Zopa and P2P lending in the UK

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Chair Zopa Ltd
P2P Model in the UK
14 years ago, Zopa invented a new model of lending

Usually retail consumers and institutional money

Platform facilitates lending and undertakes risk management

Retail consumers or established SMEs

Note: Investors usually pay a fee when selling their investments.
P2P lending is a more direct alternative to traditional lending models

**Bank**
- Investor (saver)
- Deposit
- Reserves FSCS
- Loans
- Borrower

**Non-bank lender**
- Investor (institution)
- Equity/bonds
- Loans
- Borrower

**Corporation**
- Investor buys the equity or bonds of the corporation that conducts non-bank lending, thereby gaining exposure to lending.

**Asset manager**
- Investor
- Investor owns a number of units in the fund
- Equity/bonds
- Investment bank
- Borrower

**Mutual fund**
- Investor buys units of a mutual fund that lends to companies through the purchase of corporate bonds or equity (or more direct lending in some cases), typically involving an investment bank (as issuer)

**P2P Lending platform**
- Investor (lender)
- Platform facilitates direct lending
- Key role in collecting and distributing repayments
- Borrower

Source: Oxera 2016, The economics of peer-to-peer lending.
The UK market has provided the conditions to support the growth of P2P lending

1. Digitally savvy consumer base with high adoption of digital for retail propositions

2. An advanced and robust regulatory regime recognising the need for increased competition and innovation outside of traditional markets

3. Strong financial services skillset and network of supporting service businesses (e.g. credit bureaus)
The P2P market is still small, but provides alternative risk-return products to consumers

UK savings & investment market, 2017
Bubble size represents size of market, in £bn

- **Savings**
  - £1,450bn
  - 0-2% return

- **NS&I**
  - £150bn
  - 0-1% return

- **P2P**
  - £5bn
  - 4-7% returns

- **Mutual funds**
  - £750bn
  - 5-10% return

- **Equities**
  - £800bn
  - c.10-15% return over mid-term

**Zero / low risk & return**
Short term access

**High risk / volatility & return**
Long term horizons

Source: GlobalData 2018; Cambridge Alternative Finance Report
Over the last decade UK consumers have earned below inflation returns in savings accounts

Returns by Asset Class (% return)

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Annualised Return (%)</th>
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<td>Cash savings</td>
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*Deposit Accounts (Bank of England)
The FTSE index has been highly volatile

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Managed, diversified P2P platforms like Zopa can offer a less volatile, inflation beating return

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<td>5.2%</td>
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Whilst ensuring customer satisfaction on both sides of the platform

Incumbents have poor NPS\(^1\)

<table>
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<th>Company</th>
<th>NPS Score</th>
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<tr>
<td>HSBC</td>
<td>9</td>
</tr>
<tr>
<td>RBS</td>
<td>20</td>
</tr>
<tr>
<td>Lloyds</td>
<td>27</td>
</tr>
<tr>
<td>co-operative</td>
<td>71(^2)</td>
</tr>
<tr>
<td>Santander</td>
<td>76</td>
</tr>
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<td>Zopa</td>
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9.7 out of 10

TRUSTPILOT

Best Personal Loan Provider (2019)

Best Customer Service (2018)

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1 – NPSBenchmarks, Barclays Strategic Report 2017
2 – Average NPS scores of selected customer focused tech companies

Strictly Private & Confidential
This has translated into an impressive growth story for Zopa as Europe’s largest consumer P2P

Annual origination volumes since inception (£m)
Our future strategy

Customer aligned products...

Unsecured Personal Loan
No early repayment fees

Credit cards
No 0% transfers

Saving & investments
No front book and back book pricing differentiation
Prioritising existing customers

Auto loans
Soft check
Transparent pricing

...delivered through award winning experience...

...embracing open banking to enable customers to get in control of their finances

Simplifying finances: Everything in one place, securely and in customers’ control

Snappy insights:
To act on, whether to avoid charges or work towards a bigger goal

Great value:
Personalised pricing
The best place for money...

2018
- A next generation bank
- Best personal loan provider
- Most trusted peer to peer platform

2019+
- Speedy fixed term savings and straightforward credit cards
- Seamlessly combining savings and P2P investments

2020+
- A one-stop shop for managing money = the best place for money

Providing fairer, better value products

Putting customers in control with powerful insight and simple tools

Easy, intuitive and built for the future