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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 6 February 2017 (the “**Prospectus**”) published in connection with the share issuance programme of up to 500 million ordinary Shares and/or C Shares in aggregate (the “**Share Issuance Programme**”).

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 Global Co-ordinator, Bookrunner and Sponsor
NUMIS SECURITIES LIMITED**

Numis Securities Limited (“**Numis**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as Sole Global Co-ordinator and Sponsor and is acting exclusively for the Company in connection with the Share Issuance Programme and other arrangements as described in this Supplementary Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Numis 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or undue burden on the Company, Funding Circle Limited or Numis, and in particular, this Supplementary Prospectus may not be published, distributed or transmitted by any means or media, directly or indirectly in whole or in part, in or into Australia, Canada, Japan, the Republic of South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 23 January 2018.

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 Citibank, N.A. London Branch ("**Citibank London**").

A. Significant new factor

Transaction with Citibank London

In exercise of the Company's powers to make indirect investments, the Company has agreed to participate in a structured finance transaction (the "**Transaction**") with Citibank London (as senior lender) and Basinghall Lending DAC ("**IrishCo**") (as junior noteholder). The Company is investing in the Transaction indirectly via its investment in the UK IrishCo Note issued by IrishCo.

In connection with the Transaction, Citibank London has advanced a senior, floating rate loan of £50,000,000 (the "**Senior Loan**") to a special purpose vehicle (the "**Issuer**"). The Senior Loan was drawn by way of a single advance on **the** date on which the Transaction was entered into (the "**Transaction Closing Date**"). Interest shall accrue on the Senior Loan at a floating rate equal to LIBOR plus a pre-determined spread per annum negotiated on an arm's length basis, and is payable monthly. The advance made under the Senior Loan, to the extent not already pre-paid or repaid under the Senior Loan Agreement, shall be repaid in full on the Payment Date (as defined in the Master Definitions Agreement) occurring immediately after the date falling 107 months after the Transaction Closing Date (the "**Termination Date**").

IrishCo has subscribed for Class B junior profit participating notes (the "**Class B Notes**") issued by the Issuer and may, subject to certain conditions, at its sole discretion, subscribe for further Class B Notes from time to time prior to the Termination Date. Unless previously redeemed, purchased or cancelled, the Class B Notes shall be redeemed in full at their outstanding principal amount on the Termination Date. The holder of the Class B Notes shall be entitled to receive all 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 due on the Senior Loan and any other prior ranking amounts (including, in certain circumstances, retaining amounts in its accounts for liquidity purposes or to meet its corporate obligations, as described further below).

As detailed in the Prospectus, the Company will be indirectly interested in all amounts received by IrishCo (including any amounts under the Class B Notes) pursuant to the UK IrishCo Note issued by IrishCo to the Company. Under the UK IrishCo Note, monthly payments are made to the Company by IrishCo in respect of annual interest amounts equal to the gross revenues (income) of the IrishCo, less certain expenses.

The Issuer was incorporated in the Republic of Ireland as a designated activity company limited by shares for the purpose of (among other things) acquiring Sterling denominated loans (the "**Credit Assets**") from IrishCo, which have been originated through the marketplace loan origination platform operated in the UK by Funding Circle Limited (the "**UK Marketplace**") that satisfy eligibility criteria (including a prohibition on the Issuer from acquiring Credit Assets relating to real property) (the "**Eligibility Criteria**").

The Issuer is not an Affiliate of the Company or IrishCo.

In connection with the Transaction, IrishCo transferred to the Issuer on the Transaction Closing Date certain Credit Assets which satisfied the Eligibility Criteria. The transferred Credit Assets were fully financed by the Senior Loan and Class B Note. In addition, IrishCo has also agreed to sell to the Issuer further Credit Assets which satisfy the Eligibility Criteria from time to time during the Reinvestment Period (as defined below), which the Issuer will purchase using principal receipts received on the Credit Assets purchased from IrishCo on the Transaction Closing Date or the subscription proceeds in respect of any further issuance of Class B Notes.

In approving the Company's participation in the Transaction, the Board have satisfied themselves that the terms of the Transaction are such that the Company's indirect investment in the Transaction will not result in a breach, on a "look-through" basis, of the Investment Policy or any Portfolio Limits. As this indirect investment in Credit Assets is to be made alongside a third party participant (Citibank London), 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. The Company will hold such principal amount of Class B Notes that maintains the aggregate borrowing or leverage of the Company on a “look-through” basis at below 50 per cent. of net assets.

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

The Senior Loan will be fully drawn on closing of the Transaction, and the Company’s leverage ratio, on a “look through” basis, will be approximately 49%, consistent with the Board’s approved leverage limit of 50%.

Funding Circle Limited 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 Limited 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 the advance under the Senior Loan and subscription for the Class B Notes.

Further information relating to the Class B Notes and the rights and priorities between Citibank London 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 payment of interest and (following the occurrence of certain trigger events) principal on the Class B Notes is subordinate to 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. If the net proceeds of realisation of the security constituted by the Security Agreement entered into at the same time as the Senior Loan (the “Security”) granted by the Issuer and held on trust by Sanne Fiduciary Services Limited in favour of certain secured parties (including IrishCo (as a holder of Class B Notes) and Citibank London) (together, the “Secured Creditors”)) are less than the aggregate amount payable by the Borrower to the Secured Creditors in respect of its debts, liabilities and obligations owed under the Transaction Documents, then the amount payable by the Issuer to the Secured Creditors under the Transaction Documents shall be reduced to such amount of the net proceeds as shall be applied in accordance with the priority of payments, and the Secured Creditors shall not be entitled to take any further steps, either directly or indirectly, to recover any shortfall from the Issuer (and the shortfall shall cease to be due and payable by the Issuer).

		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 Citibank London 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 IrishCo may be unable to dispose of, and that the Company may be unable to dispose of its economic interest in, the Class B Notes 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 obligation of the holder of the Class B Notes to obtain the consent of Citibank London to any transfer of the Class B Notes in whole or in part (such consent not to be unreasonably withheld or delayed only where the proposed transfer is to a member of IrishCo's accounting group) also affects their liquidity. To the extent that a secondary market exists or develops, it may not continue for the life of the Class B Notes. Furthermore, in order to satisfy the EU Risk Retention Rules (as defined below), the Company has made certain undertakings to retain an economic interest in the Transaction in an amount not less than 5 percent of the aggregate nominal value of the securitised exposures, being the underlying Credit Assets, held by the Issuer from time to time (or any higher amount required under the EU Risk Retention Rules from time to time) (the “Retention Basis Amount”), by (a) IrishCo agreeing to hold a principal amount of the Class B Notes which is not less than 5 percent of the Retention Basis Amount and (b) the Company agreeing to retain its economic exposure to IrishCo to the extent required for it also to retain an aggregate exposure to the economic risk of the Class B Notes, or the underlying Credit Assets, not less than 5 percent of the Retention Basis Amount. As such the right of IrishCo to dispose of, or of the Company to dispose of its economic interest in, the Class B Notes in full is restricted.
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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
Sachin Patel

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 Citibank London 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 IrishCo (as Original Class B Noteholder) under which (amongst other things) IrishCo has subscribed for, and may from time to time subscribe for further, Class B Notes issued by the Issuer (the “**Subscription Agreement**”); and (ii) certain other related agreements, including (a) a senior loan agreement between (among others) the Issuer, Citibank London (as Senior Lender and Agent), IrishCo (as Seller and Original Class B Noteholder) and the Company (as Retention Holder) under which (among other things) Citibank London has agreed to provide £50,000,000 of credit to the Issuer and IrishCo and the Company have given certain representations, warranties and undertakings to the Finance Parties (as defined in the Master Definitions Agreement) (including an undertaking to at all times retain an economic interest in the Transaction in accordance with the EU Risk Retention Rules) (the “**Senior Loan Agreement**”), (b) an intercreditor agreement between Citibank London (as Senior Lender and Agent), IrishCo (as Original Class B Noteholder), the Issuer and Sanne Fiduciary Services Limited (as Security Trustee) (the “**Intercreditor Agreement**”) setting out the rights and priorities between Citibank London and the holders of the Class B Notes, (c) a sale and origination agreement between IrishCo (as Seller and Original Class B Noteholder), the Issuer, Sanne Fiduciary Services Limited (as Security Trustee), Citibank London (as Agent), the Company and Funding Circle Limited under which IrishCo agreed to sell certain Credit Assets to the Issuer as referred to in Section A above (the “**Sale and Origination Agreement**”), (d) a cash management agreement between Sanne Fiduciary Services Limited (as Cash Manager and Security Trustee) 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, Citibank London, the Company, and IrishCo setting out definitions used in the above documents, each such document being dated 17 January 2018 (the “**Master Definitions Agreement**”, and together with the documents defined above the “**Transaction Documents**”).

(A) Form and Status

Pursuant to the terms of the Subscription Agreement, the Issuer issued the Class B Notes to IrishCo on the Transaction Closing Date and, subject to certain conditions, may from time to time following the Transaction Closing Date offer further Class B Notes to IrishCo which IrishCo shall, in its sole and absolute discretion, have the option to purchase. The Class B Notes are in registered form and are represented by note certificates.

On the Transaction Closing Date, the Issuer used the subscription price of the initial issuance of Class B Notes and the proceeds of the Senior Loan to purchase from IrishCo, pursuant to the Sale and Origination Agreement, an agreed list of Credit Assets originated through the UK Marketplace which satisfy the Eligibility Criteria. Under the terms of a payment netting agreement entered into by (among others) IrishCo and the Issuer, the transfer of such Credit Assets to the Issuer on the Transaction Closing Date shall be made in lieu of IrishCo paying an amount in cash to the Issuer in respect of the subscription price of the initial issuance of Class B Notes.

Each of IrishCo and Funding Circle Limited have provided certain warranties in respect of the Credit Assets transferred by IrishCo to the Issuer. Certain indemnities have also been given to the Issuer (and its officers and directors) and the Security Trustee by IrishCo under the Sale and Origination Agreement in respect of any losses suffered or incurred by any such party to the fraud, bad faith, wilful default or negligence of IrishCo, and the Company has agreed to make any indemnity payment on behalf of IrishCo to the extent IrishCo itself fails to pay.

(B) Notes are not interest bearing

Interest does not accrue on the Class B Notes at a fixed rate. Instead, the Class B Note receives a variable coupon (which could be zero) equal to all amounts which have been applied by the Issuer pursuant to **the** pre-early amortisation priority of payments (or, following the occurrence of an early amortisation event) the post-early amortisation priority of payments set out in the Cash Management Agreement which are remaining on any Payment Date after paying interest on the Senior Loan and any other prior ranking amounts (including payment of certain taxes, administrative expenses, servicing fees, 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 other senior expenses). As such, no assurance can be given in relation to the return on the Class B Notes.

(C) Redemption

Unless previously redeemed, purchased or cancelled, the Class B Notes will be redeemed in full at their outstanding principal amount on the Termination Date.

Subject to certain trigger events not having occurred, on each Payment Date amounts equal to the net principal repayments under the underlying Credit Assets (and certain other limited amounts) received by the Issuer during the immediately preceding collection period shall be applied in repaying, on a pro rata and *pari passu* basis, the Senior Loan and redeeming the Class B Notes; provided that the Issuer shall reinvest principal receipts it receives on the Credit Assets during the reinvestment period (which, subject to certain conditions, shall run from the Transaction Closing Date to the date falling 12 months after the Transaction Closing Date (the “Reinvestment Period”). Following the occurrence of such trigger events, principal payments on the Class B Notes shall be subordinated to the repayment of principal on the Senior Loan and the Reinvestment Period shall terminate.

(D) Events of default

Subject to the terms of an intercreditor agreement which limits the rights of the holders of the Class B Notes whilst the Senior Loan is outstanding, on and at any time following the occurrence of an event of default IrishCo may declare the Class B Notes to be immediately due and payable.

(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 (following the occurrence of certain trigger events) principal at all times but subordinate to the Senior Loan.

Payments of all liabilities owed by the Issuer to Citibank London and holders of Class B Notes shall be made by the Cash Manager in accordance with the Cash Management Agreement.

(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, any amounts payable to it under any hedging agreement 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.

(I) Representations and Warranties

Customary representations, warranties and covenants have been given by the Issuer to the Company and IrishCo, and by the Company and IrishCo to the Issuer and Citibank London, under the Transaction Documents as at the Transaction Closing Date and each Payment Date (and more frequently in respect of certain representations and warranties).

(J) Risk Retention

For the purposes of compliance with EU risk retention rules (the “**EU Risk Retention Rules**”), the Company has agreed to retain, in its capacity as an originator (as defined in the EU Risk Retention Rules), on an ongoing basis a net economic interest in the Transaction in an amount not less than 5

percent of the Retention Basis Amount in accordance with the EU Risk Retention Rules, through (i) IrishCo holding the Class B Notes issued by the Issuer under the Subscription Agreement in an amount equal to not less than 5 percent of the Retention Basis Amount and (ii) the Company undertaking not to take any action which would reduce its aggregate exposure to the economic risk of the Class B Notes, or the underlying Credit Assets, in such a way that it ceases to hold an economic interest in the Transaction not less than 5 percent of the Retention Basis Amount. Customary representations, warranties and covenants (including those required under the EU Risk Retention Rules) have been given by the Company and IrishCo to the Finance Parties under the Senior Loan Agreement in connection with the Company's role as Retention Holder.

3. Risk Factors

Subordination of Class B Notes to the Senior Loan

The payment of interest and (following the occurrence of certain trigger events) principal on the Class B Notes is subordinate to 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. If the net proceeds of realisation of the Security granted by the Issuer and held on trust by Sanne Fiduciary Services Limited in favour of certain secured parties (including IrishCo (as a holder of Class B Notes) and Citibank London) (together, the "Secured Creditors")) are less than the aggregate amount payable by the Borrower to the Secured Creditors in respect of its debts, liabilities and obligations owed under the Transaction Documents, then the amount payable by the Issuer to the Secured Creditors under the Transaction Documents shall be reduced to such amount of the net proceeds as shall be applied in accordance with the priority of payments, and the Secured Creditors shall not be entitled to take any further steps, either directly or indirectly, to recover any shortfall from the Issuer (and the shortfall shall cease to be due and payable by the Issuer).

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 Citibank London 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 IrishCo may be unable to dispose of Class B Notes, and that the Company may be unable to dispose of its economic interest in the Class B Notes, 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 obligation of the holder of the Class B Notes to obtain the consent of Citibank London to any transfer of the Class B Notes in whole or in part (such consent not to be unreasonably withheld or delayed only where the proposed transfer is to a member of **IrishCo's** accounting group) also limit their liquidity. To the extent that a secondary market exists or develops, it may not continue for the life of the Class B Notes.

Furthermore, in order to satisfy the EU Risk Retention Rules, the Company has made certain undertakings to retain an economic interest in the Transaction in an amount not less than 5 percent of the Retention Basis Amount, by (a) IrishCo agreeing to hold a principal amount of the Class B Notes which is not less than 5 percent of the Retention Basis Amount and (b) the Company agreeing to retain its economic exposure to IrishCo to the extent required for it also to retain an aggregate exposure to the economic risk of the Class B Notes, or the underlying Credit Assets, not less than 5 percent of the Retention Basis Amount. As such, the right of IrishCo to dispose of, or of the Company to dispose of its economic interest in, the Class B Notes in full is restricted.

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.

23 January 2018