

Funding Options Limited - £5M Award

CIF Key Achievements to Date

- Funding Options have used BCR funding in line with its pledges to facilitate more than £115m of new lending (debt) overall to UK SMEs. In doing so we have exceeded all targets for new alternative lending to date and we remain on target to deliver almost £0.5bn of alternative lending by end-2022 to an additional 10,000 UK SMEs.
- In the process of delivering the above, and in response to the challenges presented by COVID-19, the Funding Options team have worked tirelessly to ensure it is able to continue to successfully provide appropriate funding options for UK SMEs. We have navigated the HMG schemes diligently, establishing a core set of lenders that are able to both lend at reasonable scale given the conditions and provide SMEs with competitive choice, a factor that was notably absent when such schemes were initially announced. The team's activity in onboarding selected new alternative lenders has seen the panel expand further beyond the pledge target.
- Funding Options have raised £4.2m in matched investment to date to enable us to deliver against our strategy.
- Since launching Open Banking in Q1 2020, Funding Options have championed the benefits of Open Banking infrastructure for both its business customers and lender partners alike. Adoption rates have been strong, and we are confident that Open Banking will prove a key enabler in delivering significantly greater efficiency in SME lending to UK businesses going forward. Further enhancements to our customer journey have been implemented to embed Open Banking seamlessly into the application process.
- Funding Options continues to make great progress in empowering accountancy firms and other professional companies to provide vital support to their local SMEs. Onboarding of new relationships continues ahead of the new technology being delivered.
- We have been able to submit applications for new loans without any cost of acquisition to such lenders, delivering ahead of time on our 2020 target and arranging just under £10M in new lending at nil cost of acquisition during Q2. Our expectation is that we will build on this figure rapidly throughout Q3, connecting digitally with further lenders during August and September.
- Funding Options have doubled the number of SME visitors using its website on a quarterly basis for 2020 and we are tracking on target to exceed 1,000,000 SME visitors already this year. We will reach the milestone well ahead of our commitment and in doing so, we are helping to transform the number of UK SMEs that research and compare financial services providers online.

Assessment Period 4 (April 1st, 2020 – June 30th, 2020)

COMMITMENT 1: WE WILL POWER THE ALTERNATIVE SME LENDING SEGMENT

Funding Options will fund an additional 10,000 UK SMEs with almost £0.5 billion in alternative lending by end-2022 and will deliver £100 million in new loan volumes for alternative lenders without them having to pay any cost of acquisition. In addition, Funding Options will grow the number of alternative lenders on its platform from the current 50 to 100, helping more to achieve scale to compete with the major banks. Funding Options will also deploy new free technology enabling at least 10 alternative SME lenders to adopt modern lending capabilities such as live pre-approvals and Open Banking, enabling them to better compete.

Under the most challenging of circumstances, the Funding Options team continues to power the alternative SME lending segment in the UK, making good headway against the success criteria in Q2. Whilst the latter half of March and all of April were extremely tough for SMEs and lenders alike, as the whole SME finance sector adjusted to the support schemes announced by HMG, in May we started to note a 'new norm' state emerge with some alternative lenders - most notably Funding Circle - succeeding in their application for accreditation to the CBILS, allowing them to lend with HMG's backing.

At the halfway mark Funding Options has now achieved 53% of its overall lending target (cumulative loan value) and we remain on track to beat that target by year end. The number of SMEs funded is lagging behind the value target, but we remain confident that we will see an acceleration in the volume of loans achieved during H2 2020.

Whilst the market was reacting to the reality of a lockdown scenario across the UK, Funding Options retained the agility to allow the team to continue to focus on our tech and product priorities, enabling us to deploy technology to three alternative lenders to connect them to our platform. In doing so we have been able to submit applications for new loans without any cost of acquisition to such lenders, delivering ahead of time on our 2020 target and arranging just under £10M in new lending at nil cost of acquisition in Q2. Our expectation is that we will build on this figure rapidly throughout Q3, connecting digitally with further lenders during July and August. COVID-19 has had a further unexpected positive impact on our lender panel in that we have been forced to review both our existing lender partners and the broader SME finance sector, to identify which lenders are still active and on board new active lenders rapidly to keep the supply side flowing.

In this period of uncertainty, amidst huge demand for funding from SME's (Funding Options' platform received applications for lending totalling well in excess of £3BN during Q2 alone) it has been incredibly important to explore every opportunity to give SMEs access to appropriate funding options. As a result we have already hit our overall Pool D target of having at least 100 alternative lenders on our panel.

COMMITMENT 2: WE WILL CHANGE SME BEHAVIOURS, FOR THEIR BENEFIT

Funding Options will double the number of SME visitors using its website to 1,000,000 p.a. by end-2022, in doing so transforming the number of UK SMEs that research and compare financial services providers online. Building on its current focus on alternative SME lending, Funding Options will get 30,000 SMEs to review their business current account (BCA) provider with an innovative new intelligent BCA comparison tool based on Open Banking data. Underpinning these commitments, Funding Options will grow its brand awareness to 10% of SMEs by 2022 (to be validated by a reputable external market research agency) to create a 'go to' online presence where SMEs can confidently access a diverse range of financial services providers. To support this - alongside £5 million of Pool D funding - Funding Options will raise £5 million in matched private sector capital to further stimulate UK based SME financial services competition, a fundraising strategy unanimously agreed by existing investor shareholders.

Funding Options has seen unprecedented demand from UK SMEs for finance in Q2, driven by the onset of the coronavirus pandemic. In line with the stratospheric cumulative value of loans

requested via our platform during this reporting period, we have also experienced a step change in the number of website visitors accessing Funding Options' collateral. At the halfway point in the year we have already achieved 94% of our 2020 target and we believe the momentum will be maintained throughout the latter part of the year, potentially enabling us to hit our overall Pool D target of 1,000,000 UK SMEs using our website every year.

As the UK's leading marketplace for SME lending, we expected to see notably higher application and volumes as a result of COVID-19. The strength of our brand in the market is an important factor driving this and in fact we have strengthened our brand awareness even further during Q2, comfortably exceeding both the 2020 and overall Pool D target of 10%. Additional brand work is still planned for H2 2020 with key initiatives being worked on now, for launch in the coming months.

Development of our BCA comparison tool has been delayed slightly from Q2 to Q3 given essential focus on adapting to the changing landscape for SME lending following the lockdown in March. Providing access for SMEs to vital funding options has been the overriding priority this quarter. This is a decision we believe BCR will support. Once a new rhythm has been established for lending, we will refocus the team to deliver our innovative new intelligent comparison tool, in conjunction with the company Red Flag via a joint initiative, utilising the connection to Open Banking via the new customer journey to start delivering additional switching benefits to UK SMEs.

COMMITMENT 3: WE WILL FILL THE GAP FROM CLOSING BANK BRANCHES

Funding Options will close the gap in local funding advice, by innovative new technology that will empower 1,000 accounting firms - from all corners of the UK - to act like traditional local bank managers in supporting SMEs. Funding Options will also run roadshows across the UK, to drive awareness and understanding of alternative SME finance. In addition, Funding Options will deploy a marketplace technology for banks, enabling them to offer alternative lending products to SME customers that do not fit their own lending criteria. This solution will be rolled out to banks representing one-quarter of SME banking market share.

The Funding Options team has been working closely with the team at Metro Bank to deliver our digital "Alternative Yes" solution for its business customers. Like every other UK lender, Metro Bank has been forced to re-prioritise certain projects in the wake of COVID-19, hence implementation of our solution has been delayed in favour of the rollout of appropriate solutions for the CBILS and BBLS. With these projects now complete attention has returned to our partnership and we expect to complete the rollout of our digital solution in Q3.

More generally, alignment with the CMA 9 Banks has been strengthened during this reporting period with initiatives being discussed with Lloyds Bank, HSBC and RBS. COVID-19 has potentially accelerated people's thinking in relation to the need to digitise and partner with agile market leaders such as Funding Options. It goes without saying that we welcome this opportunity to engage with the Banks to potentially introduce their customers to our technology solutions.

We have had to delay our scheduled regional events (roadshows) originally planned to commence in Q2, pushing them back to the latter half of this year or potentially into 2021, should COVID-19 restrictions continue for longer than anticipated. We are still investigating options to utilise

technology solutions to possibly allow us to deliver 'virtual' roadshows, although this will depend on the value we feel can be derived from such options.

In a similar vein, development of our Project Ballpark solution for Accounting firms has been delayed from Q2 to Q3, again given essential focus on adapting to the changing landscape for SME lending following the lockdown in March. Providing access for SMEs to vital funding options has been the overriding priority this quarter. This is a decision we believe BCR will support. The number of Accountants signed up for Project Ballpark continues to increase nonetheless and we remain focused on this initiative as a key facet of our strategy.

COMMITMENT 4: WE WILL GET OPEN BANKING FOR SMEs ON TRACK

By end-2022, Funding Options will use its presence to ensure that 50,000 SMEs use Open Banking data to achieve better comparison of loans, overdrafts, BCAs and other financial services products, driving crucial early market adoption of Open Banking, and putting more SMEs in control of their data. As part of delivering this commitment, by end-2022 we anticipate that more than a quarter of SMEs making a loan application through Funding Options will be using Open Banking technologies for enhanced ease, speed and personalisation.

Funding Options remains extremely committed to its championing of Open Banking as a key technology enabler that will power enhanced data-driven services solutions that will benefit UK SMEs. A number of initiatives are planned to accelerate adoption of Open Banking technology during the second half of this year, most notably the release of an enhanced customer journey, embedding Open Banking at the heart of the application process, in August that is expected to deliver markedly higher connectivity. That notwithstanding, the number of bank accounts connected via Open Banking is increasing steadily, but is some way off the 2020 target.