

Virgin Money Plc – £35m Award

Key Achievements to Date

- Having fully deployed CIF spend, Virgin Money is utilising its remaining matched funding to support the delivery of our commitments.
- We have made continued improvements in our onboarding journeys, enabling us to sustain net customer growth.
- We successfully extended access of M-Track and Marketplace to our new and existing standard BCA customers, enabling more Businesses to benefit from the innovative tools and market-leading solutions these capabilities provide.
- We have introduced changes to our digital servicing capabilities, including improved app navigation and platform stability to improve the customer experience and support customer growth.

Assessment Period 9 (September 1st, 2022 – December 31st, 2022)

These Public Commitments are based on Virgin Money's Revised Business Case which was approved in December 2022. The former Public Commitments can be found [here](#).

COMMITMENT 1 – Having launched “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.

This commitment has been met.

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

Rationale for change:

We remain confident in achieving our goal of acquiring 100k new SME customers by the end of 2025, while recognising that the macroeconomic environment (e.g. contraction of SME market size) and time taken to build acquisition momentum will see a lower profile of net growth in the near term.

New Commitment

COMMITMENT 2 - Acquire 100K new SME customers by the end of 2025 (14k by end 2022). That is a 52% increase on our established customer base. 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.

We are on-track with this commitment.

We continue to see strong BCA acquisition performance, exceeding the 2022 year-end target of 14k, remaining a net BCA acquirer resulting in positive customer growth overall. As we continue to invest in our proposition and digital onboarding journeys, we believe we will sustain this momentum throughout 2023 and beyond.

Original Commitment

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.

Rationale for change:

Both the challenging external market factors encountered over the last 2 years and the prevailing economic outlook has required us to adjust our overall growth expectations. We are planning to drive growth over the mid to long term in spite of continued Government Loan Scheme run-off, supported by a growing customer base, Relationship Manager capacity and digital presence. We continue to support SMEs to identify borrowing needs through the use of the new digital tools and enable them to fulfil these needs through Marketplace, alongside other financing options.

New Commitment

COMMITMENT 3 - Increase lending by an extra £0.5Bn by the end 2025, 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 on track with this commitment.

Business lending increased 2.4% September-22 to December-22, to £8.4bn. Positive 'Business as usual' origination was supported by conversion of a strong pipeline and actions taken to date to support businesses. We continue to see lending attrition, notably as businesses repay government scheme loans – where balances declined (9.4%) to £0.9bn. We expect a more moderate pace of growth in Business lending through the remainder of the year.

Original 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.

Rationale for change:

The profile build of capacity realisation is lower than originally anticipated linked to lower than forecast business volumes (e.g. renewals) where capacity creating capabilities have been deployed but had a slightly lower impact. Further initiatives and volume-linked savings will build in 2023 so that by the end we will have achieved the commitment.

New Commitment

COMMITMENT 4 - Invest an additional 150,000 hours of Relationship Manager time per annum from end 2023 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 on track with this commitment and remain confident in realising the remaining full capacity in 2023.

17 initiatives have now completed in total, enabling a total capacity gain of over c.129,000 hours per annum. Most recently, these improvements recognise the reduced RM administration associated with the digital M-Account, the extension of automated overdraft renewals to non-M-Account customers, reduction in RM administration in limit management and utilisation of digital security evidence.

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.

This commitment has been met.

Original 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.

Rationale for change:

A minor change was made to this commitment in respect of externally reporting the diversity and inclusion characteristics of newly acquired customers. While we continue to track internally and learn from this insight, we do not intend to report publicly due to the relatively small sample size achieved.

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This commitment has been met.

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

A Life More Virgin feedback continues to be positive, and we continue to receive positive feedback from applicants and new hires around how inclusive our offering is.

We have now commenced tracking internally of diversity and inclusion characteristics of newly acquired customers, by way of inclusion in our onboarding survey. We will use this information to better understand the alignment between the growth of our business with the diversity of the communities we serve, and help us to take action and improve.

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 £30.4M of own funds.