Overview

DAVID DUFFY
Chief Executive Officer
We are responding to the challenging environment

Challenging backdrop

COVID-19

Ongoing sector pressures

Uncertain macro

Brexit

Challenging UK income environment

Our Purpose:
Making you happier about money

Our strategic ambition:
To disrupt the status quo

Re-prioritising as we adapt to the environment

Super Straightforward Efficiency
- Targeted cost reductions and building a scalable platform
- Underpins future returns and capital generation

Delighted Customers & Colleagues
- Building digital capability, new features and partnerships
- Launching innovative apps and seamless API architecture

Discipline & Sustainability
- Delivering our commitments to all of our stakeholders
- Prudent risk appetite
- Optimising our capital base over time

Pioneering Growth
- Delivering a platform for future growth
- Preparing for an improved environment

Priority
Supporting our Customers, Colleagues & Communities

**Customers**
- c.67k Mortgages payment holidays
- c.58k Personal payment holidays
- c.30k Businesses supported with lending facilities; c.£1.2bn of Government-supported lending
- Leading support to overdraft borrowers
- Proactive advice for Businesses

**Colleagues**
- c.6k colleagues fully enabled to work from home until next year
- c.95% of the branch network remained open
- Enhanced remote working capability and colleague wellbeing support
- Improved colleague engagement

**Communities**
- Virgin Money Virtual Marathon event
- VM Foundation pledged £1.5m to local charities
- VMG supported c.£100m of donations; platform fee initially waived
- c.50k customers supported through Salary Finance partnership
Building the platform for the new Virgin Money in 2020

Integrating, transforming and simplifying our business

✓ Launching Virgin Money & M current accounts
✓ ‘Outstanding’ five star rated current account
✓ Launched Virgin Home Buying Coach app
✓ VM branded Personal Loans now live
✓ Launched innovative Brighter Money Bundle

Continuing to re-brand and launch Virgin Money

✓ Restarted re-branding activity, after COVID-19 pause; 37 stores already complete
✓ Introduced “Money on your Mind?” service
✓ VM socially-distanced concert sponsorship, aligned to our Virgin music heritage

Launching compelling Virgin branded customer products

✓ Launched Virgin Money & M current accounts
✓ ‘Outstanding’ five star rated current account
✓ Launched Virgin Home Buying Coach app
✓ VM branded Personal Loans now live
✓ Launched innovative Brighter Money Bundle

✓ Transforming our channels; increased digital adoption & sales across all Personal products
✓ Strengthened digital customer satisfaction
✓ c.60% higher digital chat volumes

1 Compared to October 2019 2 At 13th November 3 As rated by Moneyfacts
Financial performance impacted by COVID-19 dynamics

**Balance sheet mix**
- 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

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

**Asset quality**
- 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

**Balance sheet strength**
- 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
Balance Sheet Update

ENDA JOHNSON
Interim Chief Financial Officer
### 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; benefitting 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**

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<table>
<thead>
<tr>
<th>Portfolio asset quality stable benefiting from support measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgages</strong></td>
</tr>
<tr>
<td>£58.3bn, 81%</td>
</tr>
</tbody>
</table>
- 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\(^2\)

| Business |
| £8.9bn, 12% |
- 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%)

| Personal |
| £5.2bn, 7% |
- 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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\(^1\) 3m+ arrears; Source: UK Finance, 30-Sep  
\(^2\) 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-Sept-20
Mortgages: resilient asset quality to date

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 0.81%)

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

Low LTV mortgage book weighted towards owner-occupied

Payment holiday customers have largely returned to paying

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
Business: key sectors performing in line with expectations

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

Key drivers of uncertainty into 2021

<table>
<thead>
<tr>
<th>Sector allocations</th>
<th>Management view</th>
<th>ONS Standard Industrial Classification (SIC) codes set out in the Appendix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Food &amp; Drink</td>
<td>Resilient performance; strong collateral</td>
<td></td>
</tr>
<tr>
<td>Healthcare &amp; social housing</td>
<td>Some operational issues but resilient revenues and performance to date</td>
<td></td>
</tr>
<tr>
<td>Utilities (incl. renewables)</td>
<td>Stable, strong PDs</td>
<td></td>
</tr>
<tr>
<td>Wholesalers, Professional practices</td>
<td>Moved from least exposed due to higher Government-scheme lending requests</td>
<td></td>
</tr>
<tr>
<td>Specialist hotels</td>
<td>Professional equity backed, prime-location</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Diverse includes cost-flexible manufacturers &amp; Transport</td>
<td></td>
</tr>
<tr>
<td>Business services</td>
<td>Higher levels of Government scheme lending; good access to borrowing &amp; private equity over H2</td>
<td></td>
</tr>
<tr>
<td>Legacy property (historic CRE)</td>
<td>Remain smaller &amp; well-collateralised; continued low arrears; only 3% of total portfolio</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Substantial Government support being provided; exposed to further lockdowns</td>
<td></td>
</tr>
<tr>
<td>Legacy hospitality &amp; Entertainment</td>
<td>Operationally challenged, but significant government support at present</td>
<td></td>
</tr>
<tr>
<td>BBLS</td>
<td>£0.8bn lent; 2/3rds to previously deposit-only customers</td>
<td></td>
</tr>
<tr>
<td>CBILS/CLBILS</td>
<td>£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>
<td></td>
</tr>
<tr>
<td>Govt. scheme lending</td>
<td>£1.2bn</td>
<td></td>
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<td>£1.2bn</td>
<td></td>
</tr>
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<td>£1.2bn</td>
<td></td>
</tr>
</tbody>
</table>

Note: Sector allocations represent management view of categorisation; portfolio view per ONS Standard Industrial Classification (SIC) codes is set out in the Appendix.
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

<table>
<thead>
<tr>
<th></th>
<th>VM(^2)</th>
<th>Industry average(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average customer age</td>
<td>42</td>
<td>82</td>
</tr>
<tr>
<td>Average income</td>
<td>£41k</td>
<td>£45k</td>
</tr>
<tr>
<td>% homeowners</td>
<td>70%</td>
<td>73%</td>
</tr>
<tr>
<td>% self-employed</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>% debt to income</td>
<td>22%</td>
<td>31%</td>
</tr>
<tr>
<td>% persistent debt</td>
<td>3.5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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

\[
\begin{array}{cccccccc}
\text{Pre-2016} & 2016 & 2017 & 2018 & 2019 & 2020 \\
\hline
\text{Virgin Money brand} & 95% & 92% & 93% & 92% & 95% \\
\text{Industry} & 93% & 92% & 93% & 95% & 96% \\
\end{array}
\]

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

BTs perform better: balance transfer cards seen lower losses

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

- Arrears defined as 2+ cycles past due; Industry data Verisk Financial | Argus. Jan-Sep 20;
- Customers originated through VM brand since 2015; persistent debt reflects VMUK portfolio
- Sources: TUC and Verisk Financial | Argus

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

Balances £m

<table>
<thead>
<tr>
<th></th>
<th>Total granted</th>
<th>Total active</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal loans</td>
<td>219</td>
<td>31</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>103</td>
<td>26</td>
</tr>
</tbody>
</table>

Of matured payment holidays %

<table>
<thead>
<tr>
<th></th>
<th>Returned to payment</th>
<th>Further treatment/ arrears 18%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total granted</td>
<td>92%</td>
<td></td>
</tr>
<tr>
<td>Total active</td>
<td>95%</td>
<td></td>
</tr>
</tbody>
</table>

1 Excluding balances already on arrears

2 Personal loans & overdrafts
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

Q3 Weightings
- Recovery 30%
- Pandemic Shock 30%
- Pandemic Sustained 40%

FY Weightings
- Upside 5%
- Base 50%
- Downside 45%

…drives prudent weighted average economic assumptions

GDP Annual change %
- 2019: 2%
- 2020: 5%
- 2021: 8%
- 2022: 11%
- 2023: 14%
- 2024: 17%

Unemployment % at quarter end
- 2019: 1%
- 2020: 4%
- 2021: 7%
- 2022: 10%
- 2023: 13%
- 2024: 15%

House price index
- 2019: c.22% weighted average peak to trough

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

Conservative modelled ECL supplemented by PMAs

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

Credit provision balance
£m

<table>
<thead>
<tr>
<th>Sep-19</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>362</td>
<td>186</td>
</tr>
<tr>
<td>49</td>
<td>549</td>
</tr>
<tr>
<td>313</td>
<td></td>
</tr>
</tbody>
</table>

Modelled and individual ECL
Post model adjustments

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
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>
<th>Sep-19</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>67.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 2</td>
<td>12.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage 3</td>
<td>0.9</td>
<td></td>
<td></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-adoption 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
Increased coverage levels across all portfolios

Considerable on-balance sheet provisions; limited write-offs to date

<table>
<thead>
<tr>
<th>Portfolio</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>391bps*</td>
<td>212bps</td>
</tr>
<tr>
<td>Total</td>
<td>£584m</td>
<td>79bps</td>
<td>£72.9bn</td>
<td>£735m</td>
<td>102bps</td>
<td>68bps</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

* Business coverage ratio excludes Government-backed lending balances
Capital levels remain robust – well positioned into 2021

Continue to hold a significant CET1 buffer vs reg. requirement

- Significant c£950m CET1 management buffer relative to CRDIV minimum requirement (also MDA)

- Stable transitional CET1 ratio of 13.4%; fully loaded CET1 ratio declined 70bps to 12.2% reflecting increased impairments

- Limited migration to stage 3 to date; not expected to commence until Government & other support measures roll off in 2021

- Difference between transitional and fully loaded CET1 ratios is expected to narrow somewhat in 2021 subject to economic conditions

Resilient CET1 ratio including transitional relief

1 IFRS 9 transitional basis
Financial Results

ENDA JOHNSON
Interim Chief Financial Officer
Underlying profit impacted by significant impairment provision

<table>
<thead>
<tr>
<th>Underlying P&amp;L (pro forma basis)</th>
<th>12 months to 30 Sep 2020</th>
<th>12 months to 30 Sep 2019</th>
<th>FY20 vs. FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>1,351</td>
<td>1,433</td>
<td>(6)%</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>191</td>
<td>206</td>
<td>(7)%</td>
</tr>
<tr>
<td>Total operating income</td>
<td>1,542</td>
<td>1,639</td>
<td>(6)%</td>
</tr>
<tr>
<td>Total operating and administrative expenses</td>
<td>(917)</td>
<td>(947)</td>
<td>3%</td>
</tr>
<tr>
<td>Operating profit before impairment losses</td>
<td>625</td>
<td>692</td>
<td>(10)%</td>
</tr>
<tr>
<td>Impairment losses on credit exposures</td>
<td>(501)</td>
<td>(153)</td>
<td>(227)%</td>
</tr>
<tr>
<td>Underlying profit before tax</td>
<td>124</td>
<td>539</td>
<td>(77)%</td>
</tr>
<tr>
<td>Net Interest Margin (NIM)</td>
<td>1.56%</td>
<td>1.66%</td>
<td>(10)bps</td>
</tr>
<tr>
<td>Cost of risk</td>
<td>68bps</td>
<td>21bps</td>
<td>47bps</td>
</tr>
<tr>
<td>Underlying cost-to-income ratio</td>
<td>59%</td>
<td>57%</td>
<td>(2)%pts</td>
</tr>
<tr>
<td>Underlying Return on Tangible Equity (ROTE)</td>
<td>0.6%</td>
<td>10.8%</td>
<td>(10.2)%pts</td>
</tr>
<tr>
<td>Underlying Earnings Per Share (EPS)</td>
<td>1.4p</td>
<td>28.1p</td>
<td>(26.7)p</td>
</tr>
</tbody>
</table>
## Underlying profit before tax

<table>
<thead>
<tr>
<th></th>
<th>30 Sep 2020</th>
<th>30 Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration &amp; transformation costs</td>
<td>(139)</td>
<td>(156)</td>
</tr>
<tr>
<td>Acquisition accounting unwinds</td>
<td>(113)</td>
<td>(87)</td>
</tr>
<tr>
<td>Legacy conduct costs</td>
<td>(26)</td>
<td>(433)</td>
</tr>
<tr>
<td>Other items</td>
<td>(14)</td>
<td>(128)</td>
</tr>
<tr>
<td><strong>Total exceptional items</strong></td>
<td><strong>(292)</strong></td>
<td><strong>(804)</strong></td>
</tr>
</tbody>
</table>

## Statutory loss before tax

<table>
<thead>
<tr>
<th></th>
<th>30 Sep 2020</th>
<th>30 Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total exceptional items</strong></td>
<td><strong>(292)</strong></td>
<td><strong>(804)</strong></td>
</tr>
</tbody>
</table>

## Statutory loss after tax

<table>
<thead>
<tr>
<th></th>
<th>30 Sep 2020</th>
<th>30 Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statutory loss after tax</strong></td>
<td><strong>(168)</strong></td>
<td><strong>(265)</strong></td>
</tr>
</tbody>
</table>

## Tangible Net Asset Value (TNAV) per share

<table>
<thead>
<tr>
<th></th>
<th>30 Sep 2020</th>
<th>30 Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible Net Asset Value (TNAV) per share</strong></td>
<td><strong>244.2p</strong></td>
<td><strong>249.2p</strong></td>
</tr>
</tbody>
</table>
## Strong funding position; COVID-related deposit growth

### Growth in relationship deposits, mix well managed

<table>
<thead>
<tr>
<th>Customer deposit balances (£bn)</th>
<th>Sep-19</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>63.8</td>
<td>67.5</td>
</tr>
<tr>
<td>Term deposits</td>
<td>21.4</td>
<td>25.7</td>
</tr>
<tr>
<td>Non-linked savings</td>
<td>20.2</td>
<td>20.7</td>
</tr>
<tr>
<td>Relationship deposits</td>
<td>22.2</td>
<td>21.1</td>
</tr>
</tbody>
</table>

Cost (bps): 98 to 90, LDR: 114% to 107%

### Retain funding flexibility and managing wholesale mix

<table>
<thead>
<tr>
<th>Wholesale funding balances (£bn)</th>
<th>Sep-19</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>18.5</td>
<td>14.2</td>
</tr>
<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>

Cost (bps): 148 to 142, TFS (% of lending): 10% to 7%
Lending balances reflect COVID-19 impacts

**Mortgages £58.3bn**

- Sep-19: 60.1
- Mar-20: 59.5
- Sep-20: 58.3

- Change: (3.0)%

**Business £8.9bn**

- Sep-19: 7.9
- Mar-20: 8.3
- Sep-20: 7.7

- Change: +13.6%

**Personal £5.2bn**

- Sep-19: 5.0
- Mar-20: 5.3
- Sep-20: 5.2

- Change: +3.9%

---

Continue to be selective in pricing focusing on margin over volumes

YoY growth solely driven by Government-guaranteed lending in H2

Resilient balances in high quality Virgin Money credit card portfolio
FY20 NIM in line with guidance; expect broadly stable in FY21

Q4 20 margin recovered as expected due to base rate cut deposit repricing; FY21 NIM expected to be broadly stable

NIM evolution (bps)

<table>
<thead>
<tr>
<th></th>
<th>Q2 20</th>
<th>Lending</th>
<th>Liquidity</th>
<th>Deposits</th>
<th>Wholesale &amp; other</th>
<th>Q3 20</th>
<th>Lending</th>
<th>Liquidity</th>
<th>Deposits</th>
<th>Wholesale &amp; other</th>
<th>Q4 20</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM</td>
<td>1.63%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.47%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.52%</td>
<td>1.56%</td>
<td></td>
</tr>
</tbody>
</table>

(12) (8) 3 (6) 1 (1) 11

Broadly stable FY21 NIM vs FY20 level, based on current economic outlook and rate expectations.
Subdued H2 non-interest income reflecting lower activity

Subdued H2 non-interest income with lower Personal fees

Non-interest income
£m

<table>
<thead>
<tr>
<th>Investments</th>
<th>Mortgages</th>
<th>Gilt sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 20</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Q2 20</td>
<td>47</td>
<td>16</td>
</tr>
<tr>
<td>Q3 20</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Q4 20</td>
<td>26</td>
<td>20</td>
</tr>
</tbody>
</table>

• Lower personal income driven by structural impact of ‘high cost of credit review’ and lower activity based credit card transaction fees

• Business fees declined in Q3 owing to lower activity levels, with Q4 boosted by a one-off £4m gain in relation to a growth finance business sale participation fee

• Mortgage income declined in H2 as lockdown impacted activity levels and associated insurance policy income

• H1 Sale of gilts at attractive market levels; proceeds reinvested into other high-quality liquid assets

• Rebased ASI JV income levels expected to build slowly in time

• Aligned to conservative economic assumptions, currently expect non-interest income to remain subdued in FY21
Delivered on cost reductions despite transformation pause

£30m of net cost savings delivered despite COVID costs…

<table>
<thead>
<tr>
<th>£m</th>
<th>FY18 Net cost savings</th>
<th>FY19 Underlying net cost savings</th>
<th>FY19 COVID-19 costs</th>
<th>FY20 Expected net cost savings</th>
<th>FY21 COVID-19 costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>998</td>
<td>947</td>
<td>14</td>
<td>917</td>
<td>&lt;875</td>
<td></td>
</tr>
</tbody>
</table>

…with good progress on our efficiency initiatives

- 2020 costs benefitted from previous actions taken on costs despite delaying delivery of some our planned 2020 cost initiatives
- Incurred c.£14m of incremental, unplanned COVID-19 costs during 2020 including payment holiday / Government-backed loan scheme system investments, customer service resource costs and home office equipment
- Restarted Transformation programme delivery in July with run-rate savings to support 2021 cost reductions
- Anticipate incurring a further c.£10-15m of ongoing COVID-19 related costs in 2021
- Expect to spend c.£75m of Integration and Transformation costs in 2021 to deliver ongoing programmes and complete re-branding
Capital generation offset by exceptional items

CET1 ratio evolution (bps)

Underlying capital generation 116bps

<table>
<thead>
<tr>
<th>Sep-19</th>
<th>Underlying pre-provision capital generation</th>
<th>Impairment provision impact</th>
<th>Impairment provision regulatory adjustments</th>
<th>RWA growth</th>
<th>AT1 distributions</th>
<th>Integration and transformation costs</th>
<th>Acquisition accounting unwind</th>
<th>Other</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(121)</td>
<td></td>
<td></td>
<td></td>
<td>(28)</td>
<td></td>
<td>(35)</td>
<td>(26)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(47)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.3%</td>
<td></td>
<td>165</td>
<td></td>
<td>(19)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13.4%</td>
</tr>
</tbody>
</table>

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

Underlying capital generation 116bps

<table>
<thead>
<tr>
<th>%</th>
<th>Total capital ratio</th>
<th>UK leverage ratio</th>
<th>MREL ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.1%</td>
<td>20.2%</td>
<td>4.9%</td>
<td>28.4%</td>
</tr>
</tbody>
</table>
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
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

Indicative building blocks (not to scale)
Outlook

DAVID DUFFY
Chief Executive Officer
2021 will see a year of exciting launches and rebranding

- **Exclusive ISA savings**
- **Brighter Money Bundle launch**
- **Home Buying Coach app - Phase 2 launch**
- **Mortgage API Connectivity enhanced**
- **Cashback credit card launch**
- **Launch Club M account**
- **All stores rebranding complete**
- **Virgin Money BCA launch**
- **Buy Now Pay Later Instalment card launch**
- **Balance transfer instalment payment**
- **Improved PCA/SME Onboarding**
- **New BCA linked-saver**
- **Improved mortgage onboarding**
- **Working Capital Health**
- **Integration & rebrand activity complete**

**Timeline:**
- **Sep 2020**
- **H1 FY21**
- **Mar 2021**
- **H2 FY21**
- **Sep 2021**

- **Ongoing customer support due to COVID-19**
We intend to disrupt the UK business banking market

£35m BCR Capability & Innovation grant received – Virgin Money to match fund the investment

Launching a fully re-branded Virgin Money for Business current account with a striking new Premium Debit Card

Building a digital Fintech ecosystem to deliver innovative new services to support businesses banking needs

Introducing our innovative ‘Working Capital Health’ proposition in 2021

Harnessing the power of data & customer networks to improve digitised onboarding
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

Principles

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

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

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

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

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
Delivering our strategy to create value

Business Model

Super Straightforward Efficiency
Targeting significant cost reductions aligned to the evolving operating model to support future returns

Delighted Customers & Colleagues
Accelerating our digital transformation to support future customer acquisition and a more efficient operating platform

Discipline & Sustainability
Managing our risk profile while delivering an efficient capital base over time and delivering returns to investors

Pioneering Growth
Leveraging our digital platform to optimise our balance sheet mix over the medium term

Underpinned by ESG – being a force for good and delivering for all our stakeholders

Expect to deliver double digit statutory returns on tangible equity, assuming no significant further deterioration in expectations for the economic outlook or change in interest rates
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Telephone</th>
<th>Mobile</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Downey</td>
<td>Head of Investor Relations</td>
<td>+44 20 3216 2694</td>
<td>+44 7823 443 150</td>
<td><a href="mailto:andrew.downey@virginmoneyukplc.com">andrew.downey@virginmoneyukplc.com</a></td>
</tr>
<tr>
<td>Richard Smith</td>
<td>Senior Manager, Investor Relations</td>
<td>+44 20 3216 2665</td>
<td>+44 7483 399 303</td>
<td><a href="mailto:richard.smith@virginmoneyukplc.com">richard.smith@virginmoneyukplc.com</a></td>
</tr>
<tr>
<td>Martin Pollard</td>
<td>Investor Relations Manager</td>
<td>+44 191 279 5780</td>
<td>+44 7894 814 195</td>
<td><a href="mailto:martin.pollard@virginmoneyukplc.com">martin.pollard@virginmoneyukplc.com</a></td>
</tr>
</tbody>
</table>
Appendix
We are delivering the disruptive force in banking

- Full personal and business offering
- Multi-product customers
- Primary relationships
- Digital capability and Open Banking
- Trusted brand, loyal customers
- Multiple distribution channels

Better than both

Strengths of a major bank
- Innovative brand & edge
- Customer lifestyle intelligence
- ‘Pay & play’ functionality
- Innovative digital platform

Strengths of a neo bank
- Digital money-management tools
- Limited back-end legacy systems
- Multi-product customers
# 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>£m</th>
<th>at Sep 2020</th>
<th>at Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>58,290</td>
<td>60,079</td>
</tr>
<tr>
<td>Business</td>
<td>8,948</td>
<td>7,876</td>
</tr>
<tr>
<td>Personal</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>Other assets</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>Customer deposits</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>TFS / TFSME</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>
### Relationship deposits - 2020

#### Businesses holding higher BCA balances for liquidity

<table>
<thead>
<tr>
<th></th>
<th>Relationship deposit balances £bn</th>
<th>Cost (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19</td>
<td>6.9 (2.2) 8.9 (2.5)</td>
<td>31</td>
</tr>
<tr>
<td>FY20</td>
<td>9.1 (2.2) 11.5 (2.5)</td>
<td>23</td>
</tr>
</tbody>
</table>

#### Strong PCA and linked savings balance growth under lockdown

<table>
<thead>
<tr>
<th></th>
<th>Relationship deposit balances £bn</th>
<th>Cost (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19</td>
<td>4.3 (8.0) 4.9 (9.4)</td>
<td>29</td>
</tr>
<tr>
<td>FY20</td>
<td>12.3 (4.3) 14.2 (4.9)</td>
<td>28</td>
</tr>
</tbody>
</table>

Balance outlook will in part depend on economic recovery and customer behaviour.

Cost in basis points (bps) and balances in billions of pounds (£bn).
Mortgage Lending – 2020

Mortgage lending location (1)
Stock of mortgage lending

- Rest of South: 32%
- England North: 14%
- England Midlands: 13%
- Greater London: 29%
- Scotland: 9%
- Other: 3%

Loan-to-value of mortgage lending
- 57.3% average LTV of stock mortgage portfolio
- 69.9% average LTV of gross new lending

Gross new mortgage lending volumes (£bn)
- H1 19: 5.7
  - >90%: 0.9
  - 80-90%: 4.8
  - <50%: 0.8
- H2 19: 4.5
  - >90%: 0.8
  - 80-90%: 3.7
  - <50%: 0.8
- H1 20: 4.1
  - >90%: 0.4
  - 80-90%: 3.3
  - <50%: 0.8
- H2 20: 3.0
  - >90%: 0.4
  - 80-90%: 2.6
  - <50%: 0.8

Repayment and borrower profile
Gross new mortgage lending

- BTL - C/I: 3%
- OO - C/I: 69%
- OO - I/O: 3%
- BTL - I/O: 18%
- Other: 3%

Gross new mortgage lending by LTV banding
- 50-80%: 26%
- 80-90%: 5%
- <50%: 14%
- >90%: 5%

(1) Excludes loans where data is not currently available due to front book data matching still to be completed and historic data capture requirements. Other includes Wales, Northern Ireland, Channel Islands and those new accounts where the region might be unknown until collateral matching has occurred.
Business Lending – 2020

Business lending portfolio by industry sector¹

- CRE: 7%
- Housing Associations: 2%
- Business services: 16%
- Agriculture: 16%
- Retail & wholesale trade: 11%
- Gov’t, health & education: 13%
- Manufacturing: 9%
- Hospitality: 8%
- Transport & storage: 4%
- Entertainment: 2%
- Construction: 3%

Other: 9%

Business lending portfolio

- Top 5: 2%
- 6-20 largest: 5%
- Largely/fully unsecured: 33%
- Partially secured: 19%
- Fully secured: 48%

% of book by collateral cover³

% of book by customer exposure

Business banking drawdowns (£bn)

- H1 20: 1.3
- H2 20: 1.8

¹ Sector allocations per ONS Standard Industrial Classification (SIC) codes
² Other includes Utilities, Post & Telecommunications, Personal Services, Finance and other unassigned businesses
³ Excludes the HM Government backed Portfolio
## Risk weighted assets

<table>
<thead>
<tr>
<th></th>
<th>£m at Sep 2020</th>
<th>£m at Sep 2019</th>
</tr>
</thead>
<tbody>
<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>30%</td>
<td>29%</td>
</tr>
<tr>
<td>Total RWAs / assets</td>
<td>27%</td>
<td>26%</td>
</tr>
</tbody>
</table>
ESG: Progress in FY20 and clear focus for FY21

**Fast facts**

- **1.70 GHG emissions intensity ratio**, 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**
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**FY20 Progress**

- Made good progress in reducing our carbon emissions and building our net zero road map. We have a clear plan for a steady reduction in operational emissions (scope 1 and scope 2) over the next five years.
- Worked with Future-Fit to build a benchmarking tool for businesses to measure their progress against UN SDGs. Began work to better understand the carbon intensity of our mortgage book, sourcing EPC data and engaging with external forums.
- Launched the Virgin Money M Account, a basic bank account that’s far from basic. Held our first financial inclusion event for colleagues to underline the importance of being an inclusive bank and help embed our vulnerable customer strategy.
- Made good progress in embedding ESG into our decision making frameworks. Board Risk Committee oversight of climate change and wider ESG principles through the principal and emerging risk framework. ESG working Group established

**Select examples**

- Put our (carbon) foot down
- Build a brighter future
- Open doors
- Straight-up ESG

**FY21 Focus**

- Over the next year we will be working to better understand our indirect emissions (scope 3) and build out a roadmap to reduce the emissions linked to our suppliers and partners.
- Our starting position is strong with low levels of lending to carbon-intensive sectors *(3)* but there remains work to do. We have begun engaging with customers, colleagues and industry forums (including PCAF) to build our plans.
- Partnering with Fair By Design to help identify customers paying a Poverty Premium and provide targeted solutions. We will run a pilot to mitigate energy-related premiums, the biggest driver of overspend for low income households.
- Embedding new ESG operating model and reporting, so our stakeholders can clearly see how ESG informs our decision making. Working to enhance the way ESG is reflected in credit risk policies and disclosure of financial risks from climate change *(3)*.

**Select examples**

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**Targets**

- 5% reduction in operational carbon emissions by 2021 from 2020 baseline
- >75% of our top 100 suppliers to complete CDP Supply Survey in 2021
- 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

*(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.
Fixed income investor appendix
Strong capital with significant buffers above regulatory minimums

### CET1

- **Sep-20 CET1 Ratio**: 13.4% (1)
- **Sep-20 Minimum Requirement**: 9.5% (2)
- **Total Capital Ratio**: 20.2% (1)
- **Sep-20 Minimum Requirement**: 14.9% (2)

**Highlights**
- **3.9% / c.£950m buffer**
- **5.3% / c.£1.3bn buffer**

### Leverage

- **Sep-20 UK Leverage Ratio**: 4.9% (1)
- **Sep-20 BoE Minimum Requirement**: 3.25%

**Highlights**
- **1.65% / c.£1.4bn buffer**

### MREL

- **Sep-20 MREL Resources**: 28.4% (1)
- **Expected 1-Jan-22 MREL Requirement**: 27.3%

**Highlights**
- **1.1% / c.£270m buffer**

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

Capital Conservation Buffer: Pillar 1
Pillar 2A
Capital Conservation Buffer

£0.5-0.75bn of MREL senior debt planned in FY21
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
Well positioned for end-state MREL requirements

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

<table>
<thead>
<tr>
<th>HoldCo Senior</th>
<th>Total Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.20%</td>
<td>20.20%</td>
</tr>
</tbody>
</table>

**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
Significant excess liquidity...

Wholesale Funding (£bn)

<table>
<thead>
<tr>
<th>Sep-19</th>
<th>Sep-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.3</td>
<td>5.4</td>
</tr>
<tr>
<td>1.6</td>
<td>8.8</td>
</tr>
<tr>
<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

...modest 2021 Wholesale Funding requirement

Liquidity Coverage Ratio

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

(1) Bonds issued by supra-nationals and AAA-rated covered bonds
## 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; Stable</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-2</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></td>
<td>27.5</td>
<td>Last update: 21 May 2020; 3.3 point improvement versus previous score</td>
</tr>
<tr>
<td><strong>MSCI</strong></td>
<td></td>
<td>BBB</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

Last update: 21 May 2020; 3.3 point improvement versus previous score

Last update: 27 May 2020; upgraded 1 notch from previous score
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.
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