SME FINANCING IS BROKEN
SMEs drive the global economy

Generating value

50-60% of economic value is generated by SMEs

Main source of employment

70% of employment is provided by SMEs

Representing all sectors

99% of all firms are SMEs

Growing fast

25% projected increase in SME revenue from 2017-2021

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1. OECD 2017 – Enhancing the Contributions of SMEs in a Global and Digitalised Economy. OECD refers to SMEs as firms employing up to 249 persons.
Germany is overbanked – but only for big and medium-sized companies

In Germany, 97% of businesses are small or micro-businesses with less than 50 employees.

German banking landscape

Source: Bundesbank
For many micro-businesses access to finance is the main concern

German SME reporting access to finance as the most pressing concern

Source: ECB
Small businesses face the biggest hurdles

Firms’ perceptions of the most important limiting factors in accessing external finance H1 2018

- Insufficient collateral: 12%
- Interest rate/price too high: 12%
- Financing not available: 9%
- Too much paperwork: 8%
- Other: 4%

Weighted Percentage

- SME average
- Micro
- Small
- Medium
Only 39% of German micro-businesses consider bank loans a relevant finance option.
FUNDING CIRCLE IS FIXING SME LENDING
We are the largest online small business loan provider in the world

90,000
Active investors

>68,000
Small businesses

>115,000
Jobs unlocked in 2018

€8.2bn
Loan originations to date

€3.9bn
Loans under management

4
Countries

>1,000
employees

€630m
Equity capital raised

Source: Funding Circle
FUNDING CIRCLE’S ECONOMIC IMPACT IN 2018

TOTAL IMPACT

GDP CONTRIBUTION
£6.5 billion
up 56% from 2017

£3.2bn
£2.2bn
£1.1bn

EMPLOYMENT
115,000 jobs
up 54% from 2017

62,800
18,700
33,400

TAX REVENUES
£2.0 billion
up 39% from 2017

£1.0bn
£0.3bn
£0.7bn
Funding Circle’s platform model efficiently connects SME borrowers with investors.
A FUNDAMENTALLY BETTER WAY OF BORROWING

10 minute application  
24 hour turnaround\(^1\)

\(^1\) Source: Funding Circle.
\(^1\) 1. >70% of applications in DE in Q1 2019 received a decision within 24 hours.
Banks are not focused on serving small businesses

**Small business loans not a priority**

- Strict equity requirements
- No focus on handling small transactions at scale
- No efficient processes for dealing with SME loans

**Singular focus on SME loans**

- No equity requirements
- Simple product with transparent and competitive fees
- Relentless focus on convenience and speed through seamless processes
- Modern technology and data analytics developed for SME segment
Funding Circle attracts a diverse investor base

Institutional direct lending:
- Insurance companies
- Banks
- Asset management companies

Retail – 90,000 investors

Funds:
- European Private Fund

Supranationals and government-backed:
- AEGON
- Banco BNI Europa
- KfW
- British Business Bank
The majority of our Borrowers are micro-businesses

<table>
<thead>
<tr>
<th>Name</th>
<th>Investors</th>
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<tbody>
<tr>
<td>JoRo eK</td>
<td>27 retail</td>
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<td>Bäckerei Gebel</td>
<td>1 institu</td>
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<tr>
<td>Sansibar Whisky</td>
<td>211 retail</td>
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<tbody>
<tr>
<td>Average loan size</td>
<td>€80,000</td>
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<tr>
<td>Average annual turnover</td>
<td>€1.6 M</td>
</tr>
<tr>
<td>Average age</td>
<td>16 years</td>
</tr>
<tr>
<td>Average number of staff</td>
<td>13 employees</td>
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</table>
Funding Circle’s customers want a fast and simple process

Why customers chose to borrow with Funding Circle

- Speed
- Customer service
- Rejected for bank loan
- Better rates / conditions
- Simple process
- Only chance at unsecured loan
- Mistrust of banks
- Sense of Community

Why customers chose not to complete a bank application

- Other
- Fear of bank rejection
- Didn't know how
- Too expensive
- Decision would have taken too long

Source: 1. Oxford Economics, 2. Funding Circle survey
A closer look at the finance situation of German SMEs

“For the smallest German firms, access to finance continues to be an issue, due to the stringent terms and high administrative costs imposed by banks.”

“Small and micro-businesses [...] are some of the fastest-growing in Germany. Since the 2008 financial crisis, their nominal revenue growth has averaged 4% per annum, compared to 3% for large businesses.”

“Not only do micro-businesses face higher requirements, they are also less likely to obtain all their desired financing when applying through a bank.”

“Perceptions of traditional financing options seem to be influencing the types of external finance that firms use.”

Lending through Funding Circle is helping the German economy thrive

Based on loans outstanding at the end of 2018:

- Boosted the German economy by €216 M
- Generated €70 M in additional tax revenue
- Unlocked 3,200 jobs
SMEs are the backbone of our economy and job creation. They are at the heart of Europe's economic strength. This is why a successful Capital Markets Union must be built with their interests in mind.

European Commission Vice-President
Vladis Dombrovskis