

Funding Xchange Ltd – £5m Award

Key Achievements to Date

- To make finance more accessible, we have continued to expand our partnerships over 2021, reaching hundreds of thousands more SMEs. Notably, we have developed new technology products, leveraging open banking and developed new partnerships some specifically focused on supporting new and fast growing e-commerce and micro businesses, which normally fall outside of the traditional lending sector.
- Making finance more affordable, with BCR support, Q1 2022 will see us become the first Fintech to deliver Embedded Lending services to a Tier 1 bank. This relationship will provide thousands of SMEs with faster, more efficient and more accurate decisions. SMEs will see an increased range of products which may be suitable for their needs including options for funding from other funders. This will improve successful funding outcomes and also improve customer experience. We have also delivered Embedded Lending solutions to the renewable energy and farming sectors, addressing structural challenges in those markets and unlocking finance to support such businesses and their contribution to the climate agenda.
- From a sustainability perspective - Our BCR funded portfolio monitoring solution has now been fully launched to the market, generating a strong pipeline of commercial opportunities to support clients

Assessment Period 5 (September 1st, 2021 – November 30th, 2021)

COMMITMENT 1 - Making finance more accessible

Market challenge

'Financially fragile' SMEs have not built fundable profiles and SMEs believe it is too difficult to seek finance.

Commitment

SMEs will have 'frictionless' access to the best finance options. We will work with Price Comparison Websites, Accounting Software Providers, Challenger Banks and key influencers of the SME-lending landscape to completely embed our API-led technology within their infrastructure.

Explicitly, we will:

- **extend our integrations with Price Comparison Websites, Accounting Platforms and Challenger Banks to deliver pre-approved offers of finance;**
- **power the 'Enterprise Nation Finance Portal' by Q1 2021, providing businesses with instant access to finance options, e-learning tools and access to 10,000+ advisors across the UK. We will deliver free online training tools for SMEs and 'train the trainer' programmes for advisors; and**
- **power the SmartFinance Hub in partnership with the NACFB to enable 1,600 brokers across the UK to use our digital capabilities. The Hub will be available free of charge until the end of 2022 to smaller brokerages.**

This will drive greater transparency and competition into the market by providing 1.1 million additional businesses with simple and fast access to sustainable funding. This will generate £560m in Lending to SMEs by the end of 2022.

We are on track with respect to our "reach" commitments, having continued to expand our partnerships over 2021. We have developed new technology products, leveraging open banking and developed new partnerships specifically focused on supporting new and fast growing e-commerce and micro businesses, which normally fall outside of the traditional lending sector. As the pandemic has catalysed the shift to online and hence increased the prominence of such businesses, we are not further investing in our partnership with Enterprise Nation to enable us to further invest in partnerships aligned to e-commerce and fast-growing micro businesses. The nature of investment in these partnerships will be routed in

maximising our reach with SMEs and hence improving funding outcomes for as many small businesses as possible. This is therefore unlikely to be in form of the “Finance portal” route to market but rather deployed into channels where we are currently seeing the largest impact.

We are ahead of plan with respect to expanding our Lender Relationships and the suite of liquidity options across the platform having onboarded an additional 25 lenders so far. Again, we have looked to align the lending options we have available to continue to support a wider variety of SMEs including e-commerce and micro businesses.

The ongoing distortions in the lending markets because of government interventions driven by the pandemic, have naturally impacted our financing offered/intermediated KPIs which are therefore behind plan as the targets set in 2020 did not foresee the length and gravity of the pandemic or associated intervention in the markets. We are however, working tirelessly with all stakeholders, to facilitate the return of a functioning lending market. For example, the launch of our BCR funded, portfolio monitoring tool is allowing lenders to support businesses with affordable debt and to engage early supporting businesses as they navigate prolonged potentially challenging trading conditions.

COMMITMENT 2 - Making finance more affordable

Market challenge

Lending processes remain largely manual, making it expensive and slow with high street banks taking up to six weeks for decision on loan applications.

Commitment

Our Technology Platform provides alternative lenders with a plug-and-play solution to automate their decisioning and connect SMEs to the wider lending ecosystem. This will reduce lenders’ operational costs, allow them to handle higher volumes and invest in competitive pricing.

FXE will fully integrate it into 20 lenders and challenger banks by Q4 2022, resulting in 400,000 customers per annum benefitting from faster, more efficient decisions.

With BCR support, Q1 2022 will see us become the first Fintech to deliver Embedded Lending services to a Tier 1 bank. This relationship will provide thousands of SMEs with faster, more efficient and more accurate decisions. SMEs will see an increased range of products which may be suitable for their needs including options for funding from other funders. This will improve successful funding outcomes and also improve customer experience.

We have also delivered Embedded Lending solutions to the renewable energy and farming sectors, addressing structural challenges in those markets, and unlocking finance to support such businesses and their contribution to the climate agenda.

With our early focus having shifted towards supporting Tier 1 banks, where our solutions can have the largest positive impact for SMEs seeking funding, this has resulted in us supporting a smaller number of larger clients at this phase of the programme than originally envisaged – once our solutions are live with these larger clients, we are anticipating being ahead of plan across most of our “affordability” commitments.

COMMITMENT 3 - Making finance more sustainable

Market challenge

Lenders struggle to support borrowers who become stressed – 60% of Covid-19 SME borrowing is unsustainable making this particularly important.

Commitment

Our data tracks SMEs' financial health, providing real-time insights into lenders' portfolio risk. This enables lenders to adjust repayments in line with SMEs' ability to pay as businesses navigate inevitable ups and downs.

FXE will partner with Shawbrook Bank to develop a real-time monitoring tool for intelligently managing concessions. The tool will be made available to at least 30 lenders, serving 300,000 businesses, thereby avoiding 9,000 insolvencies, and protecting 36,000 jobs by Q4 2022.

A prolonged collaboration with our launch partners has benefited the development of our BCR funded portfolio monitoring solution, which is addressing key challenges in the sector and has led to launch partners proactively supporting commercialisation of the solution into the market. Post our recent launch event we have signed up double the number of clients than anticipated and have a strong pipeline heading into 2022. Whilst the prolonged development phase of our solution means that we are momentarily behind target for 2021, the level of interest in the market and strength of the current pipeline means we expect to deliver ahead of target over 2022.

COMMITMENT 4 - Create 55 new regional positions and aim for 50% of the team from diverse background

By Q3 2021, we will create 55 highly skilled positions, 80% of which linked to our Welsh office which will become our operational headquarters. Building on today's diversity of our senior leadership team, 50+% of Board and Senior Executives are from a diverse background, we aim to achieve the same ratios within our broader team by 2022.

We remain On Track to achieve this commitment.

Our recruitment targets remain on track. Over Q4 2021 we have recruited an additional 2 staff bringing our total to 44 positions recruited and we remain in a market leading position with respect to diversity at >50%.

COMMITMENT 5 - Opportunities for partners

We are at the centre of the SME lending ecosystem, giving us the opportunity to work with new, innovative lenders seeking access to the market. We will invest our analytical resources to support 10 new/emerging lenders refine their product solutions to ensure a strong fit with market needs and help these lenders to bring solutions to market by the end of 2021. We will waive our fee for this service.

We have delivered solutions to seven partners and whilst this makes us momentarily behind target for 2021, we have visibility on several projects for H1 2022 which means we are confident on delivery of our commitments over 2022.

COMMITMENT 6 – Co-investment

We will match the award on a 1:1 basis.

We remain On Track to achieve this commitment.

We have matched BCR funding 1:1 over this Assessment Period.