

## Virgin Money – (E) - £35m

### Public Commitments Update – Q2 2023

#### 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 chosen to prioritise resource where we can create the most value for SME customers. For a number of reasons, including the strong lending support we're already offering SMEs today, and the evolving macroeconomic context driving greater focus on liquidity management and the opportunity to provide a better experience for SME depositors, we have agreed to pivot from digitising lending to digitising deposits.
- We have made continued improvements in our onboarding journeys, sustaining net customer growth, and increasing market share by a further 0.1%. At the same time, we've made further gains in delivering improved experiences, with Customer satisfaction now achieving our target of 75%.
- We've also recently announced partnerships with Xero and Quickbooks, strengthening our proposition and the support we can offer to SMEs
- With the delivery of further initiatives, we have now met our commitment of investing an additional 150,000 hours of Relationship Manager time per annum.
- Relationship Manager capacity has also helped to support our increase of £134m in lending to SMEs in Q2 2023.
- We continue to deliver improvements to our digital servicing capabilities, including more digital self-service functionality. This has supported customer growth and led to better customer experiences demonstrated by customer satisfaction reaching 75%.

**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 sustain strong BCA acquisition performance, remaining a net BCA acquirer resulting in positive customer growth overall, in a contracting market, growing Market share by a further 0.1% to 3.9%. Our 'path-to-purchase' conversion performance remains one of the strongest among peers. We've also recently announced partnerships with Xero and Quickbooks, strengthening our proposition and the support we can offer to SMEs. With further improvements planned in Q3 2023, we believe we will maintain this momentum throughout 2023 and beyond. Furthermore, we've achieved our 75% customer satisfaction target for business current account onboarding.

**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 as usual' origination continues to sustain positive momentum as a result of continued actions taken to support businesses. We've also made strong progress with regards to lending to sustainability changemakers, exceeding our £100m target in this regard. We continue to see lending attrition as businesses repay government loans (BBLs, CBILs) as well as 'business as usual' lending, however, this is at a lower level than experienced in 2022, resulting in net growth of £430m overall. While current progress is encouraging, we continue to be cautious in our near-term growth forecast given the unsettled economic environment and trends in repayments for government loan scheme lending. Given the strong progress we continue to make in this area, supported by the Relationship Managers capacity gains, and in response to the evolving macroeconomic environment, we have decided to pivot from establishing a foundational digital lending capability and plan to deliver a digitised deposit journey to maximise the value we can offer to SME customers, better supporting their deposit needs. This does not impact meeting our asset growth commitment, and will leverage the great foundations the CIF funding has helped us to lay with BCA onboarding, supporting our SME growth commitments.

**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 have now met this Commitment.

In Q2 2023, we achieved a further 8,825 hours p.a. of RM hours, through delivering several initiatives, including credit process enhancements, policy amendments and updates to our digital banking offering which has reduced the number of calls to Relationship Managers. Combined with the previous capacity savings, the total now stands at 153,719 per annum (across 19 key initiatives), exceeding our committed target of 150,000 hours.

#### **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 £35M.**

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 £32.4M of own funds.