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The document comprises a supplementary prospectus relating to Funding Circle SME Income Fund Limited (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority made pursuant to section 73A of the FSMA, has been filed with the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules.

This document is supplemental to, and should be read in conjunction with, the prospectus of the Company dated 12 November 2015 (the “**Prospectus**”) published in connection with the placing and offer for subscription of up to 150 million ordinary Shares and the share issuance programme of up to 350 million ordinary Shares and/or C Shares in aggregate.

The Company and the Directors accept responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplementary Prospectus and the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Funding Circle SME Income Fund Limited

(A company incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered no.60680)

SUPPLEMENTARY PROSPECTUS

Sole Sponsor

GOLDMAN SACHS INTERNATIONAL

Goldman Sachs International, which is authorised in the United Kingdom by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority, is acting as sponsor exclusively for the Company in connection with the Share Issuance Programme and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Goldman Sachs International or for advising any such person in connection with the contents of this Supplementary Prospectus or any other matters referred to in this Supplementary Prospectus.

Neither this Supplementary Prospectus nor the Prospectus constitutes an offer to sell, or the solicitation of an offer to acquire or subscribe for, Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements or undue burden on the Company, Funding Circle or the Sponsor, and in particular, this Supplementary Prospectus may not be published, distributed or transmitted by any means or media, directly or indirectly in whole or in part, in or into Australia, Canada, Japan, the Republic of South Africa or the United States.

The Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”), or with any securities regulatory authority of any State or other jurisdiction of the United States and the Shares may not at any time be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act). The Shares are being offered and sold solely outside the United States to non-US Persons in reliance on Regulation S under the US Securities Act. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “**US Investment Company Act**”), and investors will not be entitled to the benefits of the US Investment Company Act.

This Supplementary Prospectus is dated 20 June 2016.

Purpose of this Supplementary Prospectus

This document constitutes a Supplementary Prospectus required under Prospectus Rules 3.4.1 and 3.4.2 and is being published to note a significant new factor relating to the information included in the Prospectus. The significant new factor relates to the Company's participation in a financing project with the European Investment Bank which was anticipated in Part 2 of the Prospectus, in the section headed '*Indirect Investment in Credit Assets*.'

A. Significant new factor

Transaction with European Investment Bank

In exercise of the Company's powers to make indirect investments, and as contemplated in the Prospectus, the Company has agreed to participate in a £125,000,000 structured finance transaction (the "**Transaction**") with the European Investment Bank ("**EIB**"). The Company is participating as a junior noteholder in a new structure into which EIB will provide senior finance.

EIB will advance a senior, floating rate loan of £100,000,000 (the "**Senior Loan**") to a special purpose vehicle (the "**Issuer**"). Subject to there being no prior event of default or acceleration or enforcement event ("**Acceleration Event**"), the Senior Loan may be drawn down over a period of 18 months. Interest shall accrue on the Senior Loan at a floating rate equal to LIBOR (as defined in the Finance Contract (as defined in Section C.2 of this document)) plus a spread) per annum, and is payable monthly (during the drawdown period under the Senior Loan (the "**Availability Period**")) and quarterly (following the Availability Period) in accordance with the terms of the Transaction Documents (as defined in Section C.2 of this document). Advances made under the Senior Loan, to the extent not already pre-paid or repaid under the Finance Contract, shall be repaid in full on 16 June 2023. Any amounts drawn down under the Senior Loan but not applied to fund Credit Assets (as described below) within 18 months after entering into the Senior Loan (or, if earlier, the occurrence of an Acceleration Event or the breach of certain SME loan delinquency triggers) shall be repaid on the next following payment date.

The Company has subscribed for £25,000,000 Class B junior fixed-rate notes (the "**Class B Notes**") issued by the Issuer. Interest shall accrue on the Class B Notes at a fixed rate of 20 per cent. per annum and is payable monthly during the Availability Period and thereafter on a quarterly basis in accordance with the terms of the Transaction Documents. Unless previously redeemed, purchased or cancelled, the Class B Notes shall be redeemed in full at their principal amount on 16 June 2023.

The Issuer was incorporated in the Republic of Ireland as a designated activity company limited by shares for the purpose of acquiring and investing in Credit Assets as described below. It is not an Affiliate of the Company.

Advances under the Senior Loan and the proceeds of the issue of the Class B Notes will be used by the Issuer to fund Credit Assets originated through the marketplace loan origination platform operated in the UK by Funding Circle UK (the "**UK Marketplace**") that satisfy certain concentration limits and eligibility criteria (including a prohibition on the Issuer from originating or acquiring Credit Assets relating to real property).

As contemplated in the Prospectus, in respect of indirect investment in Credit Assets more generally, the Company and IrishCo have agreed, through the Transaction, to invest in Credit Assets initially funded or held by IrishCo (and subsequently transferred to the Issuer). Accordingly, in consideration of the Company's subscription for the Class B Notes, IrishCo has transferred certain sterling denominated Credit Assets which satisfy the concentration limits and eligibility criteria referred to above, with a value (based on the aggregate outstanding amount of principal and accrued but unpaid interest in respect of such Credit Assets), and taken together with a small balance of cash to be transferred by the Company to the Issuer, of £25,000,000.

In approving the Company's and IrishCo's participation in this indirect investment, the Board and the IrishCo Board have satisfied themselves that the terms of the Transaction are such that this indirect investment will not result in a breach, on a "look-through" basis, of the Investment Policy or any Portfolio Limits.

Accordingly, as this indirect investment in Credit Assets is to be made alongside a third party participant (EIB), the Investment Policy and any Portfolio Limits will be applied to the relevant indirect investments on a pro rata basis, proportionate to the Company's indirect interest in the underlying Credit Assets.

Whilst the borrowing or leverage by the Issuer does not count towards the borrowing limits applicable to the Company (as the Issuer is neither an Affiliate nor a Near Affiliate of the Company), the Board has required that such borrowing or leverage limits are applied indirectly, so that the Company will only hold such principal amount of Class B Notes so as to maintain the aggregate borrowing or leverage of the Company on a “look-through” basis at below 50 per cent.. Accordingly, if insufficient additional capital were to be raised pursuant to the Placing Programme, the Company will seek to promptly dispose of part of the Class B Notes or the economic interests therein to third party investors, so as to comply with such limit.

The risk and return profile of the Company’s investment in (unlevered) Credit Assets will differ from that of the investment in the Class B Notes, which are highly levered.

In addition, the maximum aggregate percentage (by number) of Credit Assets originated on the UK Marketplace which can be randomly allocated to the Company (in respect of the Ordinary Shares and any future C Share issue) and to the Issuer, when measured over each calendar quarter, will be less than 49 per cent..

The Company believes that the Transaction will significantly contribute to the Company achieving its target returns of 8-9 per cent. per annum once the Senior Loan has been fully invested.

Funding Circle has not acted on behalf of the Company or IrishCo in respect of the arrangement or management of the Transaction, nor has it advised on the Transaction. Funding Circle will be acting solely in the capacity of servicer of those Credit Assets which are transferred from IrishCo to the Issuer and those which are funded by advances under the Senior Loan. A representative of Funding Circle UK will also sit on the board of the Issuer.

Further information relating to the Class B Notes and the rights and priorities between EIB and the holders of the Class B Notes is set out in Section C.2 of this document.

B. Supplement to the Summary

B.35	Borrowing limits	While the borrowing of SPVs such as the Issuer (which are neither Affiliates or Near Affiliates of the Company) do not count towards the borrowing limits applicable to the Company, the Board has required that such borrowing limits are applied indirectly.
D.1	Key information on the key risks that are specific to the issuer and its industry	<i>Subordination of Class B Notes to the Senior Loan</i> The Class B Notes are subordinate to the Senior Loan in relation to payment of interest. Further, following the occurrence of an Acceleration Event or a Sequential Trigger Event which is continuing, the Class B Notes will rank subordinate to all payments due in respect of the Senior Loan. No assurance can be given in relation to the return on the Class B Notes. <i>The Class B Notes constitute limited recourse obligations of the Issuer</i> The Class B Notes constitute limited recourse obligations of the Issuer. Other than as described in Section C.2, the Issuer is not expected to have any other funds available to it to meet its obligations under the Class B Notes. Upon enforcement of the security over the Charged Assets (as defined in Section C.2) in favour of the Secured Parties, if certain circumstances exist (as further described in Section C.2) then the Secured Parties shall have no further claim against the Issuer or its directors, shareholders, officers or successors in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be extinguished. The holders of the Class B Notes shall not be entitled to proceed

		directly against the Issuer or any other party to enforce the performance of any of the terms and conditions of Class B Notes and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer other than in certain limited circumstances, including (whilst the Senior Loan is still outstanding) with the consent of EIB or where certain insolvency events have occurred in respect of the Issuer. <i>Risks in relation to the disposal of the Class B Notes</i> There is a risk that the Company may be unable to dispose of Class B Notes or the economic interests therein to third party investors. In particular, there is currently a limited secondary market for the Class B Notes and no assurance can be given that an active and liquid secondary market for the Class B Notes will develop. None of the Class B Notes have been, or will be, registered under the United States Securities Act of 1933 or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set out in the Transaction Documents (as defined in Section C.2). Certain terms of the Class B Notes (such as their denomination and the fact that the Class B Notes may not be compliant with EU or US risk retention rules) also limit the type of investor permitted to acquire the Class B Notes and therefore their liquidity. To the extent that a secondary market exists or develops, it may not continue for the life of the Class B Notes. <i>Rate risk</i> The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the SME Loans and the rate of interest payable in respect of the Senior Loan and the Class B Notes. As at the date on which the Transaction was entered into (the “Transaction Closing Date”), the Issuer had not entered into any interest rate swap or other hedging transaction in relation to SME Loans, and as a result as at the Transaction closing date there was no hedge in respect of the risk of any such mismatch which in turn may result in insufficient funds being made available to the Issuer for it to meet its obligations to pay interest to EIB under the Senior Loan and/or the holders of the Class B Notes.
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C. Additional Information

1. Responsibility

The Company, whose registered office address appears below, and the Directors, whose names appear below, accept responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplementary Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Directors are:

Richard Boleat
Richard Burwood
Jonathan Bridel
Frederic Hervouet
Samir Desai

The registered office of the Company is:

Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WG.

2. Summary of the principal terms of the Class B Notes and the priority of rights between EIB and the holders of Class B Notes

The following is a summary of the principal terms of the Class B Notes in the context of the Transaction pursuant to: (i) a subscription agreement between the Issuer and the Company under which (amongst other things) the Company has subscribed for the Class B Notes (the “**Subscription Agreement**”); and (ii) certain other related agreements, including (a) a finance contract between the Issuer and EIB under which (amongst other things) EIB has agreed to provide £100,000,000 of credit to the Issuer (the “**Finance Contract**”), (b) an intercreditor agreement between EIB, the Company, the Issuer and the Cash Manager (the “**Intercreditor Agreement**”) setting out the rights and priorities between EIB and the holders of the Class B Notes, (c) a SME loan sale and assignment agreement between IrishCo, the Issuer, the Cash Manager and Funding Circle UK under which IrishCo agreed to sell certain Credit Assets to the Issuer as referred to in Section A above (the “**SME Loan Sale and Assignment Agreement**”), (d) a cash management agreement between the Cash Manager and the Issuer under which the Cash Manager has agreed to provide certain cash management services to the Issuer in relation to the Transaction (the “**Cash Management Agreement**”) and (e) a master definitions agreement between, amongst others, the Issuer, EIB, the Company and the Cash Manager setting out definitions used in the above documents, each such document being dated 16 June 2016 (together the “**Transaction Documents**”). The principal parties to the Transaction Documents have also entered into origination and servicing agreements, the substantive terms of which are similar to those contained in the Origination Agreements and the Servicing Agreements.

(A) Form and Status

Pursuant to the terms of the Subscription Agreement, the Issuer has issued the Class B Notes to the Company. The Class B Notes are in registered form and are represented by note certificates.

The Issuer has used the subscription price of the Class B Notes (being £25,000,000) to purchase, pursuant to the SME Loan Sale and Assignment Agreement, an agreed list of Credit Assets originated by Funding Circle UK in the UK from IrishCo which satisfy the concentration limits and eligibility criteria referred to in Section A of this document. Pursuant to the SME Loan Sale and Assignment Agreement, IrishCo will transfer to the Issuer, Credit Assets with a value (based on the aggregate outstanding amount of principal and accrued but unpaid interest in respect of such Credit Assets) (the “**Current Value**”) of or about (but no more than) £25,000,000. Under the terms of the netting letter, the principal amount outstanding of the Note held by the Company shall be written down by the Current Value (in consideration for the IrishCo's transfer of the Credit Assets to the Issuer) and the Company shall transfer to the Issuer a small balance of cash (the “**Additional Cash Amount**”) equal to the greater of (i) £25,000,000 minus the Current Value, and (ii) zero. The transfer of the Credit Assets and the Additional Cash Amount to the Issuer shall be made in lieu of the Company paying an amount in cash equal to £25,000,000 to the Issuer in respect of the subscription price of the Class B Note.

Each of IrishCo and Funding Circle UK have provided certain asset warranties in respect of the Credit Assets transferred by it to the Issuer under the SME Loan Sale and Assignment Agreement in respect of the origination, assignment and other characteristics of the SME Loans. IrishCo, or Funding Circle UK (or an affiliate thereof) on IrishCo's behalf, shall be liable to repurchase any Credit Assets which do not comply with the asset warranties at the time of transfer. Certain indemnities have also been given to the Issuer by IrishCo in respect of Credit Assets sold by it under the SME Loan Sale and Assignment Agreement. If IrishCo is required to repurchase any Credit Asset sold by it to the Issuer under the SME Loan Sale and Assignment Agreement, or is required to make a payment to the Issuer in respect of any indemnity given by it under the SME Loan Sale and Assignment Agreement, this will reduce the funds available to IrishCo to make payments to the Company under the Note.

(B) Interest

Interest shall accrue on the Class B Notes at a fixed rate of 20 per cent. per annum. Subject to there being no Acceleration Event prior to a relevant Payment Date (as described below) and subject to payment by the Issuer of all other prior ranking amounts (including payment of certain taxes, commitment and arrangement fees, administrative expenses, interest due on the Senior Loan, payments of amounts to meet losses on the Senior Loan and payment of the prescribed amount into a reserve account as liquidity support in respect of the Senior Loan and senior

expenses), interest shall be payable on the Class B Notes in respect of each Interest Period (as defined in the Subscription Agreement) on a Payment Date (other than the First Payment Date). Each Interest Period shall run from (and include) a Payment Date to (but excluding) the immediately following Payment Date (or any redemption date), other than the first Interest Period, which shall commence on (and include) the Closing Date and end on (and exclude) the Payment Date falling on 11 August. During the Availability Period, Payment Dates shall fall on the 11th day of each calendar month. After such period, Payment Dates shall fall quarterly on 25 January, 25 April, 25 July and 25 October in each year. If a Payment Date is not a Business Day, payment shall be made on the next succeeding day which is a Business Day. Following an Acceleration Event, interest on the Class B Notes shall be paid as described in paragraphs (E) and (G) of this Section C.2. Amounts which have been applied by the Issuer pursuant to the priorities of payments set out in the Cash Management Agreement which are remaining on any Payment Date after paying interest and principal on the Class B Notes and any prior ranking amounts, shall be credited into a segregated account of the Issuer. Following the Reinvestment Period (as defined in paragraph (C) of this Section 2)) and providing certain criteria are met, amounts credited to such account will be paid to Funding Circle UK on each Payment Date as a performance-based servicing fee in accordance with the Transaction Documents. Following enforcement of the security, any amount credited to such account after payment of all prior ranking amounts shall be paid to the EIB as a deferred arrangement fee.

(C) **Redemption**

Unless previously redeemed, purchased or cancelled, the Class B Notes will be redeemed on 16 June 2023.

Subject to no Acceleration Event and no Sequential Trigger Event (which is continuing) (as described in more detail in paragraph (F) of this Section C.2) having occurred on or prior to the relevant Payment Date, on each Payment Date amounts equal to the proceeds of the SME loans originated on the UK Marketplace and allocated to the Issuer (the **"SME Loans"**) received during the immediately preceding collection period, excluding (i) any interest received in respect of such SME Loans, other than that applied to meet any losses on the Class B Notes on such Payment Date, and (ii) any amounts reinvested in SME Loans by the Issuer, in each case, during the relevant collection period) (the **"Available Capital Receipts"**) shall be applied in repaying on a *pro rata* and *pari passu* basis the Senior Loan and redeeming the Class B Notes. The Issuer shall reinvest receipts it receives on the SME Loans during the reinvestment period (which shall run from 16 June 2016 to 16 June 2018, being the second anniversary of the Transaction closing date) (or, if earlier, the date on which any Acceleration Event occurs or certain SME Loan delinquency triggers are breached) (the **"Reinvestment Period"**) in new Credit Assets and, as such, any such amounts will not be available for repaying the Senior Loan and Class B Notes as described above. Any amounts drawn down under the Senior Loan but not applied to originate SME Loans within the Availability Period shall be repaid on the next following Payment Date.

The Issuer may (subject to limited conditions) opt to prepay the Senior Loan (in whole or in part) on any Payment Date. The Senior Loan will also be subject to compulsory prepayment (in whole or in part, as specified in the Finance Contract) upon the occurrence of certain illegality events, Acceleration Events and, if on any Payment Date falling after the end of the Availability Period, the amount outstanding under the Senior Loan, together with any prior ranking amounts, is equal to or less than the amounts standing to the credit of the reserve account.

Subject, inter alia, to all liabilities due to EIB pursuant to the Finance Contract having been fully and fairly discharged to the satisfaction of EIB, the Issuer may redeem the Class B Notes in whole or part on any Payment Date by giving not less than 5, nor more than 10, days' notice to the Company. In such circumstances the redemption will be at a price equal to 100 per cent of the principal amount of the Class B Notes together with interest accrued to the relevant Payment Date.

Subject to certain conditions, if the Issuer (or the security trustee on its behalf) is required to dispose of any SME Loans in accordance with the Transaction Documents, the holders of the Class B Notes or its nominee shall have the right to purchase such SME Loans at the disposal price (and on substantially the same terms) as the pricing (and terms) at which the Issuer (or the security trustee, as the case may be) intends to dispose of the asset to a bona fide potential purchaser.

(D) Events of default

Subject to the terms of the Intercreditor Agreement (which limits the rights of the holders of the Class B Notes to enforce their rights under the Transaction Documents whilst the Senior Loan is outstanding), on an Event of Default (as defined below) the Company may declare the Class B Notes (together with accrued interest and other amounts accrued or outstanding) to be immediately due and payable and exercise its rights under the Subscription Agreement, including enforcing security in relation to the same. The following, amongst other things, are events of default under the Subscription Agreement (together, “**Events of Default**”):

- (1) the Issuer fails to pay any amount due under the Subscription Agreement on the due date, unless (i) such default is as a result of certain disruption events (including, but not limited to, a material disruption to relevant payment and communication systems) and (ii) payment is made within 3 Business Days of its due date;
- (2) the Issuer fails to perform or observe any other term of the Subscription Agreement in any material respect and such failure remains un-remedied for 20 Business Days after the date on which the Issuer has knowledge of such failure or is otherwise notified of the same in writing;
- (3) the Issuer is in material breach of any representation or warranty given by it to the Company under the Subscription Agreement or any information or report delivered by it pursuant to the Subscription Agreement proves to be incorrect or untrue in any material respect when delivered and continues to be incorrect or untrue for 7 Business Days after the date on which the Issuer becomes aware thereof;
- (4) it becomes unlawful for the Issuer to perform any of its obligations under the Subscription Agreement or the other Transaction Documents or the Subscription Agreement or the other Transaction Documents are not effective in accordance with their terms;
- (5) if a servicing termination event occurs and a replacement servicer approved by EIB is not appointed on substantially similar terms to the existing Servicing Agreement within 45 days;
- (6) certain insolvency events occur in relation to the Issuer; or
- (7) the validity of the Subscription Agreement or any other Transaction Document (or any part thereof) or the security is contested, terminated or set aside or any Transaction Document (or any part thereof) is repudiated or rescinded.

(E) Priority of Payments following an Acceleration Event

In the event of an Acceleration Event, on each Payment Date (and subject to payment of any prior ranking amounts) amounts payable under the Senior Loan and the Class B Notes shall be paid in the following order of priority:

- (1) To pay interest due and payable under the Senior Loan;
- (2) To repay principal on the Senior Loan until the Senior Loan is repaid in full;
- (3) To pay interest due and payable on the Class B Notes; and
- (4) To repay principal on the Class B Notes until the Class B Notes are repaid in full.

An Acceleration Event comprises any of the following circumstances, events or occurrences:

- (1) If on certain quarterly dates the percentage ratio computed by (i) dividing the aggregate principal amount of all SME Loans which at that time are Distressed Loans (as defined in the Master Definitions Agreement) by (ii) the higher of £50 million and the aggregate principal amount of all SME Loans on the date of the advance of such loans is greater than 20%;
- (2) If there is a material breach of the origination agreement by Funding Circle UK and such breach is, in the opinion of EIB, incapable of remedy or being a breach which is, in the opinion of EIB, capable of remedy, but remains unremedied for an agreed period after EIB has given written notice of such default to Funding Circle UK; or
- (3) The occurrence of a standard set of events of default under the Finance Contract.

(F) Sequential Trigger Events

Following the occurrence of a “**Sequential Trigger Event**” which is continuing, on each Payment Date an amount equal to the Available Capital Receipts shall be applied first in repaying the Senior Loan until the Senior Loan is repaid in full and second to redeem the Class B Notes until the Class B Notes are redeemed in full.

“**Sequential Trigger Events**” include (i) the failure of the SME Loans to achieve certain prescribed performance ratios, (ii) the principal amount under the Senior Loan falling below £10,000,000 on certain quarterly dates following the end of the Reinvestment Period, (iii) the ratio of available interest receipts to be applied by the Issuer pursuant to an interest priority of payments on a Payment Date falling after the Reinvestment Period to the amount of interest payable on the Senior Loan on such Payment Date falling below 3:1; and (iv) the principal amount outstanding under the Senior Loan is greater than the aggregate principal balance of the SME Loans on certain quarterly dates falling after the Reinvestment Period.

(G) Ranking and priority

The Class B Notes constitute direct, secured and (subject to the limited recourse provisions described below) unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority among themselves in relation to payment of interest and principal at all times but subordinate to the Senior Loan in relation to payment of interest. The Class B Notes rank *pari passu* to payments of principal on the Senior Loan, provided that following the occurrence of an Acceleration Event or a Sequential Trigger Event (which is continuing), the Class B Notes will rank subordinate to all payments due in respect of the Senior Loan.

Payments of all liabilities owed by the Issuer to EIB and holders of Class B Notes shall be made by the Cash Manager in accordance with the Cash Management Agreement. Those payments are summarised above in paragraphs (B), (C), (E) and (F) of this Section C.2.

(H) Enforcement of security

The Class B Notes are limited recourse obligations of the Issuer. Other than receipts from the underlying Credit Assets, interest earned on accounts of the Issuer and the availability of certain reserve funds, the Issuer is not expected to have any other funds available to it to meet its obligations under the Class B Notes. Upon enforcement of the security created by the Issuer over its assets (the “**Charged Assets**”) in favour of certain secured parties (including EIB and the holders of the Class B Notes) (the “**Secured Parties**”), if:

- (1) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (2) all amounts available from the Charged Assets have been applied to meet or provide for the secured obligations of the Issuer; and
- (3) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with certain priorities of payments, the Issuer's secured obligations (including payments of principal and interest on the Class B Notes),

then the Secured Parties shall have no further claim against the Issuer or its directors, shareholders, officers or successors in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be extinguished.

The Class B Noteholders shall not be entitled to proceed directly against the Issuer or any other party to enforce the performance of any of the terms and conditions of Class B Notes and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer other than in certain limited circumstances, including (whilst the Senior Loan is still outstanding) with the consent of EIB or where certain insolvency events have occurred in respect of the Issuer.

(I) Representations and Warranties

Customary representations, warranties and covenants have been given by the Issuer to the Company and by the Company to the Issuer in the Subscription Agreement, in each case, as at 16 June 2016.

3. Risk Factors

Subordination of Class B Notes to the Senior Loan

The Class B Notes are subordinate to the Senior Loan in relation to payment of interest. Further, following the occurrence of an Acceleration Event or a Sequential Trigger Event (which is continuing), the Class B Notes will rank subordinate to all payments due in respect of the Senior Loan. No assurance can be given in relation to the return on the Class B Notes.

The Class B Notes constitute limited recourse obligations of the Issuer

The Class B Notes constitute limited recourse obligations of the Issuer. Other than as described in this Section C.2, the Issuer is not expected to have any other funds available to it to meet its obligations under the Class B Notes. Upon enforcement of the security over the Charged Assets in favour of the Secured Parties, if certain circumstances exist (as further described in this Section C.2) then the Secured Parties shall have no further claim against the Issuer or its directors, shareholders, officers or successors in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be extinguished.

The holders of the Class B Notes shall not be entitled to proceed directly against the Issuer or any other party to enforce the performance of any of the terms and conditions of Class B Notes and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer other than in certain limited circumstances, including (whilst the Senior Loan is still outstanding) with the consent of EIB or where certain insolvency events have occurred in respect of the Issuer.

Risks in relation to the disposal of the Class B Notes

There is a risk that the Company may be unable to dispose of Class B Notes or the economic interests therein to third party investors. In particular, there is currently a limited secondary market for the Class B Notes and no assurance can be given that an active and liquid secondary market for the Class B Notes will develop. None of the Class B Notes have been, or will be, registered under the United States Securities Act of 1933 or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set out in the Transaction Documents. Certain terms of the Class B Notes (such as their denomination and the fact that the Class B Notes are not compliant with EU or US risk retention rules)

also limit the type of investor permitted to acquire the Class B Notes and therefore their liquidity. To the extent that a secondary market exists or develops, it may not continue for the life of the Class B Notes.

Rate risk

The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the SME Loans and the rate of interest payable in respect of the Senior Loan and the Class B Notes. As at the Transaction Closing Date, the Issuer has not entered into any interest rate swap or other hedging transaction in relation to SME Loans, and as a result there is no hedge in respect of the risk of any such mismatch which in turn may result in insufficient funds being made available to the Issuer for it to meet its obligations to pay interest to EIB under the Senior Loan and/or the holders of the Class B Notes.

4. Documents available for inspection

Copies of this Supplementary Prospectus and the Prospectus are available for inspection on the Company's website www.fcincomefund.com and, until the closing of the Share Issuance Programme, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's registered office and at the offices of Simmons & Simmons LLP.

5. Definitions

Words or expressions defined in the Prospectus shall have the same meaning when used in this Supplementary Prospectus unless the context requires otherwise.

6. General

To the extent that there is any inconsistency between any statement in, or incorporated by reference in this Supplementary Prospectus and any other statement in or incorporated by reference in the Prospectus, the statements in, or incorporated by reference in, this Supplementary Prospectus shall prevail.

Save as disclosed in this Supplementary Prospectus, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

20 June 2016