

## Funding Xchange Ltd – £5m Award

### Key Achievements to Date

- To make finance more accessible, we have continued to expand our partnerships over 2021 and into 2022 including driving the market adoption of our technology products by banks and lenders placing our technology at the point of need to SMEs whether they are seeking funding directly through FXE or via any of our partners.
- From a sustainability perspective - Our CIF funded portfolio monitoring solution has now been fully launched to the market, generating a strong pipeline of commercial opportunities to support clients. We have signed commercial agreements for the use of our portfolio monitoring solution with several partners and are expecting to at least double the number of partners using the solution over Q3 2022.

### Assessment Period 7 (March 1<sup>st</sup>, 2022 – May 31<sup>st</sup>, 2022)

#### 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 broadly on track with respect to our “reach” commitments in terms of the number of new SMEs with Access to Funding, albeit the continued intervention in the lending markets means we continue to be behind with respect to the level of lending intermediated. The market adoption of our technology products by banks and lenders continues to support our expanding reach, placing our technology at the point of need to SMEs whether they are seeking funding directly through FXE or via any of our partners. The SmartFinanceHub continues to be fully live and operational, which is being utilised by a growing number of prominent funders and brokerages across the market. We have curtailed our partnership with Enterprise Nation in favour of investing further with other partners and therefore shall not be progressing with the Finance or Advisor portals.

We continue to be ahead of plan with respect to expanding our Lender Relationships and the suite of liquidity options across the platform having onboarded an additional 29 lenders since BCR funding. We continue to align lending options we have available with the demand we are seeing and are supporting several new and emerging lenders in this regard.

The ongoing distortions in the lending markets as a result of government interventions driven by the pandemic continue to impact our financing offered/intermediated KPIs which therefore continued to be

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 do, however, continue to see positive momentum in the lending markets as lenders continue to recognise the need to modernise and invest in their service propositions and support SMEs better.

## **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.**

We are not on track with this commitment because our strategic focus has shifted towards supporting Tier 1 banks, where our solutions can have the largest positive impact for more SMEs seeking funding. This continues to result in us supporting a smaller number of larger clients at this phase of the programme than originally envisaged – whilst we may not achieve the target of 20 lenders and challenger banks by Q4 2022, it is inevitable that once our solutions are live with these larger clients, we are anticipating being ahead of plan across most of our “affordability” commitments.

With BCR support, we continue to finalise the launch of our Embedded Lending services to a Tier 1 Bank and are actively working with a second Tier 1 Bank to deliver our solutions by end of 2022. Those relationships will provide thousands of SMEs with faster, more efficient, and more accurate decisions. SMEs are already seeing an increased range of products that are suitable for their needs including options for funding from other funders. The feedback we are hearing from our lenders is very positive with improved successful funding outcomes and improved customer experience.

Our Embedded Lending solutions continue being in the pilot stages 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.

## **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.**

FXE is on track with this commitment. Delivery of our BCR funded Portfolio Monitoring solution, is gathering pace. Shawbrook is now onboarded, and solutions are going live with another two clients. We are having live discussions with several other lenders, including a large Tier 1 Bank, having only launched the solution to the market in late 2021. The level of interest in the market and strength of the current pipeline continues to build following the pandemic, and whilst we are currently not on track across all aspects of this commitment, we expect to catch up and exceed our targets over the second half of the year. The Portfolio Monitoring solution will address key challenges in the sector that have been identified by our partners.

**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.

Over this period, we have recruited an additional 7 staff bringing our total to 58 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 met this commitment.

**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 in Q3 2022. In total, we have contributed over £4.6m.