2020 Financial Results

ANDREW DOWNEY
Head of Investor Relations
Financial performance impacted by COVID-19 dynamics

- Business lending +13.6%, Personal lending +3.9%; Mortgages (3.0)%
- Relationship deposits +20.3%
- NIM of 1.56% remained resilient post-base rate cut; within guidance range

- FY costs of £917m including £14m of COVID-19 related costs; down 3%
- Underlying cost:income ratio of 59%

- Asset quality remains resilient with no signs of deterioration yet seen
- FY20 impairment provision charge of £501m; 68bps cost of risk
- Strong coverage across portfolios; on balance sheet provisions of £735m

- Capital remained robust: CET1 ratio +10bps to 13.4%(1)
- Significant CET1 management buffer of c.£950m above regulatory minimum
- Strong liquidity and funding position maintained

Underlying pre-provision profit £625m
Statutory loss after tax £(141)m
Robust CET1 ratio 13.4%

(1) IFRS 9 transitional basis
Key points

- Defensive lending book remains overweight secured Mortgages, with strong underwriting criteria applied to Business & Personal portfolios
- No material deterioration in asset quality to date across the portfolios with low arrears; benefiting from Government support and bank forbearance
- Conservative economic scenarios and weightings with expert judgement credit risk PMAs applied in assessing ECL provision
- Increased coverage levels across all portfolios to 102bps in total; stable % of stage 3 loans
- Robust 13.4% CET1 ratio(1) with c.£950m of management buffer to MDA

Portfolio asset quality stable benefiting from support measures

- 75% owner-occupied with prudent BTL book
- Average LTV 57%, only 6% is >85% LTV
- Low arrears 0.4% vs industry avg. of 0.8%(1)
- Majority of book underwritten under MMR rules
- c.0.1% concentration in high LTI & high LTV(2)

- Prudent risk appetite
- Defensive sector and business size mix
- 67%(3) fully or partially collateralised
- Arrears of 0.3% >90 DPD (FY19: 0.5%)
- Modest PD increase to 1.9%(3) (FY19: 1.8%)

- Prime portfolios, rigorous underwriting standards
- £4.1bn cards; £1.1bn personal loans & overdrafts
- Focused on high-quality, more affluent customers
- Credit card arrears: 0.8% (industry: 1.6%(4))
- Personal loans: 0.4% >90 DPD (FY19: 0.6%)

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(1) IFRS 9 transitional basis
(2) Owner occupied approvals with LTI >4.5x and >85% LTV
(3) Excludes Government-scheme loans
(4) 2 cycles past due, Source: Industry comparators sourced from Verisk Financial | Argus. covering c.90-95% of the UK cards market and verified vs. UK Finance published figures Jan-Sep 20
Conservative IFRS 9 economic scenarios & weightings...

Increased conservatism in economics and weightings...

1. Conservative economic assumptions
2. Downside probabilities
3. Supplemented by expert judgment

1. Updated IFRS9 models with conservative economic scenarios
   - Updated IFRS9 models with updated Oxford Economics scenarios
   - Used more conservative assumptions:
     - Sharper GDP fall, muted recovery;
     - Elevated unemployment;
     - More severe HPI decline

2. Probability weightings prudently skewed to downside

<table>
<thead>
<tr>
<th>Q3 Weightings</th>
<th>FY Weightings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery</td>
<td>Upside</td>
</tr>
<tr>
<td>30%</td>
<td>5%</td>
</tr>
<tr>
<td>Pandemic Shock</td>
<td>Base</td>
</tr>
<tr>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Pandemic Sustained</td>
<td>Downside</td>
</tr>
<tr>
<td>40%</td>
<td>45%</td>
</tr>
</tbody>
</table>

3. Supplemented by expert judgment

...drives prudent weighted average economic assumptions

GDP Annual change %

Unemployment % at quarter end

House price index Index at quarter end

Source: Oxford Economics

- Updated IFRS9 models with updated Oxford Economics scenarios
- Used more conservative assumptions:
  - Sharper GDP fall, muted recovery;
  - Elevated unemployment;
  - More severe HPI decline

1. Updated IFRS9 models
2. Probability weightings prudently skewed to downside
3. Supplemented by expert judgment
...with further prudence applied via post-model adjustments

<table>
<thead>
<tr>
<th>Conservative modelled ECL supplemented by PMAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Conservative economic assumptions</td>
</tr>
<tr>
<td>2. Downside probabilities</td>
</tr>
<tr>
<td>3. Supplemented by expert judgment</td>
</tr>
</tbody>
</table>

3. Refreshed post model adjustments reflect latest experience and credit risk judgment

Post model adjustments are used to incorporate risks not fully captured in models or inputs:
- Expert credit judgment on specific cohorts
- PMAs assessed for Mortgages £75m and Personal £111m; No PMAs held for Business
- Payment holiday implications drove a £43m increase on Mortgages & £23m on Personal
- Difficult-to-model elements like impact of roll-off of unprecedented Government support

<table>
<thead>
<tr>
<th>Credit provision balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
</tr>
<tr>
<td>Sep-19</td>
</tr>
<tr>
<td>Modelled and individual ECL</td>
</tr>
<tr>
<td>Post model adjustments</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Sep-20</td>
</tr>
<tr>
<td>Modelled and individual ECL</td>
</tr>
<tr>
<td>Post model adjustments</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Risk appetite prudently tightened on new lending

- Tightened originations raising credit cut-offs on unsecured further from previously conservative levels
- Reduced new-to-bank originations on perceived less resilient cohorts given evolving environment
- BAU business lending focused on larger cash-generative businesses
- Continue to position conservatively given outlook and Brexit outcome impacts
- Operationally prepared for tougher environment

Modelled and individual ECL vs. Post model adjustments
Considerable on-balance sheet provisions; limited write-offs to date

<table>
<thead>
<tr>
<th></th>
<th>Jun-20 ECL</th>
<th>Jun-20 Coverage Ratio</th>
<th>Sep-20 Gross Loans</th>
<th>Sep-20 ECL</th>
<th>Sep-20 Coverage Ratio</th>
<th>FY20 Cost of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>£81m</td>
<td>14bps</td>
<td>£58.6bn</td>
<td>£131m</td>
<td>23bps</td>
<td>16bps</td>
</tr>
<tr>
<td>Personal</td>
<td>£249m</td>
<td>490bps</td>
<td>£5.6bn</td>
<td>£301m</td>
<td>591bps</td>
<td>423bps</td>
</tr>
<tr>
<td>o/w cards</td>
<td>£208m</td>
<td>509bps</td>
<td>£4.5bn</td>
<td>£222m</td>
<td>537bps</td>
<td>355bps</td>
</tr>
<tr>
<td>o/w loans &amp; overdrafts</td>
<td>£41m</td>
<td>413bps</td>
<td>£1.1bn</td>
<td>£79m</td>
<td>824bps</td>
<td>721bps</td>
</tr>
<tr>
<td>Business</td>
<td>£254m</td>
<td>321bps</td>
<td>£8.7bn</td>
<td>£303m</td>
<td>391bps¹</td>
<td>212bps</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£584m</strong></td>
<td><strong>79bps</strong></td>
<td><strong>£72.9bn</strong></td>
<td><strong>£735m</strong></td>
<td><strong>102bps</strong></td>
<td><strong>68bps</strong></td>
</tr>
</tbody>
</table>

- Conservative economics and weightings increases coverage across all portfolios to 102bps in total:
  - **Mortgages**: coverage increased to 23bps primarily driven by higher stage 2 balances as a function of conservative economics
  - **Personal**: coverage increased to 591bps primarily driven by provision overlay increases in loans and overdrafts
  - **Business**: increased to 391bps driven by further conservatism in model assumptions

- Cost of risk is expected to remain elevated due to challenging economic environment but expect FY21 to be lower than FY20 level, subject to no material further deterioration in the economic outlook

¹ Business coverage ratio excludes Government-backed lending balances
Guidance and medium term outlook

FY 2021 guidance

<table>
<thead>
<tr>
<th>NIM</th>
<th>Broadly stable vs FY20 level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>&lt;£875m inclusive of c.£10-15m of COVID-19 costs</td>
</tr>
<tr>
<td>Cost of risk</td>
<td>Lower than FY20 level</td>
</tr>
</tbody>
</table>

Expect to deliver a double digit statutory RoTE in the medium term

- **Indicative building blocks (not to scale)**
  - FY20 Statutory ROTE: (6.2)%
  - Impairment & exceptional cost normalisation
  - Cost reduction
  - Capital efficiency
  - Balance sheet mix
  - Medium-term statutory ROTE: >10%

**Opportunities**
- Pace of economic recovery
- Mortgage spreads
- Deposit repricing
- Improved customer spending
- Steepening yield curve

**Risks**
- Interest rate outlook
- Macroeconomic deterioration
- Brexit impacts
- Note: assumes no significant further deterioration in expectations for the economic outlook or change in interest rates

1. **Impairment & exceptional cost normalisation**: anticipate 2020 to be peak of impairment charges and exceptional costs to reduce over time
2. **Cost reduction**: significant opportunity to reduce costs further through digitisation and leveraging the evolving operating model to become more efficient
3. **Capital efficiency**: executing on our RWA & capital efficiency opportunities
4. **Balance sheet mix**: optimise our balance sheet mix over time through a more margin accretive lending mix and lower cost deposit and funding base
Capital, Funding & Liquidity

JUSTIN FOX
Group Treasurer
Capital generation offset by exceptional items

CET1 ratio evolution (bps)

Underlying capital generation 116bps

Sep-19  Underlying pre-provision capital generation
Impairment provision impact  (121)
Impairment provision regulatory adjustments  119
RWA growth  (19)
AT1 distributions  (28)
Integration and transformation costs  (47)
Acquisition accounting unwind  (35)
Other  (26)
Sep-20  13.4%

13.3%  165

Net (2)bps CET1 impact: impairment charges offset by IFRS9 transitional relief and EEL deduction

20.1% Total capital ratio  20.2%
4.9% UK leverage ratio  4.9%
26.6% MREL ratio  28.4%
Strong capital with significant buffers above regulatory minimums

**CET1**
- **Sep-20 CET1 Ratio**: 13.4% (1)
- **3.9% / c.£950m buffer**
- **Sep-20 Minimum Requirement**: 9.5% (2)
- **2.5%**
- **2.5%**
- **4.5%**

**Total Capital**
- **Sep-20 Total Capital Ratio**: 20.2% (1)
- **5.3% / c.£1.3bn buffer**
- **Sep-20 Minimum Requirement**: 14.9% (2)
- **2.5%**
- **4.4%**
- **8.0%**

**Leverage**
- **Sep-20 UK Leverage Ratio**: 4.9% (1)
- **1.65% / c.£1.4bn buffer**
- **Sep-20 BoE Minimum Requirement**: 3.25%

**MREL**
- **Sep-20 MREL Resources**: 28.4% (1)
- **1.1% / c.£270m buffer**
- **Expected 1-Jan-22 MREL Requirement**: 27.3%

- **2.50%**
- **4.40%**
- **8.00%**

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(1) IFRS 9 transitional basis
(2) CRD IV Minimum Requirement

£0.5-0.75bn of MREL senior debt planned in FY21

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(1) IFRS 9 transitional basis
(2) CRD IV Minimum Requirement

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**Pillar 1**
**Pillar 2A**
**Capital Conservation Buffer**
Credit RWA inflation partially mitigated by RWA opportunities

- Credit RWA inflation expected in FY21 as Government support recedes; timing and impact is subject to economic conditions
- RWA opportunities partially offset credit-related RWA inflation:
  - Business model updates and Credit Cards IRB expected H1
  - Mortgage hybrid models approval expected next summer
  - All initiatives remain subject to PRA approval

Expect to maintain significant CET1 buffer above MDA through FY21

- Credit RWA inflation & IFRS 9 transitional relief unwind impact in FY21
- Assuming no further material deterioration in the economic outlook we expect this to be broadly offset by:
  - EBA software intangible capital benefit of c.40bps by Dec-20
  - RWA opportunities in Business and Credit Cards
  - Implementation of Mortgage hybrid models once approved

Key drivers of in-year CET1 ratio trajectory

- Anticipated credit-risk RWA inflation and IFRS 9 transitional relief unwind
- Mortgage hybrid models approval
- RWA opportunities and software intangible benefit
- Modest increase
Well established capital stack

**Capital stack breakdown**

<table>
<thead>
<tr>
<th>Tier 2 3.1% (£0.7bn)</th>
<th>Optimal Tier 2 3.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT1 3.8% (£0.9bn)</td>
<td>AT1 Headroom 1.5%</td>
</tr>
<tr>
<td>CET1 13.4% (£3.3bn)</td>
<td>Optimal AT1 2.3%</td>
</tr>
<tr>
<td></td>
<td>CET1 Headroom 3.9%</td>
</tr>
</tbody>
</table>

- **CET1 Minimum Requirement**: 9.5%
- **AT1 Headroom**: 1.5%
- **Total Capital Resources Sep-20**: £3.3bn
- **Optimal AT1**: 2.3%
- **Optimal Tier**: 3.1%

**Aim to manage capital structure in an efficient manner**

- Excess capital of 5.3% largely due to excess CET1
- No FX exposure in the capital structure, providing stability during periods of market volatility
- On both AT1 and T2 needs, we look to regulatory optimum levels as a minimum and then judge a prudent headroom over and above that takes into account potential RWA volatility. Over time we look to manage that headroom in an efficient manner without changing overall loss absorbing capacity
- VMUK has Available Distributable Items (“ADIs”) of £789m; representing c.10 times its 2021 AT1 coupon payments of £79m

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**Notes:**

1. IFRS 9 transitional basis
2. CRD IV Total Capital Minimum Requirement

**Total capital ratio**: 20.2% (1)

**Minimum Requirement**: 14.9% (2)

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**Sep-20 Minimum Requirement**

**Available Distributable Items (ADIs)**: £789m

**2021 AT1 coupon payments**: £79m

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**(1) IFRS 9 transitional basis (2) CRD IV Total Capital Minimum Requirement**
Well positioned for end-state MREL requirements

**MREL in line with expected end-state requirement**

- **HoldCo Senior**
  - 8.20%

- **Total Capital**
  - 20.20% \(^{(1)}\)

**FY21 issuance focused on building prudent management buffer**

- MREL is subject to phased implementation and will be fully implemented from 1 Jan 2022; BoE expected to confirm end-state requirement in calendar Q4 2020

- Pillar 2A Total Capital requirement reduced to 4.4% in 2020 and is now set in nominal terms, providing stability should RWAs increase during periods of stress

- MREL ratio of 28.4% comfortably exceeds interim MREL requirement and is in line with expected end-state MREL requirement

- Future MREL issuance is focused on building a prudent management buffer over the expected end-state MREL minimum requirement
  - Planned issuance of £0.5-0.75bn of MREL-eligible senior unsecured debt in FY21

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(1) IFRS 9 transitional basis
(2) Based on Sep-20 Pillar 2A Total Capital Requirement and Sep-20 CRD IV capital buffers
**Strong funding & liquidity position**

**Significant excess liquidity…**

<table>
<thead>
<tr>
<th>Wholesale Funding (£bn)</th>
<th>Sep-19</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Securities</td>
<td>7.3</td>
<td>5.4</td>
</tr>
<tr>
<td>Due to Other Banks</td>
<td>1.6</td>
<td>8.8</td>
</tr>
<tr>
<td>TFS / TFSME</td>
<td>9.6</td>
<td></td>
</tr>
</tbody>
</table>

- **LCR of 140%** well above regulatory requirement of 100%, equivalent to a surplus of c.£3.1bn
- No reliance on short-term Wholesale Funding
- £3.2bn of TFS repaid during 2020, £4.1 billion outstanding; initial TFSME allowance of £7.2bn, £1.3bn drawn in H2 2020
- Access to TFSME and deposit inflows leaves modest 2021 funding need

**Liquidity Coverage Ratio**

<table>
<thead>
<tr>
<th></th>
<th>Sep-19</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Requirement</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Sep-19</td>
<td>152%</td>
<td></td>
</tr>
<tr>
<td>Sep-20</td>
<td>140%</td>
<td></td>
</tr>
</tbody>
</table>

**FY21 Issuance Plan**

- **Secured**
  - Responsive to deposit flows; expect to be modest
- **MREL Senior**
  - £0.5-0.75bn
- **Capital**
  - Broadly limited to refinancing

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(1) Bonds issued by supra-nationals and AAA-rated covered bonds
Historically, the Group had a Structural Hedge of c.£24bn, used to minimise volatility and stabilise earnings on income related to low & non-interest bearing liabilities and equity.

Structural products were hedged on a 5-year rolling basis, consistent with investment objectives to optimise and stabilise earnings as the BoE Base Rate goes up and down.

Following the reduction in BoE Base Rate, and noting future market rate expectations, the Group concluded that its 5-year structural hedge had generated maximum value.

During Q3 2020 the Group’s Structural Hedge was fully unwound, locking in expected NII contributions from the hedges over the next 5 years.

In the future, the Group anticipates a more dynamic approach to hedging these balances and based on the current rate outlook, expects no significant adverse impact on NII in FY21 and beyond compared to the 5-year rolling approach.
## Credit & ESG Ratings

<table>
<thead>
<tr>
<th></th>
<th>Virgin Money UK PLC</th>
<th>Clydesdale Bank PLC</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Moody’s</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term</td>
<td>Baa3 Stable</td>
<td>Baa1&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>No impact following the UK sovereign downgrade in October 2020, as the Group’s ratings do not include any government support uplift.</td>
</tr>
<tr>
<td>Short-term</td>
<td>P-3</td>
<td>P-2</td>
<td></td>
</tr>
<tr>
<td><strong>Standard &amp; Poor’s</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term</td>
<td>BBB- Negative</td>
<td>BBB+ Negative</td>
<td>Negative outlooks on most UK banks, citing the potential earnings, asset quality and capitalisation pressures arising as a result of the Covid-19 pandemic</td>
</tr>
<tr>
<td>Short-term</td>
<td>A-3</td>
<td>A-</td>
<td></td>
</tr>
<tr>
<td><strong>Fitch</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term</td>
<td>BBB+ Negative</td>
<td>A- Negative</td>
<td>Negative outlooks on most UK banks, citing the deep near-term damage to the UK economy and significant weakening in the UK’s public finances caused by the Covid-19 outbreak, in addition to lingering Brexit uncertainty.</td>
</tr>
<tr>
<td>Short-term</td>
<td>F2</td>
<td>F2</td>
<td></td>
</tr>
<tr>
<td><strong>Sustainalytics</strong></td>
<td>27.5</td>
<td></td>
<td>Last update: 21 May 2020; 3.3 point improvement versus previous score</td>
</tr>
<tr>
<td><strong>MSCI</strong></td>
<td>BBB</td>
<td></td>
<td>Last update: 27 May 2020; upgraded 1 notch from previous score</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Long-term bank deposit rating
Strengthened our sustainability strategy to be a force for good

Disrupt the Status Quo

Super Straightforward Efficiency

Pioneering Growth

Delighted Customers and Colleagues

Discipline and Sustainability

Goals

To drive positive social and environmental impact through everything we do to disrupt the status quo

Put our (carbon) foot down

Reduce the negative impacts of our operations, suppliers and partners on society and the environment

Build a brighter future

Deliver products and services that help our customers make a positive impact on society and the environment

Open doors

Work with customers, colleagues & communities to encourage sustainable practices & economic activity that creates shared prosperity

Straight-up ESG

Align our strategic goals to ESG and embed them in all areas of the business with robust targets, tracking and disclosures

Principles

2030 Aspirations

Net zero operational and supplier carbon emissions

At least 50% reduction in our carbon emissions across everything we finance

No VM customers paying a Poverty Premium

Sponsor diverse talent at every level & achieve a fully diverse top-quartile of the organisation

Help 20k charities to raise £2bn since VMG’s inception

Variable remuneration linked to ESG progress

Initiatives

TCFD

Making you happier about money
**ESG: Progress in FY20 and clear focus for FY21**

- **FY20 Progress**
  - 1.70 GHG emissions intensity ratio\(^1\), from 1.95 in 2019
  - Zero waste sent to landfill
  - 100% of our electricity generated from renewable sources\(^2\)
  - 7% reduction in scope 1 and 2 emissions
  - £150m in renewables lending
  - 100% of our electricity generated from renewable sources\(^2\)
  - 7% reduction in scope 1 and 2 emissions
  - 50,000 people able to take control of their finances with an affordable loan from our Salary Finance partnership
  - £104m raised for UK charities through VMG in FY20
  - ESG scorecard included in the Long Term Incentive Plan (LTIP)
  - Leadership Team Accountabilities for ESG strategy established
  - ESG targets included in each functional and franchise balanced scorecard for FY21

- **FY21 Focus**
  - 5% reduction in operational carbon emissions by 2021 from 2020 baseline
  - >75% of our top 100 suppliers to complete CDP Supply Survey in 2021
  - 43% women in senior leadership roles
  - 5% of business loan book comprised of sustainable leaders by FY22

- **Targets**
  - 5% of business loan book comprised of sustainable leaders by FY22
  - Short to medium term targets for our mortgage book are under development
  - Customer: Solutions in place to identify and help at least 50% of Virgin Money customers facing a Poverty Premium by 2025
  - Colleague: 40-60% senior gender diversity over medium term
  - Community: Reach £1 billion in fundraising by 2021 through VMG
  - Long-term incentives appropriately aligned to expanded ESG scorecard by 2022
  - Financial risk from climate change determined and disclosed for physical and transitional risk sectors by 2022

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(1) Intensity ratio of Greenhouse Gas (GHG) Emissions per average Full Time Equivalent (FTE) for our operational emissions (scope 1 and 2 emissions).
(2) Where the Bank is responsible for the supply.
(3) The Group has low levels of lending to carbon related assets at 0.1% (2019: 0.1%) of the Group’s customer lending assets.
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http://www.virginmoneyukplc.com/investor-relations/debt-investors/
Appendix
A prime book, originated under the highest standards
• Consistent, post-MMR prudent underwriting; no sub-prime/self-cert
• Arrears lower than industry (0.4% vs 0.8(1)%)

Owner-occupied (75%)
• Average LTV is 58%; only 2% is >90% LTV
• Average LTI c.3.0x; only 6% >4.5x LTI

Buy-to-let (25%)
• Average LTV is 56%; max LTV of 80% for new lending
• Conservative rental and borrower income requirements

Payment holidays: c.67k granted to date at 30-Sep
• Average LTV of all payment holiday customers 61% vs 57% for overall portfolio
• Only 2% of customers maturing from payment holiday are currently in arrears or require further treatment; average LTV of 52% for those in arrears/further treatment
• Coverage ratio for those in arrears/further treatment of c.300bps vs 23bps for overall book

Balances £bn
Total granted 11.9
Total active 2.5

Of matured payment holidays %
Returned to payment 98%
Further treatment/arrears 2%

% of portfolio 20% 4%

Totals

Low LTV mortgage book weighted towards owner-occupied

Payment holiday customers have largely returned to paying

Balances £bn
Total granted 11.9
Total active 2.5

Of matured payment holidays %
Returned to payment 98%
Further treatment/arrears 2%

% of portfolio 20% 4%

Totals
Business: key sectors performing in line with expectations

c.£7.8bn BAU book 78% in least and lower-impacted sectors

<table>
<thead>
<tr>
<th>Least exposed</th>
<th>£3.7bn</th>
<th>47%</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Agriculture, Food &amp; Drink: Resilient performance; strong collateral</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Healthcare &amp; social housing: Some operational issues but resilient revenues and performance to date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Utilities (incl. renewables): Stable, strong PDs</td>
<td></td>
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<table>
<thead>
<tr>
<th>Lower-impacted</th>
<th>£2.4bn</th>
<th>31%</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Wholesalers, Professional practices: Moved from least exposed due to higher Government-scheme lending requests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Specialist hotels: Professional equity backed, prime-location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Other: Diverse includes cost-flexible manufacturers &amp; Transport</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>More exposed</th>
<th>£1.0bn</th>
<th>13%</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business services: Higher levels of Government scheme lending; good access to borrowing &amp; private equity over H2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Legacy property (historic CRE): Remain smaller &amp; well-collateralised; continued low arrears; only 3% of total portfolio</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Higher impacted</th>
<th>£0.7bn</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Retail: Substantial Government support being provided; exposed to further lockdowns</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Legacy hospitality &amp; Entertainment: Operationally challenged, but significant government support at present</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Govt. scheme lending</th>
<th>£1.2bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>• BBLS: £0.8bn lent; 2/3rds to previously deposit-only customers</td>
<td></td>
</tr>
<tr>
<td>• CBILS/CLBILS: £0.4bn c.89% to existing lending customers</td>
<td></td>
</tr>
<tr>
<td>• As would expect, sector skew is to more exposed / higher impacted</td>
<td></td>
</tr>
</tbody>
</table>

Key drivers of uncertainty into 2021

| • Brexit: Terms of UK exit remains an important driver for sectors like agriculture and food & drink |
| • COVID-19: Operational implications on Healthcare |

| • Hotel sector: Easing of travel restrictions into 2021 remains uncertain |
| • Wholesale trade in goods & services: Pace of return represents a key driver |

| • Pace of recovery: Speed of recovery in business activity is the key revenue-driver |
| • Real-estate market: Extent of structural changes impacting market |

| • Lockdown exit: sectors remain exposed to speed of recovery in activity levels and whether any further lockdowns are implemented |
| • Debt management: Uncertain response once payments due: better placed SMEs may repay in full or begin payments, others may default |
| • Liabilities impact: c.80% of loans remain on deposit, but may unwind as businesses potentially begin to use liquidity. |

Note: Sector allocations represent management view of categorisation
Credit Cards: asset quality & origination discipline maintained

High quality cards book (£4.1bn): well positioned for uncertainty

• Arrears declined to 0.8% vs industry(1) of 1.6% benefitting from support measures; BT arrears of 0.7%; non-BT arrears of 1.0%
• Upper-end of mass market customers; no credit impaired or CCJs; c.80% originated post-2015 with prudent underwriting
• Balance transfers now c.68% of cards portfolio; c.12% maturing from promo periods in next 6 months
• Low risk appetite reflected through higher customer acquisition cut-offs; higher indebted/lower affluence declined, and cut-offs tightened on self employed
• Affordability tested for stressed income on fully drawn line at 33.9% APR

Credit cards customer profile

VM(2)

Average customer age 42
Average income £41k
% homeowners 70%
% self-employed 9%
% debt to income 22%
% persistent debt 3.5%

Industry average(3)

95%
92%
93%
92%
93%
95%
96%

Pre-2016 2016 2017 2018 2019 2020

92%
93%
92%
93%
93%
93%

92%
93%
92%
93%
93%
93%

31%
31%
31%
31%
31%
31%

BT-Led Non-BT-Led

Source: Industry data Verisk Financial | Argus. Jan-Sep 20; Industry comparators covering c.90-95% of the UK cards market and verified vs. UK Finance published figures

Strengthened originations; defensive high-quality BT-led book

High quality origination: via prudent underwriting standards

% accounts in higher quality segments (with <2.5% expected unit loss rate) by acquisition year

Virgin Money brand Industry


0% 2% 4% 6% 8% 10% 12% 14%

BTs perform better: balance transfer cards seen lower losses

Industry % charge-off rate by credit card type 2007 to 2020


(1) Arrears defined as 2+ cycles past due; Industry data Verisk Financial | Argus. Jan-Sep 20
(2) Customers originated through VM brand since 2015; persistent debt reflects VMUK portfolio
(3) Sources: TUC and Verisk Financial | Argus
Personal: resilient quality supported by payment holidays

Cards: Early payment holiday experience demonstrates quality

- Economic Vulnerability tools have identified customers likely to have low financial resilience and been provided with proactive support where needed
- Lower proportion of payment holiday requests from balance transfer customers relative to the overall book

Payment holidays: c.46k granted to date at 30-Sep
- Payment holiday coverage at 20% vs 5.4% overall book

Personal: Encouraging early payment holiday exit levels

- Further tightened cut-off criteria, reduced appetite in potentially lower resilience segments i.e. self-employed, higher indebtedness
- Strong customer profiles (75% homeowners, low self employed, higher average income levels)
- Portfolio arrears at 0.4% >90 DPD (FY19: 0.6%)

Payment holidays: c.12k granted to date at 30-Sep
- Payment holiday coverage at 19% vs 8.2% overall book

<table>
<thead>
<tr>
<th>Balances £m</th>
<th>Of matured payment holidays %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total granted</td>
<td>Total active</td>
</tr>
<tr>
<td>219</td>
<td>31</td>
</tr>
</tbody>
</table>

- Returned to payment 92%
- Further treatment/arrears 8%

<table>
<thead>
<tr>
<th>Balances £m</th>
<th>Of matured payment holidays %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total granted</td>
<td>Total active</td>
</tr>
<tr>
<td>103</td>
<td>26</td>
</tr>
</tbody>
</table>

- Returned to payment 95%
- Further treatment/arrears 5%

(1) Excluding balances already on arrears
(2) Personal loans & overdrafts
Economic modelling is main driver of stage 2 increases

Model & PMA driven increase in stage 2; stable stage 3

<table>
<thead>
<tr>
<th>Gross loans and advances</th>
<th>£bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>67.9</td>
</tr>
<tr>
<td>Stage 2</td>
<td>12.8</td>
</tr>
<tr>
<td>Stage 3</td>
<td>0.9</td>
</tr>
</tbody>
</table>

- IFRS9 model updates & PMAs drove £8.3bn of stage 2 increase in FY20:
  - Mortgages – Increased £6.4bn or 76% of total
  - Business – Increased £1.5bn or 19% of total
  - Personal – Increased £0.4bn or 5% of total
- Business now 44% in stage 2 (FY19: 30%); includes the early-adoptin of EBA requirements to retain forborne loans in stage 2 for a minimum of 2 years.

Economic-related PD migration drove bulk of stage 2 increase

- PD deterioration: Primary driver of stage 2 increase given greater prudence in model outputs and overlays
- Forbearance & watch list balances primarily reflect actions taken in Business banking
- Arrears & credit performance on stage 2 balances remain resilient to date with no material change in asset quality
## IFRS 9 multiple economic scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Economic Measure</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upside (5% weighting)</strong></td>
<td>GDP (yoy %)</td>
<td>(10.8%)</td>
<td>10.2%</td>
<td>3.5%</td>
<td>1.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td></td>
<td>Unemployment (average)</td>
<td>5.5%</td>
<td>5.1%</td>
<td>3.9%</td>
<td>3.7%</td>
<td>3.6%</td>
</tr>
<tr>
<td></td>
<td>House price growth (yoy %)</td>
<td>(4.2%)</td>
<td>(1.8%)</td>
<td>6.7%</td>
<td>4.0%</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>Base (50% weighting)</strong></td>
<td>GDP (yoy %)</td>
<td>(14.0%)</td>
<td>7.9%</td>
<td>4.6%</td>
<td>2.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td></td>
<td>Unemployment (average)</td>
<td>6.1%</td>
<td>7.8%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>6.0%</td>
</tr>
<tr>
<td></td>
<td>House price growth (yoy %)</td>
<td>(7.3%)</td>
<td>(8.5%)</td>
<td>1.5%</td>
<td>1.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td><strong>Downside (45% weighting)</strong></td>
<td>GDP (yoy %)</td>
<td>(16.9%)</td>
<td>5.0%</td>
<td>5.7%</td>
<td>2.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td></td>
<td>Unemployment (average)</td>
<td>6.7%</td>
<td>10.0%</td>
<td>7.2%</td>
<td>6.8%</td>
<td>6.5%</td>
</tr>
<tr>
<td></td>
<td>House price growth (yoy %)</td>
<td>(11.2%)</td>
<td>(15.6%)</td>
<td>(6.7%)</td>
<td>(2.2%)</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Weighted average</strong></td>
<td>GDP (yoy %)</td>
<td>(15.1%)</td>
<td>6.7%</td>
<td>5.1%</td>
<td>2.1%</td>
<td>1.9%</td>
</tr>
<tr>
<td></td>
<td>Unemployment (average)</td>
<td>6.3%</td>
<td>8.6%</td>
<td>6.6%</td>
<td>6.4%</td>
<td>6.1%</td>
</tr>
<tr>
<td></td>
<td>House price growth (yoy %)</td>
<td>(8.9%)</td>
<td>(11.4%)</td>
<td>(1.9%)</td>
<td>0.2%</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
## Balance sheet

<table>
<thead>
<tr>
<th></th>
<th>at Sep 2020</th>
<th>at Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgages</strong></td>
<td>58,290</td>
<td>60,079</td>
</tr>
<tr>
<td><strong>Business</strong></td>
<td>8,948</td>
<td>7,876</td>
</tr>
<tr>
<td><strong>Personal</strong></td>
<td>5,219</td>
<td>5,024</td>
</tr>
<tr>
<td><strong>Total customer loans</strong></td>
<td><strong>72,457</strong></td>
<td><strong>72,979</strong></td>
</tr>
<tr>
<td>Liquid assets and other</td>
<td>15,608</td>
<td>16,391</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td>2,194</td>
<td>1,629</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>90,259</strong></td>
<td><strong>90,999</strong></td>
</tr>
<tr>
<td><strong>Customer deposits</strong></td>
<td>67,511</td>
<td>63,787</td>
</tr>
<tr>
<td>Wholesale funding (excl. TFS / TFSME)</td>
<td>8,819</td>
<td>11,164</td>
</tr>
<tr>
<td><strong>TFS / TFSME</strong></td>
<td>5,408</td>
<td>7,342</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>3,589</td>
<td>3,685</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>85,327</strong></td>
<td><strong>85,978</strong></td>
</tr>
<tr>
<td>Equity and reserves</td>
<td>4,932</td>
<td>5,021</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td><strong>90,259</strong></td>
<td><strong>90,999</strong></td>
</tr>
</tbody>
</table>
## Risk weighted assets

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>at Sep 2020</td>
<td>at Sep 2019</td>
</tr>
<tr>
<td>Mortgages</td>
<td>9,484</td>
<td>8,846</td>
</tr>
<tr>
<td>Business</td>
<td>6,716</td>
<td>7,124</td>
</tr>
<tr>
<td>Personal</td>
<td>4,151</td>
<td>4,042</td>
</tr>
<tr>
<td>Other</td>
<td>1,137</td>
<td>1,045</td>
</tr>
<tr>
<td><strong>Total credit risk</strong></td>
<td><strong>21,488</strong></td>
<td><strong>21,057</strong></td>
</tr>
<tr>
<td>Credit valuation adjustment</td>
<td>175</td>
<td>192</td>
</tr>
<tr>
<td>Operational risk</td>
<td>2,557</td>
<td>2,606</td>
</tr>
<tr>
<td>Counterparty risk</td>
<td>179</td>
<td>191</td>
</tr>
<tr>
<td><strong>Total RWAs</strong></td>
<td><strong>24,399</strong></td>
<td><strong>24,046</strong></td>
</tr>
<tr>
<td>Total loans</td>
<td>72,457</td>
<td>72,979</td>
</tr>
<tr>
<td>Credit RWAs / total loans</td>
<td><strong>30%</strong></td>
<td><strong>29%</strong></td>
</tr>
<tr>
<td>Total RWAs / assets</td>
<td><strong>27%</strong></td>
<td><strong>26%</strong></td>
</tr>
</tbody>
</table>
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