

Funding Options Limited - £5M Award

CIF Key Achievements to Date

- Funding Options has used BCR funding in line with its pledges to help facilitate over £175m of new lending (debt) overall to UK SMEs since the commencement of Pool D. In doing so we have exceeded all targets for new alternative lending to date.
- Funding Options team has 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. Outside of the HMG schemes, the team's activity in onboarding selected new alternative lenders has seen the panel expand further beyond the pledge target.
- Funding Options has raised the full £5m in matched investment for our Pool D grant to enable us to deliver against our strategy.
- As an early adopter of Open Banking technology, Funding Options has 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 and the business has outperformed versus our pledged usage volume target for 2020.
- Funding Options continues to make great progress in empowering accountancy firms and other professional companies to provide vital support to their local SMEs. To improve our service to this segment specifically, the team has released "Project Ballpark" - Funding Options' tailored solution for Accounting firms through its Advisory channel. Onboarding of new relationships through our Commercial and Advisory teams continues at pace, building on the momentum of the new platform.
- We have continued to submit applications for new loans without any cost of acquisition to a growing number of lender partners, delivering ahead of time on our 2020 target and arranging over £45M in new lending at nil cost of acquisition cumulatively in 2020.
- Funding Options has made excellent progress changing SME behaviours for their benefit throughout 2020, more than doubling the number of SME visitors using its website on a quarterly basis this year. The team achieved 190% of the 2020 target for website visitors, a fantastic result that was just a fraction short of the overall goal of attracting 1m visitors to our website per annum by end-2022.

Assessment Period 6 (October 1st, 2020 – December 31st, 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.

We are on track to deliver this commitment.

Notwithstanding the ongoing challenging environment for SME finance and country-wide lockdown restrictions returning, the team was incredibly proud to see the Funding Options platform facilitate record lending volume in Q4, with more than £33M in new lending attributed to CIF award funding, ending the year on a high. This is a fantastic result for UK businesses and the positive variance to target positions us well to facilitate almost £0.5bn in alternative lending by end-2022, in line with our Public Commitment.

While the Funding Options team achieved record new lending volume during Q4, the number of additional SMEs funded fell significantly short of expectations and the target. Performance in this area has been hampered by the existence of the Government SME loan schemes which have distorted the SME finance market and, in the case of the BBILS, removed much of the demand for debt finance sub-£50k. Whereas Funding Options' platform would previously facilitate a high volume of lower value loans as a material proportion of overall volume, we have seen far less of that flow since the schemes were launched. Once the schemes end and we see a return to predominantly market-based lending later in the year, we believe this demand will return.

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.

We are on track to deliver this commitment.

The Funding Options team has made excellent progress in changing SME behaviours for their benefit throughout 2020, continuing the great work from the two reporting periods prior. We achieved 190% of the 2020 target for website visitors, a fantastic result that was just a fraction short of the overall goal of attracting 1m visitors to our website by end-2022.

Brand awareness amongst UK SMEs sits at 8% currently and for Q4 (given the nature of its measurement) - two percentage points above the 2020 target. Funding Options' commitment to raise £5m in private sector capital has also been fulfilled.

The development and release of our Business Current Account comparison tool based on Open Banking data has been delayed due to a conscious decision to prioritise deliverables pertaining to our Public Commitments 1 and 3 - powering the alternative SME lending segment and filling the gap from closing bank branches respectively. Following the successful launch of "Project Ballpark" for Accountants within our Advisory channel, and with performance in terms of new lending volume well surpassing the 2020 target, the team is focused on delivering the BCA tool to help inform businesses of their options at an accelerated pace in Q1 2021.

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.

We are on track to deliver this commitment.

The team has released "Project Ballpark" - Funding Options' solution for Accounting firms through its Advisory channel. The Commercial and Advisory teams have worked tirelessly to ensure its successful rollout to our advisory partners and accelerate the onboarding of new relationships in line with the 2020 target.

The planned physical regional roadshows are still not feasible given the ongoing coronavirus restrictions. To replace these and galvanise momentum in the onboarding of new advisory partners, a framework of webinars - virtual roadshows - has been established to reach accounting firms across the UK. The successful recruitment of replacement key hires in our Advisory team has given the team renewed focus in this area.

Funding Options continues to work closely with its bank partners to support them with our digital "Alternative Yes" solution for their business customers. The impact of coronavirus and the responsibilities incumbent on the banks in relation to the Government loan schemes and other mandated forms of financial assistance, has very much limited their capacity to deliver alternative innovative solutions at this time. Establishing new partnerships is hence challenging but dialogue and collaboration is ongoing with a number of targets.

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.

We are on track to deliver this commitment.

Momentum in terms of the number of SMEs utilising Open Banking data continues to build following the Q3 release of Funding Options' dynamic customer journey, embedding Open Banking technology at the heart of the application process. A quarter of our business finance customers are already using the technology to provide their bank transaction information through our platform. At the end of 2020 we are 14% above target for bank account connections.