partial disposal of horizontal securitisation	-	(4)
Net investment in CBILS/Private Funds	3	16
Net cash extracted from vehicles	(9)	(8)
Fair value	(96)	(22)
C/F committed capital	110	118

