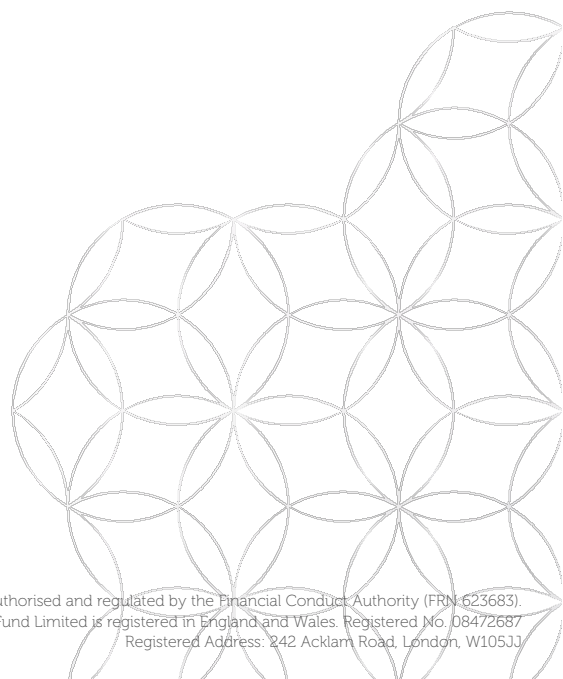


Outcomes Statement

Year End 30th April 2022



Introduction

In accordance with COBS 18.12.21R, Crowd2Fund must publish an outcomes statement to detail expected and actual default rates by risk category. This document outlines in detail the outcomes statement, defines the methodology used to calculate the expected default rate and ongoing work for additional analysis during this period of macroeconomic uncertainty. In line with the requirement of COBS 18.12.21R, the platform default rate, default rate by risk category and estimated default rate is published on the Fund Statistics page which can be accessed here: www.crowd2fund.com/fund-statistics.

Default rate methodology

Previous methodology

We adopted a default rate modelling methodology in April 2020, details of which can be found on the 2020 Outcomes Statement. The default balance includes: loans which were classified as In Default or In Administration at the end of the period (30th April 2022); loans with an effective payment date of over 90 days; and loans which were written-off during the period (1st May 2021 to 30th April 2022). The default rate is calculated as the default balance as a percentage of the total amount lent up to the end of the corresponding period:

$$\frac{\text{Default balance at the end of the corresponding period}}{\text{Total amount lent up to the end of the corresponding period}} \times 100$$

New methodology

For this 2021/2022 Outcomes Statement we have provided an additional default rate methodology, in line with industry standards, where the default balance is calculated as a percentage of the total outstanding loan balance at the end of the period:

$$\frac{\text{Default balance at the end of the corresponding period}}{\text{Total outstanding loan balance at the end of the period.}} \times 100$$

The actual and expected default rates, as well as the actual and expected write-offs, are divided by product risk category: fixed loans and revenue loans. Interest-only loans are no longer considered as a category as there are no active interest-only loans.

To estimate the default and write-off rates for the next period (1st of May 2022 to 30th April 2023), we have looked at changes in the size of the portfolio and considered the current UK macroeconomic conditions, and how this might affect business default rates in the next period.

Default rates

The total amount lent via the Crowd2Fund platform up until the 30th April 2022 was **£39,265,599.64**, and the total amount lent specifically during the period (1st May 2021 to 30th April 2022) was **£4,499,399.82**. The total outstanding balance at the end of the period was **£10,220,511.1**.

According to the previous calculation methodology, the overall actual default rate has decreased on a like for like basis from **8.41% in the previous period (1st May 2020 to 30th April 2021)**, to **6.38% in the current period (1st May 2021 to 30th April 2022)**. This was less than the predicted default rate of 8.41% which was published in the Outcomes Statement of 2021. Considering the new calculation methodology, the default rate increases to 24.5%.

Category	Actual default rate April 2021	Expected Default rate April 2022	Default balance April 2022	Total outstanding loan balance April 2022	Actual default rate (1) April 2022	Actual default rate (2) April 2022	Expected default Rate (1) April 2023	Expected default Rate (2) April 2023
Fixed Loans	5.99%	5.99%	£1,503,201.6	£5,481,971.8	3.82%	14.7%	4.72%	18.1%
Revenue Loans	2.13%	2.13%	£1,004,559.4	£4,738,539.3	2.55%	9.8%	3.16%	12.1%
Total	8.41%	8.41%	£2,507,761.1	£10,220,511	6.38%	24.5%	7.88%	30.2%

Default rates post New Credit Policy

Crowd2Fund adopted a new Credit Policy in January 2021, as well as further improvements throughout the period 2021/2022. The changes included:

- Incorporating a new internal credit risk indicator with multiple variables to measure business' performance and ability to service the loan;
- Carrying out more thorough pre-screening processes for applicants;
- Additional compliance checks by which all loans are also reviewed by a secondary external underwriter and an independent compliance auditor before being listed on our platform;
- Hiring of new experienced credit team members;
- Assessment of a business' exposure to Covid-19 and Brexit;
- Increasing the APR offered on the platform.

When considering only the loans issued since the implementation of this new policy in January 2021, the actual default balance at 30th April 2022 reduces to **£136,798.12**, which is equivalent to an actual **default rate of 0.3%** using the previous calculation and of **1.14%** using the new calculation.

Expected default rate

Crowd2Fund expects the default rate to increase in next period (1st of May 2022 to 30th April 2023) due to macroeconomic conditions, including:

- the increase in the rate of inflation;
- increase in interest rates;
- Government fiscal consolidation;
- withdrawal of COVID-19 Government support;
- changes in consumer behaviour due to the points above resulting in falling sales for many of our customers;
- few of our customers are exporters and the depreciation of the GBP against a basket of currencies will increase input costs for many businesses.

We have therefore suggested an increase in the default rate for the next period of 1.5 percentage points to 7.88% using the previous calculation methodology, due to the factors outlined above. The equivalent is 30.2% using the new calculation methodology. However, we project that the default rate in subsequent years will decrease as a result of the new credit policy in place.

Write-off rates

Actual write-offs are calculated as the written-off balance during the period (1st May 2021 to 30th April 2022) as a percentage of the total amount lent up to the end of the period.

To calculate the expected write-offs, we have looked at the growth in the portfolio for the first three months of the next period (1st of May 2022 to 30th April 2023) which is approximately £500,000 per month. Assuming the rate of growth continues, the written-off balance as a percentage of the portfolio in April 2023 is estimated to be 1.66% for the period. This increase is due to a change in our recoveries policy, by which we have re-estimated a low probability of recovery for various defaulted loans.

Category	Actual write offs during 2021/2022	Expected write offs during 2022/2023
Fixed Loans	0.16%	1.29%
Revenue Loans	0.06%	0.37%
Total	0.22%	1.66%

Risk Warning:

Capital at risk.

Past performance and forecasts are not reliable indicators of future results. Tax treatment of any of the investment offers will depend on the individual circumstances of each investor and may be subject to change in the future. If you are unsure about any aspect of the information provided by the company, you should seek advice from an independent financial adviser. Do not invest more than you can afford to lose. Investing in start-ups and early-stage businesses involves risks, including illiquidity, lack of dividends, loss of investment and dilution, and it should be done only as part of a diversified portfolio. Investing in start-ups may expose the individual concerned to a significant risk of losing all of the money or other assets invested. Peer to business lending through Crowd2Fund is not the same as holding a bank or building society savings account. When making a peer to business loan, your capital lent to a borrower is not covered for compensation in the event of a loss by the Financial Services Compensation Scheme. It may prove impossible to recover all or part of the loan by calling in the business assets held as security on that loan. Reward and Donation funding types are not regulated by the Financial Conduct Authority Crowd2Fund Limited is authorised and regulated by the Financial Conduct Authority (FRN 623683). Crowd2Fund Limited is registered in England and Wales. Registered No. 08472687 Registered Address: 242 Aclam Road, London, W10 5JJ.