

## Virgin Money Plc – £35m Award

### Key Achievements to Date

- Our initial delivery team, comprising of three programme themes (Onboarding, Wellness and Solutions) has been expanded to include a fourth theme ‘Enablement’ who will deliver the enabling capability to support capacity creation for front line colleagues, increased lending through improved customer profiling, enhanced view on customers networks, and business bank wide data capabilities.
- The new digital onboarding solution is now live with customers for the new to bank applications for single director limited companies, our most significant customer cohort. Planning for subsequent releases to sole traders, and multi-party limited companies is underway.
- We have conducted over 100 hours of testing and research with UK SMEs, which validated our approach and helped us shape our wellness and solutions proposition. As we move to development, this ensures that we are fully addressing customer pain points. Additionally, we conducted over 25 hours of colleague research to further validate that the proposition will meet the needs of both our customers and customer facing colleagues.
- We are making great progress, the underlying technology to support the marketplace is taking shape, and we are having positive conversations with a variety of potential capability and solutions partners to develop and enhance the marketplace
- We have also created a FinTech Incubator, equipped with a new streamlined onboarding process, to manage the engagement of FinTechs and prove the value of both proposition and partnership. Currently we have one FinTech who has graduated from the Incubator, 6 FinTechs undergoing Proof of Value and 18 in the pipeline. We have also deployed a new and dedicated sandbox environment to support FinTech and systems testing, which is greatly enhancing incubator outcomes.
- We have signed a formal contract with 9 Spokes to provide the customer dashboard capability for the wellness tracker, which goes live in September. We are also testing with Codat and Fluidly to support this delivery.
- Across Virgin Money, we have also commenced a significant communications programme, building excitement about the transformation by hosting various events for colleagues to increase awareness of our future vision for the delivery of SME business banking. The mobilisation of this programme has also been timed to leverage from our recent rebranding activity.

### Assessment Period 3 (March 1<sup>st</sup>, 2021 – May 31<sup>st</sup>, 2021)

#### COMMITMENT 1 – Launch “Working Capital Health” for SMEs in 2021

**With digital onboarding and the Working Capital Wellness tracker delivered within the first year of receiving investment. This new BCA will provide SMEs with real time insight into current and forecasted working capital requirements, helping them improve margins and providing them with predictability and confidence over their financing. The BCA will be supported by fintech partners, providing access to a business and financial services marketplace. Some 90% of customers are ultimately likely to be able to be onboarded and underwritten with a wholly digital experience. We commit that 50% of all new customers will be digitally onboarded and credit-approved from end 2022, and 75% by end 2025.**

We are on track and are making good progress against our commitment to launch our working capital health proposition for SMEs in 2021. In the last reporting period, we have launched our digital onboarding account opening journey for single director limited companies - the first milestone in delivering our digital ambition. In addition, work on our wellness tracker is progressing

well and we remain on track to deliver our capabilities in line with our committed timeframes. Finally, during this reporting period we have mobilised our 4th workstream 'Enablement' which will assist us in transforming our business to provide an enhanced view on customer networks alongside the delivery of Relationship Manager process efficiencies.

**COMMITMENT 2 – Acquire 100K new SME customers by the end of 2025 (of which 20K will be acquired by end 2022)**

**That is a 52% increase on our established customer base and combined with our inflight initiatives will give us 355K SME customers and a market share of 6.1%. But crucially we don't see this as a numbers game, which is why we're proud to serve - and committed to support - SME customers of all sizes. From those at scale right through to the very small businesses that make up the beating heart of the UK economy. Customer acquisition will be enabled by smart digitisation of onboarding and credit decisioning, and customers will be drawn in groups as Working Capital Health will target businesses through their trading and sector networks. 90% of new customers will be digitally onboarded and credit-approved from end 2022.**

We continue to be on track with this commitment. Notwithstanding that our underlying business as usual growth has been managed alongside a need to accommodate Government support for Covid, we remain extremely confident in our planned series of initiatives - including our working capital health proposition, to meet our customer acquisition target of 355K SME Customers by end 2025 (up from 190K at the time of submission in July 2020).

**COMMITMENT 3 – Increase lending by an extra £2.2Bn by the end 2025 (of which £0.5Bn by end 2022)**

**Providing a much-needed capital boost to the SME market during the difficult years ahead. Within this, more than £100M of our new lending will be to clients pursuing environmental, social and governance aims.**

We continue to be on track with this commitment.

**COMMITMENT 4 – Invest an additional 150,000 hours of Relationship Manager time per annum from end 2022 to advise clients on how they can improve their working capital health**

**This will be enabled through an investment in data infrastructure, process digitisation and Working Capital analytics from the BCA.**

We continue to be on track with this commitment and during the last reporting period we have mobilised our 4th workstream 'Enablement' and whilst scoping continues, the team will focus their efforts on 3 key areas:

- 1) Credit transformation
- 2) Deliverance of a CRM solution
- 3) Understanding how we can leverage data to both provide greater insight on customer networks and experience

With the focus areas defined, we are building the squad who will lead us onto the next phase of mobilisation, which will include investigating how we can leverage the capabilities of our FinTech partners to assist us in the deliverance of investing 150,000 hours of Relationship Managers time.

We remain on track and continue to make good progress in the identification of how we will release the hours required through digitalisation and deliverance of efficiencies.

**COMMITMENT 5 - Develop a partner ecosystem, enabling initially 10 solution partners to launch services by 2022**

**We will power our solutions through a unique partnership network, spending at least 30% of the CIF Grant on UK based SMEs, and working with our partners to develop their businesses through ours, supporting their business growth and development. These partners will both deliver innovation and enable the platform and marketplace to launch at a rapid pace. We will release media announcements on at least one new Partner every month from October 2020 until April 2021.**

We continue to be on track with this commitment and have added a further 2 Partners (Fluidly & Trade Ledger), taking our total partners announced to date to 7:

- Fluidly, a winner of the CIF Pool D award, helps businesses look after every aspect of cash flow in one place, with a range of forecasting, invoice chasing and funding tools. It will focus on developing our working capital health proposition using its cash flow analysis and management and scenario planning tools. Fluidly's technology will also help accelerate the Bank's commitments to enhancing working capital solutions for business customers and data-driven insights for Relationship Managers
- Trade Ledger specialise in data-driven lending technology and are a leading global provider for the commercial banking and financial services industry, supporting banks by enabling lending products to be created and offered at the right time, over multiple customer facing channels. Trade Ledger will work with us to bring together the data required throughout the customer lifecycle - analysing the data and automating key processes. This will allow the Bank to deliver working capital to businesses faster, with less risk and with a range of flexible options

**COMMITMENT 6 - More than 80% of our new customers will be based outside of London at all points through to end 2025**

**We will push beyond our existing regional heritage and strengths to serve customers up and down the country. Digitisation will remove our geographical barriers to entry, and we will play our full part in the UK government's drive towards the 'levelling-up' agenda, reconfiguring our regional economy post COVID-19/Brexit.**

We continue to be on track with this commitment.

**COMMITMENT 7 – We commit to enabling business customers and colleagues in an inclusive manner. It's not only written in our values; diversity and inclusion is at the heart of our culture. That's why we will continue to support the Race at Work and Women in Finance charters. We are "Disability Confident" and a proud Stonewall diversity champion. We commit that we will maintain over 40% of our senior roles in the Bank being filled by women, and we will maintain and publish stretching targets for other dimensions of diversity. For customers - and with our enhanced capabilities - we will measure and report the diversity and inclusion characteristics of newly acquired customers. Our aspiration is to ensure alignment between the growth of our business with the diversity of the people and communities we serve, taking action to improve and learn. This capability will be in place from end 2021.**

We continue to be on track in enabling customers and colleagues in an inclusive manner. However, following some recent organisational changes, at 39% we are marginally below our committed target of having 40% of senior roles filled by women. This is largely timing, due to organisational changes and we expect this to increase over the next period. We also have a series of programmes underway which include:

- A review of our approach to recruitment.
- The launch of our Springboard programme designed for female colleagues to provide tailored support for their career journeys.
- Introduction of our 'Welcome Back' programme to support colleagues returning to work after a period out of the business.
- We will soon launch the 'EveryWoman' learning platform to empower women and provide them with unique learning and development content to support personal and career progression.
- We have specific actions in place to support our aim to ensure gender balance in the top 3 layers of the organisation by the end of 2022 and we have also linked this goal to executive pay.

#### **COMMITMENT 8 – Co-investment**

**We are so committed to this ambition that, distinct from our own investment plans, we will match the CIF award pound for pound through our own investment, taking the total investment to £70M.**

We continue to be on track and remain committed to co-invest £35M of our own funds to this programme. As agreed with the BCR, we will spend the BCR investment first, followed by VM money. We continue to forecast total cumulative spend of £70m by December 2022 (BCR £35m + VM £35m).