

Virgin Money Plc – £35m Award

Key Achievements to Date

- Virgin Money has now fully deployed CIF spend, delivering the key functionality to support the delivery of our commitments.
- We have continued to make improvements in our onboarding journeys; Customer satisfaction metrics across all our digital journeys has improved from 46% to 61%. Improvements have also enabled us to sustain net customer growth.
- We have now successfully launched Marketplace. Accessed via Business Internet Banking and M-Track, this is the digital destination where SME customers can have financial and non-financial needs met, both through a selection of VM offerings as well as via a carefully curated set of market-leading solutions partners. In addition to Accelerated Payments and Expend (previously announced), these innovative partners now also include Bright HR (HR support), Superscript (business insurance) and Untied (sole trader tax management).

Assessment Period 8 (June 1st, 2022 – August 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.

This commitment has been met.

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.

We continue to see strong BCA acquisition performance which in turn is supporting net positive customer growth as a result of the onboarding improvements delivered as part of the CIF programme and building on the demand initially supported through the Incentivised Switching Scheme. Extending M-Track and Marketplace availability, and through continuing to invest in our proposition and onboarding journeys, we believe we will sustain this momentum.

Recognising the time taken to build acquisition momentum (against the context of a contracting SME market size), we note a risk that we may not achieve the full 20k growth by end 2022, while remaining confident in achieving our target of 100k 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.

We continue to see lending attrition as businesses continue to repay government loans (BBLs, CBILs) and the latest economic indicators point to a more challenging macro-economic climate than originally envisaged. However, '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 (now launched), alongside other financing options (e.g. Accelerated Payments).

We will revisit this commitment as part of a revised business case submission, as latest economic data and plans continue to evolve.

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.

13 initiatives have now completed in total, enabling a total capacity gain of over c.82,000 hours per annum. Most recently, these improvements include the introduction of M-Track linked to our Digital BCA, the M-Account automated renewal process, and a number of smaller initiatives governed by our Simplify programme (e.g. covenant and drawdown enhancements and process simplification.)

While we remain confident in making the necessary investment, 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.

This commitment has been met.

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.

This commitment has been met.

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 £29.1M of own funds.