

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 £326m of new lending (debt) overall to UK SMEs since the commencement of Pool D. In doing so, we have exceeded all prior targets for new alternative lending to date.
- In addition, the team's activity in onboarding selected new alternative lenders has seen the panel remain above our pledge target with 104 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 data-driven SME 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, in Q4 2021 the team launched "Funding Cloud™ Connect" - Funding Options' tailored solution for professional firms through its Advisory channel.
- 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 11 (January 1st, 2022 – March 31st, 2022)

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 is partially 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 £31M in new lending volume assisted by the CIF grant funding in Q1 2022. This is again a great result for UK businesses, and we remain well positioned to facilitate almost £0.5bn in alternative lending by end-2022, on track with our Public Commitment.

While the Funding Options team achieved respectable new lending volumes during Q1 2022, the number of additional SMEs is not on track to meet the above commitment. Performance against the volume target reflects the ongoing challenges UK microbusinesses and younger businesses face in the post pandemic world, in accessing finance. With a significant proportion of lenders still reliant on the Recovery Loan scheme (RLS) to lend at meaningful scale, lender risk appetites have been tightened to such an extent that such businesses are faced with far shorter supply of potential funders than during pre-covid times.

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 this year and as such we are not on track to achieve the number of alternative lenders outlined in the above commitment.

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, with the sole exception of its target for adoption of the recently launched BCA comparison tool.

The business has continued its excellent progress changing SME behaviours for their benefit by increasing awareness of the financing options that are available to them through the non-bank

lender community and providing them with a credible website destination to go to where they can do everything from research the different finance product types to accessing the UK's only dedicated green finance marketplace, by way of example. Off the back of achieving 98% of the increased target for website visitors in 2021, the team has started the year strongly, achieving 19% of the 2022 annual target already this quarter.

Brand awareness amongst UK SMEs has also remained consistently strong during Q1 2022. For the second consecutive quarter, the business achieved a brand awareness score of more than 30%, which puts us very significantly over target well in advance of the year-end deadline.

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 other Public Commitments - was completed in Q4 2021. Adoption of the BCA tool has been way below expectations, albeit with limited marketing investment in the product given the competing priorities at play. We recognise that it will not be possible to achieve the original target set at this stage in the BCA tool's evolution. Nevertheless, we will continue to grow the number of users as rapidly as possible.

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, with the sole exception of its target for onboarding accounting firms from across the UK.

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. Whilst the Commercial and Advisory teams have continued to make excellent progress onboarding new advisory partners and adoption of Funding Cloud: Connect has been strong, the team finds itself significantly short of the increased headline target for onboarding new accounting partners in Q1 2022. We recognise that it will be very difficult to make up the deficit in full over the remaining three quarters, notwithstanding our genuine efforts to do so.

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 to redirect planned investment in Marketing to other work streams that are more beneficial to SMEs under the circumstances. To replace the planned roadshows, a framework of regular webinars - virtual roadshows - was 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 headline planned target

for year-end 2021. Although no additional webinars have taken place in Q1 2022, more are in the pipeline for the remainder of this year.

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 remained consistently strong this quarter.

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 is holding firm, with strong adoption of the technology innovation throughout this quarter. Although performance in Q1 2022 was not as high as Q4 2021, we still see a very real opportunity to accelerate the use of Open Banking by UK businesses. We are seeing customer behaviour changing with increasing awareness and acceptance of new technology and data-driven solutions. SMEs are starting to realise they need to adapt to the changing lending landscape and utilise the new tools available to them to access the full breadth of finance products that could be relevant to them. We have been particularly 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 over 60%.

Multiple further enhancements to Funding Options’ dynamic customer journey are in our roadmap 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, we remain confident that we will at the very least meet this target.