

## Funding Xchange Ltd – £5m Award

### Key Achievements to Date

- We are in line with our plan with respect to expanding our Lender Relationships and the suite of liquidity options across the platform having onboarded an additional 30 lenders since BCR funding. We are seeing financing offered and disbursed increasing quarter on quarter in the lending markets which suggests a slow and gradual return to increased liquidity in the SME lending markets.
- Our CIF funded portfolio monitoring solution is getting significant commercial traction. We are live with three clients to date.

### Assessment Period 8 (June 1<sup>st</sup>, 2022 – August 31<sup>st</sup>, 2022)

#### Original Commitment:

#### **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.**

#### **Rationale for change:**

The ongoing distortions in the lending market, government loan scheme lending as well as the continued uncertain economic environment have impacted our delivery plan and delivery of our business case. We are therefore extending the timelines for the delivery of our commitment of providing 1.1 million additional businesses with access to financing and generating £560m in Lending from the end of 2022 to 2025. In addition, FXE has curtailed its partnership with Enterprise Nation in favour of investing further with other partners and therefore shall not be progressing with the Finance Portal for Advisors.

#### **Revised Commitment:**

#### **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; and**
- **power the SmartFinance Hub in partnership with the industry bodies 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 2025.**

We are on track with respect to our “reach” commitments in terms of the number of new SMEs with Access to Funding. 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 are in line with our plan with respect to expanding our Lender Relationships and the suite of liquidity options across the platform having onboarded an additional 30 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.

Our financing offered/intermediated KPIs are on track against the revised targets set in 2022. We are seeing financing offered and disbursed increasing quarter on quarter in the lending markets which suggests a slow and gradual return to increased liquidity in the SME lending markets.

**Original Commitment:**

#### **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.**

##### **Rationale for change:**

Given the very different economic landscape facing SMEs in 2020-2022, we have shifted our strategic focus 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. Therefore, we are extending our target of 20 lenders and challenger banks from Q4 2022 to Q4 2024. It is inevitable that once our solutions are live with these large clients, we are anticipating being ahead of plan across most of our “affordability” commitments.

**Revised Commitment:**

**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.**

**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 2024, resulting in 400,000 customers per annum benefitting from faster, more efficient decisions.**

We are on track with this commitment. We are strategically focused to deliver our solutions to tier 1 banks where we will have the largest positive impact for more SMEs seeking funding.

With BCR support, we continue to finalise the launch of our Embedded Lending services to a Tier 1 Bank by end of 2022 and are actively working with a further two Tier 1 Banks to deliver our solutions by end of 2023. 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.

**Original Commitment:**

**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.**

**Rationale for change:**

The Portfolio Monitoring solution will address key challenges in the sector that have been identified by our partners and hence the level of interest in the market and strength of the current pipeline continues to build following the pandemic, yet at a slower pace. We are therefore extending the timelines for the delivery of our solutions to 30 lenders, serving 300,000 businesses from Q4 2022 to Q4 2024. In addition, we are removing the reference to insolvencies and jobs KPIs as it is not possible to quantify them given the impact that the pandemic and anticipated recession might have on the economy.

**Revised Commitment:**

**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 by Q4 2024, and help avoiding insolvencies, and protecting jobs.**

FXE is on track with this commitment. Delivery of our BCR funded Portfolio Monitoring solution, is gathering pace. Including Shawbrook, solutions are now live with three clients. We are having live discussions with several other lenders, including two large Tier 1 Banks, 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 the Portfolio Monitoring solution will address key challenges in the sector that have been identified by our partners.

#### **Original Commitment:**

**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.**

#### **Rationale for change:**

According to the Office of National Statistics, highly skilled workers are more likely to hybrid work. We have adapted our policies to these new working patterns and as a result anticipate that at least 60% of our highly skilled workers will choose to hybrid work and be linked to regional offices. We have therefore revised our commitment by removing the reference to Welsh Office, and reducing the KPI percentage.

#### **Revised Commitment:**

**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, 60% of which to be supported by hybrid working arrangements and linked to regional offices. 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 have achieved this commitment and have developed organisational strategy to retain these ratios.

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 have met this commitment having fully deployed the CIF grant.