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European Investment Fund and German development bank, KfW, invest in UK small businesses through securitisation of loans originated by Funding Circle

The European Investment Fund, part of the European Investment Bank Group, and KfW, the German Promotional Bank, are supporting UK small businesses through their investment in a securitisation of loans originated by Funding Circle, the world's leading lending platform for small businesses.

The £207 million portfolio is issued by P2P Global Investments PLC, a UK-quoted investment trust managed by Pollen Street Capital. It is the second securitisation of loans originated by Funding Circle and opens up the small business loan asset class to an even wider range of investors. The transaction was rated by three rating agencies, and its senior tranche was awarded an Aa3 / A (high) / AA- ratings by Moody's, DBRS and Kroll respectively. On closing, the spread over 1 month Libor on the senior tranche was [75bps] which represents a significant tightening from [220bps] on the previous securitisation of Funding Circle loans (SBOLT-2016). Deutsche Bank acted as sole lead manager and arranger.

Small businesses make up 50% of UK GDP and 60% of private sector employment* yet continue to face difficulties accessing finance through traditional channels. In the last quarter of 2017, the combined net lending (total minus repayments) of the major high street banks to small businesses was negative (-£73 million), whilst Funding Circle investors alone lent £155 million to small businesses on a net basis in the same period.** By linking supply directly with demand through an online lending platform, much needed funding is provided to the real economy.

Today's news is recognition of the online lending model's ability to open up deep pools of capital to small businesses, creating more choice and competition in the small business lending market. In turn this creates a more stable ecosystem and reduces dependency on bank lending, as recommended by the Bank of England and European Central Bank.***

Sachin Patel, Chief Capital Officer, said: *"This latest securitisation further validates the attractive, risk-adjusted returns that are being generated for investors in SME loans. Now investors of all shapes and sizes can support the growth of small businesses, which in turn drives much-needed job creation across the UK. This significant commitment by the EIF and KfW, alongside other key investors, will help thousands of small businesses access the finance they need to expand and grow."*

Investors at Funding Circle include 80,000 people, local authorities, the government-owned British Business Bank, the European Investment Bank and financial institutions such as pension and insurance funds. Since launching in 2010, investors have earned an average 6.4% per year after fees and bad debt.****

George Passaris, Head of Securitisation at EIF said: *"We are pleased to be working again with Funding Circle to boost access to finance for businesses. Many SMEs are still struggling to obtain competitive financing from traditional funding sources and smaller businesses are often the ones most affected. EIF's participation in these new securitisation, demonstrates our continuous commitment to embracing innovative and pioneering structured finance solutions, allowing SMEs to access to funding to grow their business and ultimately help the economy overall."*

Dr. Frank Czichowski, Treasurer at KfW said: *"The second securitisation of SME-loans originated by Funding Circle demonstrates the success of online lending in the UK as well as the functional business model of Funding Circle. Online lending offers great opportunities for SMEs and KfW as a future-oriented bank supports such alternative and innovative funding sources."*

Abror Ismailov, Investment Partner, at Pollen Street Capital said: *“We at Pollen Street Capital, the Investment Manager of P2P Global Investments PLC, are business partners as well as capital providers. Our partnership with Funding Circle dates back to 2014 and embodies our aim to work with high-quality specialist businesses. Since the relationship began, P2P Global Investments has issued loans through Funding Circle with original balance of over £400 million. We look forward to continuing working with Funding Circle to support small businesses in the UK.”*

Launched in 2010, Funding Circle is helping to spark a global revolution in the way small businesses access finance, disrupting the traditional model of banking. To date, Funding Circle investors have lent £4.5 billion to more than 45,000 businesses in the UK, US, Germany and the Netherlands. By bringing together industry-leading risk management and cutting-edge technology, creditworthy businesses typically access the capital they need to grow in days rather than months.

ENDS

For more information

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Notes to editor

* Bank of England [SME forbearance and its implications for monetary and financial stability](#), 2013

** Data taken from Bank of England [‘Bankstats \(Monetary & Financial Statistics\)’](#) – Table A8.1 ‘Monetary financial institutions’ loans to non-financial businesses, by size of business’ under ‘Net loans (exc overdrafts).

*** [The case for a better functioning securitisation market in the European Union](#), May 2014

**** This is the weighted average return across all investors lending for one year or more through Funding Circle over an annualised period. It includes all earnings and is calculated after fees and bad debt but before tax. Data is correct as of 31st December 2017.

About Funding Circle

Funding Circle (www.fundingcircle.com) is the world’s leading lending platform for business loans, matching small businesses who want to borrow with investors who want to lend in the UK, US and Europe. Since launching in 2010, investors at Funding Circle – including 80,000 individuals, financial institutions, the listed Funding Circle SME Income Fund and Government – have lent more than £4.5 billion to 45,000 businesses globally. It has raised £250 million in equity capital from the same investors that backed Facebook, Twitter and Airbnb.

About EIF

The European Investment Fund (EIF) is part of the European Investment Bank group. Its central mission is to support Europe’s micro, small and medium-sized businesses (SMEs) by helping them to access finance. EIF designs and develops venture and growth capital, guarantees and microfinance instruments which specifically target this market segment. In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. More information on EIF’s work under the EFSI is available [here](#).

About KfW

KfW is one of the world’s leading promotional banks. With its decades of experience, KfW is committed to improving economic, social and ecological living conditions across the globe on behalf of the Federal Republic of Germany and the federal states. To do this, it provided funds totalling EUR 76.5 billion in 2017 alone; and of this, 43 % went into measures for protecting the environment and combating climate change. KfW does not have any branches and does not hold customer deposits. It refinances its promotional business almost entirely through the international capital markets. In 2017

KfW raised some EUR 78 billion for this purpose. In Germany, the KfW Group is represented in Frankfurt, Berlin, Bonn and Cologne. Its network includes 80 offices and representations around the world.

About Pollen Street Capital

Pollen Street is a private equity and credit manager focused on business and financial services, which brings together a team of highly seasoned specialists with extensive experience in the UK, US and Europe. Pollen Street works closely with entrepreneurial management teams who share our values and whose businesses have strong growth potential. Changes in the focus of mainstream banks and other incumbent players, together with the implementation of new models that make the best use of data, analytics and technology, provide exciting opportunities for our partners to pioneer and innovate. Pollen Street has a long track record of supporting these successful models as they expand and grow.