Financial Results

Richard Smith
Head of Investor Relations
Building momentum with improved profitability

**Balance sheet mix**
- NIM of 1.83% for H1 22 vs 1.62% for FY21; improved FY22 guidance to 1.80% to 1.85%
- Relationship deposits +4% vs. FY21, cost of deposits reduced 12bps vs. FY21
- Stable lending balances with significantly above-market growth in credit cards

**Cost-efficiency**
- H1 22 costs of £456m broadly stable YoY as gross savings mitigate inflation
- Expect FY22 costs to be broadly stable on FY21, including reinvestment
- Substantial improvement in efficiency; underlying cost: income ratio down 9%pts YoY

**Robust asset quality**
- Modest impairment charge in H1 22 of £21m; 6bps cost of risk
- Asset quality remains robust; prudent provision coverage maintained at 66bps
- Updated PMAs include possible impact of affordability stress on existing customers

**Updated capital framework**
- CET1 target range 13%-13.5% long term; expect to operate above that for time being
- Dividend payout of 30% per annum; buybacks subject to ongoing assessment of surplus capital
- Interim dividend of 2.5p per share

**Statutory ROTE**
- 9.1%

**Underlying profit before tax**
- £388m

**Statutory profit before tax**
- £315m

**Robust CET1 ratio**
- 14.7%

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1 IFRS 9 transitional basis
Uncertain economic outlook given higher inflation

CPI: Pick up in inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>6.2%</td>
<td>2.0%</td>
<td>1.1%</td>
<td>1.8%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: Oxford Economics Base Case, August 2021 and February 2022

GDP: outlook is positive for continued growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4 20</th>
<th>Q1 21</th>
<th>Q2 21</th>
<th>Q3 21</th>
<th>Q4 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indexed</td>
<td>110</td>
<td>115</td>
<td>120</td>
<td>125</td>
<td>130</td>
</tr>
</tbody>
</table>

Source: Oxford Economics Base Case, August 2021 and February 2022

Rates: significant yield curve steepening

GBP SONIA swap curve

Source: Bloomberg; curves as at VMUK quarter end

Unemployment: predicted to remain subdued

ILO unemployment rate

Source: Oxford Economics Base Case, August 2021 and February 2022

Pick up in inflation

Recovery continuing

Improved UK rate environment

Stronger labour demand

Uncertain economic outlook given higher inflation

RATES:

Rates:

Significant yield curve steepening

GDP:

Outlook is positive for continued growth

Unemployment:

Predicted to remain subdued

CPI:

Pick up in inflation

GDP:

Outlook is positive for continued growth

Unemployment:

Predicted to remain subdued

Rates:

Significant yield curve steepening

GDP:

Outlook is positive for continued growth

Unemployment:

Predicted to remain subdued

Rates:

Significant yield curve steepening

GDP:

Outlook is positive for continued growth

Unemployment:

Predicted to remain subdued

Rates:

Significant yield curve steepening

GDP:

Outlook is positive for continued growth

Unemployment:

Predicted to remain subdued
Strong growth in unsecured lending

**Mortgages**

<table>
<thead>
<tr>
<th></th>
<th>Sep-21</th>
<th>Dec-21</th>
<th>Mar-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>58.1</td>
<td>57.8</td>
<td>57.8</td>
<td></td>
</tr>
</tbody>
</table>

- (0.5)%

**Business**

<table>
<thead>
<tr>
<th></th>
<th>Sep-21</th>
<th>Dec-21</th>
<th>Mar-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.2</td>
<td>7.0</td>
<td>7.1</td>
<td></td>
</tr>
</tbody>
</table>

- BAU demand starting to return, pipeline building into H2
- 2.7% growth across target segments of BAU Business Lending and Unsecured in H1

**Unsecured**

<table>
<thead>
<tr>
<th></th>
<th>Sep-21</th>
<th>Dec-21</th>
<th>Mar-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4</td>
<td>5.6</td>
<td>5.8</td>
<td></td>
</tr>
</tbody>
</table>

- 7.0%
- Strong growth in high quality credit card portfolio

Continue to be selective in pricing focusing on margin over volumes
Robust asset quality and prudent provisioning

Modest reduction in total provisions

- Updated macro-economic forecasts drives modest reduction in modelled ECL offset by mix change
- Asset quality remains robust, low Stage 3 balances reflecting prudent underwriting; unsecured portfolio focused on affluent customers
- Incorporated impact of higher energy prices into existing prudent underwriting criteria
- Pandemic related PMAs reduced by c.£50m; additional c.£25m PMA for possible impact of affordability stress on existing customers

Maintaining provision coverage above pre-Covid levels

- Coverage remains prudent and significantly above pre-pandemic levels
- Cost of risk in H122 reflects continued strong credit performance; asset quality across all portfolios remains robust
- No significant signs of affordability stress from early warning indicators
- Expect cost of risk to increase in FY22 towards through the cycle level
## Progress made in supporting a more sustainable future

<table>
<thead>
<tr>
<th>Goals</th>
<th>Principles</th>
<th>2030 aspiration</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Put our (carbon) foot down</td>
<td>Reduce the negative impacts of our operations, suppliers and partners on society and the environment</td>
<td>Net zero operational and supplier carbon emissions</td>
<td>✓ Our top 100 suppliers are participating in the Carbon Disclosure Project</td>
</tr>
<tr>
<td>Build a brighter future</td>
<td>Deliver products and services that help our customers make a positive impact on society and the environment</td>
<td>At least 50% reduction in our carbon emissions across everything we finance</td>
<td>✓ On track for 10% YoY energy consumption reduction via focus on energy efficient alternatives (LEDs, green gas)</td>
</tr>
<tr>
<td>Open doors</td>
<td>Work with customers, colleagues &amp; communities to encourage sustainable practices &amp; economic activity that creates shared prosperity</td>
<td>No VM customers pay a Poverty Premium</td>
<td>✓ Net zero operational and supplier carbon emissions</td>
</tr>
<tr>
<td>Straight-up ESG</td>
<td>Align our strategic goals to ESG and embed them in all areas of the business with robust targets, tracking and disclosures</td>
<td>Variable remuneration linked to ESG progress</td>
<td>✓ Rationalisation of property footprint; down c.20% since FY21</td>
</tr>
</tbody>
</table>

### 2030 aspiration:
- **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**

### Highlights:

- **Our top 100 suppliers are participating in the Carbon Disclosure Project**
- **On track for 10% YoY energy consumption reduction via focus on energy efficient alternatives (LEDs, green gas)**
- **Rationalisation of property footprint; down c.20% since FY21**
- **Launched Sustainability-Linked Loans for businesses of all sizes (with no arrangement fee)**
- **Digital Sustainable Business Coach app launched in late 2021, includes new climate risk assessment**
- **On track to increase Greener mortgage lending by 50% YoY**
- **Launched new account opening process to give Ukrainian refugees access to bank accounts; donated £300k to the Disasters Emergency Committee’s (DEC) Ukraine Humanitarian Appeal**
- **Continued focus on developing Poverty Premium measure in partnership with Smart Data Foundry; promoting Turn2Us Benefits Calculator to help over-65's claim entitlements, with over 1,000 calculations now completed**
- **Colleagues raised £200k for Macmillan in H1; VM Foundation made 45 new grants totalling c.£600k in H1**
- **Embedding Climate Risk throughout business processes, undertaken scenario analysis per BoE guidance**
- **ESG scorecard enhanced for 2021 LTIP**
- **Published ESG hub on corporate website**
**FY22 guidance upgraded**

**FY22 financial guidance (updated guidance in italics)**

| **NIM** | FY22 NIM expected to be 180-185bps |
| **Costs** | Underlying costs expected to be broadly stable in FY22 |
| **Cost of risk** | Expect cost of risk to rise towards through the cycle range |
| **Restructuring costs** | Expect c.£275m across FY22-FY24, with around half in FY22 |
| **Capital Return** | FY22 30% dividend payout; buybacks subject to ongoing assessment of surplus capital, market conditions and regulatory approval |

**Medium-term outlook (updated guidance in italics)**

| **RoTE** | Expect to deliver a statutory double digit return in FY24 |
| **Growth** | Above market growth in Business & Unsecured; maintain mortgage share |
| **Income** | Mix-driven NIM expansion; OOI to rise as proportion of income |
| **Gross savings** | Gross cost savings of c.£175m by FY24; c.50% to be reinvested, including offsetting inflation |
| **Costs** | Cost: Income ratio to be <50% |
| **CET1** | CET1 target range 13-13.5% long term; expect to operate above that for the time being |
| **Capital Return** | 30% dividend pay-out supplemented by buybacks, subject to ongoing assessment of surplus capital, market conditions and regulatory approval |
Capital, Funding & Liquidity

Justin Fox
Group Treasurer
Robust capital generation; now excluding software relief

CET1 ratio evolution (bps)

<table>
<thead>
<tr>
<th>Sep-21</th>
<th>Impact of CRR intangible asset relief</th>
<th>Underlying profit</th>
<th>RWAs</th>
<th>AT1 distributions</th>
<th>Restructuring charges</th>
<th>Acquisition unwind</th>
<th>Conduct</th>
<th>Dividend</th>
<th>Other</th>
<th>Mar-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14.4%</td>
<td>(53)</td>
<td>14.9%</td>
</tr>
<tr>
<td>14.4%</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td>103</td>
<td></td>
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<td>(6)</td>
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<td></td>
<td></td>
<td>(10)</td>
<td>(14)</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>(4)</td>
<td>(2)</td>
<td>(25)</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td>(7)</td>
<td></td>
<td>14.7%</td>
</tr>
</tbody>
</table>

Underlying capital generation 87bps

<table>
<thead>
<tr>
<th></th>
<th>Total capital ratio</th>
<th>UK leverage ratio</th>
<th>IFRS 9 Fully Loaded CET1 ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22.0%</td>
<td>5.2%</td>
<td>14.4%</td>
</tr>
<tr>
<td></td>
<td>21.8%</td>
<td>5.1%</td>
<td>14.4%</td>
</tr>
</tbody>
</table>

1 Reflects accrual at 30% payout level 2 Includes AT1 redemption costs 3 IFRS 9 transitional basis
Strong capital with significant buffers above regulatory minima

**CET1**
- Mar-22 CET1 Ratio: 14.7%
- Mar-22 Minimum Requirement: 8.7%

**Total Capital**
- Mar-22 Total Capital Ratio: 21.8%
- Mar-22 Minimum Requirement: 13.6%

**Leverage**
- Mar-22 UK Leverage Ratio: 5.1%
- Mar-22 BoE Minimum Requirement: 3.25%

**MREL**
- Mar-22 MREL Resources: 31.7%
- MREL Requirement: 24.7%

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1. IFRS 9 transitional basis
2. CRD IV Minimum Requirement
3. The PRA has advised the Group that it is subject to a Pillar 2A Total Capital requirement equivalent to 3.1% from 4th October 2021
Well established capital stack

Capital stack breakdown

- **21.8%**
  - Tier 2 4.2% (£1.0bn)
  - AT1 2.9% (£0.7bn)
  - CET1 14.7% (£3.6bn)

Mar-22
- Total Capital Resources 21.8%
- Minimum Requirement 8.7%

MREL in excess of end-state requirement

- **31.7%**
  - HoldCo Senior 9.9%
  - Total Capital 21.8%

Mar-22
- MREL Resources 31.7%
- MREL Requirement 24.7%

- **13.6% Minimum Requirement**
  - Tier 2 Headroom 1.4%
  - Optimal Tier 2 2.8%
  - AT1 Headroom 0.8%
  - Optimal AT1 2.1%
  - CET1 Headroom 6.0%
  - CET1 Minimum Requirement 8.7%

• Intend to manage AT1/Tier 2 buffers in an efficient manner while maintaining headroom above regulatory optimum levels to support future growth aspirations & natural RWA inflation

FY22 issuance plans remain unchanged:

- No incremental capital issuance required given healthy Total Capital ratio – 2022 issuance will be broadly limited to refinancing
- No HoldCo Senior issuance anticipated given current MREL ratio is comfortably in excess of end-state requirements

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1 IFRS 9 transitional basis 2 CRD IV Total Capital Minimum Requirement 3 The Group is required to meet its Pillar 1 and Pillar 2A capital requirements with at least 56.25% CET1 capital, no more than 43.75% AT1 capital and no more than 25% Tier 2 capital. From an optimal perspective, the Group would therefore meet its Pillar 1 and Pillar 2A requirements with 56.25% CET1, 18.75% of AT1 and 25.00% Tier 2. “Optimal AT1” is therefore defined as (Pillar 1 + Pillar 2A) × 18.75% and “Optimal Tier 2” is defined as (Pillar 1 + Pillar 2A) × 25.00%.
Updated capital framework

**Key elements of updated capital framework**

- CET1 target range 13 - 13.5% long term

- Expect to operate above this target range for the time being due to current heightened macroeconomic uncertainty

- 30% full year dividend pay-out

- Interim dividend of 2.5p per share

- Interim dividends expected to represent around 1/3rd of the prior year’s total dividend, beginning H1 2023

- Dividends to be supplemented by buybacks, subject to ongoing assessment of surplus capital, market conditions and regulatory approval

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**Target CET1 range**

- **Mar-22 Transitional CET1 Ratio:** 14.7%
- **Long term CET1 range:**
  - 13% - 13.5%
  - Includes MDA
  - Management Buffer: c.£550-700m
  - 8.7% MDA
  - Expected Countercyclical Buffer: 2.0%
  - Capital Conservation Buffer: 2.5%
  - Pillar 2A: 1.7%
  - Pillar 1: 4.5%
Strong funding position; delivered mix improvement

Growth in relationship deposits, wholesale funding normalising

<table>
<thead>
<tr>
<th>Customer deposit balances £bn</th>
<th>Sep-21</th>
<th>Mar-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>66.9</td>
<td>64.4</td>
</tr>
<tr>
<td>Term deposits</td>
<td>30.6</td>
<td>31.9</td>
</tr>
<tr>
<td>Non-linked savings</td>
<td>21.3</td>
<td>20.8</td>
</tr>
<tr>
<td>Relationship deposits</td>
<td>15.0</td>
<td>11.7</td>
</tr>
</tbody>
</table>

- 4% increase in relationship deposits
- (22)% decrease in non-linked savings

With continued optimisation in mix

- Continuing to optimise funding mix with relationship deposits now c.50% of total customer deposits (FY21: 46%)
- As at H122, the Group had £7.2bn of TFSME outstanding, with all TFS repaid. Represents 8% of Total Assets
- Of this, c.£0.9bn qualifies for tenor extension to 6-10 years in line with scheme rules on Government backed BBL lending
- Conservative repayment profile in advance of contractual maturity to manage refinance risk
- Continue to expect £2-3bn of secured issuance in 2022 - £600m Covered Bond issued in February 2022 and £700m RMBS issuance in April 2022

Wholesale funding balances £bn

<table>
<thead>
<tr>
<th>Wholesale funding balances £bn</th>
<th>Sep-21</th>
<th>Mar-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>13.6</td>
<td>15.5</td>
</tr>
<tr>
<td>Term deposits</td>
<td>5.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Debt securities</td>
<td>7.7</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Funding & Liquidity Metrics

- LCR: 139%
- Loan-to-deposit ratio: 112%
- H122 Increase in Relationship Deposits: 4%

\(^1\) H2 2021
Performed resiliently in inaugural BoE Solvency Stress test

CET1 drawdown lower relative to most peers\(^1\)

| (%) | 3.9 | 4.0 | 5.1 | 6.1 |

BoE key variables

<table>
<thead>
<tr>
<th>Measure</th>
<th>BoE SST 2021(^4)</th>
<th>VM UK(^5) 2022 (f)</th>
<th>VM UK(^5) 2023 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK GDP Growth</td>
<td>(9.0)</td>
<td>2.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Unemployment</td>
<td>11.9</td>
<td>4.5</td>
<td>4.8</td>
</tr>
<tr>
<td>HPI growth</td>
<td>(33)</td>
<td>2.0</td>
<td>(5.5)</td>
</tr>
</tbody>
</table>

Mature Tier 1 bank performance

- Resilient performance with CET1 drawdown of 5.1\(^1\): amongst the lowest relative to peers
- In excess of published reference rate of 6.1% on both transitional and non-transitional basis\(^3\)
- Transitional CET1 remained above MDA throughout the stress period
- No additional capital actions required

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\(^1\) Source: BoE, 2021 Solvency Stress Test results Annex; On a pre-strategic management actions, IFRS9 transitional basis
\(^2\) Aggregate view
\(^3\) The same reference rate of 6.1% applies on a transitional/non-transitional basis as VMUK does not have a systemic risk buffer, and there is no IFRS9 offset applied
\(^4\) Source: BoE, Key elements of the 2021 stress test, start-to-trough metrics
\(^5\) Source: Oxford Economics and company data - GDP (yoy %), Unemployment (average), HPI growth (Q4 to Q4)
\(^6\) Weighted average economic scenarios
Structural hedge supportive to NIM; group positively geared to rising rates

- Increase in gross yield reflects re-investment benefit of c.1/60th of total hedge balance each month at the prevailing 5Y swap rate
- Gross yield does not reflect income from the legacy hedge unwind
- Legacy hedge of c.£15bn at H122 will be fully unwound by FY25; contribution was c.£150m in FY21 and will be c.£120m in FY22
- Size of structural hedge subject to ongoing review of balance stability as market pricing and customer behaviour evolves

The sensitivities assume an immediate 25bps parallel shift in interest rate curves, including the bank base rate and forward rate curve
- Assumes the balance sheet is constant; does not reflect new business margin implications
- Size of structural hedge is calibrated to an assumed level of deposit pass-through; actual level of pass-through could be different in practice
- Year 2 and 3 impacts driven by structural hedge re-investment

- The sensitivities assume an immediate 25bps parallel shift in interest rate curves, including the bank base rate and forward rate curve
- Assumes the balance sheet is constant; does not reflect new business margin implications
- Size of structural hedge is calibrated to an assumed level of deposit pass-through; actual level of pass-through could be different in practice
- Year 2 and 3 impacts driven by structural hedge re-investment
Virgin Money Fixed Income Investment Proposition

Key points

- Currently trade wide of peers in unsecured debt markets; focused on reducing differential supported by;
- Defensive lending portfolio, 80% UK secured mortgages
- Solid asset quality maintained across portfolios with robust coverage above pre pandemic levels
- Strong capital base, with CET1 target range of 13-13.5% long term
- Robust funding and liquidity position
- Resilient performance in inaugural BoE Solvency Stress Test
- Tier 1 firm for regulatory purposes - subject to enhanced governance and oversight requirements, identical to that of larger UK peers

Asset Quality
- 6bps Cost of Risk
- 66bps Coverage Ratio
- 5.1% CET1 drawdown in 2021 SST
- £479m Total Credit Provisions
- 14.7% CET1 Ratio
- 31.7% MREL Ratio
- 13-13.5% CET1 target range long term
- 5.1% UK Leverage Ratio

Capital & Leverage
- 139% Liquidity Coverage Ratio
- 112% Loan to Deposit Ratio
- 4% Increase in Relationship Deposits in H122
- 25.7 Sustainalytics
- 50/100 Moody’s ESG Solutions
- 2030 aspiration for net zero operational and supplier carbon emissions

Sustainable Impact

1 IFRS 9 transitional basis 2 On a pre strategic management actions, IFRS9 transitional basis 3 Formerly Vigeo-Eris (V.E)
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https://www.virginmoneyukplc.com/investor-relations/debt-investors/
Appendix
Issuing entity structure

- The Group has a simple, vertical structure, comprising its holding company and resolution entity, Virgin Money UK PLC, and main operating subsidiary and ring-fenced bank, Clydesdale Bank PLC.
- All external regulatory capital and MREL issued by Virgin Money UK PLC:
  - Virgin Money UK PLC does not have any legacy capital securities.
  - All external regulatory capital and MREL instruments are downstreamed internally to Clydesdale Bank PLC via back-to-back issuance.
- All secured issuance is via Clydesdale Bank PLC; programmes rationalised over the course of 2022:
  - Future issuance will be from the Regulated Covered Bond Programme or Lanark Master Issuer.

1. RMBS issuance via SPVs consolidated as part of Clydesdale Bank PLC.
2. Clydesdale Bank PLC also issues external ‘OpCo’ Senior Unsecured, but currently has none outstanding.
Further opportunities to reduce the cost of the Group’s wholesale funding over time

Upcoming unsecured redemptions (2022-2024) ¹

<table>
<thead>
<tr>
<th>Security</th>
<th>First Call Date</th>
<th>Issue Coupon / Spread</th>
<th>Current Yield / Spread ²</th>
<th>Differential (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT1</td>
<td>£450m AT1</td>
<td>08/12/2022</td>
<td>8.000%</td>
<td>7.061% ³</td>
</tr>
<tr>
<td>AT1</td>
<td>£250m AT1</td>
<td>08/06/2024</td>
<td>9.250%</td>
<td>7.577% ³</td>
</tr>
<tr>
<td>T2</td>
<td>£250m Tier 2</td>
<td>14/12/2023</td>
<td>7.875%</td>
<td>4.532% ³</td>
</tr>
<tr>
<td>MREL</td>
<td>€500m Senior</td>
<td>27/05/2023</td>
<td>MS+85 bps</td>
<td>MS+101 bps</td>
</tr>
<tr>
<td>MREL</td>
<td>£300m Senior</td>
<td>22/06/2024</td>
<td>G+250 bps</td>
<td>G+220 bps</td>
</tr>
<tr>
<td>MREL</td>
<td>€500m Senior</td>
<td>24/06/2024</td>
<td>MS+325 bps</td>
<td>MS+136 bps</td>
</tr>
</tbody>
</table>

³ Yield-to-call

¹ Unsecured debt securities redemption profile based on first call date
² Bloomberg bid data as at 03 May 2022

…well positioned to narrow gap relative to peers

- £700m of AT1, £250m of Tier 2 and c.£1,144m equiv. of MREL Senior approaching first call date over 2022-2024
- Whilst the macro environment has seen secondary spreads widen, current market pricing for VMUK across AT1, Tier 2 and MREL still remains inside the bonds maturing over the 12-24 months
- Focus remains on continuing to compress differential to peers and is supported by resilient performance in inaugural BoE Solvency Stress Test
- This presents an opportunity to continue to reduce the cost of the Group’s wholesale funding over time, benefiting NIM and CET1
# Credit & ESG Ratings

<table>
<thead>
<tr>
<th>Credit &amp; ESG Ratings</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>Baa2 Stable</td>
<td>Baa1 ¹ Stable</td>
<td>All the Group’s ratings now back on Stable outlook having navigated the pandemic with no rating downgrades</td>
</tr>
<tr>
<td></td>
<td>P-2</td>
<td>P-2</td>
<td></td>
</tr>
<tr>
<td><strong>Standard &amp; Poor's</strong></td>
<td>BBB- Stable</td>
<td>A- Stable</td>
<td>Since FY21, ratings and outlook have been affirmed by Moody's and Standard &amp; Poor's citing a solid market position, low stock of problem loans, sound capitalisation, funding and liquidity, and improving performance</td>
</tr>
<tr>
<td></td>
<td>A-3</td>
<td>A-2</td>
<td></td>
</tr>
<tr>
<td><strong>Fitch</strong></td>
<td>BBB+ Stable</td>
<td>A- Stable</td>
<td>Upside potential exists over the medium term as the Group implements its digital strategy, further diversifies the product base and improves profitability</td>
</tr>
<tr>
<td></td>
<td>F2</td>
<td>F2</td>
<td></td>
</tr>
</tbody>
</table>

**Latest Score** | **Prior Score**

| Sustainalytics      | 25.7                | 27.5                | Continued improvement in all ESG Ratings reflecting enhanced public disclosures post FY21 |
| MSCI                | A                   | BBB                  | Last update: September 2021 |
| Moody's ESG Solutions² | 50/100              | 49/100              | Last update: Feb 2022 |

¹ Long-term bank deposit rating ² Formerly Vigeo-Eris (V.E)
Relationship deposits – H1 22

Strong BCA balances supported by improved proposition

Relationship deposit balances
£bn

<table>
<thead>
<tr>
<th></th>
<th>FY 21</th>
<th>H1 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.8</td>
<td>13.1</td>
<td>13.4</td>
</tr>
<tr>
<td>3.3</td>
<td>3.3</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Cost (bps)

<table>
<thead>
<tr>
<th></th>
<th>FY 21</th>
<th>H1 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>8¹</td>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

Continued momentum in PCA and linked savings balances

Relationship deposit balances
£bn

<table>
<thead>
<tr>
<th></th>
<th>FY 21</th>
<th>H1 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.8</td>
<td>17.5</td>
<td>18.4</td>
</tr>
<tr>
<td>6.7</td>
<td>7.5</td>
<td></td>
</tr>
</tbody>
</table>

Cost (bps)

<table>
<thead>
<tr>
<th></th>
<th>FY 21</th>
<th>H1 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>24¹</td>
<td>28</td>
<td></td>
</tr>
</tbody>
</table>

¹ Cost in H2 21

- Business Current Accounts
- BCA Linked Savings
- Personal Current Accounts
- PCA Linked Savings
**Conservative economic scenarios**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Measure</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upside</strong></td>
<td>GDP</td>
<td>5.0%</td>
<td>4.4%</td>
<td>2.4%</td>
<td>2.0%</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>3.7%</td>
</tr>
<tr>
<td></td>
<td>HPI growth</td>
<td>9.7%</td>
<td>1.7%</td>
<td>2.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>Base</strong></td>
<td>GDP</td>
<td>3.8%</td>
<td>2.6%</td>
<td>1.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>4.0%</td>
<td>3.9%</td>
<td>3.8%</td>
<td>3.7%</td>
</tr>
<tr>
<td></td>
<td>HPI growth</td>
<td>5.4%</td>
<td>(0.9)%</td>
<td>0.2%</td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>Downside</strong></td>
<td>GDP</td>
<td>(0.3)%</td>
<td>(0.2)%</td>
<td>1.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>5.6%</td>
<td>6.5%</td>
<td>6.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td></td>
<td>HPI growth</td>
<td>(5.5)%</td>
<td>(14.7)%</td>
<td>(16.5)%</td>
<td>(2.2)%</td>
</tr>
<tr>
<td><strong>Weighted average</strong></td>
<td>GDP</td>
<td>2.5%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td></td>
<td>Unemployment</td>
<td>4.5%</td>
<td>4.8%</td>
<td>4.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td></td>
<td>HPI growth</td>
<td>2.0%</td>
<td>(5.5)%</td>
<td>(5.4)%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Source: Oxford Economics and company data  
\(^1\) GDP (yoy %), Unemployment (average), HPI growth (Q4 to Q4)

**Prudently applied post-model adjustments**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Sep-21 ECL</th>
<th>o/w PMAs</th>
<th>Mar-22 ECL</th>
<th>o/w PMA</th>
<th>Change in PMAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>£87m</td>
<td>£54m</td>
<td>£66m</td>
<td>£42m</td>
<td>£(12)m</td>
</tr>
<tr>
<td>Unsecured</td>
<td>£194m</td>
<td>£35m</td>
<td>£221m</td>
<td>£44m</td>
<td>£9m</td>
</tr>
<tr>
<td>Business</td>
<td>£223m</td>
<td>£118m</td>
<td>£192m</td>
<td>£93m</td>
<td>£(25)m</td>
</tr>
<tr>
<td>Total</td>
<td>£504m</td>
<td>£207m</td>
<td>£479m</td>
<td>£179m</td>
<td>£(28)m</td>
</tr>
</tbody>
</table>

- Remain prudently positioned given uncertain economic environment
- Maintained conservative coverage levels via PMAs
Stable asset quality and provision coverage

Stage 2 reduction; Stage 3 proportion unchanged

- Mortgages drove c.£2bn of stage 2 reduction, reflecting combination of lower modelled ECL and reduction of PMAs
- Stage 3 remained stable at 1%

Provision coverage remains strong

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>15bps</td>
<td>£58.1bn</td>
<td>£66m</td>
<td>11bps</td>
<td>(7)bps</td>
</tr>
<tr>
<td>Unsecured</td>
<td>380bps</td>
<td>£6.2bn</td>
<td>£221m</td>
<td>404bps</td>
<td>257bps</td>
</tr>
<tr>
<td>o/w cards</td>
<td>379bps</td>
<td>£5.1bn</td>
<td>£199m</td>
<td>422bps</td>
<td>330bps</td>
</tr>
<tr>
<td>o/w loans &amp; overdrafts</td>
<td>386bps</td>
<td>£1.1bn</td>
<td>£22m</td>
<td>297bps</td>
<td>(157)bps</td>
</tr>
<tr>
<td>Business</td>
<td>306bps(^1)</td>
<td>£8.1bn</td>
<td>£192m</td>
<td>258bps(^1)</td>
<td>(64)bps</td>
</tr>
<tr>
<td>Total</td>
<td>70bps</td>
<td>£72.4bn</td>
<td>£479m</td>
<td>66bps</td>
<td>6bps</td>
</tr>
</tbody>
</table>

1 Government-guaranteed loan balances excluded for purposes of calculating the Business division coverage ratio

- Refreshed economics reflect improvement in the outlook
- PMAs reflecting economic uncertainty
- Low cost of risk in H1 as no credit deterioration
Mortgages: low LTV, high quality portfolio

A prime book, originated under the highest standards
- Consistent, post-MMR prudent underwriting; no sub-prime/self-cert
- Appropriate, tailored buffers for living costs in affordability assessment
- Arrears lower than industry (0.4% vs 0.81%)

Owner-occupied (74%)
- Average LTV is 54.5%; <0.5% is >90% LTV
- Prudent average LTI; 3.2x in H1 22

Buy-to-let (26%)
- Average LTV is 54.4%; max LTV of 80% for new lending
- Conservative rental and borrower income requirements

Low LTV and geographically diversified

Loan-to-value of mortgage lending

Stock
- >90% LTV
- 75-90% LTV
- 50-75% LTV
- <50% LTV

Average LTV
- Stock 54%
- Flow 69%

Mortgage stock lending location
- Scotland 8%
- England Midlands 12%
- England North 13%
- Rest of South 32%
- Other 6%

1 3m+ arrears; Source: UK Finance, as at Feb-22. 2 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: defensively positioned, granular book

Business lending portfolio by industry sector

- Agriculture: 16%
- Retail & wholesale trade: 11%
- Business services: 14%
- CRE: 8%
- Hospitality: 8%
- Manufacturing: 9%
- Transportation & storage: 3%
- Entertainment: 4%
- Gov't, health & education: 13%
- Other: 12%

Business banking drawdowns

- Q2 21: £290m
- Q3 21: £317m
- Q4 21: £340m
- Q1 22: £404m
- Q2 22: £484m

- Top 5: 2%
- 6-20 largest: 5%
- Other: 93%

- Largely/fully unsecured: 32%
- Fully secured: 49%
- Partially secured: 19%

Business lending portfolio

- CRE: 6%
- Housing Associations: 2%
- Hospitality: 8%
- Manufacturing: 9%
- Retail & wholesale trade: 11%
- Business services: 14%
- Construction: 3%
- Transport & storage: 4%
- Entertainment: 2%
- Gov't, health & education: 13%
- Other: 12%

Micro / smaller SMEs

- c.$7bn
- c.$1.3bn

- c.15% of lending customers
- c.85% of balances
- Turnover typically >£2m - £100m
- Average loan size c.$1m

- c.85% of lending customers
- c.15% of balances
- Turnover typically <£2m
- Average loan size c.$30k

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
4 Total funds advanced to customers from agreed lending facilities during the period
Unsecured: asset quality & origination discipline maintained

**Affluent customers able to absorb higher living costs**

<table>
<thead>
<tr>
<th>Average customer age</th>
<th>£42k</th>
</tr>
</thead>
<tbody>
<tr>
<td>% homeowners</td>
<td>71%</td>
</tr>
<tr>
<td>% self-employed</td>
<td>9%</td>
</tr>
<tr>
<td>% debt to income</td>
<td>24%</td>
</tr>
<tr>
<td>% persistent debt</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

**Credit Cards:**

- c.2.5m accounts; c.95% of balances originated through VM brand
- VMUK arrears at 1.2% (FY21: 1.1%) vs industry\(^1\) of 1.5%; VMUK BT arrears of 1.0%; non-BT arrears of 1.6%
- Balance transfers c.2/3s of cards portfolio; c.19% balances maturing from promo periods in next 6 months
- Prudent risk appetite reflected in high acquisition cut-offs, focus on high resilience segments; affordability stressed on fully drawn line at 33.9% APR
- Diversification strategy has seen limited acquisition (c.1% H1 22 card lending) of customers with historic impaired credit, via appropriate pricing for risk
- Appropriate, tailored buffers for current and expected living cost increases are factored into affordability assessments

**Personal Loans:**

- c.110k direct customers, prime loan book
- Only sold to existing customers; limited appetite for potentially lower resilience segments i.e. self-employed & higher indebtedness
- Strong customer profiles (c.75% homeowners and low% self employed)
- Loan and overdraft 2+ arrears at 1.4% (FY21: 1.2%)

**High quality cards book: well positioned for uncertainty**

**High quality origination: via prudent underwriting standards**

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

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Virgin Money brand</td>
<td>97%</td>
<td>96%</td>
<td>95%</td>
<td>96%</td>
<td>93%</td>
<td>93%</td>
</tr>
<tr>
<td>Industry</td>
<td>94%</td>
<td>96%</td>
<td>95%</td>
<td>95%</td>
<td>93%</td>
<td>94%</td>
</tr>
<tr>
<td>VM(^2)</td>
<td>92%</td>
<td>92%</td>
<td>92%</td>
<td>92%</td>
<td>92%</td>
<td>92%</td>
</tr>
</tbody>
</table>
| Source: Industry data Verisk Financial | Argus. Dec 21; Industry comparators covering c.90-95% of the UK cards market and verified vs. UK Finance published figures

**Credit cards customer profile**

<table>
<thead>
<tr>
<th>VM(^2)</th>
<th>Industry average(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average customer age</td>
<td>42</td>
</tr>
<tr>
<td>Average income</td>
<td>£42k</td>
</tr>
<tr>
<td>% homeowners</td>
<td>71%</td>
</tr>
<tr>
<td>% self-employed</td>
<td>9%</td>
</tr>
<tr>
<td>% debt to income</td>
<td>24%</td>
</tr>
<tr>
<td>% persistent debt</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

\(^1\) Arrears defined as 2+ cycles past due; Industry data Verisk Financial | Argus to Dec-21  
\(^2\) Customers originated through VM brand since 2015; data as at Mar-22  
\(^3\) Sources: TUC and Verisk Financial | Argus  
\(^4\) Persistent debt reflects total combined portfolio; data as at Jan-22
## Balance sheet

<table>
<thead>
<tr>
<th></th>
<th>at Mar 2022</th>
<th>at Sep 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>57,798</td>
<td>58,104</td>
</tr>
<tr>
<td>Business</td>
<td>8,263</td>
<td>8,477</td>
</tr>
<tr>
<td>Personal</td>
<td>5,793</td>
<td>5,415</td>
</tr>
<tr>
<td><strong>Total customer loans</strong></td>
<td><strong>71,854</strong></td>
<td><strong>71,996</strong></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>14,676</td>
<td>15,035</td>
</tr>
<tr>
<td>Other non-financial assets</td>
<td>2,079</td>
<td>2,069</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>88,609</strong></td>
<td><strong>89,100</strong></td>
</tr>
<tr>
<td>Customer deposits</td>
<td>64,386</td>
<td>66,870</td>
</tr>
<tr>
<td>Wholesale funding (excl. TFS / TFSME)</td>
<td>8,297</td>
<td>7,702</td>
</tr>
<tr>
<td>TFS / TFSME</td>
<td>7,200</td>
<td>5,894</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>3,158</td>
<td>3,161</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>83,041</strong></td>
<td><strong>83,627</strong></td>
</tr>
<tr>
<td>Equity and reserves</td>
<td>5,568</td>
<td>5,473</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td><strong>88,609</strong></td>
<td><strong>89,100</strong></td>
</tr>
</tbody>
</table>
Risk weighted assets

<table>
<thead>
<tr>
<th></th>
<th>at Mar 2022</th>
<th>at Sep 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>10,023</td>
<td>10,010</td>
</tr>
<tr>
<td>Business</td>
<td>6,007</td>
<td>6,040</td>
</tr>
<tr>
<td>Personal</td>
<td>4,602</td>
<td>4,311</td>
</tr>
<tr>
<td>Other</td>
<td>901</td>
<td>1,182</td>
</tr>
<tr>
<td><strong>Total credit risk</strong></td>
<td><strong>21,533</strong></td>
<td><strong>21,543</strong></td>
</tr>
<tr>
<td>Credit valuation adjustment</td>
<td>61</td>
<td>103</td>
</tr>
<tr>
<td>Operational risk</td>
<td>2,481</td>
<td>2,481</td>
</tr>
<tr>
<td>Counterparty risk</td>
<td>109</td>
<td>105</td>
</tr>
<tr>
<td><strong>Total RWAs</strong></td>
<td><strong>24,184</strong></td>
<td><strong>24,232</strong></td>
</tr>
<tr>
<td>Total loans</td>
<td>71,854</td>
<td>71,996</td>
</tr>
<tr>
<td>Credit RWAs / total loans</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Total RWAs / assets</td>
<td>27%</td>
<td>27%</td>
</tr>
</tbody>
</table>
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