

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 our pledges to help facilitate over £275m 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 we were able to continue to successfully provide appropriate funding options for UK SMEs. We have navigated the changing conditions in the SME finance sector diligently - pivoting the teams' focus when necessary, with the introduction and cessation of the various HMG schemes - to ensure that at all times we have been able to provide SMEs with a competitive choice of funding options. In addition, the team's activity in onboarding selected new alternative lenders has seen the panel expand further beyond our pledge target to include well over 120 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 our 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.
- In Q2 2021, Funding Options launched Funding Cloud™ - a 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 to date from a business submitting a finance application to full approval by a partner lender, is 20 seconds. The shortest time frame achieved to date from a business submitting a finance application to having the money transferred into its bank account by a partner lender, is 18 minutes. Longer-term Funding Cloud™ will enable a host of SME data-driven services to be sourced through digital journeys.
- 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, surpassing the 2021 target during Q4 2021.

- 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 £91M in new lending at nil cost of acquisition cumulatively so far.

Assessment Period 10 (October 1st, 2021 – December 31st, 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.

The Funding Options team remains on track to deliver this commitment by the end of December 2022.

Notwithstanding the ongoing challenging environment for SME finance, the team has continued to deliver strong results, achieving more than £25M in new lending volume assisted by BCR grant funding in Q4 2021. This is again a great result for UK businesses and the positive variance to target (for H2 2021), positions us well to facilitate almost £0.5bn in alternative lending by end-2022, in line with our Public Commitment. As at year end Q4 2021, the team has achieved 43% of the overall target.

While the Funding Options team achieved solid new lending volumes during Q4 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. Encouragingly though, the volume of SMEs funded during Q4 2021 grew materially over the prior quarter.

Whilst Funding Options believes the RLS has been unsuccessful as a lending scheme overall, numerous non-bank lenders are still facing challenges in being unable to access capital competitively, particularly if they are not accredited to RLS. Although we continue to see an increase in demand at the lower end of the scale and further green shoots for market-based lending, we believe these challenges will continue to compromise the non-bank lenders' ability to provide competitive choice for UK SMEs into H1 2022.

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.

The Funding Options team remains on track to deliver this commitment by the end of December 2022.

The business has continued its excellent progress changing SME behaviours for their benefit. Off the back of achieving 190% of the 2020 target for website visitors, the team achieved 98% of the increased target for 2021 (which equates to almost one quarter of a million visitors to the website this year).

Brand awareness amongst UK SMEs has grown significantly in Q4 2021. Having taken 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, we achieved a brand awareness score of 30% for Q4 2021, which is 375% of the pledged target for 2021.

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 now complete. Work begins in earnest to grow the number of users of the tool as we move into 2022 reporting.

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 remains on track to deliver this commitment by the end of December 2022.

In Q4 2020 the team released “Project Ballpark” - Funding Options’ solution for accounting firms through its Advisory channel. The launch of Funding Cloud™ has provided a further technology-driven boost and Project Ballpark has been rebranded to Funding Cloud™ Connect, our dedicated solution for professional advisors. The Commercial and Advisory teams have made excellent progress onboarding new advisory partners, achieving 117% of the overall target for 2021.

With the planned physical regional roadshows not having been feasible previously given the Coronavirus restrictions, Funding Options agreed with BCR to amend our original Business Case slightly (as reflected herein) to redirect planned investment in Marketing, for example, to other work streams that are more beneficial to SMEs under the circumstances. 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 regular webinars - virtual roadshows - has been established to

reach accounting firms across the UK. The frequency of webinars accelerated during Q4 2021 with an additional 10 online sessions taking place, taking the total number of virtual roadshows for the year to 16, which is 267% of the original planned target.

Funding Options continues to work closely with our bank partners to support them with our digital “Alternative Yes” solution for their business customers. Traction in terms of SME customers being offered alternative lending products where our bank partners are unable to assist them with their finance applications, has been strong during Q4 2021.

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.

The Funding Options team remains on track to deliver this commitment by the end of December 2022.

Momentum in terms of the number of SMEs utilising Open Banking data continues to build, with material growth in adoption during Q4 2021 over the previous quarter. Although performance for the year as a whole fell some way short of target (the team achieved 72% of the 2021 target) we have been encouraged by the adoption rates for finance applications that have been matched with, and sent via API to, lenders integrated with Funding Cloud™, for example, which are consistently in excess of 60%, way above the quarter of SMEs target.

Multiple further enhancements to Funding Options’ dynamic customer journey are planned that we believe will embed Open Banking technology even more at the heart of the application process, increasing adoption materially. While the cumulative target of customers using Open Banking technology when applying for finance with Funding Options by the end of 2022 is still a stretch, the acceleration in its adoption in Q4 2021 gives us confidence that we will meet or beat this target.