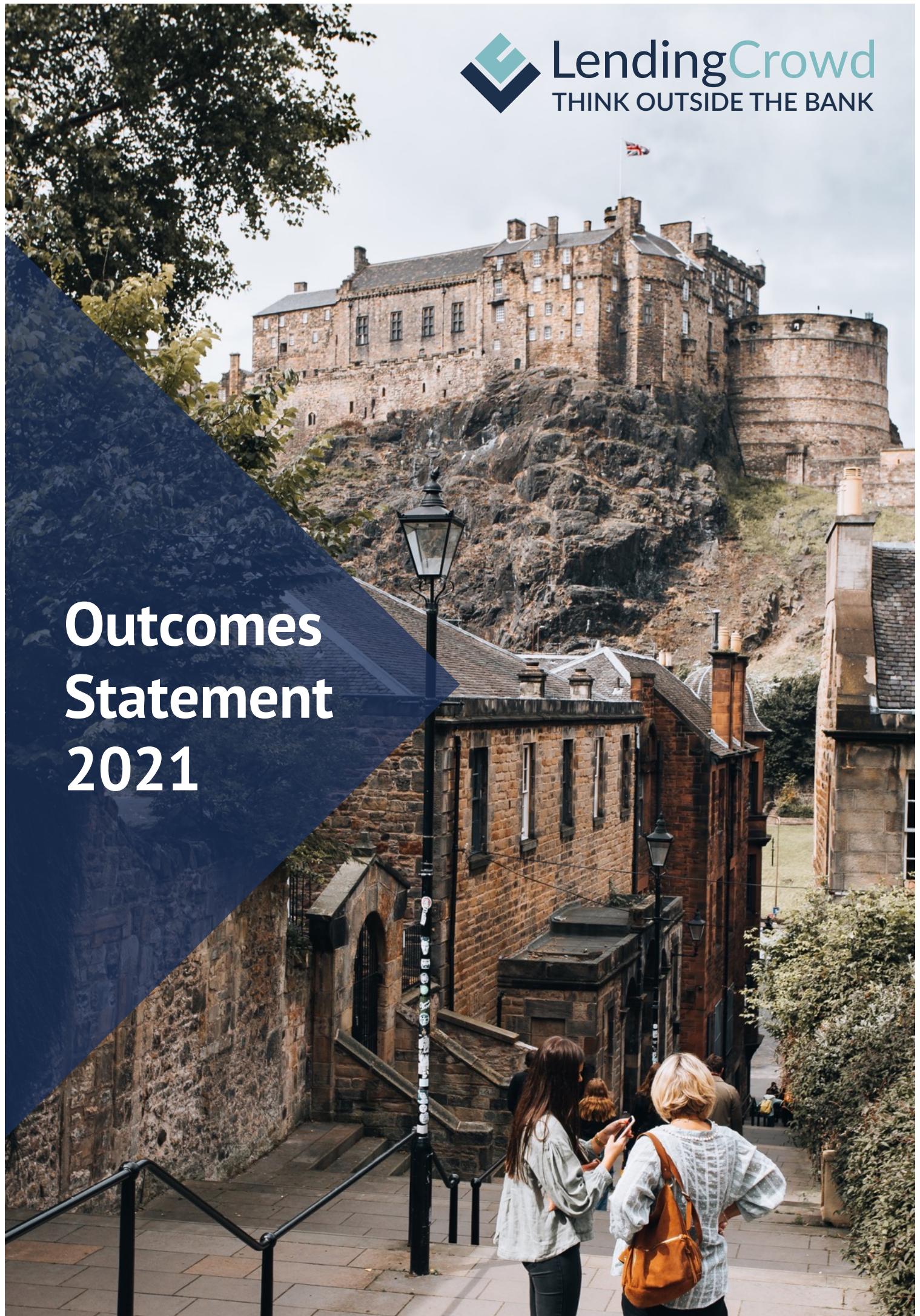




Lending Crowd
THINK OUTSIDE THE BANK

Outcomes Statement 2021



Outcomes Statement 2021 – published February 2022

As a lending platform that is regulated by the Financial Conduct Authority (FCA), LendingCrowd is required to publish an outcomes statement within four months of the end of our financial year. Our financial year ends on 31 December.

Under FCA rules, our outcomes statement must include the expected and actual default rates for all lending agreements that we have facilitated by Risk Band. We are also required to provide a summary of the assumptions used when determining expected future default rates.

Please remember that your capital is at risk when lending to businesses. LendingCrowd and its products are not covered by the Financial Services Compensation Scheme.

Past performance is not a reliable indicator of future results.

Default rates

When a borrower can no longer meet their repayment schedule nor pay the outstanding loan, we'll declare the loan as a default. We'll identify the outstanding capital as a bad debt. This happens when a borrower repayment becomes 90 days overdue – this is a regulatory standard definition adopted in December 2019.

If a loan is declared to be in default and there's no clear indication of how and when we'll receive future payment, we'll commence responsible recovery action.

As part of our credit risk assessment, we will determine an appropriate level of lender protection at the point of entering into a loan agreement. The purpose of this lender protection is to increase the likelihood of recovery in the event of a default on the part of the borrower. Full recovery may not be possible in all situations, for example in the event that the borrower and its guarantors are declared insolvent. Enforcement of lender protection can take a long time to progress, as court action may be required.

The table below shows the expected and actual default rates for loans in each of our Risk Bands at the end of our financial year ending 31 December 2021.

Risk Band	Expected default rate		Actual default rate
	A+ (lowest risk)	A	
	1.32%	2.45%	1.07%
A	2.45%	6.53%	2.45%
B+	6.53%	7.96%	3.10%
B	7.96%	15.70%	4.97%
C+ (medium-high risk)	15.70%		6.08%

From historical analysis of our loan book, we calculate the Probability of Default for each Risk Band. These values will be updated from time to time to reflect changes in the performance of our loan book.

To make sure we are fair in how we calculate this, we use an independent third party, LoanClear, to calculate and verify our Probability of Defaults.

Returns

The Company's commitment to using third-party analytics (via LoanClear) recognises the value in doing so from an independence and market standardisation perspective.

Account*	Target Rate**	Actual Return***
Growth Account	4.6%	5.7%
Income Account	4.2%	6.5%

*The returns shown also apply to the Innovative Finance ISA version of each account.

**The Target rates shown were the latest rates that were displayed on the LendingCrowd website. Target rates were removed on 15 November 2020. Target rates are net of ongoing repayment fees, estimated bad debt and before the 1% capital withdrawal fee.

***The "Actual Return" involves an internal rate of return calculation based on two core components:

1. A summary of all historic cashflows by date relating to the lender excluding cash deposits and withdrawals.
2. The current "value" of the Lender's portfolio.

For those familiar with Excel spreadsheets, we calculate the return in the same way as the XIRR function. The calculation uses daily cashflows of positive and negative historic transactions plus a final transaction representing the current value of your portfolio. The Actual Return calculation does not take account of any future capital withdrawal fees.

Covid-19 response

Although many of the restrictions that were introduced to slow the spread of Covid-19 have now eased (at the time of publishing), economic conditions may remain unstable for certain SMEs and sectors. Our obligations in operating a Loan Market are significant, as we have a regulatory requirement to ensure that the valuation of a loan part for sale is fair and appropriate.

Since January 2021, trading on our secondary Loan Market has been suspended, which means that individual lenders cannot buy or sell loan parts. This suspension – which is line with the Financial Conduct Authority's principle of 'Treating Customers Fairly' – followed our decision in December 2020 to halt registrations from new lenders and the ability of existing lenders to deposit more funds on our platform. This is reviewed on a regular basis.

LendingCrowd is now accredited to provide business finance through the government-backed Recovery Loan Scheme (RLS), which replaced the Coronavirus Business Interruption Loan Scheme (CBILS) in April 2021. As with CBILS, the source of lending capital for RLS loans must come from institutional funders. These loans cannot be funded by individual lenders.

The availability of government-backed loan schemes has altered the lending landscape. As we emerge from the pandemic, LendingCrowd continually monitors the performance of our borrowers and the underlying economic conditions. If we identify an opportunity to re-open our Loan Market, we will consider this carefully and cautiously, within the context of treating our customers fairly.

LendingCrowd is the trading name of Edinburgh Alternative Finance Limited, Company Number SC468392, authorised and regulated by the Financial Conduct Authority (Firm reference number 670991). LendingCrowd and its products are not covered by the Financial Services Compensation Scheme.