

Virgin Money Plc – £35m Award

Key Achievements to Date

- Having materially improved the digital onboarding experience for customers, combined with the launch of our M-Account proposition and marketing activity, we're now seeing sustained net customer growth and improved customer satisfaction (currently at 67% for sole trader and single director applicants). We also have further onboarding improvements due to land in the first half of 2022.
- Following the launch of 'M-Track' in 2021 to our first cohort of customers, work has progressed in readiness to enable and promote wider usage in the next reporting period.
- Supporting marketplace, we announced our 10th partnership with Expend, which meets our target. Expend will help to support small businesses to submit and manage their expenses, saving business owners time and giving them an accurate view of their expenditure. This partnership further strengthens the suite of working capital tools and solutions Virgin Money is able to offer customers.
- We've successfully transitioned our Fintech Incubator capability from our 'programme' into our business operating model, including a market scanning capability. We continue to work with fintechs in the incubator, with 8 having graduated to date and 2 undergoing proof of value.
- We've completed initial discovery and design work in relation to an innovative digital lending capability, which would seek to offer SMEs timely access to funding through a new digital channel.

Assessment Period 6 (December 1st, 2021 – February 28th, 2022)

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 with this commitment. Following the launch to our initial cohort of customers in 2021, we have continued to develop 'M-Track' (our working capital wellness tracker) capability, seeking early user feedback, identifying and fixing any defects, and ensuring we can 'scale-up' effectively ahead of promoting wider usage in Q2 2022. In addition, we are progressing well with the build of our marketplace offering, which, providing additional partner solutions, will launch in the summer.

Original Commitment:

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.

Rationale for change:

We have removed the reference to acquiring customers via targeting businesses through their trading and sector networks as a result of our decision to descope this aspect of the capability, in favour of prioritising the support we can offer customers to better understand their business and identify needs through innovative digital tools. Informed by customer testing, and combined with a solutions marketplace, we believe this shift in emphasis will serve to further strengthen the Virgin Money SME proposition and support the stated SME growth commitment.

New Commitment:

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. 90% of new customers will be digitally onboarded and credit-approved from end 2022.

We are on track with this commitment. The actions taken and improvements made in Q4 2021 have now started to come to fruition. The heightened marketing activity increasing brand awareness and 'traffic' to the Virgin Money website, supported by the Incentivised Switching Scheme, the launch of the new M-Account and the delivery of enhanced digital onboarding journeys have enabled Virgin Money to return to positive net customer growth and increased market share (to 3.4%). We believe we will sustain this growth and make up lost ground through ongoing marketing spend, further digital journey improvements, propositional development (e.g. wider promotion of M-Track and marketplace launch in the summer) alongside the continued competitive M-Account product offering.

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.

We have increased customer-facing activity to support new business lending, which has resulted in our pipeline doubling from the 2021 low point; supporting net growth in the first two months of 2022 in our 'business as usual' book.

In addition, the CIF programme continues to make good progress in developing an innovative 'Digital Lending' capability. Building on our onboarding decisioning capability, we believe the proposed approach will enable Virgin Money to better support SMEs who identify borrowing needs and enable

them to fulfil these through faster, digitally powered access to funding, alongside other financing (e.g. marketplace) options.

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.

8 initiatives have now completed in total, enabling a total capacity gain of c. 28,500 hours per annum. This includes initiatives that enable RMs to work remotely on a sustainable basis. Work continues to identify and realise further capacity opportunities, including investment in robotics to deliver greater efficiency in the lending renewals process.

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 have met this commitment.

We are pleased to confirm that we have now met this commitment following the addition of our 10th partner - Expend, further strengthening the suite of tools and solutions Virgin Money is able to offer customers.

Expend will help to support small businesses to submit and manage their expenses, saving business owners' time and giving them an accurate view of their expenditure. Leveraging our Fintech incubator, we have plans to add additional Solutions Partners throughout 2022 in readiness for the launch of Marketplace later on in 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 have met our target of 40% of senior roles filled by women, and are working pro-actively with the business to maintain and improve this position with dedicated plans on all dimensions of diversity.

This includes reviewing our recruitment approach to ensure we are using a diverse range of attraction approaches and working with a broad range of recruitment partners. Our Springboard programme designed for female colleagues to provide tailored support for their career journeys completed in February 2022, with very positive feedback. In addition, we launched 'A Life More Virgin' in January 2022 which included gender neutral family leave, alongside a much more flexible way of working, including wellbeing days, ensuring we are supporting colleagues with life and work

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 £18m of own funds.