



Lendy
Half-Year Report
2017

Lendy - The Property Platform: the year so far

Lendy - The Property Platform is now Europe's leading P2P secured property platform - according to Altfi Data. And one reason behind our continued success, which has seen dramatic growth of both new users and investment raised, has been our straightforward and simple model.



Introduction

Rebranding



2017 saw Lendy bring its Saving Stream platform under the Lendy brand in order to simplify our marketing model and make accessing the platform easier. This rebrand included combining the two separate websites for Lendy Finance and Saving Stream into one clear user interface for all of Lendy's clients, whether investors or borrowers.

The rebrand has led to other changes in the last six months, such as:

- Our new overdue loans default policy, which sets out the principles that govern decisions made by the company on whether to default a loan, or whether to grant some tolerance in circumstances where a loan is not repaid upon the original repayment date
- Our communications strategy, which is designed to provide more timely and relevant communications to our clients
- Our referral policy, to reward current and new investors for their loyalty
- Improvements to our back office in areas such as account management, including regular deposit processing, and daily withdrawals
- Enhanced skills, expertise and experience of team, adding depth to our lending, credit and compliance expertise and plug gaps in areas such as service, IT and marketing
- Offering our users and borrowers continuing improvement to our service model with a new online Help Centre, and customer support team.

Growth



We've experienced growth in every area of the business.

Lendy has already achieved several major milestones in 2017. In January 2017, Lendy's loan portfolio reached **£250m**, and has now increased to **£322m** as of June 30, 2017. The number of investors is also up from 12,600 to 16,500, in the last six months.

Lendy users have now earned over £25m through loans made on the platform. We're also one of the only profitable platforms in the sector.

We've also continued to invest in people, bringing in new talent, including a Compliance Officer, Head of Marketing and Communications, Development Finance Support Manager, an International Marketing Manager, and two IT developers.

Our loans

Users on the Lendy platform have the opportunity to make loans on a variety of projects, from commercial projects, office to residential conversions, brownfield sites and new builds.

Most of our loans have been oversubscribed in the first half of the year, demonstrating the continuing interest and appetite for the projects available on the platform.



The Old Country Hall, Truro



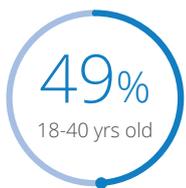
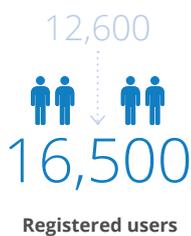
Gun Boat Sheds



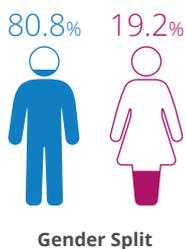
Private residential development in Hertfordshire

Introduction

Our clients



Growth in the under 40s



Registered users

Lendy's user base has grown from 12,600 to 16,500, in the last six months.

One of the benefits of P2P lending is that investors of all ages and backgrounds are able to take part.

Growth in the under 40s

Almost half of Lendy's user base (49.9%) are under 40 years of age. However, they represent just over a quarter of all lending on the platform 27.4%.

Over 50s continue to lead in lending volumes

49.1% of lending volumes through the Lendy platform is from our over-50 user base, which makes up 32.4% of our total members. This shows how easily older users – who some might assume to be less likely to look to a P2P platform for returns – can become comfortable with the P2P model.

Gender breakdown of the above figures are as follows:- **Male:** 80.8% **Female:** 19.2%

The fact that all our loans are secured against tangible property is a big factor here – unsecured lending to an individual or business is more difficult for some people to become comfortable with, while the security of property can be a reassurance.

Registered broker relationships

Our broker community is diverse, including established commercial brokers who aim to build financial solutions around their client's individual needs and requirements.

The brokers we partner with cover the entire UK from remote Scotland to the West Country.

We work tirelessly to meet our brokers' and clients' needs, by providing them finance solutions matched to their requirements.

Borrowers

Equally (as) diverse are our borrowers, who require funding for both large and single multiple assets from **£100k to £10m** for bridging, and **£1m to £50m** for development loans.

The next six months

We will continue to grow by investing in our team, the platform and our technology to ensure we're continuing to offer users the best investment opportunities and experience.

Investing in our brand will also be a particular focus, which in turn will help grow both our borrower and user bases further.

As part of this, Lendy recently signed a three-year sponsorship deal with Cowes Week, which will help Lendy reach wider audiences and grow name recognition.

The P2P market will remain a continued focus for the Financial Conduct Authority (FCA). We believe the increased scrutiny within the sector will help to ensure all platforms are operating to the highest standards.

In addition, UK businesses still face uncertainties as Britain begins the Brexit negotiations with the EU. However, as with the referendum last June, it's likely that the property market will remain strong, with interest rates remaining relatively low.

The next six months and onwards will see exciting opportunities for investors and borrowers alike.

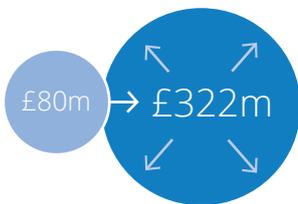
Performance highlights

Lendy's growth keeps accelerating

In the first half of 2017, we have continued to expand the opportunities we offer to our lenders, both in terms of size and diversity.

Loan book grows by over £80m in six months

In the first six months of the year, our loan book has grown by another £80m, bringing the total amount our lenders have provided to £322m. We're on track to grow even faster in 2017 than we did in 2016.



Amount of interest paid to lenders tops £25m

We passed another major milestone in June 2017, when we reached £25m in interest repaid to our lenders. This was a hugely proud moment for everyone at Lendy.

Major new loans in 2017 so far

- **£4.8m** in loans for the purchase of a former quarry and cement works in the South Downs National Park
- **£7m** for the development of an eco-friendly leisure village in North Yorkshire
- **£3.4m** in loans for the refinancing of a castle and estate in North Wales
- **£1.1m** in loans for the development to convert the property into a private residence in Hertfordshire.

Reduced LTVs mean reduced risk for our lenders

Our loan-to-value is strictly limited to 70%, meaning that our lenders always have an additional layer of protection. Over the last year, we have been able to write an increasing percentage of our loans at lower LTVs, which is even better for our lenders. So far in 2017, lower initial LTV loans include:

- **54%** LTV on the purchase of 40 acres of development land in Gloucestershire
- **56%** initial LTV on the redevelopment of County Hall, Truro, into residential units
- **63%** LTV on the purchase of a warehouse unit near Edinburgh
- **65%** LTV on the purchase of historic gunboat sheds in Gosport

Performance highlights

Expanding to fund property development

As Lendy grows, we continue to look for opportunities to meet borrower demand, and give our lenders exciting new projects to fund. One area of significant demand is development finance. In the first six months of the year, 35% of the many projects Lendy has funded have been for property development, rather than bridging. We're keen to keep the pipeline of development funding opportunities robust.

Not only does this broaden the scope of the lending our members can provide, it also has the benefit of helping property developers get spades in the ground and build new homes. With the on-going housing crisis in the UK, it's great that our members can play a role in addressing the problem.

Lendy's funding capability is flexible enough to fund developments of almost any size, from £1m to £50m.

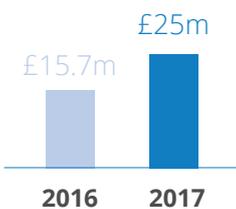
The Lendy user base



Just since the beginning of the year, we have added another **5,000 users** to our platform, accelerating our growth. By way of comparison, we added around 6,800 in the whole of 2016.

We're thrilled that we're growing our lender base in a sustainable way, attracted by the returns our platform offers.

Returns grow past £25m



At the end of 2016, we had returned £15.7m to our lenders. **By the midway point of 2017, that has grown to £25m as some of our loan book matures.** That's a milestone that we're hugely proud of. In an era of the 0.25% base rate, continuing to return up to 12% to our lenders is what makes Lendy so attractive.

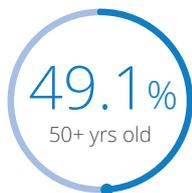
Performance highlights

Under-40s make up half of user base



Half of Lendy's user base (**49.9% to be precise**) is under 40. While they may not have accumulated as much capital to invest as our slightly older users (27.4% of lending through the platform is from the under-40s), it shows the trust that these younger lenders have in Lendy's approach.

Over 50s continue to lead in lending volumes



49.1% of lending volumes through the Lendy platform is from our over-50 user base, which makes up 32.4% of our members. This shows how easily older users – who some might assume to be less likely to look to a P2P platform for returns – can become comfortable with the P2P model. The fact that all our loans are secured against tangible property is a big factor here – unsecured lending to an individual or business is more difficult for some people to become comfortable with, while the security of property can be a reassurance.

Secondary market continues strong performance

While our secondary market has slowed in the latter part of H1, overall it has performed well, with **216,108** transactions in the first six months of the year, totalling **£113,623,893** in value. Our secondary market continues to be an attraction for a significant part of our user base, making access to the property market far more liquid than it usually is.

New for 2017

At Lendy, we continue to innovate, to ensure we remain market leaders in high quality standards, and maintain our reputation for excellent customer service provision. In 2017, we have:

...launched our new "Refer a Friend" scheme

As part of our major growth strategy, we have launched a new scheme to thank members for recommending us to friends. For every new registration made from an existing investor's unique member URL, we give referrers 5% of the individual interest earned from their referral lead for 12 months. We also give their friend a bonus of £50 cash back when they invest £1000, when invested for a minimum three months.

Members can pass their personalised URL on to as many friends or family as they like, or they can post it onto their websites, blogs or social networks.

...implemented an upgraded default policy

In addition to implementing stringent policies to ensure we select high quality, low-risk investment opportunities, robust policies to safeguard investors' capital against default is also vital. Our default policy means that if a loan is in what we call our Tolerance Period, we may decide towards the end that the best way of returning capital and interest to investors is to put the loan into default.

If this happens, we will instruct receivers to control the sale of the property against which the loan is secured. Once the sale is complete, the proceeds will be used to repay capital and interest to investors.

...led the way on robust due diligence

As our platform has grown, we have focussed on ensuring that our due-diligence process continues to meet its needs and ensures that borrowers and investors get the best possible service.

Building on best practice, we have further strengthened our due-diligence process so that it rivals, if not surpasses, that of many mainstream lenders.

We have invested in the extra resources needed to undertake thorough checks on each loan by adding to our already strong credit and compliance functions. We also use a panel of Top 100 law firms and specialist RICS-registered valuers to support our own internal expertise.

...added new platform features

Our new platform features include regular deposits, clear interest status, and new Help Centre. We're also introducing new features in the second half of 2017 to help improve the liquidity of the available loans market, and making changes to the platform in response to FCA regulations.

...launched a new property index to measure the gap between property prices and key influences

The Lendy Property Pulse (LPP), our new property market index, showed that residential property prices have moved ahead faster than their fundamental drivers in some areas of the market.

The index found that residential property prices have gone up by 20% since the beginning of 2014, whereas the LPP has only risen by 17% in the same time period, with the gap between them continuing to grow.

...stepped up safety controls following Grenfell Tower fire

We have tightened building regulation controls on our investment offering following the Grenfell Tower fire, and kicked off a review of our existing loan portfolio. We've also stepped up valuation criteria for future development and bridging investments to ensure they comply with fire and cladding regulations.

...offered time-poor investors an easier way to access great returns via new bond

We recognise that not all investors have the time to pick specific loans, so we're now one of the only P2P lenders to offer a bond product offering investors high returns of up to 7% per annum. Our new three and five year fixed-term bonds will invest in a diversified portfolio of property developments selected by our experts, including a mixture of residential and commercial opportunities, and covering a diverse range of property values and locations around the country.

...brought P2P to life with innovative communications strategy

We have bolstered our communications capabilities with significant new hires, to meet our growing customer relations needs and promote our business and our vision, as well as P2P as a whole, as the sector matures.

As part of our strategy, we have launched a range of videos aimed at informing, educating and entertaining people about Lendy and P2P. The videos feature investors and borrowers, as well as Lendy staff, to showcase major projects that our investors have helped to fund and demonstrate why brokers, developers and investors are attracted by P2P and why they chose us.

...set sail for Lendy Cowes Week

In June, Lendy was announced as the new title sponsor for Cowes Week, one of the world's premier sailing regattas, and a key highlight of the British sporting summer. We're delighted that for the next three years we can bring to this iconic event some of the passion, energy and entrepreneurialism that we infuse in everything that we do. This year's event runs from July 29 to August 5, 2017.

...and sponsored two young players at this year's The Championships - Wimbledon.

We had an opportunity to sponsor two players in the all British Ladies' doubles match in round one of the tournament – Katy Dunne and Harriet Dart, who were playing Britain's number 2, Heather Watson, and her partner Naomi Brody. While they didn't get the win, they took the first set to 7-5, but lost the match overall after a superb performance. Definitely tennis stars of the future.



Lendy Cowes Week



Lendy sponsors Wimbledon players

Key drivers of performance in 2017 so far

Many of the factors that helped drive our growth in 2016 have remained relevant into this year. The property market has retained its buoyancy in the first half of 2017, with events such as the exercise of Article 50 for Brexit failing so far to have the negative impact on the market that some commentators had predicted.

Brexit

Lendy itself saw a strong performance in the six months following the Brexit vote in June 2016, and the trend has continued through the first half of 2017.

Traditional lenders further reduced their lending to the property sector following Brexit, and as a result we experienced a surge in the number of developers and property investors looking to alternative finance providers, such as Lendy, for funding.

Bank lending to property developers has remained close to all-time lows for the first half of 2017 - standing at just £15.4bn in April 2017 - maintaining the flow of developers and investors coming to Lendy for funding.

Regulation

The Financial Conduct Authority (FCA) has taken responsibility for the regulation of the P2P and crowdfunding sectors, and providers have been gradually gaining full authorisation as a result.

More and more providers attaining full authorisation from the FCA is an encouraging step for the industry, as it ensures that investors and borrowers know that the P2P and crowdfunding industries are being run to the highest standards.

We're looking forward to becoming fully authorised by the FCA and continue to participate in constructive discussions with the Authority.

New hires

We have made a number of new appointments to the Lendy team this year, all with the focus on improving our offerings to investors and borrowers. We have hired the likes of Shane Lewin, our new compliance officer, James Crascall, our new portfolio manager, and Paul Riddell, who runs our marketing, to help ensure we mitigate the risks for the customer and adhere to stringent FCA regulations.

Looking ahead

Having added **over £80m of new lending in the first six months of 2017**, we're looking forward to continuing to grow our loan book, and continuing to build on the £25m of interest we have so far returned to our lenders.

We're also looking forward to **Lendy Cowes Week, from July 29 to August 5, 2017**. As the new title sponsor, we're seeking to enhance the experience of both the crews and spectators who will descend upon the Isle of Wight this summer.

Another major target for us in the second half of the year is to **continue to improve our communications with our lenders**. We've made pretty big strides already in the first half of the year, adding a number of new services for members of the platform. Expect further improvements throughout the rest of 2017.

Continuing to make improvements to our due-dilligence process, working with the FCA on our full authorisation, and developing new features and processes to improve both the quality and liquidity of the available loans market and our ability to recover loans are also key targets for us in 2017. We're also one of the few profitable P2P platforms in the sector.

For our borrowers, we're aiming to get even quicker. We're already able to make initial offers within 24 hours of being contacted by a broker, but we're aiming to be able to turn offers around in a matter of hours for bridging loans, and in just days for development loans. With banks often taking months to turn these deals around, it's clear how we have added £80m in new loans to our platform so far this year.

With over 16,500 lenders now registered on the Lendy platform, our capacity to lend is also at an all-time high. We're one of the very few lenders that's able to quickly turn around loans of more than £10m, and we look forward to doing more loans of that size in the second half of the year.

Join our property lending community today. For more information call [0800 779 7706](tel:08007797706) or visit lendy.co.uk

All loans made through Lendy's platform are secured on UK property; however, your capital is at risk should a borrower default. Funds lent through a peer-to-peer website are not covered by the Financial Services Compensation Scheme (FSCS). Whilst no Lendy investor has been subject to any loss of capital, past performance is not a guarantee of future performance. Please obtain independent advice if you are in any doubt as to whether this platform is suitable for you or if you require tax advice. Please review our full risk assessment at <https://lendy.co.uk/risk>

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