

Virgin Money Plc – £35m Award

Key Achievements to Date

- We have delivered a further set of onboarding improvements, enabling us to provide a digital onboarding experience for 86% of customers, thus meeting our commitment in this regard earlier than planned.
- Onboarding improvements, combined with sustained marketing activity and propositional strength, have further enhanced acquisition performance and enabled us to maintain net customer growth and improve market share.
- Building on the initial launch of M-Track to our first cohort of customers in 2021, we have now extended availability to all our M-Account customers. This has been accompanied by a range of marketing and promotional activity in support of customer acquisition and adoption of the new tools.

Assessment Period 7 (March 1st, 2022 – May 31st, 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 have met this commitment.

In May 2022, we delivered a 'public' launch to all M-Account customers, extending M-Track availability beyond our initial cohort. This has been supported by a wide range of promotional activity to both existing and prospective customers.

Following the successful delivery of further onboarding capability, we can now report that 86% of customers are now digitally onboarded. This has been made possible by a number of improvements, including the use of HooYu as part of the KYC process for Sole Trader and Single Director applicants (for anti-impersonation checks).

In addition, we are making good progress with our marketplace offering, launching later this summer, providing additional partner solutions.

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

We are currently not on track with this commitment.

As further onboarding improvements have been delivered as part of the CIF programme, and building on the demand initially supported through the Incentivised Switching Scheme, we have strengthened our BCA acquisition performance, sustained our momentum and continued to drive net positive customer growth. We anticipate further net customer growth as the latest raft of onboarding improvements take effect and further propositional development (including the recent launch of M-Track) alongside our competitive M-Account offering continues to land.

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.

We continue to see lending attrition as businesses continue to repay government loans (BBLs, CIBILs). Business as usual origination continues to show signs of positive movement as a result of the actions taken to date, including an increase in customer-facing activity and growth in pipeline. We believe that M-Track will better support SMEs to identify borrowing needs through the use of the new digital tools and enable them to fulfil these needs through Marketplace (once launched), alongside other financing options (e.g. Accelerated Payments). We also remain committed to developing an innovative 'Digital Lending' capability.

The latest economic indicators point to a more challenging macro-economic climate than originally envisaged. We remain confident in achieving our commitment of an additional £2.2bn of lending by the end of 2025 and are reviewing the profile of asset growth to reflect the latest outlook.

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 are currently not on track with this commitment

10 initiatives have now completed in total, enabling a total capacity gain of over c.48,000 hours per annum. This includes improvements delivered through our onboarding journey and provision of overdraft facilities. We are making good progress to realise further capacity opportunities, including investment in robotics to deliver greater efficiency in the lending renewals process. While we remain confident in making the necessary investment within the timetable, the timescale for realising the full capacity remains subject to a range of initiatives delivering in full and on time. Consequently, we note a risk that the full capacity gains may not be realised until 2023.

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 continue to plan for additional Solutions Partners in readiness for the launch of Marketplace later on in the year.

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 are 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 completed our target of 40% of senior roles filled by women and will continue to maintain this position.

There is an on-going review of our approach to recruitment ensuring we are using a diverse range of attraction approaches and working with a broad range of recruitment partners. The launch of A Life More Virgin in January 2022 included gender neutral family leave, removing a real career barrier for some women, alongside a much more flexible way of working, including wellbeing days, ensuring we are supporting colleagues with life and work.

We will shortly commence tracking of key diversity dimensions (gender and ethnicity) for newly acquired Business Current Account customers.

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 £24.8M of own funds.