

Funding Options (D) – £5m Award

Public Commitments Update – Q2 2023

Key Achievements to Date

- **Q2 2023** - Funding Options has used BCR funding in line with our pledges to help facilitate over £349m of new lending (debt) which includes £91m of new loan volumes for alternative lenders without any cost acquisition to UK SMEs since the commencement of Pool D.
- **Q1 2023** - Funding Options' acquisition by Tide, which completed on 1st February 2023.
- **Q3 2022** - The Funding Options team has expanded its data-driven platform for the SME finance sector with the launch of Funding Cloud: Insights, which provides market knowledge and intelligence to the small business lending industry. Following on from the successful launch of Funding Cloud in 2021, we wanted to deliver further market intelligence and granular trend data to our lender partners so they can evolve their lending proposition and make more accurate decisions about products.
- **Q4 2021** – We continued to submit applications for new loans without any cost of acquisition to a growing number of lender partners, delivering in line with the target. Additionally, we launched “Funding Cloud™ Connect” - our tailored solution for professional firms through our Advisory channel to help empower accountancy firms and other professional companies to provide vital support to their local SMEs.
- **Q2 2021** – We 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 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.
- **Q2 2020 to Q1 2022** - We have navigated the changing COVID-19 conditions in the SME finance sector diligently - pivoting the team’s focus, when necessary, with the introduction and cessation of the different HMG schemes - to always ensure we continue to provide a competitive choice of appropriate funding options for UK SMEs.
- **Q1 2020** – As an early adopter, Funding Options has championed the benefits of Open Banking infrastructure for both our business customers and lender partners. Adoption rates have since been strong and as of Q2 2023 over 37k accounts had been connected using Open Banking.

COMMITMENT 1: WE WILL POWER THE ALTERNATIVE SME LENDING SEGMENT

Funding Options will fund up to 5,000 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.

We remain on track to deliver against this commitment by year-end 2023. With respect to the number of SMEs successfully accessing finance through the Funding Cloud platform, the team has smashed through the target this quarter and we expect to beat the target by a minimum of 30% by year end. There remains work to do in relation to the cumulative value of funding we are committed to achieving this year but, having facilitated over £19M in new finance for UK business owners again during this reporting period, we are confident of getting close to, if not beating, the year-end goal. At present we sit at 76% of the overall target.

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 400 accounting firms - from all corners of the UK - to act like traditional local bank managers in supporting SMEs by the end of 2022, and 1,000 local accounting firms in total by the end of 2023. 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.

We are not on track with this commitment; although there is a plan to accelerate our performance in H2. Following Funding Options' acquisition by Tide, which completed on 1st February 2023, there remains an accentuated focus on integration with certain strategic decisions required with regard to prioritisation. Whilst the commitment to working with Accountants across the UK to help their business customers access funding, for example, remains strong, Funding Options has focused resources in other areas this quarter to deliver the requisite performance against its broader commitments. As we progress through the remainder of the year, the expectation is that the acquisition of new Accountants using our Funding Cloud: Insights platform will accelerate as the Funding Options proposition is embedded further into Tide's connected ecosystem for SMEs.

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.

We remain on track to deliver against this commitment by the end of Q4 2023. The Funding Options team has continued to improve its application journey to encourage business finance applicants to utilise Open Banking to speed up the end-to-end process. Given the pipeline of further initiatives we have in train to materially accelerate the adoption of Open Banking, we are confident that we will

deliver against the target threshold by the end of the year. At present we sit at 76% of the overall target.