



Funding Circle – a short introduction

Nottinghamshire County Council

29 Jan 2013

www.fundingcircle.com

Funding Circle is an online marketplace for individuals to lend to small businesses

Individuals looking for good returns

Investors choose Funding Circle for attractive rates and because they enjoy lending to businesses



Key facts:

- A community of over 11,000 active investors
- Average size of funds: ~£5,000

£70m lent through Funding Circle



- Loan terms: 1, 3 or 5 years
- Loan **amount** £5K-£500K
- Loans **amortise monthly**
- **Secured and unsecured lending**

Businesses looking for finance

Businesses choose Funding Circle because of the speed, efficiency and transparency



Key facts:

- ~1,300 businesses have accepted loans through Funding Circle
- Average loan size ~£50K

A model that's attracting support from the media and government for role in supporting SMEs

London
**Evening
Standard**

**The
Economist**

FT
FINANCIAL
TIMES

The Daily Telegraph

THE INDEPENDENT

The Mail
ON SUNDAY

theguardian

THE TIMES

BIS
Department for Business
Innovation & Skills



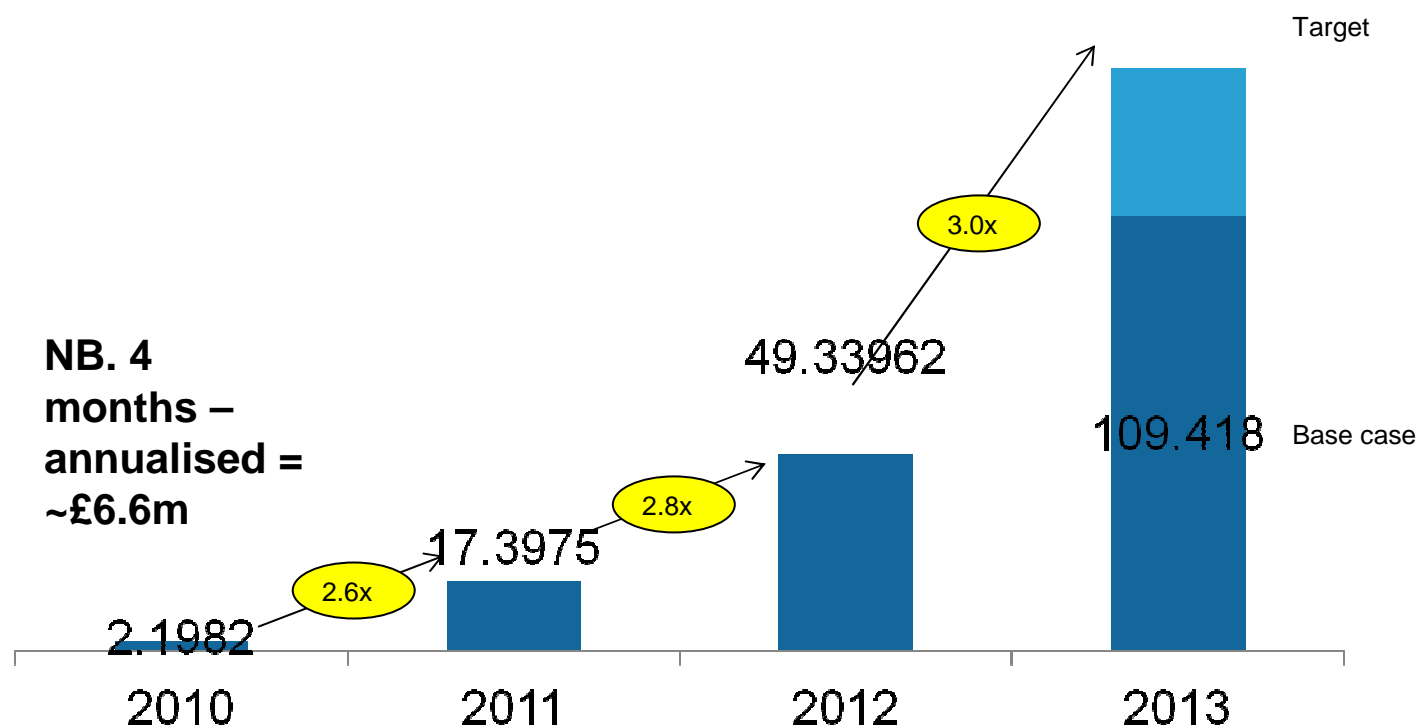
Lancashire
County
Council



 **Funding Circle**

Funding Circle loan originations tripling each year, with 2013 target of ~£110m - £145m

Amount lent per year (£m)



The team behind Funding Circle

Management



Samir Desai
Co-founder & CEO



Andrew Learoyd
Non-exec Director



James Meekings
Co-founder & CMO



Ed Wray
Non-exec Director



Andrew Mullinger
Co-founder & COO



Neil Rimer
Non-exec Director

VCs & prominent investors



£13.2m capital invested in Funding Circle,
together with Union Square Ventures

Prominent investors behind Lovefilm, ASOS,
JustEat, Skype, Not on the High Street.



US-based Venture capital firm
Also behind Twitter, Kickstarter, Zynga,
FourSquare, Tumblr.



Charles Dunstone



Jon Molton



Edward Wray



How it works: the auction process

✔ Smallest bid - £20

✔ Investors can 'outbid' each other by offering a lower rate bid – even once the loan's 100% funded

✔ The investors offering to lend at the lowest rates win (business rate = weighted average of these)

The screenshot displays the Funding Circle interface for a loan auction. The loan title is 'Nursing Home Refurbishment Funding' with 1073 other bids. The loan amount is £100,000, and the current rate is 7.3%. A progress bar indicates the loan is 100% funded. The borrower is Rider House Limited, a healthcare business in the South East region, established in 1999. The loan term is 36 months with a target rate of 6.0% and a risk band of A+ (Very low risk). The estimated bad debt rate is 0.6%. The loan is guaranteed by the director and has no asset security.

#	Lender	Amount	Rate	Date	Status
1	Mr Pierre	£20	7.7%	19 Mar 2012 10:21	Rejected
2	ark49	£20	7.7%	19 Mar 2012 10:20	Rejected
3	daddy nutkin	£40	7.7%	19 Mar 2012 10:08	Rejected
4	AnnieM	£20	7.7%	19 Mar 2012 10:06	Rejected
5	oblong	£20	7.7%	19 Mar 2012 09:59	Rejected
6	RCT Enterprises	£120	7.7%	19 Mar 2012 09:49	Live
7	chiltern	£40	7.7%	19 Mar 2012 09:49	Live
8	chiltern	£40	7.7%	19 Mar 2012 09:49	Live
9	chiltern	£40	7.7%	19 Mar 2012 09:49	Live

Legend
✔ Live
✘ Rejected

Please note: Only the last 5 rejected bids are now shown on this page.

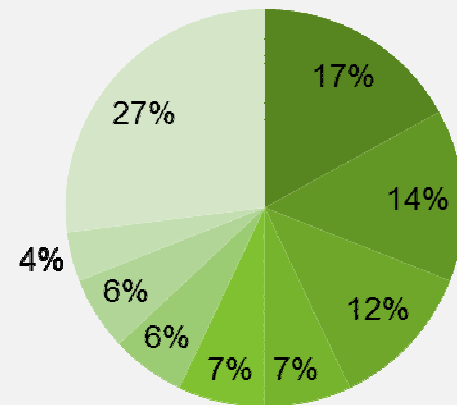
Funding Circle has a well diversified SME loan book

Business Profile

- **Turnover**
 - Median. £0.6m
 - Range £100k - £25m
- **Employees**
 - Typically 5-50
 - Median 8
- **Years Trading**
 - Minimum 2 years
 - Average 15 years
- **Director Guarantees**
 - 87% of loans
- **Directors**
 - 90% Male
 - Average 48 years old

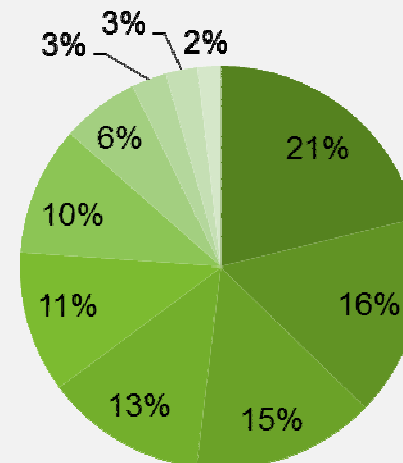
Loan Book Value By...

Sector



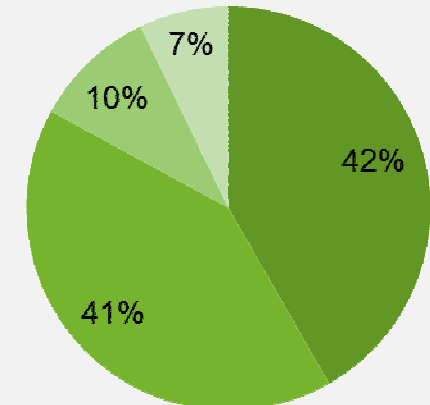
- Manufacturing and Engineering
- Professional and Business Support
- Retail
- I.T and Telecommunications
- Wholesale
- Leisure & Hospitality
- Healthcare
- Automotive
- Other

Region



- South East
- Midlands
- London
- North West
- North East
- South West
- East Anglia
- Scotland
- Wales

Purpose



- Expansion/growth Capital
- Working capital
- Asset purchase
- Other

Small business profiles

Business borrowers this week and last year

Two of the ten business who have borrowed from us in the last 2 weeks



Safety equipment manufacturer borrows to bring production onshore from China

- Borrowed £40,000 at headline interest rate of 6.6%
- Graded A (Low risk)

Ice cream manufacturers looks to refurbish factory

- Family business established in 1922
- Borrowed £100,000
- Graded C (average risk)



Our loans have allowed businesses to expand and grow



Manufacturers of decorative lighting expands

- Borrowed £50,000
- Had applied for a loan from a bank and took 3 months to get a decision; with Funding Circle had the funds in his account 3 weeks from application.
- As a result of finance could buy stock, grow and have since expanded into the USA

Safety equipment company purchases new equipment

- Borrowed £135,000 at headline interest rate of 9.7%
- As a result have increased headcount by 25%



Our credit assessment process



We assess each business to ensure:

- ✓ Affordability of the loan
- ✓ There is a good history of repaying debts
- ✓ The business is healthy and likely to remain so
- ✓ The directors have a good credit history
- ✓ Validation around the security

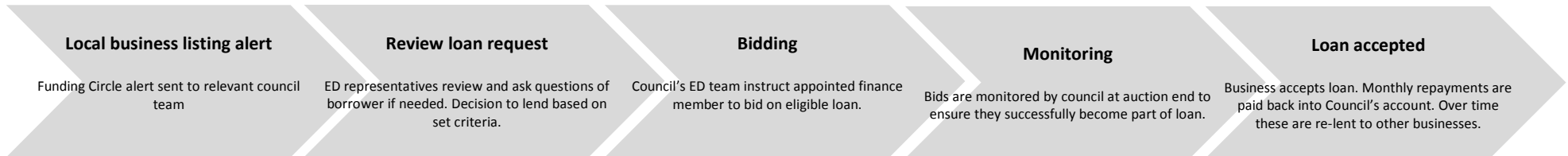
A model for Local Authorities to deliver against key objectives in an efficient and tangible way

- **Economic development benefits**
 - Tangible evidence of support for local businesses, growth & employment
- **Efficiency of investment**
 - LAs leverage the technology of Funding Circle to become direct lenders without the overheads / infrastructure of specialist financial functions
- **Strong returns for treasury**
 - Using a well diversified approach including national and local lending, Funding Circle delivers stable and strong returns.

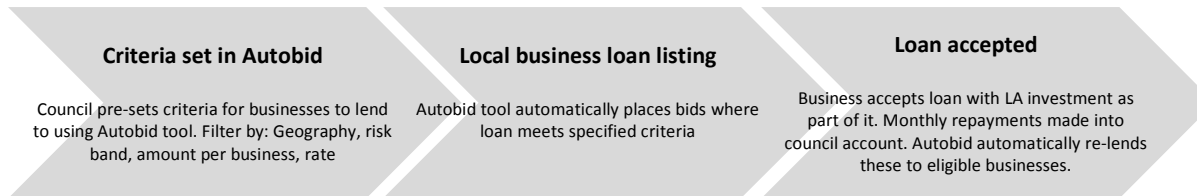


How it works for Local Authorities: a choice of two lending methods

Option 1: Lending on an individual loan basis



Option 2: Automated lending across eligible businesses



Both options deliver a portfolio of loans to local, eligible businesses. The Automated approach offers additional benefits of efficiency and equitable bidding / lending across all local businesses.

Tracking and reporting of all lending is available to local authorities via their investor account.