

Modulr Finance (C) – £10m Award

Public Commitments Update – Q2 2023

Key Achievements to Date

- PISP payments have now reached 1,461,991 transactions initiated
- 2.32m card transactions have been processed via physical cards
- We have an SME reach of 108,680 through our APCC tool, 676,766 through our Payment as a Service solution, and 938,319 through our innovation solutions.
- Accountants Payments Control Centre has over 680 accountancy practices and accountants onboarded as of Q2 2023.

1 | We will transform accountants' ability to manage payments for SMEs

An estimated 2 million SMEs (Ernst & Young, The Future of SME Banking, 2018 & ONS, UK business activity, size and location statistical bulletin, 2018) rely on the services of one of the 25,000 Accountancy Practices (practices with 1+ employees; UK BEIS, Business Population Estimates, 2018) across the UK to help run their businesses, including the accountants managing payments on their behalf. This is currently extremely challenging due to existing business banking services not providing for the specific needs of accountants when operating these services.

Modulr has already created a basic dashboard that is in the market and receiving good feedback, the CIF Grant will enable us to significantly expand the functionality of this Accountant Dashboard into a full Accounts Payments Control Centre (APCC).

- **We will bring this capability to market in Q1 2021 and continually enhance it in phases through to Q1 2022**
- **Modulr will aim to implement its services with 163, 354, 564 and 680 accountancy practices by Q4 2021, 2022, 2023 and Q2 2024, who will ultimately be able to make them available to 110,000 SMEs.**

We are on track with our commitment to transform how accountants can manage payments for SMEs, with over 680 accountancies engaged and with circa 108,680 SME Reach.

Key highlights in 2023 include the launch of our Mobile App for payment approvals and an SME Tool which allows our customers to keep up to date on their approvals and funding requirements with a clear notifications banner via the Modulr Dashboards/Websites.

2 | Switching isn't working for SMEs; we will create competition outside the existing banking system

Our digitally native Business Payment Account & Payment Services API is readily available via an online Developer Centre and Sandbox. This enables our direct business clients and partners to integrate payments into their products and business platforms quickly and easily. We aim to expand our existing successful product offering to allow our partners to provide additional capabilities. The CIF Grant will enable us to extend the functionality of this service to include SME specific needs such as physical card issuance and international payments, to support universal adoption by SMEs

- **The extension on Modulr's capability allowing partners to meet all the payment needs of SMEs with our Business Payment Account & Payment Services API will begin in Q1 2020 and the final phase will complete in Q2 2023.**
- **Implementing these services with 12, 26, 41 and 48 partners by Q4 2021, 2022, 2023 and Q2 2024, who will ultimately be able to make them available to 860,000 SMEs.**

We are on track for this commitment.

We're big believers in disruption and are constantly challenging ourselves to expand our core capability to meet the payment needs of SMEs. As such, we will stimulate competition by empowering our partners with a suite of products to provide better solutions to their SME customers and have achieved an SME reach of 676,766 customers through our Payment as a Service partner offering. This quarter we have seen our SME Reach number remain the same which is an improvement on the small reductions over the last few quarters. Modulr will be conducting a thorough review of this slowdown in SME reach over the past few quarters, to ensure we can effectively forecast the coming months.

The Physical Cards product, which went live in 2020 is now proven and seeing steady increase in card transactions demonstrating the benefit and growing need for this solution within the market.

3 || We will fight in the UK SMEs' corner in making sure new, innovative payment methods solve SME pain points

SMEs have typically been last to access new industry wide payments initiatives and innovation.

We will use the CIF Grant to make available the latest industry innovations to SMEs including:

- **Fraud Prevention+ with our Confirmation of Payee Solution**
- **Account Verification with Open Banking**
- **Open Banking (Accountant Information & Payment Initiation Services) to deliver cash management and treasury management services.**
- **Modulr will continue to deliver proof of concept through to full product launch for the three key innovative payment services, starting in Q4 2019 and completing in Q4 2023, with continual delivery and enhancement of functionality through that period.**
- **Through our partners, Modulr will aim for our payment innovation services to be made available to at least 340,000 SMEs by Q2 2024.**

We are on track with this commitment.

Our volume of transactions through Payment Initiation Services (PIS), which went live in June 2020, continue to grow as reflected by our transaction initiations increasing to circa 1.45m. Work for our Account Verification with Open Banking will commence this quarter.

Modulr has met our SME reach requirements for this commitment.

4 | We will raise matched funds of £10m to supercharge our impact on competition

We commit to raising matched funds of £10m and deploy it to deliver on our commitments and expand the benefit of the CIF. These matched funds will be used to cover our scaling costs, marketing costs, external integrations and additional scheme access.

Further, we commit to allocate £500,000 to spend running at least 6 regional and digital payments education events per year for 5 years across Glasgow, Edinburgh, Bristol, London, Nottingham, Manchester, Cardiff & Belfast for SMEs on how to use new and innovative payment mechanisms, and to gain their direct feedback on how the new services should be developed.

We are on track to achieve our total co-investment of £10m as per our business case commitment. Alongside the delivery of a number of success virtual and in person events, Modulr achieved significant outreach within the SME eco-system.