

## Virgin Money Plc – £35m Award

### Key Achievements to Date

- Our onboarding capability, previously available to single director limited companies has now been extended to sole traders, enabling the majority of BCA applicants to experience a new, modern digital journey. We have also been able to extend the digital experience to other (more complex) entity types.
- We 'launched' our Working Capital Wellness Tracker, known as 'M-Track' making it available to our first cohort of customers in November 2021. M-Track provides SMEs with a range of customisable insights underpinned by connections to multiple applications, including accountancy packages.
- We continue to make strong progress developing the underlying technology to support the solutions marketplace. Additionally, we announced a partnership with Accelerated Payments, strengthening the suite of working capital solutions Virgin Money will be able to offer. They will provide Virgin Money customers with flexible and efficient working capital solutions through invoice financing, accessed through a digital client portal.
- We currently have 6 FinTechs who have graduated from the Fintech Incubator, 3 FinTechs undergoing Proof of Values and 18 in the pipeline. We have also designed & deployed a new market scanning capability that enables the bank to analyse, engage & select relevant potential partners from the wider FinTech landscape.
- In November 2021, we launched our new digitally-focused Business Current Account - M-Account. Designed specifically for small businesses, this comes with no monthly fee and free day to day digital transactions, as well as a range of other features including cashback on debit card purchases and optional £1,000 overdraft limit.

### Assessment Period 5 (September 1<sup>st</sup>, 2021 – November 30<sup>th</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 have met this commitment and are pleased to report that we 'launched' our Working Capital Wellness Tracker, known as 'M-Track' to our first cohort of customers in November 2021. M-Track, seamlessly combined with the BCA, and powered by Fintech partners including 9-Spokes, Codat and Fluidly, provides SMEs with a range of customisable insights underpinned by connections to multiple applications, including accountancy packages. Through the free, integrated tool from Fluidly, SMEs can model cashflow scenarios, enabling them to forecast working capital requirements.

In addition, the onboarding capability, previously available to single director limited companies has now been extended to sole traders, enabling the majority of BCA applicants to experience a new, modern digital journey. We have also been able to extend the digital experience to other (more complex) entity types.

**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 are on track with this commitment.

During Q4 2021, we launched our bold, new, digitally-focused Business Current Account - M-Account. Designed specifically for small businesses, this comes with no monthly fee and free day to day digital transactions, as well as a range of other features including cashback on debit card purchases and optional £1,000 overdraft limit.

Combined with our new 'Upstarts' campaign (including TV advertising), we are seeing higher levels of brand consideration, a material increase in traffic to our website and, consequently, an uplift in BCA applications and new accounts opened. Combined with ongoing initiatives and developments (M-Track, Solutions Marketplace, Onboarding), we remain confident in meeting our customer acquisition target of 355K SME Customers by end 2025.

**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 are currently not on track with this commitment. Although our balance trajectory is in line with plans, government loan scheme lending as well as the continued uncertain economic environment has impacted our 'business as usual' lending. However, we remain confident in achieving our commitment of an additional £2.2bn of lending by the end of 2025. As Covid-19 restrictions ease, we are increasing customer-facing activity to support new business lending, and we expect demand to slowly grow as businesses review the impact of the pandemic and assess their business plans. Additionally, we are focusing on enhancing our digital capabilities to support lending.

**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.

This workstream completed a valuable 'discovery' phase to identify and prioritise the initiatives that will enable the delivery of this commitment. A further 6 initiatives have been completed since the Q3 2021 reporting period, realising approximately 3,700 hours of RM capacity to re-invest. Combined with the previous capacity savings announced, the total now stands at c.10,600 hours per annum.

With further initiatives including process digitisation and digital lending in plan, we remain confident of being able to invest an additional 150,000 hours of RM time to support customers.

**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 partner - Accelerated Payments - taking our total partners announced thus far to 9.

Accelerated Payments will provide Virgin Money's business customers with flexible and efficient working capital solutions through invoice financing, accessed through a digital client portal. This partnership strengthens the suite of working capital health solutions Virgin Money is able to offer customers.

We remain confident of meeting our ultimate target of 10 solution partners by the end of 2022.

**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, and we are currently above our committed target with 42% of senior roles filled by women as at November 2021.

**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. To date we have invested over £15m of own funds.