Octopus Choice Outcomes Statement 2021

Covering the period from 1st May 2020 to 30 April 2021.

Purpose

The Outcomes Statement enables you to understand the performance of Octopus Choice's loan portfolio and, in accordance with FCA requirements, must show the following:

- Expected and actual default rate of all P2P loans the firm has originated by risk category
- A summary of the assumptions used in determining expected future default rates
- The actual return against any Target Rate offered

Octopus Choice is closing down

On 18th March 2020, we paused all transactions on Octopus Choice. This decision was taken because of the extreme market conditions, with a high volume of investors trying to liquidate their investments.

In recognition of the lack of liquidity for investors, Octopus immediately waived its platform fee so returns on loans from that date increased from c. 4% to over 5%.

Furthermore, on 23rd February 2021 we announced the permanent stop of trading within Octopus Choice. This means we will not be re-opening the product for investment.

Expected and actual default rate of all P2P loans originated by risk category

Octopus Choice has defined three risk categories

Category	Description
Category 1	Residential loans with borrower interest rate less than 12%
Category 2	Residential loans with borrower interest rate greater than 12%
Category 3	Development loans

All loans in our loan book are Category 1 (i.e. residential loans with a borrower interest rate of less than 12%). The table below shows the historical performance for these loans.

Financial year	Expected default rate*	Actual default rate	Actual investor loss rate	Investor capital lost	Investor interest lost
2016	0.1%	0%	0%	£0	£0
2017	0.1%	0%	0%	£0	£0
2018	0.1%	0%	0%	£0	£0
2019	0.1%	0.02%	<0.01%	£0	£6,903
2020	0.06%	0%	0%	£0	£0
2021	0.05%	0%	0%	£0	£0

*The fixed expected default rate was assumed pre-2020, which was based on industry analysis and internal performance of our property business (Octopus Real Estate). In 2020, we have based our calculation on the performance data of the previous 4 years and the assumptions set out in the next section.

A summary of the assumptions used in determining expected future default rates

We calculate the current default rate as the product of:

- Historic loss rate (i.e. loss severity)
- Percentage of loans in default (i.e. foreclosure frequency)

Historic loss rate

Historic loss rate is calculated as all losses incurred to date (both capital and interest) divided by the total lending performed to date.

Percentage of loans in default

We define loan statuses in the below ways:

Status	Description
Performing	Loan is servicing interest monthly as normal
Late paying	Loan has missed 2 monthly interest payments
Over term	Loan has gone past its term and we're waiting for a property sale or refinance to complete
In Collection	Loan has missed 3 or more monthly interest payments or we have appointed receivers

The FCA's definition of default for secured P2P loans is when the borrower is 180 days past the contractual payment due date. Internally, we define a loan as in default when its status is marked as "In Collection". This will be done, at most, 90 days past the contractual payment due date and may be sooner where we consider this necessary. The amount of loans that are 'In Collection' gives the percentage of loans in default.

Expected future default rate

To determine the expected future default rate, we use Standard & Poor's UK RMBS Methodology and Assumptions. This provides a list of criteria that can be applied on the current default rate to determine the expected default rate.

These criteria include:

- Loan-to-Value (LTV) – a multiple that increases incrementally based on the LTV%
- Short-term interest only loans – a multiple for loans with an initial term of less than 10 years
- Buy-to-Let (BTL) loans – a multiple for BTL loans
- Loan valuation – a multiple for market value decline
- The geographic concentration – a multiple for concentration in a specific region

The actual return against any Target Rate offered

Octopus Choice is a discretionary platform, which targeted a 4% return. The interest rate varies for each investor and depends on the loans you are invested in and is calculated as the average interest rate of all loans in your portfolio. It's personal to you and depends on how much you invest, and the loans your money has been allocated to.

The table below shows the target rate offered per year and the average interest rate across all Octopus Choice investors for that year.

Financial year	Target rate	Actual return
2016	4%	5.69%
2017	4%	4.51%
2018	4%	4.19%
2019	4%	4.06%
2020	4%*	4.22%
2021	N/A*	5.66%

Past performance is not a reliable indicator of future results. The average interest rate is calculated as the average interest rate of all loans on the platform, during the period, weighted by the loan value.

*The target rate applies until 18th March 2020 when the platform was gated. As we stopped taking new investments from that point in time the target rate is no longer offered.

Please note that the actual return includes any accrued interest, which has not yet been paid. This is interest due from borrowers whose loans are in default. This is accrued and is due, and payable, to investors when the loan gets back on track or the property is sold.