

# FOLK 2 FOLK

## FOLK2FOLK OUTCOMES STATEMENT 2025

### PURPOSE

**This statement is for existing and prospective Investors. It summarises defaults, losses, and returns on loans funded through FOLK2FOLK to help investors make informed investment decisions. We publish it each year following the close of our financial year.**

In line with FCA requirements, it reports on:

1. Expected and Actual Default Rates by risk category.
2. Key assumptions driving Expected Default Rates.
3. Actual investor returns compared to Target Rates offered.

### BEFORE YOU READ THE STATEMENT

- **Definition of default**

- The FCA's definition of default is when the Borrower is **180 days** past the contractual payment due date.
- For early-warning purposes, FOLK2FOLK treats a loan as in default when it is **14 days** past the contractual payment date

Where data is included within this Outcomes Statement it is clearly noted which definition of default has been used.

- **How to use the tables**

The tables within this Outcomes Statement are designed to help you compare the level of risk across different types of loans. A higher Expected Default Rate means a borrower in that category is more likely to fall into default. A higher Expected Loss Rate means investors in that category may be more likely to lose capital if default occurs. These tables should be used alongside the loan interest rate and other loan information when deciding whether an investment matches your risk appetite.

- **About FOLK2FOLK risk management**

We take prudent measures to reduce default risk and protect investor capital:

- All loans are secured against UK land or property (but not the Borrower's primary home). Typically, we lend up to 60% loan to value (LTV) which provides a buffer if property values fall. The LTV refers to how much we lend compared with the property value.
- Our risk management framework means we adhere to strict credit risk parameters when assessing Borrowers. Our Quarterly Risk & Audit Committee reviews the trends of new loan applications and assess external factors and market forces that can influence our future appetite for risk. This review results in credit risk management policies being updated.
- We take a measured and responsible approach to how we operate at FOLK2FOLK, viewing our own platform stability and financial resilience as key aspects of managing risk for our customers.
- We take additional care in early identification of late payments by defining our own stricter definition of 'default' (see above). We foster a culture of 'no surprises' by

maintaining regular dialogue with Borrowers and missed payments are flagged internally within one day.

- Our Transactional Credit Committee (TCC) has been in place since August 2020. Chaired by our CEO along with two other Senior Management Team members, the TCC meets to sanction all new loans. For loans over £1m, further scrutiny and approval by our Risk & Audit Committee is required.
- We regularly review our exposure to each individual Borrower and evaluate sector concentration risk to assess the effectiveness of our Credit Risk Management Policy.
- We regularly assess our loan interest rate against market and Bank of England base rates. Under our Credit Risk Management Policy, price load factors may be applicable on loans according to their LTV, sector or Credit Scoring.

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# FOLK2FOLK OUTCOMES STATEMENT 2025

## 1. Expected Default and Actual Default rates by risk category

### (a) OVERVIEW OF ACTUAL LOAN DEFAULTS AND ACTUAL LOSSES – ALL TIME

This table shows our Actual Defaults and Actual Losses since FOLK2FOLK began. It shows that over time, some loans have gone into default, but actual capital losses to investors have been low relative to total lending.

TABLE 1: Actual Defaults and Actual Losses since FOLK2FOLK began.

| Reporting period <sup>1</sup> | Total loans in default (all events) <sup>2</sup> | Of which defaulted loans are still paying interest <sup>2</sup> | Cumulative number of capital loss incidents | Cumulative Investor losses <sup>3</sup> | Cumulative value of Investor losses |
|-------------------------------|--------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------|-----------------------------------------|-------------------------------------|
| 2013                          | 0 (0%)                                           | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2014                          | 0 (%)                                            | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2015                          | 0 (%)                                            | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2016                          | 1 (0.3%)                                         | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2017                          | 3 (1.5%)                                         | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2018                          | 3 (1.7%)                                         | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2019 <sup>4</sup>             | 2 (1.4%)                                         | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2020                          | 2 (1.5%)                                         | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2021                          | 5 (1.6%)                                         | -                                                               | 0                                           | 0%                                      | £0                                  |
| 2022 <sup>5</sup>             | 19 (5.4%)                                        | 11 (1.3%)                                                       | 0                                           | 0%                                      | £0                                  |
| 2023                          | 24 (10.5%)                                       | 13 (5.8%)                                                       | 0                                           | 0%                                      | £0                                  |
| 2024                          | 26 (12.1%)                                       | 12 (2.5%)                                                       | 0                                           | 0%                                      | £0                                  |
| 2025                          | 29 (19.4%)                                       | 6 (0.6%)                                                        | 1                                           | 0.002%                                  | £18,528                             |

Source: FOLK2FOLK, 2026

#### Table definitions:

1. Reporting period for 2013 to 2018 is calendar year. 2019 onwards changed to our financial year (Feb to Jan) In accordance with FCA requirements,
2. Total loan value as a percentage of active capital during the reporting period.
3. Amount of capital lost by Investors as a percentage of cumulative loan value (£803m for FY 2025).
4. Changed from FOLK2FOLK definition of default (14 days) to FCA definition (180 days)
5. In 2022, FOLK2FOLK began including over-maturity loans in the 180-day default figures in 2022. This led to an increase in defaults reported. Whilst capital repayment was overdue, interest payments continued with investors receiving monthly returns at a higher interest rate.

#### Table notes:

- Late interest payments not shown as defaults at end of reporting period if subsequently paid in full.
- Loans in forbearance are not included in default as Investors have agreed to revised terms.

### (b) LOAN DEFAULTS AND LOSSES BY RISK CATEGORY - 2025

Before reading the tables below, it is important to understand the basis of FOLK2FOLK's risk categories, and how the company forecasts future Expected Defaults.

- **FOLK2FOLK risk categories:** FOLK2FOLK's risk categories are defined by the LTV of the loan at the start of the investment (see tables below).
- **How FOLK2FOLK forecasts Expected Default Rates:** Expected Default Rates and Losses are estimates and may differ from actual outcomes. FOLK2FOLK forecasts Expected Default Rates and Expected Losses by risk category using a calculation methodology that takes into account the following factors:
  - The loan LTV at the start of the investment
  - Whether total loan exposure (i.e. the loan amount outstanding) is below or above £3m
  - The security property type (whether residential property, commercial property or land)

You can [view our methodology on our website](#).

In addition, we use publicly available industry data to determine:

- The likely reduction in value of the security under a forced sale;
- The likely length of the recovery period;
- The likely cost of enforcement (such as receivers, legal, maintenance, marketing and sales costs)

For FY 2025 we updated our methodology and this will be applied going forward.

### Expected vs Actual Default Rate and Losses for 2025

The tables below show our Expected Default Rate compared to our Actual Default Rate for 2025 (Table 2a) and our Expected Loss Rate compared to our Actual Loss Rate for 2025 (Table 2b).

*TABLE 2a: Expected Default Rate compared to our Actual Default Rate for 2025 by risk category.* This table shows that in 2025, Actual Defaults varied by risk category and in some segments were higher than expected.

| Defaults               |                       |                                  |                                       | Loan size >£3m <sup>3</sup> |                                  |                                       |
|------------------------|-----------------------|----------------------------------|---------------------------------------|-----------------------------|----------------------------------|---------------------------------------|
| Risk Category          | Loan size <£3m        |                                  |                                       | Expected Default Rate       | Actual Default Rate <sup>1</sup> | Actual number of borrowers in default |
|                        | Expected Default Rate | Actual Default Rate <sup>1</sup> | Actual number of borrowers in default |                             |                                  |                                       |
| LTV: 0-30%             | 6.0%                  | 7.4%                             | 3                                     | 12%                         | -                                | 0                                     |
| LTV: 31-60%            | 7.0%                  | 9.0%                             | 20                                    | 14%                         | 33%                              | 3                                     |
| LTV: >60%              | 9.0%                  | 6.5%                             | 3                                     | 18%                         | 67%                              | 3                                     |
| <b>Total Loan Book</b> | <b>7.2%</b>           | <b>8.4%</b>                      | <b>26</b>                             | <b>16%</b>                  | <b>50%</b>                       | <b>6</b>                              |

Source: FOLK2FOLK, 2026

**TABLE 2b: Expected Loss Rate compared to our Actual Loss Rate for 2025 by risk category.**

This table shows that even where defaults occurred, actual investor capital losses remained low in 2025.

| Losses                 |                                 |                     |                             | Loan size >£3m <sup>3</sup>     |                                  |                             |
|------------------------|---------------------------------|---------------------|-----------------------------|---------------------------------|----------------------------------|-----------------------------|
| Loan size <£3m         |                                 |                     |                             | Expected Loss Rate <sup>2</sup> | Actual Capital Loss <sup>4</sup> | Number of actual loss cases |
| Risk Category          | Expected Loss Rate <sup>2</sup> | Actual Capital Loss | Number of actual loss cases |                                 |                                  |                             |
| LTV: 0-30%             | 0%                              | £0                  | 0                           | 0 – 0.4%                        | 0                                | 0                           |
| LTV: 31-60%            | 0 – 1.2%                        | £0                  | 0                           | 1.8 – 5.0%                      | £18,528<br>(<0.04%)              | 1                           |
| LTV: >60%              | 0.9 – 2.7%                      | £0                  | 0                           | 4.5 – 8%                        | 0                                | 0                           |
| <b>Total Loan Book</b> | <b>0.1% - 1.3%</b>              | <b>£0</b>           | <b>0</b>                    | <b>2.0% - 4.6%</b>              | <b>£18,528<br/>(&lt;0.04%)</b>   | <b>1</b>                    |

Source: FOLK2FOLK, 2026

**Table definitions:**

1. Actual Default Rate is the number of default borrowers as a percentage of the total number of borrowers in FOLK2FOLK's active loan book.
2. Expected Loss Rate is shown as a range because it is dependent on the type of security property. Residential property has the highest theoretical recovery value, followed by commercial property and finally, land assets have the lowest theoretical recovery value.
3. Although there is a relatively low number of borrowers with exposure above £3m, these exposures can have a big impact on the default rate by % of loan amount as reported in Table 1. Therefore, the statistical expectation might not be truly realistic due to small sample size.
4. The loss percentage is the proportion of the loan book in amount at the start of the reporting period.

**(c) EXPECTED DEFAULTS AND EXPECTED LOSSES BY RISK CATEGORY - 2026**

This table shows that for 2026, FOLK2FOLK expects defaults and losses to differ by risk category and security type, so some loans are expected to carry more risk than others.

**TABLE 3: Expected Defaults and Losses for 2026 by risk category.**

| Risk Category          | Expected Default Rate | Expected Loss Rate     |                       |           |
|------------------------|-----------------------|------------------------|-----------------------|-----------|
|                        |                       | Residential Properties | Commercial Properties | Land Only |
| LTV: 0-30%             | 6.6%                  | 0%                     | 0%                    | 0%        |
| LTV: 31-60%            | 8%                    | 0%                     | 0.6%                  | 1.4%      |
| LTV: >60%              | 7.8%                  | 0.8%                   | 1.5%                  | 2.3%      |
| <b>Total Loan Book</b> | <b>7.8%</b>           | <b>0.1% - 1.4%</b>     |                       |           |

Source: FOLK2FOLK, 2026

**Table notes:**

- This table only provides a forecast for loans under £3m. We have not provided a forecast for cases with over £3m exposure as the small number of cases (seven in total in the loan book) means a statistical forecast would not be meaningful.

## 2. Key assumptions driving Expected Default Rates in 2026

- **Our forecast methodology:** For 2025, we derived a theoretical Expected Default Rate in accordance with our previously mentioned methodology. Then, given the interest rate cycle and inflation outlook, we have applied a 2x economic multiplier to derive the Expected Default Rate shown in Table 2a. This reflects the underlying market risk in a relatively high-rate environment.
- **We observed a divergence in 2025:** We observed a divergence from our 2025 Expected Default Rate to Actual Default Rate as seen in Table 2a. This was due to:
  - a continued economic dampening during 2025, resulting from the Bank of England rate peak at the end of 2024 continuing to apply pressures on businesses, and
  - the subdued UK fiscal outlook creating refinance challenges for our Borrowers, and
  - other impacting macro factors which cannot be predicted within our methodology.

Differences between expected and actual outcomes do not indicate that forecasts were incorrect. For 2026 onwards, we expect forward calibration will further improve the accuracy of our forecast over time.

- **Our 2026 forecast:** For 2026, we forecast the Expected Default Rates to be moderately lower than the Actual Default Rate for 2025. Although the Bank of England rate has appeared to peak with potential cuts on the horizon, the pace of rate reduction will likely be influenced by geopolitical tensions. Therefore, given inflation concerns, a 2x economic multiplier will continue to be applied and we anticipate default rates will take up to two years to normalise. Therefore, the resulting Expected Default Rates for 2026 shown in Table 3 are the average of 2025's Expected and Actual Default Rate. In our forecast, we assume the loan book distribution across the risk categories and security types remains the same.

## 3. Actual returns compared to Target Rates offered

FOLK2FOLK does not offer a Target Rate, instead it offers a fixed interest rate which is applied to each loan investment.

The fixed nature of our loans means the interest rate payable is not linked to Bank of England base rate changes so Investors will not receive an increase or decrease in their return as a result of market fluctuations; however, it may increase or decrease as a result of borrower behaviour (late or non-payment for example).

Under normal circumstances, a loan investment will provide Investors with a return equal to the interest rate on the loan agreement, paid monthly in equal instalments. However, returns may exceed expectations in cases of early redemption or if a loan is impaired (investors are due a higher interest once a loan goes into default) but may be reduced if repayments are delayed or capital is lost.

The table below shows the minimum and average interest rates on FOLK2FOLK loans during the reporting period. It shows that in 2025, the minimum interest rate applied to new loans was 7.5% p.a. but on average, new loan investments in 2025 averaged a 9.2%p.a. fixed rate.

*TABLE 4a: Loan interest rates on **NEW** loans*

| <b>NEW LOANS</b>        |                                                                       |                                                                       |
|-------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Reporting Period</b> | <b>Minimum Interest Rate on new loans during the reporting period</b> | <b>Average Interest Rate on new loans during the reporting period</b> |
| 2024                    | 8%                                                                    | 9.4%                                                                  |
| 2025                    | 7.5%                                                                  | 9.2%                                                                  |

Source: FOLK2FOLK, 2026

The table below shows the average interest rate for all loans during the reporting period. It shows that in 2025 the average interest rate applied to all active loans was 7.6% p.a., but that an average interest rate of 8.8% p.a. was actually applicable because of loan defaults triggering a higher interest rate.

*TABLE 4b: Loan interest rates on **ALL** loans*

| <b>ALL LOANS</b>        |                                                                                             |                                                                                                   |
|-------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <b>Reporting Period</b> | <b>Average Interest Rate<sup>1</sup> on all active loans at the end of reporting period</b> | <b>Average Applicable Interest<sup>2</sup> on all active loans at the end of reporting period</b> |
| 2024                    | 8.1%                                                                                        | 8.9%                                                                                              |
| 2025                    | 7.6%                                                                                        | 8.8%                                                                                              |

Source: FOLK2FOLK, 2026

Table definitions:

1. This is the expected per annum interest rate for the lifetime of the loan investment.
2. The 'Applicable interest rate' is the rate that was actually applied. This is higher due to defaulted loans triggering a higher default interest rate (typically 2% p.a. higher).

## Closing summary

During this reporting period, FOLK2FOLK maintained a stable and profitable platform, delivering consistent investor returns while operating a prudent underwriting and proactive portfolio management approach.

However, investors should understand that Peer-to-Peer investments are high-risk and not covered by the Financial Services Compensation Scheme (FSCS). For more information, please refer to the [Risk section](#) on FOLK2FOLK's website.

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