

Funding Options Limited - £5M Award

These Public Commitments are based on Funding Options' Revised Business Case which was approved in April 2021. The former Public Commitments, including rationale for the changes can be viewed [here](#).

CIF Key Achievements to Date

- Funding Options has used BCR funding in line with its pledges to help facilitate over £250m 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.
- In the process of delivering the above, and in response to the ongoing challenges presented by COVID-19, the 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 to include well over 100 currently active lenders.
- 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 Open Banking is proving a key enabler in delivering significantly greater efficiency in SME lending to UK businesses. 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. To improve our service to this segment specifically, the team has launched "Funding Cloud Connect" - Funding Options' tailored solution for professional 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, achieving 70% of the 2021 target with two quarters of the year to go.
- We have continued to submit applications for new loans without any cost of acquisition to a growing number of lender partners, delivering ahead of target and arranging over £78M in new lending at nil cost of acquisition cumulatively so far.
- The team continues to make excellent progress changing SME behaviours for their benefit, achieving a consistently high number of SME visitors using its website on a quarterly basis,

that puts it on track to beat the overall target for 2021 at the halfway point in the year. Having also achieved an all-time high brand awareness result of 26% for Q2 2021, this gives us all at Funding Options real optimism that awareness among UK SMEs of the non-bank lending sector and the ecosystem that supports it, is growing.

- Funding Options has launched Funding Cloud™ - an enhanced technology and data-driven platform that connects businesses, lenders and partners to facilitate fast, accurate and secure access to funding at scale. By integrating lenders into Funding Cloud™ via APIs, the platform has the power to achieve fully digitally underwritten lending decisions in real time. The shortest time frame achieved for a finance application to full approval by a partner lender is 20 seconds. Longer-term Funding Cloud™ will enable a host of SME data-driven services to be sourced through digital journeys.

Assessment Period 8 (April 1st, 2021 – June 30th, 2021)

COMMITMENT 1: WE WILL POWER THE ALTERNATIVE SME LENDING SEGMENT

Funding Options will fund up to 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, the team has continued to build on the momentum from the last two quarters to achieve £35M in new lending volume assisted by BCR grant funding in Q2 2021. This is again a great result for UK businesses and the positive variance to target (for H1 2021) 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 solid new lending volume during Q2 2021, the number of additional SMEs funded fell significantly short of expectations and the target. Performance in this area has continued to be hampered by lenders' ongoing reliance on the Government loan schemes to obtain the liquidity they need to lend at meaningful scale.

Although the CBILS was closed for new finance applications on 31st March 2021, lenders were given until the end of May to process any applications submitted before the deadline. As a result, lenders have continued to focus on lending through the Government scheme this quarter. While we have seen a small increase in demand at the lower end of the scale along with some green shoots for market-based lending and believe the demand will return, with the subsequent launch of the Government's new Recovery Loan Scheme, it is still too early to know to what degree, and therefore we remain more cautiously optimistic about the prospects for SMEs to access a competitive choice of

funding options to help the drive to economic recovery. Our commitment to help UK businesses access finance remains undiminished.

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 continued the excellent progress made in changing SME behaviours for their benefit throughout 2020, carrying the great momentum into this year. Off the back of achieving 190% of the 2020 target for website visitors, the team has already achieved 50% of the increased target for 2021.

Brand awareness amongst UK SMEs has grown further during this reporting period. We took the decision to change our third-party supplier to Censuswide this year as we felt they would provide a more representative assessment of our prevailing brand awareness. From Censuswide's independent survey, we achieved a score of 26% for Q2 2021 which is well above the pledged target.

The development and release of our Business Current Account comparison tool based on Open Banking data - which was previously delayed due to a conscious decision to prioritise deliverables pertaining to our Public Commitments 1 and 3, to power the alternative SME lending segment and fill the gap from closing bank branches - is on track for release next quarter.

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.

In Q4 2020 the team released "Project Ballpark" - Funding Options' solution for Accounting firms through its Advisory channel. Since then, the Commercial and Advisory teams have made excellent progress onboarding new advisory partners and we are on track to achieve the overall target for 2021.

With the planned physical regional roadshows still not feasible given the ongoing coronavirus restrictions, Funding Options has re-directed planned investment in Marketing, for example, to other work streams that are more beneficial to SMEs. To replace the planned roadshows in the context of driving awareness and understanding of alternative SME finance among the accounting community, as well as to continue to drive momentum in the onboarding of new advisory partners, a framework of webinars - virtual roadshows - has been established to reach accounting firms across the UK.

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, is still very much limiting their capacity to deliver alternative innovative solutions at this time. Establishing new partnerships remains 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. The team has released multiple enhancements to Funding Options’ dynamic customer journey that it believes will embed Open Banking technology even more at the heart of the application process, increasing adoption further. While the cumulative target of customers using Open Banking technology when applying for finance with Funding Options for 2021 is a stretch, the acceleration in its adoption this quarter gives us confidence that we will meet the target by year end.