

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the contents of this document or the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate professional adviser authorised under the Financial Services and Markets Act 2000 or, if you are not in the United Kingdom, another appropriately authorised professional adviser. If you receive this circular in any country or jurisdiction outside the United Kingdom, you may not treat it as an invitation to elect to receive Scrip Shares (as defined below) unless such an invitation could lawfully be made to you without Funding Circle SME Income Fund Limited (the Company) being required to comply with any registration or other legal requirements.

If you have sold or transferred all of your ordinary shares in the Company (the **Shares**) prior to 30 December 2016 (the **Record Date**), please forward this document together with the scrip election form enclosed (the **Scrip Election Form**) without delay to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected.

If you have sold or transferred only part of your holding of Shares in the Company prior to the Record Date, or if you have purchased additional Shares in the Company prior to the Record Date, but that sale, purchase or transfer has not been reflected in the number shown in Box 1 on the Scrip Election Form, you should contact your stockbroker, bank or other agent through whom the purchase, sale or transfer was made without delay for advice as to how this circular and the Scrip Election Form should be dealt with.

FUNDING CIRCLE SME INCOME FUND LIMITED

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

Scrip Dividend Mandate Scheme

and

Offer of a Scrip Dividend Alternative to the

Proposed Dividend for the period 1 October 2016 to 31 December 2016

If you wish to receive the dividend for the period 1 October 2016 to 31 December 2016 in cash on the whole of your holding of Shares, you should take no action.

This circular sets out the rationale and process for offering holders of Shares (the **Shareholders**) the opportunity to elect to receive new Shares (the **Scrip Shares**) instead of cash, in respect of the proposed dividend for the period 1 October 2016 to 31 December 2016 (the **Scrip Dividend Alternative**) and, if you hold certificates for your shares on an ongoing basis in respect of future dividends when a Scrip Dividend Alternative is offered in respect of dividends (if any).

If you hold share certificates for your Shares and wish to choose the Scrip Dividend Alternative in respect of all or some of your Shares, please complete the enclosed Scrip Election Form and return it as soon as possible, but in any case in order to reach the Company's receiving agent, Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (the **Receiving Agent**), no later than 5.00pm on 18 January 2017. If your Scrip Election Form has not been received by the Receiving Agent by 5.00pm on 18 January 2017, the full cash dividend entitlement will be paid in respect of all the Shares for which you hold share certificates.

If you wish to elect to receive new Shares for all future dividends where a scrip dividend alternative is offered in respect of dividends made to Shareholders in respect of all the Shares for which you hold share certificates, you should mark Box 3 of the Scrip Election Form with a cross.

Alternatively, Shareholders who hold share certificates for Shares may make a standing election to receive all future dividends where a scrip dividend alternative is offered in respect of all of the Shares they hold, by completing an election online at: www.capitashareportal.com.

If you hold your Shares in CREST please refer to paragraph 7 of the Appendix of this circular.

If the Company's directors decide not to offer a scrip dividend alternative in respect of any dividend in relation to any future dividend, a cash dividend will be paid to you in the usual way.

4 January 2017

Expected Timetable of Events

Shares quoted ex dividend (the Ex-Dividend Date)	29 December 2016
Record date for the dividend for the period 1 October 2016 to 31 December 2016 and for Scrip Dividend Alternative entitlements (the Record Date)	30 December 2016
Final time and date for receipt of Scrip Election Forms* and Dividend Election Input Messages (as defined in the CREST Manual) in CREST	5.00pm on 18 January 2017
Posting of cheques for payment of cash dividends	30 January 2017
Dispatch of certificates for Scrip Shares that are held in certificated form	31 January 2017
Dividend payment: cash dividends credited to bank accounts where instructed and (where applicable) CREST accounts credited with Scrip Shares	31 January 2017
Expected date for admission of new Scrip Shares to the Official List and to trading on the main market of the London Stock Exchange	31 January 2017

References to times in this document are to times in London unless otherwise stated.

These times and dates are indicative only. The above times and/or dates may be subject to change and, in the event of such change, the revised times and/or dates will be notified to Shareholders by an announcement through a regulatory information service.

* Unless you have previously validly completed Scrip Dividend Mandate

FUNDING CIRCLE SME INCOME FUND LIMITED

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

Registered office:

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

4 January 2017

To holders of Shares in the Company

Dear Shareholder

SCRIP DIVIDEND MANDATE AND SCRIP DIVIDEND ALTERNATIVE

Introduction

On 15 December 2016 your Board declared a dividend covering the period 1 October 2016 to 31 December 2016 of 1.625 pence per Share (the **Quarter Dividend**).

The Board intends to offer a scrip dividend alternative to the Quarter Dividend so that Shareholders can elect to receive Scrip Shares instead of a cash dividend. The Quarter Dividend is available to all Shareholders who have Shares registered in their names as at the close of business on the Record Date. This circular explains how Shareholders can take up the Scrip Dividend Alternative in respect of the Quarter Dividend and, if they hold certificates for Shares and they have not previously validly completed a Scrip Dividend Mandate (as defined below) elect to receive new Scrip Shares instead of cash dividends in respect of future dividends when a scrip dividend alternative is offered to Shareholders.

The Board believes that the ability for Shareholders to elect to receive dividends from the Company wholly or partly in the form of Scrip Shares rather than cash is likely to benefit both the Company and the Shareholders. If Shareholders do elect to receive Scrip Shares, the Company will benefit from the ability to retain the cash which would otherwise have been paid out as dividends. Shareholders can also increase their shareholdings in the Company without incurring dealing costs or paying stamp duty reserve tax.

Scrip dividends

In accordance with the articles of incorporation of the Company (the **Articles**), the Company is authorised to offer Shareholders the opportunity to elect to receive Scrip Shares instead of cash, in respect of dividends. Accordingly, the Company is offering Shareholders, in respect of Shares registered in their name at the Record Date, the opportunity to elect to receive Scrip Shares instead of cash, in respect of the Quarter Dividend and for future dividends where a scrip dividend alternative is offered.

The Scrip Dividend Alternative is conditional on: (a) the listing of the Scrip Shares on the premium segment of the Official List of the UKLA; (b) admission of the Scrip Shares to trading on the London Stock Exchange's main market for listed securities; (c) the Board not deciding to revoke their decision to offer Scrip Shares; and (d) the Board remaining satisfied on reasonable grounds that the Company will, immediately after issuing the Scrip Shares, satisfy the solvency test pursuant to section 304, and as set out in section 527, of The Companies (Guernsey) Law, 2008, as amended (the **Companies Law**) and the Board being satisfied that the Company will comply or be able to

comply with the general requirements of the Companies Law and the Articles in connection with the issue of any Scrip Shares.

Action to be taken

Non-CREST Shareholders

If you are a Shareholder and hold share certificates for your Shares, in order to elect to receive Scrip Shares in relation to all or part of your dividend entitlement you will need to complete the enclosed Scrip Election Form. Your validly completed Scrip Election Form must be received by the Receiving Agent by no later than 5.00pm on 18 January 2017. If it has not been received by then, you will receive the full cash dividend entitlement in respect of all of your Shares.

You can also give a standing election to receive not only the Quarter Dividend, but also all dividends declared by the Company in the future where the Board decides to offer a scrip dividend alternative, in the form of new Shares in respect of your entire shareholding (a **Scrip Dividend Mandate**). Scrip Dividend Mandates made using the Scrip Election Form accompanying this circular will only be valid in respect of scrip dividend alternatives offered in respect of dividends made to holders of ordinary shares in the Company. If you make this election, the Company will write to you each time the Board offers a scrip dividend alternative in the form of new ordinary shares, advising you of the basis of your entitlement to Scrip Shares. Alternatively Scrip Dividend Mandates can be made online via www.capitashareportal.com.

If you have previously validly completed a Scrip Dividend Mandate, you need take no further action in respect of the Scrip Dividend Alternative.

CREST Shareholders

If you are a Shareholder holding your Shares in CREST and wish to receive Scrip Shares in respect of all or some of your dividend entitlement, you should submit a Dividend Election Input Message (as defined in the CREST Manual) by 5.00pm on 18 January 2017. Unfortunately it is not possible for CREST Shareholders to make a standing election. However, the Company will write to all eligible Shareholders each time a dividend is declared and the Board decides to offer a scrip dividend alternative and you will have the opportunity to elect to receive that dividend in the form of Scrip Shares where a scrip dividend alternative is offered.

If you do not wish to receive any Scrip Shares

If you would like to receive the Quarter Dividend in cash in respect of all of your dividend entitlement, you should take no action and need not respond to this circular. Your dividend will be paid to you in on the dividend payment date (on page 3 of this circular). This will not prevent you from choosing to receive future dividends in the form of Scrip Shares where a scrip dividend alternative is offered, subject to applicable regulatory requirements at the time.

Full details of what you need to do in response to this circular are set out in the Appendix of this circular and you are reminded to take professional advice from an appropriately qualified person.

The Appendix also provides more information on the Scrip Dividend Alternative and Scrip Dividend Mandate and contains a summary as at the date of this circular of some of the UK taxation consequences of receiving Scrip Shares.

Yours faithfully

Richard Boléat
Chairman

THE APPENDIX

TERMS AND CONDITIONS AND FURTHER INFORMATION

1. Terms of Election

Shareholders with Shares registered in their names at the close of business on the Record Date may elect to receive all or part of their entitlement to the Quarter Dividend in the form of Scrip Shares credited as fully paid, instead of in cash.

No fraction of a Scrip Share can be issued and the cash representing any fractional entitlement to a Scrip Share will be dealt with as described in paragraph 4 below. All elections will be subject to fulfilment of the conditions specified in paragraph 2 below. If the conditions are not satisfied, an election will automatically become void and Shareholders will receive the dividend in cash in the usual way.

The entitlement to receive Scrip Shares under the Scrip Dividend Alternative and the Scrip Dividend Mandate is personal and non-transferable.

The Scrip Dividend Alternative election may be made by a Shareholder in respect of all or part of the holding of Shares registered in their name at the close of business on the Record Date.

If the Board decides to offer Scrip Shares instead of any cash dividend in the future you will be informed separately and further scrip election forms will be sent to you unless you have validly made, and not elected to revoke or had cancelled by the Company, a Scrip Dividend Mandate (as described in paragraph 6 below), in which case a notice detailing the basis of your entitlement to Scrip Shares and any residual cash balance will be sent to you instead.

By validly executing the Scrip Election Form, Shareholders are deemed to accept the terms and conditions of the Scrip Dividend Alternative detailed herein and (if they have validly completed the Scrip Dividend Mandate) future scrip dividend alternatives to which the Scrip Dividend Mandate applies.

2. Conditions

The Scrip Dividend Alternative is conditional on:

- (a) listing of the Scrip Shares on the premium segment of the Official List of the UKLA (see paragraph 10 below);
- (b) admission of the Scrip Shares to trading on the London Stock Exchange's main market for listed securities;
- (c) the Board not revoking their decision to offer Scrip Shares instead of cash; and
- (d) the Board remaining satisfied, on reasonable grounds, that the Company will, immediately after issuing the Scrip Shares, satisfy the solvency test pursuant to section 304, and as set out in section 527, of the Companies Law and the Board being satisfied that the Company will comply or be able to comply with the general requirements of the Companies Law and the Articles in connection with the issue of any Scrip Shares.

The Board has the power to revoke its decision to offer Scrip Shares instead of a full cash dividend at any time up to 5.00pm on 18 January 2017. It is envisaged that the Board would only revoke this decision if there is a change in market conditions, a significant fall in the price of the Shares, or an event occurs that in the Board's opinion would materially impact the net asset value of the Company, such that the Board considers that the Scrip Dividend Alternative would be substantially less beneficial to Shareholders accepting the offer or that it would breach applicable regulatory requirements.

3. **Basis of Entitlement**

Each Shareholder's entitlement to Scrip Shares under the Scrip Dividend Alternative in respect of the Quarter Dividend is based on a price for each Scrip Share, being the higher of (i) the prevailing average of the middle market quotations of the Shares derived from the Daily Official List of the London Stock Exchange for the Ex-Dividend Date and the four subsequent dealing days and (ii) the prevailing net asset value per Share (the **Reference Share Price**).

The formulae used for calculating the maximum Scrip Share entitlement are as follows:

$$\begin{array}{l} \text{Number of Shares held} \\ \text{at the Record Date} \end{array} \quad \times \quad \text{Dividend per Share} \quad = \quad \begin{array}{l} \text{Aggregate dividend} \\ \text{available for scrip election} \end{array}$$

AND

$$\frac{\text{Aggregate dividend available for scrip election}}{\text{Reference Share Price}} = \text{Number of Scrip Shares (rounded down to the nearest whole number - see paragraph 4 below)}$$

The final Reference Share Price will be communicated to Shareholders via a regulatory news announcement on or about 6 January 2017 to enable Shareholders to calculate their individual Scrip Dividend entitlement. Details will also be included within that announcement of the total number of Scrip Shares which would be issued if all Shareholders were to elect to receive Scrip Shares instead of cash in respect of their entire holdings, together with the percentage of the issued ordinary share capital of the Company as at the date of this circular which such number would represent.

4. **Fractional Entitlements**

Fractions of Scrip Shares will not be issued. Any residual cash amount representing a fraction of a Scrip Share arising as a result of an election for the Scrip Dividend Alternative in respect of all or part of a holding will never exceed the value of one Share at the Reference Share Price. Rather than incur the administration and cost of paying any such small amounts to individual Shareholders, any such residual cash amount will be retained by the Company in accordance with its Articles and it will not be carried forward to any later dividends that are declared and become payable.

5. **Non-CREST Shareholders: How to make the election for the Scrip Dividend Alternative**

Note: this paragraph 5 applies only to Non-CREST Shareholders, that is, Shareholders who hold share certificates for their Shares.

5.1 *To receive your full entitlement to Scrip Shares*

To receive the maximum number of Scrip Shares to which you are entitled, sign, date and post the enclosed Scrip Election Form so as to reach the Receiving Agent by no later than 5.00pm on 18 January 2017.

If you would like to take Scrip Shares on this occasion but would like to consider your options each time a Scrip Dividend Alternative is made available, then you should sign, date and post the Scrip Election Form but **not** mark Box 3 with a cross. If, however, you also wish to elect for the maximum number of Scrip Shares receivable in respect of each future dividend when a Scrip Dividend Alternative is offered, you should mark Box 3 on the Scrip Election Form with a cross (and see further paragraph 6 below); alternatively, you may elect for this option online via www.capitashareportal.com.

5.2 *To receive a combination of Scrip Shares and cash*

To receive your dividend as a combination of Scrip Shares and cash, insert in Box 2 on the enclosed Scrip Election Form the exact number of Shares of your existing holding in respect of which you wish to elect to receive Scrip Shares instead of the full cash dividend, then sign, date and post the Scrip Election Form so as to reach the Receiving Agent by no later than 5.00pm on 18 January 2017. If on the Scrip Election Form you do not specify in Box 2 the number of Shares in respect of which you

are making your election, or if you make the election in respect of a greater number of Shares than shown in Box 1 on the form, your election will be deemed to be in respect of all the Shares shown in Box 1.

5.3 *To receive the full dividend in cash*

To receive the full amount of the dividend in cash, take no action. Your dividend will be paid in cash in the usual way.

6. **Non-CREST Shareholders: How to make the election for the Scrip Dividend Mandate**

Note: this paragraph 6 applies only to Non-CREST Shareholders, that is, Shareholders who hold share certificates for their Shares.

To receive your maximum entitlement to Scrip Shares for the Quarter Dividend and all future dividends when a scrip dividend alternative is offered in respect of dividends made to holders of ordinary shares and, you have not previously validly completed a Scrip Dividend Mandate, mark Box 3 on the Scrip Election Form with a cross and sign, date and post the Scrip Election Form so as to reach the Receiving Agent by no later than 5.00pm on 18 January 2017. Box 3 cannot be used to elect for future Scrip Dividend Alternatives if you only wish to elect to receive future dividends in the form of Scrip Shares in respect of part of your holding; alternatively, you may elect for this option online via www.capitashareportal.com.

A Scrip Dividend Mandate, until revoked, instructs the Company to treat you as having elected to take the maximum whole number of Scrip Shares available instead of cash in respect of all future dividends for which a Scrip Dividend Alternative is offered in respect of dividends made to holders of ordinary shares and for which you are eligible. The Scrip Dividend Mandate will apply to your entire holding of Shares on the record date for the relevant dividend. All Shareholders for whom a Scrip Dividend Mandate is in force receive, prior to each dividend payment date, a notice containing details of the basis of their entitlement (if any) to Scrip Shares, which will be calculated in accordance with paragraph 3 above.

The Scrip Dividend Mandate will only apply in respect of any future dividend if the Board decides to offer a Scrip Dividend Alternative in respect of that dividend. If the Board decides not to offer a Scrip Dividend Alternative in respect of any particular dividend, a full cash dividend will be paid in the usual way. Scrip Dividend Mandates made using the Scrip Election Form accompanying this circular will also only be valid in respect of scrip dividend alternatives offered in respect of dividends made to holders of ordinary shares in the Company. If the Board decides to offer a scrip dividend alternative where Shareholders would receive new shares of a different class, Shareholders who wish to make an election in respect of that different class of shares will need to complete a new scrip dividend mandate.

If you acquire or dispose of any Shares (including any Scrip Shares previously issued to you), the Scrip Dividend Mandate will continue to apply (until revoked) to such increased or decreased shareholding. Your Scrip Dividend Mandate may be cancelled by the Company at any time, or by you giving written notice to the Receiving Agent so as to be received before the final time and date for receipt of scrip election forms in respect of the relevant dividend. Your Scrip Dividend Mandate will automatically be revoked if the Company registers a transfer of all your Shares or if the Company receives notice of your death, insolvency, bankruptcy or mental incapacity.

7. **CREST Shareholders: How to make the election for the Scrip Dividend Alternative**

Note: this paragraph 7 applies only to Shareholders who hold their Shares in CREST. Terms defined in the CREST Manual and not re-defined in this circular have the meanings attributed to them in the CREST Manual unless the context otherwise requires.

7.1 *Election for Scrip Shares*

You can only elect to receive your dividend in the form of Scrip Shares by means of CREST procedures to effect such an election. No other form of election will be permitted and if any is received it will be rejected and returned to you. If you are a CREST Personal Member, or other

CREST Sponsored Member, you should consult your CREST sponsor, who will be able to take appropriate action on your behalf.

The CREST procedures require the use of the Dividend Election Input Message in accordance with the CREST Manual. The Dividend Election Input Message submitted must contain the number of Shares on which the election is being made, whether this is all or part of your holding at the Record Date.

An election for a Scrip Dividend Mandate will not be permitted.

The Dividend Election Input Message includes a number of fields which, for a valid election to be made, must be input correctly as indicated below:

- (i) Dividend Election Reference - You must indicate here a reference for the dividend election which is unique to your CREST participant ID;
- (ii) Account ID - If you have more than one member account, you must indicate the member account ID to which the election relates;
- (iii) ISIN - This is GG00BYYJCZ96;
- (iv) Dividend type - You must enter "SCRIP" here;
- (v) Corporate Action - You must enter here the Corporate Action number for the dividend on which your election is being made. A Scrip Dividend Mandate cannot be made;
- (vi) Number of shares - You must enter here the number of Shares over which your election is made whether this is all or part of your holding. If you leave this field blank or enter zero in this field, your election will be rejected. If you enter a number of Shares greater than your holding in CREST on the Record Date, the election will be applied to the total holding in the relevant CREST member account at the Record Date; and
- (vii) Contact details - this field is optional, although you are asked to include contact details in the event of a query relating to your election.

The Company and/or the Receiving Agent reserve the right to treat as valid an election which is not complete in all respects.

By inputting a Dividend Election Input Message as described above, you confirm your election to participate in the Scrip Dividend Alternative in accordance with the details input and the terms and conditions of the Scrip Dividend Alternative as amended from time to time.

There is no facility to amend an election which has been made by Dividend Election Input Message; if you wish to change your election details, you must first cancel the existing election as described below and then input a Dividend Election Input Message with the required new details.

7.2 *Partial elections*

You can elect to receive Scrip Shares over part of your shareholding and receive the balance as a cash dividend.

7.3 *Timing*

If you wish to receive Scrip Shares in respect of some or all of your holding, you must make your election by 5.00pm on 18 January 2017.

7.4 *Cancelling an election*

You may only cancel an election by utilising the CREST procedures for deletions described in the CREST Manual. Your deletion must be received and, in accordance with CREST procedures, accepted by 5.00pm on 18 January 2017 for it to be valid for the Quarter Dividend. It is recommended that

you input any deletion message 24 hours in advance of the above deadline to give the Receiving Agent sufficient time to accept the deletion.

7.5 *Basis of entitlement*

Your entitlement to Scrip Shares is calculated in accordance with paragraph 3 above. Once your Scrip Shares have been issued, an accounting statement will be sent to you showing the number of Scrip Shares issued and the total cash equivalent of the Scrip Shares for tax purposes.

7.6 *Residual cash balance*

If you have elected to receive Scrip Shares in respect of your entire shareholding, then any residual cash balance will be paid to you by cheque as a cash dividend. No fractions of a Scrip Share will be issued.

If you elect to only receive part of your dividend as Scrip Shares, you will receive the balance as a cash dividend.

7.7 *Future dividends*

If you wish to receive Scrip Shares for future dividends where a scrip dividend alternative is offered, you must complete a Dividend Election Input Message on each occasion. If you do not complete a Dividend Election Input Message then you will receive your dividend in cash.

If the Board decides not to offer a scrip dividend alternative in respect of a future dividend, the full cash dividend will be paid to you in the usual way.

8. Shareholders outside the United Kingdom

If you receive this letter in any country or jurisdiction outside the United Kingdom you may not treat it as an invitation to elect to receive Scrip Shares unless such an invitation could lawfully be made to you without the Company being required to comply with any registration or other legal requirements.

It is the responsibility of any person resident outside the UK wishing to elect to receive Scrip Shares, either in respect of the Quarter Dividend or (by way of a Scrip Dividend Mandate) on each occasion that a scrip dividend alternative is being offered by the Company, to be satisfied as to full observance of the laws of the relevant territory, including obtaining any government or other consents which may be required and observing any other formalities in such territories.

9. What to do if you have more than one registered holding

If for any reason your Shares are, on the Record Date, registered in more than one holding and as a result you have received more than one Scrip Election Form then, unless you are able to make arrangements with the Company's registrar to have your holdings consolidated before 5.00pm on 18 January 2017, they will be treated for all purposes as separate and you should complete separate Scrip Election Forms (including separate Scrip Dividend Mandates) or, in the case of holdings in CREST, separate Dividend Election Input Messages accordingly.

10. Listing and Ranking of the Scrip Shares

Application will be made to the UKLA for admission of the Scrip Shares to the premium segment of the Official List and to the London Stock Exchange for admission of the Scrip Shares to trading on the main market of the London Stock Exchange.

The Scrip Shares will on issue be credited as fully paid and will rank *pari passu* in all respects with the existing Shares, except for participation in the Quarter Dividend, and will rank *pari passu* for all future dividends.

11. General

The Scrip Dividend Alternative is subject to the Articles and the terms and conditions in this circular.

No acknowledgement of Scrip Election Forms, Scrip Dividend Mandates or Dividend Election Input Messages will be issued.

Subject to satisfaction of the conditions set out in this circular, definitive share certificates for the Scrip Shares held outside CREST will be posted, at the risk of the persons entitled thereto, on 31 January 2017, while CREST members should have their accounts credited on 31 January 2017.

Dealings in the Scrip Shares are expected to begin on 31 January 2017. In the unlikely event that the UKLA does not agree before 31 January 2017 to admit the Scrip Shares to the premium segment of the Official List, or if any of the other conditions for the Scrip Dividend Alternative in paragraph 2 are not satisfied, Scrip Election Forms and Dividend Election Input Messages will be disregarded and the Company will pay the Quarter Dividend in cash in the usual way as soon as practicable on or after 31 January 2017.

If all Shareholders were to decide to receive the Quarter Dividend in cash (ignoring any dividend waivers) the total cash dividend payable by the Company would be approximately £2,670,861.

As at the date of this circular the Company may issue an unlimited number of shares, including ordinary shares of no par value, of which 164,360,698 ordinary shares were in issue.

Further copies of this circular and/or Scrip Election Forms may be obtained free of charge during normal business hours from any of the following:

*Capita Asset Services
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU*

Shareholder Helpline: 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales up to and including 18 January 2017. All enquiries in respect of the Scrip Dividend Alternative and Scrip Dividend Mandate should be addressed to the Receiving Agent, Capita Asset Services. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

The Company's Prospectus, latest Company Factsheet and Annual Report are available on the Company's website at www.fcincomefund.com.

12. United Kingdom Taxation of the Scrip Dividend Alternative

The following is a general summary of the UK tax consequences of electing to receive Shares under the Scrip Dividend Alternative instead of a cash dividend and is based on current UK law and HMRC practice as at the date of this circular (which are subject to change possibly with retrospective effect). It applies only to UK-resident Shareholders who are the beneficial owners of their Shares and who hold their Shares as an investment. The following summary does not address the position of certain classes of Shareholders, such as dealers in securities.

Investors should consult their own professional tax advisers in relation to the tax consequences of electing to receive Shares instead of a cash dividend as this will depend upon their individual circumstances. Shareholders who are in any doubt as to what action

to take, or who are subject to tax in a jurisdiction other than the UK, should consult an independent professional adviser.

12.1 *UK Taxation of Chargeable Gains*

On the basis of case law, UK-resident Shareholders should not receive any income liable to UK income tax or corporation tax to the extent that they elect to receive Scrip Shares instead of the cash dividend, nor should they make any disposal for chargeable gains tax purposes at the time the Scrip Shares are issued. Instead the Scrip Shares and the original registered holding of Shares in respect of which the Scrip Shares are issued (the **Original Holding**) should be treated as a single holding acquired at the time of the Original Holding.

There will be no allowable expenditure for chargeable gains tax purposes arising in respect of the Scrip Shares and the allowable expenditure arising in respect of the Original Holding will be apportioned across the Original Holding and the Scrip Shares.

A disposal for chargeable gains tax purposes will only arise at the time the Shareholder subsequently disposes of the Scrip Shares or the Original Holding (a **Subsequent Disposal**). UK-resident individual Shareholders may be subject to capital gains tax in respect of chargeable gains arising on a Subsequent Disposal depending on individual circumstances. UK-resident corporate Shareholders may be subject to corporation tax in respect of chargeable gains arising on a Subsequent Disposal depending on their individual circumstances.

12.2 *UK Stamp Duty and Stamp Duty Reserve Tax*

No UK stamp duty or stamp duty reserve tax will be payable on the issue of any Shares pursuant to the Scrip Dividend Alternative.

SCRIP ELECTION FORM

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this document or the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate professional adviser authorised under the Financial Services and Markets Act 2000 or, if you are not in the United Kingdom, another appropriately authorised professional adviser.

This Scrip Election Form should not be completed by shareholders wishing to receive the full cash dividend on the whole of their Shares or by any shareholders who hold their Shares in CREST. If you have sold or transferred any Shares shown in Box 1 below, or purchased any Shares not shown in Box 1 below, before 30 December 2016 you should contact your stockbroker or other agent through whom the purchase, sale or transfer was made without delay for advice as to how this Scrip Election Form should be dealt with.

Words and expressions used in this Scrip Election Form shall, unless otherwise defined, have the meanings attributed to them in the circular to Shareholders dated 4 January 2017.

This Scrip Election Form is not transferable.

FUNDING CIRCLE SME INCOME FUND LIMITED

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

To receive new fully paid ordinary shares instead of cash in respect of the Quarterly Dividend for the period 1 October 2016 to 31 December 2016

Receiving Agent: Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

If you hold certificated Shares and wish to receive any Scrip Shares, credited as fully paid, in respect of all or any part of your holding of Shares and, you have not previously validly completed a Scrip Dividend Mandate, you must complete this Scrip Election Form and return it by post or courier to the Receiving Agent as indicated, to be received not later than 5.00pm on 18 January 2017. Unless this is done or you have previously validly completed a Scrip Dividend Mandate, which has not been revoked, you will receive the full cash dividend on the whole of your holding.

Name(s) of Shareholder (or joint Shareholders):	
Full address including postcode:	
Investor Code (IVC): located on your share certificate	

If you wish to continue to receive your dividends in cash or you hold your Shares in uncertificated form (that is in CREST), you should NOT complete or return this Scrip Election Form. Elections received in respect of an uncertificated account will not be accepted and will be rejected.

To receive, in future, on a routine basis, the maximum number of Scrip Shares in lieu of all future dividends in respect of which a scrip dividend alternative is offered in respect of dividends made to Shareholders place an X in Box 3 below before you sign, date and return this Scrip Election Form. A

Scrip Dividend Mandate can only be made in respect of your entire holding and will remain valid until written revocation is given to the Receiving Agent. You should not complete Box 3 if you have entered a number in Box 2. Alternatively, an election can be made online via www.capitashareportal.com.

To receive the maximum number of Scrip Shares in the Company instead of cash in respect of the Quarter Dividend for the period 1 October 2016 to 31 December 2016, simply sign, date and post this form to the Receiving Agent so that it is received before 5.00pm on 18 January 2017.

(1)	(2)	(3)
Shares registered in your name at close of business on 30 December 2016	Only complete this box if you wish to elect in respect of fewer Shares than is shown in Box 1 – state the number of Shares in respect of which you are electing below	Mark with an X to effect a standing election in respect of future dividends (if any) – you should not mark this box if you have completed Box 2

NOTE:

1. If Box 2 is left blank or if you insert a number that is greater than the number shown in Box 1, you will have been deemed to have made an election in respect of the number of Shares shown in Box 1. A cheque for the value of any balance in cash will be posted to you.
2. If you inserted a number in Box 2 that is lower than the figure in Box 1 and you have also marked an X in Box 3, your election to participate in the Scrip Dividend Mandate will be invalid and will be ignored.

To the Directors of Funding Circle SME Income Fund Limited (the Company):

I/We, the undersigned, being the registered holder(s) of Shares in the Company hereby give notice that, in respect of the number of Shares registered in my/our name, I/we elect to receive an allotment of Scrip Shares to the maximum extent available if we have left Box 2 above blank or, if we have specified a number in Box 2, the lower allocation in relation to the number of Shares so specified, instead of dividends in cash, on the same terms and conditions as any offer made to other Shareholders and in accordance with the Articles and the circular dated 4 January 2017.

In relation to any Scrip Dividend Mandate to receive Scrip Shares in respect of any future dividends, I/we accept that such election will be on the terms and subject to the conditions set out in the Articles, the circular dated 4 January 2017 and in any future circulars sent to eligible Shareholders in connection with such offers. The Company is authorised and instructed to treat me/us as having made an election, in the case of each such offer, in respect of the total number of Shares comprised in my/our holding at the record date for the relevant offer, on a basis which will result in the allotment to me/us of a whole number of Scrip Shares. The mandate herein contained, if applicable, shall remain valid until revoked by me/us or the Company.

I/We hereby authorise you to send at my/our risk by first-class post a definitive share certificate in respect of Scrip Shares allotted to me/us pursuant to this Scrip Election Form.

Signature.....

Full Name:

Signature.....

Full Name:

Dated.....

Signature.....

Full Name:

Contact number.....

Signature.....

Full Name:

In the case of joint holders of Shares ALL must sign. In the case of a corporation this Scrip Election Form should be executed under its common seal or be signed by a duly authorised official, whose capacity should be stated. All enquiries concerning this Scrip Election Form should be addressed to the Receiving Agent.